

Long-term Outlook Remains Intact; Maintain BUY

Est. Vs. Actual for Q4FY25: Revenue –**INLINE**; EBITDA – **BEAT** ; PAT – **BEAT**

Changes in Estimates post Q4FY25

FY26E/FY27E – Revenue: -2%/0%; **EBITDA** 1%/3%; **PAT** 3%/5%

Recommendation Rationale

- **Beat on operating front:** Nestlé reported a 3.7% YoY revenue growth, slightly below expectations (missed by 1% YoY), driven by double-digit growth in beverages and confectionery, alongside improved volumes. EBITDA rose 3% YoY (beat on estimates) while margins contracted marginally 17bps to 25.5% due to a 97bps decline in gross margins, impacted by inflation in coffee and cocoa prices. PAT declined 5.2% YoY. On the distribution front, the company's RURBAN strategy continues to scale, with touchpoints now at 27,730 and coverage extending to approximately 208,500 villages.
- **Margins Headwinds:** The company continues to face significant cost challenges, with prices for coffee and cocoa remaining elevated. Meanwhile, edible oil prices remain stable, whereas Milk prices have firmed up with the onset of summer.

Sector Outlook: Positive

Company Outlook: Positive.

A key downside risk to our call is continued volatility in raw material prices and subdued demand

Current Valuation: 65x Mar-27 EPS (Earlier: 66x Dec-26 EPS)

Current TP: Rs 2,675/share (Earlier TP: Rs 2,520/share)

Recommendation: We remain optimistic about the company's long-term prospects. With a 10% upside potential from the CMP, we **maintain our BUY rating on the stock.**

Financial Performance

Nestlé India reported revenue of Rs 5,448 Cr in Q4FY25, marking a 3.7% YoY growth driven by improved volumes at 2% YoY. Gross profit rose ~2% YoY to Rs 3,035 Cr, though gross margins contracted by 97bps due to elevated coffee and cocoa costs. EBITDA increased 3% YoY to Rs 1,389 Cr, but margins slipped 17bps owing to gross margin pressure. PAT stood at Rs 885 Cr, down by 5.2% YoY.

Outlook

The outlook on Nestlé remains positive from a long-term perspective, as current challenges such as lower volume growth and volatility in raw material prices are expected to be short-term in nature. With the rural market anticipated to recover in the coming quarters, the company is well-positioned to benefit, given its substantial expansion in rural presence over the last three years, increasing its reach from 110k to 200k villages. Additionally, its long-term initiatives include: 1) efforts toward rural penetration and market share gains through the RURBAN strategy, 2) constant focus on innovation (launching 125 products in the last seven years), thereby driving growth, 3) driving premiumisation in core categories (e.g., Maggi noodles range) and launching differentiated products, 4) entering new categories of the future (e.g., Nespresso, Purina Pet Care, and Gerber's for toddler nutrition), 5) introducing a D2C platform to engage consumer attention, and 6) renewed focus on its fast-growing nutraceutical portfolio. The company is viewed to have all the right levers for long-term growth.

Valuation & Recommendation

We expect Nestle's Sales, EBITDA, and PAT to grow at 11%, 13%, and 14% CAGR over CY22-FY27E, respectively. **We maintain our BUY stance with a TP of Rs 2,675/share, representing a 10% upside from the CMP.**

Key Financials (Standalone)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	5,448	14.4	3.7	5,502	(1.0)
EBITDA	1,389	28.0	3.0	1,312	5.8
EBITDA Margin (%)	25.5	271 bps	-17 bps	23.9	164 bps
Net Profit	885	27.2	(5.2)	847	4.5
EPS (Rs)	9	27.2	(5.2)	9	4.5

Source: Company, Axis Research

(CMP as of 24th Apr 2025)

CMP (Rs)	2434
Upside /Downside (%)	10%
High/Low (Rs)	2777/2115
Market cap (Cr)	234752
Avg. daily vol.(6m)Shrs. '000	871
No. of shares (Cr)	96.4

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	62.8	62.8	62.8
FIIIs	11.9	10.3	10.0
MFs / UTI	4.5	4.4	4.4
FIs/Banks	0.1	0.1	0.1
Others	20.7	22.5	22.7

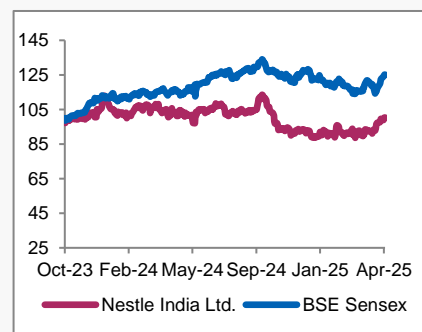
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	20,078	22,285	25,183
EBITDA	4,774	5,326	6,111
Net Profit	3,024	3,453	3,968
EPS (Rs)	31.4	35.8	41.2
PER (x)	77.6	68.0	59.1
EV/EBITDA (x)	49.3	44.1	38.3
P/BV (x)	70.2	57.3	43.8
ROE (%)	90.5	84.3	74.0

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-2%	0%
EBITDA	1%	3%
PAT	3%	5%

Relative Performance



Source: Ace Equity, Axis Securities

Preeyam Tolia

Research Analyst
email: preeyam.tolia@axissecurities.in

SuhaneeShome

Research Associate
email: suhanee.shome@axissecurities.in

Other Highlights

- **Product performance:** In FY25, Nestlé India's domestic business saw strong momentum across categories. MAGGI returned to volume growth, supported by innovations like Besan noodles. Milk products grew on the back of MILKMAID and new low-fat yoghurt, while sugar-free CERELAC and CEREAL variants gained early traction. Confectionery delivered high single-digit growth, led by KITKAT and new launches. NESCAFÉ beverages posted double-digit growth with market share gains and successful entries in cold and premium segments.
- **OHH:** The Out-of-Home segment posted strong double-digit growth, emerging as a key growth driver. It also entered the cocoa-based spreads category with KITKAT® Professional Spread, crafted for chefs to add KITKAT's signature taste to desserts.
- **Pet Food:** The Petcare business posted its highest-ever double-digit growth since integration, driven by strong performance in PURINA FELIX and FRISKIES. PURINA PRO PLAN continued to see steady demand from pet owners.
- **Capex:** Nestlé is establishing its tenth manufacturing facility in Odisha, with a Phase 1 investment of around Rs 900 Cr. This strategic expansion aims to strengthen its production capabilities in the food category and support future growth.

Key Risks to Our Estimates and TP

- Increase in competitive intensity
- RM inflation
- Weakening of the demand environment

Change in Estimates

	Old est.		Revised est.		% Revision	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	22,690	25,125	22,285	25,183	-2%	0%
EBITDA	5,259	5,908	5,326	6,111	1%	3%
PAT	3,362	3,784	3,453	3,968	3%	5%
EPS (Rs)	34.9	39.2	36	41	3%	5%

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q1CY24	Q3FY25	Axis Sec Est.	Q4FY25	YoY growth (%)	QoQ growth (%)	Axis Sec Est. (Var %)
Volume growth (% YoY)	5	1	2	2			
Net Sales	5,254	4,762	5,502	5,448	3.7	14.4	(1.0)
Gross Profits	2,979	2,678	3,026	3,035	1.9	13.4	0.3
Gross Margin (%)	56.7	56.2	55.0	55.7	-97 bps	-51 bps	72 bps
Staff costs	487	495	526	522	7.2	5.5	(0.7)
Other operating expenses	1,156	1,116	1,202	1,181	2.1	5.8	(1.8)
EBITDA	1,349	1,085	1,312	1,389	3.0	28.0	5.8
EBITDA margin (%)	25.7	22.8	23.9	25.5	-17 bps	271 bps	164 bps
Depreciation	109	133	139	155	42.7	17.2	11.6
Interest Cost	26	35	35	38	43.1	8.4	7.3
Other Income	27	4	7	8	(68.4)	90.1	26.7
PBT	1,241	922	1,145	1,205	(2.9)	30.6	5.2
Tax	316	226	298	319	0.9	41.1	7.2
Tax rate (%)	25.5	24.5	26.0	26.5	99 bps	198 bps	50 bps
Reported PAT	934	696	847	885	(5.2)	27.2	4.5
EPS (Rs.)	10	7	9	9	(5.2)	27.2	4.5

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25A	FY26E	FY27E
Net sales	24,275	20,078	22,285	25,183
Growth, %	45	(17)	11	13
Other operating income	118	124	136	150
Total income	24,394	20,202	22,421	25,333
Raw material expenses	(10,709)	(8,750)	(9,625)	(10,684)
Employee expenses	(2,336)	(2,024)	(2,327)	(2,676)
Other Operating Expenses	(5,529)	(4,654)	(5,144)	(5,862)
EBITDA (Core)	5,820	4,774	5,326	6,111
Growth, %	57	(18)	12	15
Margin, %	24	24	24	24
Depreciation	(538)	(540)	(587)	(682)
EBIT	5,282	4,234	4,739	5,429
Growth, %	60	(20)	12	15
Margin, %	22	21	21	22
Interest paid	(145)	(136)	(137)	(139)
Other Income	148	59	65	71
Non-recurring Items	(4)	(291)	-	-
Pre-tax profit	5,280	3,866	4,666	5,362
Tax provided	(1,356)	(1,133)	(1,213)	(1,394)
Profit after tax	3,924	2,733	3,453	3,968
Unadj. shares (Cr)	96	96	96	96

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25A	FY26E	FY27E
Cash & bank	779	96	341	1,635
Marketable securities at cost	40	-	-	-
Debtors	300	363	244	276
Inventory	2,089	2,850	3,163	3,575
Loans & advances	76	74	74	74
Other current assets	275	415	415	415
Total current assets	3,559	3,798	4,237	5,975
Investments	424	706	706	706
Gross fixed assets	6,119	6,262	7,262	8,262
Less: Depreciation	(2,658)	(2,658)	(3,246)	(3,927)
Add: Capital WIP	1,742	1,173	1,173	1,173
Net fixed assets	5,202	4,776	5,189	5,507
Non-current assets	1,338	1,174	1,174	1,174
Total assets	10,523	10,454	11,307	13,362
Current liabilities	3,918	4,640	4,399	4,741
Provisions	2,917	3,090	3,430	3,876
Total current liabilities	6,835	7,730	7,829	8,617
Non-current liabilities	347	476	476	476
Total liabilities	7,182	8,207	8,306	9,093
Paid-up capital	96	96	96	96
Reserves & surplus	3,244	3,244	3,998	5,267
Shareholders' equity	3,341	3,341	4,095	5,363
Total equity & liabilities	10,523	11,548	12,400	14,456

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25A	FY26E	FY27E
Pre-tax profit	5,280	3,866	4,666	5,362
Depreciation	538	540	587	682
Chg in working capital	396	181	(95)	344
Total tax paid	(1,313)	(1,084)	(1,213)	(1,394)
Other operating activities	-	-	-	-
Cash flow from operating activities	4,901	3,502	3,945	4,994
Capital expenditure	(2,338)	(114)	(1,000)	(1,000)
Chg in investments	136	(282)	-	-
Chg in marketable securities	177	40	-	-
Other investing activities	-	-	-	-
Cash flow from investing activities	(2,024)	(356)	(1,000)	(1,000)
Free cash flow	2,877	3,146	2,945	3,994
Equity raised/(repaid)	(837)	-	-	-
Debt raised/(repaid)	(1)	(3)	-	-
Dividend (incl. tax)	(21,208)	(21,208)	(2,699)	(2,699)
Other financing activities	-	-	-	-
Cash flow from financing activities	(22,047)	(21,211)	(2,699)	(2,699)
Net change in cash	(19,170)	(18,065)	245	1,294
Opening cash balance	946	779	96	341
Closing cash balance	779	96	341	1,635

Source: Company, Axis Securities

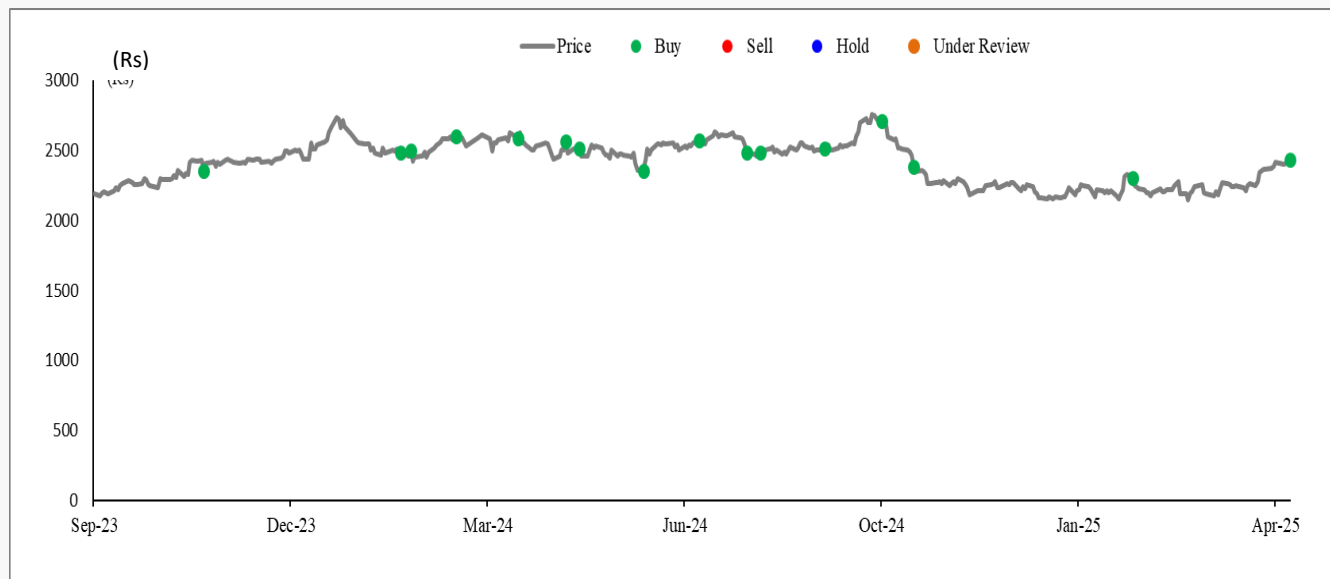
Ratio Analysis

(%)

Y/E Mar	FY24	FY25A	FY26E	FY27E
EPS (INR)	40.8	31.4	35.8	41.2
Growth, %	64.3	(23.0)	14.2	14.9
Book NAV/share (INR)	34.7	34.7	42.5	55.6
FDEPS (INR)	40.8	31.4	35.8	41.2
CEPS (INR)	46.4	40.0	41.9	48.2
CFPS (INR)	48.2	26.5	40.2	51.1
DPS (INR)	220.0	220.0	28.0	28.0
Return ratios				
Return on assets (%)	41.7	27.3	33.0	33.3
Return on equity (%)	117.6	90.5	84.3	74.0
Return on capital employed (%)	64.9	42.5	48.2	46.4
Turnover ratios				
Asset turnover (x)	7.7	5.0	4.8	4.8
Sales/Total assets (x)	2.5	1.9	2.0	2.0
Sales/Net FA (x)	5.6	4.0	4.5	4.7
Receivable days	4.5	6.6	4.0	4.0
Inventory days	31.4	51.8	51.8	51.8
Payable days	44.0	62.1	52.1	52.4
Working capital days	(17.7)	(17.1)	(8.2)	(5.8)
Liquidity ratios				
Current ratio (x)	0.9	0.8	1.0	1.3
Quick ratio (x)	0.4	0.2	0.2	0.5
Interest cover (x)	36.3	31.1	34.5	39.1
Total debt/Equity (%)	0.0	0.2	0.2	0.1
Net debt/Equity (%)	(0.2)	0.2	0.1	(0.2)
Valuation				
PER (x)	59.7	77.6	68.0	59.1
PEG (x) - y-o-y growth	0.9	(3.4)	4.8	4.0
Price/Book (x)	70.2	70.2	57.3	43.8
EV/Net sales (x)	9.6	11.7	10.5	9.3
EV/EBITDA (x)	40.2	49.3	44.1	38.3
EV/EBIT (x)	44.3	55.6	49.6	43.1

Source: Company, Axis Securities

Nestle India Price Chart and Recommendation History



Date	Reco	TP	Research
26-Oct-23	BUY	26,90	Result Update
02-Feb-24	BUY	2,800	Top Picks
08-Feb-24	BUY	2,800	Result Update
01-Mar-24	BUY	2,800	Top Picks
01-Apr-24	BUY	2,800	Top Picks
26-Apr-24	BUY	2,880	Result Update
02-May-24	BUY	2,880	Top Picks
03-Jun-24	BUY	2,880	Top Picks
01-Jul-24	BUY	2,880	Top Picks
26-Jul-24	BUY	2,800	Result Update
02-Sep-24	BUY	2,800	Top Picks
01-Oct-24	BUY	2,960	Top Picks
18-Oct-24	BUY	2,640	Result Update
05-Feb-25	BUY	2,520	Result Update
25-Apr-25	BUY	2,675	Result Update

Source: Axis Securities

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Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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