NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 - CORPORATE INFORMATION

Nestlé India Limited ("the Company") is a company domiciled in India, with its registered office situated at 100/101, World Trade Centre, Barakhamba Lane, New Delhi – 110 001. The Company has been incorporated under the provisions of Indian Companies Act and its equity shares are listed on the BSE Limited in India. The Company is primarily involved in Food business which incorporates product groups viz. Milk Products and Nutrition, Prepared dishes and Cooking aids, Powdered and Liquid Beverages and Confectionery.

2 - SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION AND MEASUREMENT

Statement of compliance

The financial statements of the Company have been prepared in accordance with and to comply in all material aspects with the Indian Accounting Standards (Ind AS) as notified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Act, as applicable.

Basis of measurement

The financial statements have been prepared on accrual and going concern basis under the historical cost convention except for certain class of financial assets/ liabilities, share based payments and net liability for defined benefit plans that are measured at fair value. The accounting policies have been consistently applied by the Company unless stated otherwise.

Previous year's figures have been regrouped / reclassified wherever necessary to conform with the current year's classification/ disclosures.

Financial Year

The Company has opted the period of 1st day of January to 31st day of December, each year as its financial year for the purpose of preparation of financial statements under the provisions of Section 2(41) of the Companies Act, 2013, which the Company Law Board has allowed.

Functional and Presentation Currency

The financial statements have been prepared and presented in Indian Rupees (₹), which is also the Company's functional currency.

Rounding off

All amounts in the financial statement and accompanying notes are presented in ₹ million and have been rounded-off to one decimal place unless stated otherwise.

Current and Non-current Classification

The Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities. This is based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents.

Measurement of Profit from Operations

For better understanding of the financial performance, the Company has chosen to present "Profit from Operations" as an additional information in the Statement of Profit and Loss. "Profit from Operations" is arrived from 'Profit before Tax' after reducing Other Income and adding back Finance Costs (including interest cost on employee benefit plans), Net provision for contingencies (others) and corporate social responsibility expense.

Use of Estimates and Judgement

The preparation of financial statements requires management to exercise judgement and make estimates and assumptions that affects the reported amounts of revenue, expenses, assets and liabilities. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the results are known/materialise.

The areas involving significant estimates and judgement include determination of useful life of property, plant and equipment (Refer note 5), measurement of defined benefit obligations (Refer note 34), recognition and measurement of provisions and contingencies (Refer note 37) and recognition of deferred tax assets/liabilities (Refer note 39).

Approval of financial statements

The financial statements of the Company were approved for issue by the Board of Directors on 14 February 2019.

REVENUE RECOGNITION

Revenue from sale of goods is recognised on transfer of significant risks & rewards of ownership and effective control to the buyer. Revenue is measured at the price charged to the customer and are recorded net of returns (if any), trade discounts, rebates, other pricing allowances to trade/consumer, when it is probable that the associated economic benefits will flow to the company.

Sales are presented gross of excise duty and net of Goods and Services Tax (GST), Value Added Tax (VAT)/ Sales Tax, wherever applicable.

In accordance with Ind AS 18 on “Revenue” and Schedule III to the Companies Act, 2013, Sales for the period 1 January to 30 June 2017 in the previous year were reported gross of Excise Duty and net of Value Added Tax (VAT)/ Sales Tax. Excise Duty was reported as a separate expense line item. Consequent to the introduction of Goods and Services Tax (GST) with effect from 1 July 2017, VAT/Sales Tax, Excise Duty etc. have been subsumed into GST and accordingly the same is not recognised as part of sales as per the requirements of Ind AS 18.

Interest income is recognised using effective interest rate (EIR) method.

Dividend income on investments is recognised when the right to receive the payment is established.

GOVERNMENT GRANTS

Government grant in relation to fixed asset is treated as deferred income and is recognised in the statement of profit and loss on a systematic basis over the useful life of the asset.

Government grant in relation to investment outlay is recognised as income in the statement of profit & loss on fulfillment of the underlying attached conditions.

INVENTORIES

Inventories are stated at cost or net realisable value, whichever is lower. However, raw materials, packing materials and other supplies held for use in the production of inventories are not written down below cost if the finished goods in which they will be included are expected to be sold at or above cost. The bases of determining cost for various categories of inventories are as follows:

Raw and packing material	:	First-in-first out
Stock-in-trade (Goods purchased for resale)	:	Weighted average
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

Employee benefit plans

The Company makes contributions to Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees and these contributions are charged to statement of profit and loss on accrual basis.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Liability for defined benefit plans i.e. gratuity and unfunded pension is determined based on the actuarial valuation carried out by an independent actuary as at the year-end. As these liabilities are relatively long term in nature, the actuarial assumptions take in account the requirements of the relevant Ind AS coupled with a long term view of the underlying variables / trends, wherever required.

Service cost and net interest cost on the defined benefit liabilities/assets are recognized in the statement of profit and loss as employee benefit expense and finance costs respectively. Gains and losses on remeasurement of defined benefits liabilities/plan assets arising from changes in actuarial assumptions and experience adjustments are recognised in the other comprehensive income and are included in retained earnings in the balance sheet.

Long term employee benefits such as compensated absences and long service awards are charged to statement of profit and loss on the basis of an actuarial valuation carried out by an independent actuary as at the year-end. Actuarial gains and losses are recognised in full in the statement of profit and loss during the year in which they occur.

Other employee benefits

Short term employee benefits including performance incentives, are charged to statement of profit and loss on an undiscounted, accrual basis during the period of employment.

SHARE BASED PAYMENT

Nestlé Restricted Stock Unit (RSU) Plan/ Performance Share Unit (PSU) Plan of Nestlé S.A., whereby select employees of the Company are granted non-tradable units with the right to obtain Nestlé S.A. shares or cash equivalent, is a Cash-Settled Share based payment as per the requirement of Ind AS 102 - Shared based Payment. Liability under the plan is initially measured at the fair value and charged to statement of profit and loss over the vesting period. The Company remeasures the outstanding units at each balance sheet date at their fair values taking into account the Nestlé S.A. share price and exchange rate as at the balance sheet date. The resultant gain/ (loss) on remeasurement is recognised in the statement of profit and loss over the vesting period.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost is inclusive of freight, duties, taxes or levies (net of recoverable taxes) and any directly attributable cost of bringing the assets to their working condition for intended use.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress".

Profit or loss on disposal/ scrapping/ write off/ retirement from active use of an item of property, plant and equipment is recognised in the statement of profit and loss.

DEPRECIATION / AMORTISATION

The Company has assessed the useful lives of property, plant and equipment as per Schedule II to the Companies Act, 2013. Accordingly, depreciation has been computed on useful lives based on technical evaluation of relevant class of assets including components thereof. Useful lives and residual values are reviewed annually. Depreciation is provided as per the straight line method computed basis useful lives of fixed assets as follows:

Buildings	:	25 - 40 years
Plant & Machinery	:	5 - 25 years
Office Equipments	:	5 years
Furniture and fixtures	:	5 years
Vehicles	:	5 years
Information Technology (IT) equipment	:	3 - 5 years

Freehold land is not depreciated. Leasehold land and related improvements are amortized over the period of the lease.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date, items of property, plant and equipment are reviewed to determine whether there is any indication of impairment. For the purpose of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash flows (cash generating unit). If any impairment indicator exists, estimate of the recoverable amount of the property, plant and equipment /cash generating unit to which the asset belongs is made. An impairment loss is recognised whenever the carrying amount of an asset/ cash generating unit 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 rate.

Reversal of impairment losses recognised in earlier years is recorded when there is an indication that the impairment losses recognised for the asset/cash generating unit 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 that asset/cash generating unit in earlier years.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset/s and the arrangement conveys a right to use the asset/s, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Payments made under operating leases are recognised as an expense in the statement of profit and loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, in which case the same is recognised as an expense in line with the contractual term.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are initially recorded in the functional currency i.e. Indian Rupees (₹) using the exchange rate at the date of transaction.

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

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

Also refer to accounting policy on 'Derivatives and Hedge accounting'.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions for Contingencies/ Contingent liabilities are recognised/disclosed after evaluation of facts and legal aspects of the matter involved, in line with Ind AS 37 on Provisions, Contingent Liabilities and Contingent Assets. Provisions are recognised when the Company has a present obligation (legal/constructive) and on management judgement as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. As the timing of outflow of resources is uncertain, being dependent upon the outcome of the future proceedings, these provisions are not discounted to their present value.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be accrued/ realised.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

BORROWING COSTS

Borrowing costs directly attributable to acquisition or construction of items of property, plant and equipment which take substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. All other borrowing costs are charged to the statement of profit and loss in the period in which they are incurred.

FINANCIAL INSTRUMENTS

a) Recognition and Initial measurement

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities which are carried at fair value through profit or loss (FVTPL), are charged to the statement of profit and loss.

b) Classification and subsequent measurement of financial assets

i) Debt Instruments

For the purpose of subsequent measurement, financial assets in the nature of debt instruments are classified as follows:

Amortised cost - Financial assets that are held within a business model whose objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest are subsequently measured at amortised cost less impairments, if any. Interest income calculated using effective interest rate (EIR) method and impairment loss, if any are recognised in the statement of profit and loss.

Fair value through other comprehensive income (FVOCI) - Financial assets that are held within a business model whose objective is achieved by both holding the asset in order to collect contractual cash flows that are solely payments of principal and interest and by selling the financial assets, are subsequently measured at fair value through other comprehensive income. Changes in fair value are recognized in the other comprehensive income (OCI) and on derecognition, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest income calculated using EIR method and impairment loss, if any are recognised in the statement of profit and loss.

Fair value through profit or loss (FVTPL) - A financial asset which is not classified in any of the above categories are subsequently measured at fair valued through profit or loss. Changes in fair value and income on these assets are recognised in the statement of profit and loss.

ii) Equity Instruments

The Company has made investment in equity instruments that are initially measured at fair value. These investment are strategic in nature and held on a long-term basis. Accordingly, the company has elected irrevocable option to measure such investments at FVOCI. The Company makes such election on an instrument-by-instrument basis. Pursuant to such irrevocable option, changes in fair value are recognised in the OCI and is subsequently not reclassified to the statement of profit and loss.

c) Classification and subsequent measurement of financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as follows:

Amortised cost - Financial liabilities are classified as financial liabilities at amortised cost by default. Interest expense calculated using EIR method is recognised in the statement of profit and loss.

Fair value through profit or loss (FVTPL) - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognised in the statement of profit and loss.

d) Derecognition of financial assets and financial liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows including risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged or expires.

e) Impairment of financial assets

Financial assets that are carried at amortised cost and fair value through other comprehensive income (FVOCI) are assessed for possible impairments basis expected credit losses taking into account the past history of recovery, risk of default of the counterparty, existing market conditions etc. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

For Trade receivables, the Company provides for expected credit losses based on a simplified approach as per Ind AS 109 – Financial Instruments. Under this approach, expected credit losses are computed basis the probability of defaults over the lifetime of the asset.

f) Derivatives and hedge accounting

Derivative instruments used by the company include forward contracts. The Company formally establishes a hedge relationship between such forward contracts ('hedging instrument') and recognized financial asset/liabilities ('hedged item') through a formal documentation at the inception of the hedge. Forward contracts are designated as hedging instruments against changes in fair value of recognised assets and liabilities (fair value hedges) and against highly probable forecast transactions (cash flow hedges). The effectiveness of hedge instruments is assessed at the inception and on an ongoing basis.

Derivatives instruments such as forward contracts are initially measured at fair value. When a forward contract is designated as a cash flow hedge, the effective portion of change in the fair value of the contract is recognised in the other comprehensive income and accumulated in other equity under "effective portion of cash flow hedges". Amount recognised in other equity is subsequently reclassified to the statement of profit and loss upon occurrence of the related forecasted transaction. Any ineffective portion of the change in the fair value of the contract is recognised immediately in the statement of profit and loss.

Changes in fair value of forward contracts designated as fair value hedge are recognised in the statement of profit and loss.

g) Fair value measurement

Fair value of financial assets and liabilities is normally determined by references to the transaction price or market price. If the fair value is not reliably determinable, the company determines the fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

INCOME TAX

Income tax expense comprises of current tax and deferred tax. Income tax expense is recognised in the statement of profit and loss, except when it relates to items recognised in the other comprehensive income or items recognised directly in the equity. In such cases, the income tax expense is also recognised in the other comprehensive income or directly in the equity as applicable.

Provision for current tax for the period comprises of

a) estimated tax expense which has accrued on the profit for the period 1 April 2018 to 31 December 2018 and,

b) the residual tax expense for the period 1 April 2017 to 31 March 2018 arising out of the finalisation of fiscal accounts (Assessment Year 2018-2019), under the provisions of the Indian Income tax Act, 1961.

Deferred taxes are recognised basis the balance sheet approach on temporary differences, being the difference between the carrying amount of assets and liabilities in the Balance Sheet and its corresponding tax base, that originate in one period and are

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

capable of reversal in one or more subsequent periods. Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which such assets can be utilized.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of Statement of Cash Flows include bank balances, cheques and drafts on hand including remittances in transit, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included as a component of cash and cash equivalents for the purpose of Statement of Cash flows.

EVENTS OCCURING AFTER THE BALANCE SHEET DATE

All material events occurring after the balance sheet date upto the date of approval of financial statements by the board of directors on 14 February 2019, have been considered, disclosed and adjusted, wherever applicable, as per the requirements of Ind AS 10 - Events after the Reporting Period.

3 - RECENT ACCOUNTING PRONOUNCEMENTS

IND AS 115: Revenue from Contracts with Customers

In March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying Ind AS 115, 'Revenue from Contracts with Customers'. The Standard is applicable to the Company with effect from 1 January 2019.

Revenue from Contracts with Customers Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 Revenue, Ind AS 11 Construction Contracts when it becomes effective. The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Company has evaluated Ind AS 115 and does not anticipate any significant impact.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

4 - Impact of implementation of Goods and Services Tax (GST) on the financial statements

In accordance with Ind AS 18 on "Revenue" and Schedule III to the Companies Act, 2013, Sales for the period 1 January to 30 June 2017 in the previous year were reported gross of Excise Duty and net of Value Added Tax (VAT)/ Sales Tax. Excise duty was reported as a separate expense line item. Consequent to the introduction of Goods and Services Tax (GST) with effect from 1 July 2017, VAT/Sales Tax, Excise duty etc. have been subsumed into GST and accordingly the same is not recognised as part of sales as per the requirements of Ind AS 18. This has resulted in lower reported sales in the current year in comparison to the sales reported in the previous year under the pre-GST structure of indirect taxes. With the change in structure of indirect taxes, expenses are also being reported net of taxes. Accordingly, financial results for the year ended 31 December 2018 and in particular Sales, absolute expenses and ratios in percentage of Sales are not comparable with the previous year.

5 - Property, Plant and Equipment

(₹ in million)

	GROSS BLOCK				DEPRECIATION/ AMORTISATION					NET BLOCK
	Cost as at 31 December 2017	Additions	Deletions / adjustments	Cost as at 31 December 2018	As at 31 December 2017	For the year	Impairment loss (1)	On deletions / adjustments	As at 31 December 2018	As at 31 December 2018
Freehold land	174.0	0.1	-	174.1	-	-	-	-	-	174.1
Leasehold land	1,231.0	-	-	1,231.0	25.8	13.1	-	-	38.9	1,192.1
Buildings	9,032.0	96.2	4.2	9,124.0	780.4	375.9	-	1.4	1,154.9	7,969.1
Plant and machinery	21,804.1	1,013.6	22.1	22,795.6	5,750.7	2,758.6	110.8	5.1	8,615.0	14,180.6
Furniture and fixtures	707.9	11.5	10.5	708.9	567.5	57.1	-	9.1	615.5	93.4
Office equipment	132.5	22.6	6.6	148.5	56.2	27.5	-	6.6	77.1	71.4
IT equipment	477.6	189.6	19.4	647.8	231.6	119.1	-	19.1	331.6	316.2
Vehicles	25.2	-	0.9	24.3	10.3	5.4	-	0.7	15.0	9.3
Total	**33,584.3**	**1,333.6**	**63.7**	**34,854.2**	**7,422.5**	**3,356.7**	**110.8**	**42.0**	**10,848.0**	**24,006.2**

	GROSS BLOCK				DEPRECIATION/ AMORTISATION					NET BLOCK
	Cost as at 31 December 2016	Additions	Deletions / adjustments	Cost as at 31 December 2017	As at 31 December 2016	For the year	Impairment loss (1)	On deletions / adjustments	As at 31 December 2017	As at 31 December 2017
Freehold land	174.0	-	-	174.0	-	-	-	-	-	174.0
Leasehold land	1,231.0	-	-	1,231.0	12.7	13.1	-	-	25.8	1,205.2
Buildings	8,650.0	382.6	0.6	9,032.0	408.5	371.1	1.0	0.2	780.4	8,251.6
Plant and machinery	19,724.0	2,168.4	88.3	21,804.1	2,674.4	2,719.1	370.8	13.6	5,750.7	16,053.4
Furniture and fixtures	688.3	24.9	5.3	707.9	410.6	161.8	-	4.9	567.5	140.4
Office equipment	113.0	21.2	1.7	132.5	29.5	26.9	-	0.2	56.2	76.3
IT equipment	344.2	134.9	1.5	477.6	108.5	124.3	-	1.2	231.6	246.0
Vehicles	26.7	-	1.5	25.2	5.6	6.2	-	1.5	10.3	14.9
Total	**30,951.2**	**2,732.0**	**98.9**	**33,584.3**	**3,649.8**	**3,422.5**	**371.8**	**21.6**	**7,422.5**	**26,161.8**

(1) Refer Note 36

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
6 - NON-CURRENT INVESTMENTS		
At amortised cost		
Quoted		
Tax free Bonds	7,114.8	5,534.0
At fair value through Other Comprehensive Income		
Unquoted		
Equity shares of Sahyadri Agro and Dairy Private Limited	218.8	318.8
(2018, 2017 : Fully paid up 1,415,050 equity shares of face value ₹10 each)		
	7,333.6	5,852.8
Market value of quoted investments	7,278.1	5,893.2

7 - NON-CURRENT LOANS

Secured, considered good		
Loans to employees	1.1	2.5
Unsecured, considered good		
Security deposits	327.5	357.1
Loans to employees	72.8	103.9
	400.3	461.0
	401.4	463.5

8 - OTHER NON-CURRENT ASSETS

Capital advances	28.6	23.1
Prepaid Expense	-	5.6
Payments under protest with government authorities	689.5	803.6
	718.1	832.3

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	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
9 - INVENTORIES		
(at cost or net realisable value, whichever is lower)		
Raw materials	3,235.6	2,833.8
{Includes in transit ₹ 162.8 million (2017: ₹ 266.0 million)}		
Packing materials	378.7	285.4
{Includes in transit ₹ 9.3 million (2017: ₹ 13.2 million)}		
Work-in-progress	1,132.6	1,148.1
Finished goods	3,873.8	3,881.7
Stock-in-trade (goods purchased for resale)	364.0	280.5
{Includes in transit ₹ 65.5 million (2017: ₹ 98.3 million)}		
Stores and spares	670.8	595.2
{Includes in transit ₹ 8.7 million (2017: ₹ 27.0 million)}		
	9,655.5	9,024.7

During the year, an amount of ₹ 520.5 million (net of reversals) [2017: ₹ 460.8 million] was charged to the statement of profit and loss on account of obsolete, damage and slow moving inventories.

10 - CURRENT INVESTMENTS

At amortised cost		
Quoted		
Treasury Bills - Government Securities	11,668.2	5,958.8
Certificate of Deposits with banks	1,341.5	1,734.0
Commercial Papers	1,495.8	2,238.8
Short Term Bonds	846.2	464.9
At fair value through profit and loss		
Quoted		
Mutual Funds - Debt (1)	3,899.6	3,539.4
	19,251.3	13,935.9
Considered as 'Cash and cash equivalents' for the purpose of 'Statement of Cash Flows' in line with the requirements of Ind AS-7	19,251.3	13,935.9
Market value of quoted investments	19,251.3	13,934.6

(1) 2017: Includes an amount of ₹150.0 million [representing 1,498,518 units of ICICI Prudential Liquid Plan - Daily Dividend] for which Company had placed the redemption on 29 December 2017 and was pending for execution till 31 December 2017. This has been subsequently realised on 1 January 2018.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		As at 31 December 2018 (₹ in million)		As at 31 December 2017 (₹ in million)
11 - TRADE RECEIVABLES (UNSECURED)				
Trade Receivables considered good [(1)]		1,245.9		889.7
Trade Receivables with significant increase in credit risk		23.2		21.0
		1,269.1		910.7
Less: Loss allowance		(23.2)		(21.0)
		1,245.9		889.7

(1) Include receivables from related parties (Refer Note 46)

12 - CASH AND CASH EQUIVALENTS

Balances with banks		
on current accounts	188.3	125.7
on deposit accounts	15,691.2	14,340.0
Cheques, drafts on hand including remittances in transit	108.2	11.2
	15,987.7	14,476.9

13 - BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

Unpaid dividend accounts	112.9	97.3
	112.9	97.3

14 - CURRENT LOANS

Secured, considered good				
Loans to employees		1.1		2.3
Unsecured, considered good				
Security deposits		29.4		20.6
Loans to employees		148.4		265.1
		177.8		285.7
Unsecured, credit impaired				
Security deposits, Loans to employees	8.5		8.6	
Less: Allowance for impairment	(8.5)	-	(8.6)	-
		178.9		288.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		As at 31 December 2018 (₹ in million)		As at 31 December 2017 (₹ in million)
15 - OTHER CURRENT FINANCIAL ASSETS				
Recoverable from related parties		77.5		43.2
Derivative assets - forward contracts		46.8		32.0
Interest accrued on bank deposits/ tax free long term bonds etc.		391.3		336.2
Others		9.3		16.5
		524.9		427.9

16 - OTHER CURRENT ASSETS

Unsecured, considered good				
Advances given to suppliers, employees etc.		116.1		103.6
Balances with government authorities		31.0		5.8
Prepaid expenses		76.8		60.2
		223.9		169.6
Unsecured, credit impaired				
Advances given to suppliers, Balances with government authorities etc.	23.3		19.1	
Less: Allowance for impairment	(23.3)	-	(19.1)	-
		223.9		169.6

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018		As at 31 December 2017	
	No. of shares	Amount (₹ in million)	No. of shares	Amount (₹ in million)
17 - EQUITY SHARE CAPITAL				
Authorised				
Equity shares of face value ₹ 10 each	100,000,000	1,000.0	100,000,000	1,000.0
Issued, subscribed and fully paid up				
Equity shares of face value ₹ 10 each	96,415,716	964.2	96,415,716	964.2

a) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year

Shares outstanding as at the beginning of the year	96,415,716	964.2	96,415,716	964.2
Movement during the year	-	-	-	-
Shares outstanding as at the end of the year	96,415,716	964.2	96,415,716	964.2

b) Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares with face value of ₹ 10 each, ranking pari passu.

c) Equity shares held by holding companies

Nestlé S.A.	33,051,399	33,051,399
Maggi Enterprises Limited	27,463,680	27,463,680
(Ultimate holding company being Nestlé S.A.)		

d) Shareholders holding more than 5% of equity shares

Serial No.	Name of the shareholder	No. of shares	% of holding	No. of shares	% of holding
1	Nestlé S.A.	33,051,399	34.28	33,051,399	34.28
2	Maggi Enterprises Limited	27,463,680	28.48	27,463,680	28.48
3	Life Insurance Corporation of India	3,110,517	3.23	4,968,835	5.15

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
18 - OTHER EQUITY		
General reserve	8,374.3	8,374.3
Retained earnings	27,688.1	25,054.5
Items of Other Comprehensive Income		
Effective portion of cash flow hedges	10.8	12.9
Equity Instruments through other comprehensive income	(300.0)	(200.0)
	35,773.2	33,241.7

Nature and description of reserve

(i) **General Reserve -** General reserve are free reserves of the company which are kept aside out of company's profits to meet the future requirements as and when they arise. The Company had transferred a portion of the profit after tax (PAT) to general reserve pursuant to the earlier provisions of Companies Act, 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013.

(ii) **Retained Earnings -** Retained earnings are the accumulated profits earned by the Company till date, less transfer to general reserves, dividend (including dividend distribution tax) and other distributions made to the shareholders.

(iii) **Effective portion of cash flow hedges -** The Company uses forward contracts to hedge its risks associated with foreign currency transactions relating to firm commitments and highly probable forecast transactions. This reserve represents the cumulative changes in fair value of forward contracts that are designated as Cash Flow Hedges. These will be reclassified to statement of profit and loss upon occurrence of the underlying forecasted transactions.

(iv) **Equity instruments through other comprehensive income -** This represents the cumulative gains and losses arising on fair valuation of equity instruments measured at fair value through other comprehensive income under an irrevocable option.

19 - NON-CURRENT BORROWINGS

	31 December 2018	31 December 2017
Unsecured loans		
Deferred VAT liabilities		
State of Karnataka(1)	204.2	204.2
State of Himachal Pradesh(2)	147.2	147.2
	351.4	351.4

(1) Interest free, repayable after 10 years from the date of disbursement in 10 equal annual installments commencing from year 2024.
(2) Interest free, repayable after 8 years from the year of deferment commencing from year 2021.

20 - NON-CURRENT PROVISIONS

	31 December 2018		31 December 2017	
Employee benefits:				
Pension and gratuity (Refer note 34)	15,860.2		14,641.0	
Other incentives and welfare benefits(1)	1,196.1	17,056.3	1,081.1	15,722.1
Contingencies (Refer note 37)		7,592.9		7,193.8
		24,649.2		22,915.9

(1) Includes compensated absences, restricted stock unit plans/ performance share unit plans, long service awards and ceremonial gifts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
21 - DEFERRED TAXES (NET) [1]		
Deferred tax liabilities		
Property, Plant and Equipment	2,379.1	2,533.5
Inventories	-	208.7
Financial Instruments	8.2	12.4
	2,387.3	2,754.6
Deferred tax assets		
Contingencies	1,376.5	1,143.8
Employee benefits - Compensated absences and Gratuity	359.6	331.9
Allowance for credit impaired assets and Trade receivables	21.1	20.6
Other items deductible on payment	41.9	38.7
	1,799.1	1,535.0
	588.2	1,219.6

(1) Refer note 39

22 - OTHER NON-CURRENT LIABILITIES

Deferred Government Grants	5.1	6.0
	5.1	6.0

23 - OTHER CURRENT FINANCIAL LIABILITIES

Payables for capital expenditure	469.8	680.1
Customers' credit balances and payables	1,082.0	1,027.9
Employee costs and reimbursements	1,379.6	1,245.2
Book Overdraft	0.9	9.4
Unpaid dividends[1]	112.9	97.3
Security deposits	60.6	66.3
Derivative liabilities - forward contracts	56.0	14.0
	3,161.8	3,140.2

(1) No amount due and outstanding to be credited to Investor Education and Protection Fund.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		As at 31 December 2018 (₹ in million)		As at 31 December 2017 (₹ in million)
24 - CURRENT PROVISIONS				
Employee benefits:				
Pension (Refer note 34)	**240.8**		182.5	
Other incentives and welfare benefits[1]	**251.7**	**492.5**	249.7	432.2
Contingencies (Refer note 37)		**1,080.1**		442.4
		1,572.6		874.6

(1) Includes compensated absences, restricted stock unit plans/ performance share unit plans, long service awards and ceremonial gifts.

25 - OTHER CURRENT LIABILITIES

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
Statutory liabilities (Goods & Services tax, Sales tax, Excise Duty, TDS etc.)	**519.1**	377.1
Advance from customers	**407.9**	168.7
Others	**484.4**	520.1
	1,411.4	1,065.9

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
26 - OTHER OPERATING REVENUES		
Export incentives	558.2	395.4
Other operating income (includes scrap sales)	202.2	175.3
	760.4	570.7

27 - OTHER INCOME

Interest on bank deposits, investments and employee loans etc. [1]	1,929.2	1,245.8
Interest on tax free long term bonds [1]	474.6	362.1
Dividend on mutual funds	183.8	159.4
Net Gain on financial assets at fair value through profit & loss	1.6	1.9
	2,589.2	1,769.2

(1) as per effective interest rate method

28 - COST OF MATERIALS CONSUMED

Raw materials	35,986.6	35,222.3
Packing materials	7,670.2	7,094.3
	43,656.8	42,316.6

29 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

	2018	2018	2017	2017
Opening stock				
Finished goods	3,881.7		3,708.5	
Work-in-progress	1,148.1		912.7	
Stock-in-trade	280.5		172.7	
	5,310.3		4,793.9	
Closing Stock				
Finished goods	3,873.8		3,881.7	
Work-in-progress	1,132.6		1,148.1	
Stock-in-trade	364.0		280.5	
	5,370.4		5,310.3	
Net (increase)/ decrease in opening and closing stock		(60.1)		(516.4)
Net movement in excise duty on finished goods		-		(279.2)
		(60.1)		(795.6)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
30 - EMPLOYEE BENEFITS EXPENSE		
Salaries, wages, bonus, pension, performance incentives etc. (Refer note - 34)	9,654.0	9,097.0
Contribution to provident and other funds	857.9	439.5
Share based payments (Refer note - 35)	117.0	134.7
Staff welfare expenses	612.6	503.3
	11,241.5	10,174.5

31 - FINANCE COSTS

Interest cost on employee benefit plans	1,079.0	912.4
Interest on bank overdraft and others	40.5	6.6
	1,119.5	919.0

32 - OTHER EXPENSES

Finished goods handling, transport and distribution	5,256.0	4,772.5
Advertising and sales promotion	7,294.4	5,060.0
Power and fuel	3,441.8	2,884.4
General licence fees (net of taxes)	4,926.5	4,172.8
Information technology and management information systems	840.6	882.6
Maintenance and repairs	925.3	1,005.6
Rates and taxes	75.0	442.2
Travelling	799.3	780.3
Rent	560.3	597.0
Contract manufacturing charges	364.3	374.7
Consumption of stores and spare parts	538.8	503.8
Training	490.2	402.7
Withholding tax on general licence fees	492.6	417.3
Laboratory (quality testing)	214.2	220.3
Market research	301.8	274.9
Milk collection and district development	156.4	161.2
Security charges	133.9	142.9
Exchange difference (net)	134.7	2.8
Deficit/ (Surplus) on fixed assets sold/scrapped/written off (net)	(10.3)	50.2
Insurance	53.8	61.1
Miscellaneous	1,191.5	960.9
	28,181.1	24,170.2

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

33. Class-wise details of Sales of products

	Year ended 31 December 2018		Year ended 31 December 2017	
Product groups	**Quantity (MT)**	**Amount[(1)] (₹ in million)**	Quantity (MT)	Amount[(1)] (₹ in million)
Milk Products and Nutrition (includes dairy whitener, condensed milk, UHT milk, yoghurt, maternal and infant formula, baby food, health care nutrition)	**137,066**	**51,876.3**	130,796	48,196.3
Prepared dishes and cooking aids (includes noodles, sauces, seasonings, pasta, cereals)	**240,879**	**31,052.5**	210,427	27,071.4
Powdered and Liquid Beverages (includes instant coffee, instant tea, ready to drink beverage)	**27,013**	**15,226.1**	24,423	13,869.9
Confectionery (includes bar countlines, tablets, sugar confectionery)	**42,197**	**14,007.4**	36,803	12,213.5
Total Sales	**447,155**	**112,162.3**	402,449	101,351.1

(1) Also refer Note – 4 on 'Impact of implementation of Goods and Services Tax (GST) on the financial statements'

34. Employee Benefit Plans

(i) The Company makes contributions to the Provident Fund, Employee State Insurance, National Pension System etc. for eligible employees. Under these plans, the Company is required to contribute a specified percentage of payroll costs. The Company has recognised ₹ 421.4 million (Previous year ₹ 368.0 million) as expense in the statement of profit and loss during the year towards contribution to these funds.

Out of the total contribution made for Provident Fund, ₹ 169.5 million (Previous year ₹ 144.6 million) is made to the Nestlé India Limited Employees Provident Fund Trust. The members of the Provident Fund Trust are entitled to the rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. The shortfall, if any, is made good by the Company in the year in which it arises. The Trustees of Nestlé India Limited Employees Provident Fund Trust are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and the relevant provisions prescribed under the law. Pattern of investment followed by the Trust is in accordance with the rules prescribed by the Government of India.

The total plan liabilities under the Nestlé India Limited Employees Provident Fund Trust as at 31 December 2018 as per the unaudited financial statements are ₹ 3531.4 million (Previous year ₹ 3,316.3 million) as against total plan assets of ₹ 3,532.2 million (Previous year ₹ 3,326.4 million). The funds of the Trust have been invested under various securities in accordance with the rules prescribed by the Government of India.

(ii) Pension and Gratuity Plans: The Company provides pension and gratuity to eligible employees under defined benefit plans. The gratuity plan provides for a lump sum payment to employees upon vesting at retirement, death while in employment or on termination of employment. Gratuity vesting occurs upon completion of five years of service.

The Company makes contributions to the Nestlé India Limited Employees' Gratuity Trust Fund. The Trustees of Nestlé India Limited Employees Gratuity Trust Fund are responsible for the overall governance of the plan and to act in accordance with the provisions of the trust deed and the relevant provisions prescribed under the law. Pattern of investment followed by the Gratuity Trust fund is in accordance with the rules prescribed by the Government of India. The Company aims to keep annual contributions to the trust relatively stable at a level such that no significant gap arises between plan assets and liabilities. Defined benefit pension is a discretionary, unfunded plan. These benefit plans expose the Company to risks, such as interest rate risk, inflation risk, price risk, longevity risk etc.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

a) Movement in defined benefit obligations and Plan assets

	31 December 2018 (₹ in million)		31 December 2017 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
(i) Change in defined benefit obligation (DBO):				
Present Value of obligation, as at the beginning of the year	1,240.0	14,655.3	1,067.1	12,165.2
Current service cost	90.6	650.8	71.9	569.0
Past service cost	345.9	(388.8)		
Interest cost	81.8	1,010.5	72.3	841.8
Actuarial loss/(gain)	28.7	434.4	95.5	1,357.5
Actual benefits paid	(142.7)	(438.6)	(66.8)	(278.2)
Present Value of obligation, as at the end of the year	1,644.3	15,923.6	1,240.0	14,655.3
(ii) Change in plan assets:				
Plan assets, as at the beginning of the year	1,071.8	-	915.4	-
Expected return on plan assets	85.9	-	65.0	-
Contribution by the Company	452.8	-	92.5	-
Return on plan assets, greater/(lesser) than expected return	(0.9)	-	65.7	-
Actual benefits paid	(142.7)	-	(66.8)	-
Plan assets, as at the end of the year	1,466.9	-	1,071.8	-
Net Liability recognised in the balance Sheet	177.4	15,923.6	168.2	14,655.3
of which accounted as:				
Non-current provisions	177.4	15,682.8	168.2	14,472.8
Current provisions	-	240.8	-	182.5
(iii) Constitution of plan assets				
Quoted				
Corporate Bonds	484.2	-	373.4	-
Government of India securities	143.2	-	56.6	-
State Government/State Government guaranteed securities	601.6	-	447.6	-
Mutual funds	104.0		58.3	
Funding with insurance Companies	105.4	-	100.8	-
Unquoted				
Deposits with Banks	25.9	-	32.3	-
Cash at bank and receivables	2.6	-	2.8	-
Total plan assets	1,466.9	-	1,071.8	-
(iv) Cost recognised in the statement of profit and loss				
Current service cost (net of recoveries)	90.1	633.7	71.5	555.3
Past service cost	345.9	(388.8)		
Interest cost[(1)]	81.8	1,010.5	72.3	841.8
Expected return on plan assets	(85.9)	-	(65.0)	-
Net cost	431.9	1,255.4	78.8	1,397.1
(v) Re-measurements recognised in other comprehensive income				
Actuarial loss/(gain)				
Change in financial assumptions	47.6	480.7	26.9	882.0
Change in demographic assumptions	-	-	-	-
Experience adjustments	(18.9)	(46.3)	68.6	475.5
Return on plan assets, (greater)/lesser than expected return	0.9	-	(65.7)	-
Net cost	29.6	434.4	29.8	1,357.5

(1) Total Interest cost on employee benefit plans recognised in statement of profit and loss is ₹ 1079.0 million (Previous year ₹ 912.4 million). This includes ₹ 1006.4 million (Previous year ₹ 849.1 million) towards pension and gratuity and balance amount ₹ 72.6 million (Previous year ₹ 63.3 million) towards compensated absences and long service awards.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

b) Key Actuarial Assumptions

	31 December 2018		31 December 2017	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
Discount Rates (%)	7.0	7.0	7.0	7.0
Expected rate of salary increases (%)				
First 5 years	7.1 to 12.6	7.1 to 12.6	7.5 to 10.0	7.5 to 10.0
Beyond five years	5.5	6.5	5.5	6.5
Expected rate of Pension increases (%)	-	3.25	-	3.25

Mortality assumptions	
in service	Indian Assured Lives Mortality (modified 2006-08) Ultimate rates
in retirement	Mortality for annuitants - LIC (1996-98) Ultimate rates

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

As defined benefits obligations are of relatively long term in nature, the actuarial assumptions take in account the requirements of the relevant Ind AS coupled with a long term view of the underlying variables / trends, wherever required.

c) Sensitivity Analysis

Sensitivity of the defined benefit obligation to changes in key actuarial assumptions

	31 December 2018 (₹ in million)		31 December 2017 (₹ in million)	
	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan	Gratuity Scheme Funded Plan	Pension Scheme Unfunded Plan
Present Value of obligation - Reported	1,644.3	15,923.6	1,240.0	14,655.3
Discount rates				
Increase of 50 basis point	1,563.3	14,667.3	1,178.9	13,496.4
Decrease of 50 basis point	1,732.6	17,347.1	1,306.9	15,968.7
Expected rate of salary increase				
Increase of 50 basis point	1,716.3	16,763.7	1,289.3	15,446.3
Decrease of 50 basis point	1,576.6	15,145.1	1,192.1	13,919.0
Expected rate of Pension increases				
Increase of 50 basis point	-	16,671.7	-	15,334.1
Decrease of 50 basis point	-	15,234.2	-	14,029.7
Life expectancy				
Increase by 1 year	-	16,248.7	-	14,953.0
Decrease by 1 year	-	15,592.1	-	14,351.6

Sensitivities are calculated using the same actuarial method as applied for the calculation of present value of the defined benefit obligation. Sensitivity calculations are based on change in the respective assumption while keeping other assumptions constant.

d) Weighted average duration of the defined benefit obligation	11 years	18 years	11 years	18 years
e) Expected contribution to the Trust	120.0	-	110.0	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

35. Restricted Stock Unit (RSU)/ Performance Share Unit (PSU) Plan

The Company participates in the Nestlé Restricted Stock Unit (RSU)/ Performance Share Unit (PSU) Plan of Nestlé S.A., whereby select employees are granted non-tradable units with the right to obtain Nestlé S.A. shares or cash equivalent. Restricted Stock Units (RSU)/ Performance Share Units (PSU) 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.

The details are as under:-

	31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
Outstanding, non-vested RSU/ PSU grants as at year end	282.4	294.6
RSU/ PSU grants vested during the year	129.1	120.1
Recognised in statement of profit and loss	117.0	134.7

36. Total impairment loss on property, plant and equipment for the year ended 31 December 2018 is ₹ 110.8 million (Previous Year ₹ 371.8 million). Impairment loss relates to various items of plant and machinery and building that have been brought down to their recoverable values upon evaluation of future economic benefits from their use.

37. Net provision for contingencies

The Company has created a contingency provision of ₹ 1,242.5 million (Previous year ₹ 1,136.5 million) for various contingencies resulting mainly from matters, which are under litigation / related disputes and other uncertainties requiring management judgement. The Company has also reversed, utilised/settled contingency provision of ₹ 205.6 million (Previous year ₹ 260.0 million) due to the satisfactory settlement of certain litigations and settlement of obligations under free replacement warranty for which provision is no longer required.

The details of class-wise provisions are given below:

	31 December 2018 (₹ in million)			31 December 2017 (₹ in million)		
Description	Provisions for contingencies			Provisions for contingencies		
	Litigations and related disputes	Others	Total	Litigations and related disputes	Others	Total
Opening balance	7,083.0	553.2	7,636.2	6,521.0	238.7	6,759.7
New provisions	429.9	812.6	1,242.5	694.0	442.5	1,136.5
Utilisation/Settlement during the year	-	(175.0)	(175.0)	-	(128.0)	(128.0)
Reversals	(30.7)	-	(30.7)	(132.0)	-	(132.0)
Recognised in statement of profit and loss*	399.2	637.6	1,036.8	562.0	314.5	876.5
Closing balance	7,482.2	1,190.8	8,673.0	7,083.0	553.2	7,636.2

*out of this, ₹ 621.7 million (Previous year ₹ 383.6 million) has been recognised as "Net provision for contingencies (from operations) and balance amount of ₹ 415.1 million (Previous year ₹ 492.9 million) as "Net provision for contingencies (others)".

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Notes:

(i) **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, Entry Tax, Value Added Tax, Sales and Purchase Tax, etc.). The probability and the timing of the outflow with regard to these matters depend on the ultimate settlement /conclusion with the relevant authorities.

(ii) **Others -** includes estimates made for products sold by the Company which are covered under free replacement warranty on crossing the best before date for consumption and other uncertainties requiring management judgement. 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.

38. Corporate Social Responsibility Expense

		31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
Prescribed CSR expenditure as per Section 135 of the Companies Act, 2013		273.4	268.8
(a)	Total amount planned to be spent during the year	273.4	268.8
(b)	Actual expenditure incurred during the year	273.7	269.1
(c)	Paid in Cash [(1)]		
	- Pertaining to current year	259.8	260.6
	- Pertaining to previous year	8.5	16.9
(d)	Expenditure incurred during current year and remaining unpaid	13.9	8.5

(1) Includes amount paid for acquisition/ construction of assets - 2018: Nil, 2017: Nil

39. (a) Tax expense

		Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
i	**Recognised in the statement of profit and loss**		
	Current Tax	8,848.7	6,491.7
	Deferred Tax	(628.5)	(350.6)
		8,220.2	6,141.1
ii	**Recognised in other comprehensive income**		
	Current Tax	(160.2)	(487.6)
	Deferred Tax	(2.9)	16.8
		(163.1)	(470.8)
	Of which:		
	on re-measurement of retiral defined benefit plans	(162.0)	(480.1)
	on changes in fair value of cash flow hedges	(1.1)	9.3
	Total Taxes		
	Current Tax	8,688.5	6,004.1
	Deferred Tax	(631.4)	(333.8)
		8,057.1	5,670.3

iii **Reconciliation of tax expense recognised in the statement of profit and loss with Profit before tax (PBT) multiplied by the Statutory tax rate:**

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
Profit before Tax	24,289.5	18,393.0
Statutory Income tax rate (1)	34.85%	34.61%
Tax expense @ Statutory Income tax rate	8,464.9	6,365.4
Tax effect of permanent adjustments made for computing taxable income		
Non-deductible expenses	222.6	232.2
Tax Incentives	(246.9)	(276.3)
Income exempt from tax	(229.5)	(180.2)
Adjustment of increase in surcharge by 1% (Considered in Deferred tax liability)	9.1	-
Tax expense recognised in the statement of profit and loss	8,220.2	6,141.1

(1) Statutory Income Tax rate for the period 1 January 2018 to 31 March 2018 was 34.61% and for the period 1 April 2018 to 31 December 2018 was 34.94%.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) Movement in deferred taxes

As at 31 December 2018

(₹ in million)

Particulars	Opening balance	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Closing balance
Deferred tax liabilities				
Property, plant and equipment	2,533.5	(154.4)	-	2,379.1
Inventories	208.7	(208.7)	-	-
Financial Instruments	12.4	(3.1)	(1.1)	8.2
Sub-Total (A)	**2,754.6**	**(366.2)**	**(1.1)**	**2,387.3**
Deferred tax assets				
Contingencies	1,143.8	232.7	-	1,376.5
Employee benefits - compensated absences and gratuity	331.9	25.9	1.8	359.6
Allowance for credit impaired assets and Trade receivables	20.6	0.5	-	21.1
Other items deductible on payment basis	38.7	3.2	-	41.9
Sub-Total (B)	**1,535.0**	**262.3**	**1.8**	**1,799.1**
Total (A-B)	**1,219.6**	**(628.5)**	**(2.9)**	**588.2**

As at 31 December 2017

Particulars	Opening balance	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Closing balance
Deferred tax liabilities				
Property, plant and equipment	2,710.9	(177.4)	-	2,533.5
Inventories	187.7	21.0	-	208.7
Financial Instruments	34.3	(31.2)	9.3	12.4
Sub-Total (A)	2,932.9	(187.6)	9.3	2,754.6
Deferred tax assets				
Contingencies	1,033.8	110.0	-	1,143.8
Employee benefits - compensated absences and gratuity	287.4	52.0	(7.5)	331.9
Allowance for credit impaired assets and Trade receivables	19.9	0.7	-	20.6
Other items deductible on payment basis	38.4	0.3	-	38.7
Sub-Total (B)	**1,379.5**	**163.0**	**(7.5)**	**1,535.0**
Total (A-B)	**1,553.4**	**(350.6)**	**16.8**	**1,219.6**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

40. Financial Instruments

(a) Financial instruments by category

		Note	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
	Financial assets			
i	**Measured at Amortised Cost**			
	Investments			
	Long Term Tax free Bonds	6	7,114.8	5,534.0
	Treasury Bills - Government Securities	10	11,668.2	5,958.8
	Certificate of Deposits with banks	10	1,341.5	1,734.0
	Commercial Papers	10	1,495.8	2,238.8
	Short Term Bonds	10	846.2	464.9
	Trade receivables	11	1,245.9	889.7
	Cash and cash equivalents	12	15,987.7	14,476.9
	Bank Balances other than cash and cash equivalents	13	112.9	97.3
	Loans	7,14	580.3	751.5
	Other financial assets	15	478.1	395.9
			40,871.4	32,541.8
ii	**Measured at Fair Value through Other Comprehensive Income**			
	Investment in Equity Shares	6	218.8	318.8
			218.8	318.8
iii	**Measured at Fair Value through Profit & Loss**			
	Investment in Mutual Funds	10	3,899.6	3,539.4
	Derivative assets - forward contracts	15	46.8	32.0
			3,946.4	3,571.4
	Total Financial assets (i+ii+iii)		45,036.6	36,432.0
	Financial Liabilities			
i	**Measured at Amortised Cost**			
	Borrowings	19	351.4	351.4
	Trade payables		12,403.7	9,846.4
	Others financial liabilities	23	3,105.8	3,126.2
			15,860.9	13,324.0
ii	**Measured at Fair Value through Profit & Loss**			
	Derivative liabilities - forward contracts	23	56.0	14.0
			56.0	14.0
	Total Financial liabilities (i+ii)		15,916.9	13,338.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(b) Fair value hierarchy

		As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
(i)	**Financial assets/liabilities at amortised cost**		
	The carrying amount of financial assets and financial liabilities measured at amortised cost are a reasonable approximation of their fair values except Investments for which the fair value are as follows:		
	Fair value of Investments measured at amortised cost (Level 1)	**22,629.8**	16,288.4
(ii)	**Financial assets at fair value through other comprehensive income**		
	Investment in Equity Shares (Level 3)	**218.8**	318.8
(iii)	**Financial assets at fair value through profit & loss**		
	Investment in Mutual Funds (Level 1)	**3,899.6**	3,539.4
	Derivative assets - forward contracts (Level 2)	**46.8**	32.0
(iv)	**Financial liabilities at fair value through profit & loss**		
	Derivative liabilities - forward contracts (Level 2)	**56.0**	14.0

The Company determines the fair value of its financial instruments on the basis of the following hierarchy:

Level 1: The fair value of financial instruments that are quoted in active markets are determined on the basis of quoted price for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques based on observable market data.

Level 3: The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). Fair value of investment in unquoted equity shares is determined using discounted cash flow technique.

There are no transfers between different fair value hierarchy levels in 2017 and 2018.

(c) Financial Risk Management

In the course of its business, the Company is exposed to a number of financial risks: liquidity risk, credit risk, market risk. This note presents the Company's objectives, policies and processes for managing its financial risk.

(i) Liquidity risk

Liquidity risk refers to risk that the Company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled in cash or other financial assets. The Company regularly monitors the rolling forecasts to ensure that sufficient liquidity is maintained on an ongoing basis to meet operational needs. The Company manages the liquidity risk by planning the investments in a manner such that the desired quantum of funds could be made available to meet any of the business requirements within a reasonable period of time. In addition, the Company also maintains flexibility in arranging the funds by maintaining committed credit lines with various banks to meet the obligations.

Maturities of financial liabilities:

(₹ in million)

	Carrying amount	Less than 1 year	Beyond 1 year
As at 31 December 2018			
Borrowings	351.4	-	351.4
Trade payables	12,403.7	12,403.7	-
Others financial liabilities	3,105.8	3,105.8	-
Derivative liabilities - forward contracts	56.0	56.0	-
	15,916.9	15,565.5	351.4
As at 31 December 2017			
Borrowings	351.4	-	351.4
Trade payables	9,846.4	9,846.4	-
Others financial liabilities	3,126.2	3,126.2	-
Derivative liabilities - forward contracts	14.0	14.0	-
	13,338.0	12,986.6	351.4

(ii) Credit risk

Credit risk refers to risk of financial loss to the Company if a customer or a counter-party fails to meet its contractual obligations. The Company has following categories of financial assets that are subject to credit risk evaluation:

Investments

The Company has made investments in tax free long term bonds, treasury bills, certificate of deposits, commercial papers, short term bonds, deposit with banks, mutual funds etc. Funds are invested in accordance with the Company's established Investment policy that includes parameters of safety, liquidity and post tax returns. Company avoids the concentration of credit risk by spreading them over several counterparties with good credit rating profile and sound financial position. The Company's exposure and credit ratings of its counterparties are monitored on an ongoing basis. Based on historical experience and credit profiles of counterparties, the company does not expect any significant risk of default.

Trade receivables

Credit risk arising from trade receivables is managed in accordance with the Company's established policy with regard to credit limits, control and approval procedures. The Company provides for expected credit losses on trade receivables based on a simplified approach as per Ind AS 109. Under this approach, expected credit losses are computed basis the probability of defaults over the lifetime of the asset. This allowance is measured taking into account credit profile of the customer, geographical spread, trade channels, past experience of defaults, estimates for future uncertainties etc.

Movement in expected credit loss allowance on trade receivables:

	31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
Balance as at the beginning of the year	21.0	21.1
Movement during the year	2.2	(0.1)
Balance as at the end of the year	23.2	21.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Other financial assets

Other financial assets include employee loans, security deposits etc. Based on historical experience and credit profiles of counterparties, the Company does not expect any significant risk of default.

The Company's maximum exposure to credit risk for each of the above categories of financial assets is their carrying values as at the reporting dates.

(iii) Market Risk

Interest rate risk

Interest rate risk refers to risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in market interest rates. The Company is not exposed to any significant interest rate risk as its investments are primarily in fixed rate instruments. Also, there are no significant borrowings as at the balance sheet date.

Price risk

Price risk refers to risk that the fair value of a financial instrument may fluctuate because of the change in the market price. The Company is exposed to the price risk mainly from investment in mutual funds and investment in equity instruments. Investment in mutual funds are made primarily in units of liquid funds and are not exposed to significant price risk. Further, Equity investment is strategic in nature and held on a long-term basis.

Foreign currency risk

Foreign currency risk refers to risk that the fair value of future cash flows of an exposure may fluctuate due to change in the foreign exchange rates. The Company is exposed to foreign currency risk arising out of transactions in foreign currency. Foreign exchange risks are managed in accordance with Company's established policy for foreign exchange management. The Company enters into forward contracts as per the hedging policy to hedge against its foreign currency exposures. The impact of strengthening/weakening of foreign currencies on the outstanding exposure remaining unhedged at the year-end is not significant.

The foreign currency exposure of the Company as at the year end basis the closing exchange rates is as under:

(₹ in million)

		As at 31 December 2018		As at 31 December 2017	
	Currency	Hedged[1]	Unhedged	Hedged[1]	Unhedged
Against exports	USD	1,431.0	-	1,890.7	-
	GBP	-	-	-	18.2
	EUR	-	7.2	-	1.5
	CHF	-	9.0	-	-
Against imports (Including Capital imports)	USD	550.8	-	758.4	-
	EUR	443.9	-	356.4	-
	AUD	295.8	-	174.3	-
	CHF	-	129.6	-	89.1
	GBP	-	8.7	-	13.4
	SGD	-	11.8	-	9.6
	JPY	-	25.8	-	7.4
	ZAR	-	-	-	1.2
	AED	-	-	-	1.1
	NZD	-	-	-	0.0

(1) All the forward contracts are for hedging foreign currency exposures relating to the underlying transactions and firm commitments or highly probable forecast transactions.

(d) Derivative financial instruments

Derivative instruments used by the Company include forward contracts. All the forward contracts entered into are for the purpose of hedging foreign currency exposures relating to the underlying transactions and firm commitments or highly probable forecast transactions.

		31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
(i)	Fair value of cash flow hedges		
	Derivative assets	**46.8**	32.0
	Derivative liabilities	**56.0**	14.0
(ii)	Notional value of cash flow hedges	**2,785.1**	3,232.5
(iii)	Movement in respect of designated cash flow hedges is summarised below:		
	Balance as at the beginning of the year	**12.9**	(4.5)
	Add : Gains/ (loss) recognised in other comprehensive income	**(118.4)**	43.9
	Less: Gains/ (loss) reclassified to statement of profit and loss	**(115.2)**	17.2
	Less: Net deferred taxes on the movement	**(1.1)**	9.3
	Balance as at the end of the year	**10.8**	12.9

41. Capital Management

The Company's capital management objective is to ensure that a sound capital base is maintained to support long term business growth and optimise shareholders value. Capital includes equity share capital and other equity reserves.

The Company's operations are funded primarily through internal accruals. Return to shareholders through dividend is monitored as per the laid down dividend distribution policy.

42. The Company had reviewed the General License Agreements in 2013, the Board of Directors of the Company negotiated and Nestlé S.A. accepted an increase in royalty from 3.5% to 4.5% of domestic sales in a staggered manner by making an increase of 0.20% per annum over five years effective 1 January 2014. The royalty rate on exports is aligned to 4.5% of sales.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

43. Operating Leases

The Company's significant leasing arrangements are primarily in respect of operating leases for premises (office, residential, warehouses etc.) and vehicles. The aggregate lease rentals charged to the statement of profit and loss account under different revenue accounts are ₹ 661.4 million (Previous year ₹ 718.8 million).

Future minimum lease rentals payable are as under:

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
Not later than one year	**487.2**	522.4
Later than one year and not later than five years	**918.2**	1161.7
Later than five years	**222.3**	296.5

44. Auditors Remuneration[1]

{included under Miscellaneous expense (Refer note-32)}

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
(i) Auditors' remuneration and expenses in respect of:		
a) Statutory audit	**9.6**	8.5
b) Audit of accounts for fiscal year and tax audit	**3.2**	2.3
c) GST Audit	**2.5**	-
d) Limited review of quarterly un-audited results	**1.8**	1.4
e) Certifications	**0.6**	0.3
f) Certification of tax holiday benefits	**0.3**	0.2
g) Audit of employee trust accounts	**0.1**	0.1
h) Out of pocket expenses for statutory audit and other matters	**1.3**	0.2
	19.4	13.0
(ii) Cost auditors' remuneration and expenses in respect of:		
a) Cost audit fees	**0.2**	0.2

(1) excluding applicable taxes

45. Contingent liabilities and commitments

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
Contingent liabilities		
Claims against the Company not acknowledged as debts:		
Indirect Taxes	**11.7**	11.7
Capital Commitments		
Capital expenditure commitments remaining to be executed and not provided for [net of advances ₹ 28.6 million (Previous year ₹ 23.1 million)]	**467.4**	310.7

46. Related party disclosures under Ind AS 24

(a) Related party and their relationship

(i) Holding Companies

Nestlé S.A (Ultimate holding Company)
Maggi Enterprises Limited

(ii) Fellow subsidiaries with whom the Company had transactions

Cereal Partners (Malaysia)
Cereal Partners Poland
CPW Middle East FZCO
Nestec S.A.
Nestec York Ltd.
Nestlé (China) Ltd.
Nestlé (South Africa) (Pty) Ltd
Nestlé (Thai) Ltd.
Nestlé Adriatic S DOO
Nestlé Asean (Malaysia) Sdn. Bhd.
Nestlé Australia Ltd.
Nestlé Bangladesh Ltd.
Nestlé Brasil Ltda
Nestlé Bulgaria AD
Nestlé Canada Inc
Nestlé Caribbean Inc.
Nestlé Congo S.A.R.L.
Nestlé Cote D'lvoire
Nestlé Deutschland AG
Nestlé Dubai Manufacturing LLC
Nestlé Egypt S.A.E
Nestlé France S.A.S.
Nestlé Ghana Ltd.
Nestlé Hong Kong Ltd
Nestlé Hungaria Kft.
Nestlé Japan Ltd.
Nestlé Kenya Ltd.
Nestlé Korea Ltd
Nestlé Korea Yuhan Chaegi
Nestlé Lanka PLC
Nestlé Manufacturing (Malaysia) Sdn Bhd
Nestlé Mexico S.A. de C.V.
Nestlé Middle East FZE
Nestlé Middle East Manufacturing
Nestlé Myanmar Limited
Nestlé Nederland B.V.
Nestlé Nigeria Plc
Nestlé Operational Services Worldwide S.A.
Nestlé Pakistan Ltd.
Nestlé Philippines, Inc.
Nestlé Product Technology Centre
Nestlé Products (Mauritius) Ltd.
Nestlé Products Sdn Bhd
Nestlé Purina Petcare Tianjin Ltd.
Nestlé Qingdao Limited
Nestlé R&D Center, Inc.
Nestlé R&D Centre (Pte) Ltd.
Nestlé R&D Centre India Private Ltd.
Nestlé Regional Service Centre
Nestlé ROH (Thailand) Ltd.
Nestlé Romania SRL
Nestlé Servicios Corporativos, S.A.
Nestlé Shanghai Ltd.
Nestlé Singapore (Pte) Ltd.
Nestlé Suisse S.A.
Nestlé Taiwan Ltd.
Nestlé Thailand Ltd.
Nestlé Tianjin Ltd.
Nestlé Trinidad And Tobago Ltd.
Nestlé Turkiye Gida Sanayi A.S.
Nestlé UK Ltd.
Nestlé USA Inc
Nestlé Vietnam Ltd.
Nestlé Waters Ethiopia
Nestlé Waters Management & Technology
Nestlé Waters Marketing & distibution S.A.S
Nestlé Waters North America Inc
Nestrade S.A.
PJSC "Lviv Confectionery Factory svitoch"
PT Nestlé Indonesia
Purina Petcare India Private Ltd.
Quality Coffee Products Ltd.
Sanpellegrino S.p.A.
Servcom S.A.
SMA Nutrition India Private Ltd.
Société des Produits Nestlé S.A.
Wyeth Nutritionals Ireland Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(iii) Key Management Personnel

Executive Directors

Suresh Narayanan, Chairman and Managing Director
Shobinder Duggal, Director - Finance & Control and CFO
Aristides Protonotarios, Director – Technical (Director – Technical upto 31 March 2017)
Martin Roemkens, Director – Technical (Director – Technical w.e.f. 1 April 2017)

Non-Executive Directors

Ashok Kumar Mahindra
Rama Bijapurkar (Non-Executive Director w.e.f. 1 May 2017)
Rakesh Mohan
Ravinder Narain (Non-Executive Director upto 11 May 2017)
R.V. Kanoria
Swati A. Piramal

(iv) Employees benefit trusts where control exists

Nestlé India Limited Employees Provident Fund Trust
Nestlé India Limited Employees Gratuity Trust Fund

(b) Nature of transactions

The transactions with the related parties have been entered in the ordinary course of business and are at arm's length.

Particulars	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
Holding companies:		
(a) Dividends		
- Nestlé S.A	3,734.8	2,842.4
- Maggi Enterprises Limited	3,103.4	2,361.9
(b) Expenses incurred		
- Nestlé S.A	129.1	120.1
Fellow subsidiaries:		
(a) Sale of finished and other goods		
- Nestlé Bangladesh Ltd	1,900.8	1,716.5
- Nestlé Turkiye Gida Sanayi A.S.	1,737.2	1,858.4
- Others	1,162.0	963.6
(b) Sale of Property, Plant & Equipment		
- Nestrade S.A	11.3	-
(c) Purchase of property, plant and equipment		
- Nestlé Congo S.A.R.L.	4.0	-
(d) Purchase of raw and packing materials		
- Nestrade S.A.	166.7	34.1
- Nestlé Nederland BV	44.3	31.7
- Others	43.6	20.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars		Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
(e)	Purchase of finished goods		
	- Nestlé Lanka PLC	378.9	319.2
	- Nestlé Nederland BV	127.2	111.8
	- Nestlé Korea Limited	99.1	60.9
	- Others	258.7	164.1
(f)	General licence fees (net of taxes)		
	- Société des Produits Nestlé S.A.	4,926.5	4,172.8
(g)	Expenses recovered		
	- Nestlé Lanka PLC	49.7	42.6
	- Nestlé R&D Centre India Private Ltd	42.0	37.6
	- Nestec S.A	37.3	13.9
	- Nestlé Bangladesh Ltd.	27.9	28.4
	- Purina Petcare India Private Ltd.	25.6	15.7
	- Others	57.4	34.7
(h)	Expenses incurred		
	- Nestlé Operational Services Worldwide S.A.	56.6	3.2
	- Nestlé R & D Center (Pte) Limited	36.6	33.2
	- Nestec S.A	34.5	63.0
	- Others	80.3	88.6
(i)	Information technology and management information systems		
	- Nestlé Australia Ltd	642.9	676.6
	- Servcom S.A.	-	4.5
(j)	Loans granted		
	- Nestlé R&D Centre India Private Limited	250.0	500.0
	- SMA Nutrition India Private Limited	50.0	50.0
	- Purina Petcare India Private Ltd.	165.0	-
(k)	Repayment of loans granted		
	- Nestlé R&D Centre India Private Limited	250.0	500.0
	- SMA Nutrition India Private Limited	50.0	50.0
	- Purina Petcare India Private Ltd.	165.0	-
(l)	Interest on loans granted		
	- Nestlé R&D Centre India Private Limited	2.6	33.5
	- SMA Nutrition India Private Limited	3.0	3.1
	- Purina Petcare India Private Ltd.	5.8	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
Remuneration to Key management personnel[(1)]		
Executive directors		
- Short term employee benefits	**177.5**	167.9
- Post employment benefits	**4.1**	5.0
- Share based payments	**18.5**	18.7
Non - Executive directors		
- Short term employee benefits (Sitting fee & Commission)	**9.6**	7.2
Contribution to Employee related trusts		
- Nestlé India Limited Employees Provident Fund Trust	**169.5**	144.6
- Nestlé India Limited Employees' Gratuity Trust Fund	**452.8**	92.5

	As at 31 December 2018 (₹ in million)	As at 31 December 2017 (₹ in million)
Balance outstanding as at the year end		
Receivables from fellow subsidiaries	**583.5**	562.0
Payables to fellow subsidiaries	**808.6**	773.3
Payables to Key management personnel	**46.6**	38.4
Payables to Employees Provident Fund Trust	**14.9**	12.1

Note:

Other transactions with Key Managerial Personnel:

- Remuneration includes lease rentals paid at market rates ₹ 3.6 million (previous year ₹ 3.6 million).

(1) As the liabilities for defined benefit obligations are provided based on actuarial valuation for the company as a whole, the amount pertaining to Key management personnel has not been included.

47. Segment reporting

Based on the guiding principles given in Ind AS 108 on 'Operating Segments', the Company's business activity falls within a single operating segment, namely Food. Accordingly, the disclosure requirements of Ind AS 108 are not applicable. The food business incorporates product groups viz. Milk Products and Nutrition, Prepared Dishes and Cooking aids, Powdered and Liquid Beverages and Confectionery.

Information by Geographies

(i) Revenue from external customers

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
India	105,075.4	94,724.5
Outside India	7,086.9	6,626.6
	112,162.3	101,351.1

(ii) The Company has business operations only in India and does not hold any assets outside India.

Revenue from major customers

There is no single customer that accounts for more than 10% of the Company's revenue.

48. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006

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 following are the details:

		31 December 2018 (₹ in million)	31 December 2017 (₹ in million)
(i)	Principal amount remaining unpaid	107.7	52.5
(ii)	Interest due thereon remaining unpaid	-	-
(iii)	Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	-	-
(iv)	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
(v)	Interest accrued and remaining unpaid	-	-
(vi)	Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

49. Dividends

(i) Dividend paid during the year

	Year ended 31 December 2018 (₹ in million)	Year ended 31 December 2017 (₹ in million)
Interim Dividend of ₹ 90.00 per share for 2018 [for 2017: ₹ 63.00 per share]	**8,677.4**	6,074.2
Final Dividend of ₹ 23.00 per share for 2017 [for 2016: ₹ 23.00 per share]	**2,217.6**	2,217.6
Dividend distribution tax paid on above	**2,238.6**	1,687.7

(ii) Proposed Final Dividend

The Board of Directors have recommended a final dividend of ₹ 25.0 per equity share amounting to ₹ 2410.4 million for the year 2018 (Previous Year: ₹ 23.0 per equity share amounting to ₹ 2,217.6 million) after the balance sheet date. The same is subject to approval by the shareholders at the ensuing Annual General Meeting of the Company and therefore proposed final dividend (including dividend distribution tax) has not been recognised as a liability as at the balance sheet date in line with Ind AS 10 on 'Events after the Reporting Period'.

As per our report of even date attached
For B S R & CO. LLP
Chartered Accountants
Firm's Registration No. - 101248W/W-100022

For and on behalf of the Board of Directors

JITEN CHOPRA
Partner
Membership No. - 092894

14 February 2019
Gurugram

SURESH NARAYANAN
Chairman and Managing Director
(DIN-07246738)

14 February 2019
Gurugram

SHOBINDER DUGGAL
Director - Finance & Control and CFO
(DIN-00039580)

B. MURLI
Sr. VP - Legal & Company Secretary