

Volume-Led Growth; Inflation Remains A Key Concern

Est. Vs. Actual for Q2FY27: Revenue – **INLINE**; EBITDA – **BEAT** ; PAT – **INLINE**

Changes in Estimates post Q2FY27

FY27E/FY28E: Revenue: -1%/-4%; EBITDA: -1%/-8%; PAT: -1%/-10%

Recommendation Rationale

- **Volume-Led Growth:** Nestlé India reported 20.5% YoY revenue growth, driven by double-digit volume expansion across key categories, although sequential growth moderate. Confectionery and beverages led growth, supported by sustained brand investments, while Prepared Dishes, Pet Food, and Milk & Nutrition continued to perform well. MAGGI noodle gained traction on the back of improved rural reach, while exports grew 22.0% YoY despite geopolitical headwinds. However, we expect growth to moderate going forward as the benefit of a favourable base tapers off.
- **All-Round Performance Across Channels:** The company reported double-digit growth in commerce, with quick commerce continuing to drive momentum. Organised trade also witnessed growth, supported by improved shelf space, network expansion and better in-store execution.
- **Commodity Trends:** Commodity prices are expected to remain broadly stable. Coffee prices are likely to trade within a narrow range amid limited near-term volatility. Sugar and edible oil prices have stabilised at elevated levels, indicating continued cost pressures. Cocoa prices remain volatile due to weather-related supply uncertainties across key producing regions. Meanwhile, milk prices have firmed up due to seasonal factors but are expected to moderate as increased milk availability during the flush season eases supply constraints.
- **Inflation Remains a Key Concern:** Management indicated that rising inflation, particularly food inflation, remains a key challenge. However, the company remains focused on mitigating commodity cost pressures through continuous innovation, sustained brand investments, and improvements in productivity and operational efficiencies.

Sector Outlook: Positive

Company Outlook: Positive

Current Valuation: 60x Sep'28 EPS (Earlier: 65x Jun'28 EPS)

Current TP: Rs 1,470/share (Earlier TP: Rs 1,765/share)

Recommendation: While we remain optimistic about the company's long-term prospect of expected growth moderation in H2FY27 and rising inflationary pressures remain key concerns. We have therefore cut our estimates but maintain our **BUY** rating with a **TP of Rs 1,470**, implying **15% upside from the CMP**.

Financial Performance

Nestlé India reported revenue of Rs 6,782 Cr in Q2FY27, up 20.5% YoY, driven by strong volume growth. Gross profit rose 26.4% YoY to Rs 3,858 Cr, with margins expanding by 267 bps YoY despite elevated prices. EBITDA increased 30.6% YoY to Rs 1,615 Cr, with margins expanding 186 bps YoY to 23.8%. PAT came in at Rs 1,027 Cr, reflecting ~36% YoY growth.

Key Financials (Standalone)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	6,782	6.6	20.5	6,765	0.3
EBITDA	1,615	5.0	30.6	1,595	1.3
EBITDA Margin (%)	23.8	-35 bps	186 bps	23.6	23 bps
Net Profit	1,027	5.3	36.3	1,022	0.5
EPS (Rs)	5	5.3	36.3	5	0.5

Source: Company, Axis Research

(CMP as of 15th October, 2026)

CMP (Rs)	1,280
Upside /Downside (%)	15%
High/Low (Rs)	1553/1160
Market cap (Cr)	2,46,824
Avg. daily vol.(6m)Shrs. '000	2185
No. of shares (Cr)	192

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	62.8	62.8	62.8
FIIs	9.7	10.3	11.7
MFs / UTI	4.2	4.2	3.9
FIs/Banks	0.1	0.1	0.1
Others	23.2	22.7	21.5

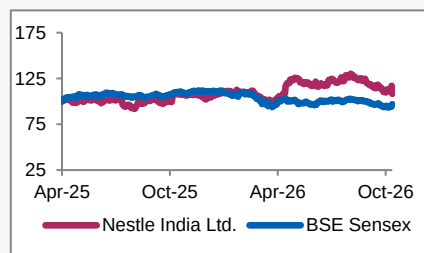
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	23,071	26,567	29,940
EBITDA	5,306	6,218	6,945
Net Profit	3,424	4,004	4,484
EPS (Rs)	17.8	20.8	23.3
PER (x)	72.1	61.6	55.0
EV/EBITDA (x)	46.3	39.4	35.1
P/BV (x)	58.6	45.6	38.4
ROE (%)	81.3	74.1	69.8

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-1%	-4%
EBITDA	-1%	-8%
PAT	-1%	-10%

Relative Performance



Source: Ace Equity, Axis Securities

Results Gallery

[Q1FY27](#)
[Q4FY26](#)
[Q3FY26](#)
[Q2FY26](#)

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Outlook

We remain constructive on Nestlé India's long-term prospects, supported by improving consumption trends and the potential demand boost from GST 2.0 reforms. Growth will be driven by deeper rural penetration through the RURBAN strategy, continued innovation, premiumisation across core categories, and expansion into emerging segments such as Nespresso, Purina Pet Care and Gerber's toddler nutrition. The D2C platform and growing nutraceutical portfolio are expected to further strengthen consumer engagement and unlock growth opportunities. **However, we expect growth to moderate in H2FY27, while rising inflationary pressures remain a key near-term concern.**

Valuation & Recommendation

We expect Nestle's Sales, EBITDA, and PAT to grow at CAGRs of 14%, 13%, and 11% over FY25-FY28E, respectively. **We maintain our BUY stance with a TP of Rs 1,470/share, representing a 15% upside from the CMP.**

Other Highlights

Product performance:

- **The Confectionery Portfolio:** The Confectionery achieved volume-led, double-digit growth driven by market share gains for KITKAT and steady momentum from MUNCH and MILKYBAR. Portfolio premiumization and festive/event-led engagement—including the KITKAT Delights Choco Lava, the MUNCH Onam Pack, and an e-commerce exclusive Formula 1-themed gift pack—successfully accelerated consumer pull.
- **The Powdered and Liquid Beverages:** The segment delivered broad-based, volume-led growth by balancing household penetration with premiumization. Nescafe Classic led household recruitment, while the premium Nescafe Gold achieved strong double-digit growth. Category scaling was further supported by the recipe relaunch of Nescafe Sunrise and rapid traction in Nescafe RTD cold coffee offerings.
- **The Prepared Dishes and Cooking Aids Segment:** Maggi expanded overall segment performance through dual-track distribution and portfolio diversification. Core Maggi noodles deepened rural penetration, Maggi Masala-e-Magic targeted regional culinary integration, and line extensions (Double Masala, Spicy range, Veg Atta) drove incremental portfolio trial.
- **The Milk Products and Nutrition Segment:** The segment demonstrated sequential operational strengthening backed by portfolio optimization and targeted brand investments. Growth was broad-based, with toddler-specific nutrition products serving as a primary driver for market share gains.
- **OHH:** Customer sustained double-digit, volume-led growth by leveraging custom out-of-home applications, premium products, and client-centric solutions tailored to evolving commercial foodservice demands. Nespresso maintained strong growth across e-commerce and retail channels, capitalizing on premiumization trends and seasonal marketing around cold coffee consumption.
- **The Pet Food:** The segment posted double-digit growth by optimizing digital engagement and refining routes to market. The segment expanded its feline nutrition footprint across mainstream and premium tiers via specialized offerings under FELIX, PRO PLAN, and FRISKIES.

Export

- The export business maintained strong double-digit growth, driven by strategic geographic expansion and focused market development. Category reach was deepened across key international corridors through the introduction of Maggi Masala-e-Magic in Canada, the rollout of Nescafe Sunrise across five West African markets, and the deployment of a new instant coffee variant to strengthen its portfolio in the Middle East.

Key Risks to Our Estimates and TP

- RM inflation
- Weakening of the demand environment amid increased competition.
- Continued volatility in raw material prices

Change in Estimates

	Old Estimates		Revised Estimates		% Revision	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	26,735	31,266	26,567	29,940	-1%	-4%
EBITDA	6,289	7,585	6,218	6,945	-1%	-8%
PAT	4,057	4,958	4,004	4,484	-1%	-10%
EPS (Rs)	21	26	21	23	-1%	-11%

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q1FY26	Q4FY26	Axis Sec Est.	Q1FY27	YoY growth (%)	QoQ growth (%)	Axis Sec Est. (Var %)
Net Sales	5,630	6,363	6,765	6,782	20.5	6.6	0.3
Gross Profits	3,052	3,636	3,721	3,858	26.4	6.1	3.7
Gross Margin (%)	54.2	57.1	55.0	56.9	267 bps	-26 bps	188 bps
Staff costs	537	571	628	569	6.0	(0.3)	(9.4)
Other operating expenses	1,292	1,543	1,512	1,680	30.0	8.9	11.1
EBITDA	1,237	1,538	1,595	1,615	30.6	5.0	1.3
EBITDA margin (%)	22.0	24.2	23.6	23.8	186 bps	-35 bps	23 bps
Depreciation	163	188	197	192	17.8	2.5	(2.4)
Interest Cost	46	42	44	40	(13.2)	(4.5)	(9.1)
Other Income	2	22	27	20	1,135.4	(9.8)	(24.9)
PBT	1,029	1,331	1,381	1,403	36.4	5.4	1.6
Tax	275	349	359	373	35.3	6.7	3.8
Tax rate (%)	26.8	26.2	26.0	26.6	-21 bps	31 bps	56 bps
Reported PAT	753	975	1,022	1,027	36.3	5.3	0.5
EPS (Rs)	4	5	5	5	36.3	5.3	0.5

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E	FY29E
Net sales	23,071	26,567	29,940	33,381
Growth, %	15	15	13	11
Other operating income	83	91	101	111
Total income	23,155	26,658	30,040	33,492
Raw material expenses	(10,341)	(11,686)	(13,146)	(14,658)
Employee expenses	(2,166)	(2,686)	(3,035)	(3,186)
Other Operating Expenses	(5,341)	(6,069)	(6,915)	(7,891)
EBITDA (Core)	5,306	6,218	6,945	7,756
Growth, %	11	17	12	12
Margin, %	23	23	23	23
Depreciation	(699)	(697)	(779)	(861)
EBIT	4,607	5,521	6,166	6,895
Growth, %	9	20	12	12
Margin, %	20	21	21	21
Interest paid	(158)	(159)	(160)	(162)
Other Income	40	48	53	59
Non-recurring Items	(121)	-	-	-
Pre-tax profit	4,368	5,411	6,059	6,792
Tax provided	(1,065)	(1,407)	(1,575)	(1,766)
Profit after tax	3,303	4,004	4,484	5,026
Unadj. shares (Cr)	193	193	193	193

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E	FY29E
Cash & bank	1,341	1,696	2,885	4,707
Marketable securities at cost	-	-	-	-
Debtors	329	291	328	366
Inventory	2,569	2,958	3,334	3,717
Loans & advances	80	80	80	80
Other current assets	340	340	340	340
Total current assets	4,660	5,365	6,968	9,211
Investments	706	706	706	706
Gross fixed assets	8,538	9,538	10,538	11,538
Less: Depreciation	(3,069)	(3,766)	(4,544)	(5,405)
Add: Capital WIP	507	507	507	507
Net fixed assets	5,976	6,279	6,500	6,640
Non-current assets	1,195	1,195	1,195	1,195
Total assets	12,535	13,545	15,368	17,751
Current liabilities	4,970	4,358	4,756	5,161
Provisions	2,824	3,251	3,664	4,085
Total current liabilities	7,794	7,610	8,420	9,247
Non-current liabilities	528	528	528	528
Total liabilities	8,322	8,138	8,948	9,775
Paid-up capital	193	193	193	193
Reserves & surplus	4,021	5,214	6,227	7,783
Shareholders' equity	4,214	5,407	6,420	7,976
Total equity & liabilities	12,535	13,545	15,368	17,751

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E	FY29E
Pre-tax profit	4,368	5,411	6,059	6,792
Depreciation	699	697	779	861
Chg in working capital	428	(535)	398	406
Total tax paid	(1,013)	(1,407)	(1,575)	(1,766)
Other operating activities	-	-	-	-
Cash flow from operating activities	4,483	4,166	5,660	6,292
Capital expenditure	(29)	(1,000)	(1,000)	(1,000)
Chg in investments	-	-	-	-
Chg in marketable securities	-	-	-	-
Other investing activities	-	-	-	-
Cash flow from investing activities	(29)	(1,000)	(1,000)	(1,000)
Free cash flow	4,454	3,166	4,660	5,292
Equity raised/(repaid)	96	274	-	-
Debt raised/(repaid)	(2)	-	-	-
Dividend (incl. tax)	(2,459)	(3,085)	(3,470)	(3,470)
Other financing activities	-	-	-	-
Cash flow from financing activities	(2,364)	(2,811)	(3,470)	(3,470)
Net change in cash	2,090	355	1,190	1,822
Opening cash balance	96	1,341	1,696	2,885
Closing cash balance	1,341	1,696	2,885	4,707

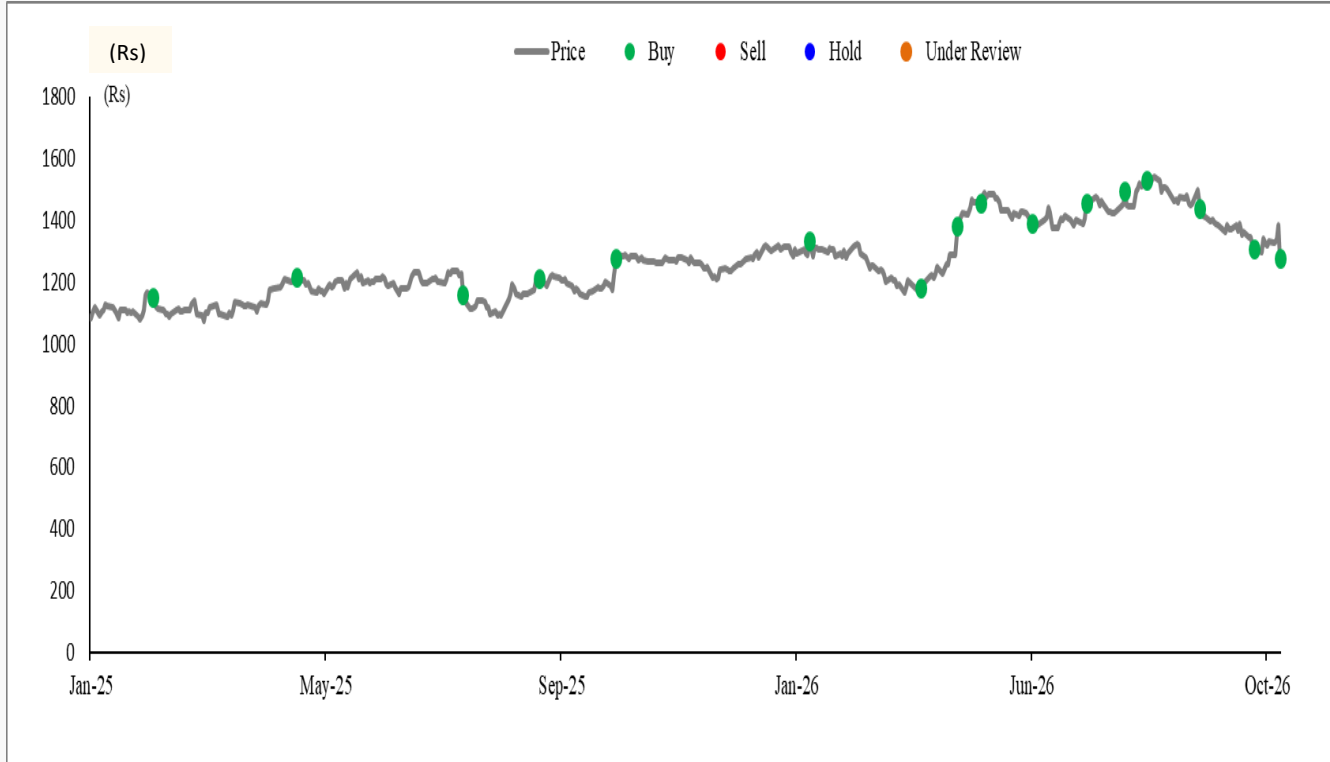
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E Mar	FY26	FY27E	FY28E	FY29E
EPS (Rs)	17.8	20.8	23.3	26.1
Growth, %	(43.4)	17.0	12.0	12.1
Book NAV/share (Rs)	21.9	28.0	33.3	41.4
FDEPS (Rs)	17.8	20.8	23.3	26.1
CEPS (Rs)	22.0	24.4	27.3	30.5
CFPS (Rs)	26.9	21.4	29.1	32.3
DPS (Rs)	12.8	16.0	18.0	18.0
Return ratios				
Return on assets (%)	27.8	31.9	32.1	31.3
Return on equity (%)	81.3	74.1	69.8	63.0
Return on capital employed (%)	45.4	49.7	46.9	44.7
Turnover ratios				
Asset turnover (x)	4.6	5.8	5.6	6.0
Sales/Total assets (x)	1.9	2.0	2.1	2.0
Sales/Net FA (x)	3.7	4.3	4.7	5.1
Receivable days	5.2	4.0	4.0	4.0
Inventory days	40.6	40.6	40.6	40.6
Payable days	64.6	52.0	51.9	51.9
Working capital days	(26.1)	(9.5)	(8.2)	(7.2)
Liquidity ratios				
Current ratio (x)	0.9	1.2	1.5	1.8
Quick ratio (x)	0.4	0.6	0.8	1.1
Interest cover (x)	29.1	34.8	38.5	42.6
Total debt/Equity (%)	0.0	0.0	0.0	0.0
Valuation				
PER (x)	72.1	61.6	55.0	49.1
PEG (x) YoY growth	(1.7)	3.6	4.6	4.1
Price/Book (x)	58.6	45.6	38.4	30.9
EV/Net sales (x)	10.6	9.2	8.1	7.3
EV/EBITDA (x)	46.3	39.4	35.1	31.2
EV/EBIT (x)	53.3	44.4	39.6	35.1

Source: Company, Axis Securities

Nestle India Price Chart and Recommendation History



Date	Reco	TP	Research
05-Feb-25	BUY	1,320	Result Update
25-Apr-25	BUY	1,260	Result Update
25-Jul-25	BUY	1,338	Result Update
05-Sep-25	BUY	1,340	Company Update
16-Oct-25	BUY	1,410	Result Update
01-Feb-26	BUY	1,500	Result Update
01-Apr-26	BUY	1,500	Top Picks
22-Apr-26	BUY	1,640	Result Update
04-May-26	BUY	1,640	Top Picks
01-Jun-26	BUY	1,640	Top Picks
01-Jul-26	BUY	1,640	Top Picks
23-Jul-26	BUY	1,765	Result Update
03-Aug-26	BUY	1,765	Top Picks
01-Sep-26	BUY	1,765	Top Picks
01-Oct-26	BUY	1,765	Top Picks
16-Oct-26	BUY	1,470	Result Update

Source: Axis Securities

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