



Nestlé

Good Food, Good Life



1

RESEARCH REPORT AS ON 17-05-2022

CMP: ₹16,350

NESTLE INDIA LIMITED

**DOMINANT MARKET SHARE WITH BARELY ANY
COMPETITION**

PEE AAR SECURITIES LTD.

**BY: HIMANSHI KHOSLA
(FUNDAMENTAL RESEARCH ANALYST)**

Nestle India Limited is the Indian subsidiary of Nestlé which is a Swiss multinational food and beverage conglomerate operating its business in India for more than a century now. It first arrived in India in 1956. Since then, from selling its first milk product in the 1960s to offering a wide range of quality products in the Indian market, Nestle has grown exponentially in India. It offers products in beverages, breakfast cereals, chocolates

and confectionery, dairy, nutrition foods as well as vending and food services. Popular products such as Maggi, Kit Kat, Polo, Milkmaid, and Nescafe fall under Nestle India's portfolio. It is the largest

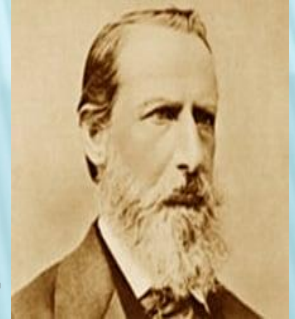
food and beverage brand in the world by revenue. Parents have been tempted to feed their little ones with 'Ceregrow', a product from Nestle which contains cereals to keep young children healthy.



NESTLE COMPANY HISTORY

1866

In 1866 Henri Nestlé, a Swiss pharmacist, established the world-renowned Nestlé brand in Switzerland. Amid a spirit of innovation and goodwill he established Nestle to distribute “milk food,” a type of infant food that was made from powdered milk, baked food, and sugar.



1905

The company merged with the Anglo-Swiss Condensed Milk, thereby broadening the company’s product line to include both condensed milk and infant formulas.

1937

Condensed milk and milk powders such as Nespray began to be manufactured in Standerton.

Nestle established condensed milk and infant food processing plants in the United States and Britain in the late 19th century and in Australia, South America, Africa, and Asia in the first three decades of the 20th century.

1929

Nestle moved into the chocolate business when it acquired a Swiss chocolate maker.

1938-1944

Nestlé's newest product, NESCAFÉ launched worldwide. NESCAFÉ the world's first soluble coffee drink. It becomes the world's top selling coffee brand.

1947

More diversification came in 1947 when Nestlé merged with Swiss company, Alimentana SA. This signalled the birth of the popular MAGGI bouillon cubes and dehydrated soups, which soon became a household name.

After World War 2, Nestle continued to expand into other areas of the food business, primarily through a series of acquisitions that included Maggi (1947), Cross & Blackwell (1960), Findus (1962), Libby's (1970), Stouffer's (1973), Carnation (1985), Rowntree (1988), and Perrier (1992).

On December 7, 2021, Nestlé agreed to sell 22.26 million L'Oréal shares to L'Oréal. Nestlé owns 20.1% of L'Oréal shares.

THE BOARD OF DIRECTORS



Mr. Suresh Narayanan
Chairman & Managing Director



Dr. Swati A. Piramal
Non Executive Director



Mr. R. V. Kanoria
Non Executive Director



Ms. Rama Bijapurkar
Non Executive Director



Ms. Roopa Kudva
Non Executive Director



Mr. P. R. Ramesh
Non Executive Director



Mr. David S. McDaniel
Executive Director – Finance
& Control and CFO



Mr. Matthias C. Lohner
Executive Director - Technical



Mr. B. Murli
General Counsel and
Company Secretary

MILK PRODUCTS AND NUTRITION PORTFOLIO

Nestle has more than 90% market share in nutrition products for infants.



Products portfolio include ceregrow (cereals for infants), Nangrow, Lactogrow, etc.

All advertisements relating to infant milk substitutes and other infant foods have been banned by the government. The ban on advertising is meant to protect and promote breast-feeding.

Company believes that breastmilk provides the best nutrition for babies, and every child should be exclusively breastfed for six months, followed by introduction of age-appropriate complementary feeding and continued breastfeeding until two years and beyond. Nestle's baby food quality is good. Nestle continually upgraded its portfolio while expanding the reach of the Toddler range of products.



The Milk Product and Nutrition business continued to deliver good performance despite challenges linked to commodity prices, that were mitigated by cost optimisation and efficiencies across the value chain. E-commerce contributed towards driving the performance of Milk Products and Nutrition category.

With consumers spending more time at home adopting creative pursuits such as baking and experimenting with new recipes, MILKMAID increased its engagement through its digital platform 'milkmaid.in' by providing dessert recipe solutions for baking enthusiasts.

PREPARED DISHES AND COOKING AIDS PORTFOLIO

Nestle has more than 70% market share in Instant Noodles and Instant Pasta segment.

On 5 June 2015, the Food Safety and Standards Authority of India asked Nestle India to “stop further production, processing, import, distribution and sale” of nine variants of Maggi with immediate effect, saying they had been found unsafe for human consumption. There is the most obvious reason for dilution in brand loyalty: the sheer breadth of choice. In its absence, yoga guru Baba Ramdev’s packaged consumer goods company Patanjali has launched atta noodles. Groceries retail chain Reliance Fresh is also pushing its masala noodles private label. That is not all. ITC’s Sunfeast Yippee noodles brand has revved up promotions with a heavy dose of television advertising.

A consumer has many more options in most product categories. Spoilt for choice, he finds it difficult to stick to a particular brand. The faith in Maggi was unshakeable.

Regaining customer confidence isn’t easy once consumers have a negative perception of a brand. Nestle won back the trust of consumers and investors to revive the brand image. This shows the stickiness of the customer to a particular taste.



The Prepared Dishes and Cooking Aids business offers convenience, taste, and quality to consumers. It strengthened its place as an ally to consumers by bringing in a dash of excitement to everyday cooking. In 2021, the continuing momentum and improved availability helped MAGGI Noodles and MAGGI Masala-ae-Magic achieve double digit growth, while MAGGI Sauces continued to grow profitably by focusing on premiumisation.

Pioneering innovation that caters to diverse consumer choices and distinctive local taste, the Company launched MAGGI Veggie Masala Noodles with the goodness of vegetables in the iconic masala taste. In a zeal to bring in new products, the Company launched MAGGI Special Chicken65 Masala Noodles, a variant inspired by one of the most popular chicken delicacies of regional cuisine.

With an increase in snacking among consumers, the Company launched two new variants of MAGGI Hot n Sweet Sauce – ‘Sriracha’ and ‘Extra Hot’. MAGGI Masala-ae-Magic expanded its presence in South India with the launch of a new variant MAGGI Masala-vin-Magic, a unique spice mix tailor-made for South Indian cuisine that elevates taste, aroma and flavor of everyday meals.

COFFEE AND BEVERAGES PORTFOLIO

Nescafe has been a hit among the working professionals as Nestle has promised Nescafe to be the coffee that would keep them fresh throughout the day.

Nestle India continued to focus on growing the Coffee and Beverages business by remaining consistent on the successful strategy of building coffee consumption habit through the year. NESCAFÉ registered yet another year of double-digit volume-led growth, based on significant growth in household penetration and increase in market share.

The Company continued its thrust on innovation while addressing the different needs of consumers with the launch of NESCAFÉ ALL in 1 – a convenient coffee premix affordably priced at 10 and NESCAFÉ Black Roast – an intense cup for strong coffee lovers. NESCAFÉ Gold continued in its journey to delight consumers with a cafe like experience at home, resulting in strong brand growth.



PEE AAR SECURITIES LTD.

CHOCOLATES AND CONFECTIONERY PORTFOLIO

Company's Chocolates and Confectionery portfolio continued its strong performance with healthy growth and market share gains. The Company also commissioned a new KITKAT line in its Ponda factory in Goa in 2021.

In times when consumers are looking for “good for me” ingredients in their food, Nestle launched Nestlé MUNCH FRUIT O NUTS, a unique combination of flavor and texture, where crunchy almonds combined with the fruity taste of pomegranate are wrapped around a crunchy wafer center. MUNCH FRUIT O NUTS is a category first innovation, leveraging company's strong R&D capabilities and extensive consumer research insights on the taste preferences of India that is diverse.

In order to meet the needs of the consumers, company launched a limited edition of KITKAT Kookie & Crème flavor, across all channels. KITKAT Kookie & Crème flavor is a fusion of the familiar taste of KITKAT with Cookie & Crème flavour.



KEY HIGHLIGHTS

- ✘ Thrust on innovation is greater than ever in last five years. It has launched 90 new products in the period. Further, 10 new products are in the pipeline. The new products contribution to sales has increased from 1.5% in 2016 to 5% in 2021.
- ✘ Though 85% of the company's sales comes from tradition channels (GT, CSD), the share of e-commerce sales has increased 8x in last five years. E-commerce contribution to sales was 0.6% in 2016 and was 5.1% in 2021. The current year growth in e-commerce channel sales is 65%.
- ✘ The company is looking to increase its rural footprint from current 1.0 lakh villages to 1.2 lakh villages by 2024 through wholesales hubs & smaller Distributors. Regarding the disconnect between increasing village network & stagnant direct reach, the management said that in hinterland the incremental cost of distribution is more than incremental return on distribution therefore it is going for auxiliary (wholesales led) distribution model in rural areas.

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- ✘ Exports contributes 5% to total sales. However, NIL consider exports as a sourcing opportunity in nearby countries. Moreover, exports are largely catering to the Indian diaspora.
 - ✘ The company is looking to enter two to three categories, which can give extra growth (over & above sustainable ~10%) with the expectation of maintaining similar margins. While foraying in a category, the company looks into the longevity of the product & sustainable growth
 - ✘ The growth in dairy whiteners was impacted adversely during pandemic given distribution in some of geographies like Kerala, North East (fair amount of dairy whiteners are sold in these regions) were disrupted Cost rationalisation measure programme 'Shark' has helped it save 200 crore every year from last four years. Under this programme, production loss came down by 42%.



With a 109-year history of serving consumers in India, Nestle is proud to reach a milestone with its ninth factory or 'Navaratna' in Sanand, Gujarat. It is a part of INR 26 Billion investment planned in India over next few years by the company. It is the most ecologically and digitally advanced and aspires to be a paperless and state of the art environment friendly unit.

Nestle has taken as much as 85 percent of the market for instant coffee in Mexico, 66 percent of the market for powdered milk in the Philippines, and 70 percent of the markets for soups in Chile.

The company owns 8,500 brands, but only 750 of them are registered in more than one country, and only 80 are registered in more than 10 countries. While the company will use the same “global brands” in multiple developed markets, in the developing world it focuses on trying to optimize ingredients and processing technology to local conditions and then using a brand name that resonates locally. Customization rather than globalization is the key to the Nestle’s growth strategy in emerging markets.

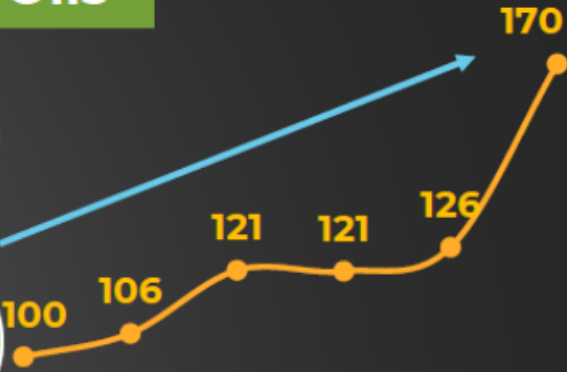
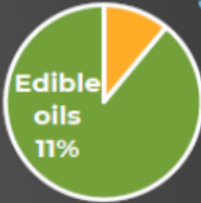
RESEARCH AND DEVELOPMENT

The research and development operation has a special place within Nestle, which is not surprising for a company that was established to commercialize innovative food stuffs. The R&D function comprises 18 different groups that operate in 11 countries throughout the world. Nestle spends approximately 1 percent of its annual sales revenue on R&D and has 3,100 employees dedicated to the function. Around 70 percent of the R&D budget is spent on development initiatives.

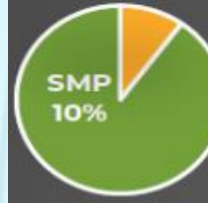
For example, Nestle instant noodle products were originally developed by the R&D group in response to the perceived needs of local operating companies through the Asian region. The company also has longer-term development projects that focus on developing new technological platforms, such as non-animal protein sources or agricultural biotechnology products. Nestle need to continue to leverage their in-depth knowledge of food habits, nutrition, quality and safety in order to innovate and renovate, and adapt to this new normal. They must respond to new demands, reset defining relationships with consumers and reconsider their product portfolio in the post-COVID era to make products healthier, and allow consumers to make informed choices.

KEY RISKS

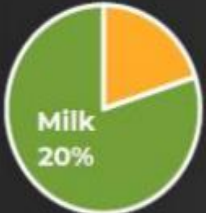
Edible Oils



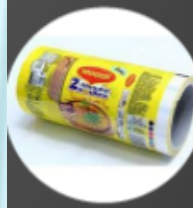
SMP



Milk



Packaging



KEY RISKS

Pricing competition is seen as a major industry challenge. Inflation is high in four out of six major commodities for company. Milk prices, SMP & packaging cost is up 20-30% in last five years whereas edible oil prices are up a steep 70% in the last five years. Most of the commodities are at a 10 year high.

The worldwide supply chain continues to be affected by challenges relating to the COVID-19 pandemic, including delays and disruption. Organizations need to reimagine and manage their supply chains differently to ensure business continuity and growth for the future and provide new solutions for customers to access products and services.

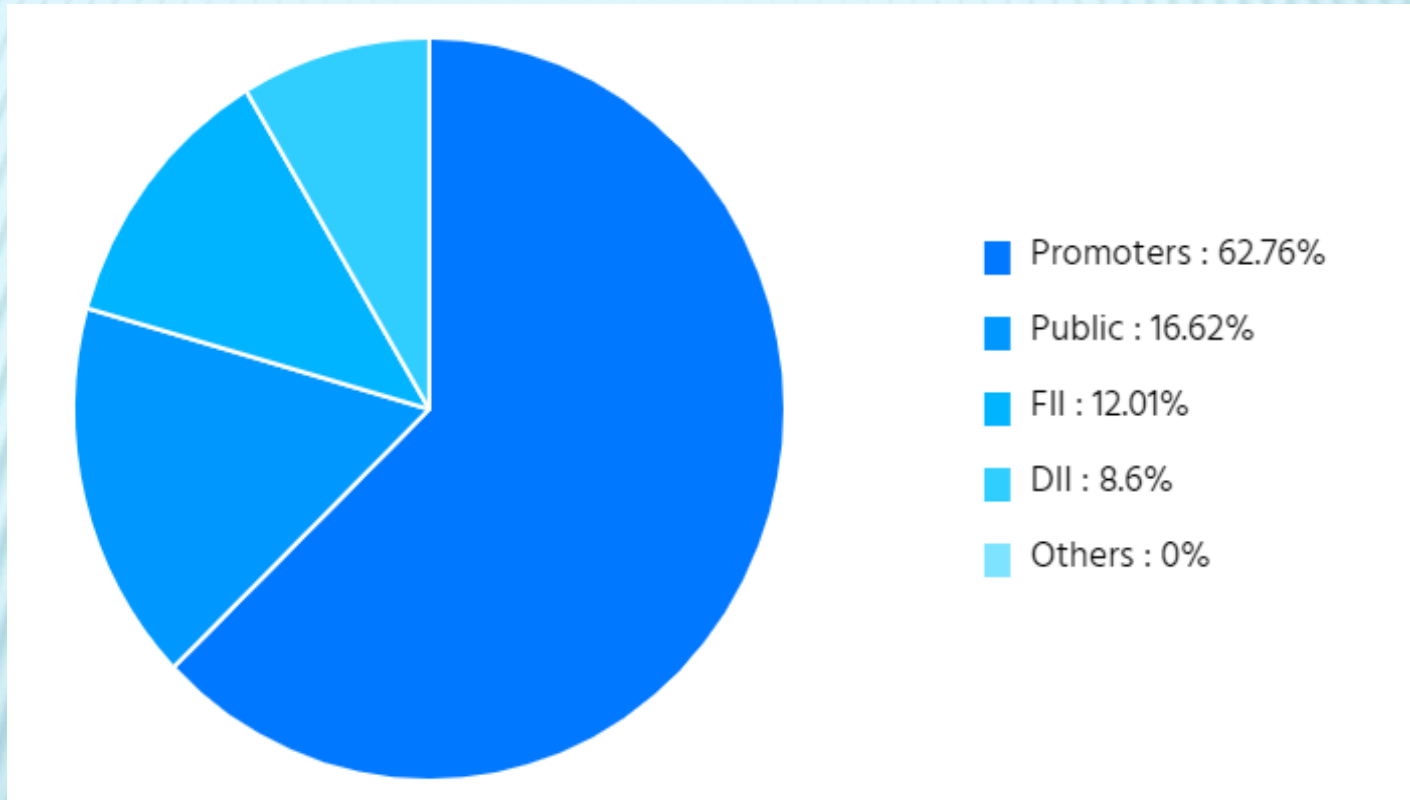
SEGMENT-WISE PERFORMANCE

	2011	2012	2013	2014	2015	2016*	2017	2018	2019	2020
Volume (MT)[#]										
Milk Products	147,984	140,386	138,772	135,591	131,980	128,751	130,796	137,066	138,941	1,42,692
Beverages	26,692	25,353	27,717	24,673	22,130	22,092	24,423	27,013	26,380	25,852
Prepared Dishes & Cooking Aids	219,041	236,554	245,443	254,553	103,138	176,871	210,427	240,879	264,072	2,84,141
Chocolate & Confectionery	52,678	47,745	46,718	41,080	33,083	35,289	36,803	42,197	49,033	50,945
Total	446,395	450,038	458,650	455,897	290,331	363,003	402,449	447,155	478,426	5,03,632
Volume (as a % of total)[#]										
Milk Products (MT)	33%	31%	30%	30%	45%	35%	33%	31%	29%	28%
Beverages (MT)	6%	6%	6%	5%	8%	6%	6%	6%	6%	5%
Prepared Dishes & Cooking Aids (MT)	49%	53%	54%	56%	36%	49%	52%	54%	55%	56%
Chocolate & Confectionery	12%	11%	10%	9%	11%	10%	9%	9%	10%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Volume Growth (%)[#]										
Milk Products	2.5%	-5.1%	-1.1%	-2.3%	-2.7%	-2.4%	1.6%	4.8%	1.4%	2.7%
Beverages	0.9%	-5.0%	9.3%	-11.0%	-10.3%	-0.2%	10.6%	10.6%	-2.3%	-2.0%
Prepared Dishes & Cooking Aids	13.2%	8.0%	3.8%	3.7%	-59.5%	71.5%	19.0%	14.5%	9.6%	7.6%
Chocolate & Confectionery	-1.5%	-9.4%	-2.2%	-12.1%	-19.5%	6.7%	4.3%	14.7%	16.2%	3.9%
Total	6.8%	0.8%	1.9%	-0.6%	-36.3%	25.0%	10.9%	11.1%	7.0%	5.3%

	2011	2012	2013	2014	2015	2016*	2017	2018	2019	2020
Price (INR/Kg)[#]										
Milk Products	226	275	293	337	354	360	368	378	407	431
Beverages	400	443	478	543	604	582	568	564	569	586
Prepared Dishes & Cooking Aids	98	103	110	116	127	131	129	129	132	137
Chocolate & Confectionery	209	245	275	305	336	332	332	332	335	345
Total	172	191	205	222	290	259	252	251	257	265
Price Growth (%)[#]										
Milk Products	17.8%	21.4%	6.7%	15.0%	4.9%	1.8%	2.4%	2.7%	7.5%	6.0%
Beverages	17.8%	10.6%	7.9%	13.7%	11.2%	-3.6%	-2.4%	-0.7%	1.0%	3.0%
Prepared Dishes & Cooking Aids	10.3%	4.4%	7.0%	5.8%	9.5%	2.8%	-1.8%	0.2%	2.8%	3.5%
Chocolate & Confectionery	14.4%	17.3%	12.4%	10.8%	10.1%	-1.2%	0.0%	0.0%	1.0%	3.0%
Total	12.6%	10.9%	7.2%	8.6%	30.7%	-10.7%	-2.8%	-0.4%	2.5%	2.9%

	2011	2012	2013	2014	2015	2016*	2017	2018	2019	2020
Gross Sales (as a % of total)										
Milk Products	44%	45%	43%	45%	55%	49%	48%	46%	46%	46%
Beverages	14%	13%	14%	13%	16%	14%	14%	14%	12%	11%
Prepared Dishes & Cooking Aids	28%	28%	29%	29%	16%	25%	27%	28%	28%	29%
Chocolate & Confectionery	14%	14%	14%	12%	13%	12%	12%	12%	13%	13%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gross Sales Growth (%)										
Milk Products	20.7%	15.2%	5.5%	12.4%	2.1%	-0.7%	4.0%	7.6%	8.9%	8.9%
Beverages	18.8%	5.1%	17.9%	1.2%	-0.3%	-3.7%	7.8%	9.8%	-1.4%	0.9%
Prepared Dishes & Cooking Aids	24.9%	12.8%	11.0%	9.7%	-55.6%	76.4%	16.8%	14.7%	12.7%	11.4%
Chocolate & Confectionery	12.7%	6.4%	10.0%	-2.6%	-11.4%	5.4%	4.3%	14.7%	17.3%	7.0%
Total	20.3%	11.8%	9.3%	8.0%	-16.8%	11.6%	7.7%	10.7%	9.6%	8.4%

SHARE HOLDING PATTERN



NESTLÉ INDIA LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2021

	NOTES	As at 31 December 2021 (₹ in million)	As at 31 December 2020 (₹ in million)
ASSETS			
Non-current assets			
Property, Plant and Equipment	4	26,529.4	19,680.0
Capital work-in-progress		2,462.3	6,385.8
Right of Use Assets	5	3,410.3	2,114.1
Financial Assets			
Investments	6	7,107.0	7,408.3
Loans	7	490.9	465.5
Deferred Tax Assets (net)	8	258.4	199.2
Other non-current assets	9	14,453.4	893.6
		<u>54,711.7</u>	<u>37,146.5</u>
Current assets			
Inventories	10	15,802.2	14,164.8
Financial Assets			
Investments	11	632.8	7,229.4
Trade receivables	12	1,652.7	1,649.3
Cash and cash equivalents	13	7,185.3	17,548.0
Bank Balances other than cash and cash equivalents	14	168.8	150.7
Loans	15	118.5	132.2
Other financial assets	16	494.0	589.6
Current tax assets		292.9	-
Other current assets	17	851.6	386.8
Asset held for sale	18	188.8	-
		<u>27,387.6</u>	<u>41,850.8</u>
Total Assets		<u><u>82,099.3</u></u>	<u><u>78,997.3</u></u>

EQUITY AND LIABILITIES**EQUITY**

Equity Share Capital	19	964.2	964.2
Other Equity	20	19,880.6	19,229.2
		<u>20,844.8</u>	<u>20,193.4</u>

LIABILITIES**Non-current liabilities**

Financial Liabilities			
Borrowings	21	274.7	317.2
Lease liabilities		1,902.3	657.6
Provisions	22	32,845.4	32,682.7
Other non-current liabilities	23	199.7	220.9
		<u>35,222.1</u>	<u>33,878.4</u>

NOTES

	As at 31 December 2021 (₹ in million)	As at 31 December 2020 (₹ in million)
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Current liabilities

Financial Liabilities			
Borrowings	24	65.9	31.2
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	47	2,598.1	937.6
Total outstanding dues of creditors other than micro enterprises and small enterprises		14,750.4	14,228.2
Lease Liabilities		415.3	468.9
Payables for capital expenditure			
Total outstanding dues of micro enterprises and small enterprises	47	210.6	202.3
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,337.5	2,722.0
Other financial liabilities	25	3,586.3	3,687.6
Provisions	26	1,385.4	1,059.6
Current tax liabilities		-	98.0
Other current liabilities	27	1,682.9	1,490.1
		<u>26,032.4</u>	<u>24,925.5</u>
		<u>82,099.3</u>	<u>78,997.3</u>

Total Equity and liabilities

**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	NOTES	Year ended 31 December 2021 (₹ in million)	Year ended 31 December 2020 (₹ in million)
A INCOME			
Domestic Sales		139,941.5	126,427.7
Export Sales		6,395.7	6,473.9
Sale of products	35	146,337.2	132,901.6
Other operating revenues	28	756.9	598.7
Revenue from operations		147,094.1	133,500.3
Other Income	29	1,201.1	1,458.5
Total Income		148,295.2	134,958.8
B EXPENSES			
i Cost of materials consumed	30	61,541.0	55,542.4
ii Purchases of stock-in-trade		2,275.2	1,890.0
iii Changes in inventories of finished goods, work-in-progress and stock-in-trade	31	(627.0)	(693.3)
iv Employee benefits expense	32	15,213.0	15,009.5
v Finance costs (including interest cost on employee benefit plans)	33	2,011.9	1,641.8
vi Depreciation and Amortisation	4,5	3,901.9	3,703.8
vii Other expenses	34	32,482.0	29,132.8
viii Impairment loss on property, plant and equipment	4	12.2	-
ix Net provision for contingencies		(251.7)	139.7
x Corporate social responsibility expense	39	534.0	464.2
Total Expenses		117,092.5	106,830.9
C PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (A-B)		31,202.7	28,127.9
D Exceptional items	3,36	2,365.0	-
E PROFIT BEFORE TAX (C-D)		28,837.7	28,127.9
F Tax expense			
Current tax	40	7,443.9	7,634.2
Deferred tax	40	(54.8)	(330.6)
G PROFIT AFTER TAX (E-F)		21,448.6	20,824.3

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	Year ended 31 December 2021 (₹ in million)	Year ended 31 December 2020 (₹ in million)
H OTHER COMPREHENSIVE INCOME			
(a) (i) Items that will not be reclassified to profit or loss			
Re-measurement of retiral defined benefit plans	36	(2,025.3)	(1,236.5)
(ii) Income taxes relating to Items that will not be reclassified to profit or loss		509.7	311.2
		<u>(1,515.6)</u>	<u>(925.3)</u>
(b) (i) Items that will be reclassified to profit or loss			
Changes in fair value of cash flow hedges		2.0	4.3
(ii) Income taxes relating to Items that will be reclassified to profit or loss		(0.5)	(1.1)
		<u>1.5</u>	<u>3.2</u>
TOTAL OTHER COMPREHENSIVE INCOME (a + b)		<u><u>(1,514.1)</u></u>	<u><u>(922.1)</u></u>
I TOTAL COMPREHENSIVE INCOME (G + H)		<u><u>19,934.5</u></u>	<u><u>19,902.2</u></u>
Weighted average number of equity shares outstanding	Nos.	96,415,716	96,415,716
Basic and Diluted Earnings Per Share (Face value ₹ 10)	₹	222.46	215.98
<u>ADDITIONAL INFORMATION (Refer Note 2):</u>			
PROFIT FROM OPERATIONS		32,547.5	28,775.4
[C - A(ii) + B(v) + B(x)]			

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December 2021 (₹ in million)	Year ended 31 December 2020 (₹ in million)
A CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	28,837.7	28,127.9
Adjustments for :		
Depreciation and Amortisation	3,901.9	3,703.8
Impairment loss on property, plant and equipment	12.2	-
Deficit/ (Surplus) on property, plant and equipment sold/scrapped/written off (net)	(39.7)	(49.0)
Other income	(1,201.1)	(1,458.5)
Interest on bank overdraft	6.2	180.4
Interest on Investments in Insurance plan	(92.7)	-
Interest on lease liabilities	83.5	85.0
Allowance for impairment on financial assets	9.6	6.0
Unrealised exchange differences	4.5	12.6
Operating profit before working capital changes	31,522.1	30,608.2
Adjustments for working capital changes:		
Decrease/(increase) in trade receivables	(13.4)	(416.0)
Decrease/(increase) in inventories	(1,637.4)	(1,334.1)
Decrease/(increase) in loans, other financial assets & other assets	(370.3)	(109.7)
Increase/(decrease) in trade payable	2,223.7	225.6
Increase/(decrease) in other financial liabilities & other liabilities	62.8	412.0
Increase/(decrease) in provision for contingencies	(95.0)	114.3
Increase/(decrease) in provision for employee benefits	(1,692.8)	2,073.4
Cash generated from operations	29,999.7	31,573.7
Income taxes paid (net of refunds)	(7,286.0)	(7,028.9)
Net cash generated from operating activities	22,713.7	24,544.8

B CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(7,348.2)	(4,783.6)
Sale of property, plant and equipment	40.0	42.4
Investment in Insurance plan (Reimbursement Rights)	(13,787.8)	-
Amount received from Insurance plan	266.3	-
Decrease/(increase) in loans to employees	13.9	29.1
Income from mutual funds	-	20.4
Loans given to related parties	-	(350.0)
Loans repaid by related parties	-	350.0
Interest received on bank deposits, investments, tax free bonds, employee loans etc.	1,245.4	1,477.1
Net cash generated from/(used in) investing activities	(19,570.4)	(3,214.6)

C CASH FLOWS FROM FINANCING ACTIVITIES

Payment of deferred VAT liabilities under state government schemes	(34.1)	30.8
Interest on bank overdraft	(6.2)	(5.4)
Interest on lease liabilities	(83.5)	(85.0)
Principial payment of lease liabilities	(779.4)	(601.8)
Dividends paid	(19,283.1)	(18,897.5)
Net cash used in financing activities	(20,186.3)	(19,558.9)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	(17,043.0)	1,771.3

Cash and cash equivalents (Refer note 13)	17,548.0	12,931.6
Current investments (Refer note 11)	7,229.4	10,074.5
Total cash and cash equivalents at the beginning of the year (as per Ind AS 7)	24,777.4	23,006.1
Cash and cash equivalents (Refer note 13)	7,185.3	17,548.0
Current investments (Refer note 11)	549.1	7,229.4
Total cash and cash equivalents at the end of the year (as per Ind AS 7)	7,734.4	24,777.4
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,043.0)	1,771.3

10 - YEAR FINANCIAL HIGHLIGHTS

₹ in Millions (except otherwise stated)

	2021	2020	2019 [^]	2018	2017	2016	2015*	2014	2013	2012
Results										
Sales	146,337	132,902	122,953	112,162	101,351	94,096	81,233	98,063	90,619	83,023
Profit from Operations	32,548	28,775	25,940	23,509	18,305	16,542	13,338	17,926	16,941	15,400
as % of Sales	22.2	21.7	21.1	21.0	18.1	17.6	16.4	18.3	18.7	18.5
Profit after Tax	21,449	20,824	19,684	16,069	12,252	10,014	5,633	11,847	11,171	10,679
as % of Sales	14.7	15.7	16.0	14.3	12.1	10.6	6.9	12.1	12.3	12.9
Balance Sheet and Cash flow statement										
Shareholders Fund	20,845	20,193	19,189	36,737	34,206	32,823	28,178	28,372	23,687	17,984
Return on Average Equity (%)	104.5	105.8	70.4	45.3	36.6	32.8	19.9	45.5	53.6	69.5
Operating Cash Flow	22,714	24,545	22,953	20,525	18,178	14,659	10,981	16,440	17,964	16,934
as % of Sales	15.5	18.5	18.7	18.3	17.9	15.6	13.5	16.8	19.8	20.4
Capital Expenditure	7,308	4,741	1,522	1,628	1,959	1,133	1,493	4,044	3,282	9,744
as % of Sales	5.0	3.6	1.2	1.5	1.9	1.2	1.8	4.1	3.6	11.7
Data per Share										
Earnings per share (₹)	222.5	216.0	204.2	166.7	127.1	103.9	58.4	122.9	115.9	110.8
Dividend per share (₹) [#]	200.0	200.0	342.0	115.0	86.0	63.0	48.5	63.0	48.5	48.5
Market capitalisation, end December	1,899,925	1,773,312	1,425,983	1,070,913	756,381	581,367	561,535	615,113	510,738	481,153

KEY RATIOS

Particulars	2020	2021
Operating Profit Margin (%) (Profit From Operations / Sale of Products)	21.7	22.2
Net Profit Margin (%) (Profit After Tax / Sale of Products)	15.7	14.7
Return on Net Worth (%) (Profit After Tax / Average Equity)	105.8	104.5
Current Ratio (Current Assets / Current liabilities)	1.7	1.6
Inventory Turnover Ratio (Sale of Products / Average Inventories)	9.8	9.8
Debtors Turnover Ratio (Sale of Products / Average Trade Receivables)	91.9	88.6

KEY RATIO ANALYSIS

Although nowadays their revenues keep increasing, its growth rate is decreasing. In Nestle's history of business there were only two years where they experienced sales degrowth, one major was in 2015, the Maggie Noodles crisis in India. Otherwise the sales have been increasing Year on Year.

Company is almost debt free.

Company has been maintaining a healthy dividend payout of 116.68%

Company has very healthy return on equity (ROE) track record: 3 Years ROE 93.46%

The company's profit margin was impacted due to increase in raw material cost of milk, oil and packing material.

CONCLUSION

- × Unmatched research and development capability
- × Ability of innovation.
- × Strong geographic presence
- × Environmental sustainability efforts
- × Ownership of some of the most recognizable brands in the world.

The consumption story of India will be strengthened moving forward.

Nestle is firmly and resolutely on a journey to unlock the potential of small towns through a customized portfolio, enhanced distribution infrastructure and deployment of resources, localized communication, enhanced visibility, and building consumer connect.