

**Nestlé India Limited**

(CIN : L15202DL1959PLC003786)

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



**BM: PKR: 24:19**

**12.03.2019**

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

**Scrip Code - 500790**

**Subject : Regulation 34 - copy of the Notice of 60<sup>th</sup> Annual General Meeting & Annual Report for the year 2018**

Dear Sir,

This is further to our letter no. BM:PKR:05:19 dated 14<sup>th</sup> February, 2019 regarding convening of the 60<sup>th</sup> Annual General Meeting of the Company on Thursday, 25<sup>th</sup> April, 2019.

Please find enclosed copy of the Notice of the 60<sup>th</sup> Annual General Meeting and Annual Report for the year 2018 being despatched/sent to the members 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. MURLI**

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

**Encl.: As above**

# Building For a Healthier Future



## The Board of Directors of Nestlé India Limited



(From left to right)

Shobinder Duggal (Director - Finance & Control and CFO)

Rakesh Mohan (Non Executive Director)

Rajya Vardhan Kanoria (Non Executive Director)

Swati A. Piramal (Non Executive Director)

Suresh Narayanan (Chairman & Managing Director)

Rama Bijapurkar (Non Executive Director)

Roopa Kudva (Non Executive Director)

Ashok Kumar Mahindra (Non Executive Director)

B. Murlu (SVP - Legal & Company Secretary)

Martin Roemkens (Director - Technical)

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The health of our Company is intrinsically linked to the health and resilience of the society we operate in.

We aim to make a positive impact and create maximum value for the communities.

We focus on enabling healthier and happier lives for individuals and families, helping develop thriving and resilient communities and stewarding the planet's natural resources for future generations.





## Dear Shareholders

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2018 has been memorable and a year of many 'firsts'. We started the year on a bright note, as by the end of 2017 we became the first listed pure play food and beverage Company in India to reach a milestone crossing INR 10,000 crore in revenue. This historic milestone signifies the strength of our 106-year old business in India and will serve as a moment of inspiration as we continue to build for a healthier future. It is clear that a healthier future requires a healthier business and a healthier society, and my team and I are fully committed to this. We continued to build trust with consumers and communities by being responsible, transparent and maintained our focus on building long term relationships.

Consumers have always been at the heart of our initiatives. We continued to offer exciting new product categories by introducing NESPLUS Breakfast Cereals, MAGGI Nutri-licious Baked Noodles, MAGGI Dip & Spread, NESCAFÉ Ready-to-Drink Cans, NESCAFÉ É Smart Coffee Machine and EVERYDAY Chai Life.

In all our initiatives we were provided valuable support by Nestlé Group's unmatched Research and Development network. Your Company has access to thousands of brands and technologies developed by the global network of Research and Development centres, including the one at Manesar, Haryana. Nestlé Group has also provided immense support in almost all areas of operation be it practices related to human resources, operational efficiencies, information technology or various initiatives with communities. I am grateful to Nestlé Group for their support over the past decades with brands, technology and expertise to establish the strong and durable foundations of your Company.

As a responsible and responsive corporate citizen, we stepped up our initiatives towards plastic waste management. One of the initiatives we launched last year was '2 Minute Safaai Ke Naam'. This included a pilot project in Dehradun and Mussoorie wherein consumers were given a packet of MAGGI Noodles for every 10 MAGGI noodle wrappers they return. We have also set up eco-warriors within the organization, wherein employees are doing their own bit on spreading consumer education and awareness. At the same time we have taken steps to recycle the plastic waste in 12 states. The journey is continuing and we are making our best endeavor to have plastic neutrality in next few years. I am deeply inspired by my colleagues and external partners who resonate and dedicate their efforts to this purpose of reducing the impact of plastic in the environment.

At Nestlé India, we believe in enabling a healthier society through various on the ground initiatives. We recently celebrated the completion of three years of Project JAGRITI in association with MAMTA Health Institute

for Mother and Child. It has reached out to over 4.5 million beneficiaries on creating awareness in the communities on issues related to health, nutrition, and sanitation (HNS), in alignment with the national goals. Nestlé Healthy Kids has a program which creates awareness on nutrition and lifestyle, and has reached out to over 2.8 lakh adolescents.

At Nestlé India, we believe in the power of long term relationships. In addition to our own employees, we work with hundreds of partners, thousands of suppliers and millions of farmers around the world. Our collective aim is to help develop thriving and resilient communities as part of a secure, long-term supply chain.

The consumer landscape is evolving rapidly across India. It is important to engage the many 'India's' within India, where every 100 kilometers, people experience a different India and diverse consumer behaviour. Brands need to embrace the varied needs, habits and perception of our rich consumer base, by engaging with them through localisation and personalisation of their product offering. We therefore adopted the regional cluster approach for increased penetration leading to volume-led growth.

The country is evolving into new modes for consumption trying out new things, new experimentations, new lifestyles and new cuisines. We will accelerate innovation and renovation to participate in the consumer journey by focussing on our core values and purpose of **'enhancing quality of life and contributing to a healthier future'**. The future of our brands at Nestlé India continue to be exciting and our collective energies are focused to harness the many opportunities to build a healthier future for our consumers and thus make our small contribution to the well-being of the nation. In this context, the support from Nestlé Group is essential and we look forward to continued access to latest state of the art technologies developed by the group along with worldwide brands and processes developed in many relevant areas.



Suresh Narayanan  
Chairman & Managing Director  
Nestlé India Limited

# Enhancing Quality of Life and Contributing to a Healthier Future



Clean Drinking Water Facilities: Over 136,000 beneficiaries



Nutrition Counselling



Training Over 14,000 Street Food Vendors



Nestlé Healthy Kids Programme: Over 280,000 beneficiaries



Enduring Partnerships



Healthier Future



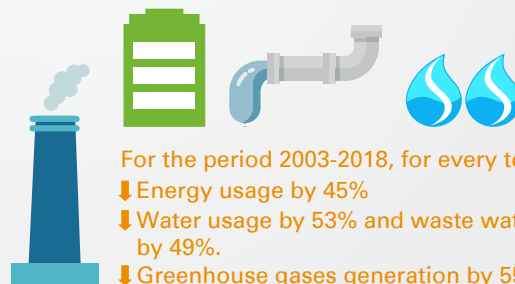
Engaging 2500+ Coffee Farmers & around 100,000 Dairy and 1,250 Spice Farmers



Continuous Effort of Fortifying Products



Fortified with Iron, Vitamin A & Iodine



For the period 2003-2018, for every tonne produced:

- ↓ Energy usage by 45%
- ↓ Water usage by 53% and waste water generation by 49%
- ↓ Greenhouse gases generation by 55%

Leading the way to a waste-free future. Making 100% of our packaging recyclable or reusable by 2025.



## Building a Healthier Society

Healthier Community, Healthier Environment

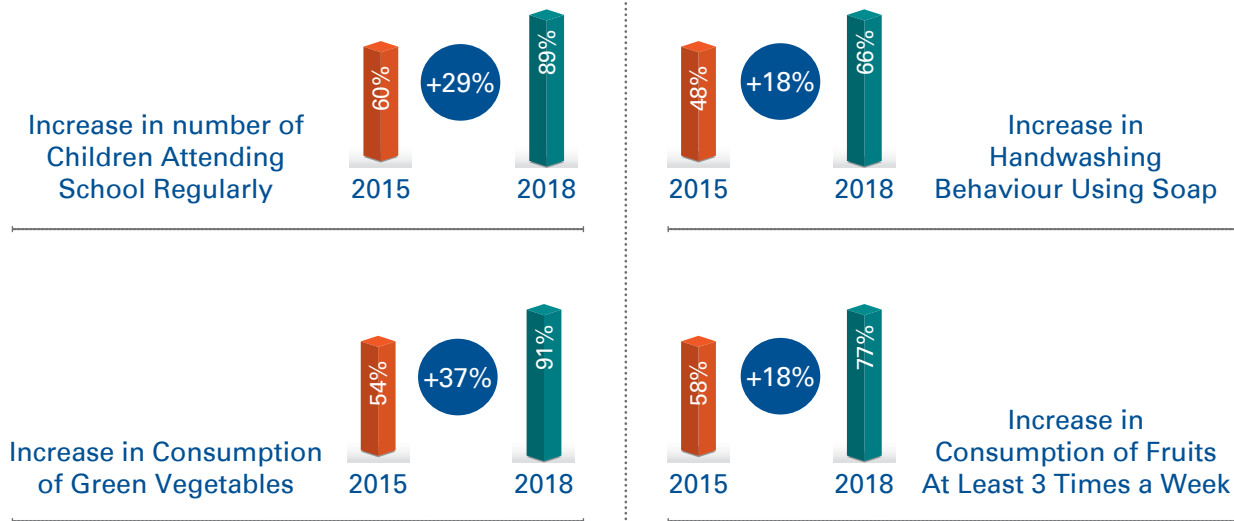
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We strongly believe that for a business to prosper, the society in which it operates must also be healthy.



# Bringing Smiles With Nestlé Healthy Kids Programme

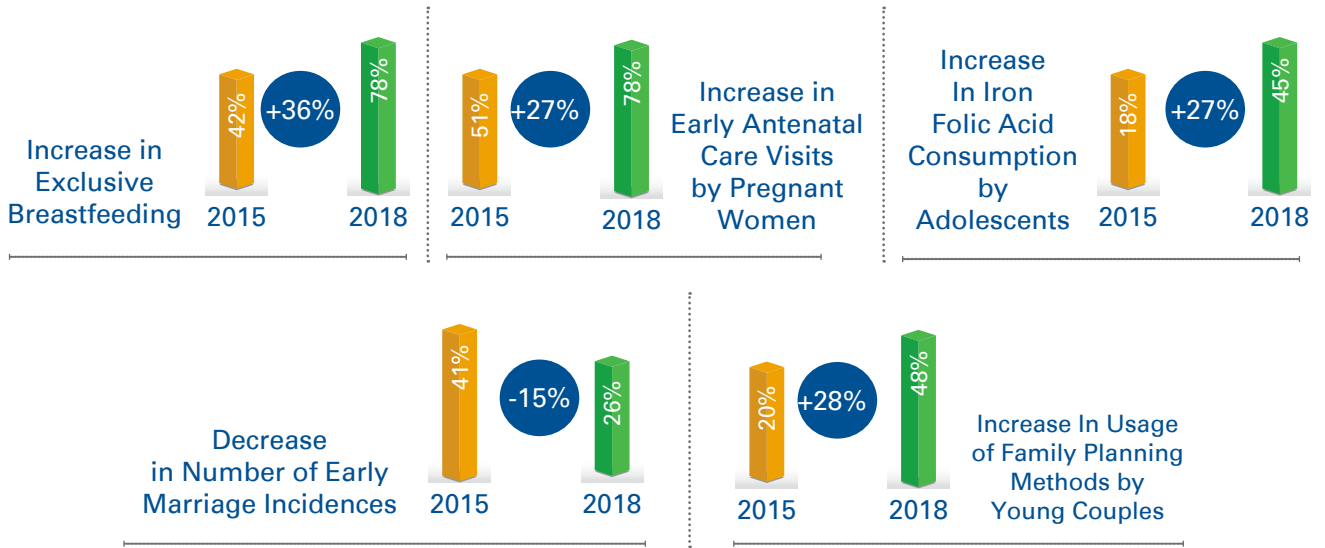
## Impact



280,000 adolescents benefitted across 22 states

# Towards a Healthier Nation - Project JAGRITI

## Impact



4.6 million beneficiaries across 8 states/ UT (1.5 million direct, 3.1 million indirect)



## From a Drop of Milk to Rivers of Milk

- The Moga model follows global best practices in dairy farming
- Over 70,000 women dairy farmers are engaged through capacity building programme
- Farmers gain by veterinary services, technical assistance, medical camps, breeding, feeding, milk hygiene & milk quality

**Around 100,000 dairy farmers working as partners in growth**

## Every Bean Chosen With Care - NESCAFÉ Plan

- Sustainable relations developed over the years
- Identified farmers for quality, compliance & 4C Certification (Common Code for the Coffee Community)
- Assisting in improving farm economics (higher productivity, optimized cost of production and increased quality)

**Supporting over 2,500 coffee farmers**



## Clean Drinking Water Projects

Nestlé India is committed to not only reducing its water footprint, but also championing the cause of water stewardship and raising awareness on water management across its value chain.

260 water facilities, benefitting over 136,000 students



## Sanitation Facilities For Girl Students

Sanitation facilities for girl students has a direct impact on the attendance of girls in schools.

550 sanitation facilities, benefitting over 180,000 girl students



## Project Serve Safe Food

The project focuses on food safety and hygiene awareness in order to control food borne diseases. Also contributing in enhancing livelihoods.

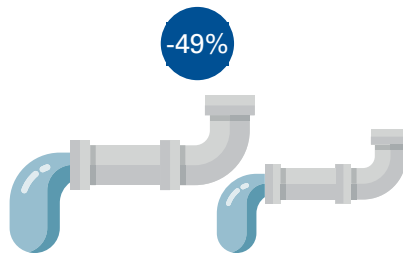
Over 14,000 street food vendors in 12 states

# An Abiding Commitment to The Environment



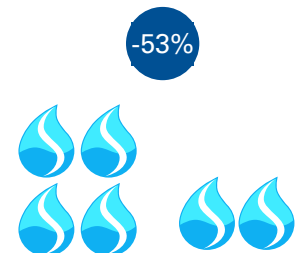
Year 2003    Year 2018

Energy usage (GJ/tonne) per tonne of production



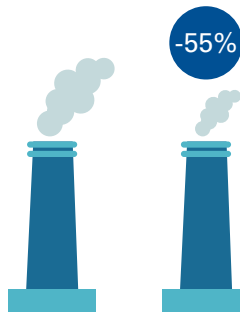
Year 2003    Year 2018

Waste water generation per tonne of production



Year 2003    Year 2018

Water usage per tonne of production



Year 2003    Year 2018

Generation of greenhouse gases per tonne of production

For the period 2003-2018, for every tonne produced, the Company has reduced the usage of energy by 45%, reduced water usage by 53%, reduced the generation of greenhouse gases by 55% and the generation of waste water by 49%.

# Plastic Waste Management

Developing waste management systems

Behaviour change with responsible communication

Reducing the use of plastics and developing alternate packaging material

The employees volunteered to interact with waste picker communities and also painted their houses with bright colours as a symbol of respect towards them



This year we managed approximately 5,986 Metric tonnes of post-consumer multi layered packaging waste as a part of our commitment as Extended Producers' Responsibility.





# Building a Healthier Business

Healthier Products, Healthier People

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Leading the Nestlé Way: Learn Global, Act Local

NESTLÉ Group's Research and Development unmatched capabilities and expertise continued to support us. Under the General License Agreements, we have ongoing access to:

- ◆ Global portfolio of several brands and patents
- ◆ Proprietary technologies and know-how developed by the global network of R&D centres
- ◆ Expertise across operations, commercial and support functions

## Nestlé Group Investing in Science to Drive Innovation in India



- ◆ 31 R&D Centres across 5 continents (Including one in India)
- ◆ Over 4,500 people involved globally in scientific research



# Manufacturing Citadels of Nestlé India

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**1961** manufacturing facility set up in Moga, Punjab



**1967** manufacturing facility set up at Choladi, Tamil Nadu



**1989** manufacturing facility set up in Nanjangud, Karnataka



**1993** manufacturing facility set up in Samalkha, Haryana



**1995** manufacturing facility set up in Ponda, Goa



**1997** manufacturing facility set up in Bicholim, Goa



**2006** manufacturing facility set up in Pantnagar, Uttarakhand

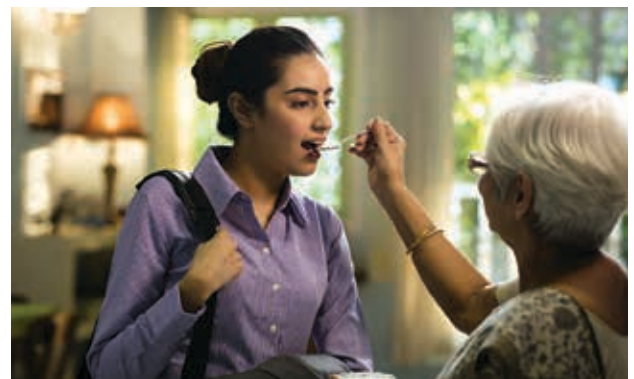


**2012** manufacturing facility set up in Tahliwal, Himachal Pradesh

# Continuing Our Innovation Journey

Delighting consumers with around 40 innovations in last 3 years

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# Harnessing Opportunity Through Focused Cluster Approach



# Corporate Information

## BOARD OF DIRECTORS

Suresh Narayanan (DIN:07246738)	- Chairman & Managing Director
Shobinder Duggal (DIN:00039580)	- Director - Finance & Control and CFO
Martin Roemkens (DIN:07761271)	- Director - Technical
Rama Bijapurkar (DIN:00001835)	- Independent Non-Executive Director
Rajya Vardhan Kanoria (DIN:00003792)	- Independent Non-Executive Director
Roopa Kudva (DIN:00001766)	- Independent Non-Executive Director
Ashok Kumar Mahindra (DIN:00916746)	- Independent Non-Executive Director
Rakesh Mohan (DIN:02790744)	- Independent Non-Executive Director
Swati A. Piramal (DIN:00067125)	- Independent Non-Executive Director

## BOARD COMMITTEES:

### AUDIT COMMITTEE

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

### STAKEHOLDERS RELATIONSHIP COMMITTEE

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

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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

### NOMINATION AND REMUNERATION COMMITTEE

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

### RISK MANAGEMENT COMMITTEE

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

## AUDITORS

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

## BANKERS

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

## WEBSITE

www.nestle.in

## INVESTOR EMAIL ID

investor@in.nestle.com

## MANAGEMENT COMMITTEE

Suresh Narayanan	- Chairman & Managing Director
Shobinder Duggal	- Finance & Control and CFO
Martin Roemkens	- Technical
Amit Narain	- Human Resources
Arvind Bhandari	- Nutrition
Ashish Pande	- Supply Chain
B. Murli	- Legal & Company Secretary
Hari Nariani	- ISIT/Nestlé Business Excellence
Nikhil Chand	- Foods, Confectionery
Rashi Goel	- Communications
Ravi Ramchandran	- Sales
Ritanbara Mundrey	- Consumer Insights
Sanjay Khajuria	- Corporate Affairs
Sunayan Mitra	- Beverages
Sushrut Nallulwar	- Nestlé Professional
Vineet Singh	- Dairy

## CORPORATE IDENTITY NUMBER

L15202DL1959PLC003786

## REGISTERED OFFICE

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

## HEAD OFFICE

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

## BRANCH SALES OFFICES

- 3rd Floor, Chimes, Plot No. 142P, Sector 44, Gurugram 122003
- KRM Plaza, 1<sup>st</sup> Floor, North Tower No. 2, Harrington Road, Chetpet, Chennai – 600 031.
- Tower "A", 9<sup>th</sup> Floor, DLF IT Park, 08, Major Arterial Road, Block – AF, New Town, Rajarhat, Kolkata - 700 156
- 1<sup>st</sup> Floor, ICC Chambers, Near Saki Vihar Telephone Exchange, Saki Vihar Road, Powai, Mumbai - 400 072

## FACTORIES

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

## REGISTRAR & TRANSFER AGENTS

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

## LISTING OF EQUITY SHARES (Listing Fees paid)

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

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

Thursday, 25<sup>th</sup> April, 2019 at 10:00 A.M. at  
Air Force Auditorium, Subroto Park, New Delhi - 110 010

## FINANCIAL YEAR

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

## 10 - Year Financial Highlights

In millions (except otherwise stated)

	2018	2017	2016	2015*	2014	2013	2012	2011	2010	2009
<b>Results</b>										
Sales	<b>1,12,162</b>	1,01,351	94,096	81,233	98,063	90,619	83,023	74,908	62,547	51,294
Profit from Operations	<b>23,509</b>	18,305	16,542	13,338	17,926	16,941	15,400	13,840	11,387	9,167
as % of Sales	<b>21</b>	18	18	16	18	19	19	18	18	18
Profit after Tax	<b>16,069</b>	12,252	10,014	5,633	11,847	11,171	10,679	9,615	8,187	6,550
as % of Sales	<b>14</b>	12	11	7	12	12	13	13	13	13
<b>Balance Sheet and Cash flow Statement</b>										
Shareholders Fund	<b>36,737</b>	34,206	32,823	28,178	28,372	23,687	17,984	12,740	8,554	5,813
Return on Average Equity (%)	<b>45</b>	37	33	20	46	54	70	90	114	124
Operating Cash flow	<b>20,525</b>	18,178	14,659	10,981	16,440	17,964	16,934	11,582	10,368	9,279
as % of Sales	<b>18</b>	18	16	14	17	20	20	15	17	18
Capital Expenditure	<b>1,628</b>	1,959	1,133	1,493	4,044	3,282	9,744	15,552	4,459	2,552
as % of Sales	<b>1</b>	2	1	2	4	4	12	21	7	5
<b>Data per Share</b>										
Earnings per share (₹)	<b>166.7</b>	127.1	103.9	58.4	122.9	115.9	110.8	99.7	84.9	67.9
Dividend per share (₹)	<b>115.0</b>	86.0	63.0	48.5	63.0	48.5	48.5	48.5	48.5	48.5
<b>Market capitalisation, end December</b>	<b>1,07,091</b>	75,638	58,137	56,153	61,511	51,074	48,115	40,231	36,592	24,566
<b>Number of employees</b>	<b>7,604</b>	7,527	7,588	7,495	7,228	7,159	7,008	6,639	5,573	4,983

Figures from 2016 onwards are as per Ind AS. Effective 1 July 2017, Sales are not comparable due to change in structure of Indirect taxes.

\*Impacted by MAGGI Noodles issue

## Board's Report - 2018

Dear Members,

Your Directors are pleased to present their report and financial statements for the year ended 31<sup>st</sup> December, 2018.

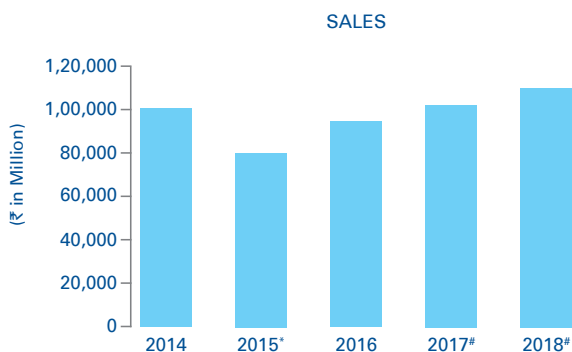
### Financial Results and State of Company's Affairs

(₹ in Million)

Particulars	2018	2017
Sale of products	112,162.3	101,351.1
Add : Other operating revenues	760.4	570.7
Add : Other Income	2,589.2	1,769.2
<b>Total Income</b>	<b>115,511.9</b>	<b>103,691.0</b>
Less : Total Expense	91,222.4	85,298.0
<b>Profit before tax</b>	<b>24,289.5</b>	<b>18,393.0</b>
Less: Tax expense	8,220.2	6,141.1
<b>Profit after tax #</b>	<b>16,069.3</b>	<b>12,251.9</b>
Add : Other Comprehensive Income	(404.1)	(889.8)
<b>Total Comprehensive Income</b>	<b>15,665.2</b>	<b>11,362.1</b>
<b>Opening balance in Retained Earnings</b>	<b>25,054.5</b>	<b>23,689.3</b>
<b>Amount available for appropriation</b>	<b>40,821.8</b>	<b>35,034.0</b>
Interim dividends 2018: ₹90.00 per share 2017: ₹63.00 per share	8,677.4	6,074.2
Final dividends 2017: ₹23.00 per share 2016: ₹23.00 per share	2,217.6	2,217.6
Less: Dividend distribution tax	2,238.7	1,687.7
<b>Closing balance in Retained Earnings</b>	<b>27,688.1</b>	<b>25,054.5</b>
<b>Key ratios:</b>		
Earnings per share (₹)	166.67	127.07
Dividend per share (₹)		
Interim	90.0	63.0
Proposed - Final	25.0	23.0
#Profit from operations	23,508.6	18,304.8

Reported Total Sales and Domestic Sales for the year increased by 10.7% and 10.9%, respectively. These growth rates are adversely impacted due to lower reported sales by the change in structure of indirect taxes. Domestic

Sales growth is volume led and broad based. "Export Sales" increased by 6.9%.

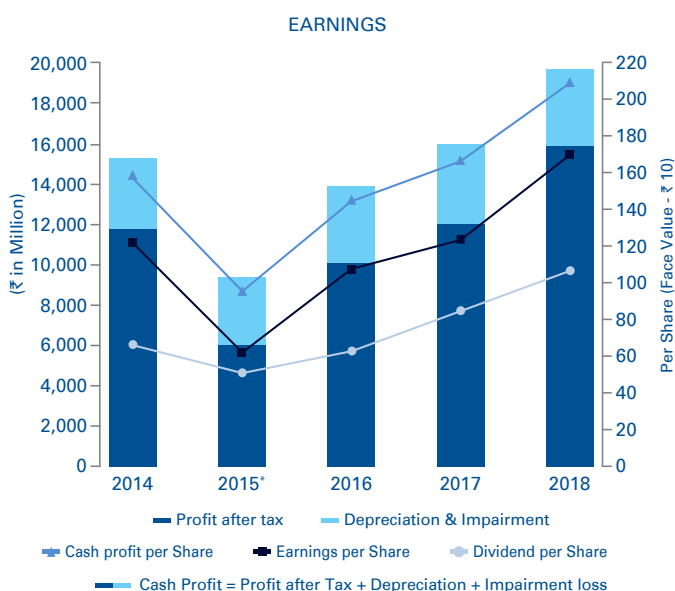


\*Impacted by MAGGI Noodles issue

Figures from 2016 onwards are stated as per Ind AS

\*Sales are not comparable Refer note 4 of the financial statements

Other Income has increased due to higher average liquidities as well as higher yields. The Impairment loss on property, plant and equipment of ₹110.8 million relates to various items of plant and machinery and building that have been brought down to their recoverable values upon evaluation of future economic benefits from their use.



\*Impacted by MAGGI Noodles issue

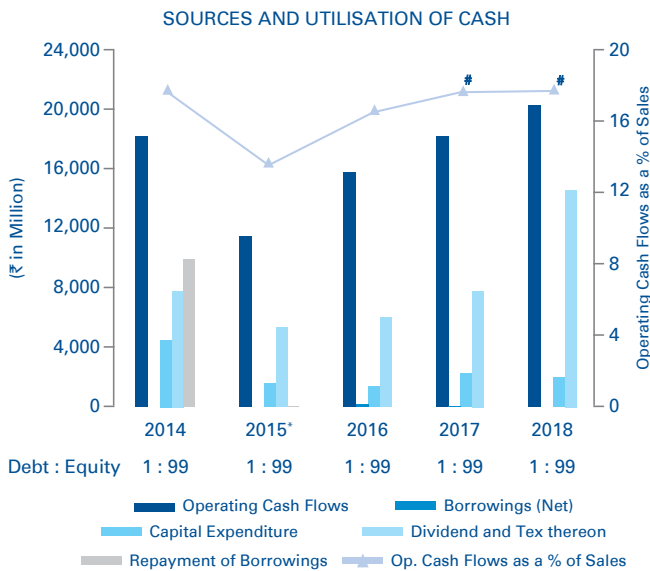
Figures from 2016 onwards are stated as per Ind AS

Your Company has created a contingency provision of ₹1,242.5 million for various contingencies resulting mainly from matters, which are under litigation / related disputes and other uncertainties requiring management judgement. Your Company has also reversed, utilised/settled contingency provision of ₹205.7 million due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision was no longer required.

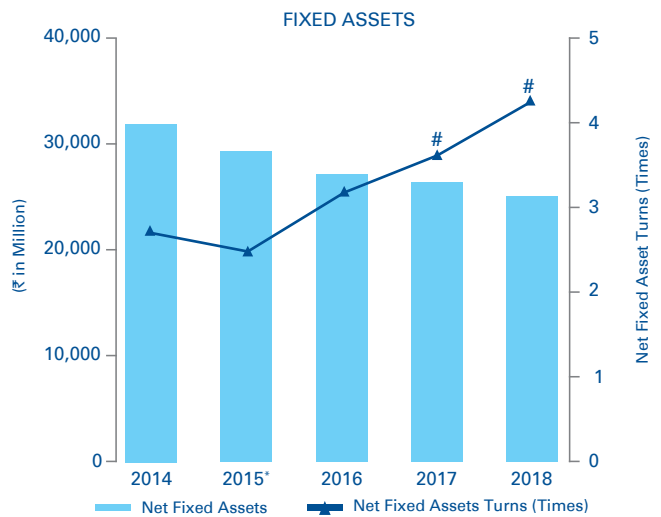


Market Capitalisation is based on year end closing share price quoted on the Bombay Stock Exchange. Book Value per share is based on the total shareholder's funds as at the year end.

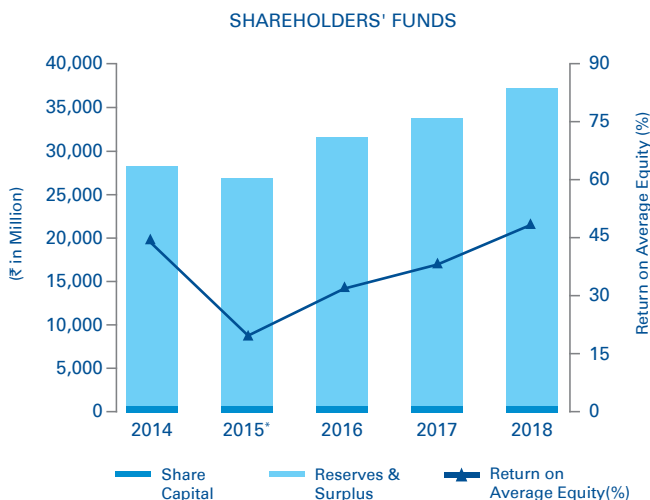
\*Impacted by MAGGI Noodles issue  
Figures from 2016 onwards are stated as per Ind AS



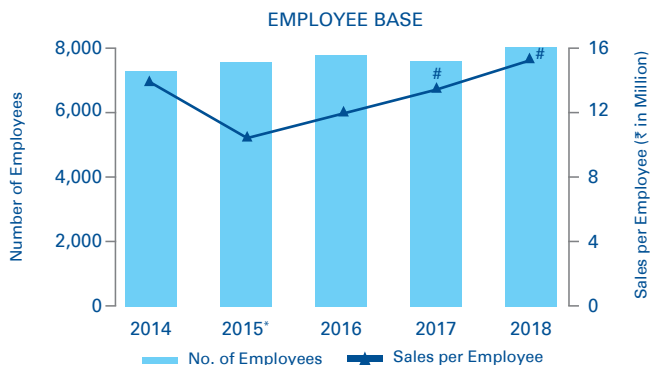
\*Impacted by MAGGI Noodles issue  
Figures from 2016 onwards are stated as per Ind AS  
\*Ratio is not comparable (Refer note 4 of the financial statements)



\*Impacted by MAGGI Noodles issue  
Figures from 2016 onwards are stated as per Ind AS  
\*Ratio is not comparable (Refer note 4 of the financial statements)



\*Impacted by MAGGI Noodles issue  
Figures from 2016 onwards are stated as per Ind AS



\* Impacted by MAGGI Noodles issue  
Figures from 2016 onwards are stated as per Ind AS  
\*Ratio is not comparable (Refer note 4 of the financial statements)

## Dividends

The Board of Directors have recommended a final dividend of ₹25.0 per equity share

amounting to ₹2,410.4 million for the year 2018. The total dividend for 2018 aggregates to ₹115.00 per equity share which includes first interim dividend of ₹20.00 per equity share paid on 1<sup>st</sup> June, 2018, second interim dividend of ₹20.00 per equity share paid on 24<sup>th</sup> August, 2018 and third interim dividend ₹50.00 per equity share paid on 21<sup>st</sup> December, 2018.

## Amount Transfer to Reserves

Your Directors do not propose to transfer any amount to the reserves.

## Exports

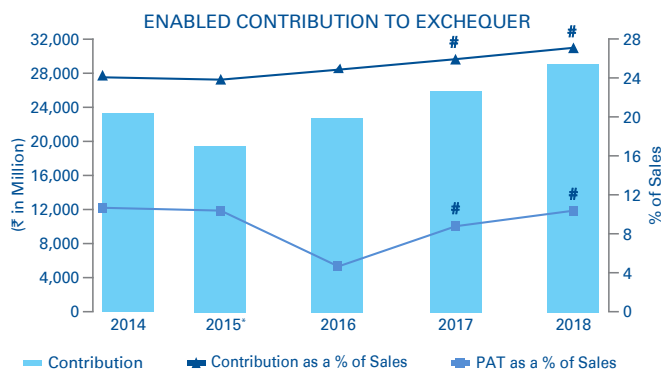
The exports for your Company registered growth of 6.9 % in 2018. Your Company continued to extend the MAGGI brand beyond India in 13 geographies. In 2018, the culinary category registered strong growth in markets with sizeable Indian diaspora contributing the highest quantum. Your Company also registered growth in the exports of infant nutrition products to Bangladesh.

Instant Tea exports had strong growth and the outlook for future looks positive with continued focus on premium and value added range.

Your Company continues to explore new markets for its products with added focus on confectionery products and instant tea vending mixes.

## Contribution to the Exchequer

Your Company over the years has been enabling significant contribution to various taxes. During the year 2018, the Company through its business, enabled tax collections at Central and State level close to ₹30.76 billion, in aggregate.



Figures from 2016 onwards are stated as per Ind AS

\*Impacted by MAGGI Noodles issue

#Ratio is not comparable (Refer note 4 of the financial statements)

## Business Development

Your Company's commitment to Nutrition, Health and Wellness was further strengthened in 2018 through new product launches, community engagement, contribution to the society and care for the environment. Your Company made steady strides in the foods and beverages sector for the Indian consumers that are designed to provide tastier and nutritious product offerings of high quality. The year 2018 was shaped by innovation and renovation, with the launch of around 13 new products. Your Company continued to access the brands, technology and assistance from Nestlé Group to drive product innovations and renovations. Offerings continued to be adapted to suit the interests, tastes and sensibilities of the diverse consumers across India. Introduction of newer formats, local flavours and ingredients enabled your Company to connect with consumers across all ages and adapt to the evolving market place.

Striving towards building a healthier society, your Company continued to work towards reducing sodium, sugars and saturated fats, and adding healthful ingredients like whole grains, vegetables and micronutrients to its foods and beverages making them more nutritious.

Your Company reinforced its commitment towards sustainable environment with special focus on plastic waste management, paving the way to build a healthier society.

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

During the year 2018 'Prepared Dishes and Cooking Aids' benefitted from strong performances across MAGGI range of products, especially MAGGI Noodles, where multifaceted inputs and regional engagement drove penetration, distribution and volume growth. MAGGI Noodles in the Instant Noodles category maintained its leadership position.



MAGGI Noodles continued its focus on innovation



and renovation, with the launch of MAGGI Special Masala, with ingredients comprising of 20 roasted spices and herbs. Your Company also introduced for the first time MAGGI NUTRILICIOUS Baked Noodles with sweet corn.

The Cooking Aids business witnessed extremely encouraging consumer response for MAGGI MASALA-AE-MAGIC, refurbished with attractive packaging and amplified with the launch of new variants for non-vegetarian and South-Indian dishes. The Sauces business continued to generate topline growth.

During the year, MAGGI introduced its new campaign aimed at driving advocacy, 'Kuch Achha Pak Raha Hai'. Building on the concept, MAGGI KITCHEN JOURNEYS, a communication platform engaging with women showcased 12 inspiring stories of women who have established their own unique identity, using food as a medium and made a difference, leveraging their culinary skills creatively. This platform also offers online courses on cookery, food safety, hygiene and even tips on financial management for start-ups.

Under another initiative, the MAGGI Spice Plan, your Company, with the help of partners, has worked with more than 1,250 farmers in establishing provenance of high quality, locally sourced spices that has contributed to improving agricultural practices and consequently, yields. Today, more than 90% of spices used in MAGGI TASTEMAKER have traceability up to the farm level.

### Introduction of Breakfast Cereals

In line with the vision to introduce products rooted in Nutrition, Health and Wellness, your Company has added Nestlé Breakfast Cereals



from Cereal Partners Worldwide (CPW) to its existing portfolio during the year. CPW is a 50/50 joint venture which combines the expertise of Nestlé S.A, Switzerland and General Mills Inc.,

United States, to produce and sell breakfast cereals. With this launch, your Company's objective is to provide high quality nutritious breakfast cereals to the consumers in India.

## Strengthening of 'Milk Products and Nutrition'

The 'Milk Products and Nutrition' business continued to register a satisfactory growth, driven by volume of existing products and an encouraging response to new products.

Your Company extended chilled dairy portfolio range of healthier yoghurt based option of Dip and Spread, under the brand of MAGGI in exotic flavours such as, Jalapeno Salsa and Cheese Garlic.



Your Company continued to drive dessert recipe solutions under the legacy brand MILKMAID,



by driving Ice Cream Kits and Choco-Dessert Kits on e-commerce platforms, inspiring consumers to try new age recipes with MILKMAID condensed milk.

Your Company introduced NANGROW, a nutritious milk drink for growing children aged 2-5 years, containing nutrients that includes high quality whey proteins, DHA (Docosahexaenoic Acid), probiotics and immunonutrients, to support the overall growth and development of the child with 'Zero Added Sugar' (sucrose). DHA supports the child's normal brain development and whey protein is required for easy digestion. NANGROW is the only milk drink in its segment with the proposition of 'All Growth'. 'Zero Added Sugar', provides a healthier option for children.

CEREGROW, an iron fortified nutritious cereal for children over 2 years, launched its new communication titled, 'Poora Poshan, Poori Tasalli'. CEREGROW is designed to meet the

nutrition requirements of children aged between 2-5 years.

Your Company rolled out a communication titled 'Pet Bhara, Par Nutrition Bhara Kya?' to educate consumers to help them make right food choices.

Your Company believes breast milk provides the best nutrition for babies, and every child should be exclusively breastfed for six months, followed by introduction of age appropriate complementary feeding and breast milk until two years and beyond.

In the Infant Formula, your Company re-launched NAN PRO with DHA (Docosahexaenoic Acid) and ARA (Arachidonic Acid). NAN EXCELLAPRO was also re-launched with high quality, partially hydrolysed proteins.



In Healthcare Nutrition Products marketed under the umbrella of Nestlé Health Science, your Company has over 10 brands with an array of appropriate nutritional solutions. This includes RESOURCE Diabetic intended for dietary management of individuals with diabetes. RESOURCE Diabetic has low Glycemic Index, contains 20 vitamins and minerals and has high quality protein. Your Company introduced RESOURCE Renal and RESOURCE Dialysis for chronic kidney diseases and NOVASOURCE NUTRIHEP for Hepatic disorders. PEPTAMEN, a nutritionally balanced peptide based diet, was re-launched with a new recipe based on latest advancement in medical nutrition.

## Growing 'Powdered and Liquid Beverages'

2018 was an exciting year for the 'Powdered and Liquid Beverages' business as your

Company continued to focus on growing the coffee and beverages market. NESCAFÉ consolidated market share in coffee with robust brand growths and also led the household penetration of the category.



Your Company ventured into the domain of personal coffee machines with the launch of NESCAFÉ É, a smart app enabled coffee machine.

After the successful launch of NESCAFÉ Ready-To-Drink Coffee in UHT format, your Company also launched successfully Ready-To-Drink Coffee in can format, under iconic youth brand of NESCAFÉ. Instant Premix Tea was also launched under the heritage brand of EVERYDAY in three variants - Desi Masala, Saffron & Cardamom and Ginger & Lemongrass.

NESCAFÉ Classic leveraged its connect with the youth and launched a number of initiatives and activations. The new campaign 'Badal Life Ki Raftaar' establishes the strong role of NESCAFÉ Classic to provide the stimulation that equips the youth to take on the pressure of being a grown up. The topical execution of the campaign during monsoon with innovative formats in outdoor was highly appreciated by consumers. Weather based targeting on digital platforms enabled NESCAFÉ Classic to connect with the target audience through relevant messaging. The brand also reached out to the youth by experiential coffee sampling at colleges and consumer touch points across several cities.



NESCAFÉ SUNRISE continued its journey of driving brand differentiation in the core coffee market of South India. The new communication campaign 'Start Your Day Bright' was complemented with a regionalised approach to drive brand salience, consumption and

availability. To take the brand culturally closer to the consumers, NESCAFÉ SUNRISE launched a new festive campaign about how small gestures can make a big difference, just like the rich aroma granules of NESCAFÉ SUNRISE.

The premiumisation journey was accelerated with the relaunch of NESCAFÉ Gold. The new product leverages global innovations to build premium cues and to deliver a superior coffee cup to consumers. The campaign 'For The Moments That Matter' focused on celebrating special bonds in your life with a cup that is crafted with care.

## More offerings in 'Confectionery'

The 'Confectionery' business continued its focus on growing the core and foraying into the value-up/premium segment. The business wielded its strength towards continuous innovation and renovation of its portfolio to befit the evolving consumer trends. It was a year that delivered strong growth and consumers responded favourably to the new launches.



Your Company extended its portfolio and set another innovation benchmark in the coated wafer category with the launch of MUNCH Crunch-O-Nuts. It offers in every bite the multi textural combination of cocoa balls, double choco layer and delicious peanut crème.



MUNCH also became the official Crunch Partner of three popular teams in IPL 2018 with its mega campaign. Consumers were offered cool attitude bands, a limited edition T20 special MUNCH Orange Spinner flavor and a whole new TVC that

brought to life the idea of MUNCH giving 'Free Ka Attitude'.

MUNCH Nuts new campaign was amongst the most viewed ads on YouTube, and was also declared number one campaign on The Economic Times Brand Equity list.

Your Company also introduced KITKAT DESSERT DELIGHT Brownie Kubes, a unique western dessert concept that provides balanced dark chocolate for the Indian consumers. Continuing to provide innovative breaks to its consumers, your Company launched a new strawberry flavoured NESTLÉ KITKAT Strawberry Duo.



KITKAT, which has always inspired consumers to take a break from the monotonous routine, launched a new packaging, showcasing immersive travel locations of Goa. Your Company also collaborated with Government of Goa and Drishti to train 1,000 lifeguards, cruise crew, beach cleaning staff and watersport operators.

## 'Nestlé Professional' – Out-of-Home Business



Your Company's 'Out of Home business' registered volume and value growth in 2018. This growth was driven by increased reach and distribution of products across key out of home channels such as education institutes, airlines, railways, offices as well as the food service channels such as hotels and restaurants. Your Company also engaged with young chefs in various hotel management institutions and celebrated International Chefs Day, by organizing cooking workshops for adolescents, teaching them the basics of nutrition.

Institutional packs of NESCAFÉ Classic, MAGGI Coconut Milk powder and MILKMAID performed well with new customer acquisitions and increased penetration through stronger customer engagement. New product in the form of KITKAT bits meant for the bakeries and cafes was also launched.

With access to an array of brands under its portfolio, your Company through its retail formats 'One Nestlé Experience', brought brands and consumers closer. MAGGI and NESCAFÉ adopted this format with consumers seeking high quality food options that fit into their time crunched lifestyle. Additionally, 300 kiosks operated by third parties selling Company products were added across cities of India.

## Awards and Recognitions

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


- Bagged 'Employee Engagement Leadership Award' in the category 'Best Initiative in Benefits for Working Mothers' at the Employee Engagement Leadership Converge 2018. 
- Featured amongst the '100 Best Companies for Women in India' at the 'Best of Best Conference 2018', presented by Avtar group and Working Mother Media. 
- Recognized by Brand Equity, as one of the 'Top 10 Ads of March 2018' for MAGGI MASALA-AE-MAGIC 'Kuch Achha Pak Raha Hai' film.
- Won the 'Campaign of the Month Award – All India', by allaboutoutdoor.com for KITKAT DESSERT DELIGHT Brownie Kubes outdoor launch.
- Won silver for 'Nanhi Kali- Story Books Finds A Way' in 'Direct Marketing' and Bronze for NESCAFÉ RJ Rishi Campaign in 'Consumer Products-Beverages & Drinks Category' at Effie Awards 2018.
- Awarded 'Product Innovation of the year 2018' in the Nutrition Category for NESTLÉ CEREGROW
- Awarded 'The Emerging Brand' by CIMS Medica in the Health and Wellness Category for RESOURCE Diabetic.

- Received Best Supplier Award for 'Supply Chain – Food' at Walmart India annual 'Supplier Summit'

- Recognised by Confederation of Indian Industries for Food Safety; Food Testing, Manufacturing Competitiveness and Quality Management.

- Awarded Silver by Skoch Awards for 'Corporate Social Responsibility' for Project Jagriti implemented in partnership with NGO Mamta.

- Won ET NOW, CSR Leadership Awards for the commendable work in the category of 'Concern for Health'.

- Mr. Suresh Narayanan was ranked amongst the 'Best CEOs' at Asia Pacific Gender Diversity and Leadership Excellence Awards for 'Leading on Gender Diversity'. 

- Mr. Suresh Narayanan was honoured with the 'Responsible Business Leader' award for successfully embedding responsible business practices across Nestlé India at Responsible Business Summit 2018.

- Mr. Shobinder Duggal was awarded 'The Best CFO of A MNC – Large' by YES Bank and Business World.

## Employee Focus

Your Company has been recognized as one of the leading three FMCG Companies for campus placements, which was further strengthened through multiple new touch points including the launch of Company's Instagram page, 'N-Reach', a first of its kind industry-academia partnership, and 1<sup>st</sup> Day on Campus with Nestlé.

Your Company in 2018 made successful lateral hires and strengthened its position as an 'Equal Opportunity Employer'. Your Company also saw a strong representation of women both as managers and in the field force. In 2018, its field force constituted 20% women, 71% women as management trainees, 60% women as technical trainees and 75% women as sales trainees. The

diversity extends to your Company's Board of Directors, 50% of independent directors are women.

To further improve diversity, your Company organized unconscious bias programmes for employees. Provision of sanitary pad dispenser and disposal units in all factories and offices, sessions on menstrual health in factories and enhanced travel benefit for mothers, contributed towards the creation of an inclusive environment, that led to an increase in representation of women employees.



Your Company also launched the Nestlé Changemakers programme – a social sabbatical policy that allows employees to volunteer their time and skills with an NGO partner on a socially relevant project for 4 weeks.

## Sales

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Your Company has further strengthened its distribution base, sales capabilities and execution skills to deliver leadership position in most categories. The speed, efficiency and best-in-class roll-out of putting new products on to the shelves and online platforms, along with the requisite consumer sampling and engagement activities has ensured availability, visibility and accessibility. Your Company continues to enhance its distribution footprint in the emerging purchase and consumption domains and geographies.



The fast growing shopper and consumer opportunities on the e-commerce channels were tapped and promoted through customized

inputs, offers and packs like MAGGI Masala, NESCAFÉ travel kit, MAGGI rakhi and diwali packs.

Your Company believes that distribution-excellence and customer servicing will remain the key differentiator in the rapidly evolving retail landscape. Your Company recognized the necessity of a granular business focus approach and alignment process, and therefore conducted dedicated regional meets with its business partners across the country. New opportunities, initiatives and training programmes were shared, embraced and organized at these regional meets to ensure the continued excellence of our sales operations through our trusted business partners. Your Company has continued with its commitment of conducting its sales operations under the Nestlé Business Excellence framework. This has led to further efficiencies via enhanced automation, simplification, order-and-collection management and in addressing the service gaps and opportunities.

## Management Analysis

### Review of Economic Scenario and outlook

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India's economy in 2018 gained momentum as a result of the stabilization of Goods and Services Tax (GST) and India opening up more to foreign investors.

The year 2018 witnessed quick recovery and India's growth accelerated to an estimated 7.3 per cent for 2018 - 19. The economy regained after a temporary slowdown due to demonetisation and the implementation of GST. Economic activity continued to recover with strong domestic demand and increase in consumption remained a major contributor to this growth. India emerged as the fastest growing major world economy in 2018 despite increased global vulnerabilities, such as rising oil prices, escalated trade wars between global partners, and the US monetary shutdown.

During the year 2018, India made some important strides. It climbed another 23 points in the World Bank's ease of doing business index to the 77<sup>th</sup> position, for the first time.

During the year 2018, the Food Processing sector grew at an average pace of 8% per annum. Government's flagship programmes played a significant role towards boosting investment in this sector.

### Opportunities and Risks

Aided by consumer demand, private consumption remains robust in India. Healthy demand growth outlook will continue to boost the economy. The rural markets performed well because of numerous government schemes and also because of the growing income levels of the rural population. Consumption in the rural market was buttressed by a large base of technologically savvy Indian consumer.

The young India, is aspirational, this is reflected in the lifestyle choices adopted by them, both in their personal and professional life. The availability of high disposable income and exposure to a rapidly changing environment is encouraging the millennials to consider health and wellness as an important part of overall well-being that complements their changing and upwardly mobile lifestyle. While there are quick purchases, these purchase decisions are backed by healthy choices and increasing demand for value-up and premium products. Your Company has specialized digital acceleration and e-commerce teams that are pursuing business opportunities in the space of e-commerce.

Your Company can leverage access to Nestlé technology to develop more science-based products that provide superior benefits of Nutrition, Health and Wellness at appropriate price points. Your Company has state-of-the-art manufacturing facilities, efficient supply chain, sales automation with extensive reach. This combined with access to strong R&D and expertise in science based nutrition plays an important role in providing high quality and safe food products. The product portfolio of your Company continues to be strengthened by accelerated innovation and renovation to stay relevant to the emerging and differentiated needs of the consumers.

Your Company continues to receive valuable support from Nestlé Group's unmatched R&D capabilities and expertise. Under the General

License Agreements (GLAs), your Company has ongoing access to global portfolio of thousands of brands and patents, proprietary technologies and know-how developed by the global network of 31 R&D centres (including one in India); as well as expertise across the business value chain in operations, commercial and support functions. All the products manufactured and/or sold by the Company, are on the basis of the Licences provided by the Licensor to the Company under the GLAs. The access under the GLAs to the capabilities of Nestlé Group, is integral for the Company to continue to deliver long term sustainable growth, Create Shared Value for the shareholders and the society.

Your Company has initiatives in place to minimize the environment footprint in the areas of water, plastic waste management, conservation and proper disposal of packaging materials which are in the latter part of the report.

Despite risks arising out of volatile crude oil prices and the weakening of the Indian Rupee against US dollar, the rural markets combined with ongoing structural reforms are expected to continue to boost economic activity in India.

### Operational Efficiency

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Your Company's improved operational efficiencies have delivered products of higher quality and at a competitive cost.

Your Company through digitalization has moved towards 'Paperless Shop Floor'. By introducing Factory Automation System (FAS) at all factories, your Company has ensured data security and reliable network. In addition to the above, your Company already has an Advanced Process Control at Samalkha factory which ensures smooth manufacturing operations, automated recipe adjustment flexibility, better control on loss and performance and delivery of quality products.

### Quality and Food Safety

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Quality and Food Safety are highest priority for your Company. Your Company continued

to deliver products that meet high quality standards and are safe for consumption. In line with the requirement of Food Safety Training & Certification Programme (FoSTaC) under Food Safety and Standards Act (FSSA), 469 employees have been trained across all factories.

During the year 2018, all factory laboratories of your Company have received accreditation from the National Accreditation Board for Testing and Calibration Laboratories (NABL), which is aligned with ISO 17025 Standard. Accreditation of Laboratories is considered to be an important indicator of the technical competency to undertake the tests for which the laboratory is accredited and further strengthen consumer trust in the products of your Company.

## Environment

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The aim of your Company is to develop business while improving its environmental performance in order to create a more sustainable future. In order to achieve this, your Company continues to focus on measures for the conservation and optimal utilization of energy in all the areas of its operations. Factories are encouraged to consistently improve operational efficiencies, minimize consumption of natural resources and reduce water, energy and carbon emissions while maximizing production volumes.

From 2003-2018, for every tonne of production, your Company has reduced the usage of energy by 45%, reduced water usage by 53%, reduced greenhouse gases generation by 55% and the generation of waste water by 49%.

### Waste for Disposal

Your Company is always looking at ways to improve efficiency, quality and productivity with optimal resources and less waste. As part of the commitment to zero waste to landfill in the operations, efforts to reduce waste have shown marked improvement over the last year. During the year 2018, the factories reduced waste for disposal to landfill by 68.5% over 2017. Six out of eight factories are zero waste to landfill and your Company aims to make all factories as zero waste to landfill by 2020.

### Packaging and Plastic Waste Management '2 Minute Safaai Ke Naam'

Your Company believes that there is a need to engage with consumers and bring about a behavioural change about the need for disposing plastic waste responsibly. Therefore, your Company designed a campaign for this purpose and called it, '2 Minute Safaai Ke Naam' (2 minutes for cleanliness) in Dehradun and Mussoorie. In this campaign, the Company incentivized the consumers by giving them a packet of MAGGI Noodles on return of every 10 empty

MAGGI noodles wrappers. This campaign brought together



multiple stakeholders to address the issue of proper plastic waste disposal. Your Company, the media partner, NGO, not for profit waste management organizations, colleges / universities, retailers, owners of MAGGI branded retail outlets (MAGGI Point), all came together for responsible disposal of plastic waste and protecting the environment.

In the second phase of this Project, your Company is working with Mussoorie Nagar Palika Parishad (MNPP) and RECITY Network by implementing an integrated plastic waste management system in Mussoorie. The initiative will focus on governance, understanding waste streams and its generation, filling the infrastructure gaps, driving behavioral change, developing a monitoring framework to ensure transparency and developing a circular economy and structure to carry forward the systems developed by the Project. The aim of this Project is to support Mussoorie being amongst the cleanest hill stations in India.

### Extended Producers Responsibility and Consortium Approach

Your Company believes that tackling the issue of plastic waste requires collective approach. Also, there was an urgent need to showcase that multi layered plastic waste, when properly collected, segregated and disposed can be processed and managed till the end of its life. A consortium

which initially comprised of 5 companies was formed. The consortium engaged with various NGOs, waste management service providers and conducted successful pilot projects to manage multilayered plastics effectively. The projects focus on the following:

- Awareness and training programmes for rag pickers
- Improve livelihood of waste pickers
- Collection, segregation and recycling of post-consumer waste

Post successful pilots, the consortium started working in the states of Punjab and Maharashtra. The membership of the consortium has increased to almost 35 FMCG companies and is expanding. Your Company in its individual capacity expanded its waste management projects to another 10 states. In the year 2018, your Company managed approximately 5,986 metric tonnes of post-consumer multi layered plastic waste, as a part of commitment towards Extended Producers Responsibility.

### Reduction in Greenhouse Gas Emissions

The Nanjangud factory in the State of Karnataka has entered into long term power purchase agreements with two solar power developers to supply 20 Mio KWH (units) per annum, which is 56% of the total requirement. This initiative will reduce greenhouse gas emissions by 18,200 tonnes per annum and also save cost.

### Safety and Health

Your Company developed a comprehensive and systematic programme on machinery safety for the benefit of the employees to prevent any untoward incident. Your Company has also taken considerable measures to promote road safety by conducting awareness campaigns for the employees as well as third party transport service drivers. Your Company provides preventive health check-up to employees. Your Company offers programmes for employees, that support healthier lifestyle choices and also conducts programmes on yoga, stress management, bone health and ergonomics.

## Supply Chain

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During the year 2018, Supply Chain continued to actively work towards enabling consumer led growth and creating a winning edge. Post implementation of Goods and Services Tax (GST) during 2017, your Company initiated work on simplification of the downstream value chain and progressed well in reducing the distribution centres from the starting point of 38 to 30 and plans to continue the work for further optimisation. This initiative has led to savings in costs, improved freshness and better availability of products.

Your Company continues to improve the freshness of products available on the shelf, leveraging mobile application based technology and advanced analytics using data and information on product attributes and real time information about on-shelf product freshness levels. There is continuous improvement in supply planning resulting in optimum product inventory and availability of your Company's products at each stage of the value chain. Sustained focus is maintained on continuous improvement in trade working capital efficiency. Initiatives during the year targeting optimization of finished goods and material inventories and improvement on trade payables have resulted in improved net trade working capital.

## Nestlé Business Excellence

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To support Nestlé's organization principles of increased business focus, speed and quality of execution, and highly efficient support structures, Nestlé Business Excellence (NBE) was formed in 2014. Your Company is constantly working towards transforming End-to-End (E2E) processes and leveraging technology to simplify operations and enhance its capabilities to retain the competitive edge. NBE provides the requisite framework to leverage our size, optimize E2E flows and provide world-class services (Nestlé Global Business Service) in an integrated, cost-competitive and seamless manner to support business performance.

Your Company is optimizing six industry-standard global E2E flows, which captures ongoing business operations:-



1. Source to Pay (from sourcing materials and services to paying vendors)
2. Order to Cash (from customer order to invoice payment)
3. Hire to Retire (from attracting talent to enabling employees on their Nestlé journey)
4. Record to Report (from recording transactions to financial and performance reporting)
5. Plan to Execute (from strategic and product planning to supplying products)
6. Idea to Launch (from innovative product ideas to consumer launch)

During the year, your Company implemented the Idea-To-Launch processes and tools. It has set up a Centre of Scale at Gurugram that leverages scale and supports the transactional processes for the various E2Es. A Centre of Competence is also being set up to support and execute competence based E2E activities for the business operations.

The initiative of Nestlé Continuous Excellence (NCE) will continue to enable through people: alignment, leadership development and Lean ways of working. Information Technology will continue to enable through technology: processes, data and systems.

## Cautionary Statement

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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

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The Directors state that:

a) in the preparation of the annual accounts, the applicable accounting standards had been followed and no material departures were made from the same;

b) they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;

c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) they had prepared the annual accounts on a going concern basis;

e) they had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

f) they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## Corporate Governance

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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 Auditors of the Company is attached as Annexure - 1 and forms integral part of this Report (hereinafter "Corporate Governance Report").

## Directors and Key Managerial Personnel

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In terms of the Articles of Association of the Company, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors, in its meeting held on

26<sup>th</sup> October, 2018 subject to approval of the shareholders of the Company, appointed Ms. Roopa Kudva as an Additional Director and Independent Non-Executive Director of the Company with effect from 1<sup>st</sup> January, 2019 for a period of five consecutive years for a term up to 31<sup>st</sup> December, 2023. Ms. Roopa Kudva holds office up to the date of the forthcoming Annual General Meeting and is eligible for appointment. Based on the recommendation of the Nomination and Remuneration Committee, the Board recommends for the approval of the Members through an Ordinary Resolution in the 60<sup>th</sup> AGM of your Company, the re-appointment of Ms. Kudva as an Independent Non-Executive Director for a term of five consecutive years from 1<sup>st</sup> January, 2019 up to 31<sup>st</sup> December, 2023.

Pursuant to the provisions of the Companies Act, 2013 ("Act"), the shareholders in the 56<sup>th</sup> AGM of your Company held on 15<sup>th</sup> May, 2015 appointed Mr. Rajya Vardhan Kanoria as an Independent Non-Executive Director to hold office for five consecutive years for a term up to 12<sup>th</sup> May, 2019. Mr. Kanoria is eligible for re-appointment as an Independent Non-Executive Director for a second term of five consecutive years. Pursuant to the provisions of the Act, based on the recommendation of the Nomination and Remuneration Committee, the Board recommends for the approval of the Members through a Special Resolution in the 60<sup>th</sup> AGM of your Company, the re-appointment of Mr. Kanoria as an Independent Non-Executive Director for second term of five consecutive years from 13<sup>th</sup> May, 2019 up to 12<sup>th</sup> May, 2024.

Mr. Martin Roemkens shall retire at the forthcoming AGM of your Company by rotation and being eligible offers himself for re-appointment. His brief resume and other details as required under the Act and Listing Regulations for his re-appointment as Director are provided in the Notice of the 60<sup>th</sup> AGM of your Company.

Details of the proposal for the appointment / re-appointment of Directors are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 60<sup>th</sup> Annual General Meeting ('AGM') of your 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 "Nestlé Purpose and Values" and "Nestlé Leadership Framework". The Appointment and Remuneration Policy of the Company includes criteria for determining qualifications, positive attributes and independence of a director and policy relating to the remuneration of Directors, Key Managerial Personnel and other employees is framed with the object of attracting, retaining and motivating talent which is required to run the Company successfully. The same is available on the website of the Company at the link: <https://www.nestle.in/investors/policies>

Your 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 Committees of the Board. Your Company engaged a leading HR Consulting Firm for compilation of the feedback received from the Board members, Committee members and directors and for identifying key inferences and observations with respect to Performance Evaluation.

## Corporate Social Responsibility

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During the year under review, the Corporate Social Responsibility Committee comprised of Dr. (Mrs.) Swati A. Piramal (Chairperson), Ms. Rama Bijapurkar, Independent Non-executive Director and Mr. Suresh Narayanan, Chairman and Managing Director of the Company. The terms of reference of the Corporate Social Responsibility Committee is provided in the Corporate Governance Report. Your Company has also formulated a Corporate Social Responsibility Policy (CSR Policy) which is available on the website of the Company at <https://www.nestle.in/investors/policies>. Annual

report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been appended as Annexure - 2 and forms integral part of this Report.

In terms of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility) Rules, 2014 as amended (“CSR Rules”) and in accordance with the CSR Policy, during the year 2018, the Company has spent above two percent of the average net profits of the Company during the three immediately preceding financial years. The details are provided in the Annual Report on CSR activities. In addition to the above, the Company has been implementing societal activities since many decades under umbrella of Creating Shared Value activities which have not been reckoned for arriving at the spends as per CSR Rules.

Some key initiatives that your Company has been engaged in are as follows:

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

The Nestlé Healthy Kids Programme has been developed with a focus to raise nutrition, health and wellness awareness among adolescents. The programme contributes towards overall development of adolescents as well as encourages healthier lifestyle, by arming them with knowledge that impacts them in a meaningful way. The programme is being conducted since 2009 and is helping raise awareness regarding good nutritional and cooking practices, good hygiene and promoting physical fitness. The programme is implemented through two modes, one is in partnership with six regional universities and the second is with NGO Magic Bus India Foundation.

Till year 2018, over 280,000 adolescents across 22 states have been encouraged to live healthier lives through Nestlé Healthy Kids Programme.

#### **Project JAGRITI**

As part of the commitment to inspiring people to lead healthier lives and providing educational programmes, your Company, in partnership with Mamta Health Institute for Mother and Child implemented Project JAGRITI. The programme focuses on developing community support for

improved health and nutrition outcomes among adolescents, young couples and caregivers while improving the uptake of public health services.

During the years 2016 to 2018, the programme ran across 15 districts of Rajasthan, Karnataka, Maharashtra, Chandigarh, Odisha, Uttar Pradesh, Bihar and Delhi, reaching out to 4.6 million beneficiaries - 1.5 million direct and impacting 3.1 million beneficiaries indirectly.

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

Recognizing the potential of street food vending as an important source of livelihood, your Company joined hands with NGO Nidan and National Association of Street Vendors of India (NASVI), to develop programmes to train street food vendors on subjects such as health, hygiene, food handling, food safety, personal hygiene, cart hygiene, garbage disposal and entrepreneurship. During the year 2018, this programme was implemented across Delhi, Kerala, Maharashtra, Madhya Pradesh, Chhattisgarh, Tamil Nadu, Gujarat, Odisha, J&K, reaching out to 14,165 street food vendors.

### **Business Responsibility Report**

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Creating Shared Value is your Company’s fundamental way of working and contributing to society while ensuring long-term business success. Your Company has been conducting business in a way that delivers long-term shareholder value and benefits to society under approach of “Creating Shared Value”. The Business Responsibility Report as per Regulation 34 of the Listing Regulations has been appended as Annexure – 3 and forms integral part of the Annual Report.

### **Statutory Auditors**

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As per Section 139 of the Companies Act, 2013 (‘the Act’), read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company in 58<sup>th</sup> Annual General Meeting approved the appointment of M/s. B S R & Co. LLP, Chartered Accountants (ICAI Registration No- 101248W/W-100022), as the Statutory Auditors of the Company for an initial term of 5 years i.e. from the conclusion of 58<sup>th</sup>

Annual General Meeting till the conclusion of 63<sup>rd</sup> Annual General Meeting of the Company. Pursuant to amendments in Section 139 of the Companies Act, 2013, the requirements to place the matter relating to such appointment for ratification by members at every annual general meeting has been omitted with effect from 7<sup>th</sup> May, 2018.

The Report given by M/s. B S R & Co. LLP, Chartered Accountants on the financial statement of the Company for the year 2018 is part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year 2018, 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 Accounts and Cost Auditors

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In terms of the Section 148 of the Companies Act, 2013 ('the Act') read with Rule 8 of the Companies (Accounts) Rules, 2014, it is stated that the cost accounts and records are made and maintained by the Company as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013.

In terms of Section 148 of the Act read with Companies (Cost Records and Audits) Rules, 2014, the Audit Committee recommended and the Board of Directors appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi (Registration No. 00019) being eligible, as Cost Auditors of your Company, to carry out the cost audit of milk powder products manufactured by the Company falling under the specified Customs Tariff Act Heading 0402 in relation to the financial year ending 31<sup>st</sup> December, 2019. Your Company had received their written consent that the appointment will be in accordance with the applicable provisions of the Act and rules framed thereunder.

The remuneration of Cost Auditors has been approved by the Board of Directors on the recommendation of Audit Committee and in terms of the Companies Act, 2013 and Rules thereunder requisite resolution for ratification of remuneration of the Cost Auditors by the

members has been set out in the Notice of the 60<sup>th</sup> Annual General Meeting of your Company.

During the year 2018, the Cost Accountants 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.

## Secretarial Auditors and Secretarial Standards

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The Secretarial Audit was carried out by M/s. S.N. Ananthasubramanian & Co., Company Secretaries (CP No. 1774) for the financial year 2018. The Report given by the Secretarial Auditors is annexed as Annexure – 4 and forms integral part of this Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year 2018, 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 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Audit Committee recommended and the Board of Directors appointed M/s. S.N. Ananthasubramanian & Co., Company Secretaries (CP No. 1774) as the Secretarial Auditors of the Company in relation to the financial year ending 31<sup>st</sup> December, 2019. Your Company had received their written consent that the appointment will be in accordance with the applicable provisions of the Act and rules framed thereunder.

During the year 2018, your Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

## Meetings of the Board

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During the year 2018, the Board of Directors met eight times. For details of the meetings of the Board of Directors, please refer to the Corporate Governance Report.

## Extract of Annual Return

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The extract of annual return in Form MGT 9 as required under Section 92(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014 is available on the website of the Company at the link: <https://www.nestle.in/investors/stockandfinancials/annualreturns>

## Details of Loans and Investments

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Details of the loans given by your Company under Section 186 of the Act during the financial year ended 31<sup>st</sup> December, 2018 are as follows: Nestlé R&D Centre India Private Limited (Fellow Subsidiary): ₹250 million at the interest rate of 7.75% per annum for general business purpose (Loan outstanding at the end of the year was Nil); SMA Nutrition India Private Limited (Fellow Subsidiary): ₹50 million at the interest rate of 8.17% per annum for general business purpose (Loan outstanding at the end of the year was Nil); and PURINA PetCare India Private Limited (Fellow Subsidiary): ₹165 million at the interest rate of 8.04% per annum for general business purpose (Loan outstanding at the end of the year was Nil). For details of investments, please refer note no. 10 forming part of financial statements.

## Related Party Transactions

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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 an arm's length basis. All related party transactions are placed before the Audit Committee for review and approval.

All related party transactions entered during the year 2018 were in ordinary course of the

business and on an arm's length basis. No material related party transactions were entered during the Financial Year by your Company. 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. Members may refer to note no. 46 to the financial statement which sets out related party disclosures pursuant to IND AS-24.

## Risk Management

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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 informs the Board of Directors about risk assessment and minimization procedures which in the opinion of the Committee may threaten the existence of the Company, if any. The details of Risk Management Committee and its frequency of meetings are included in the Corporate Governance Report.

## Public Deposits

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Your Company has not accepted any Public Deposits under Chapter V of the Companies Act, 2013.

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

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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

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The Union of India, Department of Consumer Affairs in 2015 had filed a complaint before the National Consumer Dispute Redressal Commission on the allegation that by selling MAGGI Noodles in the past, your 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

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The Directors had laid down internal financial controls to be followed by your Company and such policies and procedures adopted by your Company for ensuring the orderly and efficient conduct of its business, including adherence to your 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

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During the year under review, the Audit Committee comprised Independent Non-Executive Directors, namely, Mr. Ashok Kumar Mahindra (Chairperson), Dr. Rakesh Mohan and Mr. Rajya Vardhan Kanoria. Powers and role of the Audit Committee are included in Corporate Governance Report. All the recommendations made by the Audit Committee were accepted by the Board of Directors.

## Vigil Mechanism

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The Vigil Mechanism of your Company is governed by significant documents "The Nestlé Corporate Business Principles", "Nestlé Purpose and Values document" and "Nestlé Code of Business Conduct". The said mechanism is available to the directors and employees, who can report to the Company Secretary, on a confidential basis, any practices or actions believed to be inappropriate or illegal under the Nestlé India Code of Business Conduct ("the Code"). The Code provides for adequate safeguards against victimization of 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 your Company's intranet portal. Further, your 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. Your Company also provides an independent third party operated free phone and web based facility, "Tell us", to all internal and external stakeholders with a dedicated communication channel for reporting potential instances of non-compliance with Nestlé Corporate Business Principles. Details of "Tell Us" are available on [www.nestle.in](http://www.nestle.in).

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

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Information required under Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 for the financial year ended 31<sup>st</sup> December, 2018 in relation to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the Annexure – 5 forming integral part of this Report.

## Information regarding Employees and related disclosures

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Your Company considers people as its biggest assets and 'Believing in People' is at the heart of its human resource strategy. Concerted efforts have been put in talent management and succession planning practices, strong performance management and learning and training initiatives to ensure that your Company consistently develops inspiring, strong and credible leadership. During the year the focus of your Company was to ensure that

young talent is nurtured and mentored consistently, that rewards and recognition are commensurate with performance and that employees have the opportunity to develop and grow.

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

The statement of Disclosure of Remuneration under Section 197 of the Act and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ("Rules"), is appended as Annexure – 6 to the Report. The information as per Rule 5(2) of the Rules, 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 Rules, the Report and Financial Statements are being sent to the Members of the Company excluding the statement of particulars of employees under Rule 5(2) of the Rules. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

As per the requirement of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH), your Company has a robust mechanism in place to redress complaints reported under it. The Company has complied with provisions relating to the constitution of Internal Complaints Committee under POSH. The Internal Committee (IC) composed of internal members and an external member who has extensive experience in the field. During the year 2018, no cases of sexual harassment were reported in your Company. During the course of the year, several initiatives were undertaken to demonstrate the Company's zero tolerance philosophy against discrimination and sexual harassment, which included creation of comprehensive and easy to understand training and communication material which are also made easily accessible. In addition, workshops were also run for the employees to enhance awareness and knowledge of other biases that may influence thinking and actions.

## Trade Relations

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

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

## Appreciation

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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 utilization of the Company's resources for sustainable and profitable growth.

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

On behalf of the Board of Directors

Suresh Narayanan  
Chairman and Managing Director

Date : 14<sup>th</sup> February, 2019  
Place : Gurugram

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

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

We have audited the accompanying Ind AS financial statements of Nestlé India Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information (collectively referred to as "Ind AS financial statements").

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

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

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

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibility**

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of 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 Ind AS financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31 December 2018, its profit and other comprehensive income, changes in equity 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, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
- e) On the basis of the written representations received from the directors as on 31 December 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2018 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- g) 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 Ind AS financial statements - Refer Note 37 and 45 to the Ind AS financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
  - iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 December 2018.

For **B S R & Co. LLP**  
*Chartered Accountants*

Firm's Registration No.: 101248W/W-100022

Place: Gurugram  
Date: 14 February 2019

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

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) The inventory, except goods in transit and stock lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. Confirmations have been obtained for stock lying with third parties at the year end. According to the information and explanations given to us, the discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, clause 3(iii) of the order is not applicable.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not entered into any transactions in respect of loans, investments, guarantees, and security which are covered under section 185 of the Companies Act, 2013.

The Company has complied with the provisions of Section 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

- (v) According to the information and explanations given to us, the Company has not accepted any deposits covered under

section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under. Accordingly, clause 3(v) of the Order is not applicable.

- (vi) We have broadly reviewed the records maintained by the Company pursuant to the rules prescribed by Central Government for maintenance of cost records under sub section (1) of Section 148 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Duty of Customs, Goods and Services Tax, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Duty of customs, Goods and Services Tax, Cess and other material statutory dues were in arrears as at 31 December 2018 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, except as stated in Appendix 1, there are no dues of Income-tax, Goods and Services tax, Sales tax, Service tax, Duty of customs, Duty of excise or Value added tax which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any dues payable to any financial institutions, government or debentures holders during the year.
- (ix) The Company has not raised any money by way of initial public offer, further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable to the Company.
- (x) According to the information and explanations given to us, no material fraud by the Company or no material fraud on the Company by its officers or employees, has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records, the Company has paid or provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examinations of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. The details of such related party transactions have been disclosed in the Ind AS financial statements as required by applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3(xiv) of the Order is not applicable.

- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, clause 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Place: Gurugram  
Date: 14 February 2019

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

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

(₹ in Million)

Name of the Statute	Nature of Dues	Amount*	Amount Paid under protest	Period to which amount relates	Forum where case is pending
Central Excise Act, 1944	Duty of Excise	68.7	15.5	1996-2006	Supreme Court
Central Excise Act, 1944	Duty of Excise	0.9	-	1994	High Court
Central Excise Act, 1944	Duty of Excise	30.9	33.1	2005-2008	Customs, Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Duty of Excise	0.5	-	2000	Commissioner
Customs Act, 1962	Custom Duty	52.8	3.8	2008-2013	Customs, Excise and Service Tax Appellate Tribunal
Customs Act, 1962	Custom Duty	53.0	2.9	2008-2009	Commissioner
The Finance Act, 1994	Service Tax	626.8	214.3	2005-2007, 2008, 2010-2014	Customs, Excise and Service Tax Appellate Tribunal
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	101.3	2.5	1997-1998, 2000-2006, 2007-2009, 2014-2015	High Court
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	139.5	49.7	2004-2005, 2006-2007, 2010-2015	Tribunal
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	183.6	-	2005-2012	Appellate & Revisional Board
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	22.0	2.3	2005- 2007, 2008-2009, 2011-2013, 2014-2015	Commissioner (Appeals)
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	81.0	1.1	2004- 2005, 2010-2012, 2013-2014	Commissioner
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	73.3	1.9	2008-10, 2014-15	Joint Commissioner
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	50.1	5.8	2008-2009, 2010-2011, 2012-2015	Additional Commissioner
Central Sales Tax/ Value Added Tax	Sales Tax/ VAT	1.1	0.2	2007-2008	Assessing Officer
Income Tax Act, 1961	Income Tax	1,253.2	-	1996-2001, 2004-2008	Supreme Court
Income Tax Act, 1961	Income Tax	298.6	-	2000-2004	High Court
Income Tax Act, 1961	Income Tax	3,594.1	33.4	2006-2007, 2008-2015	Income Tax Appellate Tribunal

\* As per demand order

**Annexure B referred to in our Independent Auditor's Report of even date on the financial statements of Nestlé India Limited**

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

We have audited the internal financial controls with reference to financial statements of **Nestlé India Limited** ("the Company") as of 31 December 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

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

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

**Auditors' Responsibility**

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

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

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

**Meaning of Internal Financial Controls with reference to Financial Statements**

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

**Inherent Limitations of Internal Financial Controls with reference to Financial Statements**

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

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 December 2018, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For B S R & Co. LLP**  
*Chartered Accountants*

Firm's Registration No.: 101248W/W-100022

Place: Gurugram  
Date: 14 February 2019

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

**BALANCE SHEET AS AT 31 DECEMBER 2018**

	NOTES	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	5	24,006.2	26,161.8
Capital work-in-progress		1,052.0	941.6
<b>Financial Assets</b>			
Investments	6	7,333.6	5,852.8
Loans	7	401.4	463.5
Other non-current assets	8	718.1	832.3
		<u>33,511.3</u>	<u>34,252.0</u>
<b>Current assets</b>			
Inventories	9	9,655.5	9,024.7
<b>Financial Assets</b>			
Investments	10	19,251.3	13,935.9
Trade receivables	11	1,245.9	889.7
Cash and cash equivalents	12	15,987.7	14,476.9
Bank Balances other than cash and cash equivalents	13	112.9	97.3
Loans	14	178.9	288.0
Other financial assets	15	524.9	427.9
Current tax assets		188.5	63.9
Other current assets	16	223.9	169.6
		<u>47,369.5</u>	<u>39,373.9</u>
		<u>80,880.8</u>	<u>73,625.9</u>
<b>Total Assets</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity Share Capital	17	964.2	964.2
Other Equity	18	35,773.2	33,241.7
		<u>36,737.4</u>	<u>34,205.9</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	19	351.4	351.4
Provisions	20	24,649.2	22,915.9
Deferred tax liabilities (net)	21	588.2	1,219.6
Other non-current liabilities	22	5.1	6.0
		<u>25,593.9</u>	<u>24,492.9</u>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	48	107.7	52.5
Total outstanding dues of creditors other than micro enterprises and small enterprises		12,296.0	9,793.9
Other financial liabilities	23	3,161.8	3,140.2
Provisions	24	1,572.6	874.6
Other current liabilities	25	1,411.4	1,065.9
		<u>18,549.5</u>	<u>14,927.1</u>
		<u>80,880.8</u>	<u>73,625.9</u>
<b>Total Equity and liabilities</b>			

See accompanying notes 1 to 49 forming part of the financial statements

As per our report of even date attached

For and on behalf of the Board of Directors

For B S R & CO. LLP

Chartered Accountants

Firm's Registration No. - 101248W/W-100022

JITEN CHOPRA

Partner

Membership No. - 092894

14 February 2019

Gurugram

SURESH NARAYANAN

Chairman and Managing Director

(DIN-07246738)

14 February 2019

Gurugram

SHOBINDER DUGGAL

Director - Finance & Control and CFO

(DIN-00039580)

B. MURLI

Sr. VP - Legal & Company Secretary

**STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	NOTES	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
<b>A INCOME</b>			
Domestic Sales		105,075.4	94,724.5
Export Sales		7,086.9	6,626.6
<b>Sale of products</b>	<b>33</b>	<b>112,162.3</b>	<b>101,351.1</b>
Other operating revenues	<b>26</b>	<b>760.4</b>	<b>570.7</b>
<b>i Revenue from operations</b>		<b>112,922.7</b>	<b>101,921.8</b>
<b>ii Other Income</b>	<b>27</b>	<b>2,589.2</b>	<b>1,769.2</b>
<b>Total Income</b>		<b>115,511.9</b>	<b>103,691.0</b>
<b>B EXPENSES</b>			
<b>i Cost of materials consumed</b>	<b>28</b>	<b>43,656.8</b>	<b>42,316.6</b>
<b>ii Purchases of stock-in-trade</b>		<b>2,305.6</b>	<b>1,747.6</b>
<b>iii Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>	<b>29</b>	<b>(60.1)</b>	<b>(795.6)</b>
<b>iv Excise duty</b>		<b>-</b>	<b>1,825.8</b>
<b>v Employee benefits expense</b>	<b>30</b>	<b>11,241.5</b>	<b>10,174.5</b>
<b>vi Finance costs (including interest cost on employee benefit plans)</b>	<b>31</b>	<b>1,119.5</b>	<b>919.0</b>
<b>vii Depreciation and Amortisation</b>	<b>5</b>	<b>3,356.7</b>	<b>3,422.5</b>
<b>viii Other expenses</b>	<b>32</b>	<b>28,181.1</b>	<b>24,170.2</b>
<b>ix Impairment loss on property, plant and equipment</b>	<b>5</b>	<b>110.8</b>	<b>371.8</b>
<b>Net provision for contingencies</b>	<b>37</b>		
<b>x - Operations</b>		<b>621.7</b>	<b>383.6</b>
<b>xi - Others</b>		<b>415.1</b>	<b>492.9</b>
<b>xii Corporate social responsibility expense</b>	<b>38</b>	<b>273.7</b>	<b>269.1</b>
<b>Total Expenses</b>		<b>91,222.4</b>	<b>85,298.0</b>
<b>C PROFIT BEFORE TAX (A-B)</b>		<b>24,289.5</b>	<b>18,393.0</b>
<b>D Tax expense</b>			
Current tax {includes ₹ 190.8 million (2017 : Nil) of earlier years}	<b>39</b>	<b>8,848.7</b>	<b>6,491.7</b>
Deferred tax	<b>39</b>	<b>(628.5)</b>	<b>(350.6)</b>
<b>E PROFIT AFTER TAX (C-D)</b>		<b>16,069.3</b>	<b>12,251.9</b>

**STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	NOTES	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
<b>F OTHER COMPREHENSIVE INCOME</b>			
<b>(a) (i) Items that will not be reclassified to profit or loss</b>			
Re-measurement of retiral defined benefit plans	34	(464.0)	(1,387.3)
Changes in fair value of equity instruments		(100.0)	-
<b>(ii) Income taxes relating to Items that will not be reclassified to profit or loss</b>		162.0	480.1
		<u>(402.0)</u>	<u>(907.2)</u>
<b>(b) (i) Items that will be reclassified to profit or loss</b>			
Changes in fair value of cash flow hedges		(3.2)	26.7
<b>(ii) Income taxes relating to Items that will be reclassified to profit or loss</b>		1.1	(9.3)
		<u>(2.1)</u>	<u>17.4</u>
<b>TOTAL OTHER COMPREHENSIVE INCOME (a + b)</b>		<u>(404.1)</u>	<u>(889.8)</u>
<b>G TOTAL COMPREHENSIVE INCOME (E + F)</b>			
		<u>15,665.2</u>	<u>11,362.1</u>
<b>Weighted average number of equity shares outstanding</b>	<b>Nos.</b>	<b>96,415,716</b>	<b>96,415,716</b>
Basic and Diluted Earnings Per Share (Face value ₹ 10)	₹	166.67	127.07
<b>ADDITIONAL INFORMATION (Refer Note 2):</b>			
<b>PROFIT FROM OPERATIONS [C - A(ii) + B(vi) + B(xi) + B(xii)]</b>		<b>23,508.6</b>	<b>18,304.8</b>

See accompanying notes 1 to 49 forming part of the financial statements

As per our report of even date attached  
For B S R & CO. LLP  
Chartered Accountants  
Firm's Registration No. - 101248W/W-100022

JITEN CHOPRA  
Partner  
Membership No. - 092894

14 February 2019  
Gurugram

SURESH NARAYANAN  
Chairman and Managing Director  
(DIN-07246738)

14 February 2019  
Gurugram

For and on behalf of the Board of Directors

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

B. MURLI  
Sr. VP - Legal & Company Secretary

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
<b>A CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	24,289.5	18,393.0
Adjustments for :		
Depreciation and Amortisation	3,356.7	3,422.5
Impairment loss on property, plant and equipment	110.8	371.8
Deficit/ (Surplus) on property, plant and equipment sold/scrapped/written off (net)	(10.3)	50.2
Other income	(2,589.2)	(1,769.2)
Interest on bank overdraft and others	40.5	6.6
Unrealised exchange differences	11.6	(5.8)
<b>Operating profit before working capital changes</b>	<b>25,209.6</b>	<b>20,469.1</b>
Adjustments for working capital changes:		
Decrease/(increase) in trade receivables	(359.0)	84.3
Decrease/(increase) in inventories	(630.8)	375.9
Decrease/(increase) in loans, other financial assets & other assets	59.1	25.4
Increase/(decrease) in trade payable	2,572.7	1,850.2
Increase/(decrease) in other financial liabilities & other liabilities	518.7	(729.4)
Increase/(decrease) in provision for contingencies	1,036.8	876.6
Increase/(decrease) in provision for employee benefits	930.5	1,266.5
<b>Cash generated from operations</b>	<b>29,337.6</b>	<b>24,218.6</b>
Income taxes paid (net of refunds)	(8,813.1)	(6,040.7)
<b>Net cash generated from operating activities</b>	<b>20,524.5</b>	<b>18,177.9</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,659.8)	(1,985.6)
Sale of property, plant and equipment	32.0	27.1
Purchase of tax free long term bonds and treasury bills	(1,603.9)	(1,118.1)
Decrease/(increase) in loans to employees	150.4	71.4
Dividend received on mutual funds	185.4	161.3
Interest received on bank deposits, investments, tax free bonds, employee loans etc.	2,371.8	1,538.3
<b>Net cash used in investing activities</b>	<b>(524.1)</b>	<b>(1,305.6)</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in deferred VAT liabilities under state government schemes	-	19.9
Interest on bank overdraft and others	(40.5)	(6.6)
Dividends paid	(10,895.0)	(8,291.8)
Dividend distribution tax paid	(2,238.7)	(1,687.7)
<b>Net cash used in financing activities</b>	<b>(13,174.2)</b>	<b>(9,966.2)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>6,826.2</b>	<b>6,906.1</b>



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
Cash and cash equivalents (Refer note 12)	14,476.9	8,693.2
Current investments (Refer note 10)	13,935.9	12,813.5
<b>Total cash and cash equivalents at the beginning of the year (as per Ind AS 7)</b>	<b>28,412.8</b>	<b>21,506.7</b>
Cash and cash equivalents (Refer note 12)	15,987.7	14,476.9
Current investments (Refer note 10)	19,251.3	13,935.9
<b>Total cash and cash equivalents at the end of the year (as per Ind AS 7)</b>	<b>35,239.0</b>	<b>28,412.8</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,826.2</b>	<b>6,906.1</b>

**Notes:**

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

As per our report of even date attached

For B S R & CO. LLP

Chartered Accountants

Firm's Registration No. - 101248W/W-100022

JITEN CHOPRA

Partner

Membership No. - 092894

14 February 2019

Gurugram

SURESH NARAYANAN

Chairman and Managing Director

(DIN-07246738)

14 February 2019

Gurugram

For and on behalf of the Board of Directors

SHOBINDER DUGGAL

Director - Finance & Control and CFO

(DIN-00039580)

B. MURLI

Sr. VP - Legal & Company Secretary

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(₹ in million)

### A) EQUITY SHARE CAPITAL

Balance as at 31 December 2017	964.2
Movement during the year	-
<b>Balance as at 31 December 2018</b>	<b>964.2</b>

(₹ in million)

### B) OTHER EQUITY<sup>(1)</sup>

	Reserves and Surplus		Items of Other Comprehensive Income		Total
	General Reserve	Retained Earnings	Equity Instrument through Other Comprehensive Income	Effective portion of Cash Flow Hedges	
<b>Balance as at 31 December 2017</b>	<b>8,374.3</b>	<b>25,054.5</b>	<b>(200.0)</b>	<b>12.9</b>	<b>33,241.7</b>
Profit after tax	-	16,069.3	-	-	16,069.3
Other comprehensive income	-	(302.0)	(100.0)	(2.1)	(404.1)
<b>Total comprehensive income</b>	<b>-</b>	<b>15,767.3</b>	<b>(100.0)</b>	<b>(2.1)</b>	<b>15,665.2</b>
Dividend (Refer note 49)	-	(10,895.0)	-	-	(10,895.0)
Dividend Distribution tax	-	(2,238.7)	-	-	(2,238.7)
<b>Total appropriations</b>	<b>-</b>	<b>(13,133.7)</b>	<b>-</b>	<b>-</b>	<b>(13,133.7)</b>
<b>Balance as at 31 December 2018</b>	<b>8,374.3</b>	<b>27,688.1</b>	<b>(300.0)</b>	<b>10.8</b>	<b>35,773.2</b>

(1) Description of purpose of each reserve within Other Equity has been disclosed under Note 18.

As per our report of even date attached

For B S R & CO. LLP

Chartered Accountants

Firm's Registration No. - 101248W/W-100022

JITEN CHOPRA

Partner

Membership No. - 092894

14 February 2019

Gurugram

SURESH NARAYANAN

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14 February 2019

Gurugram

For and on behalf of the Board of Directors

SHOBINDER DUGGAL

Director - Finance & Control and CFO

(DIN-00039580)

B. MURLI

Sr. VP - Legal & Company Secretary

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1 - CORPORATE INFORMATION

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

### 2 - SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION AND MEASUREMENT

##### Statement of compliance

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

##### Basis of measurement

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

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

##### Financial Year

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

##### Functional and Presentation Currency

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

##### Rounding off

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

##### Current and Non-current Classification

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

##### Measurement of Profit from Operations

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

##### Use of Estimates and Judgement

The preparation of financial statements requires management to exercise judgement and make estimates and assumptions that affects the reported amounts of revenue, expenses, assets and liabilities. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

these estimates. These estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the results are known/materialise.

The areas involving significant estimates and judgement include determination of useful life of property, plant and equipment (Refer note 5), measurement of defined benefit obligations (Refer note 34), recognition and measurement of provisions and contingencies (Refer note 37) and recognition of deferred tax assets/liabilities (Refer note 39).

### Approval of financial statements

The financial statements of the Company were approved for issue by the Board of Directors on 14 February 2019.

### REVENUE RECOGNITION

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

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

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

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

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

### GOVERNMENT GRANTS

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

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

### INVENTORIES

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

Raw and packing material	:	First-in-first out
Stock-in-trade (Goods purchased for resale)	:	Weighted average
Stores and spare parts	:	Weighted average
Work-in-progress and finished goods	:	Material cost plus appropriate share of production overheads and excise duty, wherever applicable

### EMPLOYEE BENEFITS

#### Employee benefit plans

The Company makes contributions to 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.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

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

Long term employee benefits such as compensated absences and long service awards are charged to statement of profit and loss on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Actuarial gains and losses are recognised in full in the statement of profit and loss during the year in which they occur.

### Other employee benefits

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

### SHARE BASED PAYMENT

Nestlé Restricted Stock Unit (RSU) Plan/ Performance Share Unit (PSU) Plan of Nestlé S.A., whereby select employees of the Company are granted non-tradable units with the right to obtain Nestlé S.A. shares or cash equivalent, is a Cash-Settled Share based payment as per the requirement of Ind AS 102 - Share based Payment. Liability under the plan is initially measured at the fair value and charged to statement of profit and loss over the vesting period. The Company remeasures the outstanding units at each balance sheet date at their fair values taking into account the Nestlé S.A. share price and exchange rate as at the balance sheet date. The resultant gain/ (loss) on remeasurement is recognised in the statement of profit and loss over the vesting period.

### PROPERTY, PLANT AND EQUIPMENT

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

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

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

### DEPRECIATION / AMORTISATION

The Company has assessed the useful lives of property, plant and equipment as per Schedule II to the Companies Act, 2013. Accordingly, depreciation has been computed on useful lives based on technical evaluation of relevant class of assets including components thereof. Useful lives and residual values are reviewed annually. Depreciation is provided as per the straight line method computed basis useful lives of fixed assets as follows:

Buildings	:	25 - 40 years
Plant & Machinery	:	5 - 25 years
Office Equipments	:	5 years
Furniture and fixtures	:	5 years
Vehicles	:	5 years
Information Technology (IT) equipment	:	3 - 5 years

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date, items of property, plant and equipment are reviewed to determine whether there is any indication of impairment. For the purpose of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash flows (cash generating unit). If any impairment indicator exists, estimate of the recoverable amount of the property, plant and equipment /cash generating unit to which the asset belongs is made. An impairment loss is recognised whenever the carrying amount of an asset/ cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount rate.

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

### LEASES

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

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

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

### FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

### PROVISIONS AND CONTINGENT LIABILITIES

Provisions for Contingencies/ Contingent liabilities are recognised/disclosed after evaluation of facts and legal aspects of the matter involved, in line with Ind AS 37 on Provisions, Contingent Liabilities and Contingent Assets. Provisions are recognised when the Company has a present obligation (legal/constructive) and on management judgement as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. As the timing of outflow of resources is uncertain, being dependent upon the outcome of the future proceedings, these provisions are not discounted to their present value.

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

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### BORROWING COSTS

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

### FINANCIAL INSTRUMENTS

#### a) Recognition and Initial measurement

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

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

##### i) Debt Instruments

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

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

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

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

##### ii) Equity Instruments

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

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

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

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

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

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

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

### e) Impairment of financial assets

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

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

### f) Derivatives and hedge accounting

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

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

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

### g) Fair value measurement

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

## INCOME TAX

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

Provision for current tax for the period comprises of

- a) estimated tax expense which has accrued on the profit for the period 1 April 2018 to 31 December 2018 and,
- b) the residual tax expense for the period 1 April 2017 to 31 March 2018 arising out of the finalisation of fiscal accounts (Assessment Year 2018-2019), under the provisions of the Indian Income tax Act, 1961.

Deferred taxes are recognised basis the balance sheet approach on temporary differences, being the difference between the carrying amount of assets and liabilities in the Balance Sheet and its corresponding tax base, that originate in one period and are



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

capable of reversal in one or more subsequent periods. Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which such assets can be utilized.

### EARNINGS PER SHARE

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

### CASH AND CASH EQUIVALENTS

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

### EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material events occurring after the balance sheet date upto the date of approval of financial statements by the board of directors on 14 February 2019, have been considered, disclosed and adjusted, wherever applicable, as per the requirements of Ind AS 10 - Events after the Reporting Period.

## 3 - RECENT ACCOUNTING PRONOUNCEMENTS

### IND AS 115: Revenue from Contracts with Customers

In March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying Ind AS 115, 'Revenue from Contracts with Customers'. The Standard is applicable to the Company with effect from 1 January 2019.

Revenue from Contracts with Customers Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 Revenue, Ind AS 11 Construction Contracts when it becomes effective. The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Company has evaluated Ind AS 115 and does not anticipate any significant impact.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

In accordance with Ind AS 18 on "Revenue" and Schedule III to the Companies Act, 2013, Sales for the period 1 January to 30 June 2017 in the previous year were reported gross of Excise Duty and net of Value Added Tax (VAT)/ Sales Tax. Excise duty was reported as a separate expense line item. Consequent to the introduction of Goods and Services Tax (GST) with effect from 1 July 2017, VAT/Sales Tax, Excise duty etc. have been subsumed into GST and accordingly the same is not recognised as part of sales as per the requirements of Ind AS 18. This has resulted in lower reported sales in the current year in comparison to the sales reported in the previous year under the pre-GST structure of indirect taxes. With the change in structure of indirect taxes, expenses are also being reported net of taxes. Accordingly, financial results for the year ended 31 December 2018 and in particular Sales, absolute expenses and ratios in percentage of Sales are not comparable with the previous year.

### 5 - Property, Plant and Equipment

(₹ in million)

	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK	
	Cost as at 31 December 2017	Additions	Deletions / adjustments	Cost as at 31 December 2018	As at 31 December 2017	For the year	Impairment loss <sup>(1)</sup>	On deletions / adjustments	As at 31 December 2018	As at 31 December 2018
Freehold land	174.0	0.1	-	174.1	-	-	-	-	-	174.1
Leasehold land	1,231.0	-	-	1,231.0	25.8	13.1	-	-	38.9	1,192.1
Buildings	9,032.0	96.2	4.2	9,124.0	780.4	375.9	-	1.4	1,154.9	7,969.1
Plant and machinery	21,804.1	1,013.6	22.1	22,795.6	5,750.7	2,758.6	110.8	5.1	8,615.0	14,180.6
Furniture and fixtures	707.9	11.5	10.5	708.9	567.5	57.1	-	9.1	615.5	93.4
Office equipment	132.5	22.6	6.6	148.5	56.2	27.5	-	6.6	77.1	71.4
IT equipment	477.6	189.6	19.4	647.8	231.6	119.1	-	19.1	331.6	316.2
Vehicles	25.2	-	0.9	24.3	10.3	5.4	-	0.7	15.0	9.3
<b>Total</b>	<b>33,584.3</b>	<b>1,333.6</b>	<b>63.7</b>	<b>34,854.2</b>	<b>7,422.5</b>	<b>3,356.7</b>	<b>110.8</b>	<b>42.0</b>	<b>10,848.0</b>	<b>24,006.2</b>

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

(1) Refer Note 36

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>6 - NON-CURRENT INVESTMENTS</b>		
<b>At amortised cost</b>		
<b>Quoted</b>		
Tax free Bonds	7,114.8	5,534.0
<b>At fair value through Other Comprehensive Income</b>		
<b>Unquoted</b>		
Equity shares of Sahyadri Agro and Dairy Private Limited (2018, 2017 : Fully paid up 1,415,050 equity shares of face value ₹10 each)	218.8	318.8
	<u>7,333.6</u>	<u>5,852.8</u>
Market value of quoted investments	7,278.1	5,893.2
<b>7 - NON-CURRENT LOANS</b>		
<b>Secured, considered good</b>		
Loans to employees	1.1	2.5
<b>Unsecured, considered good</b>		
Security deposits	327.5	357.1
Loans to employees	72.8	103.9
	<u>400.3</u>	<u>461.0</u>
	<u>401.4</u>	<u>463.5</u>
<b>8 - OTHER NON-CURRENT ASSETS</b>		
Capital advances	28.6	23.1
Prepaid Expense	-	5.6
Payments under protest with government authorities	689.5	803.6
	<u>718.1</u>	<u>832.3</u>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>9 - INVENTORIES</b>		
<b>(at cost or net realisable value, whichever is lower)</b>		
Raw materials	3,235.6	2,833.8
{Includes in transit ₹ 162.8 million (2017: ₹ 266.0 million)}		
Packing materials	378.7	285.4
{Includes in transit ₹ 9.3 million (2017: ₹ 13.2 million)}		
Work-in-progress	1,132.6	1,148.1
Finished goods	3,873.8	3,881.7
Stock-in-trade (goods purchased for resale)	364.0	280.5
{Includes in transit ₹ 65.5 million (2017: ₹ 98.3 million)}		
Stores and spares	670.8	595.2
{Includes in transit ₹ 8.7 million (2017: ₹ 27.0 million)}		
	<u>9,655.5</u>	<u>9,024.7</u>

During the year, an amount of ₹ 520.5 million (net of reversals) [2017: ₹ 460.8 million] was charged to the statement of profit and loss on account of obsolete, damage and slow moving inventories.

## 10 - CURRENT INVESTMENTS

### At amortised cost

#### Quoted

Treasury Bills - Government Securities	11,668.2	5,958.8
Certificate of Deposits with banks	1,341.5	1,734.0
Commercial Papers	1,495.8	2,238.8
Short Term Bonds	846.2	464.9

### At fair value through profit and loss

#### Quoted

Mutual Funds - Debt <sup>(1)</sup>	3,899.6	3,539.4
	<u>19,251.3</u>	<u>13,935.9</u>
Considered as 'Cash and cash equivalents' for the purpose of 'Statement of Cash Flows' in line with the requirements of Ind AS-7	19,251.3	13,935.9
Market value of quoted investments	19,251.3	13,934.6

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>11 - TRADE RECEIVABLES (UNSECURED)</b>		
Trade Receivables considered good <sup>(1)</sup>	1,245.9	889.7
Trade Receivables with significant increase in credit risk	<u>23.2</u>	<u>21.0</u>
	1,269.1	910.7
Less: Loss allowance	<u>(23.2)</u>	<u>(21.0)</u>
	<u>1,245.9</u>	<u>889.7</u>
(1) Include receivables from related parties (Refer Note 46)		
<b>12 - CASH AND CASH EQUIVALENTS</b>		
Balances with banks		
on current accounts	188.3	125.7
on deposit accounts	15,691.2	14,340.0
Cheques, drafts on hand including remittances in transit	<u>108.2</u>	<u>11.2</u>
	<u>15,987.7</u>	<u>14,476.9</u>
<b>13 - BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS</b>		
Unpaid dividend accounts	<u>112.9</u>	<u>97.3</u>
	<u>112.9</u>	<u>97.3</u>
<b>14 - CURRENT LOANS</b>		
<b>Secured, considered good</b>		
Loans to employees	1.1	2.3
<b>Unsecured, considered good</b>		
Security deposits	29.4	20.6
Loans to employees	<u>148.4</u>	<u>265.1</u>
	177.8	285.7
<b>Unsecured, credit impaired</b>		
Security deposits, Loans to employees	8.5	8.6
Less: Allowance for impairment	<u>(8.5)</u>	<u>(8.6)</u>
	<u>178.9</u>	<u>288.0</u>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>15 - OTHER CURRENT FINANCIAL ASSETS</b>		
Recoverable from related parties	77.5	43.2
Derivative assets - forward contracts	46.8	32.0
Interest accrued on bank deposits/ tax free long term bonds etc.	391.3	336.2
Others	9.3	16.5
	<u>524.9</u>	<u>427.9</u>
<b>16 - OTHER CURRENT ASSETS</b>		
<b>Unsecured, considered good</b>		
Advances given to suppliers, employees etc.	116.1	103.6
Balances with government authorities	31.0	5.8
Prepaid expenses	76.8	60.2
	<u>223.9</u>	<u>169.6</u>
<b>Unsecured, credit impaired</b>		
Advances given to suppliers, Balances with government authorities etc.	23.3	19.1
Less: Allowance for impairment	<u>(23.3)</u> -	<u>(19.1)</u> -
	<u>223.9</u>	<u>169.6</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018		As at 31 December 2017	
	No. of shares	Amount (₹ in million)	No. of shares	Amount (₹ in million)
<b>17 - EQUITY SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity shares of face value ₹ 10 each	100,000,000	1,000.0	100,000,000	1,000.0
<b>Issued, subscribed and fully paid up</b>				
Equity shares of face value ₹ 10 each	96,415,716	964.2	96,415,716	964.2

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

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

b) Rights, preferences and restrictions attached to equity shares

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

c) Equity shares held by holding companies

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

d) Shareholders holding more than 5% of equity shares

Serial No.	Name of the shareholder	No. of shares	% of holding	No. of shares	% of holding
1	Nestlé S.A.	33,051,399	34.28	33,051,399	34.28
2	Maggi Enterprises Limited	27,463,680	28.48	27,463,680	28.48
3	Life Insurance Corporation of India	3,110,517	3.23	4,968,835	5.15

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>18 - OTHER EQUITY</b>		
General reserve	8,374.3	8,374.3
Retained earnings	27,688.1	25,054.5
Items of Other Comprehensive Income		
Effective portion of cash flow hedges	10.8	12.9
Equity Instruments through other comprehensive income	(300.0)	(200.0)
	<u>35,773.2</u>	<u>33,241.7</u>

### Nature and description of reserve

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

## 19 - NON-CURRENT BORROWINGS

### Unsecured loans

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

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

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

## 20 - NON-CURRENT PROVISIONS

Employee benefits:			
Pension and gratuity (Refer note 34)	15,860.2		14,641.0
Other incentives and welfare benefits <sup>(1)</sup>	1,196.1	17,056.3	1,081.1
Contingencies (Refer note 37)		7,592.9	7,193.8
		<u>24,649.2</u>	<u>22,915.9</u>

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



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>21 - DEFERRED TAXES (NET) <sup>(1)</sup></b>		
<b>Deferred tax liabilities</b>		
Property, Plant and Equipment	2,379.1	2,533.5
Inventories	-	208.7
Financial Instruments	8.2	12.4
	<u>2,387.3</u>	<u>2,754.6</u>
<b>Deferred tax assets</b>		
Contingencies	1,376.5	1,143.8
Employee benefits - Compensated absences and Gratuity	359.6	331.9
Allowance for credit impaired assets and Trade receivables	21.1	20.6
Other items deductible on payment	41.9	38.7
	<u>1,799.1</u>	<u>1,535.0</u>
	<u>588.2</u>	<u>1,219.6</u>

(1) Refer note 39

**22 - OTHER NON-CURRENT LIABILITIES**

Deferred Government Grants	5.1	6.0
	<u>5.1</u>	<u>6.0</u>

**23 - OTHER CURRENT FINANCIAL LIABILITIES**

Payables for capital expenditure	469.8	680.1
Customers' credit balances and payables	1,082.0	1,027.9
Employee costs and reimbursements	1,379.6	1,245.2
Book Overdraft	0.9	9.4
Unpaid dividends <sup>(1)</sup>	112.9	97.3
Security deposits	60.6	66.3
Derivative liabilities - forward contracts	56.0	14.0
	<u>3,161.8</u>	<u>3,140.2</u>

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>24 - CURRENT PROVISIONS</b>		
Employee benefits:		
Pension (Refer note 34)	240.8	182.5
Other incentives and welfare benefits <sup>(1)</sup>	251.7	249.7
Contingencies (Refer note 37)	1,080.1	442.4
	<u>1,572.6</u>	<u>874.6</u>

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

### 25 - OTHER CURRENT LIABILITIES

Statutory liabilities (Goods & Services tax, Sales tax, Excise Duty, TDS etc.)	519.1	377.1
Advance from customers	407.9	168.7
Others	484.4	520.1
	<u>1,411.4</u>	<u>1,065.9</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
<b>26 - OTHER OPERATING REVENUES</b>		
Export incentives	558.2	395.4
Other operating income (includes scrap sales)	202.2	175.3
	<u>760.4</u>	<u>570.7</u>
<b>27 - OTHER INCOME</b>		
Interest on bank deposits, investments and employee loans etc. <sup>(1)</sup>	1,929.2	1,245.8
Interest on tax free long term bonds <sup>(1)</sup>	474.6	362.1
Dividend on mutual funds	183.8	159.4
Net Gain on financial assets at fair value through profit & loss	1.6	1.9
	<u>2,589.2</u>	<u>1,769.2</u>
(1) as per effective interest rate method		
<b>28 - COST OF MATERIALS CONSUMED</b>		
Raw materials	35,986.6	35,222.3
Packing materials	7,670.2	7,094.3
	<u>43,656.8</u>	<u>42,316.6</u>
<b>29 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
<b>Opening stock</b>		
Finished goods	3,881.7	3,708.5
Work-in-progress	1,148.1	912.7
Stock-in-trade	280.5	172.7
	<u>5,310.3</u>	<u>4,793.9</u>
<b>Closing Stock</b>		
Finished goods	3,873.8	3,881.7
Work-in-progress	1,132.6	1,148.1
Stock-in-trade	364.0	280.5
	<u>5,370.4</u>	<u>5,310.3</u>
Net (increase)/ decrease in opening and closing stock	(60.1)	(516.4)
Net movement in excise duty on finished goods	-	(279.2)
	<u>(60.1)</u>	<u>(795.6)</u>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
<b>30 - EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages, bonus, pension, performance incentives etc. (Refer note - 34)	9,654.0	9,097.0
Contribution to provident and other funds	857.9	439.5
Share based payments (Refer note - 35)	117.0	134.7
Staff welfare expenses	612.6	503.3
	<u>11,241.5</u>	<u>10,174.5</u>
<b>31 - FINANCE COSTS</b>		
Interest cost on employee benefit plans	1,079.0	912.4
Interest on bank overdraft and others	40.5	6.6
	<u>1,119.5</u>	<u>919.0</u>
<b>32 - OTHER EXPENSES</b>		
Finished goods handling, transport and distribution	5,256.0	4,772.5
Advertising and sales promotion	7,294.4	5,060.0
Power and fuel	3,441.8	2,884.4
General licence fees (net of taxes)	4,926.5	4,172.8
Information technology and management information systems	840.6	882.6
Maintenance and repairs	925.3	1,005.6
Rates and taxes	75.0	442.2
Travelling	799.3	780.3
Rent	560.3	597.0
Contract manufacturing charges	364.3	374.7
Consumption of stores and spare parts	538.8	503.8
Training	490.2	402.7
Withholding tax on general licence fees	492.6	417.3
Laboratory (quality testing)	214.2	220.3
Market research	301.8	274.9
Milk collection and district development	156.4	161.2
Security charges	133.9	142.9
Exchange difference (net)	134.7	2.8
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	(10.3)	50.2
Insurance	53.8	61.1
Miscellaneous	1,191.5	960.9
	<u>28,181.1</u>	<u>24,170.2</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
**33. Class-wise details of Sales of products**

Product groups	Year ended 31 December 2018		Year ended 31 December 2017	
	Quantity (MT)	Amount <sup>(1)</sup> (₹ in million)	Quantity (MT)	Amount <sup>(1)</sup> (₹ in million)
<b>Milk Products and Nutrition</b> (includes dairy whitener, condensed milk, UHT milk, yoghurt, maternal and infant formula, baby food, health care nutrition)	137,066	51,876.3	130,796	48,196.3
<b>Prepared dishes and cooking aids</b> (includes noodles, sauces, seasonings, pasta, cereals)	240,879	31,052.5	210,427	27,071.4
<b>Powdered and Liquid Beverages</b> (includes instant coffee, instant tea, ready to drink beverage)	27,013	15,226.1	24,423	13,869.9
<b>Confectionery</b> (includes bar countlines, tablets, sugar confectionery)	42,197	14,007.4	36,803	12,213.5
<b>Total Sales</b>	<b>447,155</b>	<b>112,162.3</b>	<b>402,449</b>	<b>101,351.1</b>

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

**34. Employee Benefit Plans**

- (i) The Company makes contributions to the Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees. Under these plans, the Company is required to contribute a specified percentage of payroll costs. The Company has recognised ₹ 421.4 million (Previous year ₹ 368.0 million) as expense in the statement of profit and loss during the year towards contribution to these funds.

Out of the total contribution made for Provident Fund, ₹ 169.5 million (Previous year ₹ 144.6 million) is made to the Nestlé India Limited Employees Provident Fund Trust. The members of the Provident Fund Trust are entitled to the rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. The shortfall, if any, is made good by the Company in the year in which it arises. The Trustees of Nestlé India Limited Employees Provident Fund Trust are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and the relevant provisions prescribed under the law. Pattern of investment followed by the Trust is in accordance with the rules prescribed by the Government of India.

The total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at 31 December 2018 as per the unaudited financial statements are ₹ 3531.4 million (Previous year ₹ 3,316.3 million) as against total plan assets of ₹ 3,532.2 million (Previous year ₹ 3,326.4 million). The funds of the Trust have been invested under various securities in accordance with the rules prescribed by the Government of India.

- (ii) Pension and Gratuity Plans: The Company provides pension and gratuity to eligible employees under defined benefit plans. The gratuity plan provides for a lump sum payment to employees upon vesting at retirement, death while in employment or on termination of employment. Gratuity vesting occurs upon completion of five years of service.

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

	31 December 2018 (₹ in million)		31 December 2017 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
<b>(i) Change in defined benefit obligation (DBO):</b>				
Present Value of obligation, as at the beginning of the year	1,240.0	14,655.3	1,067.1	12,165.2
Current service cost	90.6	650.8	71.9	569.0
Past service cost	345.9	(388.8)		
Interest cost	81.8	1,010.5	72.3	841.8
Actuarial loss/(gain)	28.7	434.4	95.5	1,357.5
Actual benefits paid	(142.7)	(438.6)	(66.8)	(278.2)
<b>Present Value of obligation, as at the end of the year</b>	<b>1,644.3</b>	<b>15,923.6</b>	<b>1,240.0</b>	<b>14,655.3</b>
<b>(ii) Change in plan assets:</b>				
Plan assets, as at the beginning of the year	1,071.8	-	915.4	-
Expected return on plan assets	85.9	-	65.0	-
Contribution by the Company	452.8	-	92.5	-
Return on plan assets, greater/(lesser) than expected return	(0.9)	-	65.7	-
Actual benefits paid	(142.7)	-	(66.8)	-
<b>Plan assets, as at the end of the year</b>	<b>1,466.9</b>	<b>-</b>	<b>1,071.8</b>	<b>-</b>
<b>Net Liability recognised in the balance Sheet</b>	<b>177.4</b>	<b>15,923.6</b>	<b>168.2</b>	<b>14,655.3</b>
<i>of which accounted as:</i>				
Non-current provisions	177.4	15,682.8	168.2	14,472.8
Current provisions	-	240.8	-	182.5
<b>(iii) Constitution of plan assets</b>				
<b>Quoted</b>				
Corporate Bonds	484.2	-	373.4	-
Government of India securities	143.2	-	56.6	-
State Government/State Government guaranteed securities	601.6	-	447.6	-
Mutual funds	104.0	-	58.3	-
Funding with insurance Companies	105.4	-	100.8	-
<b>Unquoted</b>				
Deposits with Banks	25.9	-	32.3	-
Cash at bank and receivables	2.6	-	2.8	-
<b>Total plan assets</b>	<b>1,466.9</b>	<b>-</b>	<b>1,071.8</b>	<b>-</b>
<b>(iv) Cost recognised in the statement of profit and loss</b>				
Current service cost (net of recoveries)	90.1	633.7	71.5	555.3
Past service cost	345.9	(388.8)		
Interest cost <sup>(1)</sup>	81.8	1,010.5	72.3	841.8
Expected return on plan assets	(85.9)	-	(65.0)	-
<b>Net cost</b>	<b>431.9</b>	<b>1,255.4</b>	<b>78.8</b>	<b>1,397.1</b>
<b>(v) Re-measurements recognised in other comprehensive income</b>				
Actuarial loss/(gain)				
Change in financial assumptions	47.6	480.7	26.9	882.0
Change in demographic assumptions	-	-	-	-
Experience adjustments	(18.9)	(46.3)	68.6	475.5
Return on plan assets, (greater)/lesser than expected return	0.9	-	(65.7)	-
<b>Net cost</b>	<b>29.6</b>	<b>434.4</b>	<b>29.8</b>	<b>1,357.5</b>

(1) Total Interest cost on employee benefit plans recognised in statement of profit and loss is ₹ 1079.0 million (Previous year ₹ 912.4 million). This includes ₹ 1006.4 million (Previous year ₹ 849.1 million) towards pension and gratuity and balance amount ₹ 72.6 million (Previous year ₹ 63.3 million) towards compensated absences and long service awards.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

b) Key Actuarial Assumptions

	31 December 2018		31 December 2017	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
Discount Rates (%)	7.0	7.0	7.0	7.0
Expected rate of salary increases (%)				
First 5 years	7.1 to 12.6	7.1 to 12.6	7.5 to 10.0	7.5 to 10.0
Beyond five years	5.5	6.5	5.5	6.5
Expected rate of Pension increases (%)	-	3.25	-	3.25
Mortality assumptions in service in retirement	Indian Assured Lives Mortality (modified 2006-08) Ultimate rates Mortality for annuitants - LIC (1996-98) Ultimate rates			

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

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

c) Sensitivity Analysis

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

	31 December 2018 (₹ in million)		31 December 2017 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
<b>Present Value of obligation - Reported</b>	<b>1,644.3</b>	<b>15,923.6</b>	<b>1,240.0</b>	<b>14,655.3</b>
<b>Discount rates</b>				
Increase of 50 basis point	1,563.3	14,667.3	1,178.9	13,496.4
Decrease of 50 basis point	1,732.6	17,347.1	1,306.9	15,968.7
<b>Expected rate of salary increase</b>				
Increase of 50 basis point	1,716.3	16,763.7	1,289.3	15,446.3
Decrease of 50 basis point	1,576.6	15,145.1	1,192.1	13,919.0
<b>Expected rate of Pension increases</b>				
Increase of 50 basis point	-	16,671.7	-	15,334.1
Decrease of 50 basis point	-	15,234.2	-	14,029.7
<b>Life expectancy</b>				
Increase by 1 year	-	16,248.7	-	14,953.0
Decrease by 1 year	-	15,592.1	-	14,351.6

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

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 35. Restricted Stock Unit (RSU)/ Performance Share Unit (PSU) Plan

The Company participates in the Nestlé Restricted Stock Unit (RSU)/ Performance Share Unit (PSU) Plan of Nestlé S.A., whereby select employees are granted non-tradable units with the right to obtain Nestlé S.A. shares or cash equivalent. Restricted Stock Units (RSU)/ Performance Share Units (PSU) granted to employees vest, subject to certain conditions, after completion of three years. Upon vesting Nestlé S.A. determines, whether shares, free of charge or cash equivalent to the value of shares, is to be transferred to the employee. The Company has to pay Nestlé S.A. an amount equivalent to the value of Nestlé S.A. shares on the date of vesting, delivered to the employee.

The details are as under:-

	31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
Outstanding, non-vested RSU/ PSU grants as at year end	282.4	294.6
RSU/ PSU grants vested during the year	129.1	120.1
Recognised in statement of profit and loss	117.0	134.7

36. Total impairment loss on property, plant and equipment for the year ended 31 December 2018 is ₹ 110.8 million (Previous Year ₹ 371.8 million). Impairment loss relates to various items of plant and machinery and building that have been brought down to their recoverable values upon evaluation of future economic benefits from their use.

### 37. Net provision for contingencies

The Company has created a contingency provision of ₹ 1,242.5 million (Previous year ₹ 1,136.5 million) for various contingencies resulting mainly from matters, which are under litigation / related disputes and other uncertainties requiring management judgement. The Company has also reversed, utilised/settled contingency provision of ₹ 205.6 million (Previous year ₹ 260.0 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	31 December 2018 (₹ in million)			31 December 2017 (₹ in million)		
	Provisions for contingencies			Provisions for contingencies		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
<b>Opening balance</b>	7,083.0	553.2	7,636.2	6,521.0	238.7	6,759.7
New provisions	429.9	812.6	1,242.5	694.0	442.5	1,136.5
Utilisation/Settlement during the year	-	(175.0)	(175.0)	-	(128.0)	(128.0)
Reversals	(30.7)	-	(30.7)	(132.0)	-	(132.0)
<b>Recognised in statement of profit and loss*</b>	399.2	637.6	1,036.8	562.0	314.5	876.5
<b>Closing balance</b>	7,482.2	1,190.8	8,673.0	7,083.0	553.2	7,636.2

\* out of this, ₹ 621.7 million (Previous year ₹ 383.6 million) has been recognised as "Net provision for contingencies (from operations) and balance amount of ₹ 415.1 million (Previous year ₹ 492.9 million) as "Net provision for contingencies (others)".



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Notes:

- (i) **Litigations and related disputes** - represents estimates made mainly for probable claims arising out of litigations / disputes pending with authorities under various statutes (i.e. Income Tax, Excise Duty, Service Tax, Entry Tax, Value Added Tax, Sales and Purchase Tax, etc.). The probability and the timing of the outflow with regard to these matters depend on the ultimate settlement /conclusion with the relevant authorities.
- (ii) **Others** - includes estimates made for products sold by the Company which are covered under free replacement warranty on crossing the best before date for consumption and other uncertainties requiring management judgement. The timing and probability of outflow with regard to these matters will depend on the external environment and the consequent decision/ conclusion by the Management.

38. Corporate Social Responsibility Expense

	31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
Prescribed CSR expenditure as per Section 135 of the Companies Act, 2013	273.4	268.8
(a) Total amount planned to be spent during the year	273.4	268.8
(b) Actual expenditure incurred during the year	273.7	269.1
(c) Paid in Cash <sup>(1)</sup>		
- Pertaining to current year	259.8	260.6
- Pertaining to previous year	8.5	16.9
(d) Expenditure incurred during current year and remaining unpaid	13.9	8.5

(1) Includes amount paid for acquisition/ construction of assets - 2018: Nil, 2017: Nil

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 39. (a) Tax expense

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
<b>i Recognised in the statement of profit and loss</b>		
Current Tax	8,848.7	6,491.7
Deferred Tax	(628.5)	(350.6)
	<u>8,220.2</u>	<u>6,141.1</u>
<b>ii Recognised in other comprehensive income</b>		
Current Tax	(160.2)	(487.6)
Deferred Tax	(2.9)	16.8
	<u>(163.1)</u>	<u>(470.8)</u>
<b>Of which:</b>		
on re-measurement of retiral defined benefit plans	(162.0)	(480.1)
on changes in fair value of cash flow hedges	(1.1)	9.3
<b>Total Taxes</b>		
Current Tax	8,688.5	6,004.1
Deferred Tax	(631.4)	(333.8)
	<u>8,057.1</u>	<u>5,670.3</u>

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

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
<b>Profit before Tax</b>	24,289.5	18,393.0
Statutory Income tax rate <sup>(1)</sup>	34.85%	34.61%
Tax expense @ Statutory Income tax rate	8,464.9	6,365.4
<b>Tax effect of permanent adjustments made for computing taxable income</b>		
Non-deductible expenses	222.6	232.2
Tax Incentives	(246.9)	(276.3)
Income exempt from tax	(229.5)	(180.2)
Adjustment of increase in surcharge by 1% (Considered in Deferred tax liability)	9.1	-
<b>Tax expense recognised in the statement of profit and loss</b>	<u>8,220.2</u>	<u>6,141.1</u>

(1) Statutory Income Tax rate for the period 1 January 2018 to 31 March 2018 was 34.61% and for the period 1 April 2018 to 31 December 2018 was 34.94%.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) Movement in deferred taxes

As at 31 December 2018

(₹ in million)

Particulars	Opening balance	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Closing balance
<b>Deferred tax liabilities</b>				
Property, plant and equipment	2,533.5	(154.4)	-	2,379.1
Inventories	208.7	(208.7)	-	-
Financial Instruments	12.4	(3.1)	(1.1)	8.2
<b>Sub-Total (A)</b>	<b>2,754.6</b>	<b>(366.2)</b>	<b>(1.1)</b>	<b>2,387.3</b>
<b>Deferred tax assets</b>				
Contingencies	1,143.8	232.7	-	1,376.5
Employee benefits - compensated absences and gratuity	331.9	25.9	1.8	359.6
Allowance for credit impaired assets and Trade receivables	20.6	0.5	-	21.1
Other items deductible on payment basis	38.7	3.2	-	41.9
<b>Sub-Total (B)</b>	<b>1,535.0</b>	<b>262.3</b>	<b>1.8</b>	<b>1,799.1</b>
<b>Total (A-B)</b>	<b>1,219.6</b>	<b>(628.5)</b>	<b>(2.9)</b>	<b>588.2</b>

As at 31 December 2017

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 40. Financial Instruments

#### (a) Financial instruments by category

	Note	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>Financial assets</b>			
<b>i Measured at Amortised Cost</b>			
Investments			
Long Term Tax free Bonds	6	7,114.8	5,534.0
Treasury Bills - Government Securities	10	11,668.2	5,958.8
Certificate of Deposits with banks	10	1,341.5	1,734.0
Commercial Papers	10	1,495.8	2,238.8
Short Term Bonds	10	846.2	464.9
Trade receivables	11	1,245.9	889.7
Cash and cash equivalents	12	15,987.7	14,476.9
Bank Balances other than cash and cash equivalents	13	112.9	97.3
Loans	7,14	580.3	751.5
Other financial assets	15	478.1	395.9
		<u>40,871.4</u>	<u>32,541.8</u>
<b>ii Measured at Fair Value through Other Comprehensive Income</b>			
Investment in Equity Shares	6	218.8	318.8
		<u>218.8</u>	<u>318.8</u>
<b>iii Measured at Fair Value through Profit &amp; Loss</b>			
Investment in Mutual Funds	10	3,899.6	3,539.4
Derivative assets - forward contracts	15	46.8	32.0
		<u>3,946.4</u>	<u>3,571.4</u>
		<u>45,036.6</u>	<u>36,432.0</u>
<b>Financial Liabilities</b>			
<b>i Measured at Amortised Cost</b>			
Borrowings	19	351.4	351.4
Trade payables		12,403.7	9,846.4
Others financial liabilities	23	3,105.8	3,126.2
		<u>15,860.9</u>	<u>13,324.0</u>
<b>ii Measured at Fair Value through Profit &amp; Loss</b>			
Derivative liabilities - forward contracts	23	56.0	14.0
		<u>56.0</u>	<u>14.0</u>
		<u>15,916.9</u>	<u>13,338.0</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) Fair value hierarchy

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>(i) Financial assets/liabilities at amortised cost</b>		
The carrying amount of financial assets and financial liabilities measured at amortised cost are a reasonable approximation of their fair values except Investments for which the fair value are as follows:		
Fair value of Investments measured at amortised cost (Level 1)	22,629.8	16,288.4
<b>(ii) Financial assets at fair value through other comprehensive income</b>		
Investment in Equity Shares (Level 3)	218.8	318.8
<b>(iii) Financial assets at fair value through profit &amp; loss</b>		
Investment in Mutual Funds (Level 1)	3,899.6	3,539.4
Derivative assets - forward contracts (Level 2)	46.8	32.0
<b>(iv) Financial liabilities at fair value through profit &amp; loss</b>		
Derivative liabilities - forward contracts (Level 2)	56.0	14.0

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

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

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

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

There are no transfers between different fair value hierarchy levels in 2017 and 2018.

(c) Financial Risk Management

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

(i) Liquidity risk

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### Maturities of financial liabilities:

	(₹ in million)		
	Carrying amount	Less than 1 year	Beyond 1 year
<b>As at 31 December 2018</b>			
Borrowings	351.4	-	351.4
Trade payables	12,403.7	12,403.7	-
Others financial liabilities	3,105.8	3,105.8	-
Derivative liabilities - forward contracts	56.0	56.0	-
	15,916.9	15,565.5	351.4
<b>As at 31 December 2017</b>			
Borrowings	351.4	-	351.4
Trade payables	9,846.4	9,846.4	-
Others financial liabilities	3,126.2	3,126.2	-
Derivative liabilities - forward contracts	14.0	14.0	-
	13,338.0	12,986.6	351.4

### (ii) Credit risk

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

#### Investments

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

#### Trade receivables

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

Movement in expected credit loss allowance on trade receivables:

	31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
Balance as at the beginning of the year	21.0	21.1
Movement during the year	2.2	(0.1)
Balance as at the end of the year	23.2	21.0

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### Other financial assets

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

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

### (iii) Market Risk

#### Interest rate risk

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

#### Price risk

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

#### Foreign currency risk

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

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

	Currency	As at		As at	
		31 December 2018		31 December 2017	
		Hedged <sup>(1)</sup>	Unhedged	Hedged <sup>(1)</sup>	Unhedged
Against exports	USD	1,431.0	-	1,890.7	-
	GBP	-	-	-	18.2
	EUR	-	7.2	-	1.5
	CHF	-	9.0	-	-
Against imports (Including Capital imports)	USD	550.8	-	758.4	-
	EUR	443.9	-	356.4	-
	AUD	295.8	-	174.3	-
	CHF	-	129.6	-	89.1
	GBP	-	8.7	-	13.4
	SGD	-	11.8	-	9.6
	JPY	-	25.8	-	7.4
	ZAR	-	-	-	1.2
	AED	-	-	-	1.1
NZD	-	-	-	0.0	

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### (d) Derivative financial instruments

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

	31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
(i) Fair value of cash flow hedges		
Derivative assets	46.8	32.0
Derivative liabilities	56.0	14.0
(ii) Notional value of cash flow hedges	2,785.1	3,232.5
(iii) Movement in respect of designated cash flow hedges is summarised below:		
Balance as at the beginning of the year	12.9	(4.5)
Add : Gains/ (loss) recognised in other comprehensive income	(118.4)	43.9
Less: Gains/ (loss) reclassified to statement of profit and loss	(115.2)	17.2
Less: Net deferred taxes on the movement	(1.1)	9.3
Balance as at the end of the year	10.8	12.9

### 41. Capital Management

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

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

42. The Company had reviewed the General License Agreements in 2013, the Board of Directors of the Company negotiated and Nestlé S.A. accepted an increase in royalty from 3.5% to 4.5% of domestic sales in a staggered manner by making an increase of 0.20% per annum over five years effective 1 January 2014. The royalty rate on exports is aligned to 4.5% of sales.



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

43. Operating Leases

The Company's significant leasing arrangements are primarily in respect of operating leases for premises (office, residential, warehouses etc.) and vehicles. The aggregate lease rentals charged to the statement of profit and loss account under different revenue accounts are ₹ 661.4 million (Previous year ₹ 718.8 million).

Future minimum lease rentals payable are as under:

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
Not later than one year	487.2	522.4
Later than one year and not later than five years	918.2	1161.7
Later than five years	222.3	296.5

44. Auditors Remuneration<sup>(1)</sup>

{included under Miscellaneous expense (Refer note-32)}

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
(i) Auditors' remuneration and expenses in respect of:		
a) Statutory audit	9.6	8.5
b) Audit of accounts for fiscal year and tax audit	3.2	2.3
c) GST Audit	2.5	-
d) Limited review of quarterly un-audited results	1.8	1.4
e) Certifications	0.6	0.3
f) Certification of tax holiday benefits	0.3	0.2
g) Audit of employee trust accounts	0.1	0.1
h) Out of pocket expenses for statutory audit and other matters	1.3	0.2
	19.4	13.0
(ii) Cost auditors' remuneration and expenses in respect of:		
a) Cost audit fees	0.2	0.2

(1) excluding applicable taxes

45. Contingent liabilities and commitments

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
<b>Contingent liabilities</b>		
Claims against the Company not acknowledged as debts:		
Indirect Taxes	11.7	11.7
<b>Capital Commitments</b>		
Capital expenditure commitments remaining to be executed and not provided for [net of advances ₹ 28.6 million (Previous year ₹ 23.1 million)]	467.4	310.7

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

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

##### (i) Holding Companies

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

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

Cereal Partners (Malaysia)  
Cereal Partners Poland  
CPW Middle East FZCO  
Nestec S.A.  
Nestec York Ltd.  
Nestlé (China) Ltd.  
Nestlé (South Africa) (Pty) Ltd  
Nestlé (Thai) Ltd.  
Nestlé Adriatic S DOO  
Nestlé Asean (Malaysia) Sdn. Bhd.  
Nestlé Australia Ltd.  
Nestlé Bangladesh Ltd.  
Nestlé Brasil Ltda  
Nestlé Bulgaria AD  
Nestlé Canada Inc  
Nestlé Caribbean Inc.  
Nestlé Congo S.A.R.L.  
Nestlé Cote D'Ivoire  
Nestlé Deutschland AG  
Nestlé Dubai Manufacturing LLC  
Nestlé Egypt S.A.E  
Nestlé France S.A.S.  
Nestlé Ghana Ltd.  
Nestlé Hong Kong Ltd  
Nestlé Hungaria Kft.  
Nestlé Japan Ltd.  
Nestlé Kenya Ltd.  
Nestlé Korea Ltd  
Nestlé Korea Yuhan Chaegi  
Nestlé Lanka PLC  
Nestlé Manufacturing (Malaysia) Sdn Bhd  
Nestlé Mexico S.A. de C.V.  
Nestlé Middle East FZE  
Nestlé Middle East Manufacturing  
Nestlé Myanmar Limited  
Nestlé Nederland B.V.  
Nestlé Nigeria Plc  
Nestlé Operational Services Worldwide S.A.  
Nestlé Pakistan Ltd.  
Nestlé Philippines, Inc.  
Nestlé Product Technology Centre  
Nestlé Products (Mauritius) Ltd.  
Nestlé Products Sdn Bhd  
Nestlé Purina Petcare Tianjin Ltd.  
Nestlé Qingdao Limited  
Nestlé R&D Center, Inc.  
Nestlé R&D Centre (Pte) Ltd.  
Nestlé R&D Centre India Private Ltd.  
Nestlé Regional Service Centre  
Nestlé ROH (Thailand) Ltd.  
Nestlé Romania SRL  
Nestlé Servicios Corporativos, S.A.  
Nestlé Shanghai Ltd.  
Nestlé Singapore (Pte) Ltd.  
Nestlé Suisse S.A.  
Nestlé Taiwan Ltd.  
Nestlé Thailand Ltd.  
Nestlé Tianjin Ltd.  
Nestlé Trinidad And Tobago Ltd.  
Nestlé Turkiye Gida Sanayi A.S.  
Nestlé UK Ltd.  
Nestlé USA Inc  
Nestlé Vietnam Ltd.  
Nestlé Waters Ethiopia  
Nestlé Waters Management & Technology  
Nestlé Waters Marketing & distribution S.A.S  
Nestlé Waters North America Inc  
Nesttrade S.A.  
PJSC "Lviv Confectionery Factory svitoch"  
PT Nestlé Indonesia  
Purina Petcare India Private Ltd.  
Quality Coffee Products Ltd.  
Sanpellegrino S.p.A.  
Servcom S.A.  
SMA Nutrition India Private Ltd.  
Société des Produits Nestlé S.A.  
Wyeth Nutritionals Ireland Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(iii) Key Management Personnel

**Executive Directors**

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

**Non-Executive Directors**

Ashok Kumar Mahindra  
 Rama Bijapurkar (Non-Executive Director w.e.f. 1 May 2017)  
 Rakesh Mohan  
 Ravinder Narain (Non-Executive Director upto 11 May 2017)  
 R.V. Kanoria  
 Swati A. Pirmal

(iv) Employees benefit trusts where control exists

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

(b) Nature of transactions

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

Particulars	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
<b>Holding companies:</b>		
(a) Dividends		
- Nestlé S.A	3,734.8	2,842.4
- Maggi Enterprises Limited	3,103.4	2,361.9
(b) Expenses incurred		
- Nestlé S.A	129.1	120.1
<b>Fellow subsidiaries:</b>		
(a) Sale of finished and other goods		
- Nestlé Bangladesh Ltd	1,900.8	1,716.5
- Nestlé Turkiye Gida Sanayi A.S.	1,737.2	1,858.4
- Others	1,162.0	963.6
(b) Sale of Property, Plant & Equipment		
- Nestrade S.A	11.3	-
(c) Purchase of property, plant and equipment		
- Nestlé Congo S.A.R.L.	4.0	-
(d) Purchase of raw and packing materials		
- Nestrade S.A.	166.7	34.1
- Nestlé Nederland BV	44.3	31.7
- Others	43.6	20.0

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
(e) Purchase of finished goods		
- Nestlé Lanka PLC	378.9	319.2
- Nestlé Nederland BV	127.2	111.8
- Nestlé Korea Limited	99.1	60.9
- Others	258.7	164.1
(f) General licence fees (net of taxes)		
- Société des Produits Nestlé S.A.	4,926.5	4,172.8
(g) Expenses recovered		
- Nestlé Lanka PLC	49.7	42.6
- Nestlé R&D Centre India Private Ltd	42.0	37.6
- Nestec S.A	37.3	13.9
- Nestlé Bangladesh Ltd.	27.9	28.4
- Purina Petcare India Private Ltd.	25.6	15.7
- Others	57.4	34.7
(h) Expenses incurred		
- Nestlé Operational Services Worldwide S.A.	56.6	3.2
- Nestlé R & D Center (Pte) Limited	36.6	33.2
- Nestec S.A	34.5	63.0
- Others	80.3	88.6
(i) Information technology and management information systems		
- Nestlé Australia Ltd	642.9	676.6
- Servcom S.A.	-	4.5
(j) Loans granted		
- Nestlé R&D Centre India Private Limited	250.0	500.0
- SMA Nutrition India Private Limited	50.0	50.0
- Purina Petcare India Private Ltd.	165.0	-
(k) Repayment of loans granted		
- Nestlé R&D Centre India Private Limited	250.0	500.0
- SMA Nutrition India Private Limited	50.0	50.0
- Purina Petcare India Private Ltd.	165.0	-
(l) Interest on loans granted		
- Nestlé R&D Centre India Private Limited	2.6	33.5
- SMA Nutrition India Private Limited	3.0	3.1
- Purina Petcare India Private Ltd.	5.8	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
<b>Remuneration to Key management personnel<sup>(1)</sup></b>		
Executive directors		
- Short term employee benefits	177.5	167.9
- Post employment benefits	4.1	5.0
- Share based payments	18.5	18.7
Non - Executive directors		
- Short term employee benefits (Sitting fee & Commission)	9.6	7.2
<b>Contribution to Employee related trusts</b>		
- Nestlé India Limited Employees Provident Fund Trust	169.5	144.6
- Nestlé India Limited Employees' Gratuity Trust Fund	452.8	92.5
<b>Balance outstanding as at the year end</b>		
Receivables from fellow subsidiaries	583.5	562.0
Payables to fellow subsidiaries	808.6	773.3
Payables to Key management personnel	46.6	38.4
Payables to Employees Provident Fund Trust	14.9	12.1

**Note:**

Other transactions with Key Managerial Personnel:

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

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 47. Segment reporting

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

#### Information by Geographies

- (i) Revenue from external customers

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
India	105,075.4	94,724.5
Outside India	7,086.9	6,626.6
	112,162.3	101,351.1

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

#### Revenue from major customers

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

### 48. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006

On the basis of confirmation obtained from suppliers who have registered themselves under the Micro, Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006) and based on the information available with the Company, the following are the details:

	31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
(i) Principal amount remaining unpaid	107.7	52.5
(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	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

49. Dividends

(i) Dividend paid during the year

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
Interim Dividend of ₹ 90.00 per share for 2018 [for 2017: ₹ 63.00 per share]	8,677.4	6,074.2
Final Dividend of ₹ 23.00 per share for 2017 [for 2016: ₹ 23.00 per share]	2,217.6	2,217.6
Dividend distribution tax paid on above	2,238.6	1,687.7

(ii) Proposed Final Dividend

The Board of Directors have recommended a final dividend of ₹ 25.0 per equity share amounting to ₹ 2410.4 million for the year 2018 (Previous Year: ₹ 23.0 per equity share amounting to ₹ 2,217.6 million) after the balance sheet date. The same is subject to approval by the shareholders at the ensuing Annual General Meeting of the Company and therefore proposed final dividend (including dividend distribution tax) has not been recognised as a liability as at the balance sheet date in line with Ind AS 10 on 'Events after the Reporting Period'.

As per our report of even date attached  
For B S R & CO. LLP  
Chartered Accountants  
Firm's Registration No. - 101248W/W-100022

JITEN CHOPRA  
Partner  
Membership No. - 092894

14 February 2019  
Gurugram

SURESH NARAYANAN  
Chairman and Managing Director  
(DIN-07246738)

14 February 2019  
Gurugram

For and on behalf of the Board of Directors

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

B. MURLI  
Sr. VP - Legal & Company Secretary

## ANNEXURE - 1 TO THE BOARD'S REPORT

### REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

#### BOARD OF DIRECTORS

##### Composition and Category of Directors, attendance of each Director at the Board Meetings and the last Annual General Meeting, number of other Board of Directors or Committees in which a Director is a member or chairperson

Above information as on 31<sup>st</sup> December, 2018 or for the year 2018, as applicable, is tabulated hereunder:

Director	DIN	Category of Director	No. of Board Meetings attended	Attendance at the last AGM on 10 <sup>th</sup> May, 2018	No. of outside Directorship held <sup>A</sup>	No. of Membership/ Chairpersonship in other Board Committees <sup>B</sup>
Mr. Suresh Narayanan	07246738	Executive	8	Yes	Nil	Nil
Mr. Shobinder Duggal	00039580	Executive	8	Yes	Nil	Nil
Mr. Martin Roemkens	07761271	Executive	8	Yes	Nil	Nil
Ms. Rama Bijapurkar	00001835	Independent Non-Executive	7	Yes	4	2
Mr. Rajya Vardhan Kanoria	00003792	Independent Non-Executive	8	Yes	7	5
Mr. Ashok Kumar Mahindra	00916746	Independent Non-Executive	6	Yes	1	Nil
Dr. Rakesh Mohan	02790744	Independent Non-Executive	5	Yes	1	Nil
Dr. Swati A. Piramal <sup>1</sup>	00067125	Independent Non-Executive	4	Yes	9	Nil

<sup>1</sup> Re-appointed as Independent Non-Executive Director with effect from 1<sup>st</sup> April, 2019. In addition to Meetings attended, Dr. Swati A. Piramal participated in the meeting over the phone on 9<sup>th</sup> May, 2018.

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

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

As at 31<sup>st</sup> December, 2018, in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Company's Board of Directors headed by its Chairman and Managing Director, Mr. Suresh Narayanan comprised seven other directors, out of which five directors are Independent Non-Executive Directors including two women directors. None of the Independent Directors of the Company serves as Independent Director in more than seven listed companies and where any Independent Director is serving as whole-time director in any listed company, such director is not serving as Independent Director in more than three listed companies.

At the 59<sup>th</sup> Annual General Meeting held on 10<sup>th</sup> May, 2018, the shareholders approved the re-appointment of Dr. Swati A. Piramal as an Independent Non-Executive Director to hold office for another term of five consecutive years with effect from 1<sup>st</sup> April, 2019 to 31<sup>st</sup> March, 2024 through Special Resolution.

During the year, the Board met eight times on 9<sup>th</sup> January, 2018, 14<sup>th</sup> February, 2018, 9<sup>th</sup> May, 2018, 10<sup>th</sup> May, 2018, 3<sup>rd</sup> August, 2018, 14<sup>th</sup> September, 2018, 26<sup>th</sup> October, 2018 and 5<sup>th</sup> December, 2018. The maximum gap between any two Board Meetings was



less than one hundred and twenty days. All material information was circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board as prescribed under Part A of Schedule II of sub-regulation 7 of Regulation 17 of the Listing Regulations. During the year, a separate meeting of the Independent Directors was held on 14<sup>th</sup> February, 2018 without the attendance of non-independent directors and members of the management. All Independent Directors except Dr. Rakesh Mohan attended the said meeting.

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

The Company has familiarisation programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. The familiarisation programme along with details of the same imparted to the Independent Directors during the year are available on the website of the Company (web link: <https://www.nestle.in/investors/directorsandofficers>).

None of the Independent Non-Executive Directors held any equity shares or convertible instruments of the Company during the financial year ended 31<sup>st</sup> December, 2018. None of the Directors had any relationships inter-se.

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

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

The Chairman and Managing Director declares that the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code during the year 2018.

### **AUDIT COMMITTEE**

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

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

The role includes oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible; recommending the appointment, re-appointment, remuneration and terms of appointment of auditors and approval of payment for any other services rendered by statutory auditors; reviewing with the management quarterly results and annual financial statements before submission to the Board for approval; approval or any subsequent modification of any transactions of the Company with related parties; review and monitor the auditor's independence and performance and effectiveness of audit process; scrutiny of inter corporate loans and investments, if any; evaluation of internal financial controls and risk management system; and reviewing the functioning of the whistle blower mechanism.

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

Mr. Ashok Kumar Mahindra, Independent Non-Executive Director, is the Chairman of the Audit Committee. Dr. Rakesh Mohan, Independent Non-Executive Director and Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director are other members of the Committee. All members of the Audit Committee are financially literate and have related financial management expertise by virtue of their comparable experience and background. The Company Secretary acts as the Secretary to the Committee. The Director-Finance & Control and CFO, Head of Internal Control and Costing, Head of Financial Accounting and Reporting and Deputy Company Secretary are permanent invitees to the Meetings of the Audit Committee. The Chief Internal Auditor, the concerned partners/authorised representatives of Statutory Auditors and Cost Auditors are also invited to the meetings of the Audit Committee.

During the year, the Audit Committee met four times on 13<sup>th</sup> February, 2018, 9<sup>th</sup> May, 2018, 2<sup>nd</sup> August, 2018 and 26<sup>th</sup> October, 2018 and all members of the Committee attended the aforesaid meetings except Dr. Rakesh Mohan who was granted leave of absence for the meeting held on 13<sup>th</sup> February, 2018. The maximum gap between any two meetings was less than one hundred and twenty days.

## NOMINATION AND REMUNERATION COMMITTEE

The powers, role and terms of reference of the Nomination and Remuneration Committee covers the areas as contemplated under Section 178 of the Act and Regulation 19 of Listing Regulations, besides other terms as referred by the Board of Directors. The role includes formulation of criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees; formulation of criteria for evaluation of Independent Directors and the Board; devising a policy on diversity of Board of Directors; and identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommending to the Board their appointment, removal and noting their cessation and recommendation on extension or continuation of the terms of appointment of the Independent Directors.

Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director, is the Chairman of the Committee and Mr. Ashok Kumar Mahindra, Independent Non-Executive Director and Dr. Rakesh Mohan, Independent Non-Executive Director are other members of the Committee. The Chairman and Managing Director and Head of Human Resources are permanent invitees to the meetings of the Committee. The Company Secretary acts as the Secretary to the Committee.

During the year, the Nomination and Remuneration Committee met thrice on 13<sup>th</sup> February, 2018, 9<sup>th</sup> May, 2018 and 26<sup>th</sup> October, 2018 and all members of the Committee attended the aforesaid meetings except Dr. Rakesh Mohan who was granted leave of absence for the meeting held on 13<sup>th</sup> February, 2018.

### Performance Evaluation

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

### Remuneration of Directors for 2018

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission and Performance Linked Incentive	Total
Mr. Suresh Narayanan <sup>1</sup>	N.A.	63.29	20.94	2.64	23.99	110.86
Mr. Shobinder Duggal <sup>1</sup>	N.A.	16.58	15.71	0.39	9.70	42.38
Mr. Martin Roemkens <sup>1</sup>	N.A.	31.02	6.96	1.05	7.89	46.92
Ms. Rama Bijapurkar	0.85	-	-	-	1.0 @	1.85
Mr. Rajya Vardhan Kanoria	1.38	-	-	-	1.0 @	2.38
Mr. Ashok Kumar Mahindra	1.08	-	-	-	1.0 @	2.08
Dr. Rakesh Mohan	0.85	-	-	-	1.0 @	1.85
Dr. Swati A. Piramal	0.43	-	-	-	1.0 @	1.43

<sup>1</sup> The Company enters into service contracts with all executive directors for a period of 5 years. The notice period is of three months and the severance fee is the sum equivalent to remuneration for the notice period or part thereof in case of shorter notice.

@ Represents Commission for the year ended 31<sup>st</sup> December, 2018 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 payment of pension and gratuity and 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 term of employment of the Executive Directors are governed by the applicable policies at the relevant point in time. Commission is subject to adequate profits being earned. A fair portion of the Executive Director's Performance Linked Incentive is linked to Company's performance. This creates alignment with the strategy and business priorities to enhance shareholder value. The total reward package for Executive Directors is intended to be market competitive with strong linkage to performance in line with Company's Remuneration Policy.

The non-executive directors are paid remuneration based on their contribution and current trends. Sitting fee is paid for attending each meeting of the Board and Committees thereof. Additionally, the non-executive directors are entitled to remuneration upto an aggregate limit of one percent per annum of the net profits of the Company, provided that none of the non-executive directors shall receive individually a sum exceeding ₹ 25,00,000/- (Rupees twenty five lakhs only), as approved by the members at the Annual General Meeting held on 10<sup>th</sup> May, 2018. Within the aforesaid limit, the commission payable is determined by the Board of Directors and equal amount of commission is payable to Independent Non-Executive Directors on a pro-rata basis. During the year under review, remuneration of non-executive directors was approved by the Board of Directors with the interested non-executive directors, not participating or voting, as per the terms approved by the shareholders at the Annual General Meeting.

The Company does not have any stock option scheme. The Company participates in the Nestlé Performance Share Unit Plan ('Plan') of Nestlé S.A., whereby selected employees are granted non-tradable Performance Share Units of Nestlé S.A. Perquisites of the Whole-time/ Managing Director include, inter-alia, Leave Travel and payments for the Restricted Stock Units/ Performance Share Units of Nestlé S.A. vested during the year equal to the market value of the underlying shares on the date of vesting.

As required, a brief profile and other particulars of the Directors seeking appointment/re-appointment is given in the Notice of the 60<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. The roles and responsibilities of the Stakeholders Relationship Committee are as prescribed under Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations.

Ms. Rama Bijapurkar, Independent Non-Executive Director is the Chairperson of the Committee and Mr. Rajya Vardhan Kanoria, Independent Non-Executive Director and Mr. Shobinder Duggal, Director – Finance & Control and CFO are other members of the Committee. Mr. B. Murli, Senior Vice President – Legal & Company Secretary acts as the Compliance Officer to the Committee.

The Committee met four times during the year on 14<sup>th</sup> February, 2018, 9<sup>th</sup> May, 2018, 3<sup>rd</sup> August, 2018 and 26<sup>th</sup> October, 2018. All members of the Committee attended the aforesaid meetings.

During the year, 9 complaints were received from shareholders and investors. All the complaints have been 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 2018 and no such transfer is pending.

### RISK MANAGEMENT COMMITTEE

Mr. Shobinder Duggal, Director – Finance & Control and CFO is the Chairman of the Committee and Mr. Martin Roemkens, Director – Technical and Mr. Anurag Dikshit, AVP, Treasury and M&A are 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 reviewing 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 during the year on 9<sup>th</sup> March, 2018, 26<sup>th</sup> June, 2018, 21<sup>st</sup> September, 2018 and 6<sup>th</sup> December, 2018 and all the members of the Committee attended these meetings.

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Committee oversees, inter-alia, corporate social responsibility and other related matters as may be referred by the Board of Directors and discharges the roles as prescribed under Section 135 of the Act which includes formulating and recommending to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company, as per Schedule VII to the Act; recommending the amount of expenditure to be incurred; and monitoring the CSR Policy of the Company.

The Committee comprises of Dr. Swati A. Piramal, Independent Non-Executive Director, as the Chairperson of the Committee. Ms. Rama Bijapurkar, Independent Non-Executive Director and Mr. Suresh Narayanan, Chairman and Managing Director are members of the Committee. The Company Secretary acts as the Secretary to the Committee.

The Committee met twice during the year on 14<sup>th</sup> February, 2018 and 3<sup>rd</sup> August, 2018. All the members attended the above meetings except Dr. Swati A. Piramal who was granted leave of absence for the meeting held on 3<sup>rd</sup> August, 2018.

## 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, 2018.

## GENERAL BODY MEETINGS

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

Year & Date	Time	Venue
10.05.2018	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010
11.05.2017	10.00 A.M.	
12.05.2016	10.00 A.M.	

Two Special Resolutions were passed by the shareholders at the 59<sup>th</sup> Annual General Meeting (1) approval relating to re-appointment of Dr. Swati A. Piramal as an Independent Non-Executive Director for another term of five consecutive years w.e.f. 1<sup>st</sup> April, 2019 and (2) approval for payment of remuneration under Section 197 of the Companies Act, 2013 to the non-executive directors, for a period of five years commencing from 1<sup>st</sup> January, 2019.

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

## MEANS OF COMMUNICATION

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

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

## GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

Day, Date and Time : Thursday, 25<sup>th</sup> April, 2019, at 10:00 am  
Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010.

### Financial Calendar, 2019 (tentative)

First Quarter Results : Second week of May, 2019  
Second Quarter and Half-yearly Results : First week of August, 2019  
Third Quarter Results : Fourth week of October, 2019  
Annual Results : February / March, 2020  
Financial Year : 1<sup>st</sup> January to 31<sup>st</sup> December  
Annual Book Closure : 3<sup>rd</sup> May, 2019 to 4<sup>th</sup> May, 2019 (both days inclusive)

**Dividend payments:** Final Dividend of ₹ 25/- 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 15<sup>th</sup> May, 2019.

The First, Second and Third interim dividends for the year 2018 of ₹ 20/- per equity share, ₹ 20/- per equity share and ₹ 50/- per equity share of ₹ 10/- each were paid on/from 1<sup>st</sup> June, 2018, 24<sup>th</sup> August, 2018 and 21<sup>st</sup> December, 2018, respectively.

### Listing on Stock Exchanges and Stock Code

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

## NESTLÉ INDIA LIMITED

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

Market Price Data: High/Low in each month of Calendar Year, 2018 on the BSE Ltd., Mumbai

Month	High (₹)	Low (₹)	Month	High (₹)	Low (₹)
January	7980.00	7399.00	July	10599.00	9729.95
February	7864.55	6887.75	August	11667.95	10208.55
March	8235.00	7584.95	September	11700.00	9211.30
April	9447.50	8167.75	October	10145.00	9080.10
May	9865.00	8900.00	November	10800.00	9902.00
June	10190.00	9505.50	December	11700.05	10245.95

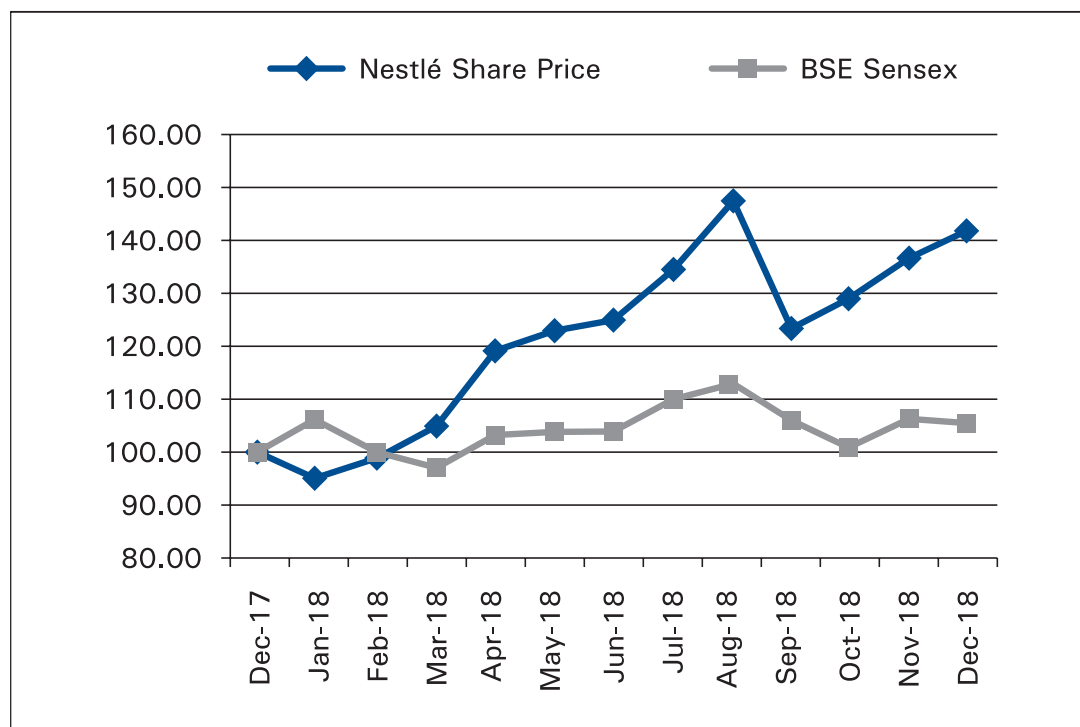
[Source: [www.bseindia.com](http://www.bseindia.com)]

The Company had paid Annual Listing Fees for the Financial Year 2018-19.

### Performance in comparison to BSE Sensex

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

Base is considered to be 100 as at 31<sup>st</sup> December, 2018



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

### Registrar and Share Transfer Agents

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

### Share Transfer System

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

## Shareholding Pattern as on 31<sup>st</sup> December, 2018

Category of Shareholder	Number of Shares	Percent of Total Shares
<b>Promoter and Promoter Group (A)</b>	<b>6,05,15,079</b>	<b>62.76</b>
<b>Public Shareholding</b>		
Mutual Funds	29,68,080	3.08
Alternative Investment Fund	1,35,627	0.14
Foreign Portfolio Investor	1,19,19,047	12.36
Financial Institutions/ Banks	49,956	0.05
Insurance Companies	40,46,856	4.20
Central Government/State Government(s)	88,063	0.09
Individuals	1,26,30,866	13.10
NBFCs	2,555	0.00
Any Other		
- Bodies Corporate	29,58,747	3.07
- Overseas Corporate Body	500	0.00
- NRIs	7,25,708	0.75
- Trust	65,495	0.07
- IEPF Authority MCA	90,769	0.10
- Foreign Nationals	57	0.00
- HUF	1,76,984	0.19
- Clearing Members	41,327	0.04
<b>Total Public Shareholding (B)</b>	<b>3,59,00,637</b>	<b>37.24</b>
<b>Total Shareholding (A + B)</b>	<b>9,64,15,716</b>	<b>100.00</b>

## Distribution of shareholding as on 31<sup>st</sup> December, 2018

No. of Shares	Number of Shareholders	Number of Shares	Percent of total Shares
1 to 500	84,760	36,09,860	3.74
501 to 1,000	2,213	16,06,430	1.67
1,001 to 2,000	1,009	14,24,032	1.48
2,001 to 3,000	361	8,88,880	0.92
3,001 to 4,000	171	5,99,649	0.62
4,001 to 5,000	123	5,53,572	0.57
5,001 to 10,000	267	18,85,625	1.96
10,001 and above	366	8,58,47,668	89.04
<b>Total</b>	<b>89,270</b>	<b>9,64,15,716</b>	<b>100.00</b>

## Dematerialisation of shares

99.03% equity shares of the Company have been dematerialised as on 31<sup>st</sup> December, 2018.

## 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

The Company does not have any exposure hedged through commodity derivatives.

During the year 2018, 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. 40 to the Annual Financial Statements.

## Plant Locations

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

## Address for correspondence

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

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

**SEBI toll-free helpline service for investors:** 1800 22 7575 or 1800 266 7575(available on all days from 9:00 a.m. to 6:00 p.m. excluding declared holidays).

**SEBI investors' contact for feedback and assistance:** tel. 022-26449000, 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.

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 other Nestlé Group companies.

Manpower figure of the Company as on 31<sup>st</sup> December, 2018 was 7,604.

## DISCLOSURES

During the year 2018, 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. 46 to the Annual Financial Statements. The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. The said policy is also available on the website of the Company (web link <https://www.nestle.in/investors/policies>).

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

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

facility. The Company also provides an independent third party operated free phone and web based facility, "Tell us", to all internal and external stakeholders with a dedicated communication channel for reporting potential instances of non-compliances with the Nestlé Corporate Business Principles.

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

As per the requirement of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH), your Company has a robust mechanism in place to redress complaints reported under it. The Company has complied with provisions relating to the constitution of Internal Complaints Committee under POSH. The Internal Committee (IC) is composed of internal members and an external member who has extensive experience in the field. In 2018, no case of sexual harassment was reported in the Company.

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

The Corporate Governance Report of the Company for the year 2018 or as on 31<sup>st</sup> December, 2018 are in compliance with the applicable requirements of SEBI as per Listing Regulations.

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

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

On behalf of the Board of Directors

Date : 14<sup>th</sup> February 2019  
Place : Gurugram

Suresh Narayanan  
Chairman and Managing Director



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

To the Members of **Nestlé India Limited**

1. This certificate is issued in accordance with our engagement letter dated 2 August 2018.
2. This certificate contains details of compliance of conditions of corporate governance by Nestlé India Limited ('the Company') for the year ended 31 December 2018 as stipulated in Regulations 17-27, clause (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') pursuant to the Listing Agreement of the Company with Stock exchange.

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

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

### Auditor's Responsibility

4. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31 December 2018.
6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) I, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### Opinion

8. In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

### Restriction on Use

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

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

**Jiten Chopra**  
*Partner*  
Membership No.: 092894  
UDIN: 19092894AAAAAB1508

Place : Gurugram  
Date : 14 February 2019

## ANNEXURE - 2 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.

There are two important dimensions on how we operate that always remain consistent – our purpose and our values. The health of the Company is intrinsically linked to the health and resilience of the communities we work in. This is in line with Nestlé's purpose which is: 'Enhancing quality of life and contributing to a healthier future'. Our values, rooted in respect, guide our decisions and actions. Underpinned by a set of over arching commitments aligned with the United Nations Sustainable Development Goals, we aim to make a positive impact and create maximum value for the communities. This also includes creating better livelihood opportunities. Our positive impact on society focuses on enabling healthier and happier lives for individuals and families, helping develop thriving and resilient communities, and stewarding the planet's natural resources for future generations, with particular care for water.

The Company continues to engage with stakeholders including communities, academia, civil society, expert organisations and the Government and would take up such other CSR activities in line with the Government's intent and which are important for society. The above areas are mapped with the activities as prescribed in Schedule VII to the Companies Act, 2013 in the Annexure.

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

2. The Composition of the CSR Committee

- Dr. Swati A. Piramal – Chairperson
- Mr. Suresh Narayanan – Member
- Ms. Rama Bijapurkar – Member

3. Average net profit of the Company for last three financial years: ₹ 13,671 million

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 273.4 million

5. Details of CSR spent during the year 2018.

- Total amount to be spent for the year 2018: ₹ 273.7 million.
- Amount unspent, if any: Not Applicable
- Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State or district where the Projects or programs were undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount spent on the projects or programs subheads: (1) Direct expenditure on projects or programs (2) Overheads: (₹ in million)	Cumulative expenditure up to the reporting period (₹ in million)	Amount spent: Direct or through implementing Agency
1	Nestlé Healthy Kids Programme	(i)	Andhra Pradesh, Assam, Chhattisgarh, Delhi, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal, Mizoram	110.7	(a) 5.7 (b) 105.0	110.7	(a) Punjab Agriculture University, G.B. Pant University, CSK Himachal Pradesh Agricultural University, National Dairy Research Institute, Goa College of Home Science, University of Agriculture Sciences, Bangalore (b) Magic Bus India Foundation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State or district where the Projects or programs were undertaken	Amount outlay (budget) Project or program wise (₹ in million)	Amount spent on the projects or programs subheads: (1) Direct expenditure on projects or programs (2) Overheads: (₹ in million)	Cumulative expenditure up to the reporting period (₹ in million)	Amount spent: Direct or through implementing Agency
2	Project Jagriti	(i)	Bihar, Chandigarh, Delhi, Karnataka, Maharashtra, Odisha, Rajasthan, Uttar Pradesh	58.9	58.9	58.9	MAMTA Health Institute for Mother and Child
3	Clean drinking water projects and Water awareness programme	(i) + (iv)	Delhi, Goa, Haryana, Himachal Pradesh, Karnataka, Punjab, Rajasthan, Maharashtra, Uttarakhand, West Bengal	25.9	(a) 7.8 (b) 17.9 (c) 0.2	25.9	(a) Direct (b) Enable Health Society (c) Salaam Baalak Trust
4	Sanitation projects	(ii)	Andhra Pradesh, Haryana, Himachal Pradesh, Kerala, Maharashtra, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand, West Bengal, Gujarat, Madhya Pradesh, Goa, Karnataka	47.9	47.9	47.9	Direct
5	Water conservation & Environment	(iv)	Karnataka	2.6	(a) 1.8 (b) 0.8	2.6	(a) Direct (b) Deccan Heritage Foundation India
6	Livelihood enhancement for street food vendors	(ii)	Delhi, Kerala, Maharashtra, Madhya Pradesh, Chhattisgarh, Tamil Nadu, Gujarat, Odisha, J&K	9.9	9.9	9.9	Nidan
7	Employee Volunteering	(i)	Delhi, Maharashtra, Tamil Nadu, West Bengal, Gujarat, Karnataka, Andhra Pradesh, Telangana, Assam, Rajasthan, Punjab, Uttar Pradesh, Kerala Madhya Pradesh, Chhattisgarh, Haryana, Himachal Pradesh, Goa	1.6	1.6	1.6	(a) Direct (b) Magic Bus India Foundation (c) Agrani India Foundation
8	Relief Efforts	(viii)	Kerala	2.5	2.5	2.5	(a) Direct

The amount indicated in column (6) and (7) above is the expenditure on projects or programmes. There are overheads of ₹13.7 million, and the total expenditure including overheads is ₹273.7 million.

With its CSR Policy focus areas firmly embedded in its Purpose, in 2018, the Company focused its activities on creating nutrition, health and breastfeeding awareness, providing access to clean drinking water and sanitation, supporting development of agricultural communities while helping them reduce water use and enhancing the livelihood of street food vendors. These initiatives are built upon the strong base of performance in environmental sustainability, applicable laws, international standards and our Corporate Business Principles. CSR programmes are detailed here under:

- **Nestlé Healthy Kids Programme**

India has 253 million adolescents (10 to 19 years) that constitute about one-fifth of India's population. This is more than any other country in the world that makes adolescent health particularly important to India to meet the Sustainable Development

Goals (SDGs)—a set of universal goals to end poverty, hunger and achieve equality, which our country has committed. The Nestlé Healthy Kids Programme has been developed with a focus to raise nutrition, health and wellness awareness among adolescents. The programme contributes towards overall development of adolescents as well as encourages healthier lifestyle in the communities, by arming them with knowledge that impacts them in a meaningful way. The unbranded programme is being conducted since 2009 and is helping raise awareness regarding good nutritional and cooking practices, good hygiene and promoting physical fitness. The programme is implemented through two modes, one is in partnership with six regional universities and the second is with NGO Magic Bus India Foundation.

- a) Six leading regional Universities through the Department of Home Science and Food Science conduct this programme wherein information on the nutrition status of the region and local food habits is collected through their extension activities and the programme content is developed jointly with Nestlé India team. Each student receives over twelve hours of nutrition training and pre and post programme behavioural and knowledge tests are conducted to measure the effectiveness of learning and implementation.
- b) To scale up, the Company joined hands with the NGO Magic Bus India Foundation, one of India's largest behaviour change organisations, to extend its commitment to promote healthier lifestyles through the 'sports for development' model. Adolescents are engaged in interactive sessions in which they receive nutrition and health knowledge and are encouraged to play regularly. The programme is implemented through game sessions, delivered in a manner where adolescents remember everything they are taught because they are actively engaged and are more willing to absorb the information.

Till year 2018, over 280,000 adolescents across 22 states have been encouraged to live healthier lives through Nestlé Healthy Kids Programme.

#### - **Project Jagriti**

India has been grappling with malnutrition for decades now. According to the World Bank, it is one of the countries in the world that has children suffering from malnutrition with dire consequences for mobility, mortality, and cognitive impairment. When children start their lives malnourished, the negative effects are largely irreversible as pregnancy and infancy are the most important periods for brain development. It is therefore important to intervene in the community to change the dynamics that create the barriers to development for children and mothers.

With the shared vision of healthier communities, the Company rolled out Project Jagriti in partnership with the Mamta Health Institute for Mother and Child, aiming to improve health of women, young couples, children and adolescents. The programme has strong focus on maternal nutrition and creates 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 programme creates an enabling environment for the best health outcomes, involving the health care system and stakeholders from the community. The adolescent friendly and gender-sensitive inclusive approach is useful in such vulnerable populations that are deficient in knowledge and unaware of their health needs and rights.

The programme started with a pilot in Delhi in year 2014, reaching out to over 100,000 people living in marginalized conditions to educate and encourage community support for good nutrition and breastfeeding practices. In the year 2016, the programme was scaled up and ran across 15 districts of Rajasthan, Karnataka, Maharashtra, Chandigarh, Odisha, Uttar Pradesh, Bihar and Delhi. In three years (2016-18), it has positively impacted over 4.6 million lives- 1.5 million direct reach that is accounted through Management Information Systems (MIS) and 3.1 million people benefitted indirectly.

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

Clean water supplies are vital to any thriving community, reducing exposure to water-borne diseases and easing the burden of ill health. Lack of safe drinking water poses health risks and water-borne diseases such as diarrhea and gastroenteritis to millions of people across the country who still live with the challenge of non-availability of clean drinking water.

To help improve access to clean drinking water, the Company began constructing drinking water facilities in schools around all its factories in 1999. The Company constructs clean drinking water facilities in schools directly and through NGO partner Enable Health Society. The Company also conducts periodic water quality checks to ensure clean drinking water, while involving the school and surrounding community through joint ownership of the water tanks, which helps to establish better upkeep and maintenance of the tanks.

The Company partnered with the Department of Medical and Health, Government of Rajasthan to offer access to clean drinking water at 12 Public Health Centres where the Company provides clean drinking water through its NGO partner, Enable Health Society as a part of the Adarsh Public Health Center Yojna established by the Government.

Till year 2018, the Company has constructed over 260 water tanks across 7 states benefitting more than 136,800 students. The Company conducts Water Awareness Programmes aimed at ensuring hygienic and sustainable water use, reaching out to over 112,700 students.

### - **Sanitation Facilities**

Availability of basic sanitation is a serious challenge, with open defecation being a health risk for everyone, more so for the female population. It affects the attendance of girl students in school and often leaves them vulnerable to sanitation-related diseases. It is estimated that a quarter of girls drop out of school for reasons related to the lack of basic sanitation. In some places, nearly two-thirds skip school during menstruation and one-third eventually drop out altogether.

The Company has constructed modern, easily maintainable modular toilets to reduce the dropout rate caused by lack of proper sanitation facilities. These facilities are provided for girl students in schools across all its factory and branch locations. This has had a direct positive impact on the attendance of girls in schools.

Through this initiative, the Company endeavours to eliminate what is considered the major cause of dropouts among girl students in village schools. During 2018, the Company has set up sanitation facilities in government schools and so far has set up over 550 facilities benefitting more than 182,000 girl students across 14 states.

### - **Water Conservation in Agriculture**

India is facing a severe water crisis with the availability of potable water and ground water drastically decreasing over the years. The agricultural sector remains the largest user of the India's fresh water, responsible for about 70% of water consumption.

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

This makes it possible to have more yield and good income by using less seeds, less water and fewer fertilizers besides reducing the number of labourers and expenditure. The SRI and SSI method can be used for cultivating sugarcane, paddy and coffee. Till the year 2018, the project has covered 101 hectares under SRI with 144 farmers and under SSI 55 hectares were covered with 110 farmers.

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

While street food vending is an important source of informal employment for a large number of population, a variety of constraints including lack of knowledge and skills in business, limited training opportunities, and restricted mobility prevents street vendors from improving their capacities. More importantly, links between food and health are increasingly recognized and training street food vendors helps raise the standards for food safety and hygiene.

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

The programme aims to help them improve their income by upgrading their skills and practices, sustain their livelihoods and enter into strategic employment opportunities in new market conditions. The training of street food vendors is conducted by NASVI and comprise subjects such as health, hygiene, food handling, waste disposal and entrepreneurship. The participants are also certified at the end of the training. With these trainings, the street food vendors are better equipped with knowledge and take adequate precautions to prevent the spread of food borne diseases, for example usage of disposable gloves, cart and personal hygiene.

Till 2018, programme was implemented across 12 states including Goa, Rajasthan, U.P., Kerala, Maharashtra, Madhya Pradesh, Chhattisgarh, Tamil Nadu, Gujarat, Odisha, J&K and Delhi, reaching out to 14,165 street food vendors who were also awarded a certificate and presented a hygiene kit at the end of the training.

- **Employee Volunteering Programme**

Employee Volunteering Programme (EVP) is an initiative launched in 2014 where a Nestlé employee volunteers to spend a day interacting with children from government schools and underprivileged communities to help create awareness regarding healthy eating and active lifestyle.

Till 2018, 1850 employees across 27 locations (Head Office, branches and factories) have participated in the activities.

- **Relief Efforts**

The Company provided support when state of Kerala was hit by floods 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.

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

Not Applicable.

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

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

On behalf of the Board of Directors

Date : 14<sup>th</sup> February 2019  
Place : Gurugram

Swati A. Piramal  
Chairperson – Corporate Social  
Responsibility Committee

Suresh Narayanan  
Chairman and Managing Director

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

**BUSINESS RESPONSIBILITY REPORT**

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

Sr. No.	Particulars	Details	
1.	Corporate Identity Number (CIN) of the Company	L15202DL1959PLC003786	
2.	Name of the Company	NESTLÉ INDIA LIMITED	
3.	Registered address	100 / 101, World Trade Centre, Barakhamba Lane, New Delhi – 110001	
4.	Website	www.nestle.in	
5.	E-mail id	investor@in.nestle.com	
6.	Financial Year reported	31-12-2018	
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Food Processing Industry (covered under various codes as specified under NIC 1987 covering food products)	
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	Product	ITC Code
		1. Milk Products and Nutrition	0402, 1901
		2. Prepared Dishes and Cooking Aids	1902, 2103
		3. Beverages	2101
9.	Total number of locations where business activity is undertaken by the Company	Please also refer to Corporate Information page of the Annual Report 2018	
	(a) Number of International Locations (Provide details of major 5)	Exports to Turkey, Bangladesh, USA, Canada and Australia	
	(b) Number of National Locations	8 Manufacturing locations, 4 sales branches, Head office and nation-wide sales and distribution network	
10.	Markets served by the Company: Local/ State/ National/ International	All India and 40 international markets	

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

Sr. No.	Particulars	Details
1.	Paid up Capital	₹ 964.2 Million
2.	Total Turnover	₹ 112,162.3 Million
3.	Total profit after taxes	₹ 16,069.3 Million
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Total spending on CSR is 2% of average profit after tax of the past 3 years. This is detailed in the Annual Report of CSR Activities, Annexure – 2 to the Board's Report.
5.	List of activities in which expenditure in 4 above has been incurred	List of CSR activities are detailed in the Annual Report of CSR Activities, Annexure – 2 to the Board's Report.

**SECTION C: OTHER DETAILS**

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

## SECTION D: BR INFORMATION

Sr. No.	Particulars	Details									
1.	Details of Director/Directors responsible for BR										
(a)	Details of the Director/Director responsible for implementation of the BR policy/policies	DIN Number	07761271								
		Name	Mr. Martin Roemkens								
		Designation	Director-Technical								
(b)	Details of the BR head	DIN Number (if applicable)	Not Applicable								
		Name	Mr. Sanjay Khajuria								
		Designation	Senior Vice President - Corporate Affairs								
		Telephone number	+91-124-3940000								
		e-mail id	creatingsharedvalue.in@in.nestle.com								
2.	(a) Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)										
	No. Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9	
	1. Do you have a policy/ policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	2. Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	3. Does the policy conform to any national/ international standards? If yes, specify?@	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	4. Has the policy being approved by the Board? Is yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	5. Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	6. Indicate the link for the policy to be viewed online?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	7. Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	8. Does the Company have in-house structure to implement the policy/ policies	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	9. Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	10. Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N	
	(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)								Not Applicable		
3.	Governance related to BR										
(a)	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company.	The Board/Committee will review the BR performance at least annually.									
(b)	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes, the BRR 2018 is part of the Annual Report, which is available on the website of the Company. It is available at: <a href="https://www.nestle.in/investors/stockandfinancials/annual-reports">https://www.nestle.in/investors/stockandfinancials/annual-reports</a> and is published annually.									

@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.



## 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 Purpose and Values*, *Nestlé Supplier Code*.

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

During the year, 9 complaints were received from shareholders and investors. All complaints have been resolved to the satisfaction of the complainants and no investor complaint was pending at the end of the year.

### Principle 2: Product Life Cycle Sustainability

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

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

- Nestlé a+ Nourish Milk now fortified with vitamin A & D. This milk undergoes 61 quality checks and is passed through unique flash heat treatment that makes the milk germ-free and preserves its nutrients. 1 glass (200ml) helps meet 21% RDA\* of Vitamin A & 48% RDA\* of Vitamin D. (\*Recommended Dietary Allowances for Indians – ICMR 2010)
- MAGGI Masala-ae-Magic Seasoning mix launched 3 more variants which include Maggi Masala-ae-Magic South veg & non-veg along with Maggi Masala-ae-Magic Meat Masala. The product is designed to help increase the consumption of nutrients like vitamin A, iron & iodine in an easy & tasty way. The product is an economically viable option that can be used at household level to help in home fortification of daily consumed foods like vegetables, dal and non-veg preparations. It's easy to use format helps (per serve of 2g) provide 15% of the daily requirement\* of Vitamin A, Iron and Iodine (\*Recommended Dietary Allowances for Adult Sedentary Male as per Nutrient requirement and recommended daily allowance for Indians, ICMR 2010).
- NANGROW a nutritious milk drink for growing children 2-5 years of age. Where a serve of NANGROW contains nutrients like DHA, choline, Vitamin A, D, C, iron, zinc, calcium & selenium that help support easy digestion and normal physical growth & development, cognitive development and immune system function. Made with high quality protein and no added sucrose. 2 serves of NANGROW helps meet 48% of the protein RDA for a 2-5 year old child. (\*Recommended Dietary Allowances for Indians – ICMR 2010)
- The NESPLUS range of breakfast cereals offer nutritious and delicious choice for the entire family. Made with the goodness of whole grains like wheat, oats and traditional Indian millet jowar. It is also a source of vitamin D, calcium, B-vitamins, folic acid, iron and fiber.

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 period from 2003 to 2018, for every ton of production, the Company has reduced energy usage by around 45%, reduced water usage by around 53%, reduced the generation of greenhouse gases by around 55% and the generation of wastewater by around 49%.

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

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

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

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

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

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

The NESCAFÉ Plan has three platforms, connecting to farmers, connecting to communities and connecting to our planet, with the objective of ensuring the future of great quality coffee, to remain available and affordable today and in the future. Till 2018, the Company reached out to around 2,500 farmers and workers through trainings, technical assistance, medical camp, soil test activities.

As a part of The MAGGI Spice Plan, the Company is now sourcing 6 key spices from suppliers with “Backward Integration Programs” (BIP) in place (farmer monitoring, focused on practices to ensure MRL compliance-food safety). Supplier BIP include field extension support for integrated pest management (IPM) programmes of participating farmers e.g., daily/weekly visits to farmer fields and data gathering. This provides a good foundation for effective action. The Company suppliers are key partners in developing responsibly sourced supply chains of spices.

The Company has a dedicated supplier development team that works through the Nestlé – Farmer – Supplier model to create sustainable local sourcing. The team’s objectives include less reliance on imports, supporting sustainable quality and creating a wider, more flexible supply base. In 2018, the Company supported more than 18 suppliers through technical assistance, added 24 new suppliers/ supplier locations and localised 1 raw material. The team also works on developing local vendors through technical assistance to meet the desired quality/ regulatory norms for supply to other Nestlé markets.

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

As a responsible manufacturer of food products, the Company has initiated waste management projects either individually or collectively with industry partners under guidance of Central Pollution Control Board and State Pollution Control Boards and waste management service providers as part of EPR (Extended Producer Responsibility) to collect, segregate and recycle/recover in a sustainable way. This initiative not only ensures compliance to local legislation “Plastic Waste Management Rules’ 2016”, as amended in 2018 but also facilitates reinforcement of positive attitude and behaviour to masses on responsible waste disposal through consumer awareness.

The Company follows 3R's principles i.e. 'Reduce', 'Recycle' and Recover to be environmentally sustainable:

- **REDUCE:** In 2018, the Company reduced packaging material weight by approximately 690 tons by ensuring eco-designing of packaging in a sustainable way. The Company is also working to develop alternative packaging materials in line with our global ambition so that none of our packaging material ends up in a landfill.
- **RECYCLE:** The Company encourages the use of recycled material wherever applicable e.g. 100% recycled paper in shipper.
- **RECOVER:** The Company supports initiatives to recover used packaging. This year we managed approximately 5,986 Metric tonnes of post-consumer multilayered packaging waste as a part of our commitment as Extended Producers' Responsibility.

### Principle 3: Employee Wellbeing

Sr. No.	Particulars	Details
1.	Please indicate the Total number of employees	7,604
2.	Please indicate the Total number of employees hired on temporary/contractual/casual basis	6,790
3.	Please indicate the Number of permanent women employees	704
4.	Please indicate the Number of permanent employees with disabilities	None of the permanent employees are differently abled
5.	Do you have an employee association that is recognised by management	The Company has 10 Unions in 7 factories in India.
6.	What percentages of your permanent employees are members of this recognised employee association?	55% of the total strength of permanent employees are unionized. 98% of the permanent blue collar are unionized.
7.	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	No complaints relating to child labour, forced labour, involuntary labour and sexual harassment are pending as of end 2018.
8.	What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?	
	(a) Permanent Employees	93.85%
	(b) Permanent Women Employees	90.20%
	(c) Casual/Temporary/Contractual Employees	100% receive training as part of their induction
	(d) Employees with Disabilities	None of the permanent employees are differently abled

### Principle 4: Stakeholder Engagement

#### 1. Has the Company mapped its internal and external stakeholders?

Yes, as a result of regular and extensive stakeholder engagement over many years, the Company's business operations have evolved, balancing business priorities and responsibility towards economic, environmental and social sustainability. The Company builds trust through productive relationships, fosters working partnerships and considers stakeholders both internal and external as integral to its business.

#### 2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?

Yes.

#### 3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders.

The Company engages with over 100,000 milk and 2,500 coffee farmers, among others, through farmer trainings to increase efficiency in productivity and quality, optimise costs and improve social and environmental impact thereby ensuring agriculture remains an attractive place to live, work and invest in, for generations to come. In 2018, the Company also engaged with 2,000 women dairy farmers empowering village women engaged in dairy farming to improve milk quality and productivity, reaching out to a total of over 70,400 women dairy farmers, over the years, since the start of the programme.

Nestlé Start Healthy, Stay Healthy is an educational programme for mothers, in partnership with doctors, to give a healthy head start to their babies in the 1<sup>st</sup> 1,000 days. It is the Company's commitment to the 1<sup>st</sup> 1,000 days given its impact on the lifelong health of a baby. The Company also has a dedicated website: [www.starthealthystayhealthy.in](http://www.starthealthystayhealthy.in)

In line with the Company's belief that breastfeeding is best for babies, Nestlé Start Healthy, Stay Healthy (SHSH) in India has actively advocated breastfeeding to mothers, would-be mothers and Health Care Professionals (HCPs). During 2018, it continued its efforts to educate the support system in a nursing mother's life to help her breastfeed for longer by sharing her chores and responsibilities, through a digital campaign. The SHSH digital outreach programme in collaboration with multiple platforms has helped us reach over 50 million people in 2018.

The Nestlé Nutrition Institute (NNI) disseminates science-based information and education with health professionals, scientists and nutrition communities in order to create awareness on nutrition science and build capabilities amongst the scientific community on Nutrition. During 2018, NNI conducted around 35 scientific events reaching out to over 4,018 HCPs.

Additional initiatives are detailed further in ANNEXURE – 2 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 2018, the Company did not receive any complaints with regard to human rights.

#### **Principle 6: Environment**

- 1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.**

The Policy covers the Company and all its vendors, contractors and associates.

- 2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

Yes. <https://www.nestle.com/csv/impact/climate-change>

- 3. Does the Company identify and assess potential environmental risks?**

Yes. <https://www.nestle.com/csv/impact/environment>

- 4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?**

The Company has undertaken initiatives to reduce Green House Gas (GHG) emissions. In 2018, the Company identified few projects for GHG reduction which shall be fully realised in coming year. Some of the key renewable energy projects contributing to GHG savings include coffee cell replacement 2<sup>nd</sup> line (1<sup>st</sup> line done in 2017) at the Company's Nanjangud factory and other energy reduction projects. Yes, the Company files environment compliance reports as per Pollution Control Board requirements.

- 5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

Yes. <https://www.nestle.com/csv/impact/climate-change>

- 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 2018, the Company did not receive any show cause/ legal notices from CPCB/SPCB, which are pending as on end 2018.

## 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. The Associated Chambers of Commerce and Industry of India (ASSOCHAM)
  - 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 for harmonisation of Indian food regulations with the Codex Alimentarius and development of other best practices.

## Principle 8: Inclusive Growth

1. **Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

Yes. The Company works in the areas of nutrition awareness, rural development initiatives and dissemination of scientific and nutrition knowledge. Further details available: <https://www.nestle.in/csv>

2. **Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?**

Projects are undertaken through in-house expert teams and in partnership with like-minded expert partner organisations that share the Company's ambition towards creating inclusive growth.

3. **Have you done any impact assessment of your initiative?**

Yes

4. **What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

These are detailed in ANNEXURE – 2 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 – 2 to the Board's Report.

## Principle 9: Customer/ Consumer Value

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

As on end 2018, the Company has no pending consumer complaints.

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/N.A. /Remarks(additional information)**

Yes, over and above compliance with applicable product packaging and labelling requirements including declaration of appropriate method of preparation of products for safe and proper consumption, the Nestlé Nutritional Compass on the product pack provides transparent and easy to understand nutritional information that guides the consumer in making the right food choices. The Company also provides consumers with nutrition information through Guideline Daily Amounts (GDA) based labels icons on front of pack too.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**

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 2018.

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 48,000 consumers in 2018 through a random sampling approach among target consumers.

\* Notes 1 to 9 corresponding to Principles 1 to 9

#### **Principle 1**

1. <http://www.nestle.in/investors>
2. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_governance/corporate-business-principles-en.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf)
3. <https://www.nestle.in/csv/communities/ethical-conduct>

#### **Principle 2**

1. <http://www.nestle.com/aboutus/suppliers>
2. <https://www.nestle.in/csv/planet/supplier-engagement>
3. <http://www.nestle.com/asset-library/documents/library/documents/suppliers/appendix-supplier-code-english.pdf>
4. <https://www.nestle.in/csv/communities/responsible-sourcing>
5. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-responsible-sourcing-guidelines.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf)
6. <http://www.nestle.com/aboutus/quality-and-safety>
7. [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)
8. <http://www.nestle.com/ask-nestle/environment/answers/nestle-climate-change>
9. <https://www.nestle.in/csv/planet/natural-capital>
10. <https://www.nestle.in/csv/communities/coffee>
11. [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)
12. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-rural-development.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-rural-development.pdf)

#### **Principle 3**

1. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/policy-on-safety-and-health-at-work.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/policy-on-safety-and-health-at-work.pdf)
2. <http://www.nestle.com/asset-library/Documents/Library/Documents/People/Management-Leadership-Principles-EN.pdf>
3. [http://www.nestle.com/asset-library/documents/jobs/the\\_nestle\\_hr\\_policy\\_pdf\\_2012.pdf](http://www.nestle.com/asset-library/documents/jobs/the_nestle_hr_policy_pdf_2012.pdf)
4. <http://www.nestle.com/Asset-Library/Documents/Library/Documents/People/Employee-relations-policy-EN.pdf>
5. <http://www.nestle.com/asset-library/documents/library/documents/people/nestle-policy-maternity-protection.pdf>
6. <https://www.nestle.in/csv/communities/training>

#### **Principle 4**

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

#### **Principle 5**

1. <https://www.nestle.in/csv/communities/human-rights-impacts>
2. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-land-rights-agriculture.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-land-rights-agriculture.pdf)
3. [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)
4. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-child-labour.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-child-labour.pdf)

## Principle 6

1. <https://www.nestle.in/csv/planet>
2. [http://www.nestle.com/asset-library/documents/library/documents/environmental\\_sustainability/nestl%C3%A9%20policy%20on%20environmental%20sustainability.pdf](http://www.nestle.com/asset-library/documents/library/documents/environmental_sustainability/nestl%C3%A9%20policy%20on%20environmental%20sustainability.pdf)
3. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-climate-change-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-climate-change-2013.pdf)
4. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-biofuels-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-biofuels-2013.pdf)
5. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-water-stewardship.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf)
6. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-natural-capital-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-natural-capital-2013.pdf)
7. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/natural-capital\\_soil-soilhealth.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/natural-capital_soil-soilhealth.pdf)
8. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/commitment-on-deforestation-2013.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-deforestation-2013.pdf)

## Principle 7

1. [https://www.nestle.com/asset-library/documents/library/documents/corporate\\_governance/nestle-policy-transparent-interactions-with-public-authorities.pdf](https://www.nestle.com/asset-library/documents/library/documents/corporate_governance/nestle-policy-transparent-interactions-with-public-authorities.pdf)
2. <http://www.nestle.com/aboutus/businessprinciples/report-your-concerns>
3. <https://www.nestle.com/csv/what-is-csv/stakeholder-engagement/partnerships-alliances>

## Principle 8

1. <http://www.nestle.com/asset-library/documents/library/documents/people/management-leadership-principles-en.pdf>
2. <https://www.nestle.com/csv/impact/rural-livelihoods/farmer-needs>
3. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-commitment-rural-development.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-rural-development.pdf)
4. <https://www.nestle.in/csv/planet/supplier-engagement>
5. <https://www.nestle.in/csv/planet/access-conservation>

## Principle 9

1. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/communication-principles.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/communication-principles.pdf)
2. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-marketing-communication-children-policy.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-marketing-communication-children-policy.pdf)
3. <https://www.nestle.in/nhw/understanding-food-labels>
4. <https://www.nestle.in/nhw/understanding-food-labels/the-nestle-nutritional-compass>
5. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/nestle-policy-salt.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-salt.pdf)
6. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/nestle-policy-sugars.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-sugars.pdf)
7. [http://www.nestle.com/asset-library/documents/library/documents/about\\_us/nestle-policy-saturated-fat.pdf](http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-saturated-fat.pdf)
8. [http://www.nestle.com/asset-library/documents/library/documents/corporate\\_social\\_responsibility/nestle-policy-micronutrient-fortification-foods-beverages.pdf](http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-policy-micronutrient-fortification-foods-beverages.pdf)
9. <https://www.nestle.in/csv/individuals-families/healthy-diet>
10. <https://www.nestle.in/csv/individuals-families/nutrition-education>
11. <https://www.nestle.in/csv/individuals-families/marketing-children>

On behalf of the Board of Directors

Date : 14<sup>th</sup> February 2019  
Place : Gurugram

Suresh Narayanan  
Chairman and Managing Director

## ANNEXURE - 4 TO THE BOARD'S REPORT

### Form No. MR – 3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER, 2018

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members, Nestlé India Limited  
CIN: L15202DL1959PLC003786  
100/101, World Trade Centre, Barakhamba Lane, NEW DELHI-110001

We have conducted Secretarial Audit of compliance with the applicable statutory provisions and adherence to good corporate practices by Nestlé India Limited (hereinafter called 'the Company') for the Financial Year ended 31<sup>ST</sup> December, 2018. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books and papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended 31<sup>ST</sup> December, 2018 complied with statutory provisions listed hereunder and also, that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books and papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended 31<sup>ST</sup> December, 2018 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 – Not applicable to the extent of Overseas Direct Investment and External Commercial Borrowings as there were no reportable events during the financial year under review.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 – Not applicable as the Company has not issued any shares during the year under review;
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – Not applicable as the Company has not issued any shares/options to directors/employees under the said guidelines/regulations during the year under review;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 – Not applicable as the Company has not issued any debt securities during the year under review;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client – Not applicable as the Company is not registered as Registrar to an Issue and Share Transfer Agent during the year under review;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – Not applicable as the Company has not delisted / proposed to delist its equity shares during the year under review; and



- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 – Not applicable as the Company has not bought back / proposed to buy-back any of its securities during the year under review.
- (vi) The management has identified and confirmed the following laws as being specifically applicable to the Company:
- Food Safety and Standards Act, 2006, rules and regulations thereunder;
  - Legal Metrology Act, 2009, rules and regulations thereunder;
  - Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992 and rules thereunder (Local Infant Code);
  - Bureau of Indian Standards (BIS) Act, 2016;

We have also examined compliance with the applicable clauses/regulations of the following:

- 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;
- The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreement entered into with the BSE Limited.

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 including Women Directors. There were no changes in the composition of the Board of Directors during the period under review;
- Adequate notice is given to all Directors to schedule Board Meetings; agenda and detailed notes on agenda were sent atleast seven days in advance before the meeting, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting;
- All the decisions of the Board and Committees thereof were carried through with requisite majority.

We further report that based on review of compliance mechanism established by the Company 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.

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.

This Report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

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

**S. N. ANANTHASUBRAMANIAN**  
**Partner**  
**FCS No. 4206, C.P No: 1774**

**Date : 12<sup>th</sup> February 2019**  
**Place : Thane**

To,  
The Members,  
Nestlé India Limited  
CIN: L15202DL1959PLC003786  
100 / 101, World Trade Centre,  
Barakhamba Lane, New Delhi 110001.

Our Secretarial Audit Report for the financial year ended 31<sup>st</sup> December 2018 of even date is to be read along with this letter.

**Management's Responsibility**

1. It is the responsibility of management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**Auditor's Responsibility**

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.

**Disclaimer**

5. The Secretarial Audit Report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted affairs of the Company.
6. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

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

**S. N. ANANTHASUBRAMANIAN**  
Partner  
FCS No. 4206, C.P No: 1774

Date : 12<sup>th</sup> February 2019  
Place : Thane

## ANNEXURE - 5 TO THE BOARD'S REPORT

Information as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 forming part of the Board's Report for the year ended 31<sup>st</sup> December, 2018

### A CONSERVATION OF ENERGY

#### (a) Steps taken or impact on Conservation of energy

Environmental sustainability is embedded in Nestlé Policy on Environmental Sustainability. As part of long term sustainability, your Company ensures that the products, packaging and operations are safe for employees, consumers and the environment. Your Company ensures this with a focus on technologies, processes and improvements that matter for the environment. At Nestlé, sustainability inspires and guides everything the Company does. Moreover, the Company gives highest priority to ensure environmental friendly practices at all factories and offices. These include reduction in power consumption, optimal water consumption, eliminating excess use of paper and using eco-friendly products.

As in the past, the Company continued to stress upon measures for the conservation and optimal utilisation of energy in all the areas of operations, including those for energy generation and effective usage of sources/ equipment used for generation. Within the Company there are continuous efforts towards improving operational efficiencies, minimizing consumption of natural resources and reducing water, energy & CO<sub>2</sub> emissions while maximizing production volumes.

During the year, approximately forty nine energy reduction projects were undertaken by factories of the Company which will result in substantial annualized savings of 61,629 GJ (saving of 1.85% of total annual energy consumption) and shall be fully realized by the coming years. Some of the projects undertaken are:

- Lower steam consumption at Steamer through de-super heater
- Heat recovery from Ammonia / Air Compressors
- Energy efficient LED lights
- Project KAPILA [Mechanical Vapour Recompression (MVR) – Evaporator, IV stage cooler]
- Reduction in transmission losses in electricity

During the year, twenty nine water reduction projects were initiated in factories. This, inter alia, resulted in reduction in water consumption and reuse of recycled water in a more efficient manner. The projects will result in savings of 114761 m<sup>3</sup> (saving of 4.3 % of total annual water consumption) and shall be fully realized by the coming years. Some of the key initiatives contributing to water savings in 2018 are:

- Project KAPILA (2017-18 MVR, IV stage cooler)
- Usage of Effluent Treatment Plant (ETP) Reverse Osmosis (RO) permeate in process cooling towers in a factory
- Usage of Milk Water as make up water in steam generation in a factory
- Reduction of bore well water usage by using recycled water in a factory.

Apart from energy and water saving, your Company also initiated projects for reduction of pollution and protection of the environment. Some of the projects are:

- Reduction of waste disposal for land filling;
- Recycling the Hydrolise Plant Protine (HPP) sludge for the manure making;
- Reduction of waste generation from Pichkoo Fillings.

#### (b) Additional Investment

Following are the additional proposals, which are initiated for implementation during 2019 at factory locations.

- Steam ejectors with vacuum pumps
- Steam optimization of noodle manufacturing lines on balanced lines
- Projects on maximizing waste heat recovery
- Waste water recycling capacity increase
- Additional Solar Power Purchase Agreement (PPA)
- Usage of cleaner fuels in operations

- Increase of recycled water usage for social amenities block
- Improve the recovery of drinking water RO plant
- Additional RO plant for recycling of ETP RO plant

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

During the years, at the factories there have been continuous efforts to improve operational efficiencies, minimizing consumption of natural resources and reducing water, energy and CO<sub>2</sub> emissions while maximizing production volumes.

As a result, during the period from 2003 to 2018, for every ton of production, the Company has reduced energy usage by around 45%, water usage by around 53%, generation of waste water by around 49% and specific direct greenhouse gas emissions by 55%.

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

**Energy initiatives planned or in progress:**

Following are the additional proposals, which are initiated for implementation during 2019:

- Steam ejectors with vacuum pumps
- Steam optimization of Noodle manufacturing lines on balanced lines
- Projects on maximizing waste heat recovery
- Additional Solar Power Purchase Agreement
- Usage of cleaner fuels in operations

**Water Initiatives planned or in progress:**

The Company is consistently making efforts towards sustainability and water conservation measures for coming years especially in factories, which are water scarce. Few key initiatives planned or in progress are:

- Improve the recovery of drinking water RO plant
- Additional RO plant for recycling of ETP RO plant

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

The Company identified 14,114 Tons of GHG reduction in 2018, which would be fully realized in coming year. Some of the key renewable energy projects at some of the factories that contributed to GHG savings are:

- Project KAPILA
- Natural Gas
- Solar PPA
- Contribution by energy reduction projects

**GHG Initiatives planned or in progress:**

Following are the additional proposals, which are initiated for implementation during 2019

- Additional Solar PPA.
- Usage of cleaner fuels in operations

**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 Agreements has access to and advantage of drawing from the extensive Central R&D efforts and activities of the Nestlé Group. Nestlé Group spends enormous amounts and efforts in R&D and in gaining industrial experiences. It has therefore been possible for your Company to focus its efforts on testing and modification of products for local conditions. Improving and maintaining the quality of certain key raw materials also continued to receive close attention.

## 2. *Benefits derived as a result of the above R&D*

The ability to leverage the R&D expertise and knowledge of Nestlé Group, has helped your Company to innovate and renovate, manufacture high quality and safe products, improve yields, input substitution and achieve more efficient operations. Consequently the consumers perceive the products of your Company as a high value for their money.

## 3. *Future plan of action*

Steps are continuously being taken for innovation and renovation of products including new product development, improvement of packaging and enhancement of product quality / profile, to offer better products at relatively affordable prices to the consumers.

## 4. *Expenditure on R&D*

Your Company benefits from the extensive Centralised R&D activity and expenditure of the Nestlé Group, at an annual outlay of over two billion Swiss Francs. Expenditure of the Company in the nature of Research and Development are those incurred locally, primarily relating to testing and modifying of products for local conditions and are as under:

	(₹ in million)
a) Capital	39.3
b) Recurring	214.2
c) <b>Total</b>	<b>253.5</b>
d) Total as a percentage of total turnover	0.25%

## Technology absorption

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

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

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

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

### 3. *Imported Technology*

All the food products manufactured and / or sold by the Company are by virtue of the imported technology 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 ₹ 7,086.9 million comprising foreign exchange earnings of ₹ 5,078.7 million and export to Nepal and Bhutan in Rupees amounting to ₹ 2,008.2 million.

Foreign exchange outgo of ₹ 17,171.3 million on account of imports, expenditure on traveling, general licence fees, etc. and remittances made to non-resident shareholders on account of dividend.

On behalf of the Board of Directors

Date : 14<sup>th</sup> February 2019

Place : Gurugram

Suresh Narayanan  
Chairman and Managing Director

## ANNEXURE - 6 TO THE BOARD'S REPORT

### Statement of Disclosure of Remuneration under Section 197 of Companies Act, 2013 and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

- i. The ratio of the remuneration of each director<sup>#</sup> to the median remuneration of the employees of the Company for the financial year:

Name of Director	Designation	Ratio to median remuneration of the employees*
Mr. Suresh Narayanan	Chairman and Managing Director	106 : 1
Mr. Martin Roemkens	Director - Technical	45 : 1
Mr. Shobinder Duggal	Director – Finance & Control and CFO	40 : 1

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

<sup>#</sup> Since Independent Non-Executive Directors received no remuneration, except sitting fees for attending Board / Committee meetings and commission, the required details are not applicable.

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

Name of Employee	Designation	% increase in remuneration
Mr. Suresh Narayanan	Chairman and Managing Director	11.8
Mr. Martin Roemkens	Director – Technical	Not Comparable
Mr. Shobinder Duggal	Director – Finance & Control and CFO	9.2
Mr. B. Murli	SVP – Legal and Company Secretary	9.8

<sup>#</sup> Since Independent Non-Executive Directors received no remuneration, except sitting fees for attending Board / committee meetings and commission, the required details are not applicable.

- iii. The % increase in the median remuneration of employees in the financial year: 8.89%.
- iv. The number of permanent employees on the rolls of the Company: 7,604.
- v. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: The median percentage increase made in the salaries of employees other than the managerial personnel was 8.89%, while the increase in the remuneration of managerial personnel was 10.87%. 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 undertakes annually. The increase during the year reflects the Company's reward philosophy as well as the results of the benchmarking exercise.
- vi. 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.
- vii. It is hereby affirmed that the remuneration is as per the Remuneration Policy of the Company.

On behalf of the Board of Directors

Date : 14<sup>th</sup> February 2019  
Place : Gurugram

Suresh Narayanan  
Chairman and Managing Director

## DIVIDEND DISTRIBUTION POLICY

[Pursuant to Regulation 43(A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

The equity shares of Nestlé India Limited (the 'Company') are listed on BSE Ltd., Mumbai. As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company is required to formulate a Dividend Distribution Policy which shall be disclosed in its Annual Report and on its website.

The Board of Directors of the Company ("the Board") has approved the Dividend Distribution Policy of the Company ('the Policy') which endeavors for fairness, consistency and sustainability while distributing profits to the shareholders.

The factors considered while arriving at the quantum of dividend(s) are:

- Current year profits and outlook in line with the development of internal and external environment.
- Operating cash flows and treasury position keeping in view the total debt to equity ratio.
- Possibilities of alternate usage of cash, e.g. capital expenditure etc., with potential to create greater value for shareholders.
- Providing for unforeseen events and contingencies with financial implications.

The Board may declare interim dividend(s) as and when they consider it fit, and recommend final dividend to the shareholders for their approval in the general meeting of the Company.

In case the Board proposes not to distribute the profit; the grounds thereof and information on utilisation of the undistributed profit, if any, shall be disclosed to the shareholders in the Annual Report of the Company.

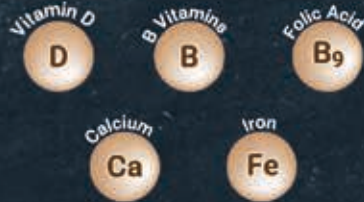
The dividend distribution shall be in accordance with the applicable provisions of the Companies Act, 2013, Rules framed thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time.





# The Plus in your Family's Mornings!

## The Nutrition Plus



## The Choice Plus



## The Grain Plus

NesPlus™ has Whole Grain as the Number 1 Ingredient! NesPlus has the power of 4 grains, of rice and the whole grains of wheat, oats and jowar.

**ENDOSPERM**  
INCLUDES PROTEINS  
& CARBOHYDRATES  
FORM ENERGY



**BRAN**  
OUTER LAYER  
RICH IN FIBRE

**GERM**  
PACKED WITH  
NUTRIENTS

crunchy  
in warm  
milk

