

Nestlé India

Estimate changes

TP change

Rating change



CMP: INR2,322

TP: INR2,400 (+3%)

Neutral

Similar revenue print; miss on margin

Bloomberg	NEST IN
Equity Shares (m)	964
M.Cap.(INRb)/(USD\$)	2238.9 / 25.9
52-Week Range (INR)	2778 / 2110
1, 6, 12 Rel. Per (%)	-2/-3/-11
12M Avg Val (INR M)	2277

Financials & Valuations (INR b)

Y/E Dec	FY26E	FY27E	FY28E
Sales	218.0	237.6	259.0
Sales Gr. (%)	7.9	9.0	9.0
EBITDA	51.4	58.1	64.1
Margin (%)	23.6	24.5	24.8
Adj. PAT	32.5	37.4	41.4
Adj. EPS (INR)	33.7	38.8	42.9
EPS Gr. (%)	5.5	14.9	10.7
BV/Sh.(INR)	46.8	52.9	59.5

Ratios

RoE (%)	76.3	77.8	76.4
RoCE (%)	67.5	69.3	68.7
Payout (%)	84.4	84.4	84.4

Valuations

P/E (x)	68.6	59.7	54.0
P/BV (x)	49.4	43.8	38.9
EV/EBITDA (x)	43.4	38.3	34.6
Div. Yield (%)	1.2	1.4	1.6

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	62.8	62.8	62.8
DII	11.2	11.3	9.2
FII	10.3	10.0	11.9
Others	15.8	15.9	16.1

FII Includes depository receipts

- Nestle India (Nestle) reported a 5.9% YoY revenue growth in 1QFY26, in line with our expectations. Domestic sales grew 5.5% YoY. We believe volume growth was in the low single digits. Nestle highlighted that, except for the Milk Products and Nutrition category, all other categories recorded volume-led growth. Export revenue grew 16% YoY, driven by strong performance in Foods, Coffee, Instant Tea, and Breakfast Cereals.
- GM contracted 250bp YoY/100bp QoQ to 55.2% (est. 57%), given the inflationary commodity prices. Management indicated that Coffee, Cocoa, and Edible Oil prices are expected to remain range-bound, while milk prices will likely cool off. EBITDA margin contracted 130bp YoY to 21.9%, the lowest in the past 12 quarters, due to elevated operating costs. We model an EBITDA margin of 23.6% for FY26 and 24.5% for FY27.
- In 1QFY26, the Powdered and Liquid Beverages category remained one of the key growth drivers, delivering strong double-digit growth. Confectionery also recorded high double-digit growth. The Prepared Dishes and Cooking Aids category returned to volume growth, led by double-digit growth in Maggi noodles. The Pet Food business witnessed a strong performance, primarily driven by the Cat portfolio. The Milk Products and Nutrition category delivered a mixed performance, with certain segments growing while others remaining muted.
- Mr Manish Tiwary will assume the role of Chairman and Managing Director of Nestlé India from 1st August, 2025.
- Nestle had a weak start to FY26 on the profitability front due to RM inflation and higher operating costs, driven by investments in manufacturing capabilities. While the enhanced capacity is expected to support long-term demands, it will weigh on margins and return ratios in the near term. Moreover, moderating urban consumption and high food inflation continue to pose risks to near-term recovery. The stock is trading at 69x/60x FY26/FY27 EPS. **Given its expensive valuation, we reiterate our Neutral rating with a TP of INR2,400 (based on 60x P/E Jun'27E).**

In-line revenue; margins lower than expected

- In-line sales:** Nestle's total revenue rose 5.9% YoY to INR51b (est. INR50.9b) in 1QFY26. Domestic sales witnessed 5.5% YoY growth to INR48.6b, while exports posted 16% YoY growth to INR2.1b, driven by Foods, Coffee, Instant Tea, and Breakfast Cereals, despite commodity headwinds.
- Witnessed volume-led growth in most categories:** Nestle indicated that the Prepared Dishes and Cooking Aids, Powdered and Liquid Beverages, and Confectionery categories have returned to volume-led growth, with seven of its top 12 brands recording double-digit growth.

Naveen Trivedi – Research Analyst (Naveen.Trivedi@motilaloswal.com)

Research Analyst: Amey Tiwari (Amey.Tiwari@motilaloswal.com) | **Tanu Jindal** (Tanu.Jindal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- **Commodity weighs on margin:** The company mentioned that 1QFY26 was impacted by elevated consumption prices across the commodity portfolio. This resulted in gross margin contracting 250bp YoY to 55.2% (est. 57%). Management indicated that Coffee prices are expected to remain range-bound at current lower levels, while Cocoa and Edible Oil prices have stabilized and are likely to remain range-bound. Milk prices are anticipated to decrease with the onset of a favorable monsoon and flush season.
- **Miss on profitability:** Employee and other expenses rose 2% YoY each. EBITDA margin contracted 130bp YoY to 21.9%, the lowest in the last 12 quarters (est. 23.3%, 25.6% in 4QFY25). EBITDA remained flat YoY at INR11.1b (est. INR 11.8b). The company incurred higher operational costs due to significant manufacturing expansion over the past seven to eight months. Moreover, borrowings to fund temporary operational cash-flow requirements resulted in higher finance costs during the quarter. Thus, higher depreciation (+39% YoY) and interest (+48% YoY), coupled with lower other income (-90% YoY), hurt profitability. PBT declined 10% YoY to INR9.2b (est. INR10.2b) and Adj. PAT declined 13% YoY to INR6.5b (est. INR7.5b).

Valuation and view

- We cut our EPS estimates for FY26 and FY27 by 4% and 1%, respectively.
- The company's focus on its RURBAN strategy drove stronger growth in RURBAN markets, with most categories benefiting from improved distribution penetration. Packaged food adoption has increased in tier-2 and rural markets. The company continues to enhance its portfolio through ongoing innovation and premiumization initiatives.
- Nestle's portfolio remains relatively safe from local competition, requiring limited overhead costs to protect market share. The company has invested ~INR39b in strengthening its manufacturing capabilities to cater to anticipated future demand. However, this will weigh on margins and return ratios in the near term. We model 23.6%/24.5% EBITDA margins for FY26/FY27.
- **The stock is trading at 69x/60x FY26/FY27 EPS. Given its expensive valuation, we reiterate our Neutral rating with a TP of INR2,400 (based on 60x P/E Jun'27E).**

Quarterly performance

(INR b)

Y/E December	FY25				FY26E				FY25	FY26E	FY26E	Var.
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE			1QE	
Domestic Sales	46.1	48.8	45.7	52.3	48.6	52.2	49.8	57.3	192.9	208.0	48.6	0.0%
YoY Change (%)	4.2	1.2	3.3	4.2	5.5	7.0	9.0	9.5	3.5	7.8	5.5	
Exports	1.8	1.9	2.0	2.1	2.1	2.1	2.1	2.3	7.8	8.6	2.0	5.4%
YoY Change (%)	(7.2)	3.1	21.2	(8.7)	16.0	10.0	8.0	6.7	-19.5	10.0	10.0	
Sale of Products	47.9	50.7	47.6	54.5	50.7	54.4	51.9	59.6	200.8	216.6	50.6	0.2%
YoY Change (%)	3.8	1.3	3.9	3.7	5.9	7.1	9.0	9.4	-17.3	7.9	5.7	
Other Operating Income	0.2	0.3	0.2	0.6	0.2	0.4	0.2	0.6	1.2	1.4	0	
Net Sales	48.1	51.0	47.8	55.0	51.0	54.7	52.1	60.2	202.0	218.0	50.9	0.1%
YoY Change (%)	3.3	1.3	3.9	4.5	5.9	7.2	9.0	9.5	3.5	7.9	5.7	
Gross Profit	27.8	28.9	27.0	30.9	28.1	30.5	29.3	34.1	114.5	122.1	29.0	
Margin (%)	57.6	56.6	56.4	56.2	55.2	55.8	56.3	56.6	56.7	56.0	57.0	
EBITDA	11.2	11.9	11.2	14.1	11.2	12.4	12.2	15.6	48.5	51.4	11.8	-5.6%
Margins (%)	23.3	23.3	23.5	25.7	21.9	22.6	23.4	25.9	24.0	23.6	23.3	
YoY Growth (%)	5.4	(4.4)	(0.6)	5.2	(0.5)	3.8	8.7	10.5	2.6	5.9	5.4	
Depreciation	1.1	1.2	1.5	1.6	1.6	1.6	1.6	1.6	5.4	6.3	1.6	
Interest	0.3	0.3	0.3	0.4	0.5	0.3	0.3	0.1	1.4	1.2	0.3	
Other income	0.4	0.1	0.0	0.1	0.0	0.3	0.3	0.5	0.6	1.1	0.3	
PBT	10.2	10.4	9.4	12.3	9.2	10.8	10.6	14.4	42.3	45.0	10.2	-10.3%
Tax	2.6	3.0	2.3	3.2	2.4	2.8	2.8	3.8	11.1	11.9	2.7	
Rate (%)	25.8	28.8	24.0	26.0	26.3	26.4	26.5	26.7	26.2	26.5	26.2	
Adjusted PAT	7.5	7.8	6.8	8.7	6.5	7.8	7.7	10.5	30.8	32.5	7.5	-13.3%
YoY Change (%)	6.4	(3.3)	(12.4)	(4.5)	(13.4)	(0.2)	12.7	19.9	-2.6	5.5	(0.2)	

E: MOFSL Estimates



Key highlights from the press release

Category performance in 1QFY26

- **Prepared Dishes and Cooking Aids:** The category returned to volume growth, recording double-digit growth for Maggi noodles. Masala-Ae-Magic continued to demonstrate strong performance at a double-digit rate. The Maggi portfolio registered strong growth, with consumption trends showing positive signs of an uptick. Both Quick Commerce and Rurban contributed to the overall portfolio performance. The Double Masala Classic Noodles and the Spicy range, which includes Spicy Garlic, Spicy Cheesy, Spicy Pepper, and Spicy Manchurian, generated positive momentum.
- **Milk Products and Nutrition:** The category posted mixed performance, with certain segments growing while others remaining muted. MILKMAID delivered single-digit growth. The Milk Nutrition portfolio continued to gain momentum, supported by renovations, and further scaled up its market share.
- **Confectionery:** The category delivered high double-digit growth, driven by robust underlying volume growth. Rural acceleration, premiumization, increased in-home penetration, and quick commerce contributed to this performance. KITKAT emerged as the largest growth driver, achieving double-digit growth, particularly in Rurban markets, while continuing to gain market share. MUNCH regained momentum with double-digit growth, and MILKYBAR also posted high double-digit growth. New launches during the quarter included KITKAT Duo, KITKAT Lemon n Lime, and KITKAT Dark Sharebag.
- **Powdered and Liquid Beverages:** The category remained one of the key growth drivers, delivering another strong double-digit growth this quarter. NESCAFÉ further solidified its leadership in the Coffee category, gaining additional market share. NESCAFÉ Classic, NESCAFÉ Sunrise, and NESCAFÉ GOLD continued to

witness strong performances, achieving double-digit growth, driven by successful cold coffee activations during the summer months. The brand continued to democratize coffee through affordable packs, while also expanding the premium segment with NESCAFÉ Gold and NESCAFÉ Roastery. NESCAFÉ RTD continued to demonstrate strong growth.

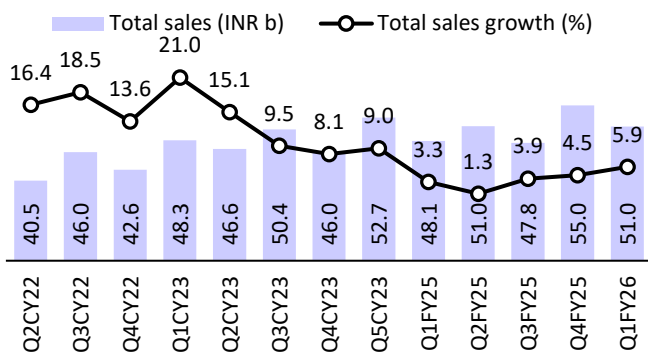
- **Pet Care:** The business witnessed strong performance, primarily driven by the Cat portfolio. Purina Felix and Purina Friskies reported robust growth. Nestle strengthened its route to market and infrastructure in major cities, resulting in increased coverage of the business.

Other points

- Nestlé India's Out-of-Home business consistently grew at double-digit rates, making it the fastest-growing business across the Beverages and Foods portfolio. A significant rise in demand in recent quarters has led to growth in urban markets. Rural markets too have demonstrated positive growth, signaling a favorable shift in market dynamics and contributing to overall market resilience.
- E-commerce maintained its growth momentum, contributing to 12.5% of domestic sales, driven by quick commerce and new launches.
- Exports registered high double-digit growth, driven by Foods, Coffee, Instant Tea, and Breakfast Cereals, despite commodity headwinds. The company launched Masala-Ae-Magic in the UK.
- On the commodity front, coffee prices are expected to remain range-bound at current lower levels, as the upcoming Vietnam crop appears to be normal. Cocoa and Edible Oil prices have stabilized and remain range-bound. Milk prices are anticipated to decrease with the onset of a favorable monsoon and flush season.
- Mr Manish Tiwary will assume the role of Chairman and Managing Director of Nestlé India from 1st August, 2025.

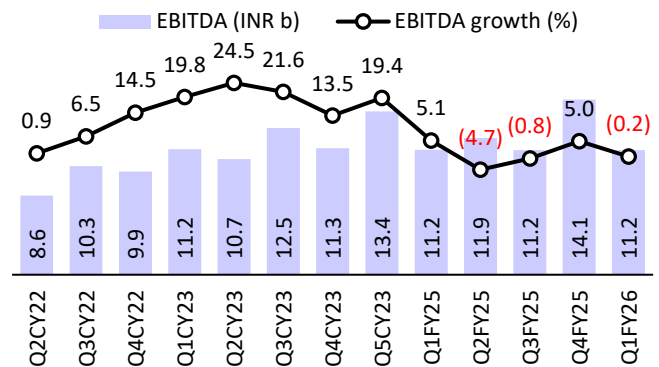
Key Exhibits

Exhibit 1: Total sales up 5.9% YoY to INR51b



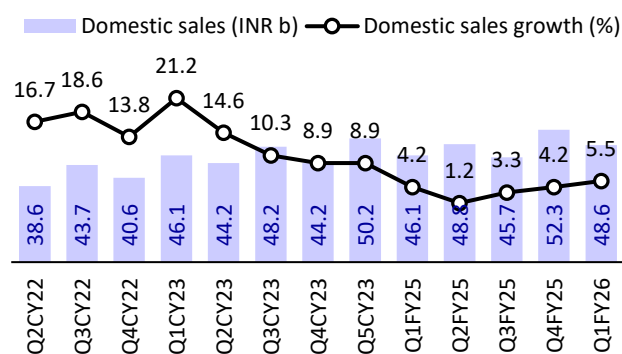
Sources: Company reports, MOFSL

Exhibit 2: EBITDA was flat at INR11.2b



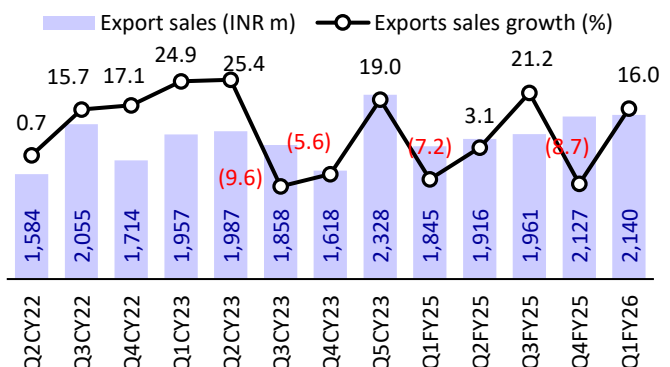
Source: Company reports, MOFSL

Exhibit 3: Domestic sales rose ~6% YoY to INR48.6b



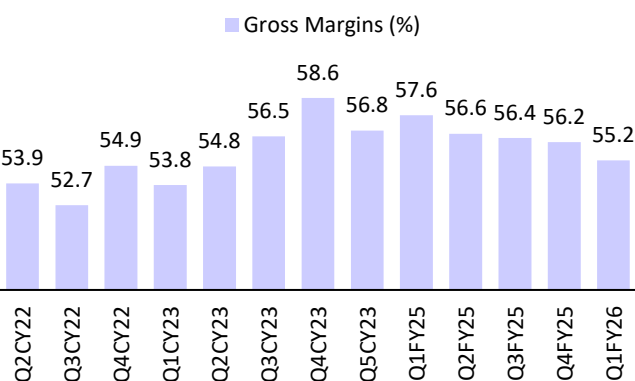
Sources: Company reports, MOFSL

Exhibit 4: Exports up 16% YoY to INR2,140m



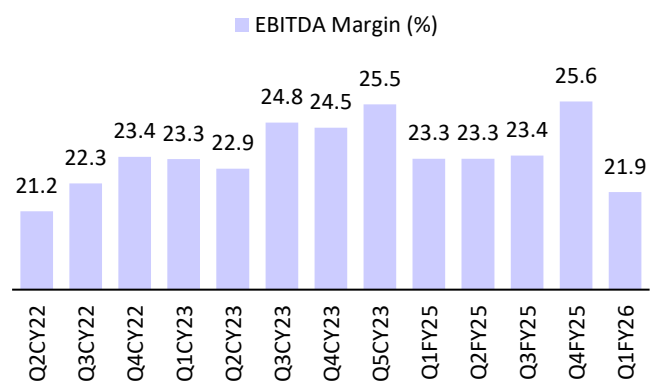
Sources: Company reports, MOFSL

Exhibit 5: Gross margin contracted 250bp YoY to 55.2%



Sources: Company reports, MOFSL

Exhibit 6: EBITDA margin contracted 130bp YoY to 21.9%

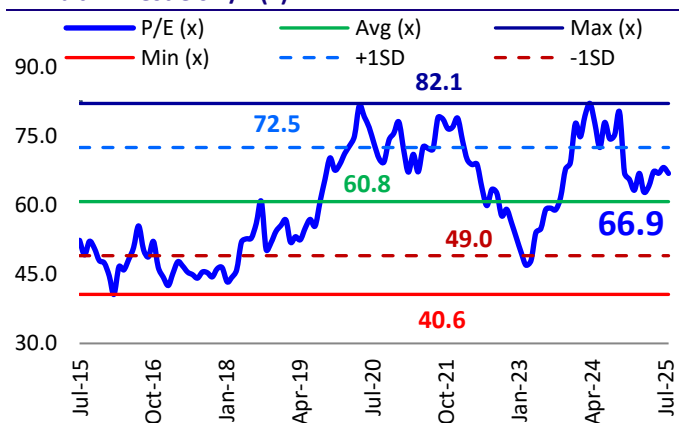


Sources: Company reports, MOFSL

Valuation and view

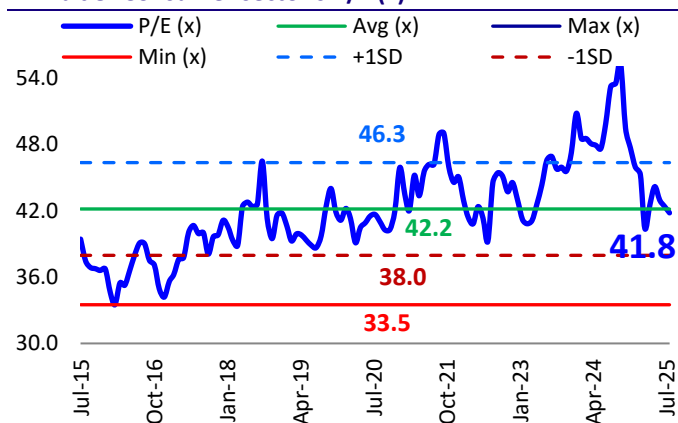
- We cut our EPS estimates for FY26 and FY27 by 4% and 1%, respectively.
- The company's focus on its RURBAN strategy drove stronger growth in RURBAN markets, with most categories benefiting from improved distribution penetration. Packaged food adoption has increased in tier-2 and rural markets. The company continues to enhance its portfolio through ongoing innovation and premiumization initiatives.
- Nestlé's portfolio remains relatively safe from local competition, requiring limited overhead costs to protect market share. The company has invested ~INR39b in strengthening its manufacturing capabilities to cater to anticipated future demand. However, this will weigh on margins and return ratios in the near term. We model 23.6%/24.5% EBITDA margins for FY26/FY27.
- **The stock is trading at 69x/60x FY26/FY27 EPS. Given its expensive valuation, we reiterate our Neutral rating with a TP of INR2,400 (based on 60x P/E Jun'27E).**

Exhibit 7: Nestlé's P/E (x)



Sources: Company reports, MOFSL

Exhibit 8: Consumer sector's P/E (x)



Sources: Company reports, MOFSL

Exhibit 9: We cut our EPS estimates for FY26 and FY27 by 4% and 1%, respectively

	New		Old		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Sales	218.0	237.6	218.0	237.6	0.0	0.0
EBITDA	51.4	58.1	53.1	58.8	-3.2	-1.2
PAT	32.5	37.4	33.8	37.9	-3.7	-1.3

Source: MOFSL

Financials and valuations

Income Statement								(INR b)
Y/E March	CY20	CY21	CY22	FY24*	FY25	FY26E	FY27E	FY28E
Net Sales	133.5	147.4	169.0	243.9	202.0	218.0	237.6	259.0
Change (%)	7.9	10.4	14.6	15.5	3.5	7.9	9.0	9.0
Gross Profit	76.8	83.9	91.5	136.9	114.5	122.1	134.9	147.6
Margin (%)	57.5	56.9	54.1	56.1	56.7	56.0	56.8	57.0
EBITDA	32.6	36.0	38.1	59.1	48.5	51.4	58.1	64.1
Change (%)	11.4	10.2	6.1	23.9	2.6	5.9	13.1	10.4
Margin (%)	24.4	24.4	22.6	24.2	24.0	23.6	24.5	24.8
Depreciation	3.7	3.9	4.0	5.4	5.4	6.3	6.9	7.7
Int. and Fin. Ch.	1.6	2.0	1.5	1.5	1.4	1.2	1.3	1.3
Other Inc.- Rec.	1.5	1.2	1.0	1.5	0.6	1.1	1.7	2.0
PBT	28.7	31.2	33.6	53.7	42.3	45.0	51.6	57.1
Change (%)	4.9	8.7	7.5	60.0	-1.5	6.2	14.8	10.6
Margin (%)	21.5	21.2	19.9	22.0	21.0	20.6	21.7	22.0
Tax	7.3	7.4	8.7	13.6	11.1	11.9	13.7	15.1
Tax Rate (%)	25.4	23.7	25.8	25.2	26.2	26.5	26.5	26.5
Adjusted PAT	21.0	23.3	24.4	39.6	30.8	32.5	37.4	41.4
Change (%)	5.1	11.2	4.5	30.0	-2.6	5.5	14.9	10.7
Margin (%)	15.7	15.8	14.4	16.2	15.3	14.9	15.7	16.0
Reported PAT	20.8	21.2	23.9	39.3	32.1	32.5	37.4	41.4

Balance Sheet								(INR b)
Y/E March	CY20	CY21	CY22	FY24*	FY25	FY26E	FY27E	FY28E
Share Capital	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Reserves	19.2	19.9	23.6	32.4	39.1	44.2	50.0	56.4
Net Worth	20.2	20.8	24.6	33.4	40.1	45.2	51.0	57.4
Loans	0.3	0.3	0.3	0.3	7.5	7.8	8.1	8.4
Capital Employed	20.5	21.1	24.9	33.7	47.6	53.0	59.1	65.8
Gross Block	40.0	51.2	54.7	63.3	88.0	103.0	115.0	127.0
Less: Accum. Depn.	18.2	21.2	24.3	28.7	33.2	40.4	47.3	54.9
Net Fixed Assets	21.8	29.9	30.4	34.6	54.7	62.6	67.7	72.0
Capital WIP	6.4	2.5	3.6	17.4	11.7	11.7	11.7	11.7
Investments	14.6	7.7	7.8	4.6	5.8	5.8	5.8	5.8
Curr. Assets, L&A	36.0	41.7	47.7	48.6	49.7	51.9	59.1	68.9
Inventory	14.2	15.8	19.3	20.9	28.5	24.2	26.1	28.4
Account Receivables	1.6	1.7	1.9	3.0	3.6	3.9	4.3	4.7
Cash and Bank Balance	17.7	7.4	9.5	7.8	1.0	6.8	11.3	17.9
Others	2.5	16.9	17.1	16.9	16.6	17.0	17.5	18.0
Curr. Liab. and Prov.	58.5	61.0	64.9	71.4	74.0	78.7	85.0	92.3
Account Payables	15.2	17.3	19.3	22.4	23.7	25.9	27.4	29.5
Other Liabilities	8.5	7.1	9.5	14.1	12.8	14.1	15.5	17.1
Provisions	34.9	36.5	36.1	34.9	37.5	38.7	42.1	45.8
Net Curr. Assets	-22.5	-19.3	-17.2	-22.8	-24.3	-26.8	-25.8	-23.4
Def. Tax Liability	0.2	0.3	0.3	-0.1	-0.3	-0.3	-0.3	-0.3
Appl. of Funds	20.5	21.1	24.9	33.7	47.6	53.0	59.1	65.8

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	CY20	CY21	CY22	FY24*	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	21.7	24.2	25.3	41.0	32.0	33.7	38.8	42.9
Cash EPS	25.6	28.2	29.4	46.6	37.6	40.2	45.9	50.9
BV/Share	20.9	21.6	25.5	34.6	41.6	46.8	52.9	59.5
DPS	20.0	20.0	22.0	32.2	27.0	28.5	32.7	36.2
Payout (%)	92.0	82.7	87.1	78.4	84.4	84.4	84.4	84.4
Valuation (x)								
P/E	106.5	95.8	91.7	56.4	72.4	68.6	59.7	54.0
Cash P/E	90.5	82.0	78.7	49.7	61.6	57.6	50.4	45.5
EV/Sales	16.5	15.0	13.1	9.1	11.1	10.2	9.4	8.6
EV/EBITDA	67.5	61.7	58.1	37.6	46.1	43.4	38.3	34.6
P/BV	110.6	107.1	90.8	66.8	55.7	49.4	43.8	38.9
Dividend Yield (%)	0.9	0.9	0.9	1.4	1.2	1.2	1.4	1.6
Return Ratios (%)								
RoE	106.1	113.6	107.2	136.5	83.9	76.3	77.8	76.4
RoCE	112.2	122.0	113.4	140.9	79.3	67.5	69.3	68.7
Working Capital Ratios								
Debtor (Days)	4.5	4.1	4.1	4.5	6.6	6.6	6.6	6.6
Asset Turnover (x)	6.6	7.1	7.4	8.3	5.0	4.3	4.2	4.1
Leverage Ratio								
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.1

Cash Flow Statement

(INR b)

Y/E March	CY20	CY21	CY22	FY24*	FY25	FY26E	FY27E	FY28E
OP/(loss) before Tax	28.1	28.8	32.6	52.9	43.2	44.4	51.1	56.5
Int./Div. Received	0.3	0.1	0.2	0.3	0.4	1.2	1.3	1.3
Depn. and Amort.	3.7	3.9	4.0	5.4	5.4	6.3	6.9	7.7
Interest Paid	-1.5	-1.3	-0.7	-1.3	-2.2	-1.1	-1.7	-2.0
Direct Taxes Paid	-7.0	-7.3	-8.4	-13.0	-10.2	-11.9	-13.7	-15.1
Incr in WC	1.0	-1.5	-0.3	-2.5	-7.1	5.5	0.1	0.5
CF from Operations	24.5	22.7	27.4	41.7	29.4	44.4	44.0	48.9
Others	4.4	8.0	0.9	2.0	1.2	4.8	5.1	5.7
Incr in FA	-4.7	-7.3	-5.4	-18.8	-20.0	-15.0	-12.0	-12.0
Free Cash Flow	19.8	15.4	22.0	23.0	9.3	29.4	32.0	36.9
Pur of Investments	0.0	-13.5	0.5	4.7	1.2	0.0	0.0	0.0
CF from Invest.	-0.4	-12.9	-4.0	-12.1	-17.7	-10.2	-6.9	-6.3
Incr in Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	-18.9	-19.3	-20.2	-30.1	-24.6	-27.5	-31.6	-35.0
Others	-0.7	-0.9	-1.0	-1.3	6.1	-0.9	-1.0	-1.0
CF from Fin. Activity	-19.6	-20.2	-21.2	-31.3	-18.5	-28.4	-32.6	-36.0
Incr/Decr of Cash	4.6	-10.3	2.1	-1.7	-6.8	5.8	4.5	6.6
Add: Opening Balance	13.1	17.7	7.4	9.5	7.8	1.0	6.8	11.3
Closing Balance	17.7	7.4	9.5	7.8	1.0	6.8	11.3	17.9

E: MOFSL Estimates

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UNDER REVIEW	Rating may undergo a change
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Nainesh Rajani

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Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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