



BOARD OF DIRECTORS

Narendra Singh
Chairman Emeritus

DIRECTORS

Carlo M.V. Donati
Chairman & Managing Director

Jean Marc Waelti (Upto 16th June, 2002)
Michael T. Scales (From 17th June, 2002)
Director – Finance and Control

Michael W.O. Garrett
Ravinder Narain
Tejendra Khanna
Rajendra S. Pawar
Richard Sykes
[Alternate to Michael W.O. Garrett]

SECRETARY

B. Murl

BANKERS

ABN Amro Bank N.V.
BNP Paribas
Citibank N.A.
Corporation Bank
Deutsche Bank
HDFC Bank Limited
ICICI Bank Limited
Punjab National Bank
Standard Chartered Bank
State Bank of Hyderabad
State Bank of India

AUDITORS

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

REGISTERED OFFICE AND SHARE DEPARTMENT

M-5A, Connaught Circus, New Delhi 110 001
Ph: 2341 8891 Fax : 2341 5130

HEAD OFFICE

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

BRANCH OFFICES

2nd Floor, Silicon Terrace, 30/1, Adugadi, Koranmangala,
Bangalore 560095
915, N.A.C. Manimajra, Chandigarh (U.T.) 160 101
Spencer Plaza, 6th Floor 769, Anna Salai, Chennai 600 002
7, Hare Street, Kolkata 700 001
Hiranandani Gardens, Main Street,
4th Floor, Colgate Research Centre Building, Powai, Mumbai 400 076
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
Dist. Moga (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, 30th April, 2003 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.

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in submitting their report and the statement of accounts for the year ended 31st December, 2002.

Financial Results and Operations

	(Rs. in Millions)	
	2002	2001
Gross Revenue	20,756	19,372
Earning before Interest, Depreciation and Tax excluding Other Income	3,991	3,144
Interest	61	99
Depreciation	494	435
Impairment Loss on Fixed Assets	212	14
Provision for Contingencies (net)	314	181
Provision for Tax	1,119	846
Exceptional Item of earlier years (net of tax)	54	—
Net Profit After Exceptional Item	2,015	1,732
Profit Brought Forward	172	101
Balance Available for Appropriation	2,187	1,833
Interim Dividends Paid	1,735	1,350
Corporate Dividend Tax	—	138
Transfer to General Reserve	202	173
Surplus carried in Profit and Loss Account	250	172

Domestic Sales grew by 12.4 % in value and 14.6% in volume terms, during the year. Export Sales declined by 23.8% in value and 7.4% in volume. Profit After Tax grew by 16.4% from Rs. 1,732 million to Rs. 2,015 million.

The uncertain market conditions and weak consumer confidence persisted during the year 2002, with drought like conditions and failing monsoons in many parts of the country weakening the market. Your Company's focus on the flagship brands coupled with product innovation and renovation, concerted efforts to maintain the price of products, continuous improvement of factory activities and supply chain and a professional work environment,

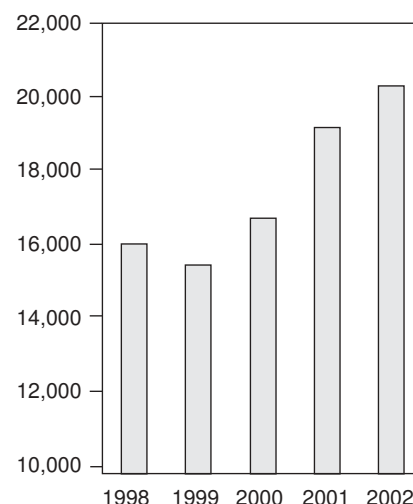
sustained the performance during 2002. Impact of the adverse market environment on the Company was mitigated, by continued efforts to better understand and anticipate consumer needs to facilitate development of products that provide nutrition and wellness.

Considering the GDP growth rate of 4.4% and the general downturn in performance of the FMCG sector, your Company's performance is matter of pride. The Company's overall sales and profit progression during 2002 can be considered extremely satisfactory and is a reconfirmation of the focussed efforts of a team capable of taking on challenges and the strength of Nestlé technology and brands.

During the year Net Profit was positively impacted by effective control over costs, lower interest costs due to improved cash flows and lower interest rates, favourable commodity prices mainly during the first half of the year and the reversal of an earlier provision for litigation. Net Profit was adversely impacted by the early implementation of the new Accounting Standard (AS-28) on Impairment of Assets that resulted in some assets being written down to their recoverable value/ value in use, higher provision for contingencies and an exceptional depreciation due to reclassification of certain specialised assets. The Net Profit was also adversely impacted by additional depreciation on office equipment, furniture and fixtures due to downward revision of their useful life. Staff costs continued to be impacted due to revaluation of retiral benefit liabilities on account of continuing decline in interest rates and minor improvement in the pension scheme.

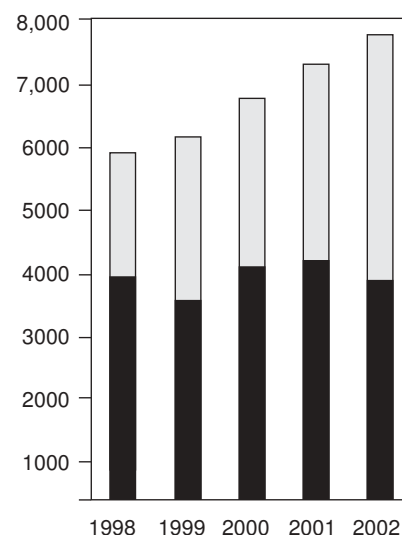
Implementation of the new Accounting Standard on Impairment of Assets has resulted in the fixed assets employed in the Water business and Instant Tea business and certain fixed assets employed in a part

Gross Income (Rupees in Millions)



Fixed Assets (Rupees in Millions)

■ Net Block □ Gross Block





of the Chocolate and Confectionery business, being written down to their recoverable value or value in use. The impairment loss on Water business and a part of Chocolate and Confectionery business has been charged against the profit for the year, while impairment loss on Instant Tea business has been adjusted against the General Reserve as on 1st January, 2002.

Out of business prudence, the Company supplemented the Contingency Provision with further amount in 2002 of Rs. 314 Million (Net) to provide for various contingencies resulting from matters relating to issues under litigation, management discretion and investments made by employees' trusts.

The current year has commenced as per plan. The economic indicators however point towards continued sluggishness in the market and low economic growth during 2003. The procurement prices of key commodities have firmed up as compared to the favourable trend during first half of 2002. While your Company would continue to focus on measures to maintain its performance, uncertain and difficult domestic and international market environment could impact the performance.

Exports

Export Sales for the year were Rs. 2,362 Million and compared to last year they have declined both in value and volume terms.

Though total volume declined by 7.4%, the Company once again emerged as the highest coffee exporter from India and the highest exporter of value added Instant Coffee. Export of Instant Tea and culinary products achieved higher volumes. The drop in volume is mainly due to restructuring of the tea business and certain opportunity sales in the past year.

Export Sales declined in value by 23.8% over the past year. This decrease in value of exports has been mainly due to lower realisation on instant coffee exports to Russia due to depressed prices of green coffee, ocean freight and product mix being in favour of bulk packs as compared to the previous year.

Efforts continue to tap new markets and product opportunities to improve export performance besides reducing the risks associated with export of NESCAFE Instant Coffee to Russia which constitutes over 80% of Export Sales. Efforts are underway to develop products that would cater to the needs of the ethnic population of Indian origin around the world.

Dividends

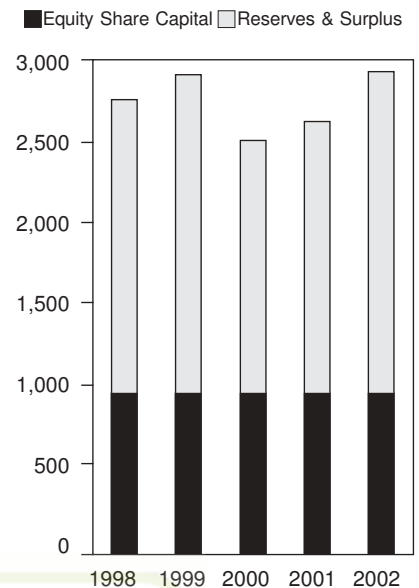
An interim dividend of Rs. 18.00 per equity share, subject to tax, was paid during December, 2002. The Directors do not recommend any final dividend for the year 2002.

Business Development

During the year 2002 the focus on obtaining actionable consumer insights and affordability, value for money and availability of products, remained thrust areas. The Company introduced various new or improved products that provide nutrition, wellness, refreshment or convenience to the consumer. The domestic market responded with significant volume growth in most of the brands.

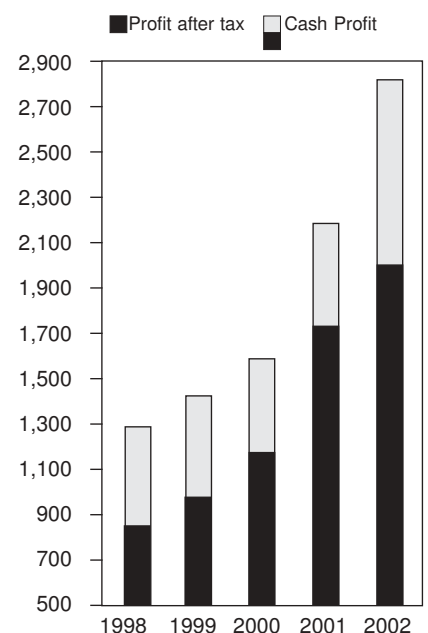
The Company has been able to operate efficiently because of the culture of professionalism, integrity and continuous improvement in all functions and areas. Ongoing improvement in the efficiency of supply chain operations ensured freshness of stocks to consumers. Efforts were initiated or sustained to improve white-collar productivity, focus on continuous

Shareholders' Funds (Rupees in Millions)



Earnings

(Rupees in Millions)





improvement, facilitate innovation and renovation, strengthen distribution management, deliver products at better price points and ensure more effective consumer communications. These have ensured efficient utilisation of the Company's resources for sustainable and profitable growth.

The Company took various initiatives in the culinary segment which have helped MAGGI in sustaining leadership. While MAGGI Instant Noodles continued to boost sales with good volume growth, MAGGI Chinese Noodles was launched in select cities to offer more variety and value added products to the consumers. Efforts to increase affordability and convenience to consumers showed results in the soup segment also. MAGGI Hot Cup, an instant soup powder, was launched in single serve sachets. Smaller, two serve packs of the regular MAGGI soup (Tomato and Chicken variants), were also introduced in the market. The consumer response to the new launches has been encouraging. MAGGI Sauces continued to show satisfactory growth. MAGGI Pickles was discontinued, after completion of the review undertaken due to the unsatisfactory performance.

In the Beverages Category, the Company continued to perform satisfactorily and the NESCAFE brand maintained its performance against aggressive competition. In order to provide superior and value added products, the Company had implemented the state of art aromatisation technology towards the end of 2001. This has enabled the introduction of NESCAFE Classic with higher aroma. The year witnessed the launch of NESCAFE Redimix, which is a single serve sachet containing a special mix of NESCAFE instant coffee, milk and sugar. Competitively priced, the product offers ease, convenience and authentic taste of coffee and has received encouraging response.

During 2001, the Company had launched NESTLÉ PURE LIFE in the premium bottled water segment and has been manufacturing bottled water under stringent quality controls. NESTLÉ PURE LIFE is an excellent product, tested to conform to the highest quality norms. In a very competitive market environment, the product has performed below expectation and consequently a full review of this business category, including the business model, is being undertaken.

The Chocolate and Confectionery brands sustained their momentum and continued to strengthen their presence in the markets through innovation and renovation and efficient conversion of consumer insights. NESTLÉ MUNCH, which is the largest selling unit in the wafer segment and POLO Lozenges, gained in volumes. NESTLÉ CHOCOSTICK and NESTLÉ MILKYBAR CHOO, acknowledged by industry as excellent innovations and launched in 2001, were rolled out nationally and showed significant volume growth. Though NESTLÉ ECLAIRS was adversely impacted during 2002, corrective action has already been taken. During the year the Company successfully entered the functional confectionery by launching the throat soother NESTLÉ ACTI-V with Anticol.

In the Milk Products and Nutrition Category, the performance of infant nutrition remained satisfactory and the Company continued to focus on introducing products that leverage Nestlé Know-how and Research and Development competence. EVERYDAY Dairy Whitener and MILKMAID Sweetened Condensed Milk continued to show good volume growth. However, the performance of MILKMAID Dessert Mixes continued to be disappointing and the future of the product range is being reviewed. During the year the Company launched DAIRY MATE Tea Creamer to cater to an emerging demand in select cities in the East and South of India.

The Company presence in the UHT liquid milk business was strengthened during the year with the launch of its first ready to drink product NESTLÉ Fruit 'n Milk. Free from preservatives it is specially formulated to retain nutrition and delicious taste. This healthy, anytime drink is available in two variants - Mango and Strawberry in convenient packs. During 2001 the Company had entered the Chilled Dairy business with the launch of NESTLÉ Dahi and NESTLÉ Butter, which have shown good volume growth during 2002. Realising that consumers are increasingly looking for nutrition and convenience in their food, your Company developed and launched the fruit yoghurt NESTLÉ Fruit 'n Dahi. With this, the Company now has a wide range of dairy products.

Improved Penetration: Improved penetration of brands is an important consideration in your Company's vision of sustained growth. Expansion of distribution and reach was a focus area. Some of the initiatives that are expected to contribute significantly, include introduction of single serve convenience packs at affordable price points, such as NESCAFE Redimix and MAGGI Hot Cup Soup Powder. The initiative to automate distributor operations has continued and is expected to be completed during 2003. This will help your Company to achieve greater speed and transparency in the flow of information, ensure better levels of customer contact and enable faster response to consumer needs.

Out-of-home Consumption: The Company continued to strengthen initiatives to facilitate availability of products for out-of-home consumption. These initiatives were supported by a number of new product launches. The development of NESTEA Instant Tea premix for hot vending offers consistency and convenience as compared to tea bag preparation; NESCAFE Frappe premix for cold vending has been introduced in Quick Serve Restaurants; Italian Tomato



Sauce Mix was specially formulated for restaurant chain; Low Sugar NESCAFE premix has been developed for health conscious consumers; MAGGI Hot Cup Soup dispensed through vending machines is an innovative and pioneering concept in the market. Large number of Nestlé Consumption Zones including Café NESCAFE, Coffee Corners and multibrand stalls were set up and innovative vending machines were introduced for Iced Tea. Sustained focus on continuously improving the value to the consumer, helped to introduce vending machines with eight beverage options to offer consumers a range of speciality beverage at the same location.

Manpower Development: Efforts in this area continued to be focussed on white collar productivity. Keeping headcount increases under control and enhancing the linkage of remuneration to performance, both of the Company and the employee, were some of the key measures taken during the year. The 'Sales and Marketing Productivity Improvement Project' undertaken during the year would further enhance focussed approach in the business operations.

Employee communication within the Company received attention during the year. A new dimension was added to training, through special initiatives taken for e-learning, to offer employees opportunity for learning and updating their skill sets, at a speed and time determined by the employees.

In the past years the Company has supported its officials by providing them opportunities for postings and assignments to other Group Companies, as part of their development and training. This support has increased in recent years and continued through 2002. The increased opportunities opening up to the personnel of your Company and the positions that they hold

is an acknowledgement of the caliber and strength of your Company's personnel.

Supply Chain: Thrust on strengthening the supply chain continued to receive attention during the year and the Company advanced towards becoming the Best in Class Supply Chain in the FMCG sector.

Distribution costs were contained by increased and efficient use of railways for primary despatches. Simultaneously, the vehicles transporting raw and packing materials to factories were used for finished goods despatches too, thereby saving freight costs. Efforts in collaborative logistics with other companies and third party service providers have begun to yield benefits.

In order to improve response to customer demand, forecasting was given considerable attention. This has led to an empowered demand planning role that ensures optimised inventory as well as satisfaction of consumer demand. Initiatives in e-connectivity with the distributors and also with the suppliers are further aligning our efforts in this direction.

Innovation and Renovation and Technology from Nestlé

The continuous efforts on product innovation and renovation during the year has contributed significantly to the performance of the Company during the year and would remain a key element even in the future to sustain leadership and profitable growth, especially in a market that is becoming increasingly competitive.

Under the General Licence Agreement with Nestlé Group, your Company has the licence for know-how, patents, brands and other intellectual property, in relation to the products manufactured and/ or sold by your Company. Access to proprietary technology of Nestlé and the fruits of extensive centralised Research and Development is

available on a continual basis. The excellent performance of the Company over the years has been greatly influenced by these inputs.

Community Development

Initiatives by the Company, for community development continued to be focussed on programmes in the areas where the factories are located. These programmes give importance to providing drinking water facilities in schools, supporting and participating in immunisation programmes, providing basic facilities to local schools and arranging medical camp.

Information Technology

The Company continued to make significant investments in the Information Services/ Technology area. Such investments are considered necessary to create and update the infrastructure required to cope with the growing information requirements of a complex supply chain environment and our ability to manage them effectively.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 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 judgements 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

A separate report on Corporate Governance alongwith Auditor's certificate on its compliance is attached as Annexure-1 to this Report.

Directors

Your Directors have re-appointed Mr. Carlo M.V. Donati, as the Chairman and Managing Director, for a further period of five years from 1st July, 2003, after the expiry of his existing term on 30th June, 2003. Mr. Donati, was appointed as Managing Director of the Company from 1st July, 1998 and his able leadership is best reflected in the sustained good performance of your Company. The re-appointment of Mr. Donati is appropriate and in the best interest of the Company. Nomination has been received from Nestlé S.A. under the Articles of Association of the Company relevant to the re-appointment.

Your Directors appointed Mr. Michael T. Scales as a Wholetime Director, currently designated as Director – Finance and Control, for a period of five years with effect from 17th June, 2002. Mr.Scales has been appointed as a Director pursuant to the nomination received from Nestlé S.A. under

the Articles of Association of the Company and in place of Mr. Jean Marc Waelti, who relinquished office as a Wholetime Director and Director of the Company with effect from 1st June and 17th June, 2002, respectively. Mr. Scales is well qualified and has wide and varied international experience. His appointment is appropriate and in the best interest of the Company.

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

M/s A. F. Ferguson & Co., Auditors of the Company, retire in accordance with the provisions of the Companies Act, 1956, and being eligible offer themselves for re-appointment.

In pursuance of Section 233-B of the Companies Act, 1956, your Directors have appointed M/s Ramnath Iyer and Co. as the Cost Auditors to conduct the cost audit of milk foods for 2003, subject to the approval of 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.

Employees

The Directors wish hereby to place on record their appreciation of the efficient and loyal services rendered by all staff and work force of the Company, without whose wholehearted efforts, the overall very satisfactory performance would not have been possible.

On behalf of the Board of Directors

7th March, 2003
Gurgaon

CARLO M.V. DONATI
CHAIRMAN



ANNEXURE-1 TO THE DIRECTORS' REPORT

Report on Corporate Governance for the year ended December 31, 2002

NESTLÉ'S PHILOSOPHY ON CODE OF GOVERNANCE

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

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. Nestle 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 at the Board Meetings and the last Annual General Meeting, Outside Directorships and other Board Committees

Above information as on 31st December, 2002 or for the year 2002, as applicable, is tabulated hereunder:

Director	No. of Board Meetings attended ^A	Attendance at previous AGM on 30.04.2002	No. of outside Directorship held ^B	No. of membership/ chairmanship in other Board Committees ^C	Executive/ Non-Executive/ Independent
Mr. Carlo M.V. Donati ¹	4	Present	Nil	Nil	Executive
Mr. Jean Marc Waelti ²	2	Present	Not Applicable	Not Applicable	Executive/ Non-Executive
Mr. Michael T. Scales ³	2	Not Applicable	Nil	Nil	Executive
Mr. Ravinder Narain	5	Present	3	Nil	Non-Executive & Independent
Mr. Tejendra Khanna	5	Present	1	2	- do -
Mr. M. W. O. Garrett	1	Not Present	Nil	Nil	Non-Executive
Mr. Rajendra S. Pawar	3	Not Present	8	1	Non-Executive & Independent
Mr. Richard Sykes ⁴	1	Present	Nil	Nil	Non-Executive

¹ Nominee of Nestlé S.A.

² Nominee of Nestlé S.A. Ceased to be an Executive Director with effect from 01.06.2002 and a Non-Executive Director of the Company with effect from 17.06.2002.

³ Nominee of Nestle S.A. Appointed as Director with effect from 17.06.2002.

⁴ Alternate Director to Mr. M. W. O. Garrett.

^A Attendance at the Board Meetings relevant to the period when Director of the Company. Participation over phone by Mr. Donati (1 Meeting) has not been included.

^B Directorship in companies registered under the Companies Act, 1956, excluding directorships in private companies and alternate directorship.

^C Only covers membership/chairmanship of Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee.

Board Meetings held during the year 2002

During the year 2002, five Board Meetings were held on 6th March, 2002, 30th April, 2002, 16th May, 2002, 30th July, 2002 and 31st October, 2002.



BOARD COMMITTEES

Audit Committee

The role and terms of reference of the Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292 A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. These include oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible; 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. Tejendra Khanna, Mr. Ravinder Narain and Mr. Rajendra S. Pawar, all being Non-Executive and Independent Directors. Mr. Tejendra Khanna, who has financial and accounting knowledge, is the Chairman of the Audit Committee. Mr. B. Murli, Company Secretary, acts as the Secretary to the Committee.

The Audit Committee met 4 times during the year 2002 on 6th March, 2002, 30th April, 2002, 30th July, 2002 and 31st October, 2002. Mr. Tejendra Khanna and Mr. Ravinder Narain attended all the meetings held during the year while Mr. Rajendra S. Pawar attended the meetings held on 6th March, 2002 and 31st October, 2002 and participated over phone in the meeting held on 30th July, 2002.

Shareholders Committee

Shareholder / Investor Grievance Committee is headed by Mr. Ravinder Narain, a Non-Executive and Independent Director. Mr. B. Murli, Company Secretary, is the Compliance Officer.

During the year 2002, 152 complaints were received from shareholders and investors. All the complaints have generally been solved to the satisfaction of the complainants, except for disputed cases and sub-judice matters, which would be solved on final disposal by the Court.

All valid requests for share transfer received during 2002 have been acted upon by the Company 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 on their contributions.

REMUNERATION OF DIRECTORS FOR 2002

(Rupees in '000)

Name of the Director	Sitting Fee	Salaries	Perquisites	Commission	Total
Mr. Carlo M.V. Donati ¹	NA	6880	4236	13072	24188
Mr. Michael T. Scales ²	NA	3233	859	2910	7002
Mr. Tejendra Khanna	33	NA	NA	200	233
Mr. Ravinder Narain	37	NA	NA	200	237
Mr. Jean Marc Waelti ³	NA	2275	2153	1138	5566
Mr. Rajendra S. Pawar	19	NA	NA	200	219

¹ The Company has service contract with Mr. Carlo M.V. Donati for a period of 5 years with effect from 1st July, 1998. The notice period is of one month and the severance fee is the sum equivalent to remuneration for the notice period or part thereof in case of shorter notice.

² The Company has service contract with Mr. Michael T. Scales for a period of 5 years with effect from 17th June, 2002. 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.

³ Mr. Jean Marc Waelti has ceased to be an Executive Director of the Company with effect from 1st June, 2002. No remuneration was paid to him as a Non – Executive Director from 1st June, 2002 to 16th June, 2002.

Commission is subject to adequate profits being earned. Performance criteria for the Executive Directors takes into account the business plans and market conditions. The Company does not have any stock option scheme.



GENERAL BODY MEETINGS

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

Year	Venue	Date	Time
2002	Air Force Auditorium, Subroto Park, New Delhi 110 010	30 th April, 2002	10.00 A.M.
2001	- do -	27 th June, 2001	10.00 A.M.
2000	- do -	24 th April, 2000	10.00 A.M.

There was no other General Body Meeting in the last three years and no resolution was put through postal ballot.

DISCLOSURES

During the year 2002, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interests of the Company at large.

There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

MEANS OF COMMUNICATION

Half-Yearly report to shareholders, Quarterly Results, Newspaper in which published, Website etc.

The Quarterly, Half-Yearly and Annual Results are generally published by the Company in all editions of the Financial Express and in Jansatta, Delhi. The Half-Yearly reports are not sent to household of shareholders. The Company currently does not have a Website. Official news releases and presentations made to analysts are sent to the stock exchanges at Delhi and Mumbai, where shares of the Company are listed.

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 under the sections on Financial Results and Operations, Exports and Business Development.

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.

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 Nestle Group Companies.

Manpower figure of the Company as on 31.12.2002 was 3,074.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Date and Time : 30th April, 2003 at 10.00 a.m.

Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010.



Financial Calendar : 2003

First Quarter Results : Last Week April, 2003 Third Quarter Results : Last Week October, 2003
 Second Quarter and Half Yearly Results : Last Week July, 2003 Annual Results : March, 2004

Date of Book Closure : 24th April, 2003 to 30th April, 2003, both days inclusive.

Dividend payment date : Interim Dividend for the year 2002 was paid on 20th December, 2002.

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 Delhi Stock Exchange Association Limited (Stock Code 0035) and The Stock Exchange, Mumbai (Stock Code 790).

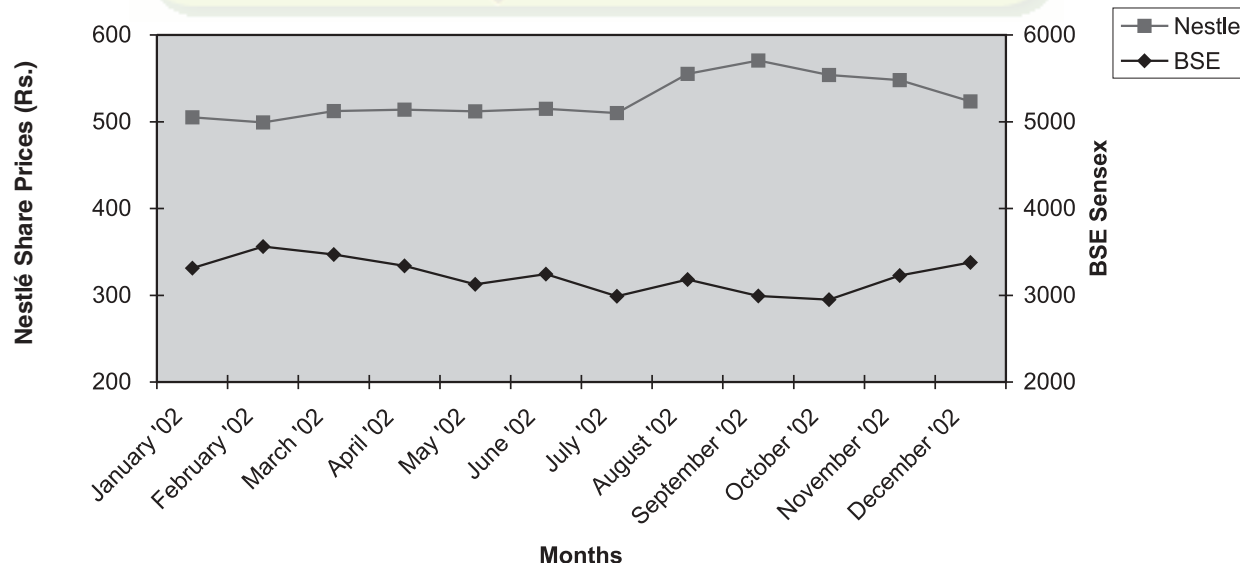
Market Price Data : High/Low in each month of Calendar Year, 2002 on The Stock Exchange, Mumbai

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
January	511.75	490.05	May	550.00	500.00	September	579.95	551.00
February	547.00	485.10	June	517.95	488.00	October	574.00	546.25
March	526.00	500.00	July	525.00	505.00	November	570.00	455.55
April	527.70	500.00	August	568.40	495.10	December	555.55	507.00

[Source : www.bseindia.com]

Performance in comparison to BSE Sensex

Share Price/BSE (Sensex) Monthly Closing



[Source : www.bseindia.com]

Registrar and Transfer Agents, Share Transfer System

The Company has an in-house share transfer facility. Share transfers are registered and returned in the normal course within an average period of 10 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. Connectivity with NSDL and CDSL is maintained through M/s. MCS Limited, Srivenkatesh Bhawan, 212A Shahpurjat, New Delhi 110 049.