

Estimate changes

TP change

Rating change



	NEST IN
Bloomberg Equity Shares (m)	964
M.Cap.(INRb)/(USD\$)	2230.3 / 25.7
52-Week Range (INR)	2778 / 2131
1, 6, 12 Rel. Per (%)	7/0/-16
12M Avg Val (INR M)	2401

## Financials & Valuations (INR b)

Y/E Dec	FY25E	FY26E	FY27E
Sales	202.7	221.7	242.7
Sales Gr. (%)	-16.9	9.4	9.5
EBITDA	47.9	53.7	59.2
Margin (%)	23.6	24.2	24.4
Adj. PAT	31.6	35.4	39.6
Adj. EPS (INR)	32.7	36.7	41.1
EPS Gr. (%)	-20.2	12.2	11.8
BV/Sh.(INR)	42.5	49.9	58.1

## Ratios

RoE (%)	84.9	79.6	76.1
RoCE (%)	86.4	81.6	77.6
Payout (%)	80.0	80.0	80.0

## Valuations

P/E (x)	70.2	62.6	56.0
P/BV (x)	54.2	46.1	39.6
EV/EBITDA (x)	46.1	40.9	36.9
Div. Yield (%)	1.1	1.3	1.4

## Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	62.8	62.8	62.8
DII	10.8	9.5	9.2
FII	10.3	11.9	12.1
Others	16.2	15.8	16.0

FII Includes depository receipts

**CMP: INR2,313**

**TP: INR2,400 (+4%)**

**Neutral**

## Moderate growth; miss on margins

- Nestle India (Nestle) reported a 4% YoY revenue growth (est. 5%) in 3QFY25. Domestic sales grew 3% YoY, hurt by a slowdown in urban consumption and higher commodity prices. Beverage, pet care, and KitKat delivered double-digit growth, while Milkmaid, toddler range, Maggi noodles, and Masala-e-Magic posted healthy growth. Part of the prepared dishes, milk products, and chocolates experienced weakness in 3Q. Export revenue rose 21% YoY.
- GM contracted 220bp YoY/20bp QoQ to 56.4% (est. 57.8%), leading to a flat GP YoY. RM inflation was high with coffee, cocoa, cereals, and grain prices remaining elevated. EBITDA margin contracted 110bp YoY to 23.4% (est. 24.1%). We model an EBITDA margin of 23.6% for FY25 and 24.2% for FY26.
- Nestle has been a revenue growth outperformer over the past three years (largely due to price hikes), but growth has slowed in the last three quarters. Moderating urban consumption and high food inflation pose risks to near-term recovery. The stock is trading at 63x/56x FY26/FY27 EPS. **Given its expensive valuation, we reiterate our Neutral rating with a TP of INR2,400 (based on 60x P/E Dec'26E).**

## In-line revenue; miss on margins

- **Domestic sales remain muted:** Nestle's revenue rose 4% YoY to INR47.8b (est. INR48.5b) in 3QFY25. Domestic sales saw 3% YoY growth to INR45.7b hit by muted demand and higher commodity prices. However, exports saw a healthy growth of 21% YoY to INR2.0b.
- **Broad-based growth across categories:** Nestle sustained broad-based growth across segments, though revenue growth was low. Three of its four product groups delivered healthy growth, driven by pricing and volume. The powdered and liquid beverages segment led with high double-digit growth, while confectionery and prepared dishes & cooking aids posted high single-digit growth. E-commerce contributed 9.1% to sales, growing at double digits.
- **Commodity pressure on margin:** Gross margin dipped 220bp YoY to 56.4% (est. 57.8%) on rising RM prices. Prices of coffee, cocoa, cereals, and grains remained elevated, while edible oil, milk, and packaging costs were stable.
- **Miss on profitability:** Employee expenses rose 18% YoY, while other expenses were down 6% YoY. EBITDA margin contracted 110bp YoY to 23.4% (est. 24.1%). EBITDA declined 1% YoY to INR11.2b (est. INR 11.7b). Higher depreciation (+22% YoY) and higher interest (+51% YoY) further hurt profitability. PBT dipped 7% YoY to INR9.6b (est. INR10.5b), and Adj. PAT declined 10% YoY to INR7.0b (est. INR7.9b).
- In 9MFY25, net sales grew 3% YoY, while EBITDA/APAT declined 4%/9%.

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

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

- We cut our EPS estimates by 3% for FY25 and 4% for FY26 on weak revenue growth and moderation in the margins.
- The company has been focusing on its RURBAN strategy; hence, growth was higher in RURBAN markets. Most of Nestlé's categories have been reaping the benefits of distribution penetration. Packaged food penetration has improved in the tier-2 and rural markets. The company continues to focus on portfolio enhancement through ongoing innovation and premiumization initiatives.
- Nestlé's portfolio is relatively safe from local competition, so it does not need much overhead costs to protect its market share. However, with the ongoing inflation, it is critical to maintain margins. We model ~24% EBITDA margins for FY25/FY26.
- The stock is trading at 63x/56x FY26/FY27 EPS. **Given its expensive valuation, we reiterate our Neutral rating with a TP of INR2,400 (based on 60x P/E Dec'26E).**

**Quarterly performance**

(INR b)

Y/E December	FY24					FY25E				FY24*	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	5Q	1Q	2Q	3Q	4QE				
<b>Net Sales</b>	<b>48.3</b>	<b>46.6</b>	<b>50.4</b>	<b>46.0</b>	<b>52.7</b>	<b>48.1</b>	<b>51.0</b>	<b>47.8</b>	<b>55.8</b>	<b>243.9</b>	<b>202.7</b>	<b>48.5</b>	<b>-1.4%</b>
YoY Change (%)	21.0	15.1	9.5	8.1	9.0	3.3	1.3	3.9	5.8	15.5	-16.9	5.4	
<b>Gross Profit</b>	<b>26.0</b>	<b>26.8</b>	<b>28.5</b>	<b>27.0</b>	<b>29.9</b>	<b>27.8</b>	<b>28.9</b>	<b>27.0</b>	<b>31.5</b>	<b>136.9</b>	<b>115.2</b>	<b>28.0</b>	
Margin (%)	53.8	57.6	56.5	58.6	56.8	57.6	56.6	56.4	56.6	56.1	56.8	57.8	
<b>EBITDA</b>	<b>11.2</b>	<b>11.9</b>	<b>12.5</b>	<b>11.3</b>	<b>13.4</b>	<b>11.2</b>	<b>11.9</b>	<b>11.2</b>	<b>13.6</b>	<b>59.1</b>	<b>47.9</b>	<b>11.7</b>	<b>-4.2%</b>
Margins (%)	23.3	25.6	24.8	24.5	25.5	23.3	23.3	23.4	24.4	24.2	23.6	24.1	
YoY Growth (%)	19.8	39.4	21.6	13.5	19.4	(6.1)	(4.7)	(0.8)	1.4	23.9	-18.9	3.5	
Depreciation	1.0	1.1	1.1	1.1	1.1	1.1	1.2	1.3	1.3	5.4	5.0	1.2	
Interest	0.4	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	1.5	1.3	0.3	
Other income	0.3	0.2	0.3	0.3	0.3	0.4	0.1	0.0	0.4	1.5	0.9	0.3	
<b>PBT</b>	<b>10.2</b>	<b>10.8</b>	<b>11.4</b>	<b>10.3</b>	<b>12.3</b>	<b>10.2</b>	<b>10.4</b>	<b>9.6</b>	<b>12.4</b>	<b>53.7</b>	<b>42.5</b>	<b>10.5</b>	<b>-8.9%</b>
Tax	2.5	2.4	3.1	2.3	3.2	2.6	3.0	2.3	3.0	13.6	10.9	2.5	
Rate (%)	24.9	22.4	27.6	22.5	25.6	25.8	28.9	23.7	24.5	25.2	25.7	23.7	
<b>Adjusted PAT</b>	<b>7.5</b>	<b>8.3</b>	<b>8.1</b>	<b>7.8</b>	<b>9.1</b>	<b>7.4</b>	<b>7.7</b>	<b>7.0</b>	<b>9.3</b>	<b>39.6</b>	<b>31.6</b>	<b>7.9</b>	<b>-11.3%</b>
YoY Change (%)	25.8	53.6	20.7	23.5	21.7	(11.0)	(4.4)	(10.2)	1.8	30.0	-20.2	1.2	

E: MOFSL Estimates



## Key highlights from the press release

### Category performance

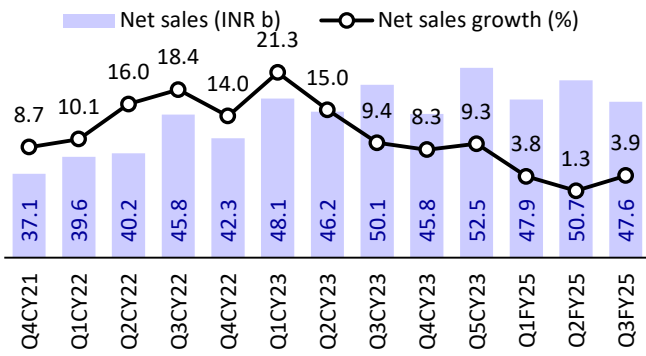
- **Prepared Dishes and Cooking Aids:** The segment posted high single-digit growth, driven by MAGGI noodles and Masala-ae-Magic. MAGGI focused on expanding its Spicy and Korean range, while MAGGI Atta noodles were extended to the RUrban market to tap into new consumer segments.
- **Pet care Business:** The Petcare business recorded its highest growth since 2022, primarily led by the premium cat food brand 'Felix.' Within the Prepared Dishes and Cooking Aids segment, the pet care portfolio delivered double-digit growth, fueled by a strong performance from Felix and Friskies. Growth was further supported by an enhanced distribution network, with e-commerce and quick commerce continuing to drive momentum.
- **Milk Products and Nutrition:** Milkmaid experienced growth, largely supported by the festive season and the introduction of MILKMAID Mini. The nutrition business also saw strong demand, particularly for toddler milk products and specialized nutrition offerings, contributing positively to overall performance.
- **Confectionery:** The confectionery segment recorded high single-digit growth, with KitKat posting double-digit growth, driven by new product launches. Munch maintained its focus on regional markets and posted good growth, particularly with the launch of Munch Max Nuts. KitKat also continued to expand its premium portfolio and launched consumer campaigns, such as 'Find the GOLDEN KITKAT,' to further engage its customer base.
- **Powdered and Liquid Beverages:** The powdered and liquid beverages segment was the largest growth driver this quarter, achieving high double-digit growth. The retail value of beverages surpassed INR 20 billion in the last twelve months, with robust growth led by core brands like NESCAFÉ CLASSIC and NESCAFÉ SUNRISE. Additionally, NESCAFÉ GOLD and NESCAFÉ Roastery recorded strong growth as they continued their premiumization journey, particularly in metro cities and towns.

### Other points

- The quarter saw food inflation, moderation in urban consumption, and a gradual recovery in rural demand.
- Beverages retail has surpassed INR20b in revenue in the last 12 months.
- E-commerce continued its strong growth trajectory (38% YoY), and contributed 9.1% to domestic sales.
- Products launched since 2015 now account for approximately 7% of total sales.
- Manufacturing capacity is set to expand significantly with the commissioning of the third confectionery unit at the Sanand factory for KITKAT production.
- Commodity prices remain firm for coffee, cocoa, cereals, and grains. Edible oil prices have stabilized, while milk and packaging costs continue to be stable.
- Export operations continue to expand, with new SKUs introduced across multiple categories in markets such as Canada, the Middle East, Maldives, and Papua New Guinea.

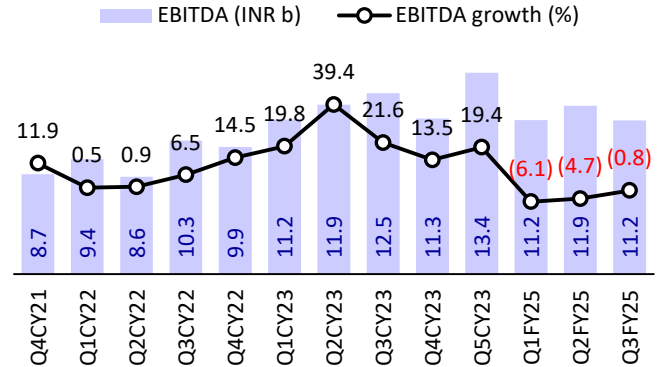
Key Exhibits

Exhibit 1: Net sales up 4% YoY to INR47.6b



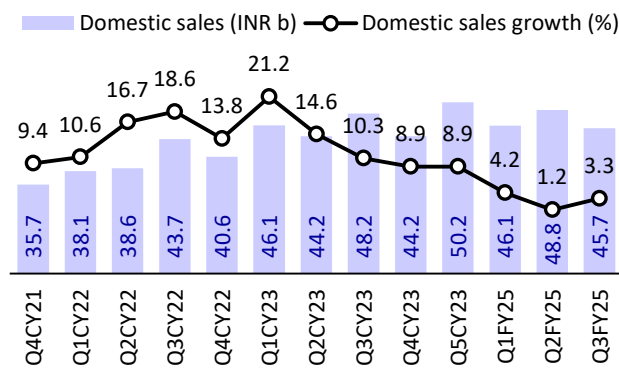
Sources: Company reports, MOFSL

Exhibit 2: EBITDA declined 1% YoY to INR11.2b



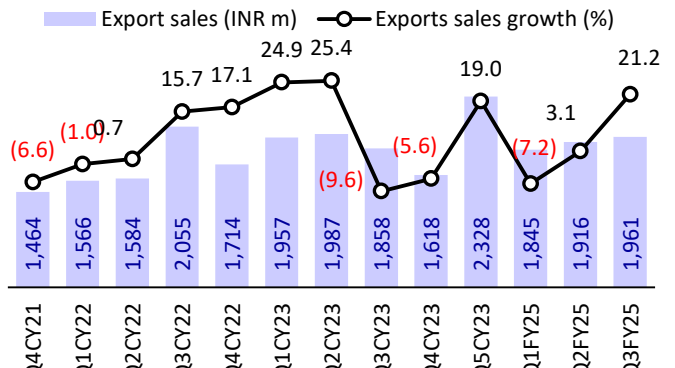
Source: Company reports, MOFSL

Exhibit 3: Domestic sales rose 3% YoY to INR45.7b



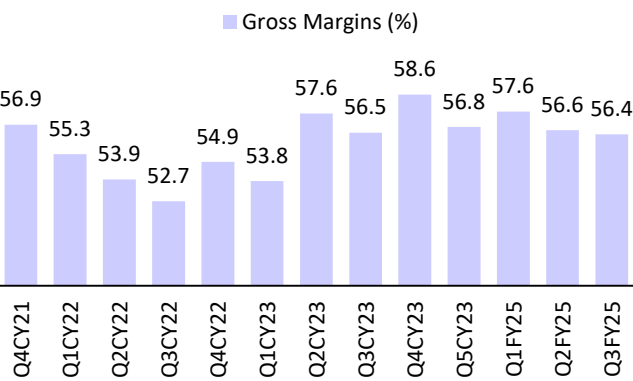
Sources: Company reports, MOFSL

Exhibit 4: Exports up 21% YoY to INR1,961m



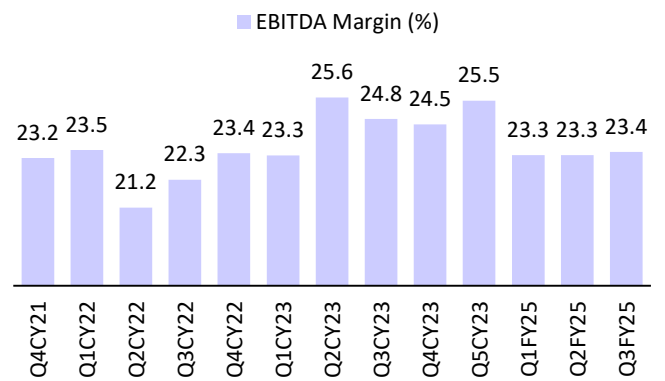
Sources: Company reports, MOFSL

Exhibit 5: Gross margin contracted 220bp YoY to 56.4%



Sources: Company reports, MOFSL

Exhibit 6: EBITDA margin dipped 110bp YoY to 23.4%

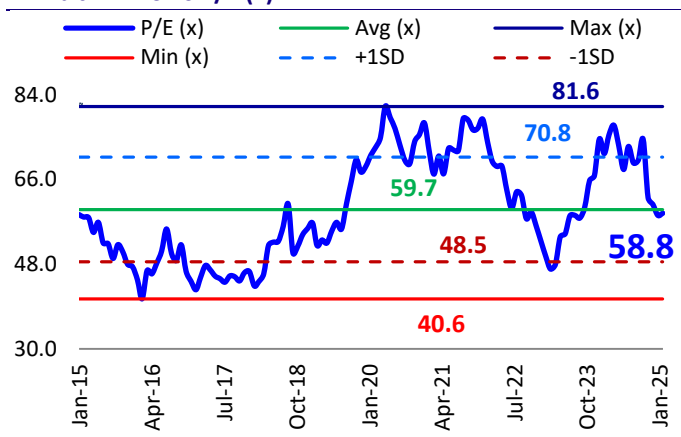


Sources: Company reports, MOFSL

### Valuation and view

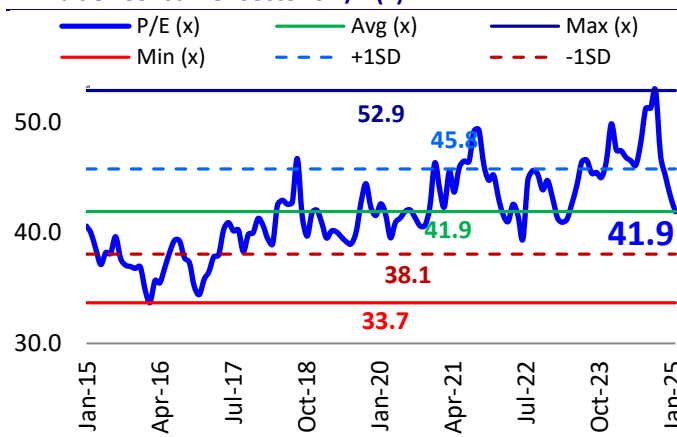
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- **The stock is trading at 63x/56x FY26/FY27 EPS. Given its expensive valuation, we reiterate our Neutral rating with a TP of INR2,400 (based on 60x P/E Dec'26E).**

Exhibit 7: NEST’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 by 3% in FY25 and 4% in FY26

	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	202.7	221.7	204.5	226.1	-0.9	-1.9
EBITDA	47.9	53.7	49.0	55.4	-2.3	-3.1
PAT	31.6	35.4	32.6	36.9	-3.2	-4.1

Source: MOFSL

## Financials and valuations

Income Statement								(INR b)
Y/E March	CY19	CY20	CY21	CY22	FY24*	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>123.7</b>	<b>133.5</b>	<b>147.4</b>	<b>169.0</b>	<b>243.9</b>	<b>202.7</b>	<b>221.7</b>	<b>242.7</b>
Change (%)	9.5	7.9	10.4	14.6	15.5	-16.9	9.4	9.5
<b>Gross Profit</b>	<b>71.4</b>	<b>76.8</b>	<b>83.9</b>	<b>91.5</b>	<b>136.9</b>	<b>115.2</b>	<b>127.0</b>	<b>139.3</b>
Margin (%)	57.8	57.5	56.9	54.1	56.1	56.8	57.3	57.4
<b>EBITDA</b>	<b>29.3</b>	<b>32.6</b>	<b>36.0</b>	<b>38.1</b>	<b>59.1</b>	<b>47.9</b>	<b>53.7</b>	<b>59.2</b>
Change (%)	6.1	11.4	10.2	6.1	23.9	-18.9	12.1	10.2
Margin (%)	23.7	24.4	24.4	22.6	24.2	23.6	24.2	24.4
Depreciation	3.2	3.7	3.9	4.0	5.4	5.0	5.7	6.1
Int. and Fin. Ch.	1.2	1.6	2.0	1.5	1.5	1.3	1.4	1.4
Other Inc.- Rec.	2.5	1.5	1.2	1.0	1.5	0.9	1.1	1.7
<b>PBT</b>	<b>27.4</b>	<b>28.7</b>	<b>31.2</b>	<b>33.6</b>	<b>53.7</b>	<b>42.5</b>	<b>47.7</b>	<b>53.3</b>
Change (%)	6.5	4.9	8.7	7.5	60.0	-20.9	12.4	11.7
Margin (%)	22.1	21.5	21.2	19.9	22.0	21.0	21.5	22.0
Tax	7.1	7.3	7.4	8.7	13.6	10.9	11.8	13.2
Tax Rate (%)	25.8	25.4	23.7	25.8	25.2	25.7	24.8	24.8
<b>Adjusted PAT</b>	<b>19.9</b>	<b>21.0</b>	<b>23.3</b>	<b>24.4</b>	<b>39.6</b>	<b>31.6</b>	<b>35.4</b>	<b>39.6</b>
Change (%)	15.8	5.1	11.2	4.5	30.0	-20.2	12.2	11.8
Margin (%)	16.1	15.7	15.8	14.4	16.2	15.6	16.0	16.3
<b>Reported PAT</b>	<b>19.7</b>	<b>20.8</b>	<b>21.2</b>	<b>23.9</b>	<b>39.3</b>	<b>32.8</b>	<b>35.5</b>	<b>39.7</b>

Balance Sheet								(INR b)
Y/E March	CY19	CY20	CY21	CY22	FY24*	FY25E	FY26E	FY27E
Share Capital	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Reserves	18.4	19.2	19.9	23.6	32.4	40.0	47.1	55.1
<b>Net Worth</b>	<b>19.3</b>	<b>20.2</b>	<b>20.8</b>	<b>24.6</b>	<b>33.4</b>	<b>40.9</b>	<b>48.1</b>	<b>56.0</b>
Loans	0.5	0.3	0.3	0.3	0.3	0.6	0.9	1.2
<b>Capital Employed</b>	<b>19.9</b>	<b>20.5</b>	<b>21.1</b>	<b>24.9</b>	<b>33.7</b>	<b>41.5</b>	<b>49.0</b>	<b>57.3</b>
Gross Block	36.1	40.0	51.2	54.7	63.3	86.8	92.8	98.8
Less: Accum. Depn.	13.8	18.2	21.2	24.3	28.7	33.7	39.4	45.5
<b>Net Fixed Assets</b>	<b>22.3</b>	<b>21.8</b>	<b>29.9</b>	<b>30.4</b>	<b>34.6</b>	<b>53.0</b>	<b>53.3</b>	<b>53.3</b>
Capital WIP	1.4	6.4	2.5	3.6	17.4	2.0	2.0	2.0
Investments	17.5	14.6	7.7	7.8	4.6	4.6	4.6	4.6
<b>Curr. Assets, L&amp;A</b>	<b>29.4</b>	<b>36.0</b>	<b>41.7</b>	<b>47.7</b>	<b>48.6</b>	<b>42.7</b>	<b>55.0</b>	<b>69.4</b>
Inventory	12.8	14.2	15.8	19.3	20.9	17.4	18.9	20.6
Account Receivables	1.2	1.6	1.7	1.9	3.0	2.5	2.7	3.0
Cash and Bank Balance	13.1	17.7	7.4	9.5	7.8	6.5	16.9	28.9
Others	2.2	2.5	16.9	17.1	16.9	16.3	16.6	16.9
<b>Curr. Liab. and Prov.</b>	<b>50.5</b>	<b>58.5</b>	<b>61.0</b>	<b>64.9</b>	<b>71.4</b>	<b>60.7</b>	<b>65.9</b>	<b>71.9</b>
Account Payables	14.9	15.2	17.3	19.3	22.4	17.5	18.6	20.2
Other Liabilities	5.7	8.5	7.1	9.5	14.1	15.5	17.0	18.7
Provisions	29.9	34.9	36.5	36.1	34.9	27.7	30.2	33.0
<b>Net Curr. Assets</b>	<b>-21.2</b>	<b>-22.5</b>	<b>-19.3</b>	<b>-17.2</b>	<b>-22.8</b>	<b>-18.0</b>	<b>-10.9</b>	<b>-2.5</b>
Def. Tax Liability	-0.2	0.2	0.3	0.3	-0.1	-0.1	-0.1	-0.1
<b>Appl. of Funds</b>	<b>19.9</b>	<b>20.5</b>	<b>21.1</b>	<b>24.9</b>	<b>33.7</b>	<b>41.5</b>	<b>49.0</b>	<b>57.3</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	CY19	CY20	CY21	CY22	FY24*	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>20.7</b>	<b>21.7</b>	<b>24.2</b>	<b>25.3</b>	<b>41.0</b>	<b>32.7</b>	<b>36.7</b>	<b>41.1</b>
Cash EPS	24.0	25.6	28.2	29.4	46.6	37.9	42.6	47.4
BV/Share	20.0	20.9	21.6	25.5	34.6	42.5	49.9	58.1
DPS	34.2	20.0	20.0	22.0	32.2	26.2	29.4	32.9
Payout (%)	165.3	92.0	82.7	87.1	78.4	80.0	80.0	80.0
<b>Valuation (x)</b>								
P/E	111.2	105.8	95.1	91.0	56.0	70.2	62.6	56.0
Cash P/E	96.0	89.9	81.5	78.1	49.3	60.6	54.0	48.6
EV/Sales	17.7	16.4	14.9	13.0	9.0	10.9	9.9	9.0
EV/EBITDA	74.7	67.0	61.3	57.7	37.3	46.1	40.9	36.9
P/BV	114.8	109.8	106.4	90.2	66.4	54.2	46.1	39.6
Dividend Yield (%)	1.5	0.9	0.9	1.0	1.4	1.1	1.3	1.4
<b>Return Ratios (%)</b>								
RoE	71.2	106.1	113.6	107.2	136.5	84.9	79.6	76.1
RoCE	74.5	112.2	122.0	113.4	140.9	86.4	81.6	77.6
<b>Working Capital Ratios</b>								
Debtor (Days)	3.7	4.5	4.1	4.1	4.5	4.5	4.5	4.5
Asset Turnover (x)	4.3	6.6	7.1	7.4	8.3	5.4	4.9	4.6
<b>Leverage Ratio</b>								
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Cash Flow Statement

(INR b)

Y/E March	CY19	CY20	CY21	CY22	FY24*	FY25E	FY26E	FY26E
OP/(loss) before Tax	26.7	28.1	28.8	32.6	52.9	43.7	47.3	52.9
Int./Div. Received	0.0	0.3	0.1	0.2	0.3	1.3	1.4	1.4
Depn. and Amort.	3.2	3.7	3.9	4.0	5.4	5.0	5.7	6.1
Interest Paid	-2.5	-1.5	-1.3	-0.7	-1.3	-0.9	-1.1	-1.7
Direct Taxes Paid	-6.7	-7.0	-7.3	-8.4	-13.0	-10.9	-11.8	-13.2
Incr in WC	1.6	1.0	-1.5	-0.3	-2.5	-0.6	0.7	1.0
<b>CF from Operations</b>	<b>22.3</b>	<b>24.5</b>	<b>22.7</b>	<b>27.4</b>	<b>41.7</b>	<b>37.6</b>	<b>42.1</b>	<b>46.4</b>
Others	11.7	4.4	8.0	0.9	2.0	-4.6	3.6	4.4
Incr in FA	-1.5	-4.7	-7.3	-5.4	-18.8	-8.0	-6.0	-6.0
<b>Free Cash Flow</b>	<b>20.8</b>	<b>19.8</b>	<b>15.4</b>	<b>22.0</b>	<b>23.0</b>	<b>29.6</b>	<b>36.1</b>	<b>40.4</b>
Pur of Investments	-0.2	0.0	-13.5	0.5	4.7	0.0	0.0	0.0
<b>CF from Invest.</b>	<b>10.0</b>	<b>-0.4</b>	<b>-12.9</b>	<b>-4.0</b>	<b>-12.1</b>	<b>-12.6</b>	<b>-2.4</b>	<b>-1.6</b>
Incr in Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	-35.6	-18.9	-19.3	-20.2	-30.1	-25.3	-28.3	-31.7
Others	0.2	-0.7	-0.9	-1.0	-1.3	-1.0	-1.1	-1.1
<b>CF from Fin. Activity</b>	<b>-35.4</b>	<b>-19.6</b>	<b>-20.2</b>	<b>-21.2</b>	<b>-31.3</b>	<b>-26.3</b>	<b>-29.4</b>	<b>-32.8</b>
<b>Incr/Decr of Cash</b>	<b>-3.0</b>	<b>4.6</b>	<b>-10.3</b>	<b>2.1</b>	<b>-1.7</b>	<b>-1.2</b>	<b>10.3</b>	<b>12.1</b>
Add: Opening Balance	16.1	13.1	17.7	7.4	9.5	7.8	6.5	16.9
<b>Closing Balance</b>	<b>13.1</b>	<b>17.7</b>	<b>7.4</b>	<b>9.5</b>	<b>7.8</b>	<b>6.5</b>	<b>16.9</b>	<b>28.9</b>

E: MOFSL Estimates

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NOTES



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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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