REDUCE

Nestle India

Strong beat in 1Q but valuation expensive

Consumer Goods ▸ Result Update ▸ **July 23, 2026**

CMP (Rs): 1,494 | TP (Rs): 1,350

Nestlé reported strong 1QFY27 results, with a beat on all fronts. Revenue growth was strong (+25% yoy) on a favorable base, ahead of expectations. Volume growth stayed in double digits driven by continued focus on distribution expansion, especially in rural. Growth was broad-based, with all segments reporting double-digit growth, including Milk Products and Nutrition, which had lagged in the past. Gross margin expanded sharply by ~210bps yoy on price hikes and improved mix, in our view. EBITDA margin expansion was higher at ~250bps yoy, as elevated advertising spend (>40% yoy) was offset by a sharp cut in staff costs (-120bps yoy). Overall, it was another strong quarter with 40% EBITDA growth. We believe the stock has already priced in this superior operating performance (up ~28% since March lows vs ~7% for Nifty 50). We expect margin to be under pressure in 2Q on higher input costs, and growth to moderate in 2H on a high base. We raise our earnings estimates by ~2% to factor in the strong 1Q results but retain REDUCE with an unchanged TP of Rs1,350, on expensive valuation (currently trading at 1Y fwd PER of ~70x).

1QFY27 results summary

Revenue grew 25% yoy on a favorable base (~5% in 1QFY26) and was 5% ahead of consensus estimates. Gross margin was up ~210bps yoy to 57.2% (up ~160bps qoq). Advertising spend was up 40%+ yoy, while staff costs grew at a much slower pace (+11% yoy). EBITDA grew 40% yoy (14% beat vs consensus), with EBITDA margin at 24.1%. PAT grew 49% yoy and was 16% ahead of consensus expectations.

Double-digit growth across all categories

Confectionery: volume-led growth, led by premiumization and e-com. **Beverages:** double-digit growth for the 20th straight quarter, driven by increased coffee penetration and premiumization. **Prepared Dishes and Cooking Aids:** performance driven by continued rural expansion and innovations. **Milk Products and Nutrition:** strong broad-based, volume-led growth after several quarters of relatively weak performance.

Within channels, quick commerce (QC) remained the key growth driver

E-commerce continued its strong growth momentum, led by QC on the back of improved product availability, platform-specific pack portfolio, and media investments. We estimate e-commerce salience has reached mid-teens of domestic sales (from 12.5% in 1QFY26). The organized channel also delivered double-digit growth across key categories.

Mixed commodity outlook

Coffee prices are expected to be benign (surplus production in Brazil and Vietnam), with wheat and milk likely to remain range-bound. However, cocoa and sugar are likely to remain under pressure, and edible oil is expected to be stable but at elevated levels. The protein complex is facing inflationary pressure due to increased demand.

Target Price – 12M	Jun-27
Change in TP (%)	-
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(9.6)

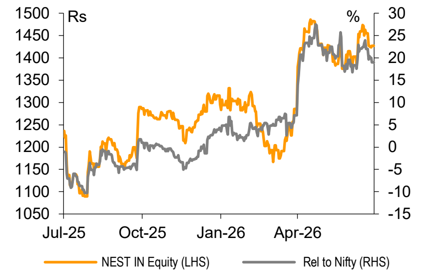
Stock Data	NEST IN
52-week High (Rs)	1,510
52-week Low (Rs)	1,083
Shares outstanding (mn)	1,928.3
Market-cap (Rs bn)	2,880
Market-cap (USD mn)	29,824
Net-debt, FY27E (Rs mn)	(24,000.1)
ADTV-3M (mn shares)	1.8
ADTV-3M (Rs mn)	3,350.5
ADTV-3M (USD mn)	34.7
Free float (%)	37.2
Nifty-50	23,996.3
INR/USD	96.6

Shareholding,Mar-26	
Promoters (%)	62.8
FPIs/MFs (%)	9.7/12.4

Price Performance

(%)	1M	3M	12M
Absolute	6.7	7.2	22.4
Rel. to Nifty	7.2	8.9	27.9

1-Year share price trend (Rs)



Nestle India: Financial Snapshot (Standalone)

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	202,016	231,546	262,931	291,677	322,799
EBITDA	47,569	53,061	60,952	68,319	76,980
Adj. PAT	30,110	34,238	38,674	44,652	51,614
Adj. EPS (Rs)	7.8	17.8	20.1	23.2	26.8
EBITDA margin (%)	23.5	22.9	23.2	23.4	23.8
EBITDA growth (%)	(18.7)	11.5	14.9	12.1	12.7
Adj. EPS growth (%)	(62.0)	127.4	13.0	15.5	15.6
RoE (%)	80.7	72.6	65.6	64.9	65.9
RoIC (%)	98.0	120.8	134.8	167.8	226.6
P/E (x)	191.3	84.1	74.5	64.5	55.8
EV/EBITDA (x)	121.2	54.0	46.9	41.6	36.7
P/B (x)	139.9	54.2	44.5	39.6	34.3
FCFF yield (%)	0.2	1.5	1.3	1.8	1.9

Source: Company, Emkay Research

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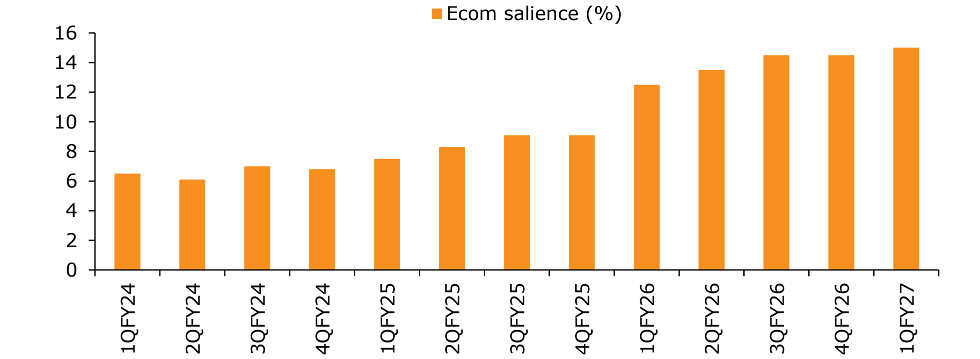
Exhibit 1: Quarterly trend in key financials

(Rs mn)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)
Revenue	**50,962**	**56,436**	**56,670**	**67,478**	**63,782**	**25.2**	**-5.5**
Cost of goods	22,854	25,781	25,088	29,899	27,270	19.3	-8.8
Gross profit	**28,107**	**30,656**	**31,582**	**37,579**	**36,512**	**29.9**	**-2.8**
Employee expenses	5,157	5,367	5,910	5,194	5,706	10.6	9.9
Other expenses	11,948	12,922	13,652	14,669	15,425	29.1	5.2
EBITDA	**11,003**	**12,366**	**12,021**	**17,716**	**15,381**	**39.8**	**-13.2**
EBITDA margin	21.6%	21.9%	21.2%	26.3%	24.1%	253bps	-210bps
Depreciation	1,569	1,634	1,744	2,045	1,878	19.7	-8.2
EBIT	**9,433**	**10,733**	**10,277**	**15,671**	**13,503**	**43.1**	**-13.8**
EBIT margin (%)	18.5%	19.0%	18.1%	23.2%	21.2%	270bps	-210bps
Interest cost	469	464	283	368	422	-10.0	14.7
Other income	40	16	117	185	225	456.2	21.8
PBT	**9,005**	**10,285**	**10,111**	**15,488**	**13,306**	**47.8**	**-14.1**
Tax	2,412	2,753	2,597	3,985	3,493	44.8	-12.3
Tax rate (%)	26.8%	26.8%	25.7%	25.7%	26.2%	-50bps	50bps
Non-recurring items	0	0	-2,667	362	62	**nm**	-82.8
PAT	**6,592**	**7,532**	**10,181**	**11,141**	**9,751**	47.9	-12.5
Adj profit	**6,592**	**7,532**	**7,514**	**11,503**	**9,814**	**48.9**	**-14.7**
Net profit margin (%)	12.9%	13.3%	13.3%	17.0%	15.4%	250bps	-170bps

Source: Company, Emkay Research

Quick commerce has been a key growth driver, with its salience reaching mid-teens of domestic sales, from 12.5% in 1QFY26

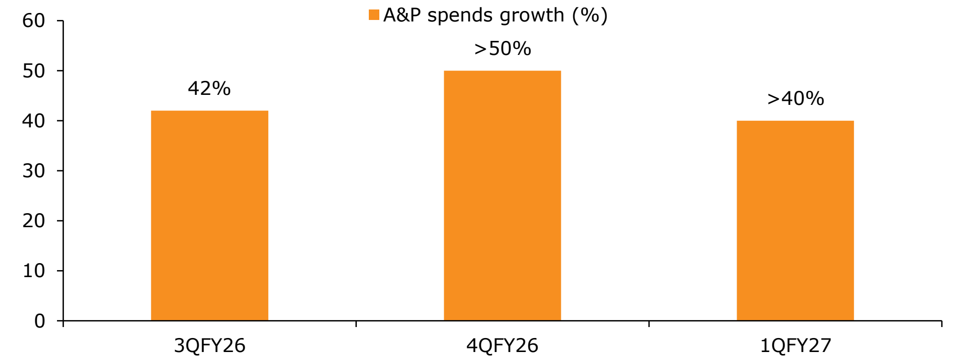
Exhibit 2: Digital channels have emerged as a key growth driver for the company



Source: Company, Emkay Research; Note: 2QFY26, 3QFY26, 4QFY26, and 1QFY27 are Emkay estimates

Advertising spend has been quite high (over 40% growth) over the last three quarters—a key driver of QC growth, in our view

Exhibit 3: Nestlé has increased media investments to drive sales especially in online channels



Source: Company, Emkay Research

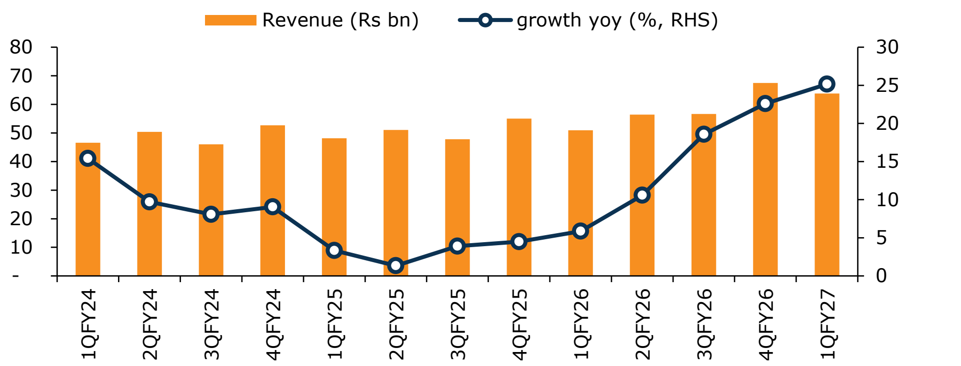
Exhibit 4: Summary of management commentary on business segment performances

Segments	Prepared dishes and cooking aids	Milk products and nutrition	Confectionery	Powdered and liquid beverages
1QFY27	• Strong double-digit growth • Launched two exclusive seasonal flavors (MAGGI tandoori masala and curry masala)	• Strong, broad-based performance built on underlying volume growth across key brands and channels • EVERYDAY returned to positive momentum in priority markets	• Strong double-digit volume-led growth • Kitkat continued to gain market share	• 20th consecutive quarter of double-digit growth, led by high double-digit volume growth in Nescafe Classic, Nescafe Sunrise, and premium portfolio led by Nescafe Gold
4QFY26	• Strong volume-led growth • Focused innovations such as 'Double Masala' and the expanded 'Spicy Range' drove growth	• The segment delivered steady growth • Everyday Dairy Whitener continued to strengthen the portfolio	• High double-digit growth in both volume and value • Launched Kitkat Pops, Milkybar tablets, Munch Max Crunchies, along with premium launches such as Kitkat Salted Caramel and Hazelnut	• High double-digit growth • Accelerated RTD journey with the launch of Vietnamese Latte and Iced Cappuccino variants
3QFY26	• Strong double-digit value growth on the back of volume growth • MAGGI Noodles delivered double-digit volume growth • Masala-ae-Magic continued its strong run	• Milkmaid delivered strong growth • Toddlers' milk products reported strong performance, with market share gains •	• Double-digit growth, led by strong underlying volume growth • KitKat saw high double-digit volume growth, especially in rural areas, while Munch volume grew at high double-digits. Milkybar displayed strong performance	• Double-digit growth • NESCAFÉ Sunrise, NESCAFÉ Classic, and NESCAFÉ Gold drove strong momentum
2QFY26	• Double-digit value growth on the back of accelerated volume growth • MAGGI Noodles delivered double-digit volume growth • Digital-first launches of Maggi Double Masala and the Maggi Spicy range • Increased market share for MAGGI in rural markets • Masala-e-Magic continued its strong run	• Mixed performance, led by certain segments showcasing growth, while others remained muted • Milkmaid delivered strong growth • Toddlers' milk products reported strong performance, with market share gains • Introduced MILKMAID Doypack in Sri Lanka	• Strong double-digit growth, led by strong volume growth • KitKat was the largest growth driver, while Munch and Milkybar grew in high double-digits • Leading global and regional chains introduced "Made with KITKAT" range • New launch – Salted Caramel, Hazelnut variants, Polo Sharebag. • Launched KITKAT range in Singapore	• High double-digit growth, led by affordable price points and upgrades among consumers in the premium category • Extended NESCAFÉ in the Middle East and NESCAFÉ Sunrise in the UAE, Saudi Arabia, Singapore, and New Zealand Nespresso is now available on Amazon; Nescafe RTD continued to deliver strong growth
1QFY26	• Volume growth turned positive • Double-digit value growth in MAGGI Noodles • Masala-ae-Magic recorded strong double-digit growth	• Mixed growth performance, while a few segments recorded muted performance • Milkmaid delivered single-digit growth	• 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	• Strong double-digit growth
4QFY25	• Mid-single-digit growth, led by MAGGI returning to volume growth • MAGGI Masala-ae-Magic consistently posted good growth	• Milkmaid delivered strong growth • Launched unsweetened low-fat Greek yoghurt	• High single-digit pace in value and volume, driven by KitKat • Strong distribution gains • New launches – KitKat Raspberry, Munch Maxx Nuts, and KitKat Salted Caramel	• High double-digit growth • Double-digit growth in NESCAFÉ Classic, NESCAFÉ Sunrise, and NESCAFÉ GOLD
3QFY25	• Mid-single-digit growth, led by MAGGI returning to volume growth • MAGGI Masala-ae-Magic consistently posted good growth	• Milkmaid delivered strong growth • Launched unsweetened low-fat Greek yoghurt	• High single-digit pace in value and volume, driven by KitKat • Strong distribution gains • New launches – KitKat Raspberry, Munch Maxx Nuts, and KitKat Salted Caramel.	• High double-digit growth • Double-digit growth in NESCAFÉ Classic, NESCAFÉ Sunrise, and NESCAFÉ GOLD

Source: Company, Emkay Research

Domestic revenue grew ~25% yoy, while exports delivered ~36% yoy growth

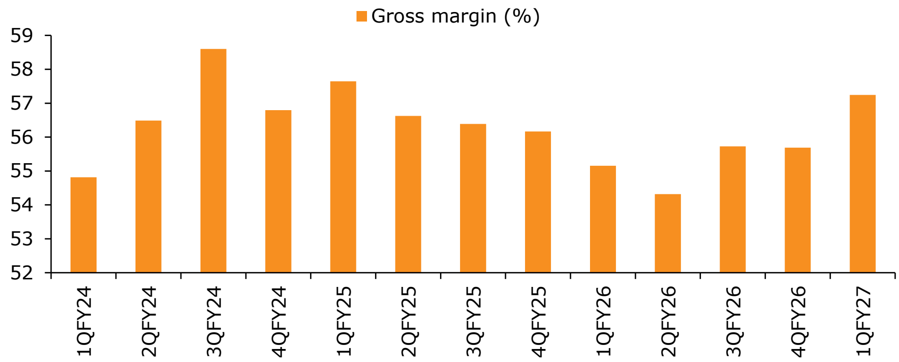
Exhibit 5: Revenue growth was strong at ~25% yoy, led by strong volume growth



Source: Company, Emkay Research

Gross margin improvement was led by favorable coffee prices, pricing actions, and mix improvement, in our view

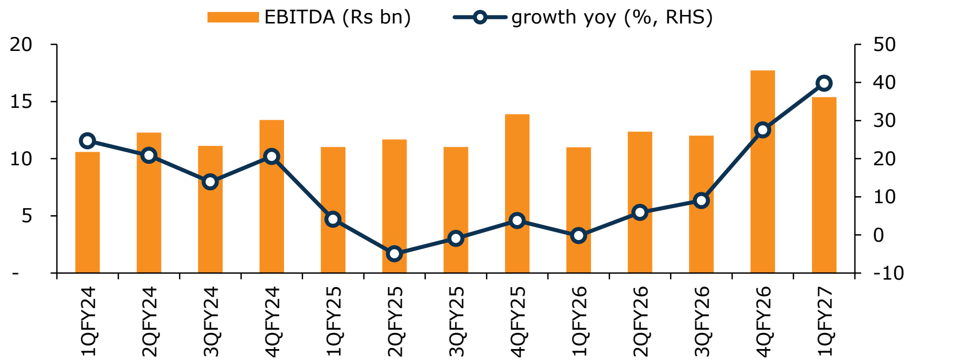
Exhibit 6: Gross margin expanded ~210bps yoy to ~57.2%, the highest in eight quarters



Source: Company, Emkay Research

EBITDA growth was strong at 40% yoy, 14% ahead of consensus

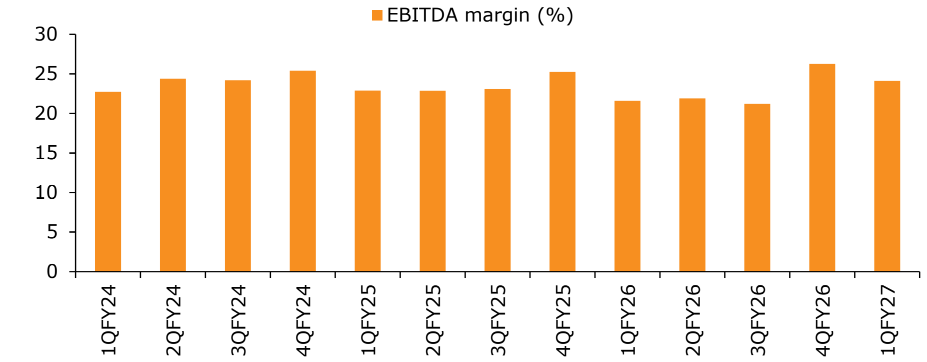
Exhibit 7: EBITDA delivered a ~40% growth yoy on the back of operating leverage



Source: Company, Emkay Research

EBITDA margin expansion was led by gross margin gains(~210bps) and lower staff costs (-120bps), despite elevated advertising spends

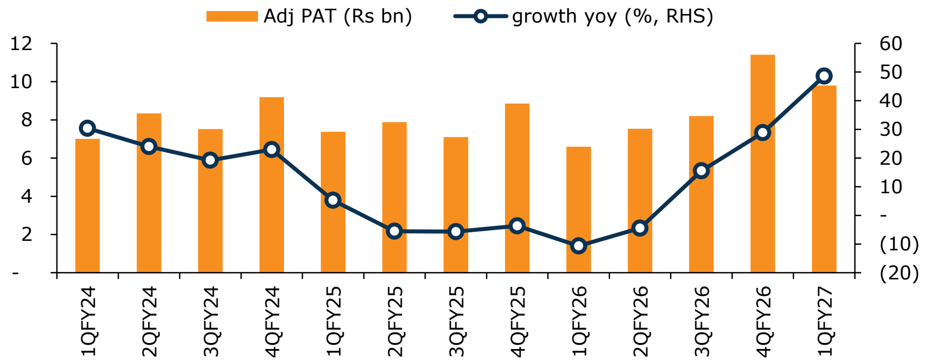
Exhibit 8: EBITDA margin expanded by ~250bps yoy to ~24.1%



Source: Company, Emkay Research

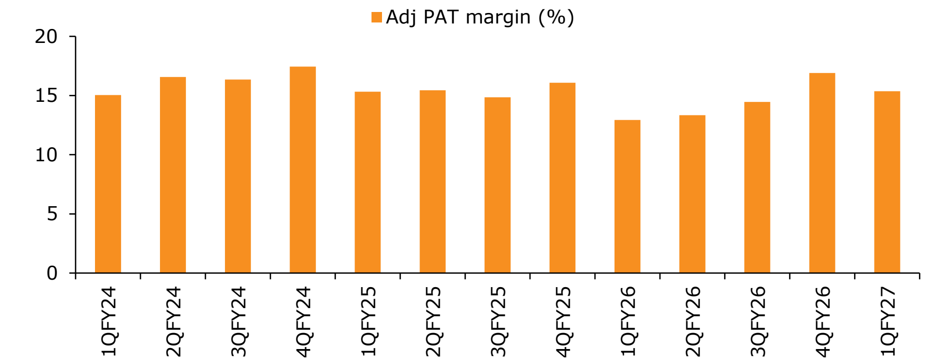
Other income grew 6x from 1QFY26 levels to Rs225mn

Exhibit 9: Adj PAT grew ~49% yoy, led by higher other income and lower finance cost



Source: Company, Emkay Research

Exhibit 10: Adj PAT margin expanded ~250bps yoy to ~15.4%



Source: Company, Emkay Research

Exhibit 11: Changes in estimates

Rs mn	New estimates			Old estimates			Changes to estimate		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	262,931	291,677	322,799	257,722	285,948	316,534	2%	2%	2%
EBITDA	60,952	68,319	76,980	58,867	67,127	75,399	4%	2%	2%
EBITDA margin	23.1%	23.4%	23.8%	22.8%	23.5%	23.8%	30bps	-10bps	0bps
Adj PAT	38,674	44,652	51,614	37,535	43,850	50,626	3%	2%	2%
EPS (Rs)	20.1	23.2	26.8	19.5	22.7	26.3	3%	2%	2%

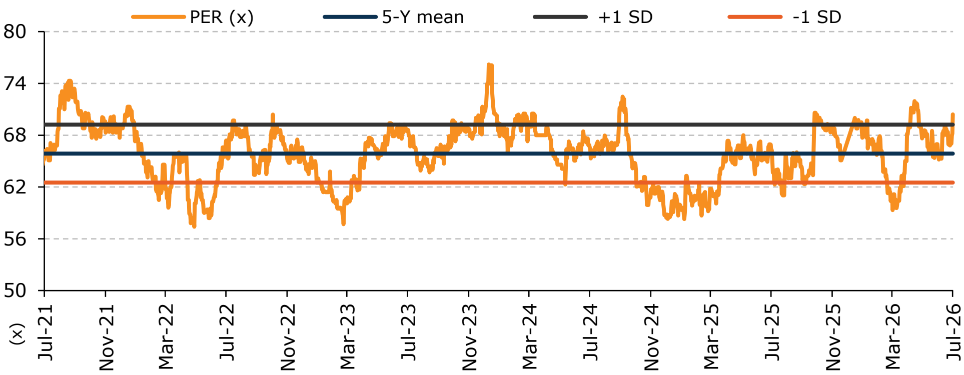
Source: Company, Emkay Research

Exhibit 12: Emkay vs Consensus estimates

Rs mn	Emkay estimates			Consensus estimates			Emkay vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	262,931	291,677	322,799	261,554	291,294	321,370	1%	0%	0%
EBITDA	60,952	68,319	76,980	61,466	70,264	78,477	-1%	-3%	-2%
EBITDA margin (%)	23.2%	23.4%	23.8%	23.5%	24.1%	24.4%	-30bps	-70bps	-60bps
Adj PAT	38,674	44,652	51,614	39,644	45,768	51,336	-2%	-2%	1%
EPS (Rs)	20.1	23.2	26.8	20.4	23.7	26.8	-2%	-2%	0%

Source: Company, Emkay Research

Exhibit 13: Nestlé trades at its '+1 SD' level, implying expensive valuation



Source: Company, Emkay Research

Nestle India: Standalone Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**202,016**	**231,546**	**262,931**	**291,677**	**322,799**
Revenue growth (%)	(17.2)	14.6	13.6	10.9	10.7
EBITDA	**47,569**	**53,061**	**60,952**	**68,319**	**76,980**
EBITDA growth (%)	(18.7)	11.5	14.9	12.1	12.7
Depreciation & Amortization	5,399	6,992	7,760	8,012	8,293
EBIT	**42,170**	**46,068**	**53,192**	**60,307**	**68,686**
EBIT growth (%)	(20.6)	9.2	15.5	13.4	13.9
Other operating income	1,241	831	1,026	1,112	1,168
Other income	630	404	670	729	1,132
Financial expense	1,360	1,583	1,600	1,500	1,000
PBT	**41,440**	**44,889**	**52,262**	**59,536**	**68,818**
Extraordinary items	0	0	0	0	0
Taxes	11,330	10,651	13,588	14,884	17,205
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**30,110**	**34,238**	**38,674**	**44,652**	**51,614**
PAT growth (%)	(23.4)	13.7	13.0	15.5	15.6
Adjusted PAT	**30,110**	**34,238**	**38,674**	**44,652**	**51,614**
Diluted EPS (Rs)	**7.8**	**17.8**	**20.1**	**23.2**	**26.8**
Diluted EPS growth (%)	(62.0)	127.4	13.0	15.5	15.6
DPS (Rs)	**6.4**	**12.0**	**14.0**	**19.0**	**21.0**
Dividend payout (%)	**81.7**	**67.6**	**69.8**	**82.1**	**78.5**
EBITDA margin (%)	23.5	22.9	23.2	23.4	23.8
EBIT margin (%)	20.9	19.9	20.2	20.7	21.3
Effective tax rate (%)	27.3	23.7	26.0	25.0	25.0
NOPLAT (pre-IndAS)	**30,641**	**35,138**	**39,362**	**45,230**	**51,515**
Shares outstanding (mn)	3,856	1,928	1,928	1,928	1,928

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	964	1,928	1,928	1,928	1,928
Reserves & Surplus	40,207	51,164	62,842	70,856	81,975
Net worth	**41,172**	**53,092**	**64,770**	**72,784**	**83,904**
Minority interests	0	0	0	0	0
Non-current liab. & prov.	536	865	865	865	865
Total debt	**7,533**	**244**	**292**	**292**	**300**
Total liabilities & equity	**49,241**	**54,202**	**65,927**	**73,941**	**85,069**
Net tangible fixed assets	54,736	62,904	58,372	53,860	49,567
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	11,726	5,070	4,842	5,005	5,005
Goodwill	0	0	0	0	0
Investments [JV/Associates]	7,056	7,056	7,056	7,056	7,056
Cash & equivalents	**957**	**13,409**	**24,292**	**37,722**	**51,701**
Current assets (ex-cash)	48,765	45,133	53,828	58,915	64,406
Current Liab. & Prov.	73,998	79,370	82,462	88,617	92,666
NWC (ex-cash)	**(25,233)**	**(34,237)**	**(28,635)**	**(29,702)**	**(28,260)**
Total assets	**49,241**	**54,202**	**65,927**	**73,941**	**85,069**
Net debt	6,577	(13,164)	(24,000)	(37,431)	(51,401)
Capital employed	49,241	54,202	65,927	73,941	85,069
Invested capital	**29,503**	**28,668**	**29,738**	**24,158**	**21,307**
BVPS (Rs)	10.7	27.5	33.6	37.7	43.5
Net Debt/Equity (x)	0.2	(0.2)	(0.4)	(0.5)	(0.6)
Net Debt/EBITDA (x)	0.1	(0.2)	(0.4)	(0.5)	(0.7)
Interest coverage (x)	31.5	29.4	33.7	40.7	69.8
RoCE (%)	**76.7**	**91.1**	**91.0**	**88.4**	**88.8**

Source: Company, Emkay Research

Cash flows

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	40,810	44,485	51,592	58,807	67,686
Others (non-cash items)	(2,965)	1	0	0	0
Taxes paid	(9,905)	(10,713)	(13,588)	(14,884)	(17,205)
Change in NWC	24,215	9,333	(5,602)	1,067	(1,442)
Operating cash flow	**29,345**	**50,476**	**40,952**	**54,503**	**58,333**
Capital expenditure	(20,044)	(8,263)	(3,000)	(3,663)	(4,000)
Acquisition of business	(2,817)	0	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(18,109)**	**(6,237)**	**(2,330)**	**(2,934)**	**(2,868)**
Equity raised/(repaid)	0	964	0	0	0
Debt raised/(repaid)	6,495	(8,121)	47	0	9
Payment of lease liabilities	0	0	0	0	0
Interest paid	(337)	(502)	(1,600)	(1,500)	(1,000)
Dividend paid (incl tax)	(24,586)	(23,140)	(26,996)	(36,638)	(40,494)
Others	(35)	(996)	809	0	0
Financing cash flow	**(18,463)**	**(31,795)**	**(27,740)**	**(38,138)**	**(41,486)**
Net chg in Cash	(7,227)	12,444	10,883	13,430	13,979
OCF	29,345	50,476	40,952	54,503	58,333
Adj. OCF (w/o NWC chg.)	5,130	41,143	46,554	53,435	59,775
FCFF	9,301	42,213	37,952	50,839	54,333
FCFE	7,941	40,630	36,352	49,339	53,333
OCF/EBITDA (%)	61.7	95.1	67.2	79.8	75.8
FCFE/PAT (%)	26.4	118.7	94.0	110.5	103.3
FCFF/NOPLAT (%)	**30.4**	**120.1**	**96.4**	**112.4**	**105.5**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	191.3	84.1	74.5	64.5	55.8
EV/CE(x)	118.4	53.8	43.9	38.9	33.6
P/B (x)	139.9	54.2	44.5	39.6	34.3
EV/Sales (x)	28.7	12.4	10.9	9.8	8.8
EV/EBITDA (x)	121.2	54.0	46.9	41.6	36.7
EV/EBIT(x)	136.7	62.2	53.7	47.1	41.2
EV/IC (x)	195.4	100.0	96.0	117.7	132.8
FCFF yield (%)	0.2	1.5	1.3	1.8	1.9
FCFE yield (%)	0.3	1.4	1.3	1.7	1.9
Dividend yield (%)	0.4	0.8	0.9	1.3	1.4
DuPont-RoE split					
Net profit margin (%)	14.9	14.8	14.7	15.3	16.0
Total asset turnover (x)	3.6	4.5	4.4	4.2	4.1
Assets/Equity (x)	1.5	1.1	1.0	1.0	1.0
RoE (%)	**80.7**	**72.6**	**65.6**	**64.9**	**65.9**
DuPont-RoIC					
NOPLAT margin (%)	15.2	15.2	15.0	15.5	16.0
IC turnover (x)	6.5	8.0	9.0	10.8	14.2
RoIC (%)	**98.0**	**120.8**	**134.8**	**167.8**	**226.6**
Operating metrics					
Core NWC days	(45.6)	(54.0)	(39.8)	(37.2)	(32.0)
Total NWC days	**(45.6)**	**(54.0)**	**(39.8)**	**(37.2)**	**(32.0)**
Fixed asset turnover	2.7	2.4	2.5	2.7	2.9
Opex-to-revenue (%)	33.1	32.4	32.8	32.6	32.2

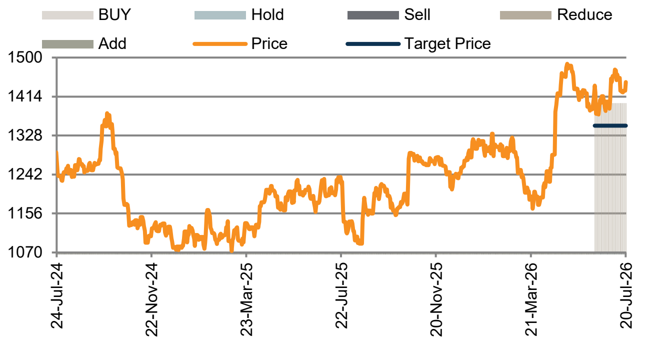
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
05-Jul-26	1,460	1,350	Reduce	Rajesh Kumar
10-Jun-26	1,438	1,350	Reduce	Rajesh Kumar

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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