SCHEME OF ARRANGEMENT BETWEEN

NESTLÉ INDIA LIMITED

AND

ITS MEMBERS

UNDER SECTION 230 OF THE COMPANIES ACT, 2013

PART A-GENERAL

1. **Introduction**

1.1. Nestlé India Limited is a public limited company, incorporated on 28 March 1959 under the Indian Companies Act, 1956 and continuing its existence under the Act and having its registered office at 100/101, World Trade Centre, Barakhamba Lane, New Delhi, 110001 (the "**Company**"). The equity shares of the Company are listed on BSE Limited ("**BSE**").

1.2. The Company is authorised to and is engaged in the business of, *inter alia*, manufacture and sale of processed foods under several reputed brand names.

1.3. The Company has demonstrated consistent growth, sustained improvement in profitability and cash generation over the years. The key financial highlights for the past five years that demonstrates strong operating performance of the Company are as follows:

Parameter / Financial Year#	**2016**	**2017**	**2018**	**2019^**	**2020**
Sales (Rs. in Millions)	**94,096**	**101,351**	**112,162**	**122,953**	**132,902**
Profit Before Tax (% of Sales)	**15.7%**	**18.1%**	**21.7%**	**21.8%**	**21.2%**
Profit After Tax (% of Sales)	**10.6%**	**12.1%**	**14.3%**	**16.0%**	**15.7%**
Return on Average Equity	**32.8%**	**36.6%**	**45.3%**	**70.4%**	**105.8%**
Operating Cash Flow (Rs. in Millions)	**14,659**	**18,178**	**20,525**	**22,953**	**24,545**
Earnings Per Share (Rs.)	**103.9**	**127.1**	**166.7**	**204.2**	**216.00**
Dividend Per Share (Rs.) *	**63.0**	**86.0**	**115.0**	**342.0**	**200.0**
Capital Expenditure (Rs. in Millions)	**1,133**	**1,959**	**1,628**	**1,522**	**4,741**
Capex as % of Sales	**1.2%**	**1.9%**	**1.5%**	**1.2%**	**3.6%**
Dividend Payout Ratio	**65.6%**	**67.7%**	**69.0%**	**167.4%**	**92.6%**

The Financial Year of the Company is calendar year 1 January to 31 December.
^ Figures have been reinstated in accordance with implementation of Ind AS 116 Leases.
* In 2019, Special interim dividend of Rs.180 per share paid out of accumulated profits of previous years

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1.4. The consistent growth in sales, strong margin profile has helped the Company maintain a strong track record of operating cash generation and distribution of dividends to its shareholders.

1.5. The Company has net cash and cash equivalent and investments of Rs. 24,777.4 Million as on 31 December 2020. The Company has financial liabilities - borrowings worth Rs. 348.4 Million as on 31 December 2020 which are adequately covered by available cash and cash equivalents. Other than the above, the Company does not have any secured or unsecured loans, fixed deposits or preference shares which entail repayment obligations.

1.6. In 2009, the Hon'ble Delhi High Court approved the scheme of arrangement between the Company and its shareholders and creditors *inter alia* for an amount of Rs. 430.8 Million forming part of the amount voluntarily transferred by the Company to its General Reserves in excess of the prescribed 10% of the profits of the Company in accordance with the provisions of the erstwhile Companies Act, 1956 read with the Companies (Transfer of Profits to Reserves) Rules, 1975 during the financial years 1981 to 1996, to be credited to the balance in the "Profit and Loss Account" of the Company, and distributed as special dividend to the shareholders of the Company, in accordance with the provisions of the erstwhile Companies Act, 1956 and rules framed thereunder.

1.7. The Company has since then built up significant reserves amounting to Rs. 8,374.3 Million (as per the Audited Annual Accounts as on 31 December 2020) from its retained profits by way of transfer to its General Reserves, comprising of the amounts transferred to General Reserves in accordance with the statutory requirement applicable until financial year ended 31 December 2014 for the Company. The Company has not transferred any amounts to the General Reserves after the financial years commencing from 1 January 2015 and does not intend to transfer any amounts for the financial year ending 31 December 2021. While the excess reserves can be profitably utilised for the Company's overall growth strategy, the Board of the Company is of the view that after considering the foreseeable investments required for such opportunities over the next few years, barring unforeseen circumstances and considering the track record of the Company, the Company is confident of meeting its ongoing and future capital expenditure programmes and working capital requirements through generation of own funds and other financing options.

1.8. In view of the Company's capability to generate required funds, along with a view to provide greater flexibility for the utilisation of such funds, the Company now proposes to transfer the amount lying to the credit of the General Reserves to the Retained Earnings as reflected in the accounts of the Company to enable, *inter alia*, Payout to the Members, in such manner and to such extent, as the Board, in its sole discretion, may decide, from time to time and in accordance with the provisions of the Act and other Applicable Law.

1.9. In view of the aforesaid and in the interest of transparency and good corporate governance, the Company has proposed this Scheme of Arrangement between the Company and its Members under Section 230(1)(b) of the Act, pursuant to which and upon its coming into effect, the entire amount of Rs. 8,374.3 Million lying in the General Reserves of the Company, as of the Appointed Date, be credited to the Retained Earnings of the Company, to enable, *inter alia*, Payout to its Members as per the discretion of the Board (regarding the mode, quantum and

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time of such Payout, subject to consideration of all relevant factors), from time to time in accordance with the provisions of the Act and other Applicable Law, pursuant to Section 230 and other relevant provisions of the Act, and various other matters consequential to or otherwise integrally connected with the above.

1.10. The Scheme is divided into the following parts:

(a) **Part A**, which deals with the introduction and definition and sets out the share capital and details of reserves and surplus of the Company.

(b) **Part B**, which deals with utilisation and reclassification of amounts standing to the credit of the General Reserves to enable Payout to Members, as per the discretion of the Board, from time to time; and

(c) **Part C**, which deals with the general terms and conditions.

PART A – DEFINITION AND DETAILS OF SHARE CAPITAL AND RESERVES AND SURPLUS

2. Definition and Interpretation

2.1. In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

"**Act**" means the Companies Act, 2013, as amended, supplemented, modified or replaced from time to time and shall include any statutory replacement or re-enactment thereof, and to the extent that any provisions of the Companies Act, 2013 have not been notified or brought into force, the (Indian) Companies Act, 1956, in each case, including any rules made thereunder;

"**Appointed Date**" means opening of business on 1 January 2022, or such other date as may be determined by the Board of the Company or NCLT;

"**Applicable Law**" includes all applicable statutes, enactments, acts of legislature or parliament, ordinances, rules, by-laws, regulations, notifications, circulars, guidelines, policies, directions, directives, rulings and orders of any government, statutory authority, tribunal, board or court in India;

"**Articles of Association**" means the articles of association of the Company, as may be amended, or restated from time to time;

"**Balance Sheet**" means the balance sheet of the Company prepared for any period along with the notes to the accounts and the schedules thereto, if any, in accordance with the provisions of the Act and rules thereunder;

"**Board**" in relation to the Company, shall, unless it be repugnant to the context or otherwise, include a committee of directors or any person authorised by the board of directors or such committee of board of directors for the purposes of matters pertaining to the Scheme and/or any other matter relating thereto;

"**Company**" shall have the meaning assigned to it in Clause 1.1;

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"**Effective Date**" means the last of the dates on which all the conditions and matters referred to in Clause 7 of this Scheme occur or have been fulfilled or waived in accordance with this Scheme. References in this Scheme to date of 'coming into effect of the Scheme' or 'effectiveness of the Scheme' shall mean the Effective Date;

"**General Reserves**" means and includes the general reserves of the Company which have been built primarily through transfer of retained undistributed profits, pursuant to the provisions of the erstwhile Companies Act, 1956 read with erstwhile provisions of the Companies (Transfer of Reserves) Rules, 1975 and which forms a part of the revenue reserves of the Company, as reflected in the accounts of the Company;

"**Governmental Authority**" means any applicable central, state or local government, legislative body, regulatory or administrative authority, agency or commission, including a stock exchange or any Court, Tribunal, Board, Bureau, instrumentality, judicial or arbitral body;

"**NCLT**" means the National Company Law Tribunal having its bench at New Delhi;

"**Member**" means every person holding equity share/s of the Company at the relevant time and the term "Members" shall be construed accordingly;

"**Payout**" has the meaning given to it in Clause 5.1 of this Scheme;

"**Registrar of Companies**" means the Registrar of Companies, National Capital Territory of Delhi and Haryana;

"**Retained Earnings**" represents surplus balance (including accumulated profits) under the sub-head "Other Equity" reported on the Balance Sheet under the shareholder's equity section at the end of each accounting period in terms of Schedule III of the Act, arrived at after adding to the net income or reduced by a net loss during the year from the balance at the beginning of the year further subtracted by the dividend payouts during the year.

"**Scheme**" means this scheme of arrangement, in its present form with such modifications and amendments as may be made from time to time, and with appropriate approvals and sanctions of the NCLT and other relevant regulatory authorities, as may be required under the Act, as applicable, and under all other Applicable Law;

"**SEBI**" means the Securities and Exchange Board of India; and

"**SEBI Scheme Circular**" means the SEBI master circular dated 22 December 2020 bearing reference no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 on scheme of arrangement by listed entities, and shall include any statutory modifications, re-enactment or amendments thereof.

2.2. Terms and expressions which are used in this Scheme but not defined herein shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning given to them under the Act, the Income-tax Act, 1961 and other Applicable Law.

2.3. In this Scheme, unless the context otherwise requires:

(a) references to "persons" shall include individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;

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(b) the headings, sub-headings, titles, sub-titles to clauses, sub-clauses and paragraphs are inserted for ease of reference only and shall not form part of the operative provisions of this Scheme and shall not affect the construction or interpretation of this Scheme;

(c) references to one gender includes all genders;

(d) words in the singular shall include the plural and vice versa;

(e) words "include" and "including" are to be construed without limitation;

(f) terms "hereof", "herein", "hereby", "hereto" and derivative or similar words shall refer to this entire Scheme or specified Clauses of this Scheme, as the case may be;

(g) a reference to "writing" or "written" includes printing, typing, lithography and other means of reproducing words in a visible form including e-mail;

(h) reference to any agreement, contract, document or arrangement or to any provision thereof shall include references to any such agreement, contract, document or arrangement as it may, after the date hereof, from time to time, be amended, supplemented or novated;

(i) reference to a Clause shall be a reference to the Clause of this Scheme; and

(j) references to any provision of law or legislation or regulation shall include:

(i) such provision as it exists from time to time amended, modified, re-enacted or consolidated (whether before or after the date of this Scheme) to the extent such amendment, modification, re-enactment or consolidation applies or is capable of applying to this Scheme and (to the extent liability there under may exist or can arise) shall include any past statutory provision (as amended, modified, re-enacted or consolidated from time to time) which the provision referred to has directly or indirectly replaced; and

(ii) all subordinate legislations (including circulars, notifications, clarifications or supplement(s) to, or replacement or amendment of, that law or legislation or regulation) made from time to time under that provision (whether or not amended, modified, re-enacted or consolidated from time to time) and any retrospective amendment.

3. **Share Capital and General Reserves**

3.1. The capital structure of the Company as on 31 December 2020 is as under:

Share Capital	Amount in Rs.
Authorised Capital	
100,000,000 equity shares of Rs. 10	1,000,000,000
Total	**1,000,000,000**
Issued, Subscribed and Paid-up Capital	
96,415,716 fully paid up equity shares of Rs. 10	964,157,160
Total	**964,157,160**

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3.2. The shareholding pattern of the Company as on 30 June 2021 is as under:

Category of Shareholders	Number of Shareholders	Total Number of Shares	Shareholding Percentage
(A) Promoter and Promoter Group	2	60,515,079	62.76%
(B) Public	167,107	35,900,637	37.24%
(C1) Shares underlying DRs	Nil	Nil	Nil
(C2) Shares held by Employee Trust	Nil	Nil	Nil
(C) Non-Promoter-Non-Public	Nil	Nil	Nil
Grand Total	**1,67,109**	**96,415,716**	**100%**

3.3. The details of the 'Other Equity' of the Company, including the General Reserves, as set out in the Balance Sheet of the Company as on 31 December 2020, are as under:

Particulars	Amount (Rs. in Million)
General Reserves (*as defined and referred to in this Scheme*)	8,374.3
Other Equity Reserve not forming part of the reclassification specified in Part B of this Scheme	
Retained Earnings	11,175.2
Total Reserves and Surplus	**19,549.5**
Items of Other Comprehensive Income	(320.3)
Total Other Equity	**19,229.2**

3.4. The Scheme does not seek to reduce or otherwise alter the issued, subscribed and paid-up share capital of the Company in any manner and the same will, therefore, remain unaltered as a result of the Scheme.

PART B - RECLASSIFICATION AND UTILISATION OF THE GENERAL RESERVES AND PAYOUT TO MEMBERS

4. **Reclassification and utilisation of the General Reserves**

4.1. The General Reserves of the Company, amounting to Rs. 8,374.3 Million (as on the 31 December 2020) have been, primarily, built up over the years through the transfer of profits to the reserves by the Company (prior to declaration of dividend) in accordance with the provisions of the erstwhile Companies Act, 1956 and the erstwhile rules notified thereunder, namely, the Companies (Transfer of Profits to Reserves) Rules, 1975.

4.2. Upon this Scheme becoming effective and with effect from the Appointed Date, the entire amount of Rs. 8,374.3 Million standing to the credit of the General Reserves of the Company shall be reclassified and credited to the 'Retained Earnings' of the Company, and subsequent thereto, such amounts credited to the 'Retained Earnings' of the Company shall be reclassified as and constitute accumulated profits of the Company for the previous financial years, arrived at after providing for depreciation in accordance with the provisions of the Act and remaining undistributed in the manner provided in the Act and other applicable laws. It is clarified that

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such amounts shall be available for utilisation by the Company in relation to any Payout in the manner set out in Clause 5 below.

5. **Payout of Retained Earnings to Members**

5.1. Upon the Scheme becoming effective and subsequent to the reclassification of the amounts standing to the credit of the General Reserves and credit thereof to the Retained Earnings pursuant to Clause 4 of the Scheme, the amount so credited shall be available for Payout to the Members of the Company, from time to time, by the Board, at its sole discretion, in such manner, quantum and at such time as the Board may decide (each such event constituting a "**Payout**").

5.2. Each Payout of the amount so credited (including the quantum, manner and timing thereof) shall be undertaken in accordance with the provisions of the Act, the Scheme and other Applicable Law, taking into account all relevant factors including applicable regulatory and fiscal considerations, the nature and quantum of each Payout and subject to payment of or deduction at source of applicable taxes.

6. **Accounting Treatment**

6.1. Upon this Scheme becoming effective and with effect from the Appointed Date, the entire amount of Rs. 8,374.3 Million standing to the credit of the General Reserves of the Company shall be reclassified and credited to the Retained Earnings of the Company.

6.2. The accounting treatment proposed in this Scheme is in compliance with the provisions of Section 133 of the Act and Companies (Indian Accounting Standards) Rules, 2015 framed thereunder. To this effect, in terms of the SEBI Scheme Circular, the Company has obtained an auditor's certificate dated 28 July 2021 from M/s BSR & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022), certifying that the accounting treatment of this Scheme is in compliance with the provisions of Section 133 of the Act and Companies (Indian Accounting Standards) Rules, 2015 framed thereunder.

7. **Conditionality to the Effectiveness of the Scheme**

7.1. The Scheme is conditional on and subject to:

a) the Scheme being approved by the requisite majority of the Members of the Company and such other class of persons, in their respective meetings, as may be required under the Act, unless such meeting is otherwise, dispensed with by the NCLT;

b) no objection letter or comments/observations from BSE (basis comments from SEBI (if any) in terms of the SEBI Scheme Circular read with SEBI Circular No. CFD/DIL3/CIR/2017/21 dated 10 March 2017, as amended and other Applicable Law), having been obtained in relation to the Scheme;

c) the NCLT having accorded its sanction to the Scheme;

d) such other approvals and sanctions of any Governmental Authority as may be required in respect of the Scheme being obtained; and

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e) the certified copy of the order of the NCLT approving the Scheme being filed with the Registrar of Companies.

7.2. The approval of the Scheme by the Members shall be deemed to be sufficient for the purposes of effecting the re-classification of the amounts standing to the credit of the General Reserves and credit thereof to the Retained Earnings and no further resolution under any other applicable provisions of the Act would be required to be separately passed.

7.3. In the event of this Scheme failing to take effect by 31 December 2022 or such later date as may be agreed by the Board, this Scheme shall stand revoked, cancelled and be of no effect and become null and void, and in that event no rights and liabilities shall accrue to, or, be incurred inter se between the Company and any other person and the Company shall bear and pay the costs, charges and expenses for and/or in connection with the Scheme. In the event any of the approvals or conditions enumerated in the Scheme not being obtained or complied with, or for any other reason, the Scheme cannot be implemented, the Board of Directors of the Company shall waive such conditions as they consider appropriate to give effect, as far as possible, to this Scheme and failing such waiver, or in case the Scheme is not sanctioned by the NCLT, the Scheme shall become null and void.

PART C - GENERAL TERMS AND CONDITIONS

8. Upon this Scheme becoming effective, the Balance Sheet of the Company, as on the Appointed Date, shall be reorganised in accordance with the terms of this Scheme.

9. **Dividends**

9.1. Nothing contained herein shall be construed as restricting the Company from being entitled to declare and pay dividends, whether interim or final, to its Members whether during the pendency of the Scheme or otherwise and the Members shall, save as expressly provided otherwise in this Scheme, continue to enjoy their existing rights under the Articles of Association, including the right to receive dividends, if any.

9.2. It is clarified that the aforesaid provisions in Clause 9.1 in respect of declaration of dividend are enabling provisions only and shall not be deemed to confer any right on any Member of the Company to demand or claim any dividends which, subject to the provisions of the said Act, shall be entirely at the discretion of the Board.

10. **Applications**

The Company shall make necessary applications before the NCLT for the sanction of this Scheme under Section 230 of the Act and any other applicable provisions of law.

11. **Modifications to the Scheme**

11.1. The Company (acting through its Board) may, in its full and absolute discretion:

a) assent to any alterations or modifications to this Scheme which the NCLT and/or any other Governmental Authority may deem fit to approve or impose and to do all acts, deeds and things as may be necessary, desirable or expedient for the purposes of this Scheme;

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b) give such directions as it may consider necessary to settle any question or difficulty arising under the Scheme or in regard to, and of the meaning or interpretation of the Scheme, or implementation thereof, or in any matter whatsoever connected therewith (including any question or difficulty arising as a result of inadequacy of information provided by a Member or in connection with any deceased or insolvent Member of the Company), or to review the position relating to the satisfaction of various conditions to the Scheme and if necessary, to waive any of those (to the extent permissible under law), or, that otherwise as may be considered to be in the best interest of the Company and its Members and do all acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme;

c) modify, vary or withdraw this Scheme prior to the Effective Date in any manner at any time;

d) carry out any modification to the Scheme by the Company (after receipt of sanction by the NCLT) only with the prior approval of the NCLT.

12. **Severability**

12.1. The provisions contained in this Scheme are inextricably inter-linked with the other provisions and the Scheme constitutes an integral whole. The Scheme would be given effect to only if it is approved in its entirety unless specifically agreed otherwise by the Board of the Company.

12.2. Subject to 12.1 above, if any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the Board of the Company, affect the validity or implementation of the other parts and/or provisions of this Scheme.

13. **Tax related provisions**

Every Payout shall be subject to payment or deduction at source of applicable taxes as per Applicable Law.

14. **Costs**

All costs, charges and expenses of the Company in relation to or in connection with the Scheme and of carrying out and implementing/ completing the terms and provisions of the Scheme or incidental to the completion thereof in pursuance of the Scheme, shall be borne and paid by the Company.

15. **Binding Effect**

This Scheme when sanctioned by the NCLT and upon effectiveness shall be binding on the Company, Members, and all other persons, notwithstanding anything to the contrary in any other instrument, deed or writing.

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