

Nestlé India Limited

22nd Financial Analysts' Meet

Gurgaon 30th July 2013



Disclaimer

This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements. The future involves certain uncertainties and risks that could cause actual results to differ materially from the current views being expressed. Potential uncertainties and risks include factors such as general economic conditions, commodities and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.

Responses can be given to questions, which are not price sensitive.

Calculations in this presentation are based on non-rounded figures.

Real Internal Growth (RIG) and Organic Growth (OG) are basis Nestlé Internal Reporting Standards in relation to third party sales only.

Figures have been regrouped / reclassified to make them comparable to current period.

The Context - Excerpts from your reports

Sales

1. Growth under pressure due to constant price hike
2. Inability to expand product offering
3. Volumes continue to disappoint
4. Weak domestic sales & flattish volumes
5. Top line subdued despite a lower base & capacity addition as volumes dropped ~ 1%
6. Volumes continue to remain elusive
7. No Triggers in short term
8. Volume revival is key to stock performance
9. Sales under pressure slower consumer spending coupled with rise in competition
10. 4-5% decline in domestic volumes
11. Positive on growth going forward
12. Business turnaround under way
13. Believe in long term potential of Nestle India
14. Missing forecast
15. Nestle 755 strategy takes longer to implement

Margins

1. EBITDA Margins highest in 15 quarters
2. Margin overtakes
3. Contingencies hurt profit pool
4. Operating margins continue to expand
5. Modest profit growth
6. Results in line with expectation
7. Nestle continues to focus on margin over volumes

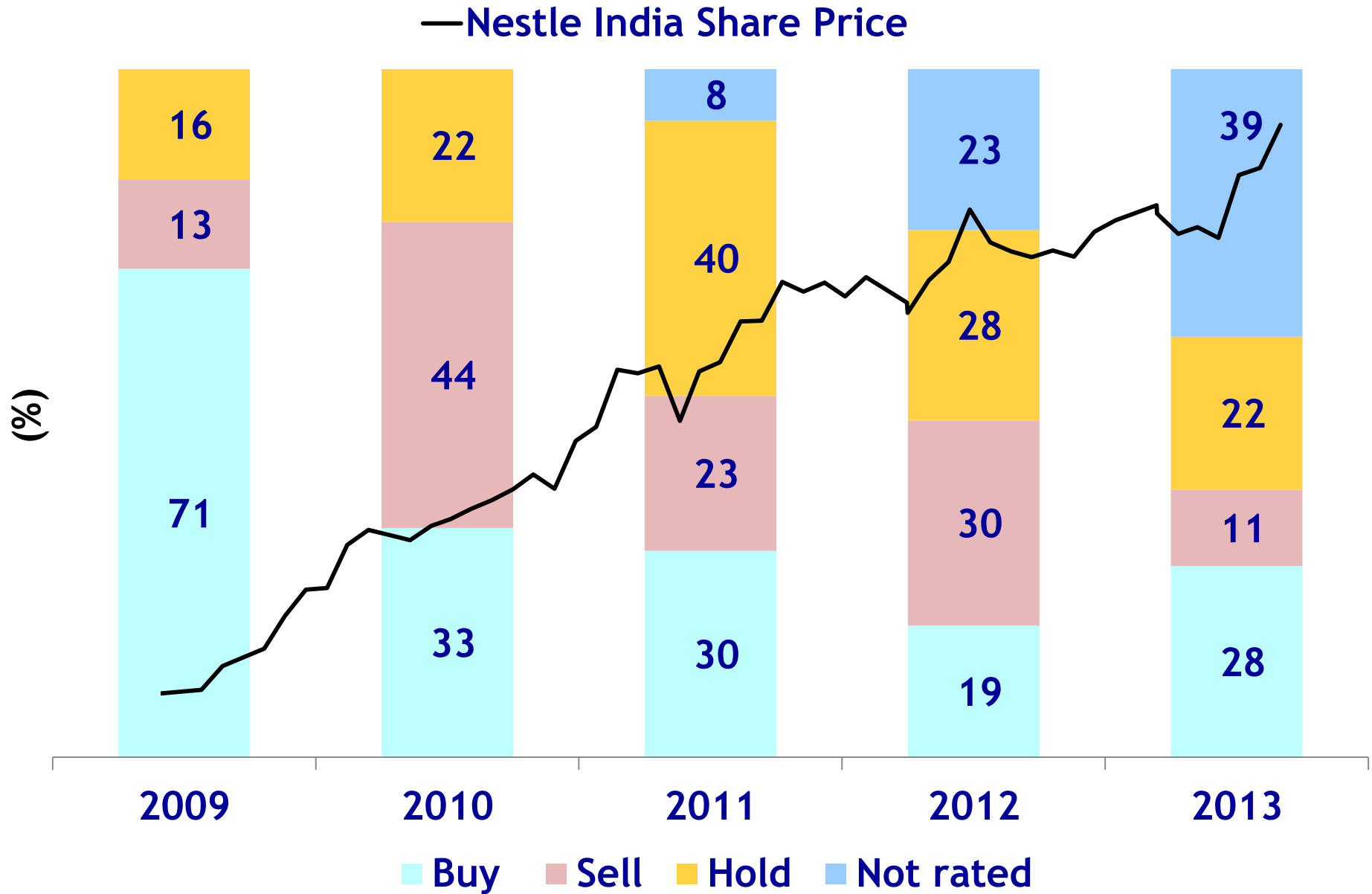
Cash Flow

1. Higher Tax outgo
2. Higher taxes and depreciation
3. OCF generation was extremely strong

Capital Efficiency

1. ROCE Dipped as asset turns have crashed
2. Capacity constraints to ease
3. Top line subdued despite a lower base & capacity addition
4. Invested aggressively in enhancing production as well as distribution
5. Commissioning of new capacity, lying unutilized

Your Recommendations on Nestle India Shares



The critical balance between Sales Growth and Margin continues...

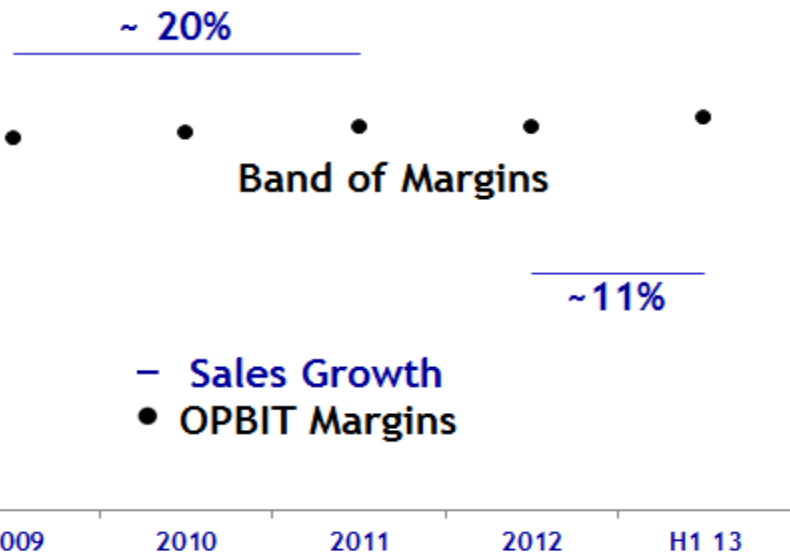


and the fine balance

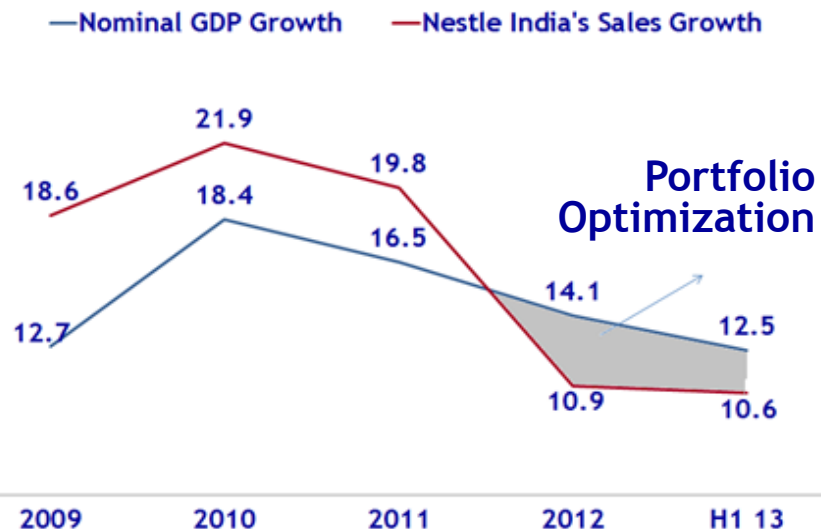


A Perspective

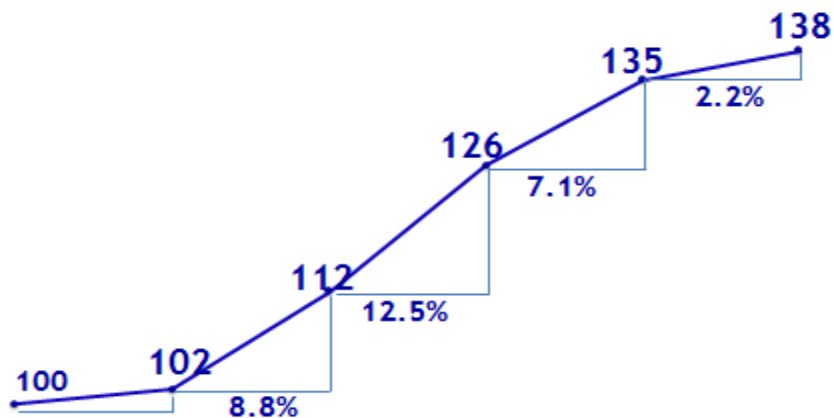
Sales Growth & Margins (OPBIT)



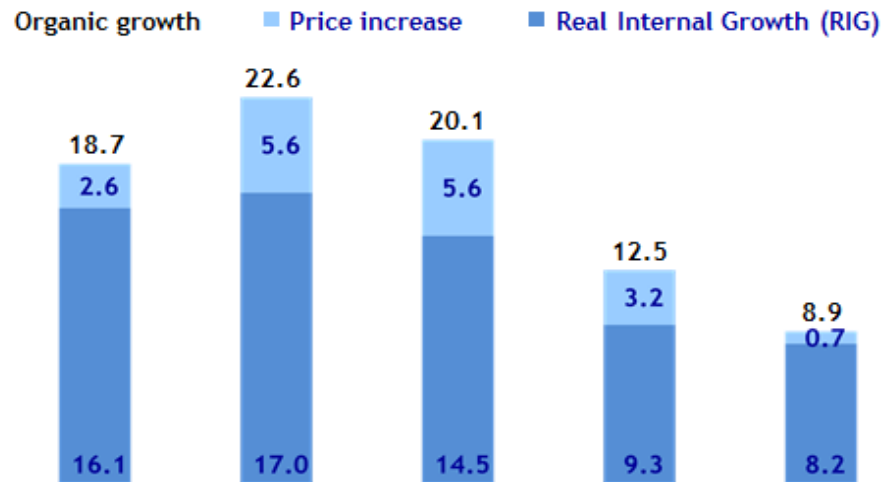
India's GDP & Nestle India's Sales growth



Nestle India Commodity Basket Price Index



Sources of Sales Growth



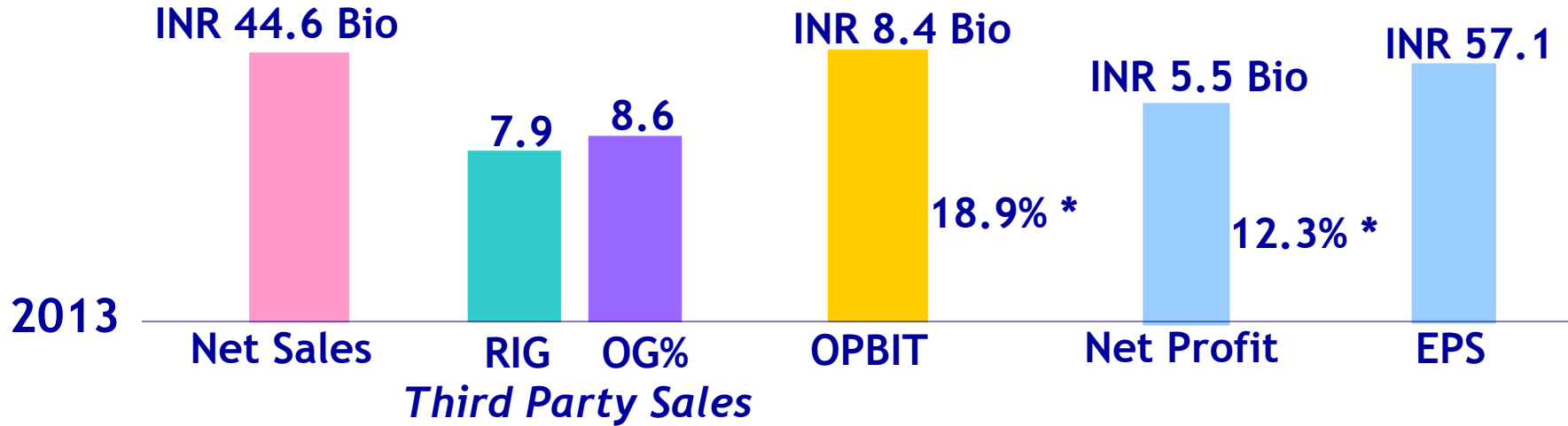
To sum-up the backdrop of our performance

✓ Rebalancing of product portfolio to face the new reality

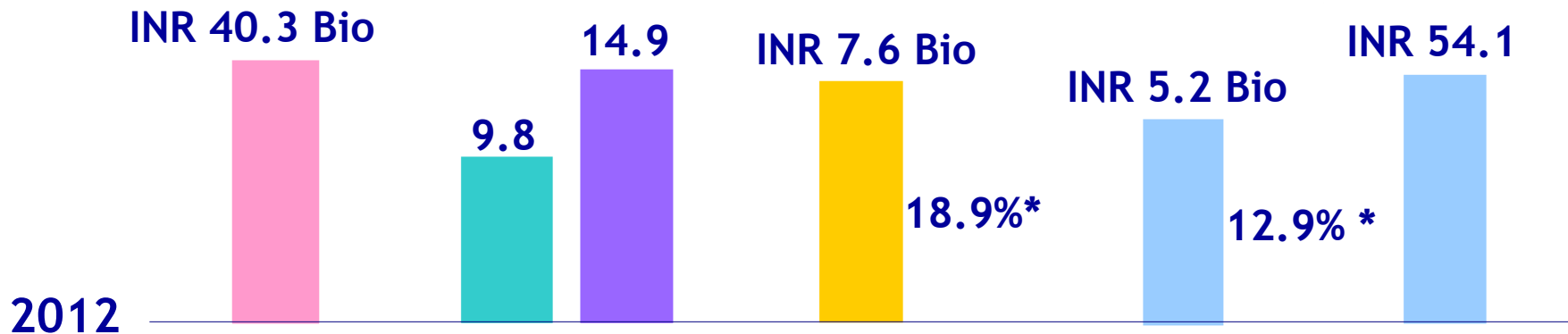
✓ Challenging Economic Environment

✓ Competitive Intensity

YTD June highlights



+ INR 4.3 Bio	Weighted Volumes & Prices	+ INR 0.8 Bio	+ INR 0.3 Bio	+ INR 3.0
+ 10.6%		-	-60 bps	+5.5%



Includes figures from Nestlé Internal Reporting Standards

* % of Net Sales

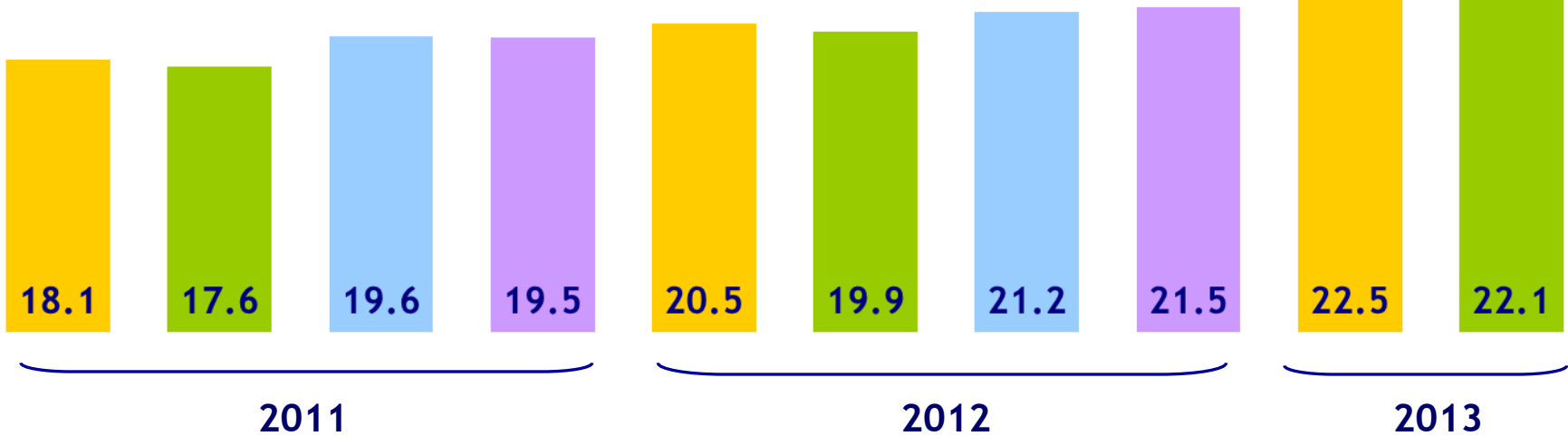
Quarterly Evolution

Q1 Q2 Q3 Q4

NET SALES

% YoY growth **22.3** **20.2** **19.9** **17.0** **13.1** **12.7** **7.8** **10.1** **9.8** **11.4**
74.9 Bio = 19.8% **83.0 Bio = 10.8%** **44.6 Bio = 10.6%**

INR Bio



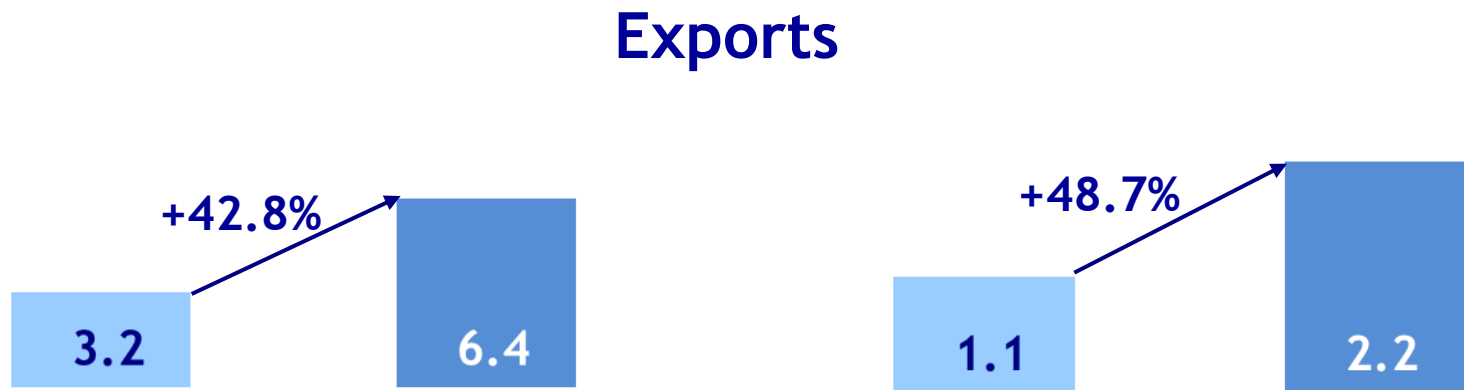
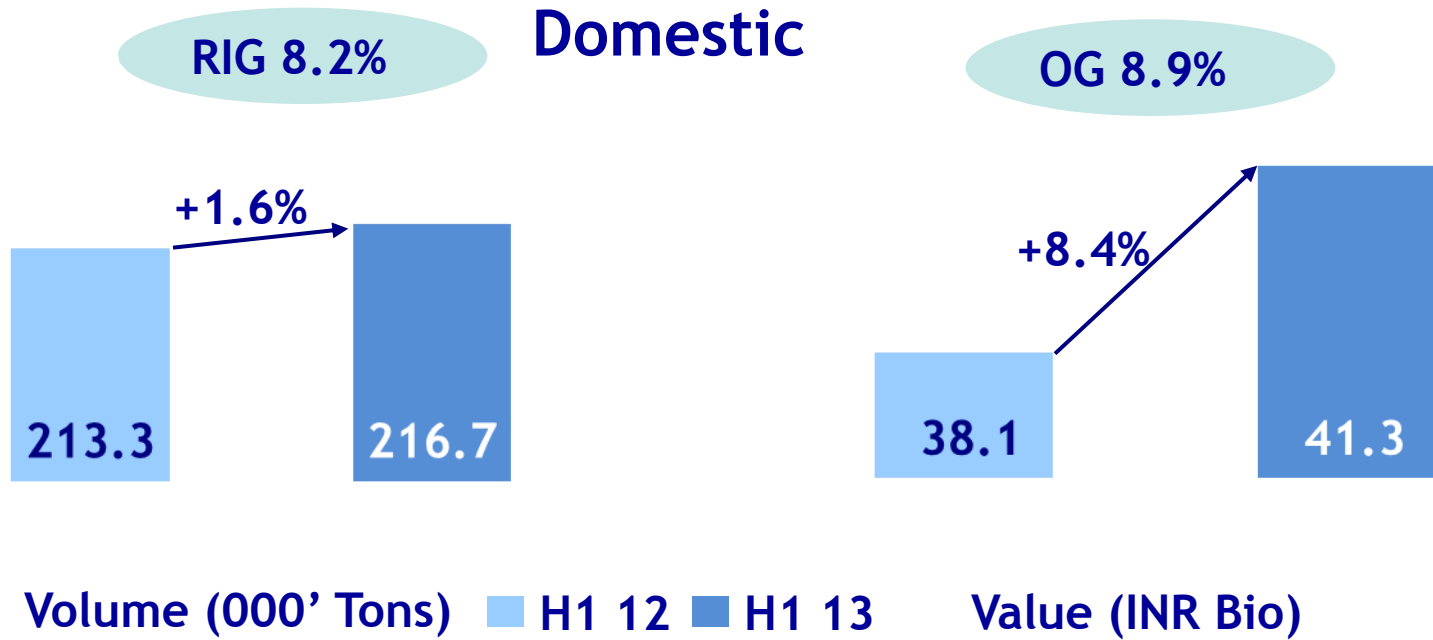
OPBIT

% of Net Sales **19.3** **17.4** **18.9** **18.2** **19.5** **18.3** **17.5** **18.8** **19.8** **18.0**
13.8 Bio = 18.48% **15.4 Bio = 18.5%** **8.4 Bio = 18.9%**

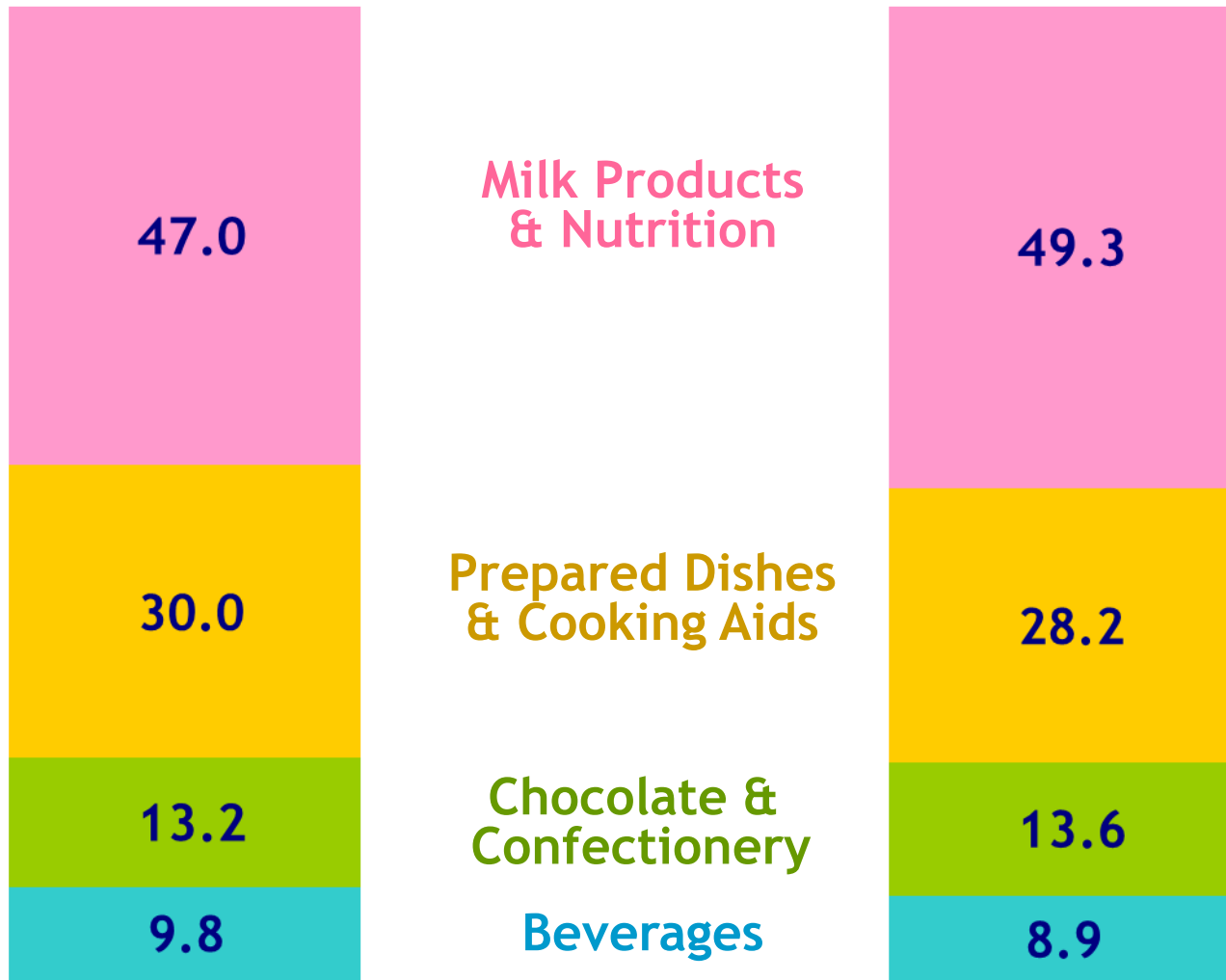
INR Bio



RIG led Sales Growth



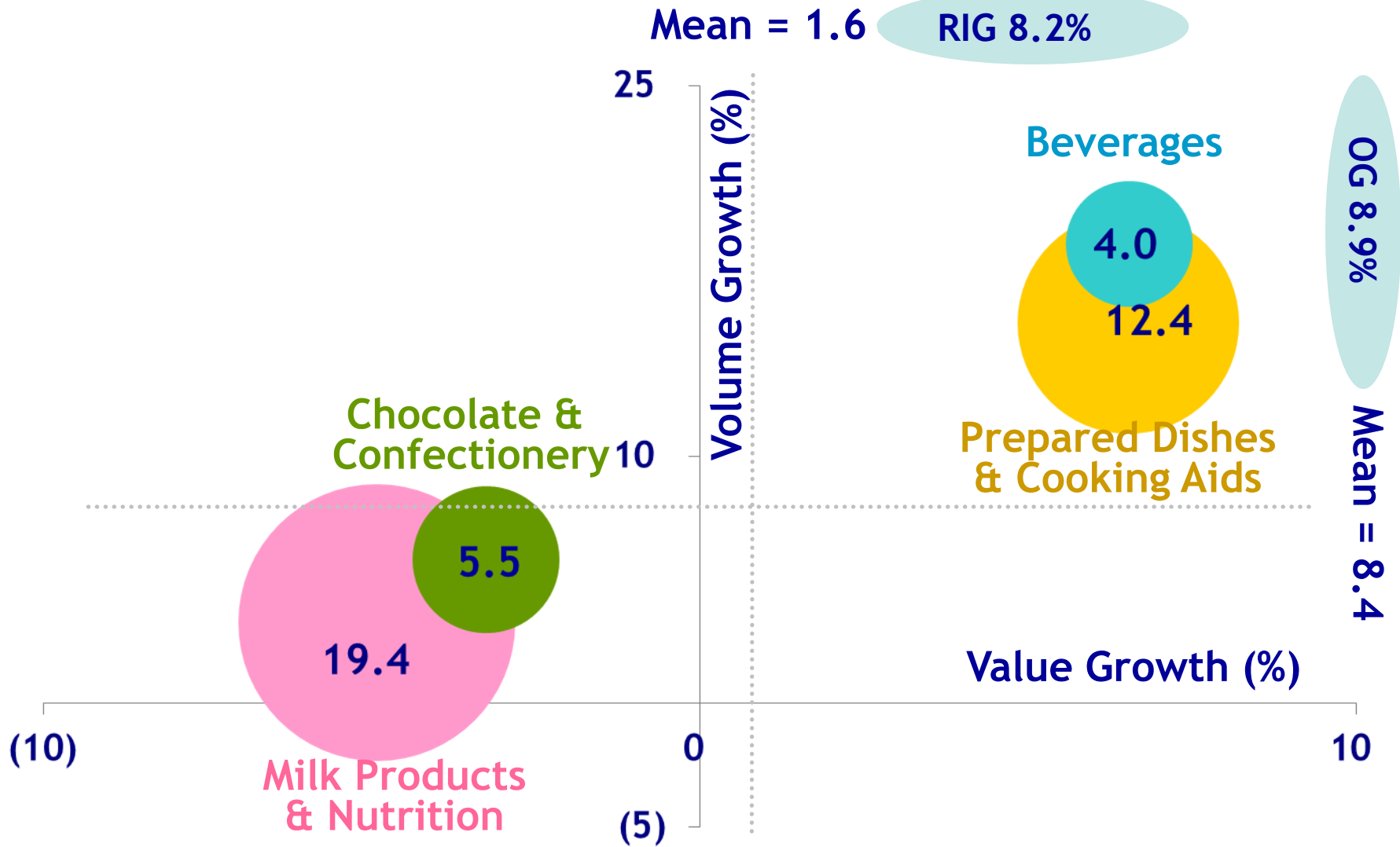
% Contribution to Domestic Sales



H1 13

H1 12

Category level Domestic Sales Growth H1 13



Bubble shows Domestic Sales (INR Bio)

Milk Products & Nutrition



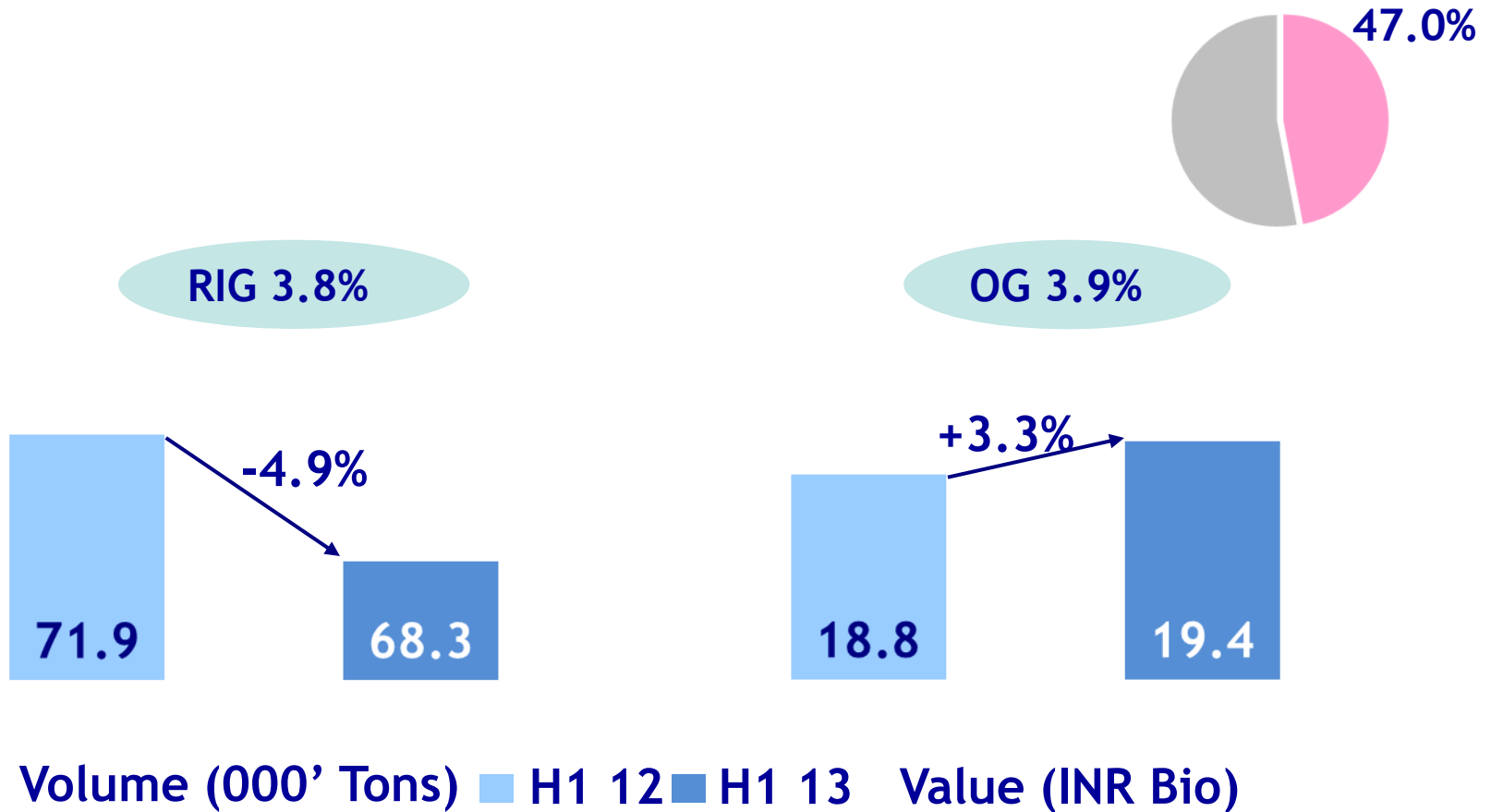
Innovation & Renovation



Market Position (Value)

- No. 1 in Baby Foods
- No. 2 in Infant Formula
- No. 1 in Dairy Whitener & Sweetened Condensed Milk

Milk Products & Nutrition - Domestic



Impact of Portfolio optimization

- EVERYDAY Dairy Whitener
- HCN Supply issues

Prepared Dishes & Cooking Aids



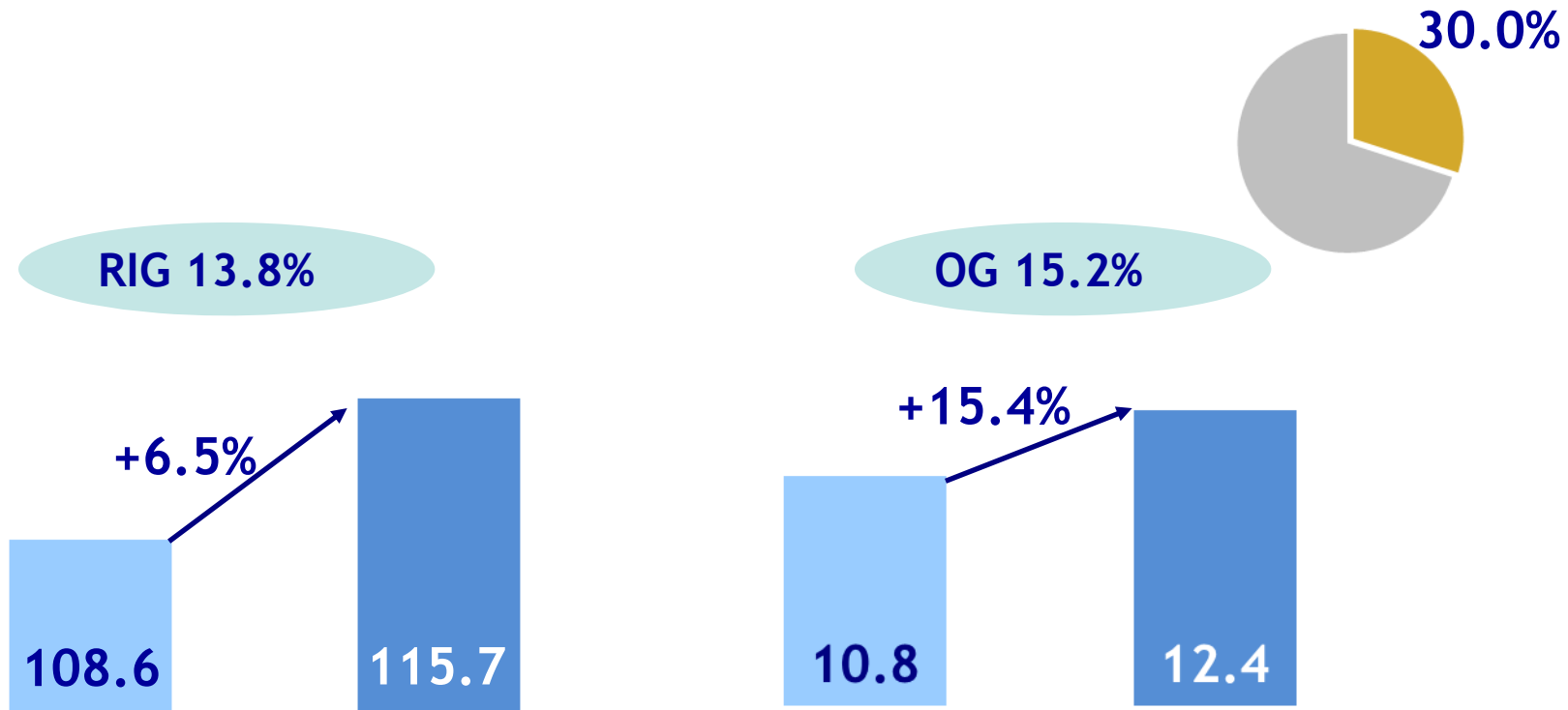
Innovation & Renovation



Market Position (Value)

- No. 1 in Instant Noodles, Sauces & Pasta
- No. 2 in Healthy Soups

Prepared Dishes & Cooking Aids - Domestic



Volume (000' Tons) ■ H1 12 ■ H1 13 Value (INR Bio)

- Successful Media Campaign
- Good response to innovation & renovation with 60:40 win
- Strong growth in Flavour World

Chocolate & Confectionery



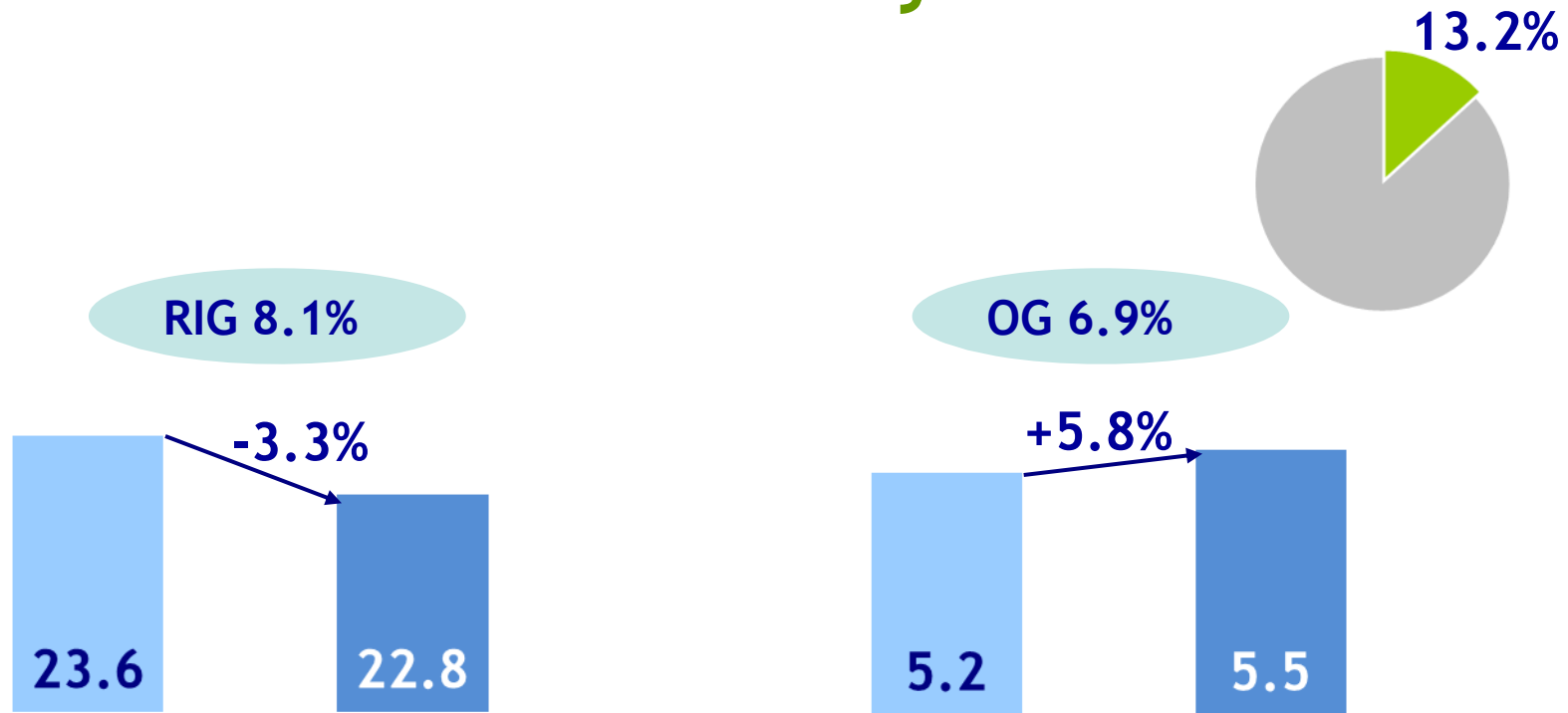
Innovation & Renovation



Market Position (Value)

- No. 1 in Wafers and Whites

Chocolate & Confectionery - Domestic



Volume (000' Tons) ■ H1 12 ■ H1 13 Value (INR Bio)

Impact of Portfolio optimization

MUNCH re-launched

Beverages

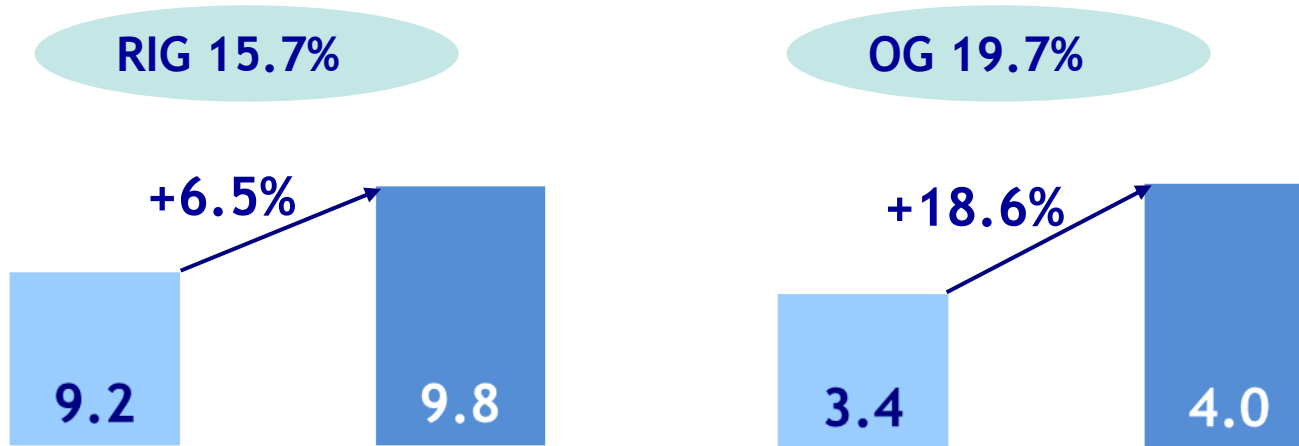
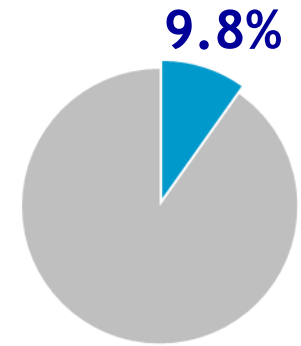
Innovation & Renovation



Market Position (Value)

- No. 1 in Instant Coffee
- Strong presence in Vending

Beverages - Domestic

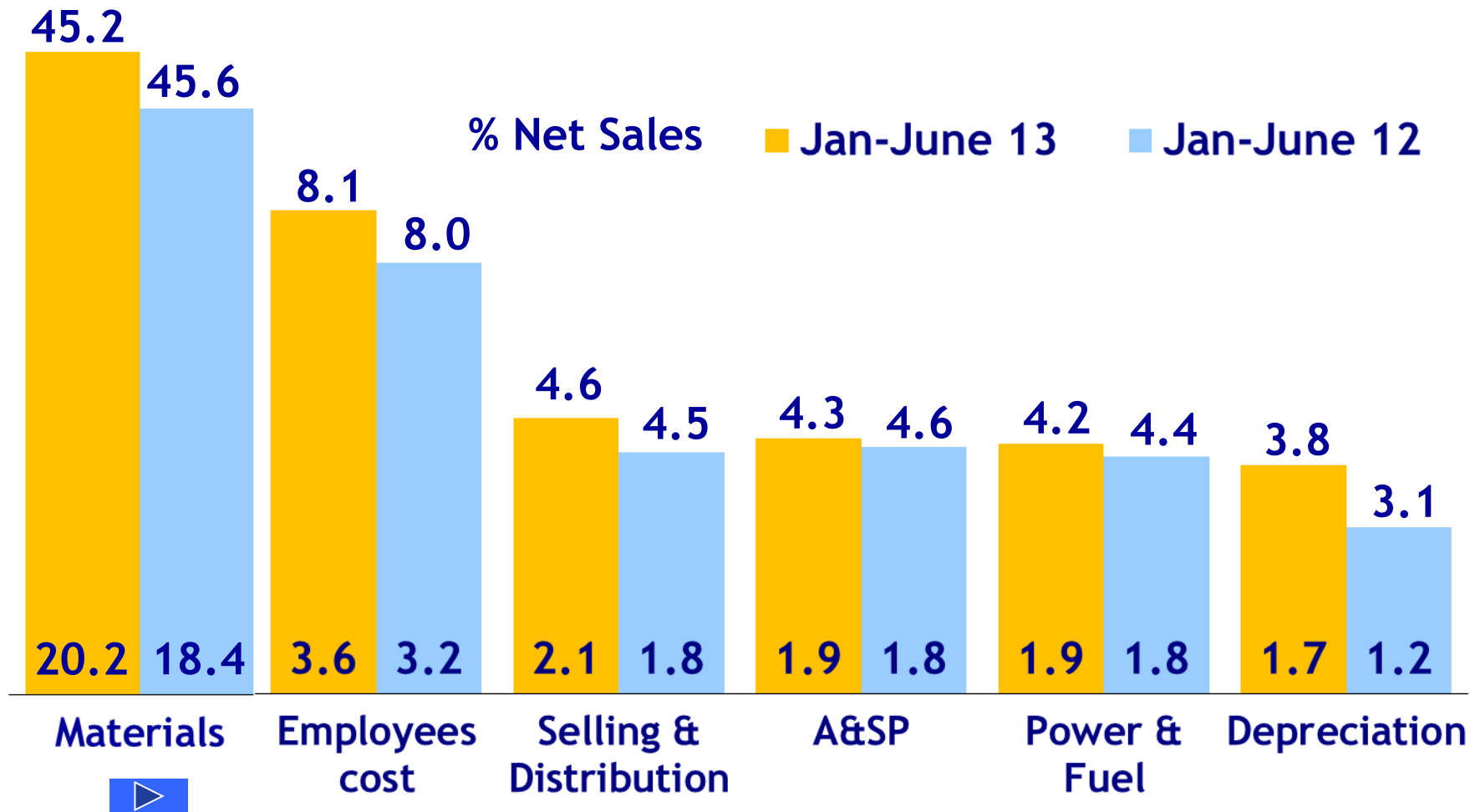


Volume (000' Tons) ■ H1 12 ■ H1 13 Value (INR Bio)

Impact of Portfolio optimization

Successful media campaigns

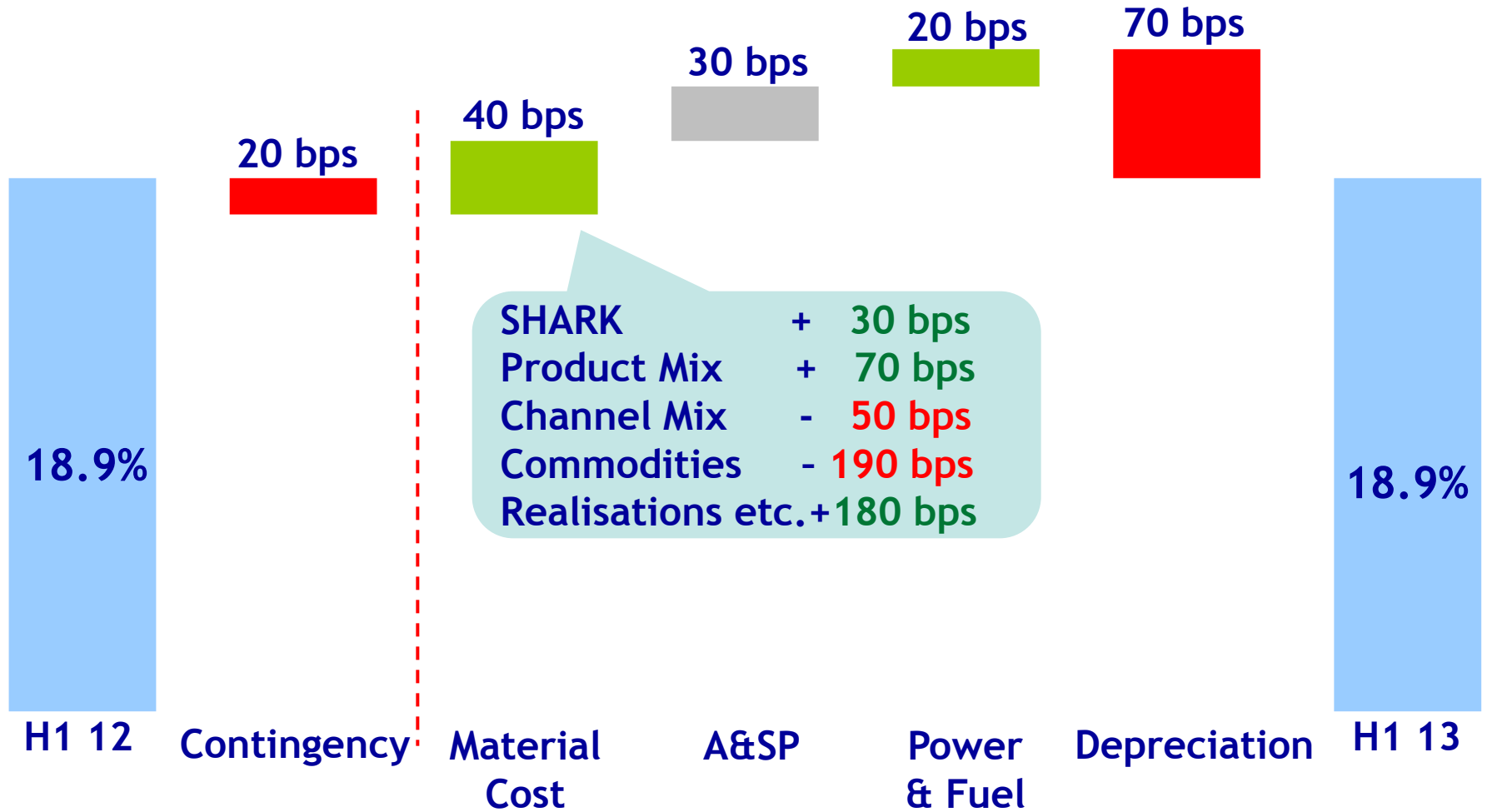
Key Cost Elements



Height of bars represent absolute value in INR Bio

Not to scale

Key factors impacting OPBIT%

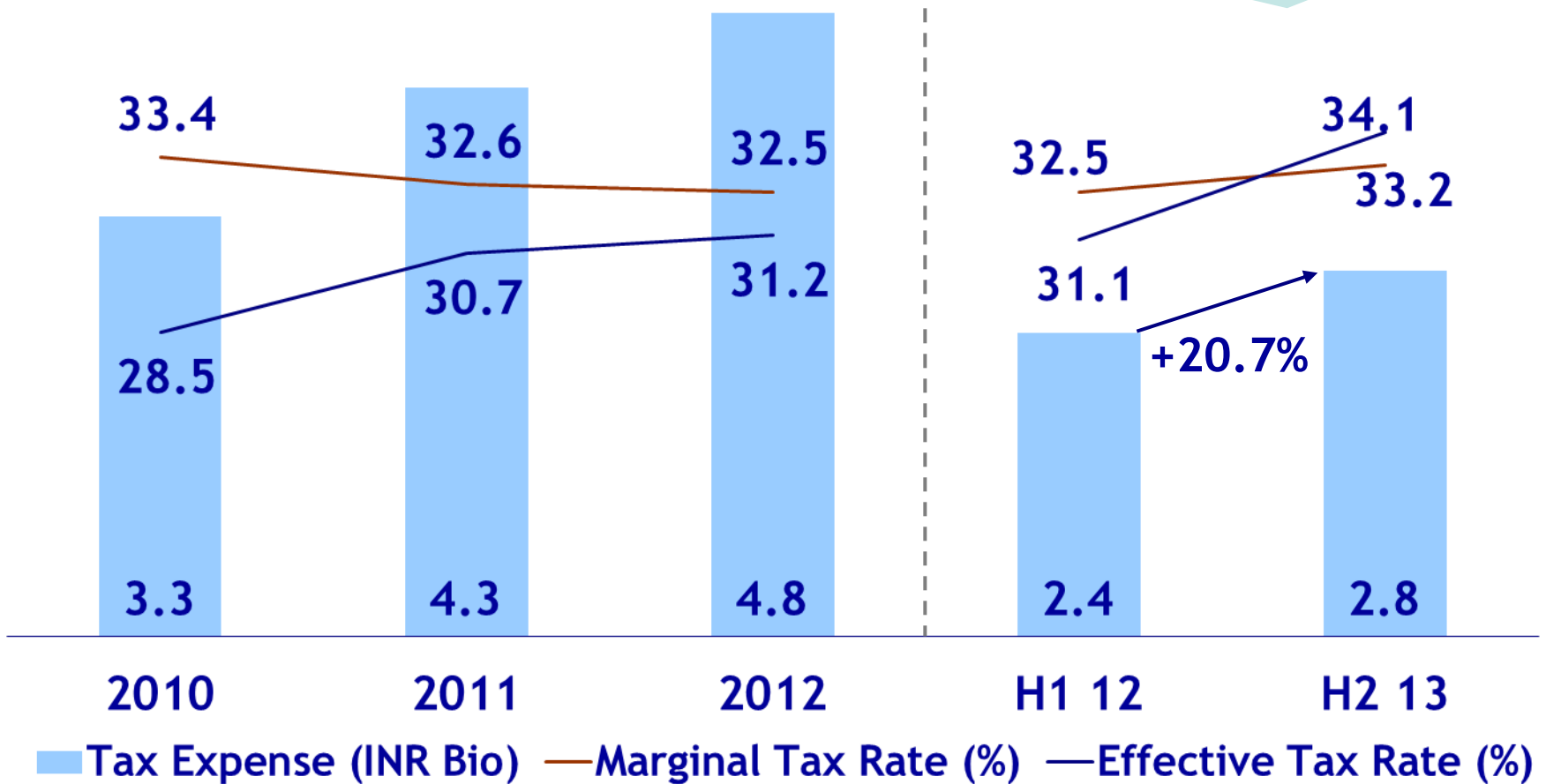


SHARK	+ 30 bps
Product Mix	+ 70 bps
Channel Mix	- 50 bps
Commodities	- 190 bps
Realisations etc.	+ 180 bps

% are with reference to Net sales

Income Tax

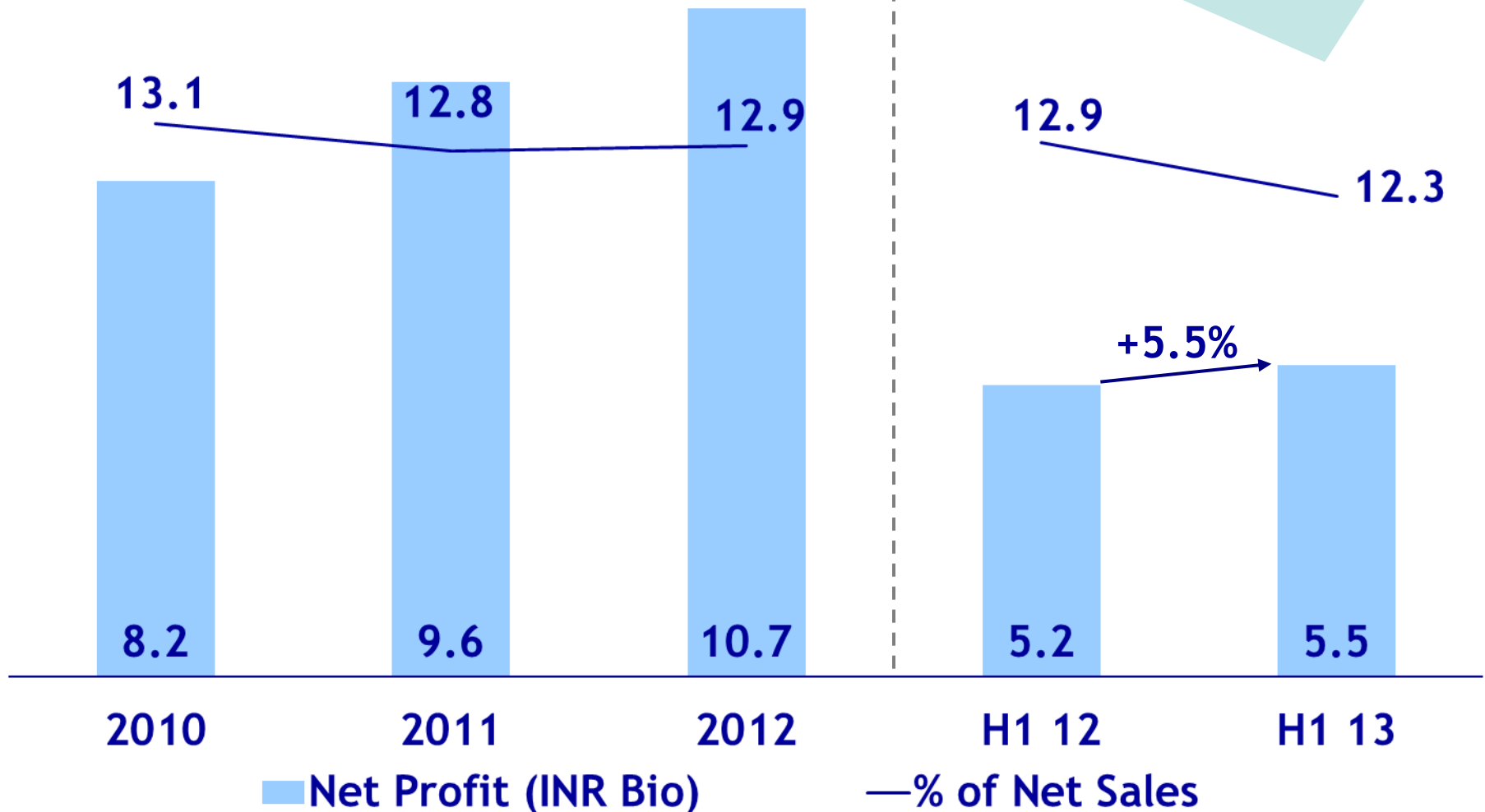
Surcharge up from 5 to 10% : 70 bps
 Deferred Tax Liabilities revalued : 110 bps
 Timing difference of contingency provisions : 120 bps



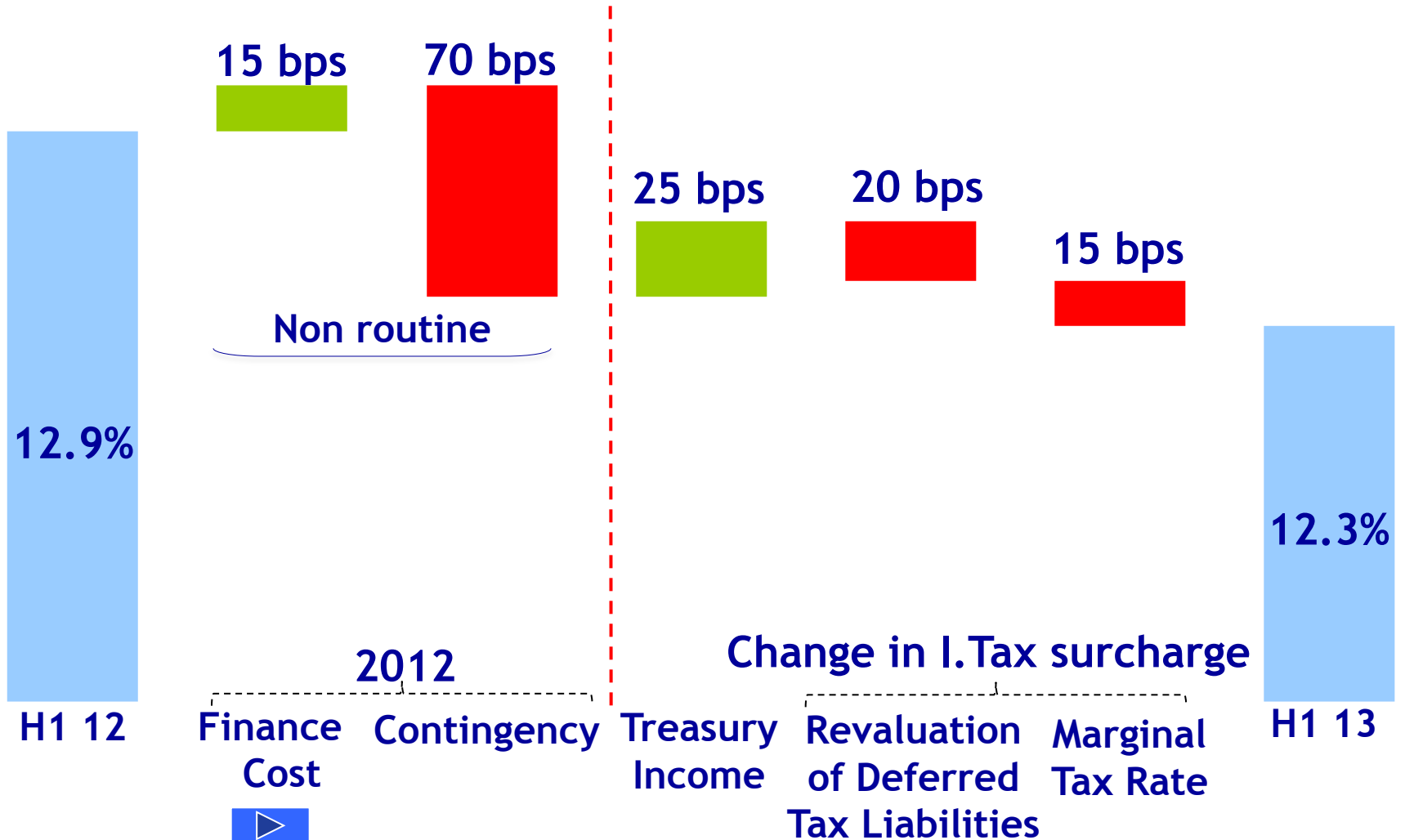
Excludes Fringe Benefit & Dividend Distribution Tax

Net profit after tax (PAT)

Provision for Contingency : 70 bps
Surcharge up from 5 to 10% : 15 bps
Deferred tax revaluation : 20 bps
Higher Cash flows/ Liquidities : 25 bps
Finance Cost : 15 bps

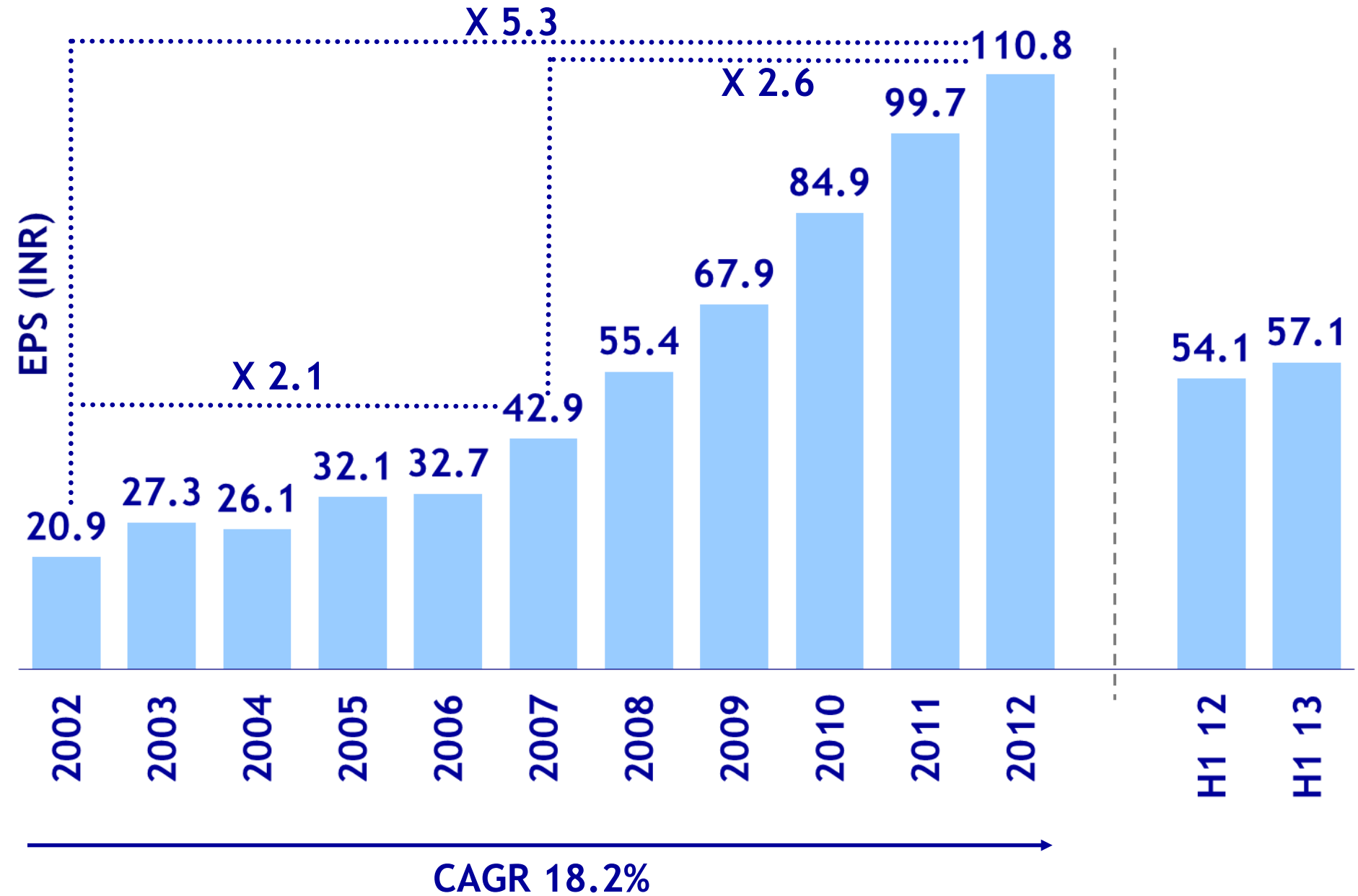


Key factors impacting PAT%

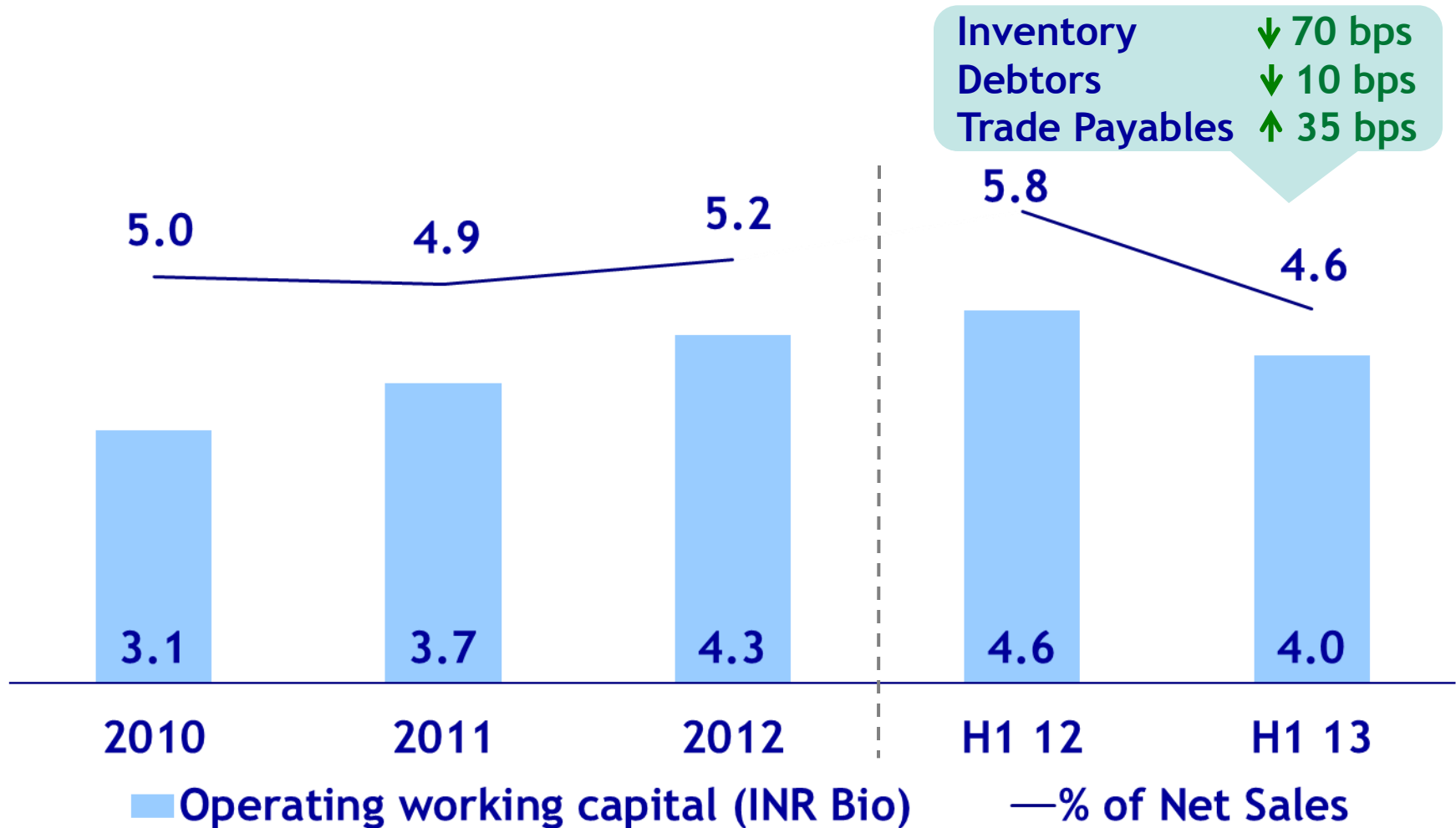


% are net of tax & in reference to sales

Earnings Per Share growth over 10 years



Operating working capital

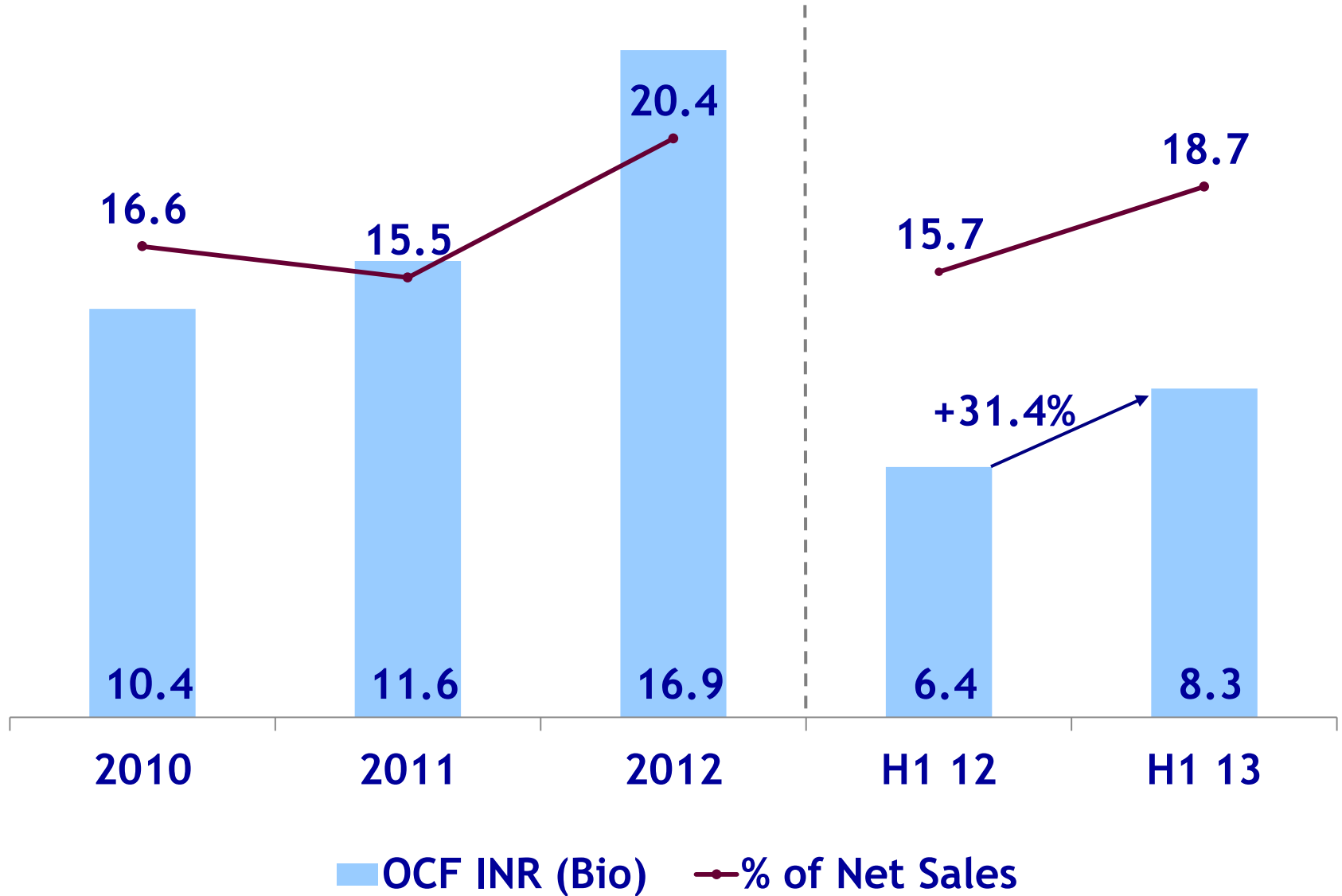


Operating Working Capital (Average for 5 quarter end data)

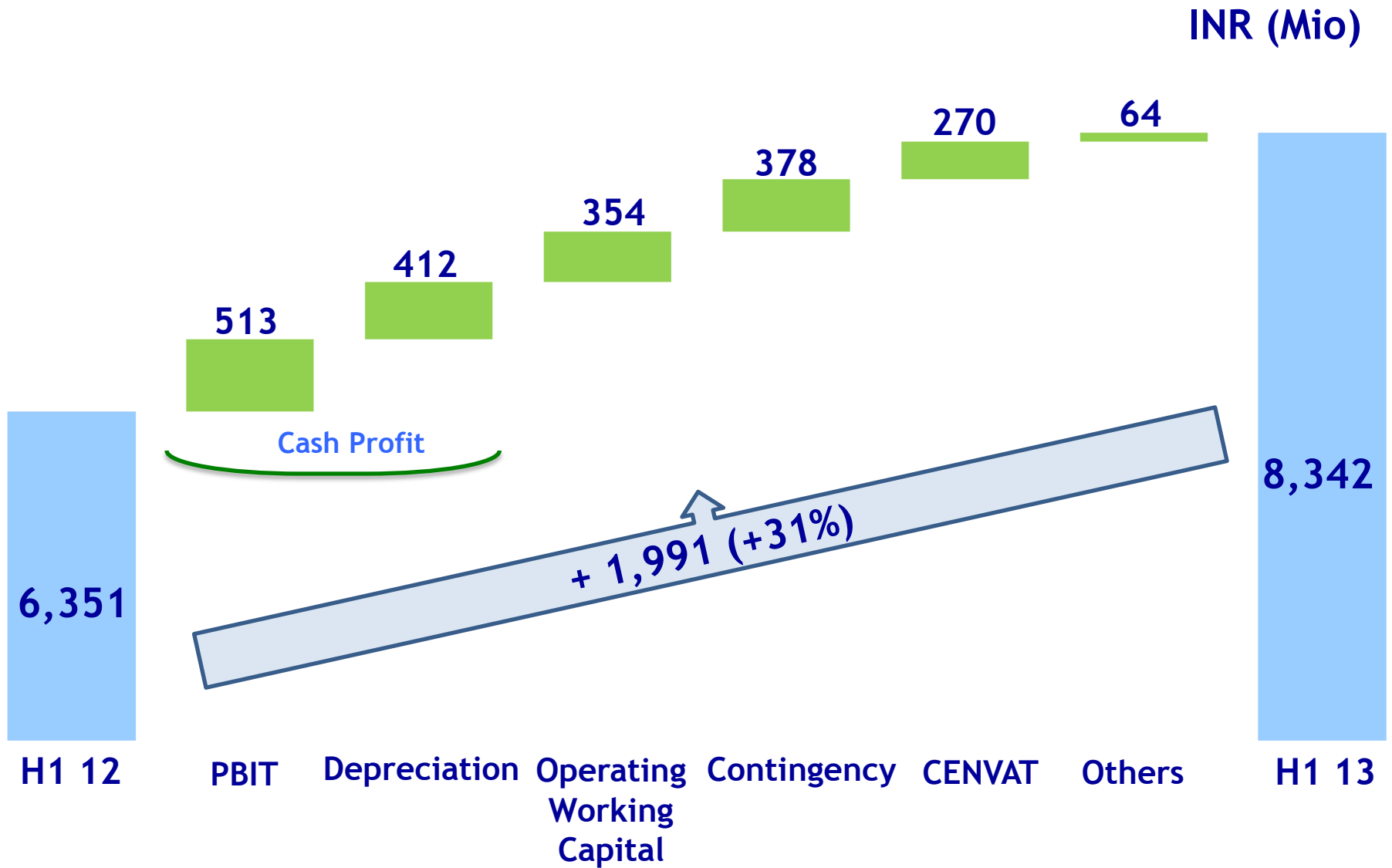
= Inventories + Debtors - Trade Payables (except Staff Costs, Contingencies, Capex & Taxes)

Basis Nestlé Internal Reporting Standards

Operating Cash Flow (OCF)



Operating cash flow

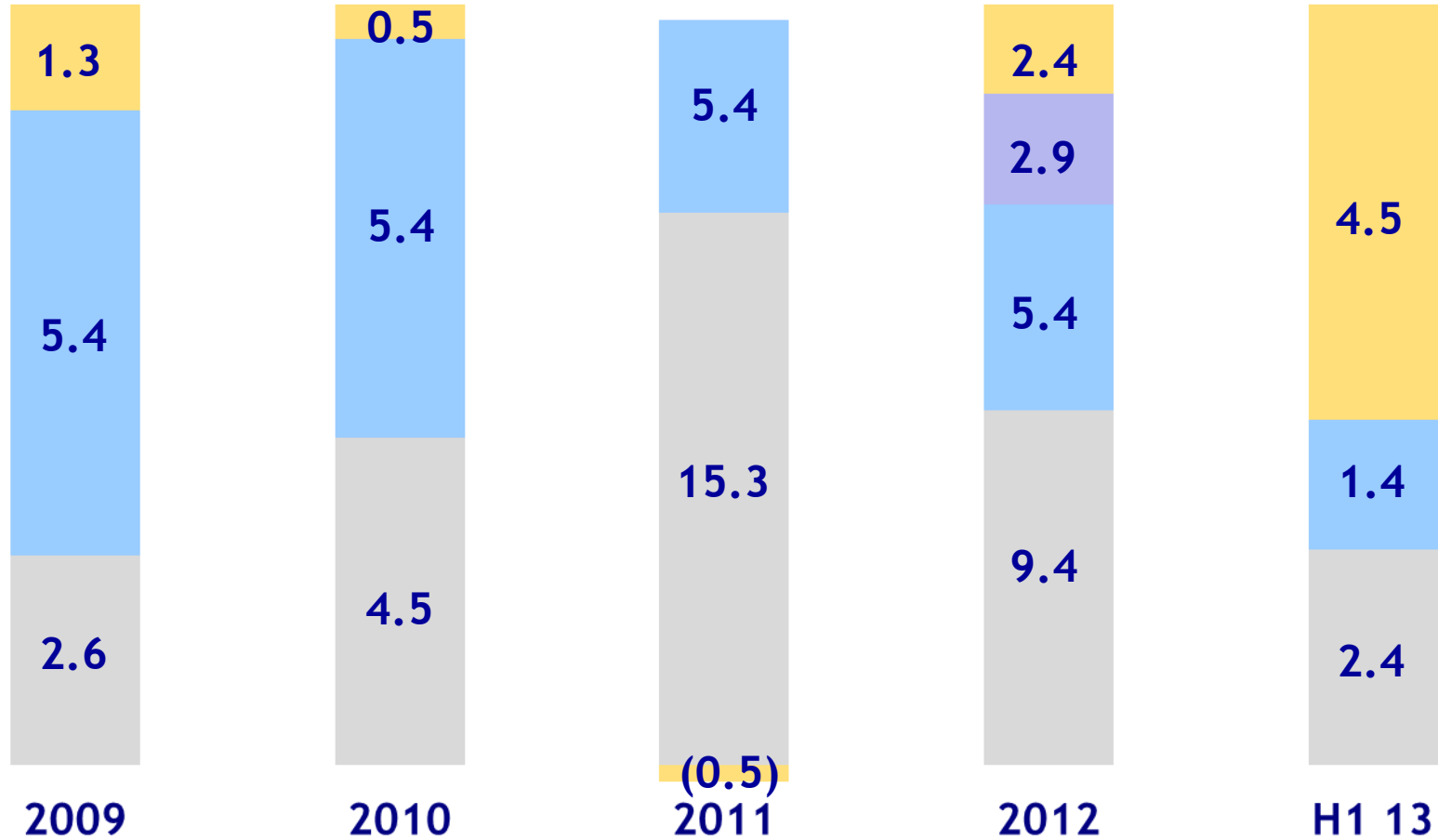


Sources and Utilisation of Cash

INR Bio

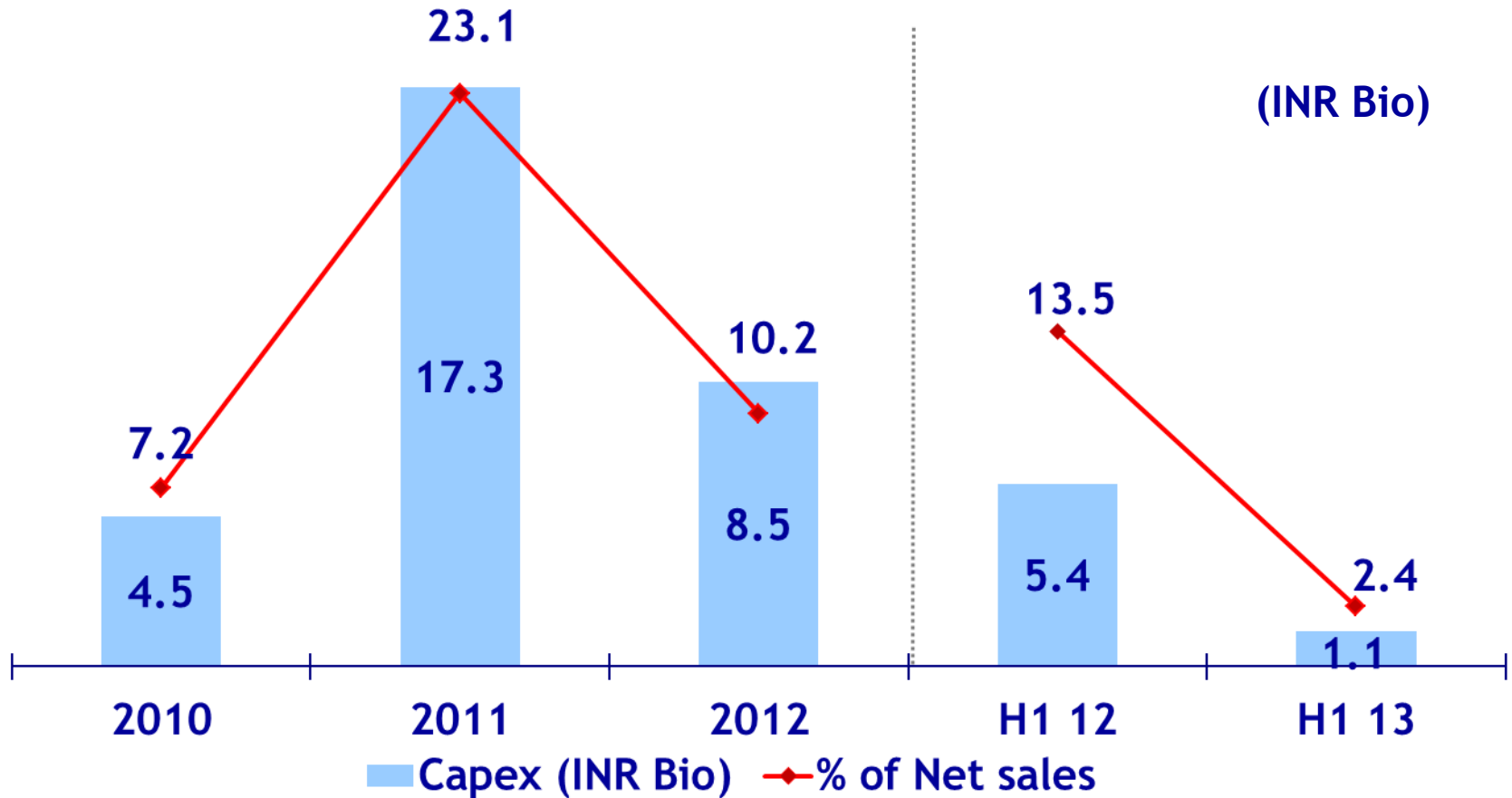
*Operating
Cash Flows* 9.3

Borrowings



■ Fixed Assets ■ Dividends ■ Repayment ■ Cash movement

Investment in Fixed Assets



Commitments	7.7	5.1	1.0	2.8	1.8
Depreciation	1.2	1.5	2.8	0.7	0.9

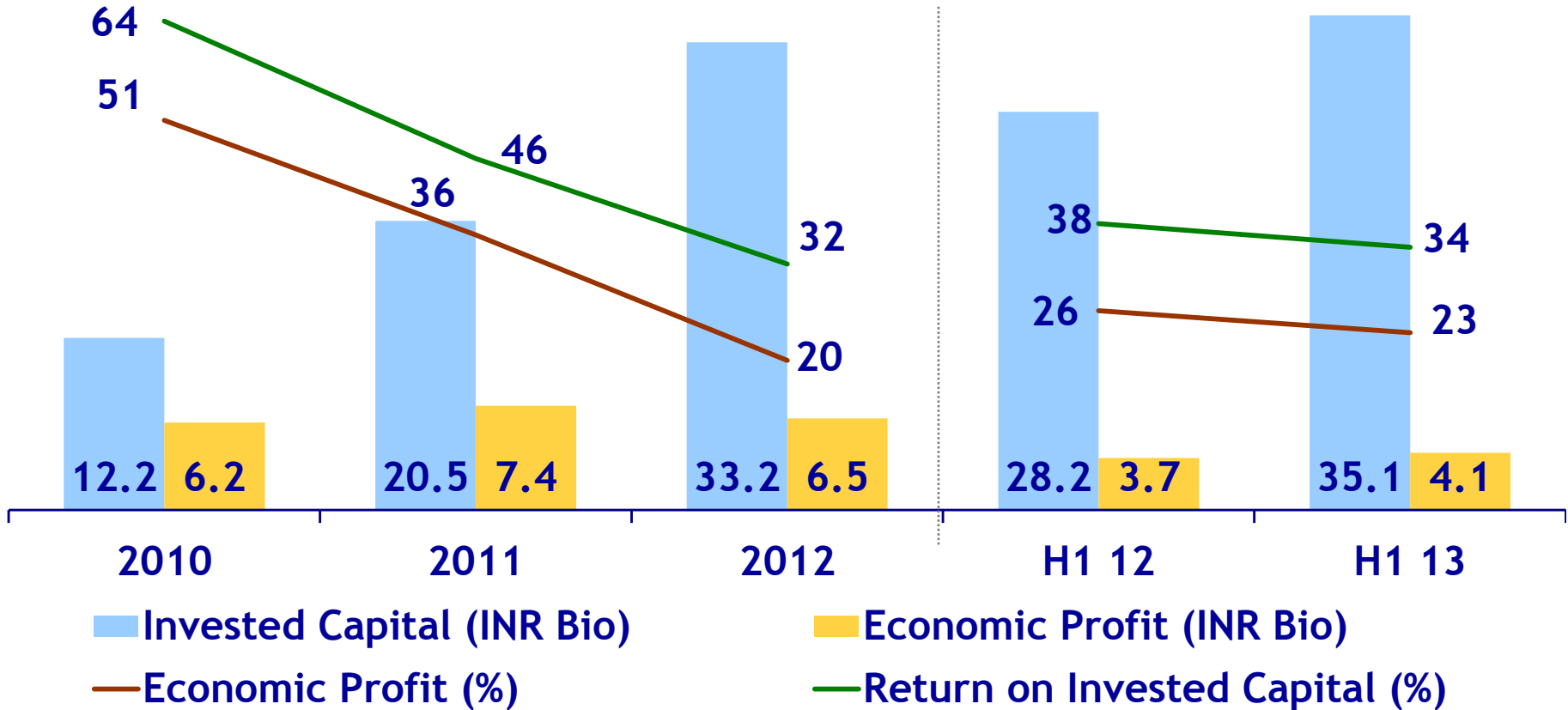
Capex exclude:

Capital advances which are shown in commitments

Financing cost / Exchange Difference of related loans (INR 2.5 Bio)

Return on Invested Capital

Impacted by higher CAPEX



ACC %	12.9	10.2	12.7	11.4	11.2
Risk Free rate %	8.0	8.0	8.3	8.3	8.2
Group risk Premium%	3.5	3.5	3.5	3.5	3.5

Invested capital is average for 5 quarter end data - *basis Nestlé Internal Reporting Standards*

ROE decreases as earning retained to finance expansion

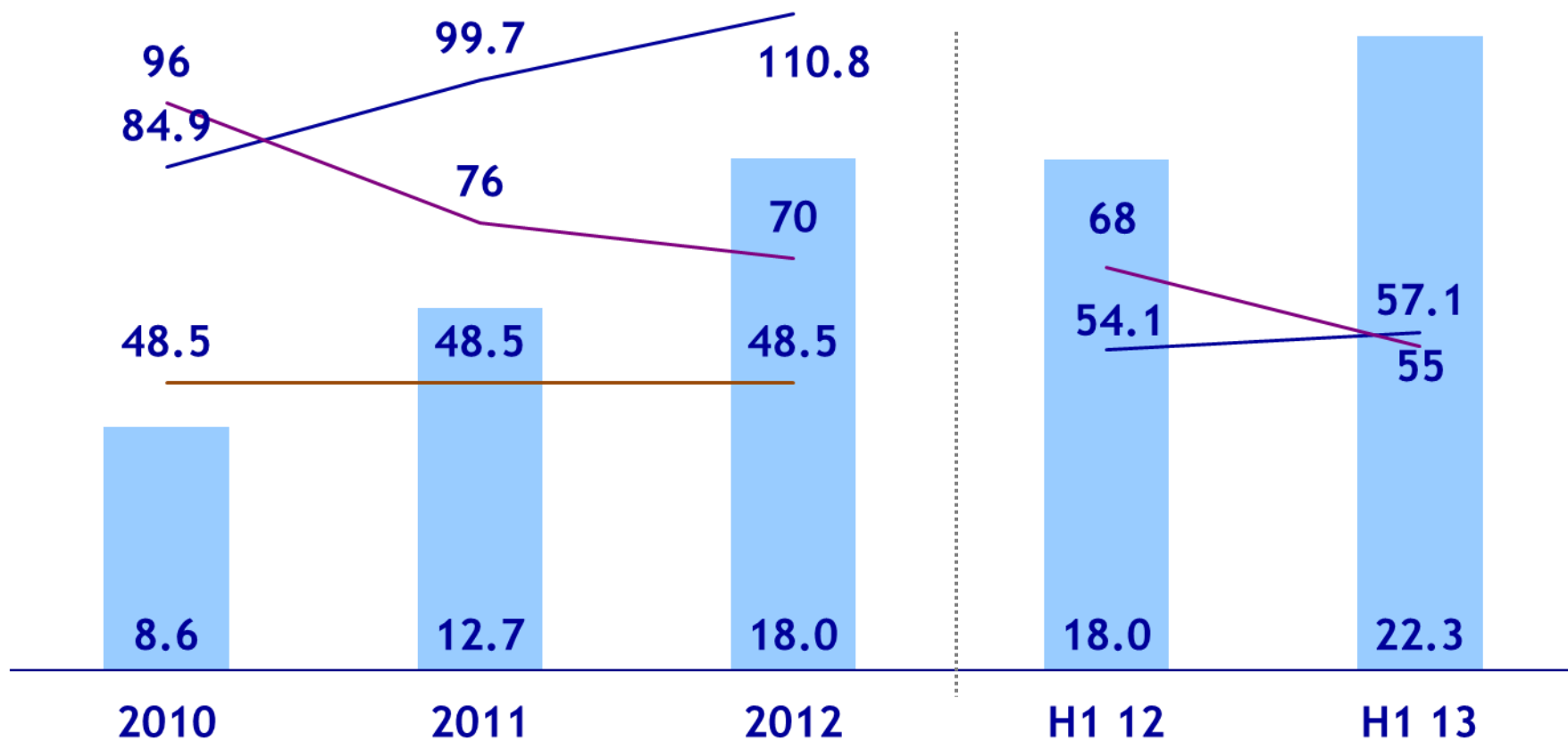
Debt : 0 : 100
Equity

43 : 57

37 : 63

43 : 57

34 : 66



■ Period end Shareholders fund (INR Bio) — DPS (INR) — EPS (INR) — ROE %

Ave Share
Price
(INR)

3021

4023

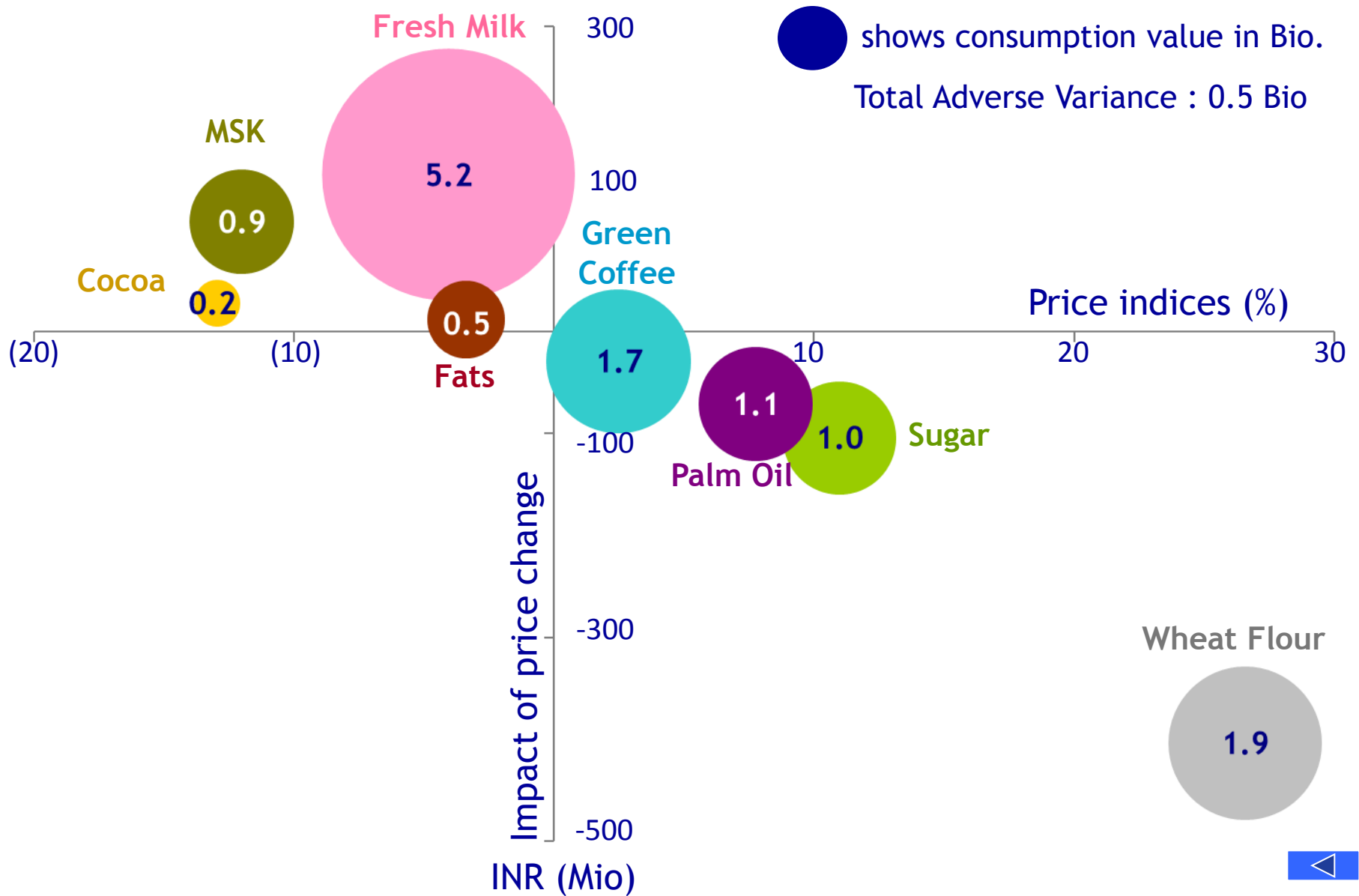
4541

4464

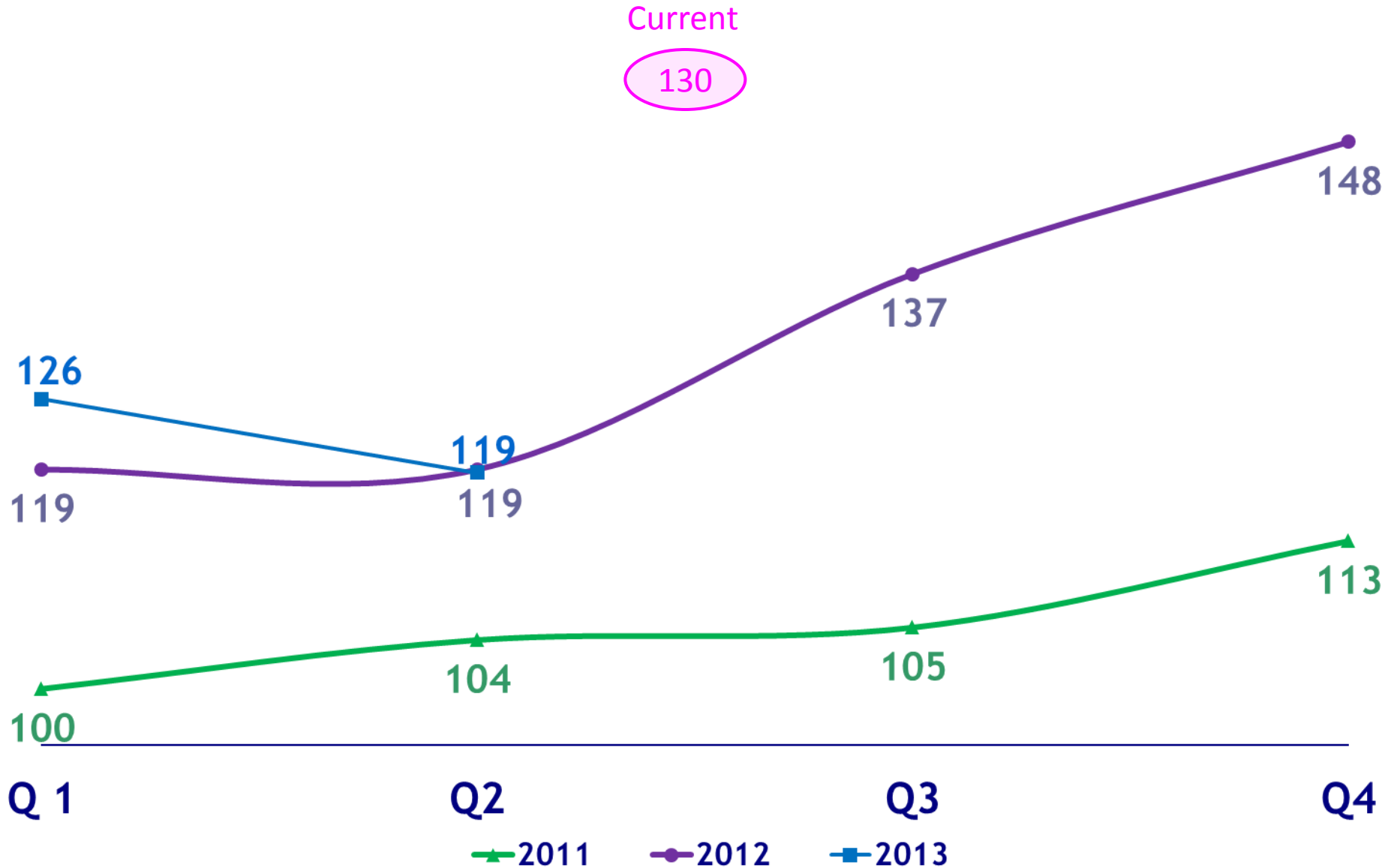
4820

Linked Slides

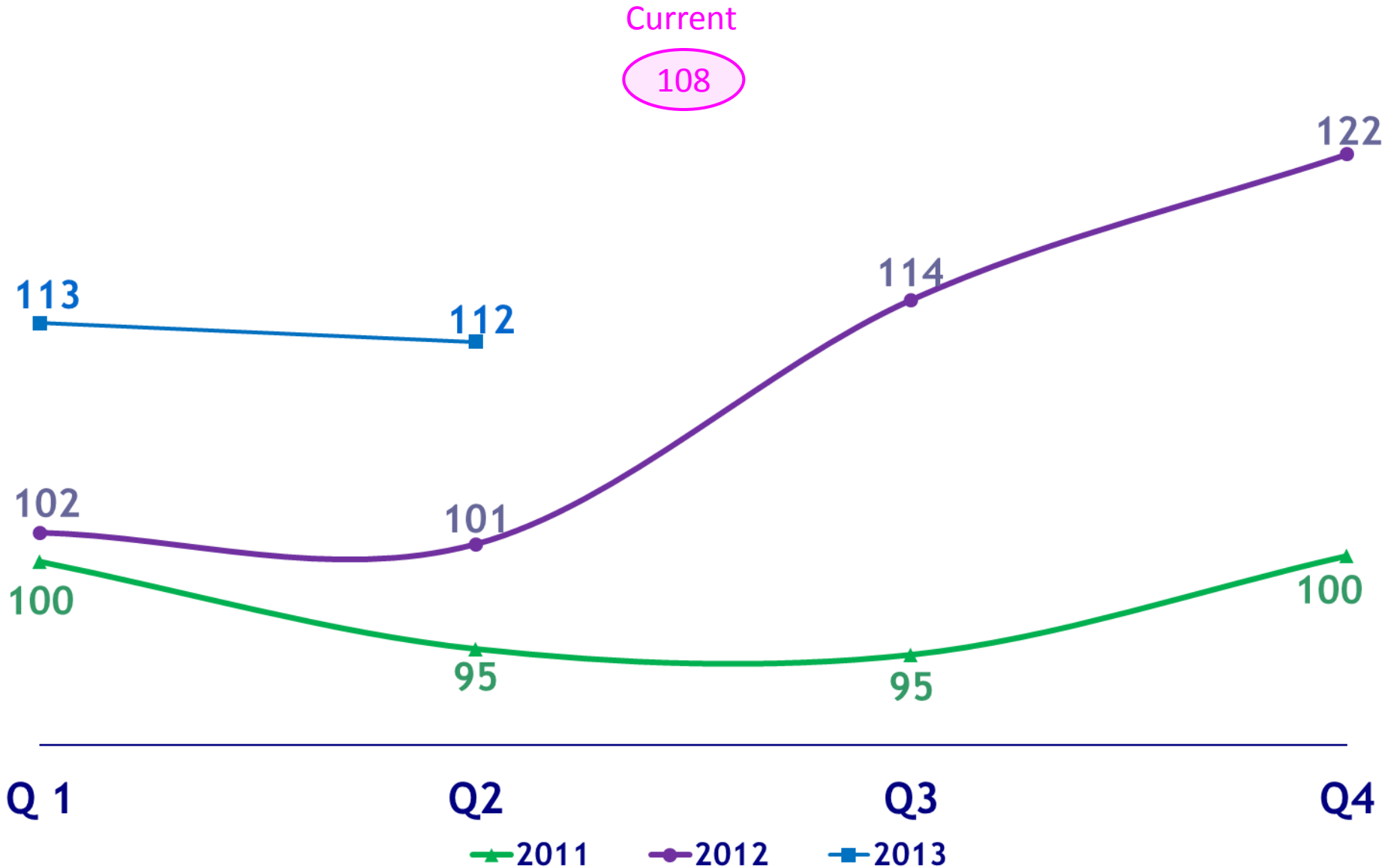
Key Raw Materials Jan - June 13



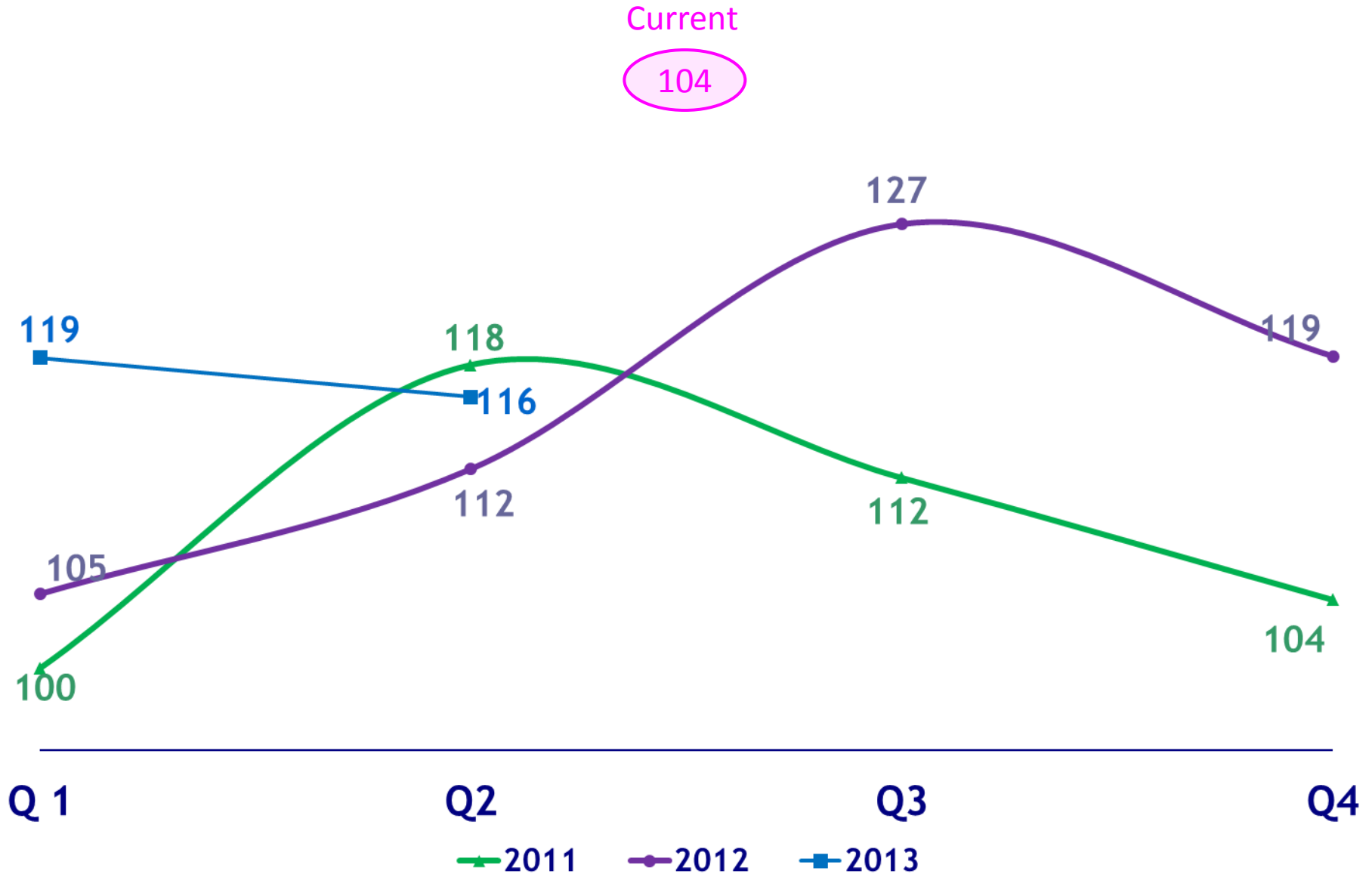
Green Coffee: 3% increase over 2012



Sugar: 11% Increase Over 2012

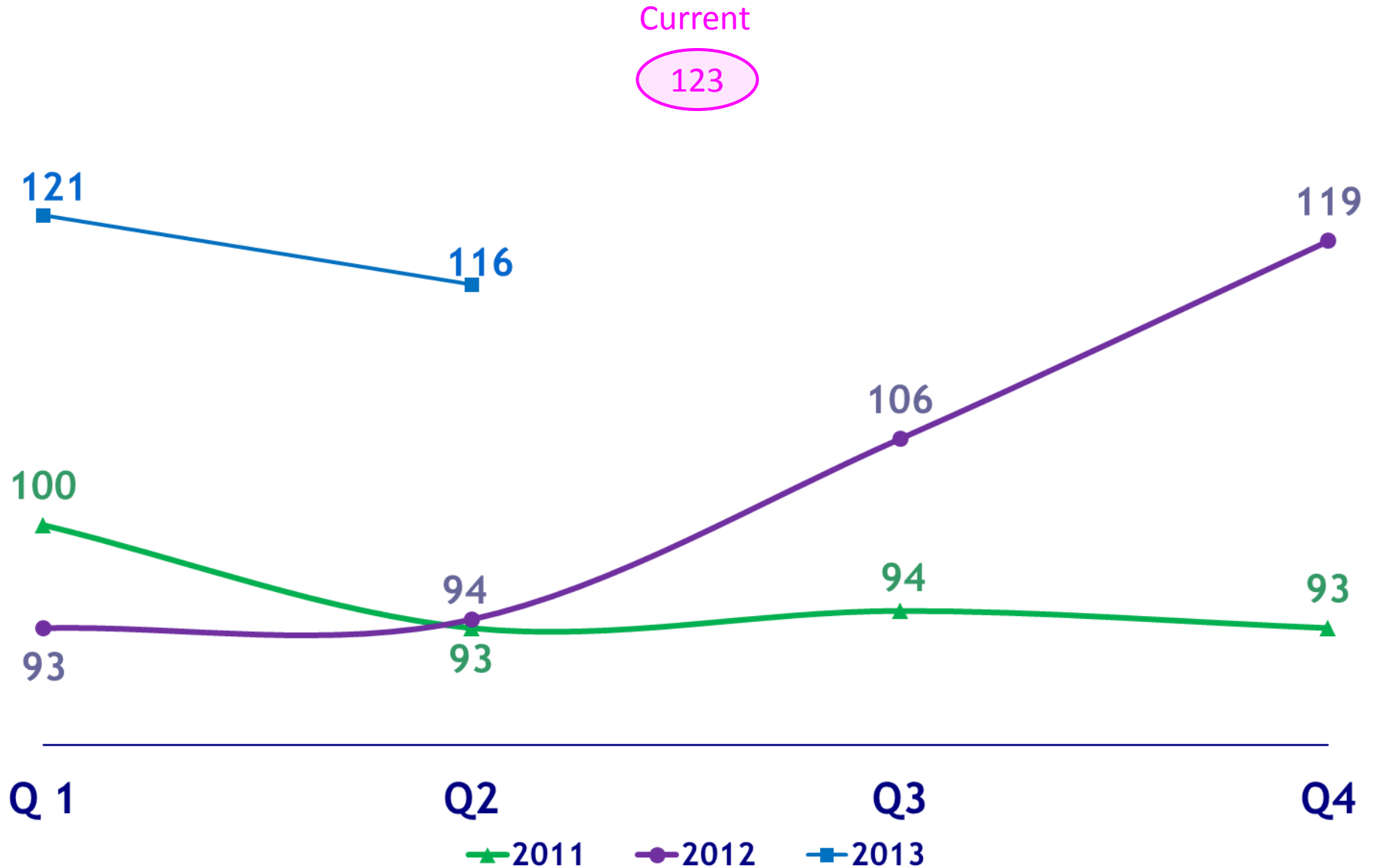


Palm Oil: 7% Increase over 2012



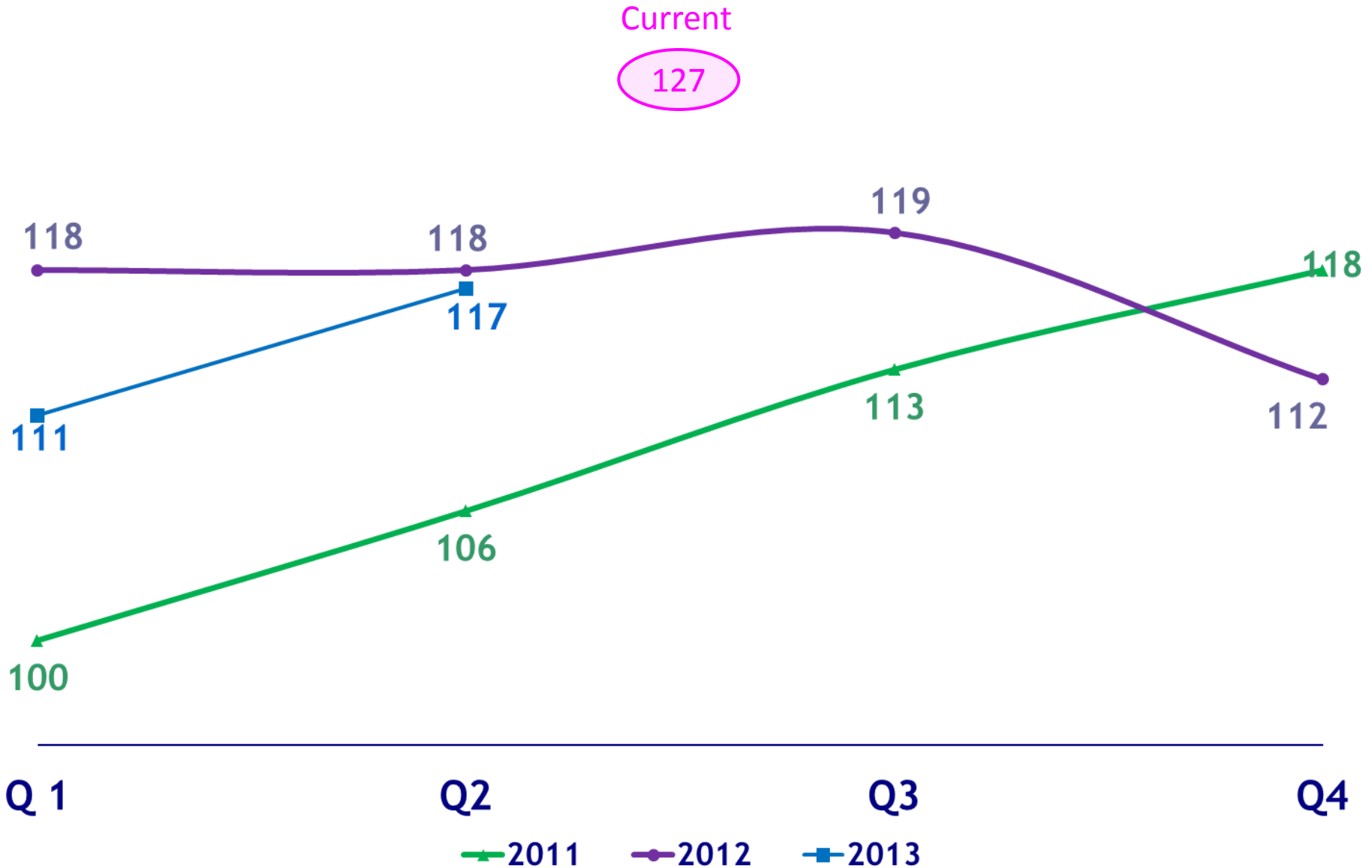
Indexed with base Q1-11

Wheat Four: 27 % Increase over 2012

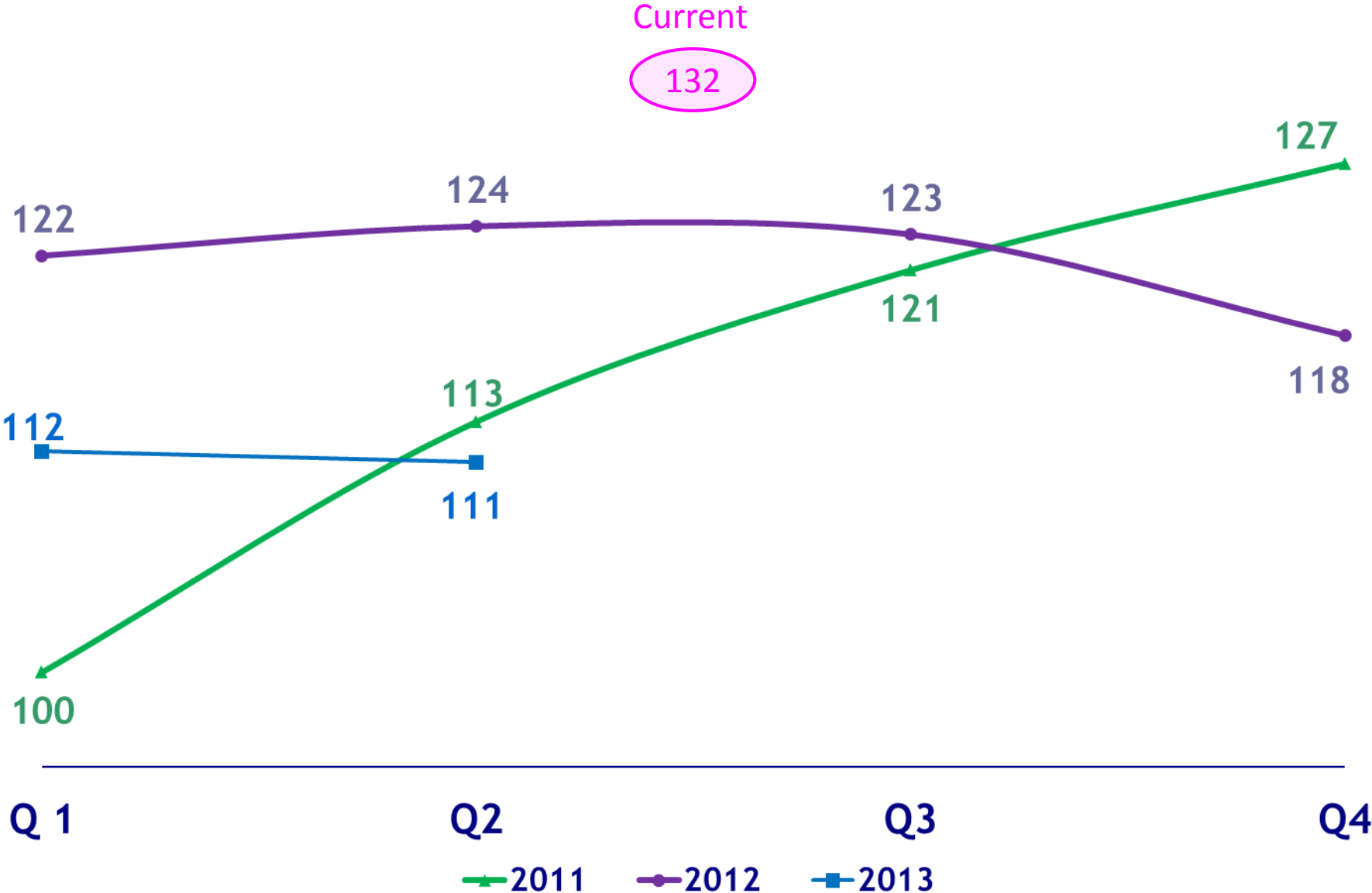


Indexed with base Q1-11

Milks: 3% Decrease over 2012



MSK: 8% Decrease over 2012



ECB Cost Progression

