

E-com drives Q1 sales growth; weak margins drag earnings

Consumer Goods ▶ Result Update ▶ July 24, 2025

CMP (Rs): 2,322 | TP (Rs): 2,300

We maintain REDUCE with a Jun-26E TP of Rs2,300 (60x P/E), as we expect a gradual recovery in growth and margins. Past price hikes, driven by broad-based inflation, have weighed on performance amid demand stress. With raw material costs likely to ease, we foresee a slow rebound in operating metrics. The company's Q1 performance was weak – while topline growth of 6% came in line, the flat EBITDA, and 11% YoY dip in earnings lagged consensus/our expectations. Our analysis suggests that domestic growth was largely led by e-commerce, which added Rs2.6bn YoY, nearly matching India revenue growth of Rs2.5bn YoY.

Topline growth at 6% driven by e-com

Domestic sales grew 5.5% YoY to Rs48.6bn, with ~3% estimated real internal growth. We estimate volume growth at ~2.5% in Q1FY26E. Export sales grew 16% to Rs2.14bn. Overall revenue grew 5.9% YoY to Rs50.7bn. E-com channel's salience expanded 5% YoY to 12.5%. E-com sales grew 76% YoY to Rs6bn. Our assessment suggests that e-com is driving the bulk of domestic sales growth for the company. From a segment growth perspective, we see high-teen growth for beverages and confectionaries; prepared dishes likely grew in mid-single digit (with positive volume), while milk products may have declined by low-single digit. The management noted that 7 of 12 brands registered double-digit revenue growth. We maintain an 8% revenue CAGR over FY25-28E.

Gross margin stress hurt OPM delivery; EBITDA flat, earnings down 10%

The gross margin at 55%, down by 250bps YoY, came lower than our estimated 56.5%. The company has been regular with price hikes which we thought would have helped the gross margin. However, it seems like trade spending and consumer promotions affected the gross margin. The management noted a surge in operating costs, given expansion in manufacturing capacities. On key raw materials, the management noted stability in edible oil and cocoa prices, a decline in coffee (expect it to be range-bound at current level; Vietnam supplies are expected to be normal), and a modest increase in milk prices (albeit easing is anticipated on favorable monsoon and flush season). The EBITDA margin at 21.7%, down by 130bps YoY, was below consensus/our expectations of 23.1%/22.3%. EBITDA came flat YoY at Rs11bn, 7%/2% below consensus/our estimate. Interest cost surged to Rs469mn, up 48% YoY, given higher borrowings to fund temporary operational cashflow needs. This, with an increase in the tax rate, drove adj PAT decline of 10.6% YoY (12%/5% below consensus/our estimate). We cut earnings by 2-3%, to factor in margin pressure. On gradual margin recovery, we see 11% earnings CAGR over FY25-28E. Our earnings estimates are 5-8% below consensus for FY25-28E.

Valuation remains elevated, requires healthy earnings ahead; maintain REDUCE

Strong parentage, premiumization potential, focused actions in rural markets, expected easing in raw material costs, and likely refinement in execution under the new leadership are factors that could keep valuations elevated (62x P/E on FY27E). Faster growth in the e-commerce channel is promising, as the company is better placed with the new CEO (experienced in managing one of the largest e-commerce platforms in India). However, limited revenue from other channels is concerning.

Target Price – 12M	Jun-26
Change in TP (%)	-
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(0.9)

Stock Data	NEST IN
52-week High (Rs)	2,778
52-week Low (Rs)	2,110
Shares outstanding (mn)	964.2
Market-cap (Rs bn)	2,239
Market-cap (USD mn)	25,910
Net-debt, FY26E (Rs mn)	28,237.5
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	2,300.3
ADTV-3M (USD mn)	26.6
Free float (%)	37.2
Nifty-50	25,062.1
INR/USD	86.4

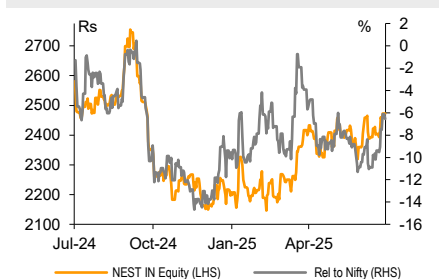
Shareholding, Jun-25

Promoters (%)	62.8
FPIs/MFs (%)	10.3/11.2

Price Performance

(%)	1M	3M	12M
Absolute	(1.8)	(4.6)	(8.6)
Rel. to Nifty	(1.9)	(7.7)	(11.0)

1-Year share price trend (Rs)



Nestlé India: Financial Snapshot (Standalone)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	243,939	202,016	215,610	233,349	252,073
EBITDA	58,490	47,737	50,378	56,869	62,906
Adj. PAT	39,577	30,237	31,477	36,179	41,329
Adj. EPS (Rs)	41.0	31.4	32.6	37.5	42.9
EBITDA margin (%)	24.0	23.6	23.4	24.4	25.0
EBITDA growth (%)	55.6	(18.4)	5.5	12.9	10.6
Adj. EPS growth (%)	62.5	(23.6)	4.1	14.9	14.2
RoE (%)	136.5	81.1	71.9	73.2	74.2
RoIC (%)	114.8	65.9	55.6	67.3	80.7
P/E (x)	56.9	67.6	71.1	61.9	54.3
EV/EBITDA (x)	40.8	50.3	47.7	42.2	38.2
P/B (x)	67.0	54.4	48.3	42.7	38.0
FCFF yield (%)	1.0	0.4	1.5	1.8	2.1

Source: Company, Emkay Research

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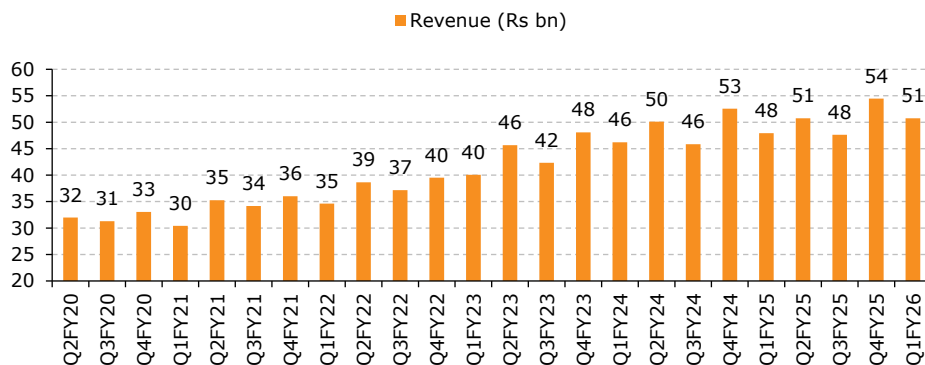
Quarterly performance

Exhibit 1: Nestlé India – Q1FY26 performance

(Rs mn)	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	Emkay Est	Var (%)
Total income	50,962	48,140	5.9	55,039	(7.4)	50,475	1.0
Cost of goods	22,854	20,388	12.1	24,124	(5.3)	21,957	4.1
Employee expenses	5,157	5,054	2.0	5,220	(1.2)	5,500	(6.2)
Other expenses	11,948	11,674	2.3	11,805	1.2	11,800	1.3
EBITDA	11,003	11,023	(0.2)	13,890	(20.8)	11,218	(1.9)
EBITDAM (%)	21.6	22.9	-130bps	25.2	-360bps	22.2	-60bps
Depreciation	1,569	1,127	39.2	1,553	1.0	1,600	(1.9)
EBIT	9,433	9,896	(4.7)	12,336	(23.5)	9,618	(1.9)
EBITM (%)	18.5	20.6	-200bps	22.4	-390bps	19.1	-50bps
Interest cost	469	317	48.0	375	25.0	300	56.3
Other income	40	391	(89.7)	84	(52.1)	30	34.7
PBT	9,005	9,971	(9.7)	12,046	(25.2)	9,348	(3.7)
Tax	2,412	2,625	(8.1)	3,192	(24.4)	2,384	1.2
Tax rate (%)	26.8	26.3	50bps	26.5	30bps	25.5	130bps
Non-recurring items	0	120	(100.0)	0	-	0	-
PAT	6,592	7,466	(12)	8,854	(25.5)	6,964	(5.3)
Adj Profit	6,592	7,378	(10.6)	8,854	(25.5)	6,964	(5.3)
NPM (%)	12.9	15.3	-240bps	16.1	-320bps	13.8	-90bps
EPS (Rs)	6.8	7.7	(10.6)	9.2	(25.5)	7.2	-5.3

Source: Company, Emkay Research

Exhibit 2: Nestlé revenue

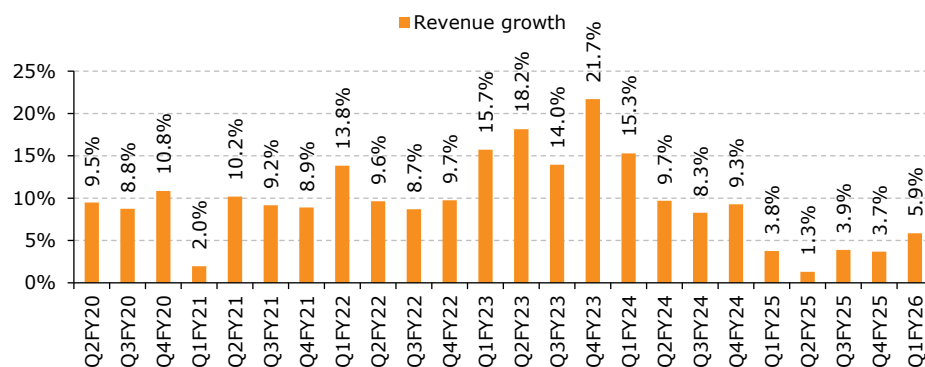


Source: Company, Emkay Research

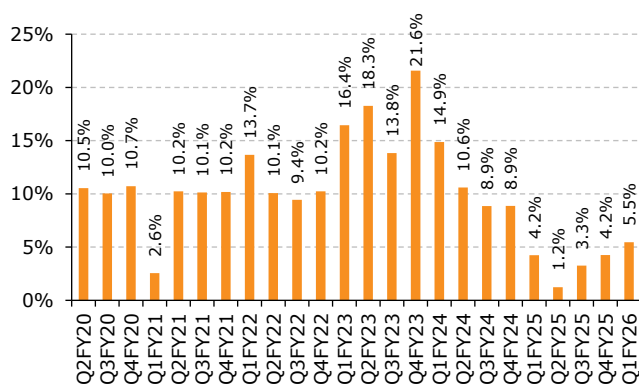
Exhibit 3: Quarterly press-release data

Segments	Prepared dishes and cooking aids	Milk products and nutrition	Confectionery	Powdered and liquid beverages
Q1FY26	<ul style="list-style-type: none"> Volume growth turns positive Double-digit growth in Maggi noodles Masala-Ae-Magic recorded strong double-digit growth 	<ul style="list-style-type: none"> Mixed growth performance, while a few segments recorded muted performances Milkmaid delivered single-digit growth. 	<ul style="list-style-type: none"> High double-digit growth, driven by volume growth KitKat and Munch recorded double-digit growth Milky bar saw high double-digit growth New Launch- KitKat Duo, KitKat Lemon n Lime, and KITKAT Dark Sharebag 	<ul style="list-style-type: none"> Strong double-digit growth
Q4FY25	<ul style="list-style-type: none"> Mid-single-digit growth, led by Maggi returning to volume growth Maggi Masala-Ae-Magic consistently posted good growth 	<ul style="list-style-type: none"> Milkmaid delivered strong growth Launched unsweetened low-fat Greek yoghurt 	<ul style="list-style-type: none"> High single-digit pace in value and volume, driven by KitKat Strong distribution gains New Launch- KitKat Raspberry, Munch Maxx Nuts, KitKat Salted Caramel 	<ul style="list-style-type: none"> High double-digit growth Double-digit growth in NESCAFÉ Classic, NESCAFÉ Sunrise, and NESCAFÉ GOLD
Q3FY25	<ul style="list-style-type: none"> High single-digit growth, led by volume growth in Maggi noodles Masala-ae-Magic had a strong and consistent performance Expanded Maggi Atta noodles to RURBAN market 	<ul style="list-style-type: none"> Toddlers' milk products and specific nutritional needs delivered strong performances Milkmaid growth led by the festive season and the Milkmaid mini product 	<ul style="list-style-type: none"> Confectionery recorded high single-digit growth KitKat recorded double-digit growth New Launch- Munch Max Nuts Launched consumer campaigns- 'Find the Golden KitKat' 	<ul style="list-style-type: none"> High double-digit growth Continued toward premiumization journeys in metros and towns
Q2FY25	<ul style="list-style-type: none"> Masala-Ae-Magic recorded high double-digit growth New Launch- MAGGI chatpata Besan noodles 	<ul style="list-style-type: none"> Milkmaid recorded high double-digit growth Toddlers' milk products recorded high double-digit growth Increased advertising spends 	<ul style="list-style-type: none"> KitKat recorded high single-digit growth Munch continued to gain inroads into regional markets Leveraged youth passion points with a fun partnership with 'Candy Crush' 	<ul style="list-style-type: none"> High double-digit growth Strong performance across NESCAFÉ CLASSIC, NESCAFÉ SUNRISE, and NESCAFÉ GOLD NESCAFÉ GOLD and NESCAFÉ Roastery led the premiumization journey.
Q1FY25	<ul style="list-style-type: none"> Innovations contributed to ~30% of growth in the quarter Masala-Ae-Magic saw double-digit growth Strong consumer engagement, media campaigns, innovations, and enhanced RURBAN penetration led to growth 	<ul style="list-style-type: none"> Milk Products and Nutrition portfolio-maintained growth Milkmaid and toddler range of products drove growth 	<ul style="list-style-type: none"> KitKat delivered double-digit growth Category-first initiatives were initiated on OTT platforms for KitKat Munch entered a movie partnership 	<ul style="list-style-type: none"> Strong double-digit growth, despite a scorching summer across many parts of India NESCAFÉ CLASSIC recorded double-digit growth NESCAFÉ Sunrise recorded strong growth and gained traction in South India

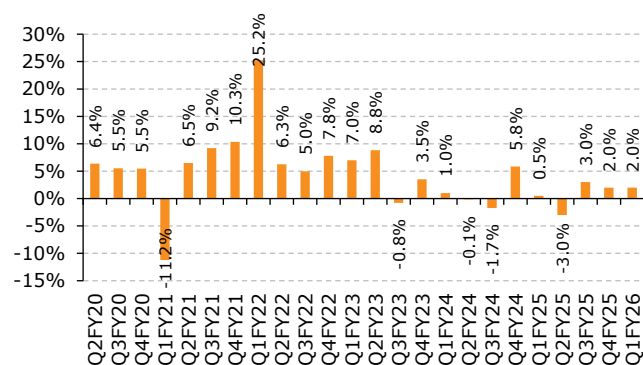
Source: Company, Emkay Research

Exhibit 4: Nestlé revenue growth (YoY)

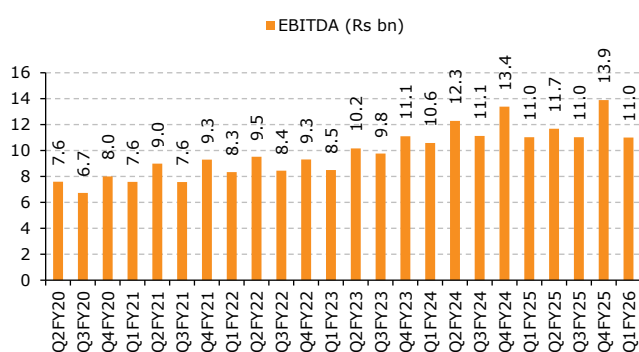
Source: Company, Emkay Research

Exhibit 5: Domestic revenue growth

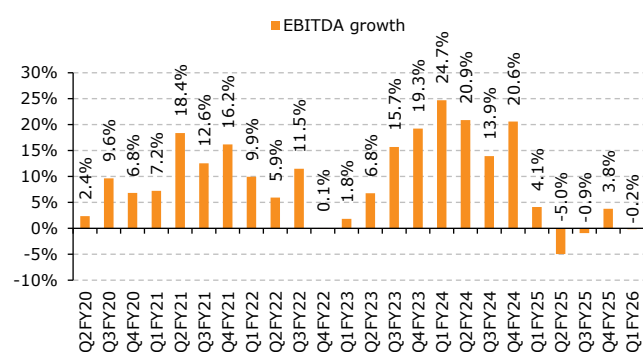
Source: Company, Emkay Research

Exhibit 6: Domestic volume growth

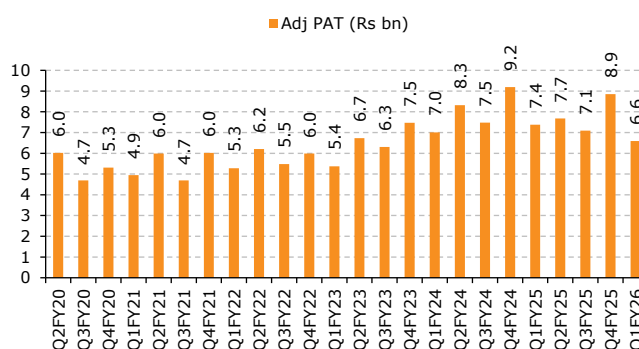
Source: Company, Emkay Research

Exhibit 7: Nestlé EBITDA

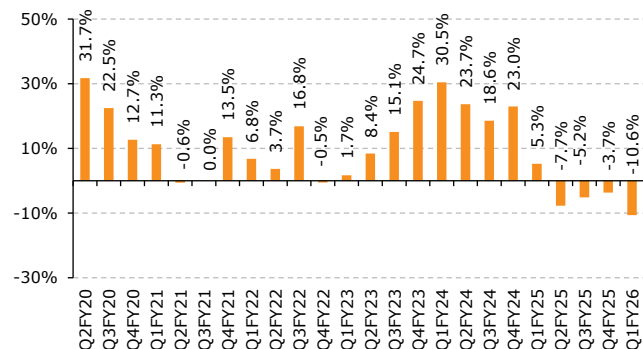
Source: Company, Emkay Research

Exhibit 8: Nestlé EBITDA growth

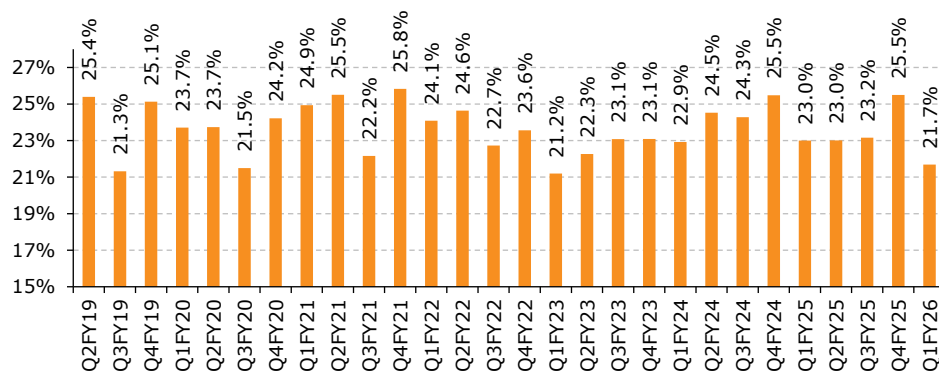
Source: Company, Emkay Research

Exhibit 9: Adjusted PAT

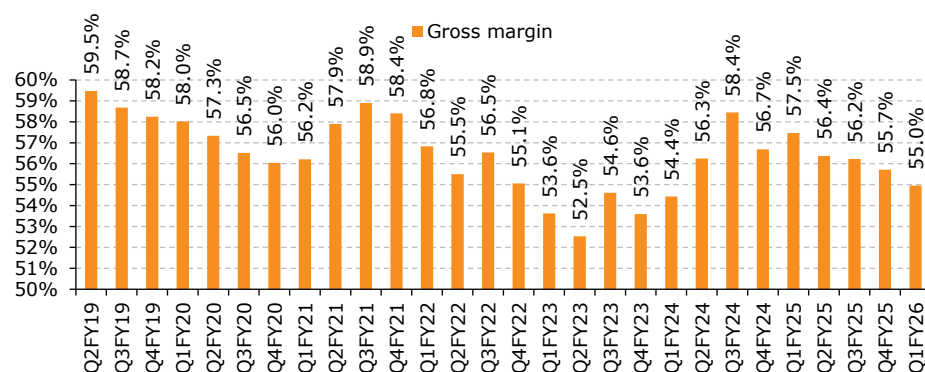
Source: Company, Emkay Research

Exhibit 10: Adjusted PAT growth

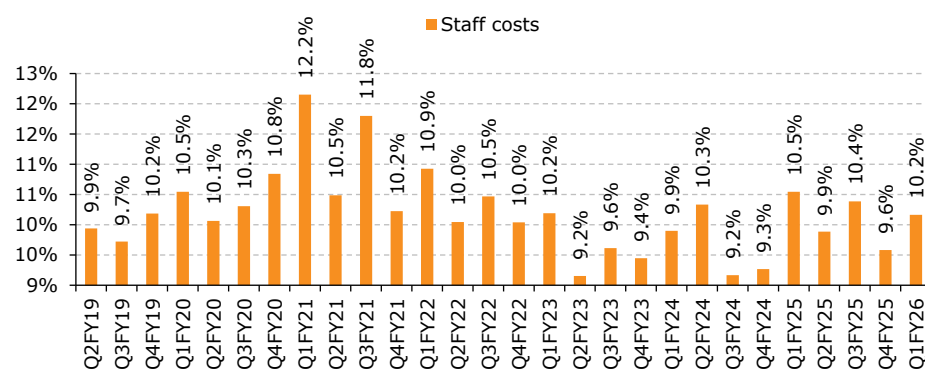
Source: Company, Emkay Research

Exhibit 11: EBITDA margin

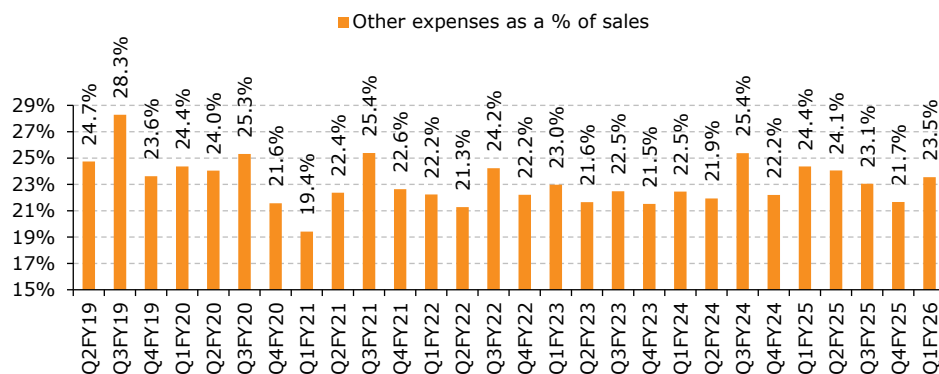
Source: Company, Emkay Research

Exhibit 12: Gross margin

Source: Company, Emkay Research

Exhibit 13: Staff costs

Source: Company, Emkay Research

Exhibit 14: Other expenses as a % of sales

Source: Company, Emkay Research

Exhibit 15: Key assumptions

	CY21	CY22	FY24	FY25	FY26E	FY27E	FY28E
Income statement							
Total income growth	10.1%	14.7%	15.7%	3.4%	6.8%	8.2%	8.0%
Volume growth	10.5%	5.6%	2.7%	-0.5%	3.3%	5.1%	5.1%
Gross margin	57.0%	54.1%	56.1%	56.7%	56.3%	57.0%	57.3%
Royalty	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
Advertisement	5.2%	4.1%	5.3%	4.8%	5.0%	5.0%	5.0%
EBITDA margin	24.3%	22.2%	24.0%	23.6%	23.4%	24.4%	25.0%
Tax rate	23.9%	26.2%	25.5%	27.3%	26.0%	26.0%	26.0%
Adj PAT growth	12.5%	3.3%	30.0%	-4.5%	4.1%	14.9%	14.2%
EPS (Rs)	24.4	25.3	41.0	31.4	32.6	37.5	42.9
Balance Sheet							
ROE	114.9%	107.2%	109.2%	81.1%	71.9%	73.2%	74.2%
ROCE	152.3%	145.6%	145.0%	102.7%	91.9%	100.3%	99.3%
Inventory days	39	42	39	51	48	45	45
Receivable days	4	4	6	7	6	6	6
Payable days	43	42	42	43	42	41	41

Source: Company, Emkay Research

Exhibit 16: Changes to our estimates

(Rs mn)	New estimates			Old estimates			Changes to estimate		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net sales	214,408	232,051	250,684	214,408	232,051	250,684	0%	0%	0%
growth	6.8%	8.2%	8.0%	6.8%	8.2%	8.0%			
EBITDA	50,378	56,869	62,906	51,021	56,869	62,906	-1%	0%	0%
growth	5.5%	12.9%	10.6%	6.9%	11.5%	10.6%			
EBITDA margin	23.5%	24.5%	25.1%	23.8%	24.5%	25.1%			
Adj PAT	31,477	36,179	41,303	32,505	36,816	42,055	-3%	-2%	-2%
growth	4.1%	14.9%	14.2%	7.5%	13.3%	14.2%			
EPS	32.6	37.5	42.9	33.7	38.2	43.6	-3%	-2%	-2%

Source: Emkay Research

Exhibit 17: Emkay estimates vs consensus

(Rs mn)	Emkay estimates			Consensus			Emkay estimates vs Consensus		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	214,408	232,051	250,684	218,774	241,436	263,467	-2%	-4%	-5%
growth (%)	6.8%	8.2%	8.0%	9.0%	10.4%	9.1%			
EBITDA	50,378	56,869	62,906	52,461	58,970	65,152	-4%	-4%	-3%
growth (%)	5.5%	12.9%	10.6%	9.9%	12.4%	10.5%			
EBITDA margin (%)	23.5%	24.5%	25.1%	24.0%	24.4%	24.7%			
Adj PAT	31,477	36,179	41,303	34,126	38,589	43,005	-8%	-6%	-4%
growth (%)	4.1%	14.9%	14.2%	12.9%	13.1%	11.4%			
EPS	32.6	37.5	42.9	35.5	40.1	45.0	-8%	-6%	-5%

Source: Bloomberg, Emkay Research

Nestlé India: Standalone Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	243,939	202,016	215,610	233,349	252,073
Revenue growth (%)	44.4	(17.2)	6.7	8.2	8.0
EBITDA	58,490	47,737	50,378	56,869	62,906
EBITDA growth (%)	55.6	(18.4)	5.5	12.9	10.6
Depreciation & Amortization	5,378	5,399	6,517	6,966	7,283
EBIT	53,113	42,338	43,861	49,903	55,623
EBIT growth (%)	58.3	(20.3)	3.6	13.8	11.5
Other operating income	1,184	1,241	1,202	1,298	1,389
Other income	1,480	589	126	337	1,477
Financial expense	1,455	1,360	1,450	1,350	1,250
PBT	53,137	41,567	42,537	48,890	55,850
Extraordinary items	(249)	2,908	0	0	(100)
Taxes	13,560	11,330	11,060	12,712	14,521
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	39,328	33,145	31,477	36,179	41,229
PAT growth (%)	64.5	(15.7)	(5.0)	14.9	14.0
Adjusted PAT	39,577	30,237	31,477	36,179	41,329
Diluted EPS (Rs)	41.0	31.4	32.6	37.5	42.9
Diluted EPS growth (%)	62.5	(23.6)	4.1	14.9	14.2
DPS (Rs)	31.2	25.5	27.3	31.3	27.3
Dividend payout (%)	76.5	74.2	83.5	83.3	63.7
EBITDA margin (%)	24.0	23.6	23.4	24.4	25.0
EBIT margin (%)	21.8	21.0	20.3	21.4	22.1
Effective tax rate (%)	25.5	27.3	26.0	26.0	26.0
NOPLAT (pre-IndAS)	39,559	30,798	32,457	36,928	41,161
Shares outstanding (mn)	964	964	964	964	964

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	964	964	964	964	964
Reserves & Surplus	32,445	40,207	45,410	51,458	57,976
Net worth	33,409	41,172	46,374	52,422	58,940
Minority interests	0	0	0	0	0
Non-current liab. & prov.	0	536	536	536	536
Total debt	29,483	38,435	31,987	32,747	33,632
Total liabilities & equity	62,892	80,142	78,898	85,705	93,108
Net tangible fixed assets	34,603	54,736	54,910	53,834	49,551
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	17,417	11,726	11,726	8,835	7,101
Goodwill	0	0	0	0	0
Investments [JV/Associates]	4,239	7,056	7,056	7,056	7,056
Cash & equivalents	8,188	957	3,750	16,413	30,334
Current assets (ex-cash)	40,784	48,765	47,038	48,576	52,057
Current Liab. & Prov.	42,338	43,097	45,581	49,010	52,991
NWC (ex-cash)	(1,555)	5,668	1,457	(434)	(934)
Total assets	62,892	80,142	78,898	85,705	93,108
Net debt	21,295	37,478	28,237	16,334	3,299
Capital employed	62,892	80,142	78,898	85,705	93,108
Invested capital	33,048	60,404	56,366	53,400	48,617
BVPS (Rs)	34.6	42.7	48.1	54.4	61.1
Net Debt/Equity (x)	0.6	0.9	0.6	0.3	0.1
Net Debt/EBITDA (x)	0.4	0.8	0.6	0.3	0.1
Interest coverage (x)	37.5	31.6	30.3	37.2	45.7
RoCE (%)	91.1	60.2	55.7	61.4	64.3

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	51,658	40,978	42,411	48,553	54,373
Others (non-cash items)	326	(2,965)	0	0	0
Taxes paid	(12,988)	(10,244)	(11,060)	(12,712)	(11,060)
Change in NWC	(2,489)	(6,687)	4,212	1,890	500
Operating cash flow	41,748	29,364	43,530	46,047	52,346
Capital expenditure	(18,783)	(19,841)	(6,690)	(3,000)	(1,266)
Acquisition of business	-	(2,817)	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	(12,066)	(21,670)	(6,564)	(7,663)	(4,789)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(2,869)	8,952	(6,448)	759	885
Payment of lease liabilities	0	0	0	0	0
Interest paid	(1,455)	(1,360)	(1,450)	(1,350)	(1,250)
Dividend paid (incl tax)	(30,082)	(24,586)	(26,274)	(30,131)	(26,274)
Others	3,056	(1,487)	0	0	736
Financing cash flow	(31,349)	(18,481)	(34,172)	(30,722)	(25,903)
Net chg in Cash	(1,667)	(10,788)	2,793	7,663	21,655
OCF	41,748	29,364	43,530	46,047	52,346
Adj. OCF (w/o NWC chg.)	44,237	36,050	39,318	44,157	51,846
FCFF	22,965	9,522	36,839	43,047	51,081
FCFE	21,510	8,162	35,389	41,697	49,831
OCF/EBITDA (%)	71.4	61.5	86.4	81.0	83.2
FCFE/PAT (%)	54.7	24.6	112.4	115.3	120.9
FCFF/NOPLAT (%)	58.1	30.9	113.5	116.6	124.1

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	56.9	67.6	71.1	61.9	54.3
EV/CE(x)	37.9	30.2	30.7	28.2	25.9
P/B (x)	67.0	54.4	48.3	42.7	38.0
EV/Sales (x)	9.8	12.0	11.2	10.4	9.6
EV/EBITDA (x)	40.8	50.3	47.7	42.2	38.2
EV/EBIT(x)	44.9	56.7	54.8	48.1	43.2
EV/IC (x)	72.2	39.8	42.6	45.0	49.4
FCFF yield (%)	1.0	0.4	1.5	1.8	2.1
FCFE yield (%)	1.0	0.4	1.6	1.9	2.2
Dividend yield (%)	1.3	1.1	1.2	1.3	1.2
DuPont-RoE split					
Net profit margin (%)	16.2	15.0	14.6	15.5	16.4
Total asset turnover (x)	4.1	2.8	2.7	2.8	2.8
Assets/Equity (x)	2.1	1.9	1.8	1.7	1.6
RoE (%)	136.5	81.1	71.9	73.2	74.2
DuPont-RoIC					
NOPLAT margin (%)	16.2	15.2	15.1	15.8	16.3
IC turnover (x)	7.1	4.3	3.7	4.3	4.9
RoIC (%)	114.8	65.9	55.6	67.3	80.7
Operating metrics					
Core NWC days	(2.3)	10.2	2.5	(0.7)	(1.4)
Total NWC days	(2.3)	10.2	2.5	(0.7)	(1.4)
Fixed asset turnover	4.1	2.7	2.4	2.4	2.5
Opex-to-revenue (%)	32.1	33.1	32.9	32.7	32.3

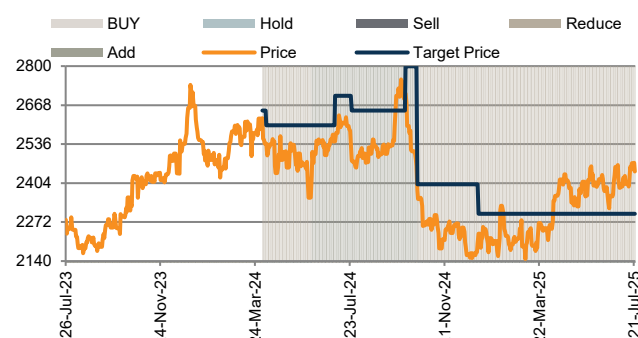
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
25-Apr-25	2,414	2,300	Reduce	Nitin Gupta
24-Apr-25	2,433	2,300	Reduce	Nitin Gupta
26-Feb-25	2,250	2,300	Reduce	Nitin Gupta
18-Feb-25	2,222	2,300	Reduce	Nitin Gupta
05-Feb-25	2,249	2,300	Reduce	Nitin Gupta
02-Feb-25	2,327	2,300	Reduce	Nitin Gupta
31-Jan-25	2,313	2,300	Reduce	Nitin Gupta
03-Jan-25	2,233	2,300	Reduce	Nitin Gupta
17-Oct-24	2,379	2,400	Reduce	Nitin Gupta
02-Oct-24	2,707	2,800	Add	Nitin Gupta
24-Sep-24	2,696	2,650	Add	Nitin Gupta
25-Jul-24	2,481	2,650	Add	Nitin Gupta
04-Jul-24	2,545	2,700	Add	Nitin Gupta
26-Jun-24	2,534	2,600	Add	Nitin Gupta
04-Jun-24	2,428	2,600	Add	Nitin Gupta
13-May-24	2,516	2,600	Reduce	Nitin Gupta
08-May-24	2,539	2,600	Reduce	Nitin Gupta
25-Apr-24	2,563	2,600	Reduce	Nitin Gupta
15-Apr-24	2,554	2,600	Reduce	Nitin Gupta
07-Apr-24	2,538	2,600	Reduce	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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