Celebrating the Spirit of India
Creating Shared Value

NESTLÉ INDIA LIMITED Annual Report 2009

The Board of Directors of Nestlé India

Antonio Helio Waszyk
Chairman & Managing Director

Shobinder Duggal
Director - Finance & Control

Pradip Baijal
Non Executive Director

Michael W.O. Garrett
Non Executive Director

Ravinder Narain
Non Executive Director

Rajendra S. Pawar
Non Executive Director

Richard Sykes
Alternate Director
to Michael W.O. Garrett

B. Murli

Sr. Vice President
Legal & Company Secretary

1 Michael W.O. Garrett
2 Shobinder Duggal
3 Rajendra S. Pawar
4 Pradip Baijal
5 Antonio Helio Waszyk
6 B. Murli
7 Ravinder Narain

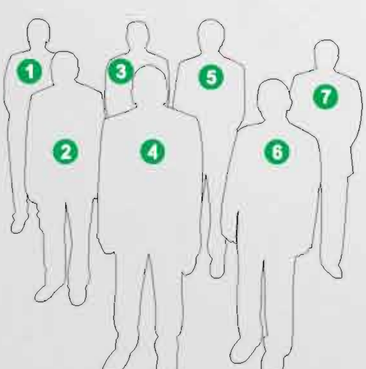


TABLE OF CONTENTS

Message to the Shareholders	3
Creating Shared Value	5
Corporate Information	20
Directors' Report	21
Auditors' Report	33
Annual Accounts	36
Annexure - 1 to The Directors' Report	58
Annexure - 2 to The Directors' Report	66
Balance Sheet Abstract & Company's General Business Profile	Inside Back Cover

Antonio Helio Waszyk
Chairman & Managing Director

Dear Shareholders

India is dynamic, fascinating, diverse and a vibrant market and I am delighted to be here in India and leading an organization that is passionate about spreading happiness. This is the beginning of our journey together and I feel good about what we can do to fulfil the dreams of millions for a better quality of life. Of course there will be challenges but I look to the future with confidence.

You all know that Nestlé's relationship with India dates back to 1912 when it was importing and selling finished products in the Indian market. Over the years, Nestlé responded to India's aspirations and continued to invest and create economic prosperity, creating wealth for all through its business. Today, as the country transforms itself, I look ahead to see how we can assist in building a stronger, healthier and a happier India.

The Indian economy continues to have strong fundamentals but its potential is yet to be fully leveraged. It has the youngest working population and is developing the resources that can support their ambitions. Most important, I believe India has the values and respect for integrity that can help everyone to hold their head high. The growing economic strength of modern India, along with the knowledge, cultures, vibrance and enduring spirit of traditional Bharat can create wonders when they come together.

I would like to drive growth that is sustainable and inclusive. It may be challenging but is certainly possible. In his doctrine of trusteeship Gandhiji believed that when corporates begin to practise this doctrine of trusteeship, to create prosperity, wealth and happiness for society, philanthropy as a separate activity will become redundant. I believe in his doctrine. It is also the same as the Nestlé business philosophy of Creating Shared Value. Therefore, I am very confident that in the years ahead Nestlé will continue to be admired and respected for its business integrity and the ability to provide 'Good Food, Good Life' and happiness to people across India.

Let us together look to the future.

Antonio Helio Waszyk

Celebrating India
Celebrating Happiness

India is unique in the world.

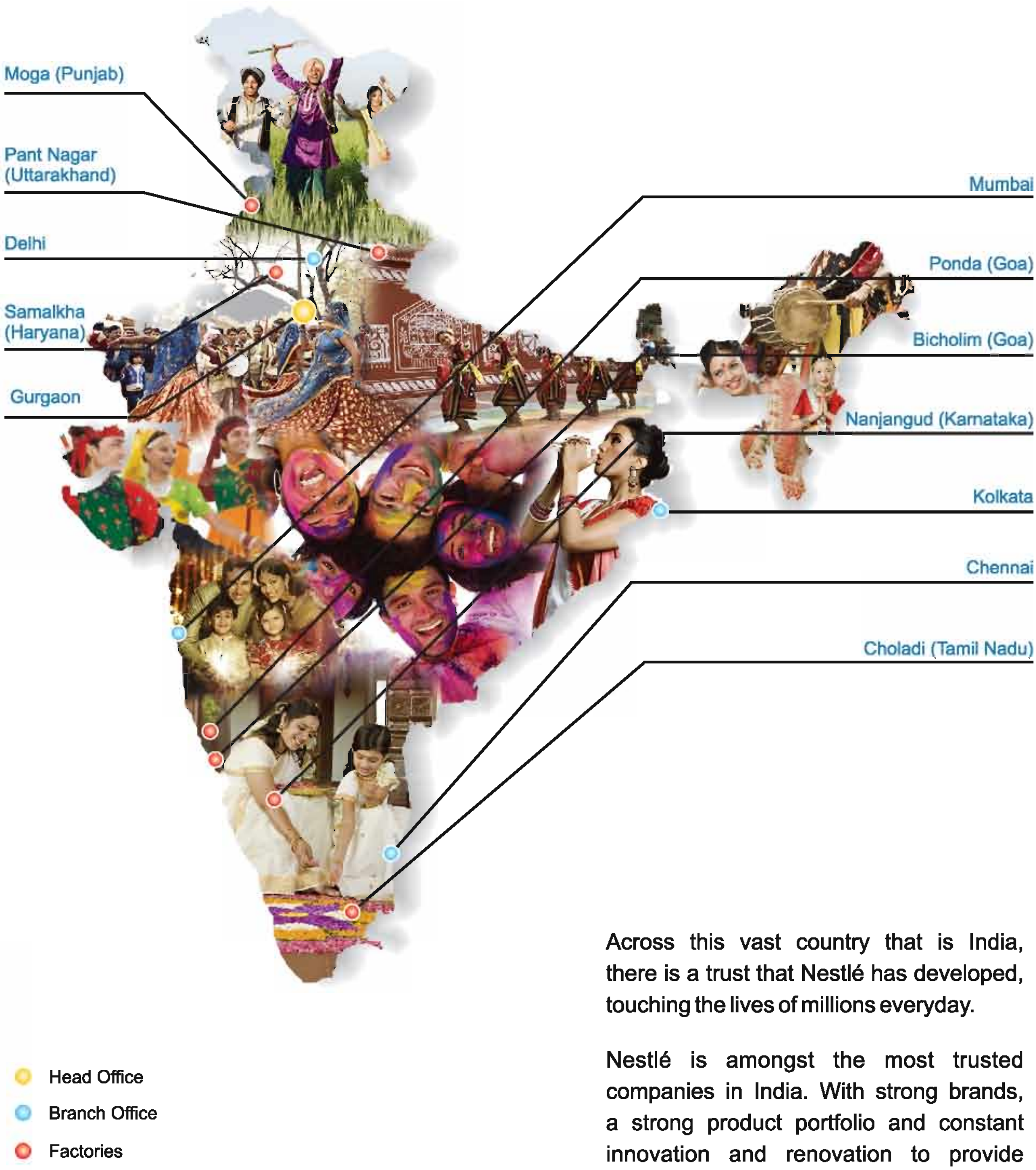
Faced with one of the most challenging social and economic environments it continues to grow, creating hope and spreading happiness amongst its 1.2 billion people and the world.

The spirit of India is so strong that we tend to forget the complexities inherent - the immense geographical spread, the heterogeneity of its culture, its people with their diverse customs, multiplicity of local languages and food habits, and a huge population at the base of the pyramid.

Despite these complexities India has a vibrant, indomitable spirit. The spirit of One India, that is based on traditional values of family and pursuit of happiness for the larger society. We have seen this as we have grown with India for almost 100 years. We are an integral part of India's social fabric, facilitating inclusive growth, driving Nutrition, and Creating Shared Value.

Today, as lifestyles change, emerging India has newer challenges to overcome. Better Nutrition for Health and Wellness. Removing wastages for Food Security. Increasing efficiencies for Environmental Sustainability.

India will succeed. We have seen the Spirit of India.
We Celebrate India. We Celebrate Happiness.

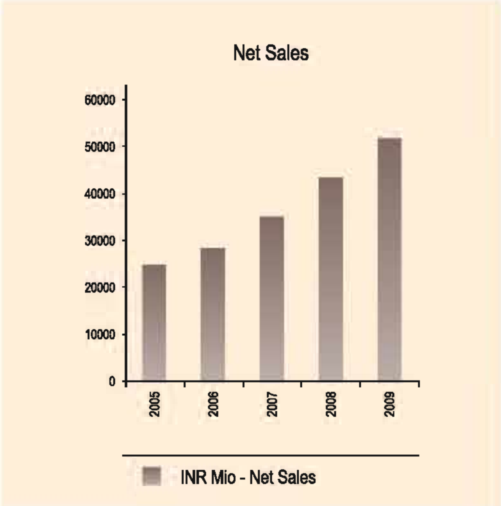


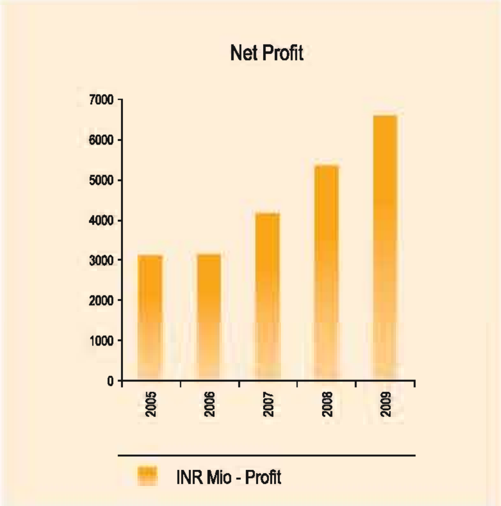
(*This pictorial representation does not purport to be the political map of India.)

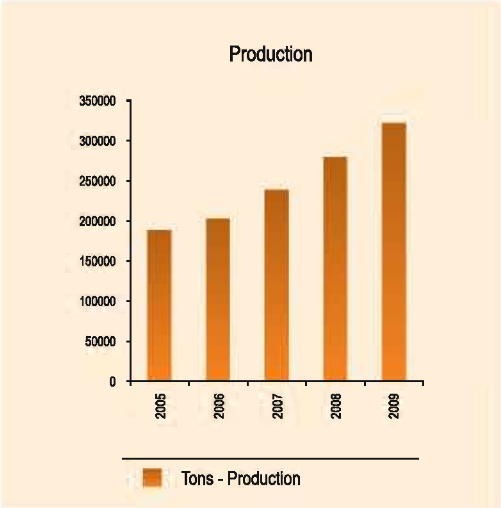
Across this vast country that is India, there is a trust that Nestlé has developed, touching the lives of millions everyday.

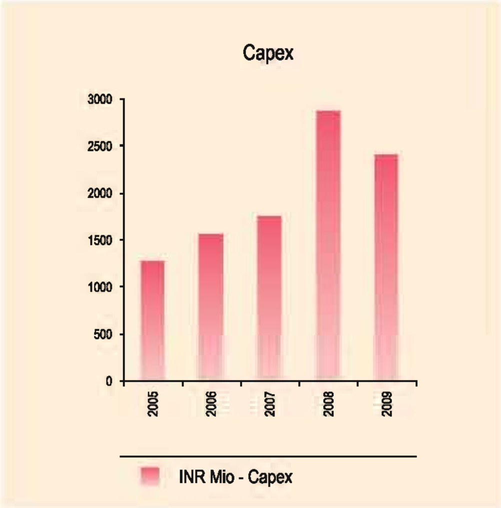
Nestlé is amongst the most trusted companies in India. With strong brands, a strong product portfolio and constant innovation and renovation to provide science-based nutrition, the Company is well on its way to be the recognised leader in Nutrition, Health and Wellness.

Driving Growth Spreading Prosperity



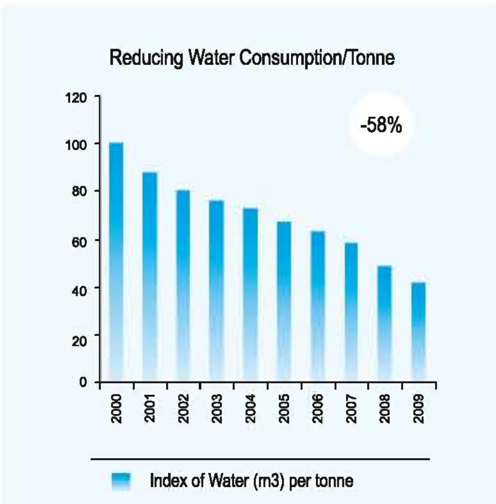


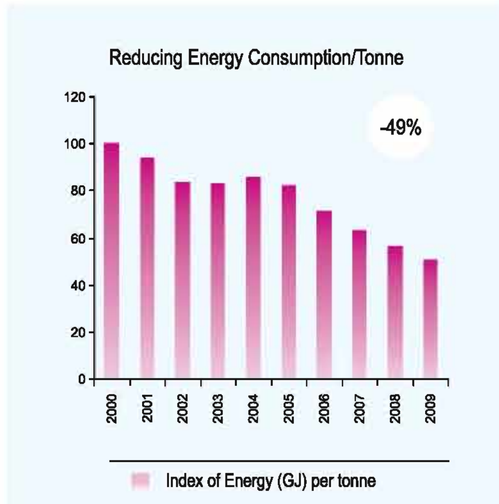


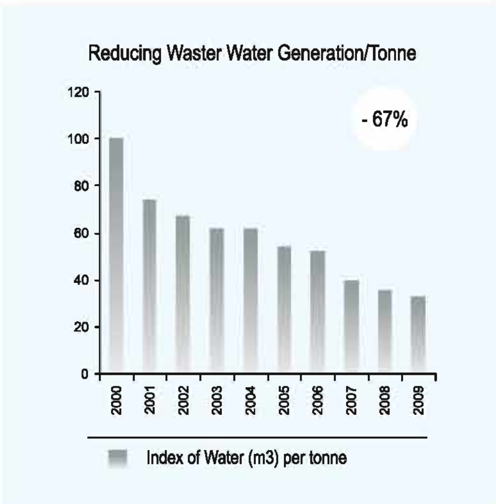


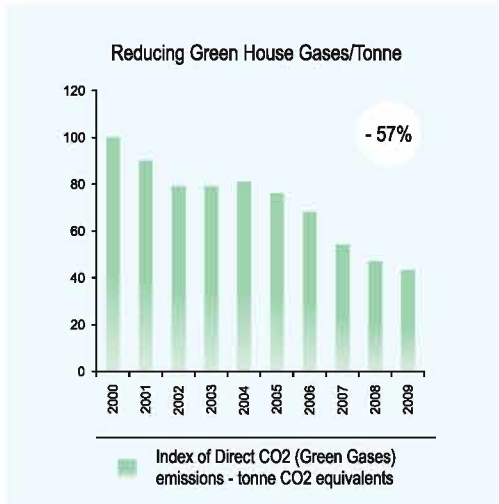
Over the years Nestlé has promoted sustainable, profitable, long-term growth. Increasing efficiencies. Widening distribution and improving reach. Providing access to better nutrition and wellness. Improving the quality of life in the communities and adding value to consumers. Consistently creating wealth for stakeholders.

Sustaining Resources
Spreading Prosperity









Natural resources are important for industry and society. Nestlé has developed environmental performance indicators to monitor the use of natural resources in their manufacturing operations. During the past ten years, Nestlé India has reduced the usage of energy by almost 50%, generation of waste water by around 70%, reduced consumption of water by around 60% and reduced generation of greenhouse gases by almost 60% for every tonne of production.

Delighting Consumers

Consumers have strong emotional bonds with Nestlé products and brands. This is logical. Nestlé brands demonstrate deep knowledge of taste and nutrition and how they impact the health and wellbeing of people in different stages of their lives. Focused consumer understanding and science/technology driven R&D at Nestlé are generating strong Innovation and Renovation to delight consumers.

Nestlé recently pioneered concepts like MAGGI MASALA-ae-MAGIC for affordable nutrition. Launched MILKYBAR CRISPY and MUNCH GURU pack for 'lighter eating'. Developed quick cooking MAGGI Nutri-licious PAZZTA and launched NESCAFÉ CAPPUCINO for the premium experience in coffee taste.

Winning Acclaim

Awards usually mirror the trust and goodwill amongst consumers and opinion leaders for the company and recognise the hard works and sustainable initiatives being implemented by the employees to deliver growth and delight consumers.

BUSINESS STANDARD declared Nestlé India as the 'Star' Multinational for 2009. NDTV PROFIT conferred the Business Leadership Award for 2009, for the second consecutive year. OUTLOOK MONEY NDTV PROFIT awards judged Nestlé India as Runner Up in 'Best Value Creator' category while in the 14th Annual Wealth Creation Study released by Motilal Oswal, Nestlé India ranked amongst THE MOST CONSISTENT TOP 10 Wealth Creators. The Coffee Board of India recognised Nestlé India for excellence in coffee exports, while the Nanjangud factory was conferred the 'Golden Peacock Environment Management Award' and the 'Greentech Environment Excellence Award'.

Technology for High Quality

Nestlé India has seven factories spread across the country with each one impacting the community around it positively.

These factories are amongst the best in class within the Nestlé Group. Each one of them uses its people, processes and state-of-the-art automated manufacturing facilities to create safe and hygienic products that are trusted by consumers for their taste and high quality.

This commitment to product integrity is supported by state-of-the-art technology and a high degree of automation.

World Class Productivity

Behind this technology is a very strong work culture of 'People First' that drives the efficiencies and productivity. Implementation of MBUs or Mini Business Units and the focus on small group activities on the shop floors are helping increase people engagement.

Today we know that behind all the success that we have achieved, our biggest asset is our people – the Nestlé family. It is a family we know is close knit, that is united, and that is one. It is a family that is ready for the challenges ahead to continue to be a leader in the industry.

Working with Communities

Nestlé philosophy is that to have long term business success you must simultaneously create value for shareholders and for the society.

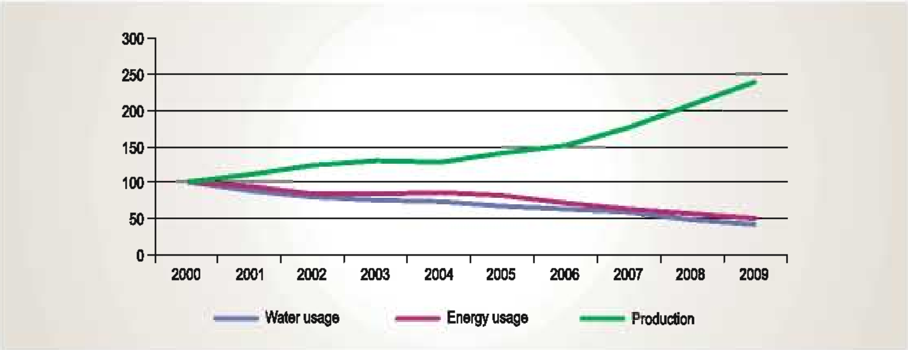
At Nestlé we call this Creating Shared Value, and it is the fundamental principle behind the way we conduct business. Creating Shared Value is not primarily about philanthropy or Community Programmes but about the impact of our basic business and engagement through it.

Our concept of Creating Shared Value focuses not only on increasing productivity but also on more sustainable use of natural resources at all our factories; enabling people to actively participate in economic activity through transfer of technology and knowledge; initiatives such as Village Women Dairy Development Programmes that help improve the quality of life in the community and to spread awareness of the importance of water.

Sustaining Resources

Our factories not only create world class products to deliver Nutrition, Health and Wellness but also respect the environment by processing agricultural products in a sustainable manner. Within our factories, and in areas under our control, continuous effort to maximise production are paralleled by minimising consumption of natural resources and reducing waste and emissions in a sustainable manner.

EFFICIENT USE OF RESOURCES



"Dairy products can enhance nutrition. With our expertise and heritage in dairy we bring life to milk and create pleasure in daily consumption."

Kumaran Nowuram
- Dairy

"We want our products to be available wherever consumers want them.
For this we are rapidly increasing reach and accelerating the automation of our sales distribution network."

Ganesan Ampalavanar
- Sales

"With changing lifestyles, Out of Home consumption expectations are growing.
We will innovate rapidly to delight consumers wherever, however, whenever."

G.G Pillai
- Nestlé Professional

"We have been recognised for excellence in coffee exports for many years and are innovating to delight discerning consumers of authentic Indian foods across the world as well."

Rajkamal Sharma
- Exports

"Effective communication needs to engage the consumer constantly and in this rapidly evolving media environment our brands are building strong emotional bonds with their consumers."

Virat Mehta
- Communications


NESCAFÉ

"We believe that our employees are key to driving our performance and provide us a competitive advantage in the market."

Biplab Baksi
- Human Resources

"Our factories not only have the 'Best in Class' technologies but also a culture of 'People First' that drives efficiencies and create world class products to sustain consumer trust."

Christian Schmid
- Technical

"Awareness about balanced nutrition can play a significant role in being able to live healthier and be more productive. We are developing a programme to increase nutritional awareness in the communities around our factories."

Sanjay Khajuria
- Corporate Affairs

"Good business is based on Transparency and Governance and this is integral to Nestlé culture."

B. Murli
- Legal & Company Secretary

"The awards and recognitions by independent juries are an acknowledgment of the strength of our business model that focuses on sustainable, profitable and capital efficient growth."

Shobinder Duggal
- Finance & Control


Milkybar
Choo
Rs. 5/-

"Our MAGGI philosophy is that everyday meals should be a celebration of taste, health and happiness."

Shivani Hegde
- Foods

"Strong marketing-sales efforts, increased emphasis on innovation-renovation and a highly efficient factory helped us create quality coffee moments for our consumers. This resulted in greater momentum on NESCAFÉ plus market share gains."

Ajoy Titus
- Beverages

"Sweet is an intrinsic part of people's lives and within the chocolate and confectionery category we commit to offer Taste, Enjoyment and Wellbeing."

B. Kannan
- Chocolates & Confectionery

"Improved alignment, focus on elimination of waste and improved engagement across teams are helping us increase consumer focus, increase speed of operations and enhance competitiveness."

Vineet Khanna
- Supply Chain

"While the foundation of good health starts with good maternal nutrition, providing the right nutrition becomes critical as the diet evolves during the child's infancy and in later life. Therefore, we build on our heritage of quality, trust and science based nutrition to meet the needs of mothers and their infants, as they grow up."

Gary Tickle
- Nutrition


New
Maggi
Bhuna Masala

Corporate Information

Management Committee
Antonio Helio Waszyk - Chairman & Managing Director
Shobinder Duggal - Finance & Control
Ganesan Ampalavanar - Sales
Biplab Baksi - Human Resources
Shivani Hegde - Foods
B. Kanann - Chocolate & Confectionery
Sanjay Khajuria - Corporate Affairs
Vineet Khanna - Supply Chain
Virat Mehta - Communications
B. Murli - Legal & Company Secretary
Kumaran Nowuram - Dairy
G.G. Pillai - Nestlé Professional
Christian Schmid - Technical
Rajkamal Sharma - Exports
Gary Tickle - Nutrition
Ajoy Titus - Beverages

Bankers
Citibank NA
HDFC Bank Limited
ICICI Bank Limited
Standard Chartered Bank
Punjab National Bank
Deutsche Bank
State Bank of Hyderabad

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

Website
www.Nestle.in

Investor email id
investor@in.Nestle.com

Registrar & Transfer Agents
M/s Alankit Assignments Limited
2E/21, Jhandewalan Extension, New Delhi - 110 055
Tel. No. : 011-42541234, 23541234
Fax No. : 011-41540064

Listing Of Equity Shares (Listing Fees paid)
The Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001

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

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

Branch Offices
Spencer Plaza, 6th Floor, 769, Anna Salai,
Chennai - 600 002(Tamil Nadu)

Tower "C", 12th Floor, DLF IT Park, 08, Major Arterial
Road, Block - AF New Town, Rajarhat,
Kolkata - 700 156 (West Bengal)

1st Floor, ICC Chambers, Near Saki Vihar Telephone
Exchange, Saki Vihar Road, Powai, Mumbai - 400 072
(Maharashtra)

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

Factories
Village Maulinguem (North), Bicholim Taluka - 403 504 (Goa)

Ludhiana-Ferozepur Road, Near Kingwah Canal,
Moga - 142 001 (Punjab)

Industrial Area, Nanjangud - 571 301
Mysore District (Karnataka)

P.O. Cherambadi - 643 205 Dist. Nilgiris (Tamil Nadu)

Patti Kalyana, Kiwana Road, Samalkha - 132 101
District Panipat (Haryana)

Plot No. 294-297, Usgao Industrial Area,
Ponda - 403 406 (Goa)

Plot No. 1, Sector No. - 1A, Integrated Industrial Estate,
SIDCUL, Pantnagar - 263 145,
District Udhamsingh Nagar (Uttarakhand)

Annual General Meeting
Wednesday, 21st April, 2010 at 10.00 A.M. at Air Force
Auditorium, Subroto Park, New Delhi - 110 010

Shareholders attending the AGM are requested to bring with them the enclosed ATTENDANCE SLIP.

Directors' Report 2009

Dear Members,

Your Directors' have pleasure in submitting their report and statement of accounts for the year ended 31st December 2009.

The global financial crisis that began in the later part of 2008 kept the economic environment uncertain. There were occasional green shoots but consumer sentiments and business confidence continued at low ebb globally. This also impacted India's growth during 2009 and the economy slowed down.

India, however, managed the situation effectively, through a combination of financial stimulus and other policies that supported the inherent potential of the economy. Towards the later part of 2009, GDP growth appeared to have stabilised and projections for the future are reflecting optimism, although the agricultural growth is a concern.

Nevertheless, even as the economy appeared to reverse the slowdown and picked up speed, the macro-environment continued to be challenging. Long term trends in food inflation indicate growing mismatch between demand and supply of food and agricultural commodities. Despite corrective actions by the Government, commodity prices and other input costs continued to harden. This past year effectively highlighted the increasing complexity of the economic environment and the need for the economy to urgently address issues such as the inflationary trends, food security and inclusive growth that is sustainable. Amongst others, the immediate priority includes infrastructure, rural development and agricultural policies, conservation of natural resources, and better access to nutrition for far more people.

Your Directors believe that while the Government is addressing these structural issues, we need to manage the environment and resources in a manner that we are part of the solution that India and its people need. Based on this underlying principle of Creating Shared Value, your Company continued to implement initiatives that will add value to agricultural products by processing at the factories, will help more and more people to receive affordable and better nutrition, while emphasizing conservation of natural resources within the Company's sphere of influence.

Your Company has a unique advantage in this journey. Nestlé S.A is the world's leading Nutrition, Health and Wellness Company and its expenditure for ongoing research in food and nutrition is the largest in the global food industry. This helps translate scientific advances and new discoveries into relevant products that provide superior taste, convenience and 'Nutrition, Health and Wellness'. Your Company has always advocated that good food is central to health and wellness and also has access to Nestlé Group's immense nutritional expertise, latest food technology and brands. Today, as lifestyles are changing rapidly, your Company continues to focus on understanding the evolving needs of the consumer and is constantly innovating and renovating to develop products that are convenient, enhance taste, improve nutrition and wellness, and are affordable.

During 2009, despite the uncertainties and complexities, your Company remained focused on continuous excellence and strengthened or implemented initiatives across functions to eventually create value for stakeholders and delight consumers. Your Company continued to Innovate and Renovate with the help of Nestlé Global R&D centres, worked with local suppliers to enhance their capabilities to make them more competitive, invested for further improving manufacturing efficiencies to increase sustainability of natural resources, initiated the automation process for sales and distribution network, emphasised people engagement, and continued working with the communities. Your Directors are pleased to inform you that during 2009 your Company delivered strong turnover and profits.

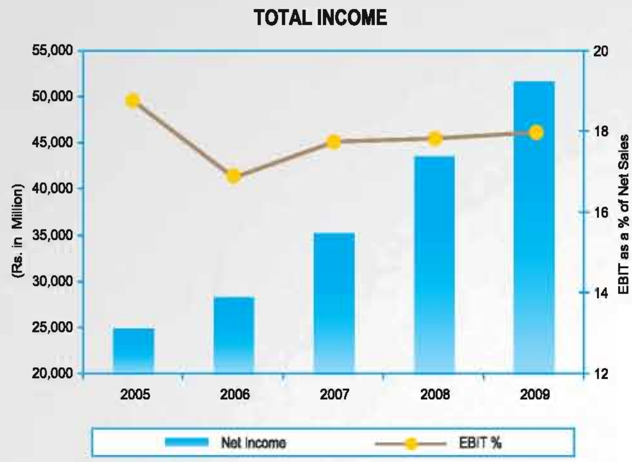
Net Sales for the year 2009 increased by 18.6% over the previous year. Domestic Sales increased by 20.4% due to increase in volumes as well as better realisations. Export sales were lower by 2.9%.

Financial Results and Operations

	2009	2008
	(Rs. in Millions)	
Gross Revenue	51,672	43,581
Profit before interest, impairment, contingencies and taxation	9,610	8,052
Interest	14	16
Impairment Loss on Fixed Assets (Net)	103	3
Provision for Contingencies (Net)	323	305
Provision for Tax	2,620	2,387
Net Profit	6,550	5,341
Profit Brought Forward	1,001	125
Amount transferred from Share Premium Account*	-	432
Amount transferred from General Reserve*	-	431
Balance Available for Appropriation	7,551	6,329
Interim Dividends	3,471	2218
Special Dividend*	-	723
Final Dividend Proposed	1,205	1157
Corporate Dividend Tax	795	696
Transfer to General Reserve	655	534
Surplus carried in Profit and Loss Account	1,425	1001
Key Ratios		
Earnings per Share (Rs.)	67.94	55.39
Dividend per Share (Rs.)	48.50	42.50**

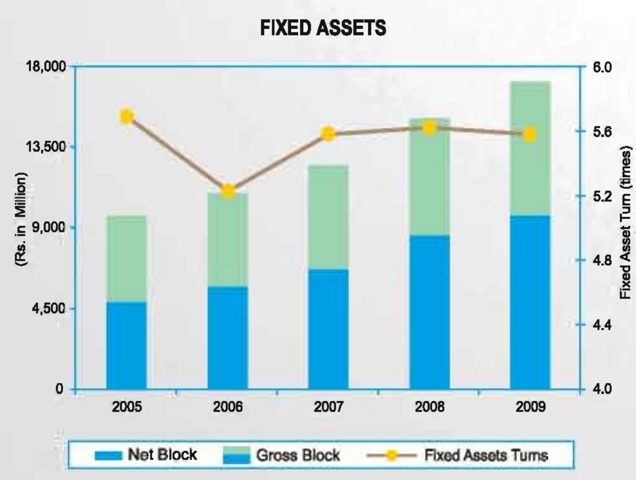
* Pursuant to Scheme of Arrangement.

** Includes special dividend of Rs. 7.50 per share, paid under the Scheme of Arrangement.

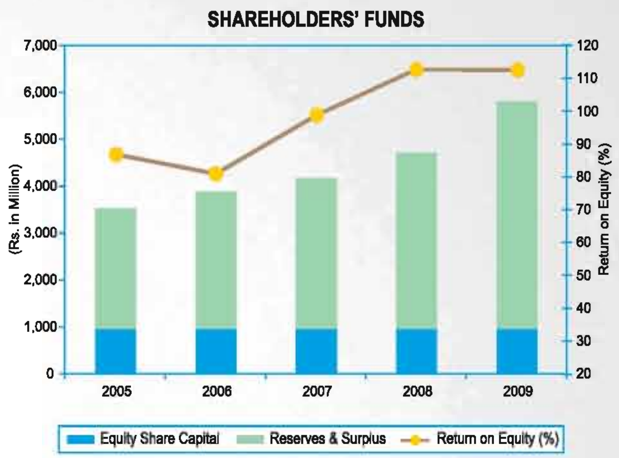


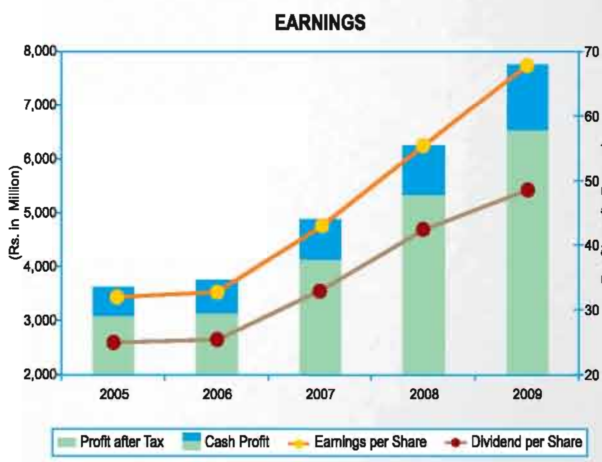
Net Profit for the year 2009 increased by 22.6%. The net profit margin has been positively affected by tax benefits. Operating margin has been positively affected by better sales mix, improved net realisations, energy cost savings and scale efficiencies, partially offset by higher expenditure on advertising and sales promotion and actuarial losses on retirement benefits. Your Company continued to emphasise cash generation and delivered strong operating cash flow during the year. Surplus funds have been prudently invested after ensuring that such investments satisfy the Company's criteria of safety, liquidity and returns.

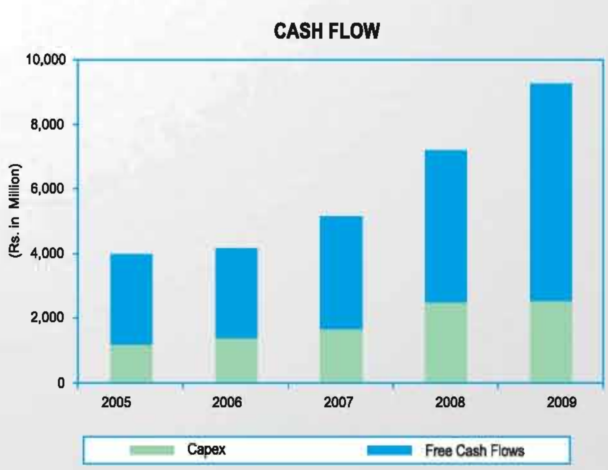
The Company supplemented the Provision for Contingencies with further amount of Rs. 323 Million (net) for contingencies resulting mainly from issues, which are under litigation/dispute and other



uncertainties requiring management judgement. This was after the reversal/utilisation of Rs. 134 Million provision, due to satisfactory settlement of certain disputes and other matter for which provision was no longer required.







The current year has also commenced as per plan. Raw materials costs, in particular the recent spike in milks solids and sugar whose prices are at record high levels, continue to pose an ongoing challenge. The economic environment has not completely stabilized yet, but your Directors are confident of the long-term business prospects of the Company.

Exports

During the year, Export Sales at Rs. 3,286 million were lower by 2.9%. This was largely on account of lower exports to Russia and Bangladesh, partially offset by improved realisations due to the depreciation of Indian Rupee in the first nine months of the year.

Exports of culinary products, continued to grow steadily notwithstanding the slowdown in some of the importing markets. Sales of noodles and sauces particularly grew satisfactorily. The overall performance was, however, negatively impacted due to lower exports of infant nutrition products to Sri Lanka and Bangladesh.

In continuation of efforts to develop more products for the Indian ethnic community abroad, certain new products were shipped out during the year. These should help to form a base for future growth.

Dividends

The Board of Directors has recommended a final dividend of Rs. 12.50 per equity share of the face value of Rs. 10/- each for the year 2009, amounting to Rs. 1,205 Million.

This is in addition to the two Interim Dividends for 2009, aggregating to Rs. 36.00 per equity share, paid in May 2009 and November 2009 (amounting to Rs. 3,471 Million).

The total payout for 2009 would be Rs. 5,470 Million (including the corporate dividend tax). Future dividends will continue to be based on the needs of the Company to deploy internal accruals for business expansion and an appropriate debt equity ratio.

Business Development

Your Company is acknowledged for its understanding of consumer needs and robust business model. During the year, the Company sustained focus on generating consumer insights, innovation and renovation, while continuing its ongoing efforts to strengthen capabilities that help it to leverage its strong and trusted brands.

The business of **'Prepared Dishes and Cooking Aids'** grew rapidly as it focused on delighting the consumer and developing products that enhance accessibility to nutrition. The business encompasses the MAGGI brand which is the pioneer of 'TASTE BHI HEALTH BHI' concept. Its inherent ability to add value has made MAGGI a favourite of generations and trusted by families across age/income groups. MAGGI philosophy is that everyday meals should be a celebration of taste, health and happiness throughout the year.

In the 25 years since MAGGI Noodles was launched in India as a wholesome convenience food, it has become part of the lives of millions of consumers with unique associations and fond memories. To commemorate completion of 25 years, the business launched the 'Me and Meri MAGGI' campaign that established how well the brand is engaging with consumers and has built enduring emotional relationships with consumers across age groups. In the "Me and Meri MAGGI" campaign instead of the brand talking to the consumers, it allowed the consumers to talk about their unique experience with MAGGI and made the consumer the real hero of its communication. Just as the campaign was innovative and trendsetting because it was the consumers' celebration of their favourite brand, it reflected the fact that MAGGI Noodles has always innovated and renovated to reach out and touch the consumers. During the year, MAGGI demonstrated its DNA and pioneered several new products specially for the bottom of the pyramid.

With its knowledge of culinary art in India, your Company provided inputs to the Nestlé Group R&D for development of an innovative product MAGGI Bhuna Masala. This ready-to-use gravy base provides the same fresh taste, nutrition and health aspects as traditional cooking, without having to go through the time consuming process of preparing the gravy base. The product has been well received and consumers have appreciated the fact that it contains low levels of oil and does not have any added preservatives. This expertise was further seen in the launch of MAGGI NUTRI-LICIOUS PAZZTA. Though the demand for Pasta in India is still nascent and the market includes traditional pasta variants and some recent attempts at developing pasta based products, MAGGI NUTRI-LICIOUS PAZZTA offers significant advantages. Developed with the technology from Nestlé Group R&D this pasta is specially developed for the Indian consumer - it is made from 100% Suji, is a source of Protein and Fibre, has a very short cooking time of only 5 minutes, and is very Delicious! Your Directors believe that MAGGI NUTRI-LICIOUS PAZZTA will define and create the market.

During the year, MAGGI further leveraged its strengths to drive affordable nutrition. The Company launched two new products which are unique. MAGGI RASILE CHOW has been developed especially for the rural/semi urban markets, to provide a low cost, tasty light meal that is fortified with Iron. MAGGI MASALA-ae-MAGIC is a unique fortified taste enhancer that is fortified with Iron, Iodine and Vitamin A and will be useful in kitchens, especially for lower income families who are unable to afford meals that can give them balanced nutrition. These initiatives to pioneer low priced concepts for tasty and healthy meals, have the potential to significantly improve the Nutrition, Health and Wellness of the people especially at the bottom of the pyramid.

Your Company is the value leader in Instant Coffee with NESCAFÉ. Though 2009 was a challenging year for the coffee business in India primarily due to adverse climatic and weather conditions that were experienced, the **'Coffee and Beverages'** business further strengthened its position as the leader in instant coffees. Traditionally coffee sales are better during the colder seasons but the past year was the hottest recorded year in India's history with a weak monsoon. The business-group focused its efforts across the value chain, innovated and renovated to launch new products, along with strong in-store activities and impactful advertising campaigns. While NESCAFÉ Cappuccino had a successful start, popularly priced packs supported growth. In the South the limited edition NESCAFÉ SUNRISE Rich Mountain Blend received very good feedback and despite the challenging environment NESCAFÉ performed satisfactorily, achieving volume and market share growth in India.

Your Company believes that sweet snacking is an intrinsic part of people's lives and within this category the commitment is to offer taste as well as balance to consumers. Taste comes first but consumption in moderation should be part of daily life. Sweets give pleasure which can reduce stress, which in turn can contribute to the health and wellbeing of consumers. Keeping this in mind your Company innovates and renovates products, using the technology and expertise from Nestlé Group to create products and segments that help consumers manage their wellness quotient better. In 2009 your Company has undertaken innovation and renovation to continue to delight the consumers and has grown the market for 'lighter eating' and is the leader in the wafer-chocolayer segment of the **'Chocolate and Confectionery'** business.

During the year based on relevant consumer insights, NESTLÉ KITKAT was relaunched with an improved taste delivery making it more chocolaty and crispy and to further improve penetration NESTLÉ KITKAT was also launched in a new unique single finger format at the price point of Rs. 5/-. Further innovation in NESTLÉ MUNCH saw the launch of the GURU pack at the higher price point of Rs.10/- and this coupled with the reintroduction of NESTLÉ CHOTU MUNCH at the price point of Rs. 2/- contributed to the brand performance. In recent years NESTLÉ MILKYBAR with its strong communication supported with successful innovations has continued to lead the growth in white confectionary segment. During the year, the portfolio was further extended with the launch of NESTLÉ MILKYBAR CHOKO CHOO (a unique combination of a brown centre enrobed in white choco-layer) and NESTLÉ MILKYBAR Crispy, leveraging the Company's leading position in the white confectionary segment. Both these launches have seen a strong start. During the year, your Company also became the leader in the Eclairs category with NESTLÉ ECLAIRS, and in the mint segment NESTLÉ POLO continued to grow its market share. In 2009 your Company continued its efforts to increase the availability and visibility of the range of confectionery products.

During the year, **'Milk Products and Nutrition'** business continued to perform well as per expectations. Science based nutrition and innovation and renovation to develop products that enhance wellbeing and life's opportunities are key considerations at Nestlé, and are the central focus for this business. Nestlé Group has a deep knowledge of nutrition and how it impacts the health and wellbeing of people in different stages of their lives. Your Company believes, that the foundation of good health starts during infancy. This belief is also widely supported by other nutritionists and scientists. As infants become older and growth takes them through various developmental stages, the body needs different nutrition and consumers need products that can deliver it, while providing superior taste, quality and convenience. While your Company actively supports and promotes breastfeeding as being the best possible source of nutrition for the developing infant, it recognises that there are circumstances where the mother is unable to feed. Nestlé continues to build on its heritage of quality, trust and science based nutrition to meet the needs of infants, as they grow up, and in later life. Your Company has a portfolio of high quality products ranging from infant nutrition products such as LACTOGEN, NAN and CERELAC and extending to other products for children including NESTLÉ NIDO which is nutritious milk for growing up children above the age of 2 years providing Calcium, Vitamin D and

25 other essential nutrients. The other products that the portfolio contains include NESTLÉ EVERYDAY Dairy Whitener, NESTLÉ MILKMAID Sweetened Condensed Milk, NESTLÉ SLIM Milk, NESTLÉ NESVITA Dahi and NESVITA yogurts which continued to do well during the year. In a very competitive market, the EVERYDAY brand has led volume growth in the Dairy Whitener category resulting in a further increase in the overall market share and consolidating the Company's position as market leader. The Company's continued focus on scaling up distribution reach has enabled NESTLÉ EVERYDAY to expand consumer base and attract new consumers to the brand.

Acquisition of Healthcare Nutrition Business

Speciality Foods India Private Limited approached the Company for divestiture of their Healthcare Nutrition Business. Your Company was pleased to acquire the Healthcare Nutrition Business with effect from 1st January, 2010.

The product portfolio under the Healthcare Nutrition Business is meant to satisfy the needs of consumers with special nutritional requirements and sold in India under brands like RESOURCE, OPTIFAST and SPERT. 'RESOURCE' is specially formulated for the management of malnutrition and other medical conditions associated with increased nutritional needs. It has a range of formulations including, amongst others, RESOURCE Diabetic, a ready-to-use, fibre rich diet for better nutritional management of diabetics and RESOURCE High Protein that provides easily digestible whey protein. 'OPTIFAST' is a nutrition supplement in overweight condition and 'SPERT' is a protein supplement to address the increased protein needs of the family.

Your Company believes that Healthcare Nutrition plays a vital role in satisfying the needs of consumers with special nutritional requirements, so they can enjoy a good life. This business will further strengthen the leadership of your Company in providing Nutrition, Health and Wellness products.

Sales

Your Company believes that while its products must be available to as many people who may prefer to buy them, the freshness and quality of the stocks is important and the distribution system needs to continuously improve to ensure this despite a larger reach. The retail trade in India is predominantly fragmented General Trade where the Distributors play a major role in the route-to-market. In order to use this network more efficiently and be able to better track the movement of stocks through this pipeline, your Company has decided to connect the Distributors through a uniform, robust and integrated Distribution Management System and in the last quarter of the year, started the process of Advanced Sales Automation. This will increase transparency, accuracy, speed, enable enhanced efficiencies in trade spends and ultimately, execution in the market. It will also liberate the frontline sales force from some of their administrative burden and enable them to focus more on their core function. It will improve white-collar productivity and internal controls.

Technology and Quality

Nestlé products touch the lives of millions of consumers everyday and is trusted for the high quality. To reciprocate this trust and to ensure competitive advantage in the market, it is important to have the latest food technologies that support the development of products relevant to your Company and manufacturing them to high international standards. You can be proud that your Company has adequate systems and processes in place to ensure this. The Company has a General Licence Agreement with the Nestlé Group, Switzerland that enables access to their continuing investments in Research and Development and advanced technology, and efficient manufacturing processes. The stringent quality assurance norms and the commitment to product integrity are supported by state-of-the-art technology and a high degree of automation. The product innovation and renovation during the year has all been possible due to the ongoing support received under the General Licence Agreement.

Your Company has seven factories spread across the country and they are amongst the 'Best in Class' within the global Nestlé Group. All the factories comply with the Nestlé Quality Management Systems and have been certified by independent and reputed external bodies as being compliant as well as aligned with the external Standard for Quality Systems ISO 9001, the Food Safety Management Standard ISO 22000, the Environment Management Standard ISO 14001 and the Occupational Health and Safety Management Standard OHSAS 18001. During the year, the audits for these certifications established continuous improvement in performance against these standards.

Your Company has a very strong foundation of Information Systems provided by Nestlé group's GLOBE initiative which are being leveraged to enable business growth. The current version of GLOBE is being upgraded to better prepare your Company for future opportunities.

Environment

Your Company is sensitized to the need for responsible action that helps sustain the environment and natural resources. At all the factories, efficiency and controlling cost extends beyond the commercial and includes the objective of minimising consumption of natural resources. During the past year they continued to follow the two-fold approach to achieve this. On the one hand they continuously increased efficiencies in areas within their control and have been a forerunner in conserving water, saving energy, recycling waste and reducing pollution. On the other hand, as partners in growth, they enabled people in the community to be more aware and responsible towards the environment and its resources.

Your Company complies with governmental policies, environmental laws and regulations, and adheres to strict internal 'Nestlé Environmental Management System' norms. The Environmental Performance Indicators [EPIs] help to constantly monitor the use of natural resources in the manufacturing operations. During the past ten years, for every tonne of production your Company has reduced the usage of energy by almost 50%, reduced the generation of greenhouse gases by almost 60% and generation of waste water by around 70%. The efforts to make the operations more environment-friendly are continuous and ongoing. For example, innovative utilisation of alternate fuels likes coconut shells and process waste to replace fuels with high sulphur content has contributed to reduction of green house gases per tonne of the product while also reducing the energy consumption per tonne of the product. To do this your Company continuously reviews energy usage to track and replace energy inefficient equipment, invests in installing processes that reduce energy losses, modifies processes to reduce energy need, and innovatively use waste heat of one process as input for another. Your Company believes that every such step, no matter how small it may seem, is important. Therefore, even in the supply chain that is not directly within your Company's control, the Company is considering initiatives that include the installation of solar lights where feasible, and developing green belt projects to reduce the carbon footprints of the distributors.

Capacity

Your Company has shown sustained performance over the years and in the recent past it has achieved a higher growth trajectory. To maintain this momentum it will ensure investments in capacity expansion at existing / new sites.

Supply Chain

Ensuring timely and efficient supply, both of input commodities and material, as well as that of the finished goods to consumers across the country plays an important role in the long term, sustainable and profitable operations of your Company. The ability to devise efficient process and cost efficient systems despite the increasingly complex economic environment has been a challenge in recent times, especially in the past year. Your Company has done considerable innovative work to manage this area using technology and by implementing best practice processes that are possible with the implementation of GLOBE. During the year, your Company initiated the process of implementing 'Radio Frequency' technology that will help to maintain higher inventory accuracy and improve traceability of materials, in turn increasing efficiency and productivity in the warehouses and shop-floors.

During the later part of the year your Company also started the process of implementing a Nestlé Group initiative under Nestlé Continuous Excellence umbrella. The objective is to improve business alignment, to focus on waste elimination and to improve employee engagement to accelerate consumer satisfaction and increase competitiveness.

Human Resources and Trade Relations

Your Company firmly believes that its employees are key to driving performance and developing competitive advantage. The emphasis has been on proper recruitment of talent and empowerment, while devoting resources for their continuous development. During the year, your Company has nurtured a strong performance driven culture and winning mindset through Senior Management interactions and processes that are backed by training, exposure and coaching to develop functional and behavioural skills, as well as other communication initiatives.

During the year, your Company launched the 'Nestlé Continuous Excellence' initiative that trains and empowers employees with a mindset to 'Coach' and transfer the benefit of experience and best practices to further improve performance. Your Company encourages its employees to foster an attitude of continuous learning and facilitates this by providing them various opportunities to learn and enhance their skills. These efforts in the management and development of the human resources, along with the increased campus activities by your Company at targeted business schools have improved the visibility of your Company as a preferred employer.

While your Company has strong recognition and reward programmes for employees to appreciate and recognise achievements, your Company believes in creating trust and mutual respect in Industrial Relations. Your Company engaged employees with trust and respect by continuously sharing information through various forums, cross functional activities, meets, dialogues and electronic media. These efforts have received excellent reciprocation and appreciation from employees and in its Industrial Relations.

SWOT Analysis for the Company

Strengths:

- Being NESTLÉ
- General Licence Agreement which gives access to the Nestlé Group's proprietary technology/ brands, expertise and the extensive centralised Research and Development facilities.
- High quality and safe food products at affordable prices, endorsed by the Nestlé Seal of Guarantee.
- Recognised Nutrition, Health and Wellness Company.
- Strong and well differentiated brands with market share leadership.
- Product innovation and renovation, based on consumer insights.
- Well diversified product portfolio across categories and income strata.
- Efficient supply chain.
- Responsive Organisation Structure and strong Management Team.
- Distribution structure that allows wide reach and coverage in the target markets.
- Capable and committed human resources.
- Participation in Global Business Excellence (GLOBE).
- Strong financial position.

Weakness:

- Complex supply chain configuration.
- Cascading indirect taxes.
- Price point portfolio.

Threat:

- Prices of raw materials and fuels.
- Availability of agro based commodities.
- Food inflation.
- White-collar talent.

Opportunities:

- Potential for expansion in smaller towns and other geographies.
- Recovery of 'Out of Home' segment.
- Leverage Nestlé Technology to develop more products that provide Nutrition, Health and Wellness at affordable prices.

Working with Communities

Over the years, the 'Nestlé in the Community' model has been simple. Your Company has continued to transfer technology and knowledge to the communities and worked with the people to build capabilities that allowed them to participate in business growth. This empowerment has enabled these people and their families, as is particularly acknowledged in the Moga Milk district, to build on and progress through economic prosperity.

Nestlé's business philosophy has always been to create value for society in a sustainable manner and to improve the quality of life, especially in the communities where it operates. For this, it follows a robust business model to ensure that the growth is sustainable in the long term for business, the economy and for society.

This is possible only when the business model is profitable and there is greater awareness and responsibility in the utilisation of resources, both renewable and non-renewable. Your Company believes that this is the essence of 'inclusive growth' that policymakers and economists today consider necessary for healthy economic development of India. Consequently, your Company has continued to do extensive work to further develop dairy farmers around the Moga and Samalkha operations, provide access to clean drinking water and sanitation facilities for girl students in village schools, enhance awareness about scarce resources and the need to conserve, while empowering village women to be able to participate in the economic process more effectively. Your Company is focused on three key areas in community development that comprises Water, Nutrition and Rural Development.

During the year, your Company continued to extend its Clean Drinking Water Projects to increase sustainable access to clean drinking water in village schools and water conservation awareness in the communities across its 7 factories in India. 22 more Clean Drinking Water Projects benefiting over 11,000 students were constructed, taking the total to 139 such projects which benefit over 60,000 village students. In the Moga region, the extensive work with milk farmers continued through the year with your Company veterinarians and agronomists providing support, expertise and knowledge that benefit over 110,000 farmers. Well-attended veterinary camps, supported by regular visits to the farm by the veterinarians and visits to the factory organized for the milk farmers continue to be appreciated by them and are helping to develop sustainable dairy practices. Your Company also continued with the Village Women Dairy Development programmes that train them in good dairy practices as well as spread awareness about personal health, hygiene, water conservation and economic independence. 187 more such programmes reaching out to additional 5488 women were conducted during 2009, cumulatively benefiting over 40,000 village women.

Nutrition is a fundamental pillar for good health and wellness that are essential for a good quality of life. Your Company constantly supports initiatives that can improve access to and the quality of nutrition available to consumers. In a recent survey conducted by the

Company in the communities around its factories, lack of awareness and knowledge about balanced nutrition emerged as a major issue. In order to address this serious concern, your Company joined hands with Punjab Agricultural University, Ludhiana and launched a pilot project to develop a sustainable methodology for creating nutrition awareness. This pilot for the 'Nutrition Awareness Programme' was carried out in the Moga milk district to educate adolescent girls regarding good nutritional practices. The feedback from the 8 village schools was very encouraging and the project will soon be rolled out to reach communities more extensively, around the factories across the country.

Contribution to the Exchequer

Your Company has been a leading taxpayer of the country and over the years has been enabling significant contribution to various taxes. During the year 2009, the Company through its business, enabled tax collections at Central and State level of close to Rs. 11.27 Billion in the aggregate.

Awards and Recognitions

- Conferred with Business Leadership Award 2009 for the second consecutive year by NDTV PROFIT.
- Declared "Star" Multinational for 2009 by Business Standard.
- Judged as Runner Up in 'Best Value Creator' category by OUTLOOK MONEY NDTV PROFIT.
- Ranked amongst THE MOST CONSISTENT TOP 10 Wealth Creators in the 14th Annual Wealth Creation Study released by Motilal Oswal, Financial Analysts. Recognised for excellence in Coffee Exports by the Coffee Board of India for the year 2008-09.
- Conferred with the 'Golden Peacock Environment Management Award' for Nanjangud factory in the Foods and Beverages Sector by The Institute of Directors.
- Awarded the 'Greentech Environment Excellence Award 2009' for the FMCG sector by Greentech Foundation.
- Ranked amongst the top twenty five marketers of India by PITCH Magazine, in recognition of the sustained strategies to create value for consumers.
- MAGGI ranked as the 'Most Valuable Food Brand' in the survey conducted by ICMR.

These recognitions reflect your Company's culture of continuous excellence and also indicate the hard work and sustainable initiatives being put in by the employees to deliver growth for the Company and delight for the consumers.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.

Corporate Governance

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange, a separate report on Corporate Governance along with Auditors certificate on its compliance is attached as Annexure – 1 to this Report.

Cautionary Statement

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

Directors

Your Directors appointed Mr. Antonio Helio Waszyk as the Managing Director of the Company, for a period of five years with effect from 22nd October, 2009, pursuant to the nomination received from Nestlé S.A., Switzerland, under the Articles of Association of the Company. Mr. Waszyk is well qualified and has had a distinguished career with varied international experience including position of Head of Nestlé R&D Centres, Switzerland and his last posting as the Head of the Food Strategic Business Unit, Switzerland. Details of his proposal are mentioned in the Explanatory Statement under Section 173(2) of the Companies Act, 1956 covered under Item no. 5 of the Notice of the 51st Annual General Meeting. His appointment is appropriate and in the best interest of the Company.

Mr. Martial Rolland, relinquished office as Managing Director with effect from 30th September, 2009, consequent upon his appointment with Nestlé Group, Switzerland. Mr. Rolland assumed office as Managing Director of the Company in December, 2004 and his contributions are reflected in the growth and sustained performance of your Company during his tenure. The Directors wish to place on record their appreciation for the leadership and contributions of Mr.Rolland, which have helped your Company reach the current position.

In accordance with Article 119 of the Articles of Association, Mr. Ravinder Narain retires by rotation and being eligible offers himself for re-appointment.

Auditors

The Statutory Auditors of the Company, M/s. A. F. Ferguson & Co., Chartered Accountants, New Delhi, retire in accordance with the provisions of the Companies Act, 1956 and are eligible for re-appointment. M/s. A. F. Ferguson & Co., Chartered Accountants, New Delhi have sought the re-appointment and have confirmed that their re-appointment if made, shall be within the limits of Section 224(1) (B) of the Companies Act, 1956. The Audit Committee and the Board recommends the re-appointment of M/s. A.F. Ferguson & Co., Chartered Accountants, as the Auditors of the Company.

Complying with the provisions of Section 233-B of the Companies Act, 1956, the Board of Directors have appointed M/s. Ramanath Iyer and Co., Cost Accountants, New Delhi, to carry out an audit of cost accounts of the Company in respect of Milk Foods for the year 2010. This appointment has also been subsequently approved by the Central Government.

Information regarding Conservation of Energy etc. and Employees

Information required under Section 217(1) (e) of the Companies Act, 1956 (hereinafter referred to as "the Act") read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure - 2 forming part of this Report. Information as per Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Act, the Report and Accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

Trade Relations

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

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

Appreciation

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

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

Your Directors look forward to the future with confidence.

On behalf of the Board of Directors

Date : 19th Feb., 2010 **Antonio Helio Waszyk**
Place : Gurgaon **Chairman**

AUDITORS' REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED

1. We have audited the attached balance sheet of Nestle India Limited as at December 31, 2009, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that :
   a) we have 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 appears from our examination of the books;
   c) the balance sheet, the profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   d) in our opinion, the balance sheet, profit and loss account and the cash flow statement dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   e) on the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on December 31, 2009 from being appointed as director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   f) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
      i. in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2009;
      ii. in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
      iii. in the case of cash flow statement, of the cash flows for the year ended on that date.

For A.F. FERGUSON & CO.,
Chartered Accountants

(MANJULA BANERJI)
Partner
Membership No. 86423
Firm ICAI Registration No. : 112066W

February 19, 2010
New Delhi

ANNEXURE REFERRED TO IN PARAGRAPH '3' OF THE AUDITORS' REPORT TO THE MEMBERS OF NESTLÉ INDIA LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009.

(i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

(b) In our opinion, the management has physically verified most of the fixed assets of the Company during the year at reasonable intervals, having regard to the size of the Company and nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.

(c) In our opinion and according to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year.

(ii) (a) During the year, the inventories have been physically verified by the management. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the records of inventories, we are of the opinion that the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.

(iii) (a) According to the information and explanations given to us, the Company has, during the year, not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) are not applicable.

(b) According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (e), (f) and (g) of the Order, are not applicable.

(iv) In our opinion and according to information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of inventories, fixed assets and with regard to sale of goods. There is no sale of services. Further, on the basis of our examination and according to the information and explanations given to us, no major weaknesses in the aforesaid internal control system, has been noticed.

(v) (a) According to the information and explanations given to us, we are of the opinion that, the particulars of the contracts / arrangements referred to in Section 301 of the Companies Act, 1956, were entered in the register required to be maintained under that Section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lacs in respect of any party were made at prices which were reasonable having regard to prevailing market prices at the relevant times.

(vi) As, the Company has not accepted any deposits from the public, paragraph 4 (vi) of the Order is not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government, the maintenance of cost records have been prescribed under 209 (1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of records with a view to determining whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, customs duty, excise duty and other material statutory dues applicable to it and has generally been regular in depositing undisputed statutory dues including provident fund, sales-tax, service tax, cess and professional tax with the appropriate authorities. We are informed that there are no undisputed statutory dues as at the year end, outstanding for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues of customs duty and wealth tax, which have not been deposited. The details of disputed dues as at December 31, 2009 in respect of excise duty, sales tax, service tax, cess and income-tax that have not been deposited by the Company, are as follows :-

Name of the Statute	Nature of the Dues	Amount * (Rs.) ('000s)	Period to which the amount relates (various years covering the period)	Forum where dispute is pending
Central Excise Laws	Excise Duty	47,973	1996 – 2006	Customs, Excise and Service Tax Appellate Tribunal
		481	2000	Appellate authority upto Commissioners' level
	Service Tax	342	2005	Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax	4,081	1996 – 2006	High Court
		5,662	1999 – 2006	Appellate Tribunal
		205,077	1992 – 2007	Appellate authority upto Commissioners' level
Local State Act	Cess	4,242	2001 – 2008	Appellate authority upto Commissioners' level
Income Tax Act, 1961	Income tax	118,558	1992 – 1994	High Court
		116,919	2005 – 2006	Commissioner of Income-tax (Appeals)

* Amount as per demand orders including interest and penalty wherever indicated in the Order.

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

Name of the Statute	Nature of the Dues	Amount (Rs.) ('000s)	Period to which the amount relates (various years covering the period)	Forum where department has preferred appeals
Central Excise Laws	Excise Duty	16,052	2000 – 2006	Supreme Court
		2,878	1994 – 2006	High Court
		7,065	2005 – 2006	Customs, Excise and Service Tax Appellate Tribunal
	Service Tax	148	2005	High Court
		2,420	2003 – 2007	Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax	35,401	1997 – 2003	High Court
Income Tax Act, 1961	Income tax	5,187	1997 – 1998	Supreme Court
		514,735	1996 – 2002	High Court

(x) The Company does not have accumulated losses at the end of the financial year December 31, 2009. Further, the Company has not incurred cash losses during the financial year ended December 31, 2009 and in the immediately preceding financial year ended December 31, 2008.

(xi) According to the records of the Company examined by us and on the basis of information and explanations given to us, the Company has not defaulted in repayment of dues to banks during the year. The Company has not taken any loans from financial institutions and has not issued debentures during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, accordingly paragraph 4 (xii) of the Order is not applicable.

(xiii) The Company is not a chit fund / nidhi / mutual benefit fund / society to which the provisions of special statute relating to chit fund are applicable, accordingly paragraph 4 (xiii) of the Order, is not applicable.

(xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.

(xvi) In our opinion and according to the information and explanations given to us, the Company has not taken any term loans during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that, during the year, short term funds have not been used to finance long term investments.

(xviii) The Company has not made any preferential allotment of shares during the year.

(xix) The Company has not issued any debentures during the year.

(xx) The Company has not raised any money by way of public issue during the year.

(xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the year ended December 31, 2009.

For A.F. FERGUSON & CO.,
Chartered Accountants

(MANJULA BANERJI)
Partner
Membership No. 86423
Firm ICAI Registration No.: 112066W

February 19, 2010
New Delhi

BALANCE SHEET OF NESTLÉ INDIA LIMITED AS AT DECEMBER 31, 2009

SOURCES OF FUNDS	SCHEDULE		2009 (Rs. in thousands)		2008 (Rs. in thousands)
SHAREHOLDERS' FUNDS					
Share capital	A	964,157		964,157	
Reserves and surplus	B	4,848,493	5,812,650	3,769,340	4,733,497
DEFERRED TAX LIABILITIES/(ASSETS) (NET)	C		319,972		368,810
			6,132,622		5,102,307
APPLICATION OF FUNDS					
FIXED ASSETS	D				
Gross block		16,407,942		14,048,460	
Less: Depreciation		7,445,894		6,518,538	
Net block		8,962,048		7,529,922	
Capital work-in-progress		796,273	9,758,321	1,091,689	8,621,611
INVESTMENTS	E		2,032,555		348,992
CURRENT ASSETS, LOANS AND ADVANCES	F				
Inventories		4,987,379		4,349,117	
Sundry debtors		641,863		455,933	
Cash and bank balances		1,555,863		1,936,893	
Loans and advances		1,380,487		1,237,589	
		8,565,592		7,979,532	
Less: **CURRENT LIABILITIES AND PROVISIONS**	G				
Liabilities		5,875,906		5,074,671	
Provisions		8,347,940		6,773,157	
		14,223,846		11,847,828	
NET CURRENT ASSETS/(LIABILITIES)			(5,658,254)		(3,868,296)
			6,132,622		5,102,307
NOTES TO THE ACCOUNTS	N				

February 19, 2010 Gurgaon	ANTONIO HELIO WASZYK Chairman & Managing Director	SHOBINDER DUGGAL Director - Finance & Control	B. MURLI Sr. VP - Legal & Company Secretary

Per our report attached
For A.F. FERGUSON & CO.
Chartered Accountants

(MANJULA BANERJI)
Partner
Membership No. 86423
Firm ICAI Registration No. : 112066W

February 19, 2010
New Delhi

PROFIT AND LOSS ACCOUNT OF NESTLÉ INDIA LIMITED FOR THE YEAR ENDED DECEMBER 31, 2009

	SCHEDULE		2009 *(Rs. in thousands)*		2008 *(Rs. in thousands)*
INCOME					
Sales					
Domestic		**48,938,164**		41,326,718	
Export		**3,286,050**		3,383,907	
Gross		**52,224,214**		44,710,625	
Less: Excise duty		**930,447**		1,468,175	
Net sales			**51,293,767**		43,242,450
Other income	H		**377,976**		338,852
			51,671,743		43,581,302
EXPENDITURE					
Materials consumed and purchase of goods	I		**24,570,317**		21,386,673
Manufacturing and other expenses	J		**16,465,167**		13,563,778
Interest	K		**13,985**		16,430
Depreciation	D		**1,112,692**		923,601
Adjustment due to decrease / (increase) in stock of finished goods and work-in-progress	L		**(86,545)**		(345,448)
			42,075,616		35,545,034
PROFIT BEFORE IMPAIRMENT, CONTINGENCIES AND TAXATION			**9,596,127**		8,036,268
Impairment loss/(gain) on fixed assets (Refer Note 1 - Schedule N)	D		**103,168**		3,084
Provision for contingencies (Refer Note 2 - Schedule N)	M		**323,201**		304,916
PROFIT BEFORE TAXATION			**9,169,758**		7,728,268
Income tax expense					
Current tax		**2,653,355**		2,223,114	
Deferred tax		**(48,838)**		81,836	
Fringe benefit tax		**15,213**	**2,619,730**	82,496	2,387,446
PROFIT AFTER TAXATION			**6,550,028**		5,340,822
Balance brought forward			**1,001,053**		125,159
Add : Transferred from Share Premium Account (Refer Note 23- Schedule N)			**-**		432,363
Add : Transferred from General Reserve (Refer Note 23 - Schedule N)			**-**		430,857
BALANCE AVAILABLE FOR APPROPRIATION			**7,551,081**		6,329,201
Appropriations:					
Dividends:					
Interim			**3,470,966**		2,217,561
Final proposed			**1,205,196**		1,156,989
Special (Refer Note 23 - Schedule N)			**-**		723,118
Corporate dividend tax			**794,713**		696,398
General reserve			**655,003**		534,082
SURPLUS CARRIED TO THE BALANCE SHEET			**1,425,203**		1,001,053
BASIC AND DILUTED EARNINGS PER SHARE (IN RUPEES)	N		**67.94**		55.39
NOTES TO THE ACCOUNTS	N				

February 19, 2010	ANTONIO HELIO WASZYK	SHOBINDER DUGGAL	B. MURLI
Gurgaon	Chairman & Managing Director	Director - Finance & Control	Sr. VP - Legal & Company Secretary

Per our report attached to the Balance Sheet
For A.F. FERGUSON & CO.
Chartered Accountants

(MANJULA BANERJI)
Partner
Membership No. 86423
Firm ICAI Registration No. : 112066W

February 19, 2010
New Delhi

CASH FLOW STATEMENT OF NESTLÉ INDIA LIMITED FOR THE YEAR ENDED DECEMBER 31, 2009

		2009 (Rs. in thousands)	2008 (Rs. in thousands)
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net profit before tax	**9,169,758**	7,728,268
	Adjustments for :		
	Depreciation	**1,112,692**	923,601
	Unrealised exchange differences	**(2,560)**	10,867
	Deficit/(surplus) on fixed assets sold/scrapped/written off	**30,548**	27,260
	Interest expense	**13,985**	16,430
	Impairment loss/(reversal) on fixed assets	**103,168**	3,084
	Operating profit before working capital changes	**10,427,591**	8,709,510
	Adjustments for :		
	Decrease/(increase) in trade and other receivables	**(304,895)**	9,547
	Decrease/(increase) in inventories	**(638,262)**	(336,964)
	Increase/(decrease) in trade payables	**968,920**	136,554
	Increase/(decrease) in provision for contingencies	**323,201**	304,916
	Increase/(decrease) in provision for Employee Benefits	**1,195,182**	418,677
	Cash generated from operations	**11,971,737**	9,242,240
	Direct taxes paid	**(2,692,661)**	(2,023,216)
	Net cash from operating activities	**9,279,076**	7,219,024
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets (adjusted for suppliers payables and capital work in progress)	**(2,564,570)**	(2,549,937)
	Sale of fixed assets	**12,411**	30,765
	Net cash used in investing activities	**(2,552,159)**	(2,519,172)
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds/(Repayments) of borrowings	**-**	(3,901)
	Interest paid	**(13,985)**	(16,430)
	Dividends paid - Interim	**(3,472,516)**	(2,211,664)
	Dividends paid - Final	**(1,153,701)**	(242,162)
	Dividends paid - Special	**2,339**	(723,195)
	Corporate dividend tax	**(786,521)**	(540,733)
	Capital subsidy received	**-**	2,500
	Net cash outflow from financing activities	**(5,424,384)**	(3,735,585)
	Net increase / (decrease) in cash and cash equivalents (A+B+C)	**1,302,533**	964,267
	Cash and bank balances	**1,936,893**	377,604
	Current investments	**348,992**	944,014
	Cash and cash equivalents as at opening	**2,285,885**	1,321,618
	Cash and bank balances	**1,555,863**	1,936,893
	Current investments	**2,032,555**	348,992
	Cash and cash equivalents as at closing	**3,588,418**	2,285,885
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,302,533**	964,267

February 19, 2010	ANTONIO HELIO WASZYK	SHOBINDER DUGGAL	B. MURLI
Gurgaon	Chairman & Managing Director	Director - Finance & Control	Sr. VP - Legal & Company Secretary

Per our report attached to the Balance Sheet
For A.F. FERGUSON & CO.
Chartered Accountants

(MANJULA BANERJI)
Partner
Membership No. 86423
Firm ICAI Registration No. : 112066W

February 19, 2010
New Delhi

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT DECEMBER 31, 2009

		2009 *(Rs. in thousands)*	2008 *(Rs. in thousands)*
SCHEDULE A			
SHARE CAPITAL			
Authorised			
100,000,000	Equity shares of Rs. 10 each (Previous year 100,000,000)	**1,000,000**	1,000,000
Issued, subscribed and paid-up			
96,415,716	Equity shares of Rs. 10 each fully paid up (Previous year 96,415,716)	**964,157**	964,157
Of the above:			
73,413,626	Shares of Rs. 10 each (Previous year 73,413,626) were allotted as fully paid-up bonus shares by capitalisation of general reserves Rs. 73,897 thousands (Previous year Rs. 73,897 thousands) and share premium Rs. 660,239 thousands (Previous year Rs. 660,239 thousands).		
736,331	Shares of Rs.10 each (Previous year 736,331) were allotted as fully paid up pursuant to a contract without payment being received in cash.		
Of the above:			
32,166,274	Shares of Rs. 10 each (Previous year 32,166,274) are held by Nestlé S.A.		
27,463,680	Shares of Rs. 10 each (Previous year 27,463,680) are held by Maggi Enterprises Limited, the ultimate holding company being Nestlé S.A.		

	2009 *(Rs. in thousands)*	2008 *(Rs. in thousands)*
SCHEDULE B		
RESERVES AND SURPLUS		
Share premium account		
As per last balance sheet	**-**	432,363
Less : Transferred to profit and loss account (Refer Note 23 - Schedule N)	**-**	432,363
	-	-
Capital subsidy		
As per last balance sheet	**5,000**	2,500
Add : Received during the year	**-**	2,500
	5,000	5,000
General reserve		
As per last balance sheet	**2,763,287**	2,660,062
Less : Transferred to profit and loss account (Refer Note 23 - Schedule N)	**-**	430,857
Add : Transferred from profit and loss account	**655,003**	534,082
	3,418,290	2,763,287
Surplus, being balance in profit and loss account (undistributed profits)	**1,425,203**	1,001,053
	4,848,493	3,769,340

SCHEDULE C

DEFERRED TAX LIABILITIES AND ASSETS

	2009 (Rs. in thousands)	2008 (Rs. in thousands)
Deferred tax liabilities		
Difference between book and tax depreciation	**762,540**	739,574
Other temporary differences	**25,441**	18,303
	787,981	757,877
Deferred tax assets		
Provision for contingencies	**359,019**	269,093
Provision for employee costs	**55,700**	68,847
Other items deductible on payment or deposit of withholding taxes	**27,647**	27,653
Other temporary differences	**25,643**	23,474
	468,009	389,067
Deferred tax liabilities/(assets) net	**319,972**	368,810

SCHEDULE D

FIXED ASSETS

(Rs. in thousands)

	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	Cost as at December 31, 2008	Additions	Deletions/ adjustments	**Cost as at December 31, 2009**	As at December 31, 2008	For the year	Impairement loss#	On Deletions/ adjustments	**As at December 31, 2009**	**As at December 31, 2009**	As at December 31, 2008
Tangible Assets (A)											
Freehold land	56,026	-	-	**56,026**	-	-	-	-	**-**	**56,026**	56,026
Leasehold land	94,995	-	-	**94,995**	2,961	1,056	-	-	**4,017**	**90,978**	92,034
Buildings	2,061,943	392,908	12,585	**2,442,266**	554,356	72,179	-	2,435	**624,100**	**1,818,166**	1,507,587
Railway siding	11,733	-	-	**11,733**	10,237	557	-	-	**10,794**	**939**	1,496
Plant and machinery	10,128,459	2,048,201	203,538	**11,973,122**	4,757,778	829,348	103,168	173,212	**5,517,082**	**6,456,040**	5,370,681
Furniture and fixtures	692,715	178,959	38,344	**833,330**	410,052	53,322	-	37,185	**426,189**	**407,141**	282,663
Information technology equipment	428,309	64,784	64,394	**428,699**	359,631	44,676	-	64,140	**340,167**	**88,532**	68,678
Vehicles	38,021	6,093	12,602	**31,512**	30,267	4,302	-	11,532	**23,037**	**8,475**	7,754
Sub Total	13,512,201	2,690,945	331,463	**15,871,683**	6,125,282	1,005,440	103,168	288,504	**6,945,386**	**8,926,297**	7,386,919
Intangible Assets (B)											
Management information systems	536,259	-	-	**536,259**	393,256	107,252	-	-	**500,508**	**35,751**	143,003
Total (A+B)	14,048,460	2,690,945	331,463	**16,407,942**	6,518,538	1,112,692	103,168	288,504	**7,445,894**	**8,962,048**	
Previous year	11,797,711	2,496,547	245,798	14,048,460	5,779,626	923,601	3,084	187,773	6,518,538		7,529,922
Capital work-in-progress including capital advances and machinery-in-transit										**796,273**	**1,091,689**
										9,758,321	**8,621,611**

Notes:

(a) Buildings include Rs.500 (Previous year Rs. 500) being the cost of share in a Co-operative Housing Society.

(b) Buildings and plant and machinery include Rs. 53,998 thousands (Previous year Rs.53,998 thousands) being the cost of leasehold improvements.

\# Refer Note 1 - Schedule N

SCHEDULE E

INVESTMENTS

(NON TRADE, UNQUOTED)

CURRENT
(at cost or fair value, whichever is lower)

			2009 (Rs. in thousands)	2008 (Rs. in thousands)
GOVERNMENT SECURITIES				
Treasury Bills [Units of the face value Rs. 100 each]	9,000,000	Units (previous year 1,000,000) face value of Rs. 2,380,625 thousands (previous year Rs. 1,598,400 thousands) purchased and face value of Rs. 1,580,625 thousands (previous year Rs. 1,498,400 thousands) sold during the year.	**893,477**	98,340
MUTUAL FUNDS - DEBT [Units of face value Rs. 10 each, unless otherwise stated]				
TATA Mutual Fund	155,716	Units (previous year 134,900) of Tata Liquid Super High Investment Fund - Daily Dividend Reinvestment Plan (3,091,581 units of face value of Rs.1000 each purchased and 3,070,765 units sold during the year)	**173,550**	150,349
Birla Sun Life Mutual Fund	17,923,000	Units (previous year 10,010,791) of Birla Sun Life Cash Plus-Institutional Premium - Daily Dividend Reinvestment Plan (387,432,387 units purchased and 379,520,178 units sold during the year)	**179,579**	100,303
Prudential ICICI Mutual Fund	2,336,702	Units (previous year Nil) of Prudential ICICI Floating Rate Plan Daily Dividend Reinvestment Plan (3,336,492 units of face value of Rs. 100 each purchased and 999,790 units sold during the year)	**233,720**	-
Reliance Mutual Fund	17,874,264	Units (previous year Nil) of Reliance Medium Term Fund-Daily Dividend Reinvestment Option (131,399,387 units purchased and 113,525,123 units sold during the year)	**305,569**	-
JP Morgan Mutual Fund	5,003,176	Units (previous year Nil) of JP Morgan India Treasury Fund Super Institutional - Daily Dividend Reinvestment Plan (22,496,922 units purchased and 17,493,746 units sold during the year)	**50,076**	-
Repurchase price as at December 31, 2009		Rs. 1,838,764 thousands (previous year Rs. 349,887 thousands)		
COMMERCIAL PAPERS (UNQUOTED) [Units of the face value of Rs. 500,000 each]				
Export Import Bank of India	200	Units(previous year Nil) 600 units purchased and 400 units sold during the year.	**98,286**	-
National Bank for Agriculture and Rural Development	200	Units (previous year Nil) 200 units purchased during the year.	**98,298**	-
			2,032,555	348,992

During the year the following current investments were purchased and sold :

MUTUAL FUNDS - DEBT (UNQUOTED) (Units of face value of Rs.10 each) unless otherwise stated

1)	ICICI Prudential Liquid Plan - Super Institutional - Daily Dividend Reinvestment Plan (face value changed from Rs. 10 to Rs.100 during the year)	-	218,778,267 units purchased and 196,536,935 units sold during the year at face value of Rs. 10 each 3,105,118 units and 5,329,238 units sold during the year at face value of Rs.100 each
2)	JP Morgan India Liquid Fund -Super Institutional Daily Dividend Reinvestment Plan	-	32,982,264 units
3)	Reliance Liquid Fund - Treasury Plan Instituitional Option - Daily Dividend Reinvestment Plan	-	180,646,341 units
4)	Prudential ICICI Floating Rate Plan Daily Dividend Reinvestment Plan	-	66,609,152 units

COMMERCIAL PAPERS (UNQUOTED) (Units of face value of Rs.500,000 each)

Rural Electrification Corporation	-	200 units

SCHEDULE F		2009 (Rs. in thousands)		2008 (Rs. in thousands)
CURRENT ASSETS, LOANS AND ADVANCES				
(A) CURRENT ASSETS				
Inventories				
Stores and spare parts *		293,335		248,931
Stock-in-trade ** :				
Finished goods		2,312,885		2,327,186
Work-in-progress		462,666		385,378
Raw materials		1,731,668		1,213,980
Packing materials		186,825		173,642
		4,987,379		4,349,117
* At cost				
** At cost or net realisable value, whichever is lower				
Sundry debtors (Unsecured)				
Considered good				
Over six months	3,048		8,667	
Others	638,815	641,863	447,266	455,933
Considered doubtful				
Over six months	11,311		14,067	
Others	20,000	31,311	15,650	29,717
		673,174		485,650
Less: Provision for doubtful debts		31,311		29,717
		641,863		455,933
Cash and bank balances				
Cash balance in hand		-		32
Cheques in hand		81,627		25,262
Bank balance with scheduled banks - on current accounts		185,663		101,349
- on deposit accounts		1,288,573		1,810,250
		1,555,863		1,936,893
(B) LOANS AND ADVANCES				
(Unsecured, considered good - unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received*				
Considered good				
Secured	57,349		43,940	
Unsecured	1,289,439	1,346,788	1,184,043	1,227,983
Considered doubtful		13,541		8,723
		1,360,329		1,236,706
Less: Provision for doubtful advances		13,541		8,723
		1,346,788		1,227,983
Taxation (payments less provisions)		33,699		9,606
		1,380,487		1,237,589
		8,565,592		7,979,532

* Advances recoverable, disbursed under the Company's housing loans scheme for its employees, includes Rs. Nil (Previous year Rs. Nil) due from a Director of the Company - maximum amount due during the year Rs. Nil (Previous year Rs. 5,433 thousands)

SCHEDULE G

CURRENT LIABILITIES AND PROVISIONS

	2009 (Rs. in thousands)	2008 (Rs. in thousands)
Current liabilities		
Sundry creditors -		
Micro and small enterprises (Refer to Note 17 - Schedule N)	**16,396**	15,917
Others	**5,800,896**	5,001,981
Book overdrafts	**5,941**	8,177
Investor Education and Protection Fund shall be credited by the following:		
Unpaid dividends #	**52,673**	48,596
	5,875,906	5,074,671
Provisions		
Pension and Gratuity	**4,208,379**	3,076,982
Contingencies (Refer Schedule M)	**2,294,995**	1,971,794
Employee Benefits, Incentives and Welfare schemes*	**434,547**	370,762
Proposed final dividend	**1,205,196**	1,156,989
Corporate dividend tax	**204,823**	196,630
	8,347,940	6,773,157
	14,223,846	11,847,828

There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

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

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE H

OTHER INCOME

	2009 (Rs. in thousands)	2008 (Rs. in thousands)
Dividend on current, non-trade investments	**26,853**	58,974
Interest on income tax refund in relation to earlier years	**-**	3,115
Interest received on loans, deposits & debentures (gross) (Tax deducted at source Rs. 13,984 thousands previous year Rs. 25,172 thousands)	**145,032**	145,058
Export incentives	**101,702**	9,754
Miscellaneous income	**104,389**	121,951
	377,976	338,852

SCHEDULE I

MATERIALS CONSUMED AND PURCHASE OF GOODS

	2009 (Rs. in thousands)	2008 (Rs. in thousands)
Raw materials consumed	**20,142,867**	17,352,859
Packing materials consumed	**3,837,808**	3,531,546
Purchase of goods - outside manufacture	**589,642**	502,268
	24,570,317	21,386,673

SCHEDULE J

MANUFACTURING AND OTHER EXPENSES

	2009	2009 (Rs. in thousands)	2008	2008 (Rs. in thousands)
Employee cost				
Salaries, wages, bonus, pension, gratuity, performance incentives etc.	**3,982,657**		2,853,949	
Contribution to provident and other funds	**126,811**		102,088	
Staff welfare expenses	**214,360**	**4,323,828**	189,771	3,145,808
Advertising and sales promotion		**2,675,119**		1,943,555
Freight, transport and distribution		**2,403,721**		2,035,530
General licence fees (net of taxes)		**1,759,874**		1,459,570
Power and fuel		**1,588,703**		1,597,565
Contract manufacturing charges		**461,752**		456,500
Travelling		**460,582**		418,069
Information technology and management information systems		**436,538**		400,391
Maintenance and repairs				
Plant and machinery	**327,536**		278,069	
Buildings	**36,333**		33,716	
Others	**71,109**	**434,978**	59,948	371,733
Taxes on general licence fees		**272,998**		226,233
Consumption of stores and spare parts (excluding Rs.201,753 thousands charged to other revenue accounts, previous year Rs.160,775 thousands)		**219,104**		151,846
Rent		**209,875**		176,972
Rates and taxes		**205,946**		201,483
Training expenses		**165,154**		175,239
Laboratory (quality testing) expenses		**151,169**		137,557
Milk collection and district development expenses		**143,122**		114,490
Market research		**86,636**		96,591
Deficit on fixed assets sold/scrapped/written off		**30,548**		27,260
Insurance		**13,281**		16,563
Miscellaneous expenses		**422,239**		410,823
		16,465,167		13,563,778

		2009 (Rs. in thousands)		2008 (Rs. in thousands)
SCHEDULE K				
INTEREST				
Interest on fixed loans		**6,576**		13,117
Others		**7,409**		3,313
		13,985		16,430
SCHEDULE L				
ADJUSTMENT DUE TO (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND WORK-IN-PROGRESS				
Opening stock				
Work-in-progress	**385,378**		424,279	
Finished goods	**2,327,186**		1,977,141	
	2,712,564		2,401,420	
Less: Excise duty	**94,996**		129,300	
Net opening stock (A)		**2,617,568**		2,272,120
Less: Closing stock				
Work-in-progress	**462,666**		385,378	
Finished goods	**2,312,885**		2,327,186	
	2,775,551		2,712,564	
Less: Excise duty	**71,438**		94,996	
Net closing stock (B)		**2,704,113**		2,617,568
Movement in opening and closing stock (A-B)		**(86,545)**		(345,448)
SCHEDULE M				
PROVISION FOR CONTINGENCIES				
Balance as at December 31, 2008		**1,971,794**		1,666,878
Add: Created during the year	**457,181**		325,882	
Less: Reversed/utlised during the year	**(133,980)**		(20,966)	
Net provision taken to the Profit and Loss Account		**323,201**		304,916
Balance as at December 31, 2009		**2,294,995**		1,971,794
(Refer Note 2- Schedule N)				

SCHEDULE N

NOTES TO THE ACCOUNTS

1. During the year ended December 31, 2009, impairment loss on fixed assets (gross - Rs. 103,168 thousands, net of deferred taxes - Rs. 68,101 thousands) relates to various items of plant and machinery that have been brought down to their recoverable values upon evaluation of future economic benefits from their use.

2. The Company has created a contingency provision of Rs. 457,181 thousands (previous year Rs. 325,882 thousands) for various contingencies resulting mainly from matters, which are under litigation/dispute and other uncertainties requiring management judgment. The Company has also reversed/utilized contingency provision of Rs. 133,980 thousands (previous year Rs. 20,966 thousands) due to the satisfactory settlement of certain disputes for which provision was no longer required. The details of class-wise provisions are given below :

	2009 *(Rs. in thousands)*			2008 *(Rs. in thousands)*		
Description	**Provisions for**			Provisions for		
	Litigations and related disputes	**Others**	**Total**	Litigations and related disputes	Others	Total
Opening balance	**1,917,994**	**53,800**	**1,971,794**	1,613,078	53,800	1,666,878
New provisions	**407,018**	**50,163**	**457,181**	325,882	–	325,882
Utilisation/Settlement in the year	**(106,404)**	**–**	**(106,404)**	–	–	–
Reversals	**(27,576)**	**–**	**(27,576)**	(20,966)	–	(20,966)
Total cost for the year in Profit and loss account	**273,038**	**50,163**	**323,201**	304,916	–	304,916
Closing balance	**2,191,032**	**103,963**	**2,294,995**	1,917,994	53,800	1,971,794

Notes:

(a) Litigations and related disputes - represents estimates made mainly for probable claims arising out of litigations / disputes pending with authorities under various statutes (i.e. Income Tax, Excise Duty, Service Tax, Sales and Purchase Tax etc.). The probability and the timing of the outflow with regard to these matters depends on the ultimate settlement /conclusion with the relevant authorities.

(b) Others - include estimates made for products sold by the Company which are covered under free replacement warranty on becoming unfit for human consumption during the prescribed shelf life, investments held by the employee benefit trusts and other uncertainties requiring management judgment. 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.

	2009 ***(Rs. in thousands)***	2008 *(Rs. in thousands)*
3. Capital commitments remaining to be executed and not provided for (net of capital advances)	**630,676**	849,025
4. (1) Auditors' remuneration including service tax and expenses in respect of :		
a) Statutory audit	**3,905**	3,382
b) Audit of accounts for fiscal year and tax audit	**1,489**	1,309
c) Limited review of quarterly un-audited results	**827**	742
d) Certification for general license fee remittances, corporate governance and others	**265**	229
e) Audit of employee trust accounts and other certificates	**233**	262
f) Certification of tax holiday benefits	**77**	70
g) Reimbursement of out of pocket expenses for statutory audit and other matters	**425**	212
(2) Cost auditors' remuneration	**200**	183

	2009 (Rs. in thousands)	2008 (Rs. in thousands)
5. Managerial remuneration #@		
Salaries and allowances	**31,810**	26,430
Company's contribution to provident fund	**3,086**	1,158
Leave travel	**711**	563
Commission to managing/whole-time directors	**32,018**	34,612
Commission to non whole-time directors	**1,400**	1,400
Directors sitting fees	**800**	510
Other perquisites	**10,435**	11,894
	80,260	76,567

\# Includes Rs. 12,591 thousands (previous year Rs. Nil), which is subject to the approval of shareholders in the general meeting and approval of Central Government for appointment as Managing Director.

@ Does not include provision for incremental pension liability of Director - Finance & Control since the actuarial certificate is for the Company as a whole. There is no incremental gratuity liability since he had already earned gratuity, prior to his appointment as Director - Finance & Control. Provision for incremental compensated absences liability has also been excluded since the computation for the same has been done for the company as a whole.

Computation of net profit in accordance with Section 198 of the Companies Act, 1956

	2009 (Rs. in thousands)	2008 (Rs. in thousands)
Net Profit after taxation	**6,550,028**	5,340,822
Add:		
Managerial remuneration	**80,260**	76,567
Net gain/(deficit) on fixed assets sold/scrapped as per Section 350 of the Companies Act, 1956	**(30,564)**	(27,456)
Net (gain)/deficit on fixed assets sold/scrapped as per accounts	**30,548**	27,260
Provision for income-tax	**2,604,517**	2,304,950
Net Profit	**9,234,789**	7,722,143
Commission: - Amount	**33,418**	36,012
- Percentage of net profit	**0.36%**	0.47%
6. Exchange difference net debited/(credited) to the profit and loss account	**(3,497)**	106,068

	2009 (Rs. in thousands)	2009 %	2008 (Rs. in thousands)	2008 %
7. Stores and spare parts consumed:				
Imported	**27,638**	**6.6**	26,863	8.6
Indigenous	**393,219**	**93.4**	285,758	91.4
	420,857	**100.0**	312,621	100.0

		2009 (Rs. in thousands)		2008 (Rs. in thousands)
8.	Earnings from exports:			
	Export of goods in:			
	- Foreign Currency at F.O.B value {including sales to Russia invoiced in Rupees of Rs. 930,703 thousands (previous year Rs. 1,016,174 thousands)}	**2,453,405**		2,682,417
	- Rupees (all inclusive sales to Nepal & Bhutan)	**807,696**		670,148
	- Proceeds from sale of fixed assets in foreign currency at F.O.B value	**474**		21,612
9.	C. I. F. value of imports:			
	Raw/Packing materials	**1,925,727**		878,110
	Capital goods	**533,150**		920,389
	Goods – outside manufacture	**62,238**		71,981
	Components and spare parts	**65,663**		69,028

		2009		2008	
		Quantity (MT)	***(Rs. in thousands)***	*Quantity (MT)*	*(Rs. in thousands)*
10.	Raw materials consumed:				
	Fresh milk	**406,127**	**7,005,325**	408,005	5,999,205
	Green coffee	**24,363**	**2,151,934**	23,761	2,254,827
	Wheat flour	**126,084**	**1,933,556**	104,037	1,522,246
	Skimmed milk powder	**13,412**	**1,669,554**	10,002	1,358,968
	Vegetable oils	**31,956**	**1,661,832**	28,161	1,902,523
	Sugar	**52,975**	**1,427,785**	49,126	854,541
	Tomato Paste	**5,125**	**312,420**	5,042	229,066
	Lactose	**3,506**	**221,709**	2,459	188,962
	Whey powder	**1,184**	**213,452**	862	145,819
	Liquid Glucose	**10,452**	**170,737**	9,626	148,570
	Cocoa based raw materials	**1,054**	**168,042**	1,012	118,470
	Maltodextrine Powder	**4,331**	**139,321**	5,115	163,870
	Onion Flakes/Powder	**1,327**	**136,810**	1,033	99,703
	Rice Flour	**3,450**	**127,655**	3,489	105,255
	Wheat Gluten	**1,079**	**100,976**	927	96,000
	Chicory	**4,582**	**99,582**	4,077	82,031
	Strawberry Crunchies	**136**	**95,206**	137	101,187
	Black tea/green leaf	**5,161**	**81,750**	6,092	80,939
	Apple concentrate	**995**	**81,602**	980	86,111
	Others (net of sale proceeds of by-products/surplus materials)		**2,343,619**		1,814,566
			20,142,867		17,352,859

	2009		2008	
	(Rs. in thousands)	**%**	*(Rs. in thousands)*	%
Of the above:				
Imported	**1,882,183**	**9.3**	1,035,685	6.0
Indigenous	**18,260,684**	**90.7**	16,317,174	94.0
	20,142,867	**100.0**	17,352,859	100.0

	2009 (Rs. in thousands)	2008 (Rs. in thousands)
11(a). Expenditure in foreign currency (accrual basis):		
General license fees (net of tax)	**1,759,874**	1,459,570
Information technology and management information systems	**385,422**	334,977
Travelling and training	**51,369**	55,339
Other matters	**198,608**	154,365
11(b). Expenditure recovered/received in foreign currency (accrual basis)	**41,395**	128,848

12. Amount remitted in foreign currencies towards dividends during the year:

	2009			2008		
	Number of Non-resident Shareholders	**Number of Equity Shares held**	**Dividend remitted *(Rs. in thousands)***	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted *(Rs. in thousands)*
Final - 2008	**2**	**59,629,954**	**715,559**	2	59,629,954	149,075
Interim	**2**	**59,629,954**	**2,146,678**	2	59,629,954	1,371,489
Special				2	59,629,954	447,225

13. Earnings per share

	2009	2008
Profit after taxation as per profit and loss account (Rs. in thousands)	**6,550,028**	5,340,822
Weighted average number of equity shares outstanding	**96,415,716**	96,415,716
Basic and diluted earnings per share in rupees (face value – Rs. 10 per share)	**67.94**	55.39

14. Capacities, Production/Purchases, Stocks and Sales of Finished Goods

Class of goods	Licensed Capacity (Annual) Quantity (MT)	Opening stock Quantity (MT)	Opening stock Value *(Rs. in thousands)*	#Actual Production & Purchases (MT)	Closing stock Quantity (MT)	Closing stock Value *(Rs. in thousands)*	Gross Sales Quantity* (MT)	Gross Sales Value *(Rs. in thousands)*
Milk Products and Nutrition	**See note (a) below**	**11,100** (10,896)	**1,278,108** (1,162,053)	**135,391** (120,288)	**10,656** (11,100)	**1,282,688** (1,278,108)	**134,142** (118,651)	**23,112,665** (19,387,781)
Beverages	**Not Applicable**	**1,971** 2,171	**387,974** (381,197)	**23,353** (24,203)	**1,785** (1,971)	**331,989** (387,974)	**23,369** (24,114)	**8,041,909** (8,008,525)
Prepared dishes and cooking aids	**Not Applicable**	**6,565** (4,870)	**323,711** (217,057)	**156,601** (130,107)	**6,639** (6,565)	**326,949** (323,711)	**155,555** (127,835)	**13,350,493** (10,519,346)
Chocolate and confectionery	**Not Applicable**	**3,381** (2,254)	**337,394** (216,834)	**44,593** (41,413)	**3,590** (3,381)	**371,259** (337,394)	**44,116** (40,200)	**7,719,147** (6,794,973)
			2,327,186 (1,977,141)			**2,312,885** (2,327,186)		**52,224,214** (44,710,625)

Includes product manufactured by contract manufacturers on conversion basis.
* Sales quantity includes goods withdrawn for sales promotion.

(a) Comprises 72,502.5 MT treated as licensed capacity which includes 50,000 MT (50,000 MT) covered by Industrial Entrepreneurs Memorandums in terms of Notification No. 477(E) dated 25th July, 1991 of the Department of Industrial Development, Ministry of Industry, Government of India. Licensed capacity is not applicable for the balance.

(b) The products are manufactured in integrated plants as certified by the Management on which the Auditors have relied. Hence, in respect of all the above class of goods, individual installed capacities cannot be given, as they are mainly dependent on product mix.

(c) Actual production and purchases include purchase of 17,725 MT (13,806 MT) in Milk Products and Nutrition, 322 MT (309 MT) in Beverages, Nil MT (455 MT) in Prepared dishes and cooking aids, 155 MT (61 MT) in Chocolate and Confectionery. The total value of these purchases is Rs. 589,642 thousands (Rs. 502,268 thousands).

(d) Previous year's figures are indicated in brackets.

15. Segment reporting

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

16. Related party disclosures under Accounting Standard 18

Holding companies: Nestlé S.A. and Maggi Enterprises Limited

Fellow subsidiaries are disclosed to comply with para 3 (a) of Accounting Standard -18 on "Related party Disclosures" albeit these do not control or exercise significant influence on Nestlé India Limited:

Belte Schweiz AG, Limited., Nestec S.A., Nestec York Limited, Nestlé (Fiji) Limited, Nestlé (China) Limited., Nestlé (PNG) Limited, Nestlé (South Africa) (Pty) Limited, Nestlé (Thai) Limited, Nestlé Australia Limited, Nestlé Bangladesh Limited, Nestlé Brazil Ltda, Nestlé Central And West Africa Ltd, Nestlé Deutschland AG, Nestlé Egypt S.A.E., Nestlé Foods Kenya Ltd, Nestlé France S.A.S., Nestlé Ghana Ltd, Nestlé Hong Kong Limited, Nestlé Hungaria Kft., Nestlé Iran (Private Joint Stock Company), Nestlé Japan Ltd, Nestlé Korea Ltd, Nestlé Kuban LLC, Nestlé Lanka PLC, Nestlé Manufacturing (Malaysia) Sdn. Bhd, Nestlé Middle East FZE, Nestlé Nederland B.V., Nestlé Pakistan Ltd, Nestlé Philippines, Inc., Nestlé Polska S.A., Nestlé Product Technology Centre Lebensmittelforschung GMBH, Nestlé Products Sdn..Bhd., Nestlé R&D Centre (Pte) Limited, Nestlé Romania S.R.L., Nestlé Shanghai Limited., Nestlé Singapore (PTE) Limited, Nestlé Suisse S.A., Nestlé Taiwan Limited, Nestlé Tianjin Limited., Nestlé Trading (Fiji) Limited, Nestlé Turkiye Gida Sanayi A.S., Nestlé UK Ltd, Nestlé USA Inc, Nestlé Vietnam Limited., Nestlé Waters Supply Est, Nestrade-Nestlé World Trade Corporation, Osem Food Industries Limited, Osem Uk Limited, PT Nestlé Indonesia, Servcom SA, Société des Produits Nestlé S.A., Nestlé R&D Centre India Private Limited (formerly Speciality Foods India Pvt Limited), Nestlé Canada Inc, Nestlé Bolivia S.A., Nestlé Waters France S.A.S, Nestlé R&D Center Shanghai Limited, Nestlé Italiana S.p.A, Nestlé Maroc S.A, Nestlé Portugal S.A, Nestlé Panama S.A, Nestlé Senegal, Nestlé Adriatic doo, Nestlé New Zealand Limited, Nestlé Shuangcheng Limited, Nestlé Mexico S.A.de C.V, Nestlé's Products (Mauritius) Limited, Nestlé Business Services S.A., Nestlé Dongguan Limited, Nestlé Equatorial Africa Region (EPZ) Limited, Nestlé Cesko s.r.o., Nestlé Product Technology Centre, Nestlé Asean (Malaysia) Sdn. Bhd., Societe Pour L'Exportation Des Produits Nestlé S.A., Al Manhal Water Factory Co. Ltd., Nestlé Syria Ltd., Nestlé Manufacturing Ltd., Nestlé Waters Product Technology Centre, Nestlé (Ireland) Ltd.

Whole time directors: Antonio Helio Waszyk, Chairman & Managing Director (w.e.f. October 22, 2009), Martial G Rolland, Chairman & Managing Director (upto September 30, 2009), Shobinder Duggal, Director - Finance & Control.

Name of transactions	**2009 (Rs. in thousands)**	2008 (Rs. in thousands)
Holding companies:		
Dividends		
- Interim Dividend	**2,146,678**	1,371,489
- Final Dividend	**745,374**	715,559
- Special Dividend	**-**	447,225
Expenses Reimbursed/incurred		
- Nestlé S.A.	**80,983**	46,476
Fellow subsidiaries:		
(a) Sale of finished and other goods		
- Nestlé Kuban LLC	**947,558**	1,041,748
- Nestlé Bangladesh Ltd	**313,025**	480,102
- Nestlé Hungaria KFT	**300,433**	296,003
- Others	**332,530**	403,862
(b) Sale of fixed assets		
- Nestlé Lanka PLC	**429**	224
- Nestlé Manufacturing (Malaysia) Sdn Bhd	**192**	-
- Nestrade - Nestlé World Trade Corporation	**-**	21,388
(c) Purchase of fixed assets		
- Nestlé Ptc Marysville	**962**	-
- Nestlé Lanka PLC	**-**	682
- Nestlé R&D Centre (Pte) Ltd	**-**	449
(d) Purchase of raw and packing materials and spare parts		
- Nestlé Lanka PLC	**341**	-
- Nestlé Asean (Malaysia) Sdn Bhd	**13**	-
(e) Purchase of finished goods		
- Nestlé Lanka PLC	**25,312**	58,437
- P.T. Nestlé Indonesia	**16,079**	4,424
- Nestlé Deutschland AG	**14,853**	4,448
- Others	**5,994**	4,672
(f) General licence fees (Net of taxes)		
- Société des Produits Nestlé S.A.	**1,759,874**	1,459,570
(g) Expenses Recovered/received		
- Nestec S.A	**6,976**	38,148
- Nestlé Bangladesh Ltd	**6,045**	6,668
- Nestlé Lanka PLC	**5,473**	17,594
- Nestlé R&D Centre India Private Limited (formerly Speciality Foods India Pvt Ltd)	**4,763**	4,930
- Nestlé Kuban LLC	**2,278**	46,074
- Others	**20,623**	20,364
(h) Expenses Reimbursed/incurred		
- Nestlé R & D Center (Pte) Limited	**50,319**	29,951
- Nestec S.A	**23,955**	18,270
- Nestlé Deutschland AG	**14,273**	18,835
- Others	**19,210**	25,896

	2009 (Rs. in thousands)	2008 (Rs. in thousands)
(i) Information technology and management information systems		
- Nestlé Australia Ltd.	**382,565**	304,293
Balance outstanding as at the year end		
• Proposed final dividend for 2009 payable to holding companies	**745,374**	715,559
• Receivables	**246,402**	202,020
• Advance towards business purchase	**27,170**	-
• Payables	**325,167**	261,499

Notes:

i. Details of remuneration to whole time directors' are given in the note 5 of the notes to the accounts. Balance payable to whole time directors as on December 31, 2009 is Rs. 11,963 thousands (Previous year Rs. 17,694 thousands)

ii. Other transactions with Key Managerial Personnel during the year:
Balance Outstanding against Loans disbursed under Company's Housing Loan Scheme for its employees includes Rs. Nil thousands (previous year Rs. Nil). Transactions during the year in this housing loan account : Interest debited Rs. Nil thousands (previous year Rs. 122 thousands), repayments Rs. Nil thousands (previous year Rs. 5,380 thousands).
Lease rentals paid (at market rates) during the year : Rs. 1,560 thousands (previous year Rs. 1,560 thousands).

17. 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 balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs.16,396 thousands (previous year Rs. 15,917 thousands). Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

18. Employee Plans

a) The company makes contribution towards employees' provident fund and employees' state insurance plan scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognised Rs. 126,811 thousands (previous year Rs. 102,088 thousands) as expense towards contributions to these plans.

Out of the total contribution, made for employees' provident fund, Rs. 67,262 thousands (previous year Rs. 50,793 thousands) is made to the Nestlé India Limited Employees Provident Fund Trust while the remainder contribution is made to provident fund plan operated by the Regional Provident Fund Commissioner. The outstanding balance payable as at December 31, 2009 to the Trust is Rs. 11,986 thousands (previous year Rs. 10,741 thousands) on account of company's and employees contribution for the month of December 2009.

The total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at December 31, 2009 as per the unaudited financial statements for the year then ended is Rs. 1,007,533 thousands (previous year Rs. 877,873 thousands) as against total plan assets of Rs. 1,004,449 thousands (previous year Rs. 878,195 thousands). The funds of the Trust have been invested under various securities as prescribed under the rules of the Trust.

b) Gratuity scheme - This is a funded defined benefit plan for qualifying employees. The company makes contributions to the Nestlé India Limited Employees' Gratuity Trust Fund. The scheme provides for a lumpsum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service.

c) Pension scheme - The company operates a non funded pension defined benefit scheme for its employees that qualify under the scheme. The scheme is discretionary in nature.

The following table sets out the status of the gratuity scheme and pension scheme plans as at December 31, 2009:-

	As at December 31, 2009 (Rs. in thousands)		As at December 31, 2008 (Rs. in thousands)	
	Gratuity Scheme Funded Plan	Pension Scheme Non Funded Plan	Gratuity Scheme Funded Plan	Pension Scheme Non Funded Plan
Change in benefit obligation:				
1 Present Value of obligation, as at the beginning of the year	355,980	3,076,320	322,190	2,662,598
2 Service cost	17,010	344,060	28,730	201,522
3 Interest cost	24,380	209,110	22,620	186,890
4 Actuarial (gain) / loss *(net of actual benefits paid, as shown under cost for the period below) **	(96,840)	578,889	(17,560)	25,310
5 Present Value of obligation, as at the end of the year	300,530	4,208,379	355,980	3,076,320
Change in plan Assets:				
1 Plan assets at the beginning of the year	355,318	-	304,300	-
2 Expected return on plan assets	24,610	-	21,295	-
3 Contribution by the Company	8,000	-	45,000	-
4 Actual benefits paid	(15,504)	-	(19,247)	-
5 Actuarial gain / (loss)	4,893	-	3,970	-
6 Plan assets at the end of the year	377,317	-	355,318	-
Liability/(Asset) recognised in the balance sheet as at December 31, 2009	(76,787)	4,208,379	662	3,076,320
Cost for the period:				
1 Service cost	17,010	344,060	28,730	201,522
2 Interest cost	24,380	209,110	22,620	186,890
3 Return on Plan Asset	(29,503)	-	(25,265)	-
4 Actuarial (Gain) / Loss on obligation	(96,840)	578,889	(17,560)	25,310
5 Actual benefits paid for the period*	15,504	178,184	19,247	90,518
Net cost	(69,449)	1,310,243	27,772	504,240
Constitution of plan assets:				
1 Bonds	205,807	-	227,724	-
2 Government of India securities	67,111	-	53,990	-
3 State Government/State Government guaranteed securities	87,171	-	72,979	-
4 Cash at bank and receivables	17,228	-	625	-
Total plan assets	377,317	-	355,318	-
Main Actuarial Assumptions:				
1 Discount Rate (%)	8.00	8.00	7.00	7.00
2 Expected rate of return on plan assets (%)	8.00	–	7.00	–

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

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

19. The Company participates in the Nestlé Restricted Stock Unit (RSU) Plan of Nestlé S.A., whereby select employees are granted non-tradeable Restricted Stock Units with the right to obtain Nestlé S.A. shares or cash equivalent. Restricted Stock Units 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. Provisions are made based on estimates including Nestlé S.A. share price over the vesting period.

	2009		2008	
The details are as under : -	**No. of Grants**	**(Rs. in thousands)**	No. of Grants	*(Rs. in thousands)*
Outstanding, non vested RSU grants as at 31.12.2009	**86,460**	**117,851**	86,550	105,827
RSU Grants vested during the year	**39,785**	**68,959**	32,350	61,607

20. The Company's significant leasing arrangements are primarily in respect of operating leases for premises (office, residential, warehouses etc.) and vehicles. These leasing arrangements which are not non-cancellable are usually renewable on mutually agreeable terms. The aggregate lease rentals charged to the profit and loss account are Rs. 332,706 thousands (previous year Rs. 271,157 thousands).

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

22. The foreign currency exposure of the Company as on December 31, 2009 is as under:

a) Category wise quantitative data*

		As at December 31, 2009			As at December 31, 2008		
	Currency	**Nos.**	**Amount in FC ('000)**	**Amount in INR ('000)**	Nos.	Amount in FC ('000)	Amount in INR ('000)
Forward contracts against exports	**USD**	**15**	**4,000**	**187,680**	16	6,199	302,081
	CAD	**-**	**-**	**-**	1	100	4,001
	GBP	**1**	**42**	**3,135**	1	20	1,382
Forward contracts against imports	**USD**	**4**	**498**	**23,261**	23	8,646	420,462
	AUD	**15**	**2,349**	**98,463**	7	1,750	58,713
	CHF	**-**	**-**	**-**	5	1,019	46,956
	EUR	**8**	**1,375**	**92,764**	4	521	35,682
	JPY	**3**	**75,000**	**38,145**	2	45,176	24,332

*At Contract price

b) All the forward contracts are for hedging foreign exchange exposures against firm commitments and/or forecasted transactions.

c) Foreign currency exposures remaining unhedged at the year end :

			As at December 31, 2009			As at December 31, 2008	
	Currency	**Nos.**	**Amount in FC ('000)**	**Amount in INR ('000)**	Nos.	Amount in FC ('000)	Amount in INR ('000)
Against exports	**CAD**		**-**	**-**		20	779
	GBP		**41**	**3,105**		7	511
	EUR		**44**	**2,941**		-	-
Against imports	**JPY**		**-**	**-**		86,572	46,437
	CHF		**326**	**14,747**		541	24,823
	EUR		**-**	**-**		318	21,714
	SGD		**339**	**11,281**		242	8,179
	NZD		**-**	**-**		103	2,884
	AUD		**349**	**14,646**		86	2,883
	GBP		**6**	**451**		21	1,489
	ZAR		**203**	**1,285**		14	71
	MYR		**13**	**177**		-	-

23. During the calendar year 2007, the Company had sought approval of the Hon’ble Delhi High Court under Sections 391 to 394 of the Companies Act, 1956 for a Scheme of Arrangement (“Scheme”) between the Company and its shareholders and creditors. The Scheme envisaged utilisation of following amounts for payment to the shareholders, subject to applicable taxes :

i) An amount of Rs. 432,363 thousands as lying in the Share Premium Account of the Company; and

ii) An amount of Rs. 430,857 thousands from the General Reserve Account of the Company, which was voluntarily transferred by the Company in excess of the prescribed 10% of the profits of the Company in accordance with the provisions of the Companies (Transfer of Profits to Reserves) Rules, 1975 during the financial years 1981 to 1996.

The equity shareholders supported the Scheme at a meeting held on May 3, 2007 as per directions of the Hon’ble Delhi High Court. Subsequently, the Honourable Delhi High Court vide its Order dated September 30, 2008 sanctioned the aforesaid Scheme and the Scheme became effective from October 31, 2008 after filing the certified copy of the aforesaid Order with the Registrar of Companies, NCT of Delhi and Haryana. Thereafter as per the Scheme, after deducting applicable corporate dividend tax from the aggregate amount of Rs. 863,220 thousands credited to the Profit and Loss Account, a Special Dividend of Rs.7.50 (Rupees seven and paise fifty only) per share calculated by dividing the net amount by the outstanding 96,415,716 equity shares of face value of Rs. 10/- each and rounding it off to the nearest half Rupee, was paid on November 26, 2008 to those shareholders whose name appeared in the Register of Members/ Beneficial Owners on November 17, 2008.

24. The Company has entered into the Business Purchase Agreement dated 18th December, 2009 with Nestlé R&D Centre India Private Limited (formerly Speciality Foods India Private Limited) [SFIPL], a wholly owned subsidiary of Nestlé SA for the purchase of Healthcare Nutrition Business, with effect from 1st January, 2010 alongwith identified assets and liablities. The total consideration net of liabilities, determined for the acquisition is Rs. 67,005 thousands. Accordingly, with effect from 1st January, 2010, the Company has acquired the Healthcare Nutrition Business from SFIPL.

25. Previous year figures have been regrouped/reclassified wherever necessary, to make them comparable.

26. **SIGNIFICANT ACCOUNTING POLICIES**

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, in accordance with applicable mandatory accounting standards prescribed under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

SALES

Sale of goods is recognised at the point of despatch to the customer. Sales include excise duty but exclude value added tax/sales tax. In order to comply with Accounting Standards on Revenue Recognition (AS- 9), gross sales (including excise duty) and net sales (excluding excise duty) is disclosed in the profit and loss account.

INVENTORIES

Stores and spare parts are stated at cost. Stock-in-trade is valued at cost or net realisable value, whichever is lower, as certified by the management. The bases of determining cost for various categories of inventories are as follows:

Raw and packing materials	:	First-in-first out
Stores and spare parts	:	Weighted average
Work-in-progress and finished goods	:	Material cost plus appropriate share of production overheads and excise duty, wherever applicable.

EMPLOYEE BENEFITS

Contributions to the provident fund and provision for pension and gratuity are charged to revenue every year. Provision for pension is made on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Provision for gratuity is made on the basis of actuarial valuation after taking into account the net result of gratuity trust fund. Recognition of other long term employee benefits, comprising largely of long service awards, is done on a discounted, accrual basis over the expected service period until the benefits become vested. Actuarial gains and losses are recognized immediately in the Profit and Loss account.

Liability on account of short term employee benefits, comprising largely of compensated absences and performance incentives, is recognized on an undiscounted, accrual basis during the period when the employee renders service/vesting period of the benefit.

DEPRECIATION / AMORTISATION

Depreciation is provided as per the straight-line method at rates provided in Schedule XIV to the Companies Act, 1956, except for the following classes of fixed assets, where the useful life has been estimated as under: -

Information technology equipment	:	3 years
Furniture and fixtures and Vehicles	:	5 years
Leasehold land and improvements	:	Lease period
Management information systems (Intangible fixed asset)	:	5 years

IMPAIRMENT OF FIXED ASSETS

Regular review is done to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset 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 factor.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognized for the asset 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 the asset in prior years.

TAXATION

The provision for taxation for the period comprises the residual tax liability for the assessment year 2009-2010 relevant to the period April 1, 2008 to March 31, 2009 and the liability, which has accrued on the profit for the period April 1, 2009 to December 31, 2009, under the provisions of the Indian Income tax Act, 1961.

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

CONTINGENT LIABILITIES AND PROVISIONS

Contingent liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved, in line with the provisions of Accounting Standard (AS) 29. Provisions are recognised when the Company has a legal/constructive obligation and on management judgement as a result of a past event, for which it is probable that a cash outflow may be required and a reliable estimate can be made of the amount of the obligation.

FIXED ASSETS

Fixed assets are stated at cost (net of CENVAT, wherever applicable) less accumulated depreciation. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use.

An intangible asset is measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

INVESTMENTS

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost or fair value. Long-term investments are stated at cost.

FOREIGN EXCHANGE TRANSACTIONS

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

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

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

In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of contract as well as exchange difference on such contracts i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception/the last reporting date, is recognised as income/expense for the period.

ANNEXURE - 1 TO THE DIRECTORS' REPORT

Report on Corporate Governance for the year ended December 31, 2009

NESTLÉ'S PHILOSOPHY ON CODE OF GOVERNANCE

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

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

BOARD OF DIRECTORS

Composition, Attendance of the Directors at the Board Meetings and the last Annual General Meeting, Outside Directorships and other Board Committees

Above information as on 31st December, 2009 or for the year 2009, as applicable, is tabulated hereunder:

Director	No. of Board Meetings attended	Attendance at previous AGM on 05.05.2009	No. of outside Directorship held [A]	No. of Membership/ Chairmanship in other Board Committees [B]	Executive/ Non-Executive/ Independent
Mr. Antonio Helio Waszyk[1]	2	Not Applicable	Nil	Nil	Executive
Mr. Martial G. Rolland[2]	5	Present	Nil	Nil	Executive
Mr. Shobinder Duggal	7	Present	Nil	Nil	Executive
Mr. Pradip Baijal	5	Present	2	Nil	Non Executive & Independent
Mr. Ravinder Narain	5	Present	4	2	Non Executive & Independent
Mr. M. W. O. Garrett	3 [C]	Present	Nil	Nil	Non Executive
Mr. Rajendra S. Pawar	6	Present	12	4	Non Executive & Independent
Mr. Richard Sykes [3]	Nil	Not Present	Nil	Nil	Non Executive

1 Nominated by Nestlé S.A. Appointed as Managing Director with effect from 22.10.2009.
2 Nominated by Nestlé S.A. Ceased to be a Director with effect from 30.09.2009.
3 Alternate Director to Mr. M. W. O. Garrett.
A Directorship in companies registered under the Companies Act, 1956, excluding directorships in private companies, foreign companies, companies under Section 25 of the Companies Act, 1956 and alternate directorship.
B Only covers membership / chairmanship of Audit Committee and Shareholder / Investor Grievance Committee.
C In addition to the Board Meetings attended, Mr. M.W.O.Garrett also participated over phone on 06.03.2009 and 30.07.2009.

As at 31st December, 2009, in compliance with the corporate governance norms, the Company's Board of Directors headed by its executive Chairman, Mr. Antonio Helio Waszyk comprised 5 other directors, out of which three are independent directors. None of the Directors was a member of more than 10 Board-level committees, nor a Chairman of more than 5 such committees, across all companies in which he was a Director.

Board Meetings held during the year 2009

During the year, seven Board Meetings were held on 19th February, 2009, 6th March, 2009, 29th April, 2009, 30th April, 2009, 30th July, 2009, 30th October, 2009 and 7th December, 2009. The maximum gap between any two meetings was less than four months. All material information is circulated to the directors before the meeting or placed at the meeting, including minimum information made available to the Board as mentioned under Clause 49 of the Listing Agreement.

The Company has established procedures to enable the Board to periodically review compliance reports of laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances. The Board reviewed the reports prepared by the Company on half-yearly periodicity.

Compliance with the Code of Conduct

The Company has adopted a "Nestlé India Code of Business Conduct". The Code is available on the official website of the Company www.nestle.in.

It is hereby affirmed that the Directors and Senior Management have given an annual affirmation of compliance with the code of conduct during the year 2009.

AUDIT COMMITTEE

The powers, role and terms of reference of the Audit Committee covers the areas as contemplated under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. The powers include investigating any activity within terms of reference; seeking information from any employee; obtaining outside legal and other professional advice; and securing attendance of outsiders with relevant expertise, if considered necessary. The role includes oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible; recommending the appointment and removal of external auditor; fixation of audit fee and approval of payment for other services; discussing with internal auditors any significant findings and follow-up thereon; reviewing annual and quarterly financial statements with management before submission to the Board; reviewing the adequacy of internal control systems with management, external and internal auditors; and reviewing the Company's financial risk and management policies.

The Audit Committee comprises of Mr. Pradip Baijal (Chairman), Mr. Ravinder Narain and Mr. Rajendra S. Pawar, all being Non-Executive and Independent Directors. All members of the Audit Committee are financially literate, and Mr. Pradip Baijal and Mr. Rajendra S. Pawar, have related financial management expertise by virtue of their comparable experience and background. Mr. B. Murli, Company Secretary, acts as the Secretary to the Committee. The Director – Finance & Control and Head of Corporate Control are permanent invitees to the Meetings of the Audit Committee. The Head of Internal Audit, the concerned partners/ authorised representatives of the Statutory Auditors and the Cost Auditors are also invited to the Meetings of the Audit Committee.

During the year, the Audit Committee met six times on 6th March, 2009, 30th April, 2009, 30th July, 2009, 31st August, 2009, 30th October, 2009 and 7th December, 2009 and all members of the Committee attended the aforesaid meetings. The maximum gap between any two meetings was less than four months.

SHAREHOLDER / INVESTOR GRIEVANCE COMMITTEE

The Shareholder / Investor Grievance Committee oversees redressal of shareholder and investor grievances, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends and related matters.

During the year, due to cessation of Mr. Martial G. Rolland as a Director of the Company and appointment of Mr. Antonio Helio Waszyk in his place, the Shareholder/ Investor Grievance Committee was re-constituted with effect from 22nd October, 2009 and comprises of Mr. Ravinder Narain, a Non-Executive and Independent Director, as the Chairman of the Shareholder/ Investor Grievance Committee and Mr. Antonio Helio Waszyk, Managing Director as the other member. Mr. B. Murli, Company Secretary acts as the Compliance Officer.

The Committee met four times during the year on 6th March, 2009, 30th April, 2009, 30th July, 2009 and 30th October, 2009. All members of the Committee attended the aforesaid meetings.

During the year, 26 complaints were received from shareholders and investors. All the complaints have generally been solved 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 2009 and no such transfer is pending.

REMUNERATION COMMITTEE

Matters of remuneration of Executive Directors are considered by the Board of Directors of the Company, with the interested Executive Director(s), not participating or voting. The terms of remuneration of Executive Directors are approved by the shareholders at the Annual General Meeting. Therefore, no separate Remuneration Committee has been constituted.

The remuneration of Non-Executive Directors is decided by the Board of Directors as per the terms approved by the shareholders at the Annual General Meeting.

The remuneration policy of the Company is to remain competitive in the industry to attract and retain talent and appropriately reward employees for their individual performance and contribution to the business.

REMUNERATION OF DIRECTORS FOR 2009

(Rupees in thousands)

Name of the Director	Sitting Fee	Salaries and Allowances	Perquisites	Company's Contribution to PF	Commission	Total
Mr. Martial G. Rolland[1]	N.A.	18,148	6,719	2,045	25,190	52,102
Mr. Antonio Helio Waszyk[1]	N.A.	6,467	2,188	232	3,704	12,591[#]
Mr. Shobinder Duggal[1]	N.A.	7,195	2,239	809	3,124	13,367
Mr. Pradip Baijal	240	N.A.	N.A.	N.A.	350[@]	590
Mr. Ravinder Narain	260	N.A.	N.A.	N.A.	350[@]	610
Mr. Rajendra S. Pawar	240	N.A.	N.A.	N.A.	350[@]	590
Mr. M.W.O. Garrett	60	N.A.	N.A.	N.A.	350[@]	410

1 The Company has service contract 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.

\# The remuneration is subject to the approval of the shareholders at the Annual General Meeting of the Company and appointment subject to Central Government approval.

@ The Commission for the year ended 31st December, 2009 will be paid, subject to deduction of tax after adoption of the accounts by the shareholders at the Annual General Meeting to be held on 21st April, 2010.

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

Remuneration of Mr. Shobinder Duggal excludes provisions for incremental liability for pension, since certification of actuary is for the Company as a whole. There is no incremental liability for gratuity, since Mr. Duggal had earned gratuity, before being appointed as a Director of the Company. Provision for incremental compensated absences liability has also been excluded since the computation for the same has been done for the Company as a whole.

Perquisites of the whole-time/ managing director include, interalia, Leave Travel.

Commission is subject to adequate profits being earned. Performance criteria for the Executive Directors take into account achievement of performance parameters. The Non-Executive Directors are paid remuneration based on their contribution and current trends.

None of the Non-Executive Directors holds any equity shares or convertible instruments in the Company. The Company does not have any stock option scheme. The Company participates in the Nestlé Restricted Stock Unit Plan ('Plan') of Nestlé S.A., whereby select employees are granted non-tradeable Restricted Stock Units of Nestlé S.A. under the Plan.

As required, a brief profile and other particulars of the Directors seeking appointment/ re-appointment are given in the Notice of the 51st Annual General Meeting and forms part of the Corporate Governance Report.

CEO/CFO CERTIFICATION

The Managing Director and Director- Finance and Control have certified to the Board of Directors, inter alia, the accuracy of financial statements and adequacy of Internal Controls for the financial reporting purpose as required under Clause 49 (V) of the Listing Agreement, for the year ended 31st December, 2009.

GENERAL BODY MEETINGS

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

Year & Date	Time	Venue
05.05.2009	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010
02.05.2008	10.00 A.M.	-do-
03.05.2007	9.00 A.M.	-do-

None of the resolutions were passed as special resolution or put through postal ballot, in the three previous Annual General Meetings.There was no other General Body Meeting in the last three years. As per the Directions of the Hon'ble High Court of Delhi, meeting of equity shareholders was held on 3rd May, 2007 to consider the Scheme of Arrangement between the Company and its shareholders and creditors.

There is no special resolution proposed to be passed through postal ballot at the ensuing Annual General Meeting on 21st April, 2010.

DISCLOSURES

During the year 2009, 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. 16 of Schedule N to the Annual Accounts.

The Company has complied with the requirements of regulatory authorities on capital markets and no penalties or strictures has been imposed on the Company by Stock Exchange, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited, Mumbai.

The status of adoption of the non-mandatory requirements of Clause 49 of the Listing Agreement is as under:

(a) Maintaining non-executive Chairman's Office: Presently not applicable as the Chairman of the Company is an Executive Director; **(b) Tenure of Independent Director:** No specific tenure has been prescribed for Independent Directors; **(c) Remuneration Committee :** No separate Remuneration Committee has been constituted. Please refer to para above on "REMUNERATION COMMITTEE"; **(d) Shareholder Rights:** Half-yearly and other quarterly financial statements are published in newspaper and uploaded on Company website (www.nestle.in) and SEBI website (www.sebiedifar.nic.in). Presently, half-yearly financial performance of the Company is not being sent to each household of shareholders; **(e) Audit Qualifications:** The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements; **(f) Training of Board Members :** In the course of Board/ Audit Committee Meetings the Directors are where relevant provided information on the business model, the risk profile of the business parameters, their responsibilities as Directors, and best ways to discharge them; **(g) Mechanism for evaluating non-executive Board Members:** The Company has not adopted any mechanism for evaluation of individual performance of Non-Executive Directors **(h) Whistle Blower Policy:** The standard of behaviour of Nestlé India is governed by significant documents from "Nestlé Corporate Business Principles", "The Nestlé Management and Leadership Principles" and "Nestlé Code of Business Conduct". Employees can report to the Company Secretary on a confidential basis any practices or actions believed to be inappropriate under the Nestlé India Code of Business Conduct or believed to be illegal. Further, the Company has appointed Ombudsman for Infant Code, under which employees can report suspected Code violations directly to the Ombudsman, with adequate safeguard to protect the employee reporting.

MEANS OF COMMUNICATION

The Quarterly, Half-Yearly and Annual Results are widely published by the Company in one or more of the leading newspapers such as Business Standard, Financial Express, The Pioneer, Rashtriya Sahara, Mint, Jansatta and The Hindu Business Line.

As per the requirement of Clause 51 of the Listing Agreement, all the data related to financial results, shareholding pattern etc. are posted on the SEBI's EDIFAR System and the same can be viewed on the SEBI's website www.sebiedifar.nic.in.

The domain name of the Company's website is www.nestle.in and up-to-date financial results, official press releases, presentations to analysts and institutional investors and other general information about the Company, is available on this website.

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

Industry structure and developments, opportunities and threats, segment wise or product-wise performance, outlook, risks and concerns of the Company and discussion on financial performance with respect to the operational performance, has been covered in the Directors' Report – more specifically in the opening and under the sections on Financial Results and Operations, Exports, Business Development and SWOT Analysis of the Company.

The Company has an adequate system of internal controls to ensure that transactions are properly recorded, authorised and reported apart from safeguarding its assets. The internal control system is supplemented by well-documented policies, guidelines and procedures and review 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 controls 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 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 Clause 49 of the Listing Agreement with the Bombay Stock Exchange.

There has been no material development in Human Resources / Industrial relations during the period covered by this Annual Report. Your Company has a favourable work environment that motivates performance, customer focus and innovation while adhering to the highest degree of quality and integrity. As part of manpower development and training and with an aim to enhance operational efficiency, employees of the Company have been sent on postings and assignments to the other Nestlé Group companies.

Manpower figure of the Company as on 31st December, 2009 was 4,983.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Date and Time	:	21st April, 2010 at 10.00 a.m.
Venue	:	Air Force Auditorium, Subroto Park, New Delhi – 110 010.
Financial Calendar, 2010 (tentative)	:	
First Quarter Results	:	Last week April, 2010
Second Quarter and Half Yearly Results	:	Last week July, 2010
Third Quarter Results	:	Last week October, 2010
Annual Results	:	February / March, 2011
Financial Year	:	1st January to 31st December
Annual Book Closure date	:	27th April, 2010 to 28th April, 2010

Dividend payment date : Final dividend of Rs.12.50 per 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 around 7th May, 2010.

Two interim dividends for the year 2009, first at the rate of Rs. 9.00 per share and the second at the rate of Rs. 27.00 per share, were paid on 15th May, 2009 and 16th November, 2009, respectively.

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

Not applicable.

Listing on Stock Exchanges and Stock Code

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

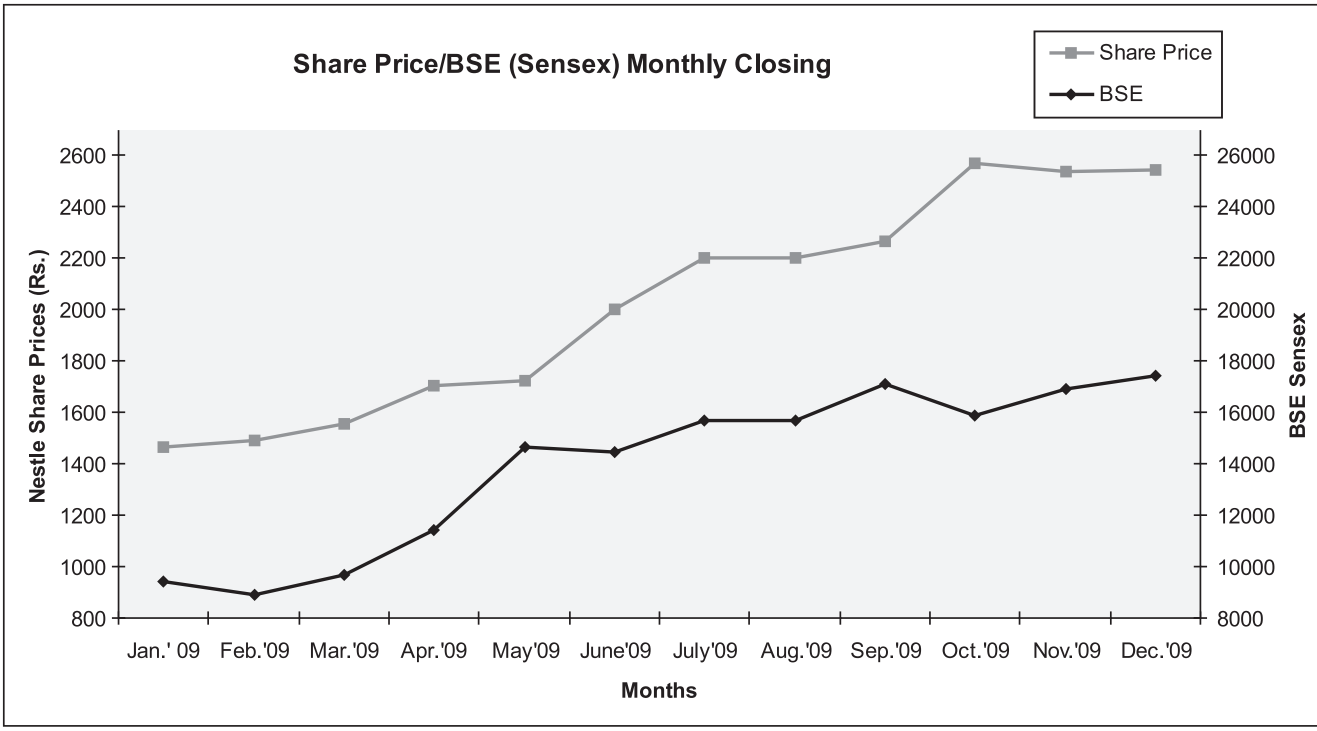
The ISIN Number of Nestlé India Limited on both the NSDL and CDSL is INE239A01016.

Market Price Data: High/Low in each month of Calendar Year, 2009 on the Bombay Stock Exchange Ltd., Mumbai

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
January	1,520.00	1,377.05	July	2,250.00	1,910.00
February	1,519.50	1,455.00	August	2,255.00	2,082.00
March	1,575.00	1,409.00	September	2,285.00	2,130.00
April	1,802.00	1,545.00	October	2,739.00	2,260.00
May	1,800.00	1,652.30	November	2,690.00	2,500.25
June	2,017.00	1,693.00	December	2,700.00	2,486.00

[Source: www.bseindia.com]

Performance in comparison to BSE Sensex



[Source: www.bseindia.com]

Registrar and Transfer Agents:

M/s Alankit Assignments Limited, 2E/21, Jhandewalan Extension, New Delhi -110 055

Share Transfer System

Share transfers are registered and returned in the normal course within an average period of 21 days from the date of receipt, if the documents are clear in all respects. Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) within 15 days.

Categories of Shareholding as on 31st December, 2009

Category of Shareholder	Number of Shares	Percent of Total Shares
Promoter and Promoter Group (A)	**59,629,954**	**61.85**
Public Shareholding		
Foreign Institutional Investors	9,684,554	10.04
Insurance Companies	5,388,091	5.59
Mutual Funds/ UTI	3,460,664	3.59
Financial Institutions/ Banks	537,664	0.56
Bodies Corporate	1,649,003	1.71
Individuals	15,686,843	16.27
NRIs and OCBs	378,943	0.39
Total Public Shareholding (B)	**36,785,762**	**38.15**
Total Shareholding (A + B)	**96,415,716**	**100.00**

Distribution of shareholding as on 31st December, 2009

No. of shares	Number of shareholders	Number of Shares	Percent of total shares
1 to 100	33,963	1,186,300	1.23
101 to 500	11,408	2,741,696	2.84
501 to 1,000	2,811	2,048,594	2.13
1,001 to 5,000	1,709	3,489,514	3.62
5,001 to 10,000	221	1,543,979	1.60
10,001 to 50,000	183	4,341,905	4.50
50,001 to 1,00,000	55	3,897,154	4.04
1,00,001 and above	56	77,166,574	80.04
Total	**50,406**	**96,415,716**	**100.00**

Dematerialisation of shares:

45.90 % equity shares of the Company have been dematerialised as on 31st December, 2009.

Plant Locations:

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

Address for correspondence:

Shareholder Services, M – 5 A, Connaught Circus, New Delhi – 110 001. Phone: 011-23418891

E-mail for Investors: investor@in.nestle.com

On behalf of the Board of Directors

Date : 19th February, 2010
Place : Gurgaon

ANTONIO HELIO WASZYK
CHAIRMAN

CERTIFICATE

TO THE MEMBERS OF NESTLÉ INDIA LIMITED

We have examined the compliance of conditions of Corporate Governance by Nestlé India Limited, for the year ended December 31, 2009, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

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

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

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

For A.F. FERGUSON & CO.,
Chartered Accountants

(MANJULA BANERJI)
Partner
(Membership No. 86423)
Firm ICAI Registration No. : 112066 W

Date : 19th February, 2010
Place : New Delhi

ANNEXURE - 2 TO THE DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of Directors' Report for the year ended 31st December, 2009.

A CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

As in the past, the Company continued to stress upon the 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. The significant measures taken/continued during 2009, which have contributed to energy conservation, were:

- Improving steam generation ratio (steam / fuel ratio) by improving steam condensate recovery; stack losses & lower blow down losses.
- New non-conventional fuels like coffee husk, wood waste and cashew shells used as additional alternative fuel in addition to coconut shells, spent coffee/ tea waste for steam generation.
- Grid power utilization maximized over captive power usage.
- Regular energy audit of factories to optimize energy cost (generation, utilization & recovery).
- Installation of flash steam recovery system for using waste heat of one process as input for another and improving energy consumption per ton of the product.
- Adopted Programmable Logic Control (PLC) for energy cost optimization and reduced idle operation of installations.
- Tracking and trending of all energy usage for continuous improvements and setting up aggressive objectives and targets for continuous improvement.
- Recycling of treated effluents for plantations & in non- process area etc.

(b) Additional Investment

Following proposals are at various stages of implementation:

- Commissioned new heavy oil power generation set for optimizing energy cost.
- Installed centrifuge filters for Heavy Petroleum Stock and Furnace Oil for improving energy generation efficiency.
- Project in progress for recovery of un-burnt carbon from Coal Fly-ash.
- Installation of Reverse Osmosis plant to reduce boiler blow down.
- VAM chiller project in progress for optimizing energy cost.

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

The measures taken during 2009, including measures initiated in the past in the above direction have facilitated efforts for conservation of energy and helped contain the energy costs. As a result, during the past decade, for every tonne of production your Company has reduced the usage of energy by 60%, reduced the generation of greenhouse gases by around 65% and generation of waste water by around 70%.

(d) Energy Consumption

Total energy consumption and energy consumption per unit of production, as per prescribed Form A together with the comparative figures for 2008, are given at the end of this part. The Company manufactures varieties of products each of them using a combination of various sources of energy in different proportions. Therefore the comparison as mentioned in Form A, does not truly reflect the efforts of the Company at reducing consumption in terms of units of consumption.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B are furnished below.

Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company.

Your Company as a part of Nestlé Group and under the General Licence Agreement has access to and advantage of drawing from the extensive central Research and Development efforts and activities of the Nestlé Group. Nestlé Group spends enormous amounts and efforts in research and development 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 Research and Development (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 Research & Development (R&D) activity and expenditure of the Nestlé Group, at an annual outlay of around 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:

	(Rs. in thousands)
a) Capital	47,691
b) Recurring	151,169
c) **Total**	**198,850**
d) Total R&D as a percentage of total turnover	0.39%

Technology absorption, adaptation and innovation

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

As a result of the Companies 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 Directors' 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 Rs. 3,264 Million mainly comprising foreign exchange earnings of Rs. 2,453 Million (including sales to Russia invoiced in Rupees) and export to neighbouring countries in Rupees amounting to Rs. 808 Million.

The foreign exchange outgo of Rs. 7,844 Million**.** Details of earnings from exports and foreign exchange outgo on account of imports, expenditure on traveling, general licence fees, etc. and remittances made to non-resident shareholders on account of dividend are shown in Notes 8, 9, 11 and 12 respectively of Notes to the Accounts. Members are requested to refer to these Notes.

FORM A

CONSERVATION OF ENERGY (CONSOLIDATED)

(A) Power and Fuel Consumption	2009	2008
1. Electricity		
(a) Purchased		
Units (000 KWH)	**80,984**	72,179
Total Cost (Rupees in thousands)	**363,131**	301,480
Cost/KWH	**4.48**	4.18
(b) Own Generation		
Through Diesel Generator		
Units (000' KWH)	**31,213**	28,917
Units per litre of oil(KWH)	**3.50**	3.49
Cost/KWH (Rs)	**8.77**	9.22
2. Coal (Various grades)		
Quantity (Tonne)	**34,943**	31,918
Total Cost (Rupees in thousands)	**188,335**	167,084
Cost/Tonne (Rs.)	**5,389.83**	5,234.73
3. Furnace Oil		
Quantity (KL)	**28,576**	24,941
Total Cost (Rupees in thousands)	**634,416**	710,674
Cost/KL (Rs.)	**22,200.97**	28,494.32
4. Other Consumption of Fuel		
(a) High Speed Diesel Oil and Superior Kerosene Oil		
Quantity (KL)	**1,387**	1,312
Total Cost (Rupees in thousands)	**39,252**	47,107
Cost/KL (Rs.)	**28,291.34**	35,916.67
(b) Non-Conventional Fuels-Coconut Shell & Coffee Husk		
Quantity (Tonne)	**21,736**	18,313
Total Cost (Rupees in thousands)	**73,404**	63,239
Cost/Tonne (Rs.)	**3,377.03**	3,453.21
(c) Liquid Petroleum Gas		
Quantity (Tonne)	**1,154**	1,188
Total Cost (Rupees in thousands)	**39,684**	56,667
Cost/Tonne (Rs.)	**34,395.69**	47,715.60

(B) Consumption per unit of production

	Beverages		Milk Products and Nutrition		Chocolate & Confectionery		Prepared Dishes & Cooking Aids	
	Current Year 2009	Previous Year 2008	Current Year 2009	Previous Year 2008	Current Year 2009	Previous Year 2008	Current Year 2009	Previous Year 2008
Electricity (KWH/T)	1,097.98	997.80	395.23	400.62	705.74	706.77	143.19	138.30
Furnace Oil (Ltrs./T)	170.51	153.42	108.20	112.21	37.28	38.77	68.69	66.42
Coal (Kgs./T)	108.80	117.95	360.44	334.78			139.23	155.26
Others:								
HSD, HPS (Ltrs. /T)	74.83	83.96	0.45	0.47	-	-	0.45	0.82
LPG (Kgs./T)	-	-	1.32	1.37	53.04	54.89	-	-

Note : There are no specific standards avialable for each category since the product range under each head shown above consists of various products with different consumption.

NESTLÉ INDIA LIMITED

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 003786 State Code 55

Balance Sheet Date 31 12 2009

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

	Total Liabilities	Total Assets
	6132622	6132622
Sources of Funds	Paid-Up Capital	Reserves & Surplus
	964157	4848493
	Secured Loans	Unsecured Loans
	NIL	NIL
Application of Funds	Net Fixed Assets	Investments
	9758321	2032555
+ −	Net Current (Liabilities)/Assets	Miscellaneous Expenditure
−	5658254	NIL
	Accumulated Losses	
	NIL	

IV. Performance of the Company (Amount in Rs. Thousands)

	Turnover (Gross Revenue)		Total Expenditure
	51671743		42075616
	Profit Before Tax		Profit After Tax
+	9169758	+	6550028
	Earnings Per Share in Rs.		Dividend Rate %
	67.94		485

V. Generic Name of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC Code) 19.01.0000

Product Description PREPARATION OF MILK CREAM AND CEREALS

Item Code No. (ITC Code) 19.02.0000

Product Description NOODLES

Item Code No. (ITC Code) 21.01.0000

Product Description SOLUBLE COFFEES COFFEE BLENDS AND TEA

Nestlé

Maggi®

Maggi Taste Bhi Health Bhi™

NESCAFÉ®

COFFEE AT ITS BEST™

Nestlé®

Delight in Every Bite!

Nestlé®

Brings Life to Milk

Nestlé

PROFESSIONAL®

Creative Food & Beverage Solutions

Nestlé Nutrition®

Enhancing the quality of life

The Recognised Leading Nutrition, Health, and Wellness Company