



  
Nestlé  
Good Food. Good Life

NESTLÉ INDIA LIMITED  
ANNUAL REPORT 2000



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## NOTICE

**NOTICE IS HEREBY GIVEN THAT THE FORTY SECOND ANNUAL GENERAL MEETING OF NESTLE INDIA LIMITED** will be held at Air Force Auditorium, Subroto Park, New Delhi 110 010 on Wednesday, 27<sup>th</sup> June, 2001, at 10.00 A.M. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> December, 2000 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To declare Final Dividend and confirm the Interim Dividend of Rs. 8.00 per equity share, already paid.
3. To appoint a Director in place of Mr. Ravinder Narain, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-  
 "RESOLVED that Mr. Tejendra Khanna, retiring at this Annual General Meeting, having been appointed in the casual vacancy caused by the resignation of Mr. Lim Khing Fong, being eligible and offering himself for appointment and in respect of whom the Company having received notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature, be and is hereby appointed a Director of the Company."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-  
 "RESOLVED that pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the appointment of Mr. Jean Marc Waelti as the Wholtime Director of the Company, designated as Director-Finance and Control, for a period of 5 years effective 1<sup>st</sup> July, 2000 on the terms and conditions of appointment as contained in the Agreement, a copy whereof initialed by the Chairman for the purpose of identification is placed before the meeting, and the Board of Directors be and is hereby authorised to alter and vary such terms and conditions so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any statutory modification thereof, as may be agreed by the Board of Directors and Mr. Waelti."
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :-  
 "RESOLVED that, subject to such approvals as may be necessary, the Non Executive Directors of the Company, be paid annually for each of the five years beginning 1<sup>st</sup> January, 2000 and with effect from 24<sup>th</sup> October, 2000, an amount not exceeding 1% of the net profits of the Company, as provided under Section 309(4) of the Companies Act, 1956 (the "Act"), or any amendment or modification thereof, in addition to the sitting fee for attending the meetings of the Board of Directors or any Committee thereof, to be divided amongst the Directors aforesaid in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination equally, provided that none of the Directors aforesaid shall receive individually a sum exceeding Rs. 300,000/- for each of the five years."
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :-  
 "RESOLVED that the Articles of Association of the Company be amended by insertion of a new Article 59A after the existing Article 59, under a separate chapter titled "Buy-Back of Shares" reading as follows:

#### BUY BACK OF SHARES

59A. Subject to and in full compliance of the requirements of Section 77A, 77AA, 77B and any other applicable provisions of the Companies Act, 1956 or corresponding provisions of any re-enactment thereof and any Rules and Regulations that may be prescribed by the Central Government, the Securities and Exchange Board of India (SEBI) or any other appropriate authority in this regard, the Company, in a General Meeting may, upon the recommendation of the Board, at any time and from time to time, by a Special Resolution authorise buy-back of any part of the share capital of the Company fully paid-up on that date."

By Order of the Board

Registered Office:  
 M-5A, Connaught Circus  
 New Delhi 110 001  
 7<sup>th</sup> March, 2001

B. Murli  
 Secretary

**IMPORTANT NOTES:**

1. The Register of Members of the Company will remain closed from Saturday 16<sup>th</sup> June, 2001 to Wednesday 27<sup>th</sup> June, 2001, both days inclusive, in connection with the Annual General Meeting. The book closure would also determine entitlement to the Final Dividend for 2000 and Interim Dividend for 2001, if any, that may be decided to be paid by the Board of Directors at a later date.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL ONLY TO VOTE INSTEAD OF HIM. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. The amount of unclaimed dividend for and upto the Interim Dividend for 1995 paid on 5<sup>th</sup> July, 1995 has already been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those members who have so far not claimed their dividends for the said periods may claim the same by submitting an application in prescribed Form II to the Registrar of Companies, N.C.T. of Delhi and Haryana, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi - 110 003.

Under Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years from the date of payment shall be transferred to the Investor Education and Protection Fund.

Members who have not encashed the dividend warrant(s) so far for Second Interim Dividend, 1995 or any subsequent dividend payment(s) are requested to make their claims to the Company. No claim shall lie against the Company or the said Fund in respect of individual amounts which remain unclaimed and unpaid for a period of seven years from the date of payment and no payment shall be made in respect of any such claims.

4. The Share Department at the Registered Office of the Company is open for public dealings between 10.00 a.m. and 12.30 p.m. from Monday to Friday, excluding holidays.
5. Under the provisions of Section 109A and 109B to the Companies Act, 1956, every individual member is entitled to nominate in the prescribed manner, a person to whom his/her shares in the Company, shall vest in the event of his/her death. Members who are interested in availing this nomination facility are requested to write to the Company.
6. The members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc. to their depository participant (DP). These changes will be automatically reflected in Company's records which will help the Company to provide efficient and better service to members.
7. Explanatory Statement under Section 173(2) of the Companies Act, 1956 relating to Special Business to be transacted at the meeting, is annexed hereto.
8. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/reappointment at the Annual General Meeting, is contained in the Explanatory Statement for the item of Special Business and is separately annexed hereto for the item of Ordinary Business.

**I. EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

**Item No. 5**

The Board of Directors of the Company had appointed Mr. Tejendra Khanna at their meeting held on 24<sup>th</sup> October, 2000 to fill in the casual vacancy caused by the resignation of Mr. Lim Khing Fong, a Director liable to retire by rotation. Under Section 262 of the Companies Act, 1956 read with Article 126 of the Articles of Association of the Company, Mr. Khanna holds office only till the date of the forthcoming Annual General Meeting.

A notice has been received from a member as required under Section 257 of the Companies Act, 1956 proposing Mr. Khanna as a candidate for the office of Director.

Mr. Khanna, who served as Lt. Governor of Delhi during 1997-98, has had a distinguished career with the Central Government after joining the Indian Administrative Service in 1961, including the positions of Commerce Secretary and Food Secretary to the Government of India, Chief Secretary to Government of Punjab and Chief Controller of Imports and Exports. He is currently the Chairman of Ranbaxy Laboratories Limited and Chairman of the Indian Advisory Board, Standard Chartered Bank. He is also the Chairman of the following two Board Committees of Ranbaxy Laboratories Limited - Audit Committee and Shareholders/ Investors Grievance and Share Transfer Committee. His experience would be of immense benefit to the Company.

The Board considers it desirable that the Company should continue to avail services of Mr. Khanna as a Director and accordingly recommends this Resolution for approval of members.

Mr. Khanna may be deemed to be interested or concerned in the Resolution at Item No. 5.

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

The Board of Directors at their meeting held on 24<sup>th</sup> April, 2000 appointed Mr. Jean Marc Waelti as a Wholtime Director, designated as "Director – Finance and Control" for a period of 5 years with effect from 1<sup>st</sup> July, 2000. The appointment was made pursuant to nomination received from Nestle S.A., in terms of Article 118 A of the Articles of Association of the Company, in place of Mr. J.D.Luethi, who relinquished his office as a Director of the Company with effect from 1<sup>st</sup> July, 2000.

Mr. Waelti joined the Nestle Group in 1983. After completing his studies in Business Administration and Political Economy at the University of Neuchatel, Switzerland, Mr. Waelti spent a year at the London School of Economics as a research fellow in monetary economics. He started his professional career in Banking and worked for two years with Credit Suisse before joining Nestle Group. He comes with a wealth of experience, having worked for four years as Vice President and Treasurer with Nestle Capital Corporation, Stanford, U.S.A., before taking charge at Nestlé India Limited in May, 1998 as Executive Vice President – Finance and Control, which position he continued to hold till his appointment as the Wholtime Director designated as "Director – Finance and Control". Mr. Waelti does not hold directorship in any other Company registered under the Companies Act, 1956.

The approval of members is being sought to the terms and conditions of appointment of Mr. Waelti as the Wholtime Director. The terms and conditions (fixed by the Board of Directors at their meeting held on 24<sup>th</sup> April, 2000) are keeping in line with the remuneration package that is necessary to encourage good professional managers with a sound career record to occupy important position such as that occupied by Mr. Waelti.

The material terms and conditions as contained in the Agreement are given below:

#### **I) Salary and Commission (hereinafter referred to as "Remuneration")**

- a) Salary: At the rate not exceeding Rs. 3,50,000/- per month with increments effective 1<sup>st</sup> January each year, as may be decided by the Board of Directors of the Company, subject to a ceiling on increment of 30% per annum, commencing from 1<sup>st</sup> January, 2001.
- b) Commission/Performance linked incentive: On net profits of the Company determined in accordance with relevant provisions of the Companies Act, 1956 at a rate to be determined by the Board of Directors from time to time, but not exceeding an amount equivalent to half the Salary for the relevant period. The payment may be made on a pro rata basis every month or on an annual basis or partly monthly and partly on annual basis at the discretion of the Board.

#### **II) Perquisite :**

1. In addition to the Remuneration as stated above, Mr. Waelti shall be entitled, as per the rules of the Company, to :
  - a) Rent free furnished residential accommodation with free use of all facilities and amenities, such as air conditioners, stoves, geysers, gas, electricity, water, etc.
  - b) Reimbursement of all medical expenses incurred for self and family including hospitalisation, membership of any hospital and/or doctor's scheme.



- c) Leave Travel Allowance for self and members of his family residing in India and holiday passage to visit India to the members of his family not residing in India.
- d) Subscription to clubs.
- e) Use of Company car with driver and telephones at the residence. Use of car with driver and telephones, for office purposes shall not be considered as a perquisite. Personal long distance telephone calls shall be borne by Mr. Waelti.
- f) Contribution to provident fund, superannuation fund, gratuity and encashment of leave at the end of his tenure will be permitted in accordance with the rules of the Company from time to time.
- g) Terminal benefits :

*First class air/sea passage together with cost of transportation of household belonging to such place as may be approved by the Board of Directors at the time of leaving the services of the Company.*

- h) Any other perquisite as may become applicable in the future.

*The value of the perquisite would be evaluated as per Income – tax Rules, 1962 wherever applicable, and at cost in the absence of any such Rules, and shall be subject to an annual overall ceiling of an amount equal to the Salary for the relevant period.*

2. The Board may, in their discretion, revise/modify any of the terms from time to time within the limits stipulated.

### III) Minimum Remuneration :

Notwithstanding anything hereinabove stated, where in any financial year during Mr. Waelti's tenure as Wholetime Director, the Company has no profits or its profits are inadequate, Mr. Waelti shall be paid remuneration by way of salary, allowances, perquisites and any other allowances not exceeding the maximum limit as prescribed under para I of Section II of Part II of Schedule XIII to the Companies Act, 1956 or within such ceiling as may be prescribed under Schedule XIII from time to time or the Companies Act, 1956 as may be recodified.

### IV) Other Terms :

Subject to the superintendence, control and direction of the Board, Mr. Waelti shall conduct the business and affairs of the Company relating to Finance and Control. He shall not be paid any sitting fee for attending meeting of the Board or Committee thereof.

The Agreement can be terminated by Mr. Waelti or the Company, by one party giving to the other 3 (three) calendar month's notice in writing or by payment of a sum equivalent for the notice period or part thereof in case of shorter notice or on such other terms as may be mutually agreed.

In view of provisions of Section 309 of the Companies Act, 1956 an Ordinary Resolution in the terms as set out in the accompanying notice is placed before the members for their consideration.

A copy of Agreement referred in the Resolution would be available for inspection by the members at the Registered Office of the Company during business hours on any working day, excluding public holidays, upto and including the day of this meeting.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 302 of the Companies Act, 1956.

None of the Directors except Mr. Waelti is interested or concerned in the Resolution at Item No. 6. The Board recommends this Resolution for approval of members.

**Item No. 7**

In order to remunerate the Non Executive Directors of the Company, for the increased responsibilities entrusted upon them under the law, the current trends and commensurate with the time devoted and the contribution made by them, the Board of Directors of the Company, at their meeting held on 24<sup>th</sup> January, 2001 has approved, subject to requisite approvals, payment of Commission to be paid annually for each of the five years beginning 1<sup>st</sup> January, 2000 and with effect from 24<sup>th</sup> October, 2000, an amount not exceeding 1% of the net profits of the Company, as provided under Section 309(4) of the Companies Act, 1956 or any amendment or modification thereof, in addition to the fee which they are getting for attending the meetings of the Board of Directors or any Committee thereof, to be divided amongst the Directors aforesaid in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination equally, provided that none of the Directors aforesaid shall receive individually a sum exceeding Rs. 3,00,000/- for each of the five years. The Commission for the year 2000 shall be calculated on pro-rata basis with effect from 24<sup>th</sup> October, 2000.

Section 309(4) of the Companies Act, 1956 requires a Special Resolution to be passed by the members of the Company in general meeting for payment of such remuneration to Non Executive Directors of the Company.

Only the Non Executive Directors of the Company may be deemed to be interested or concerned in this Special Resolution.

The Board recommends the Special Resolution at Item No. 7 for approval of members.

**Item No. 8**

Pursuant to Sections 77A, 77AA and 77B introduced vide the Companies (Amendment) Act, 1999, effective 31<sup>st</sup> October, 1998, it is now permissible for the companies to buy-back their own shares, involving a financial outlay of upto 25% of the paid up capital and free reserves per year, provided such buy-back in any financial year should not exceed 25% of the total paid up capital in that financial year.

The Resolution at Item No. 8 is being proposed for the limited purpose of amending the Articles of Association and to have an enabling provision, so that, if and when, the Company takes a decision in future to buy-back its shares, the absence of such an enabling provision in the Articles of Association does not become an impediment to such a decision.

A copy of the Memorandum and Articles of Association of the Company would be available for inspection by the members at the Registered Office of the Company during business hours on any working day, excluding public holidays, upto and including the day of this meeting.

No Director is interested or concerned in this Special Resolution and the Board recommends the Special Resolution at Item No. 8 for approval of members.

## II. DETAILS OF MR. RAVINDER NARAIN AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

**Item No. 3**

Mr. Ravinder Narain is an eminent lawyer. He is Bachelor of Law having experience of three decades in the field of Law and practising in the Supreme Court, High Courts and other legal foras. He is a partner in M/s. J.B.Dadachanji and Co., New Delhi and M/s. J.B.Dadachanji Ravinder Narain Mathur and Co., New Delhi.

Name of the Companies in which Mr. Ravinder Narain holds directorship : a) Delton Cables Ltd., New Delhi; b) Fomento Resorts & Hotels Ltd., Goa; c) Shree Rajasthan Syntex Ltd., Udaipur; d) Shriram Pistons & Rings Ltd., New Delhi; e) Siel Ltd., New Delhi

Membership of Board Committee of other companies : Nil

By Order of the Board

Registered Office:  
M-5A, Connaught Circus  
New Delhi 110 001  
7<sup>th</sup> March, 2001

B. Murli  
Secretary



## BOARD OF DIRECTORS

### DIRECTORS

Narendra Singh (upto 25<sup>th</sup> April, 2000)  
Chairman Emeritus

Carlo M.V. Donati  
Chairman & Managing Director

Jean Marc Waelti (from 1<sup>st</sup> July, 2000)  
Director – Finance & Control

Lim Khing Fong (upto 24<sup>th</sup> October, 2000)  
Michael W.O. Garrett

Brij Mohan Kraiton  
Tejendra Khanna (from 24<sup>th</sup> October, 2000)  
Jean-Daniel Luethi (upto 1<sup>st</sup> July, 2000)  
Ravinder Narain  
Richard Sykes (from 8<sup>th</sup> March, 2001)  
[Alternate to Michael W.O. Garrett]

### SECRETARY

B. Murli

### BANKERS

ABN Amro Bank N.V.  
Banque Nationale de Paris  
Citibank N.A.  
Corporation Bank  
Deutsche Bank  
HDFC Bank Limited  
ICICI Bank Limited  
Punjab National Bank  
Standard Chartered Grindlays Bank  
State Bank of Hyderabad  
State Bank of India

### AUDITORS

A.F. Ferguson & Co.

### REGISTERED OFFICE AND SHARES DEPARTMENT

M-5A, Connaught Circus  
New Delhi 110 001  
Ph : 332 9891  
Fax : 372 5130

### HEAD OFFICE

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

### BRANCH OFFICES

26/2 Spencer Road  
Fraser Town  
Bangalore 560 005  
  
7, Hare Street  
Calcutta 700 001  
  
915 N.A.C. Manimajra  
Chandigarh (U.T.) – 160 001  
  
Spencer Plaza  
769, Anna Salai  
Chennai 600 002  
  
Kaiser-I-Hind Building  
Currimbhoy Road  
Ballard Estate  
Mumbai 400 001  
  
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  
Dist. Panipat (Haryana)  
  
Plot No. 294-297  
Usgao Industrial Area  
Ponda 403 406 (Goa)

### LISTING OF EQUITY SHARES

(Listing Fees paid)  
The Delhi Stock Exchange Association Limited,  
DSE House  
3/1 Asaf Ali Road  
New Delhi - 110 002  
  
The Stock Exchange, Mumbai,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001

### ANNUAL GENERAL MEETING

Wednesday, 27<sup>th</sup> June, 2001 at 10.00 AM  
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

Dear Members,

Your Directors have pleasure in submitting their report and the statement of accounts for the year ended 31<sup>st</sup> December, 2000.

### Financial Results and Operations

	(Rs. in Millions)	
	2000	1999
Gross Revenue	16,882	15,522
Gross Profit (before interest, depreciation and tax)	2,847	2,431
Interest	149	265
Depreciation	379	319
Impairment Loss on Fixed Assets	33	123
Provision for Contingencies (Net)	295	142
Provision for Tax	805	597
Profit After Taxation	1,186	985
Profit Brought Forward	528	499
Balance Available for		
Appropriation	1,714	1,484
Interim Dividends Paid	771	337
Final Dividend Proposed	579	434
Corporate Dividend Tax	144	87
Transfer to General Reserve	119	98
Surplus carried in Profit and Loss Account	101	528

Domestic Sales grew by 7% in value and 15% in volume terms, during the year. Export Sales grew by 16% in value and 32% in volume. Profit After Tax grew by 20% from Rs. 985 million to Rs. 1,186 million.

The market and economic growth continued to be sluggish during 2000. Concerted efforts of the management to maintain the price of products (in some cases even reduction of prices), better working capital management, continuous improvement of supply chain and a focus on flagship brands, contributed significantly towards the above profitability. The favourable impact of the commodity prices during parts of the year and the product mix, also contributed significantly towards improvement in profitability.

During the year, the Company retired

certain fixed assets from active use at various locations and the impairment loss on such fixed assets has been charged to the Profit and Loss Account.

Out of business prudence, the Company supplemented the Contingency Provision with further amount in 2000 of Rs. 295 million (net) to provide for various contingencies resulting from matters mainly relating to issues under litigation, dispute and management discretion.

Your Company's overall sales and profit progression during 2000 can be considered satisfactory and in line with the expectations.

The current year has commenced as per plan in the domestic market and your Directors are hopeful of continued good results. However, with the current level of inflation and economic indicators pointing towards a sluggish market, it would be difficult for the Company to maintain the level of earnings unless the Company takes price increase on finished products which would depend on market conditions and competitor activities.

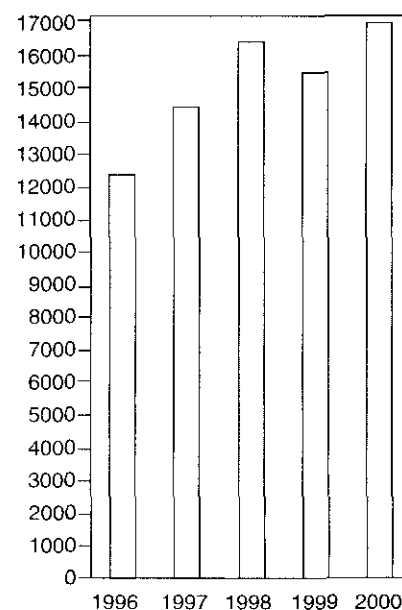
### Exports

Export Sales for the year at Rs. 2,655 million have grown by 32% in volume terms, over the last year. This has been mainly due to the higher exports of NESCAFE to Russia, buoyant sales of Instant Tea and good performance of the culinary products. However, depressed green coffee prices in domestic and international markets kept the export realisations low. Measures taken for tapping new market and product opportunities have also contributed to this growth. The export competitiveness of value added instant coffee manufactured in India continues to be adversely affected by the purchase tax levied on green coffee. Efforts continue to tap new market and product opportunities.

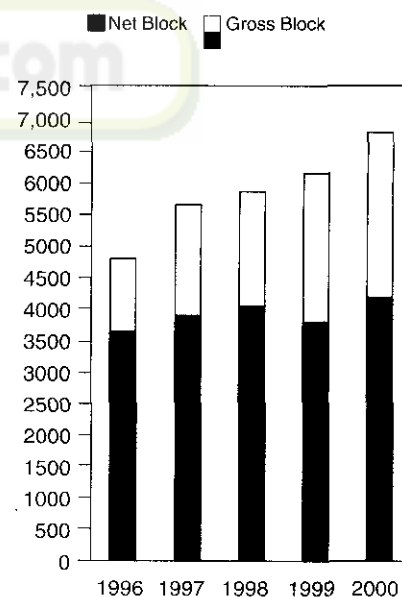
### Dividends

Interim dividend of Rs. 8.00 per equity

### Gross Income (Rupees in Millions)



### Fixed Assets (Rupees in Millions)





share, including Rs. 4.50 per equity share out of undistributed profits of the previous financial years, was paid during 2000.

Your Directors are pleased to recommend to the Annual General Meeting a final dividend of Rs. 6.00 per equity share. The dividend, if approved, shall be payable to the shareholders registered in the books of the Company and beneficial owners furnished by the Depositories, determined with reference to the book closure from 16<sup>th</sup> June, 2001.

### Business Development

In line with the Company's objective to provide superior value in every product category and market sector, efforts were focussed to provide quality products to customers at attractive price points. While the Company continued to generally maintain price points across all the product categories, the pricing of some products were also reduced to meet consumer expectations.

MAGGI Noodles re-launched in 1999 in response to popular consumer taste preference, continued to boost sales during 2000 in the culinary segment. New flavour profiles were introduced in the bouillon business.

The market continued to react positively to the initiatives taken in the recent past to grow the consumption of instant coffee in the domestic market. The new NESCAFÉ pricing and bringing the popular SUNRISE brand under NESCAFÉ umbrella to benefit from its association continued to strengthen the category. NESCAFÉ Frappe a blend of coffee, mocha and vanilla, which makes a delicious frothy cold coffee was launched in select metropolitan cities in the third quarter. This was another strategic launch and seeks to address consumer with preference for cold drinks. NESCAFÉ Frappe has received encouraging response.

In the area of Chocolate and Confectionery NESTLÉ MUNCH – Crisp wafer biscuit with chocolayer, which was launched in select

markets in 1999, was rolled out nationally during 2000 and had good growth. Continuing with the efforts to meet consumer expectation on price points, the pricing of KITKAT was also reduced during the later half of the year. Moulded Chocolates and Eclairs also showed satisfactory growths. This has also helped in improving the infrastructure and distribution reach of the Company in the Chocolate and Confectionery segment.

In the milk and cereal categories, EVERYDAY Dairy Whitener and cereals had satisfactory growth. NESTLÉ Growing up Milk, a new product offering superior nutrition, launched in 1999 was rolled out nationally during the year.

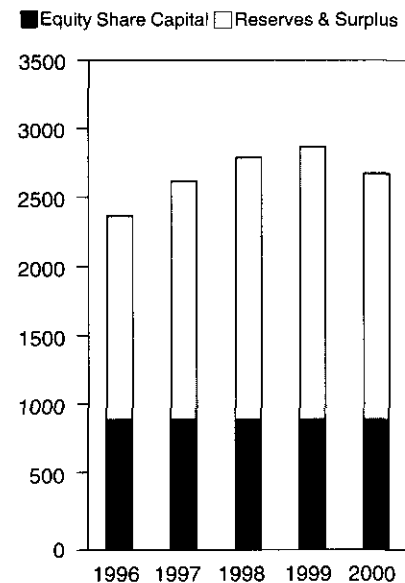
Your Company has also entered the Chilled Dairy business with the recent launch of NESTLÉ Dahi in select cities of the North. The initial response has been very encouraging and your Company is working on plans to further leverage the international expertise of Nestlé Group, Switzerland in the area of Chilled Dairy.

The performance of other products were generally in line with expectations. A few products whose performance was not considered satisfactory are under constant review for corrective action.

Your directors are pleased to report the implementation of the two new projects undertaken by the Company during 2000 - packaged milk and packaged drinking water. Both the projects seek to leverage the worldwide experience and knowledge of Nestlé Group, Switzerland who are the leaders in these product categories.

In line with its objective of long term growth and entry in significant value added food segments, the Company forayed into the Ultra Heat Treated (UHT) liquid milk business in April 2000 by launch in Mumbai. Packaged UHT milk seeks to address growing consumer concerns on adulteration and product safety and brings with it reliability, complete hygiene and safety. It

### Shareholders' Funds (Rupees in Millions)



### Earnings (Rupees in Millions)

