

Estimate changes	↔↔
TP change	↔↔
Rating change	↔↔

Bloomberg	NEST IN
Equity Shares (m)	1928
M.Cap.(INRb)/(USDb)	2461.7 / 28
52-Week Range (INR)	1287 / 1055
1, 6, 12 Rel. Per (%)	5/-2/1
12M Avg Val (INR M)	2041

Financials & Valuations (INR b)

Y/E Dec	FY26E	FY27E	FY28E
Sales	223.6	248.5	272.5
Sales Gr. (%)	10.7	11.1	9.6
EBITDA	52.4	60.8	67.4
Margin (%)	23.4	24.5	24.7
Adj. PAT	32.5	38.9	43.4
Adj. EPS (INR)	16.9	20.1	22.5
EPS Gr. (%)	5.4	19.6	11.8
BV/Sh.(INR)	22.5	24.5	26.7
Ratios			
RoE (%)	77.9	85.8	87.9
RoCE (%)	69.7	76.5	78.5
Payout (%)	90.0	90.0	90.0
Valuations			
P/E (x)	75.8	63.4	56.7
P/BV (x)	56.8	52.1	47.7
EV/EBITDA (x)	47.0	40.4	36.4
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

CMP: INR1,277

TP: INR1,300 (+2%)

Neutral

Inspiring start to the results season; adds flavor for peers

- Nestle India (Nestle) reported a 10.6% YoY revenue growth in 2QFY26, ahead of our expectations. We had highlighted in our preview note that packaged food companies have witnessed a negligible impact from the GST transition. We had also mentioned in our recent update ([link](#)), following our interaction with Nestle's management, that the company remains optimistic about a steady growth recovery. Domestic revenue growth stood at 11%, far better than our estimates of 5%, driven primarily by underlying volume growth, which we believe was in the high single digits (~7%). Three out of four product groups delivered strong volume-led double-digit growth. Export revenue grew 14% YoY, driven by strong demand across product groups.
- GM pressure persisted, contracting 230bp YoY/80bp QoQ to 54.3% (est. 55.7%), given the inflation in key commodities. Management indicated that edible oil prices are expected to remain elevated, while milk prices are likely to cool off, with coffee and cocoa prices remaining range-bound. EBITDA margin contracted 100bp YoY to 22.2% (in-line). We model an EBITDA margin of 23.4% for FY26 and 24.5% for FY27.
- Nestle's operating performance had been relatively weak over the past 4-5 quarters, marked by muted revenue growth and margin contraction. Following the GST 2.0 transition, we had factored in a demand recovery in our model and expected it to be reflected first in the packaged food segment, given the negligible impact from the GST transition. We also expect stronger growth acceleration for packaged food companies, supported by a higher mix of pricing packs (serve for one). We remain constructive on the overall macro demand environment and anticipate growth acceleration for FMCG companies. We model revenue/EBITDA/PAT CAGR of 11%/12%/12% over FY25-28E. The stock is trading at 76x/63x FY26/FY27 EPS. Given its expensive valuation, we reiterate our **Neutral** rating with a TP of INR1,300 (based on 60x P/E Sep'27E).

Revenue beat; margins in line with expectations

- **Beat on sales:** Nestle's net sales rose 10.6% YoY to INR56.3b (est. INR53.7b) in 2QFY26. Domestic sales witnessed 10.8% YoY growth to INR54.1b, while exports grew 14% YoY to INR2.2b.
- **Most categories witnessed volume-led growth:** Nestle reported volume-led double-digit sales growth, with three out of four product groups delivering strong volume-led double-digit growth. The powdered and liquid beverages category remained a key growth driver in 2QFY26, posting high double-digit growth, while confectionery also recorded strong double-digit growth. The prepared dishes and cooking aids segment delivered strong double-digit growth, which was led by volume growth. Additionally, the pet food business recorded high double-digit growth. The milk products and nutrition category delivered a mixed performance, with certain segments growing while others remaining muted.

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

- **Commodity continues to weigh on margin:** The company's gross margin contracted 230bp YoY to 54.3% (est. 55.7%), driven by elevated consumption prices across the commodity portfolio. Management indicated that milk prices are likely to soften with the onset of the flush season, while coffee prices may stabilize as upcoming harvests in Vietnam and India appear normal. Cocoa markets are expected to stabilize following a demand correction over the past two years. However, edible oil prices are likely to remain stable, with a potential rise expected due to tight global supply-demand conditions.
- **Margins in-line:** Employee and other expenses rose ~7% YoY each. EBITDA margin contracted 100bp YoY to 22.2% (est. 22.2%, 21.9% in 1QFY25). EBITDA grew 5% YoY to INR12.5b (est. INR 12b). PBT remained flat YoY to INR10.5b (est. INR10.1b), while Adj. PAT declined 4% YoY to INR7.4b (est. INR7.3b).
- Further, the company has added a new Maggi noodles production manufacturing line at the Sanand Factory in Gujarat in 2QFY26.

Valuation and view

- We slightly raise our EPS estimates for FY26-FY28 by ~2%.
- GST 2.0 is expected to stimulate consumption, drive affordability, and contribute to the overall growth of the FMCG sector and the economy; Nestle is likely to benefit from the same. About 85% of the company's portfolio has benefited from the GST rate cuts.
- Mr. Manish Tiwary's outlook on the way forward will be a key aspect to watch out for. The company's focus on its RURBAN strategy has driven 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 the anticipated future demand. However, this will weigh on margins and return ratios in the near term. We model revenue/EBITDA/PAT CAGR of 11%/12%/12% over FY25-28E.
- **The stock is trading at 76x/63x FY26/FY27 EPS. Given its expensive valuation, we reiterate our Neutral rating with a TP of INR1,300 (based on 60x P/E Sep'27E).**

Y/E December									(INR b)			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY25	FY26E	FY26E	Var.
Domestic Sales	46.1	48.8	45.7	52.3	48.6	54.1	51.4	59.3	192.9	213.4	51.3	5.5%
YoY Change (%)	4.2	1.2	3.3	4.2	5.5	10.8	12.5	13.3	3.5	10.6	5.0	
Exports	1.8	1.9	2.0	2.1	2.1	2.2	2.2	2.4	7.8	8.9	2.1	4.0%
YoY Change (%)	(7.2)	3.1	21.2	(8.7)	16.0	14.4	11.0	14.7	-19.5	14.0	10.0	
Sale of Products	47.9	50.7	47.6	54.5	50.7	56.3	53.5	61.7	200.8	222.3	53.4	5.5%
YoY Change (%)	3.8	1.3	3.9	3.7	5.9	10.9	12.4	13.3	-17.3	10.7	5.2	
Other Operating Income	0.2	0.3	0.2	0.6	0.2	0.1	0.2	0.7	1.2	1.3	0	
Net Sales	48.1	51.0	47.8	55.0	51.0	56.4	53.8	62.4	202.0	223.6	53.7	5.0%
YoY Change (%)	3.3	1.3	3.9	4.5	5.9	10.6	12.5	13.4	3.5	10.7	5.3	
Gross Profit	27.8	28.9	27.0	30.9	28.1	30.7	29.5	34.7	114.5	123.0	29.9	
Margin (%)	57.6	56.6	56.4	56.2	55.2	54.3	54.9	55.6	56.7	55.0	55.7	
EBITDA	11.2	11.9	11.2	14.1	11.2	12.5	12.3	16.3	48.5	52.4	12.0	4.9%
Margins (%)	23.3	23.3	23.5	25.7	21.9	22.2	22.9	26.1	24.0	23.4	22.2	
YoY Growth (%)	5.4	(4.4)	(0.6)	5.2	(0.5)	5.2	9.8	15.5	2.6	7.9	0.3	
Depreciation	1.1	1.2	1.5	1.6	1.6	1.6	1.7	1.7	5.4	6.5	1.6	
Interest	0.3	0.3	0.3	0.4	0.5	0.5	0.4	0.4	1.4	1.8	0.4	
Other income	0.4	0.1	0.0	0.1	0.0	0.0	0.1	0.3	0.6	0.5	0.1	
PBT	10.2	10.4	9.4	12.3	9.2	10.5	10.3	14.5	42.3	44.5	10.1	3.2%
Tax	2.6	3.0	2.3	3.2	2.4	2.8	2.7	3.5	11.1	11.4	2.7	
Rate (%)	25.8	28.8	24.0	26.0	26.3	26.3	26.5	24.2	26.2	25.6	26.4	
Adjusted PAT	7.5	7.8	6.8	8.7	6.5	7.4	7.6	11.0	30.8	32.5	7.3	1.7%
YoY Change (%)	6.4	(3.3)	(12.4)	(4.5)	(13.4)	(4.6)	11.3	25.9	-2.6	5.4	(6.2)	

E: MOFSL Estimates



Key highlights from the press release

Category performance in 2QFY26

- Prepared Dishes and Cooking Aids:** The Prepared Dishes and Cooking Aids segment recorded strong double-digit value growth, driven by robust volume momentum. MAGGI Noodles achieved double-digit volume growth, supported by the continuous strong performance of Masala-e-Magic. The company focused on strengthening its value-added portfolio for urban consumers through digital-first launches, such as its MAGGI Double Masala and MAGGI Spicy ranges. In rural markets, targeted pricing strategies helped gain market share, while increased media spending enhanced brand equity and leveraged the sensory appeal of the monsoon season. Masala-e-Magic continued to expand its household penetration through media campaigns, sampling initiatives, and a growing recipe base within the digital ecosystem.
- Milk Products and Nutrition:** The Milk Products and Nutrition segment delivered a mixed performance, with some categories witnessing growth, while others remaining subdued. However, underlying trends in several segments showed signs of improvement. MILKMAID posted strong growth, while the toddler milk portfolio performed well, gaining market share and reinforcing the brand's position in the category.
- Confectionery:** The Confectionery segment recorded strong double-digit growth, supported by robust underlying volume momentum. KITKAT emerged as the key growth driver, gaining market share and reinforcing India's position as Nestlé's second-largest market for the brand globally. Expansion in the numeric distribution, particularly across rural areas, further accelerated growth. MUNCH and MILKYBAR also delivered high double-digit growth, driven by rural demand, premiumization, and increased in-home consumption supported by quick commerce. The company further strengthened its premium portfolio with the

launch of KITKAT Delights Salted Caramel and Hazelnut variants, and introduced the Polo Sharebag to broaden its product range.

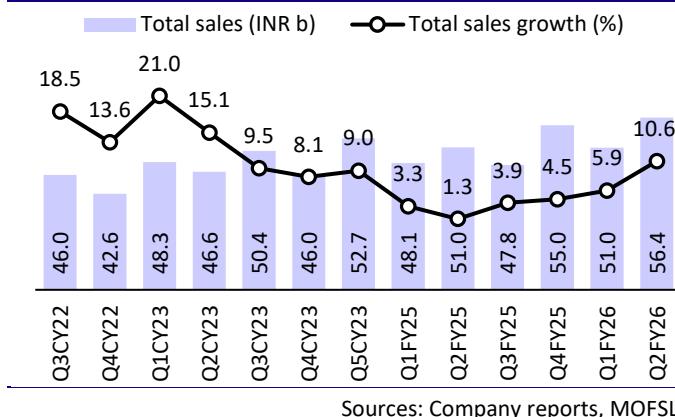
- **Powdered and Liquid Beverages:** The Powdered and Liquid Beverages segment posted strong double-digit growth, led by NESCAFÉ's continued market share gains and rising household penetration. Growth was driven by affordable packs attracting new consumers, while premium offerings like NESCAFÉ Gold and Roastery encouraged upgrades. Nespresso expanded its presence to Amazon, complementing its website and Delhi boutique. NESCAFÉ RTD also maintained robust growth momentum.
- **Pet Care:** The pet food segment recorded high double-digit growth, achieving its highest turnover since integration into Nestle's portfolio. Growth was supported by new launches under the PURINA FRISKIES brand, including Meaty Grills and Indoor Delights variants, further strengthening its product offering in the cat food category.

Other points

- Nestle's out-of-home business consistently grew at double-digit rates. The company expanded its innovation footprint as the KITKAT spread gained traction among chefs and dessert chain operators. Collaborations with leading global and regional chains led to the launch of the 'MADE WITH KITKAT' range, broadening its brand's presence across new consumption occasions.
- **E-commerce:** Quick commerce saw strong momentum, driven by festive integrations, new product launches, targeted demand-generation initiatives, and enhanced platform availability.
- **Organized trade:** This segment recorded robust, broad-based growth across categories, supported by festive activations and the scaling up of new product launches.
- **Commodity prices:** Milk prices are expected to soften after the festive season, coinciding with the onset of the flush season. Coffee prices are anticipated to stabilize and could decline, as the upcoming crops in Vietnam and India appear to be normal. The global supply and demand for cocoa are expected to reach equilibrium, primarily due to a correction in demand over the past two years. Edible oil prices are expected to remain stable and may rise further due to a tight supply and demand at the global level.

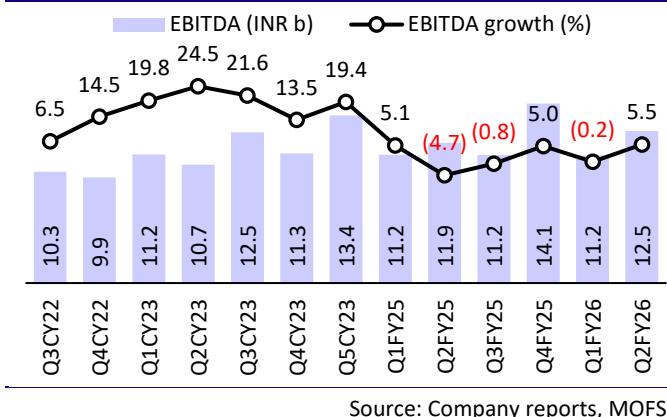
Key exhibits

Exhibit 1: Total sales up 10.6% YoY to INR56.4b



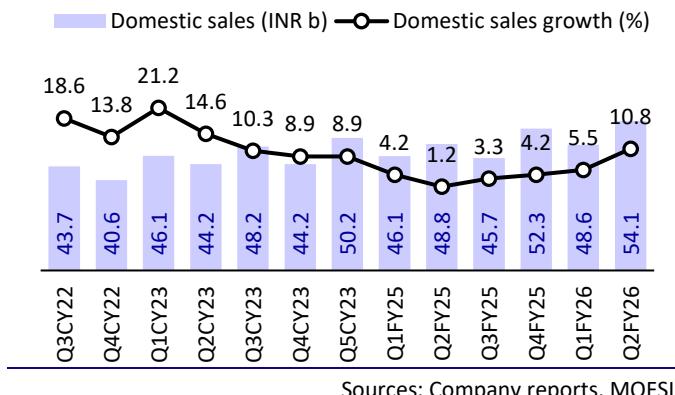
Sources: Company reports, MOFSL

Exhibit 2: EBITDA grew 5% YoY to INR12.5b



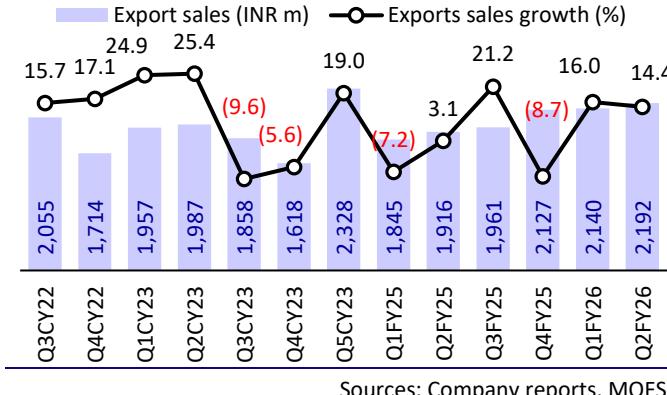
Source: Company reports, MOFSL

Exhibit 3: Domestic sales rose ~11% YoY to INR54b



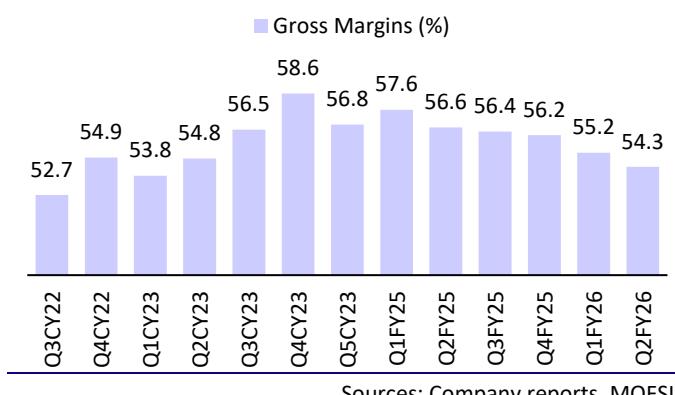
Sources: Company reports, MOFSL

Exhibit 4: Exports up 14% YoY to ~INR2,200m



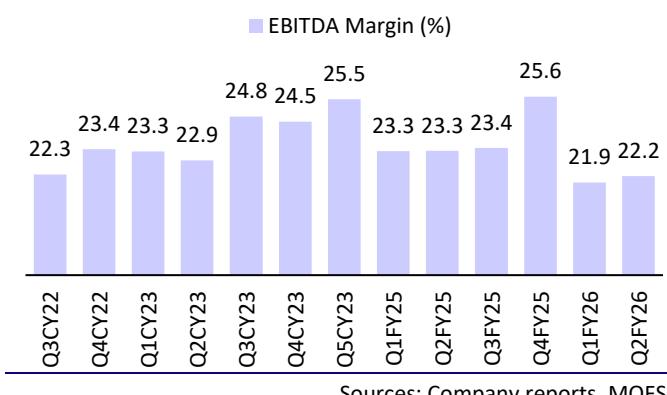
Sources: Company reports, MOFSL

Exhibit 5: Gross margin contracted 230bp YoY to 54.3%



Sources: Company reports, MOFSL

Exhibit 6: EBITDA margin contracted 100bp YoY to 22.2%

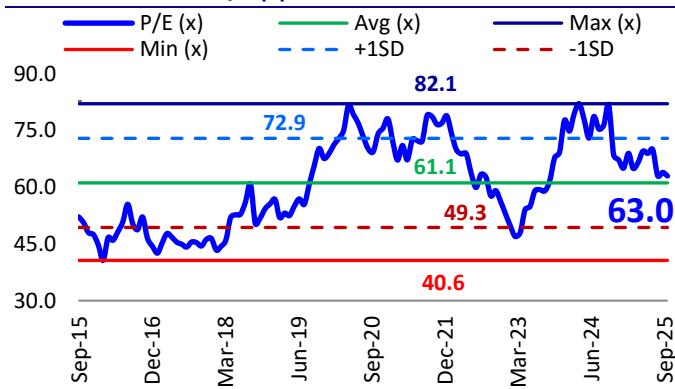


Sources: Company reports, MOFSL

Valuation and view

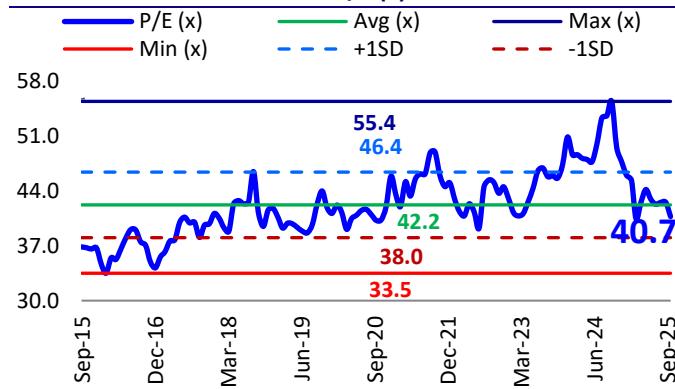
- We slightly raise our EPS estimates for FY26-FY28 by ~2%.
- GST 2.0 is expected to stimulate consumption, drive affordability, and contribute to the overall growth of the FMCG sector and the economy; Nestle is expected to benefit from the same. About 85% of the company's portfolio has benefited from the GST rate cuts.
- Mr. Manish Tiwary's outlook on the way forward will be one of the key factors to watch out for. 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 the anticipated future demand. However, this will weigh on margins and return ratios in the near term. We model revenue/EBITDA/PAT CAGR of 11%/12%/12% over FY25-28E.
- **The stock is trading at 76x/63x FY26/FY27 EPS. Given its expensive valuation, we reiterate our Neutral rating with a TP of INR1,300 (based on 60x P/E Sep'27E).**

Exhibit 7: Nestle's P/E (x)



Sources: Company reports, MOFSL

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



Sources: Company reports, MOFSL

Exhibit 9: We slightly raise our EPS estimates for FY26-FY28 by 1%

	New			Old			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Sales	223.6	248.5	272.5	220.2	244.5	267.7	1.5	1.7	1.8
EBITDA	52.4	60.8	67.4	52.3	59.6	65.9	0.1	2.0	2.2
PAT	32.5	38.9	43.4	32.6	38.0	42.3	-0.4	2.3	2.7

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	223.6	248.5	272.5
Change (%)	7.9	10.4	14.6	15.5	3.5	10.7	11.1	9.6
Gross Profit	76.8	83.9	91.5	136.9	114.5	123.0	139.2	153.9
Margin (%)	57.5	56.9	54.1	56.1	56.7	55.0	56.0	56.5
EBITDA	32.6	36.0	38.1	59.1	48.5	52.4	60.8	67.4
Change (%)	11.4	10.2	6.1	23.9	2.6	7.9	16.2	10.8
Margin (%)	24.4	24.4	22.6	24.2	24.0	23.4	24.5	24.7
Depreciation	3.7	3.9	4.0	5.4	5.4	6.5	6.9	7.7
Int. and Fin. Ch.	1.6	2.0	1.5	1.5	1.4	1.8	1.7	1.6
Other Inc.- Rec.	1.5	1.2	1.0	1.5	0.6	0.5	0.9	1.2
PBT	28.7	31.2	33.6	53.7	42.3	44.5	53.1	59.3
Change (%)	4.9	8.7	7.5	60.0	-1.5	5.2	19.3	11.7
Margin (%)	21.5	21.2	19.9	22.0	21.0	19.9	21.4	21.8
Tax	7.3	7.4	8.7	13.6	11.1	11.4	13.7	15.3
Tax Rate (%)	25.4	23.7	25.8	25.2	26.2	25.6	25.7	25.7
Adjusted PAT	21.0	23.3	24.4	39.6	30.8	32.5	38.9	43.4
Change (%)	5.1	11.2	4.5	30.0	-2.6	5.4	19.6	11.8
Margin (%)	15.7	15.8	14.4	16.2	15.3	14.5	15.6	15.9
Reported PAT	20.8	21.2	23.9	39.3	32.1	32.5	38.9	43.4
Balance Sheet								(INR b)
Y/E March	CY20	CY21	CY22	FY24*	FY25	FY26E	FY27E	FY28E
Share Capital	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Reserves	18.3	18.9	22.7	31.5	38.2	41.4	45.3	49.7
Net Worth	20.2	20.8	24.6	33.4	40.1	43.4	47.2	51.6
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	51.2	55.4	60.0
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	40.7	47.5	55.2
Net Fixed Assets	21.8	29.9	30.4	34.6	54.7	62.3	67.4	71.8
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	52.8	59.9	68.4
Inventory	14.2	15.8	19.3	20.9	28.5	25.2	27.6	30.1
Account Receivables	1.6	1.7	1.9	3.0	3.6	4.0	4.5	4.9
Cash and Bank Balance	17.7	7.4	9.5	7.8	1.0	6.4	10.0	15.0
Others	2.5	16.9	17.1	16.9	16.6	17.2	17.8	18.3
Curr. Liab. and Prov.	58.5	61.0	64.9	71.4	74.0	81.1	89.1	97.3
Account Payables	15.2	17.3	19.3	22.4	23.7	27.3	29.7	32.2
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	39.6	44.0	48.1
Net Curr. Assets	-22.5	-19.3	-17.2	-22.8	-24.3	-28.3	-29.3	-29.0
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	51.2	55.4	60.0

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	CY20	CY21	CY22	FY24*	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	10.9	12.1	12.6	20.5	16.0	16.9	20.1	22.5
Cash EPS	12.8	14.1	14.7	23.3	18.8	20.2	23.7	26.5
BV/Share	10.5	10.8	12.8	17.3	20.8	22.5	24.5	26.7
DPS	10.0	10.0	11.0	16.1	13.5	15.2	18.1	20.3
Payout (%)	92.0	82.7	87.1	78.4	84.4	90.0	90.0	90.0
Valuation (x)								
P/E	117.5	105.6	101.1	62.2	79.9	75.8	63.4	56.7
Cash P/E	99.8	90.5	86.7	54.8	68.0	63.1	53.9	48.2
EV/Sales	18.2	16.6	14.5	10.0	12.2	11.0	9.9	9.0
EV/EBITDA	74.5	68.1	64.1	41.5	50.8	47.0	40.4	36.4
P/BV	121.9	118.1	100.1	73.7	61.4	56.8	52.1	47.7
Dividend Yield (%)	0.8	0.8	0.9	1.3	1.1	1.2	1.4	1.6
Return Ratios (%)								
RoE	106.1	113.6	107.2	136.5	83.9	77.9	85.8	87.9
RoCE	112.2	122.0	113.4	140.9	79.3	69.7	76.5	78.5
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	4.5	4.7	4.7
Leverage Ratio								
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2

Y/E March	CY20	CY21	CY22	FY24*	FY25	FY26E	FY27E	FY28E
Cash Flow Statement (INR b)								
OP/(loss) before Tax	28.1	28.8	32.6	52.9	43.2	43.9	52.5	58.7
Int./Div. Received	0.3	0.1	0.2	0.3	0.4	1.8	1.7	1.6
Depn. and Amort.	3.7	3.9	4.0	5.4	5.4	6.5	6.9	7.7
Interest Paid	-1.5	-1.3	-0.7	-1.3	-2.2	-0.5	-0.9	-1.2
Direct Taxes Paid	-7.0	-7.3	-8.4	-13.0	-10.2	-11.4	-13.7	-15.3
Incr in WC	1.0	-1.5	-0.3	-2.5	-7.1	5.7	0.2	0.5
CF from Operations	24.5	22.7	27.4	41.7	29.4	46.1	46.8	52.0
Others	4.4	8.0	0.9	2.0	1.2	5.1	5.2	5.4
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	31.1	34.8	40.0
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	-9.9	-6.8	-6.6
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	-29.2	-35.0	-39.1
Others	-0.7	-0.9	-1.0	-1.3	6.1	-1.5	-1.4	-1.3
CF from Fin. Activity	-19.6	-20.2	-21.2	-31.3	-18.5	-30.7	-36.4	-40.4
Incr/Decr of Cash	4.6	-10.3	2.1	-1.7	-6.8	5.4	3.6	5.0
Add: Opening Balance	13.1	17.7	7.4	9.5	7.8	1.0	6.4	10.0
Closing Balance	17.7	7.4	9.5	7.8	1.0	6.4	10.0	15.0

E: MOFSL Estimates

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