

February 5, 2025

Analyst Meet Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,606		2,689	
Sales (Rs. m)	2,23,584	2,48,022	2,25,862	2,50,538
% Chng.	(1.0)	(1.0)		
EBITDA (Rs. m)	52,354	58,048	53,262	59,043
% Chng.	(1.7)	(1.7)		
EPS (Rs.)	35.4	38.3	36.1	39.1
% Chng.	(1.9)	(2.0)		

Key Financials - Standalone

Y/e Mar	FY24*	FY25E	FY26E	FY27E
Sales (Rs. bn)	244	203	224	248
EBITDA (Rs. bn)	58	47	52	58
Margin (%)	24.0	23.1	23.4	23.4
PAT (Rs. bn)	40	31	34	37
EPS (Rs.)	41.0	31.7	35.4	38.3
Gr. (%)	62.2	(22.6)	11.6	8.3
DPS (Rs.)	31.2	25.5	29.5	35.0
Yield (%)	1.4	1.1	1.3	1.5
RoE (%)	136.3	85.0	83.2	82.7
RoCE (%)	181.2	104.0	94.7	86.9
EV/Sales (x)	9.1	10.9	9.9	9.0
EV/EBITDA (x)	37.8	47.4	42.3	38.3
PE (x)	56.1	72.5	65.0	60.0
P/BV (x)	66.4	57.5	51.0	48.4

*15 Months

Key Data

NEST.BO | NEST IN

52-W High / Low	Rs.2,778 / Rs.2,131
Sensex / Nifty	78,584 / 23,739
Market Cap	Rs.2,218bn/ \$ 25,466m
Shares Outstanding	964m
3M Avg. Daily Value	Rs.2072.47m

Shareholding Pattern (%)

Promoter's	62.76
Foreign	10.26
Domestic Institution	10.80
Public & Others	16.17
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.0	(7.8)	(7.3)
Relative	3.9	(5.0)	(15.0)

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Focus on volume led growth amidst tepid Urban demand

Quick Pointers:

- NEST plans to focus on volume led growth, current margins are at optimal level post 600bps expansion over the past 8 years
- Urban demand trends are tepid, and recovery is likely to be gradual aided by peaked out inflation and expected benefits of cut in Income tax rates.

We attended the Nestle India analyst meet where the company has given cautiously optimistic outlook on growth, notwithstanding near-term demand pressures led by high inflation and urban distress. NEST will focus on volume led growth with range margin margins as current levels seem optimal post 600bps expansion since 2016. NEST continues to innovate with rising share of NPD (6-6.5% of sales) and is looking at major gains in Maggi, Chocolates, Beverages and OOH consumption. We expect growth rates to accelerate given capacity expansion (Rs55bn in four years) and benefit from JV with Dr Reddy's in the medical nutrition business.

We cut our FY25/FY26/FY27 estimates by 2.8%/1.9%/2% given 1) tepid demand in urban India (75%+ of sales) 2) margin headwinds given steep inflation in input costs of cereals, coffee & cocoa and 2) low growth potential in Infant nutrition (~30% of sales). We cut our DCF based target price to Rs. 2606 (Rs.2689 earlier) valuing it at 68x Mar'27 EPS. We would keenly watch out for the NEST's strategy under the new management in coming few quarters. Retain Accumulate.

Analyst Meet Takeaways: 1) Nestle has done a capex of Rs.55bn between 2020 to CY2024 increasing capacity of Maggi, Coffee and Chocolate by 35% each. 2) Nestle currently has retail distribution reach of 5.2 million outlets (4mn in 2016 and 4.7mn in 2020) and would be looking at expanding the same to 6mn in coming few years 3) NEST will follow a volume driven strategy to push for growth 4) NEST's product basket offers Premiumization opportunity of Rs75bn across portfolio, premium products have grown at 16% CAGR since 2015 5) 4) NEST's JV with Dr Reddy's will cater to Rs240bn medical nutrition market by leveraging on its R&D and distribution prowess of partner with many new launches on the anvil 6) The OOH market is expected to double by 2030 with a potential size of USD25-30bn, Nestlé is poised to seize the opportunity through innovations in coffee and tea machines, KitKat break zone and tie ups with Social, MOD, 7-Eleven and Chain Point etc. 7) NEST has stepped up innovations with 150 new launches in last five years, the share of new launches has increased from 1.5% of sales to 6-6.5% since 2016 8) Demand growth is slow in urban areas due to higher unemployment and slow real wage growth, while rural India has bounced back post Govt interventions and normal monsoons last year. 8) E-commerce contribution has surged to 8.5% in 2024, up from just 1% in 2016, showing a 32.6% YoY growth in 9MFY24.9) Pet care remains a small but high-potential business in India, as the country ranks 5th globally in pet population. 10) Nutrition business will have not more than 2-3% volume CAGR due to its limited usage in the lifespan of an individual 11) Digital media spending is expected to rise further in the medium to long term, enhancing consumer engagement, supporting new launches, and fostering innovation.

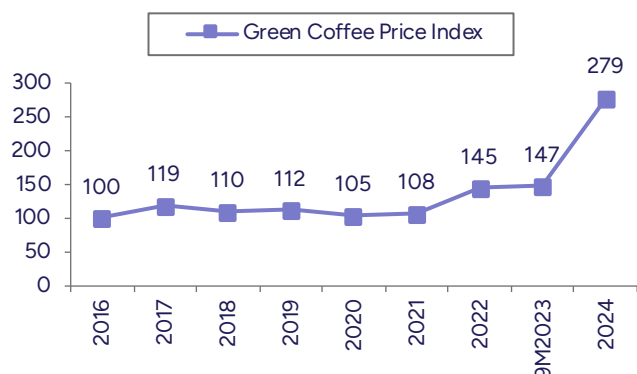
Exhibit 1: 2QFY25: Revenue up 3.9% YoY; Gross margins and EBITDA margins contract 221bps & 112bps YoY

Y/e March (Rs mn)	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	47,797	46,004	3.9	51,040	(6.4)	146,977	142,958	2.8
Gross Profit	26,952	26,959	(0.0)	28,901	(6.7)	83,603	80,946	3.3
% of NS	56.4	58.6	-2.2	56.6	-0.2	56.9	56.6	0.3
Other Expenses	15,924	15,829	0.6	17,224	(7.5)	49,876	46,941	6.3
EBITDA	11,027	11,130	(0.9)	11,677	(5.6)	33,728	34,005	(0.8)
Margins (%)	23.1	24.2	-1.1	22.9	0.2	22.9	23.8	-0.8
Depreciation	1,325	1,087	21.9	1,216	9.0	3,668	3,272	12.1
Interest	346	230	50.8	322	7.4	985	871	13.1
Other Income	44	303	(85.3)	69	(35.3)	504	875	(42.4)
PBT	9,400	10,116	(7.1)	10,208	(7.9)	29,579	30,737	(3.8)
Tax	2,261	2,309	(2.1)	2,613	(13.5)	7,499	7,858	(4.6)
Effective tax rate (%)	24.1	22.8	1.2	25.6	-1.5	25.4	25.6	-0.2
Adjusted PAT	7,139	7,808	(8.6)	7,595	(6.0)	22,080	22,879	(3.5)

Source: Company, PL,

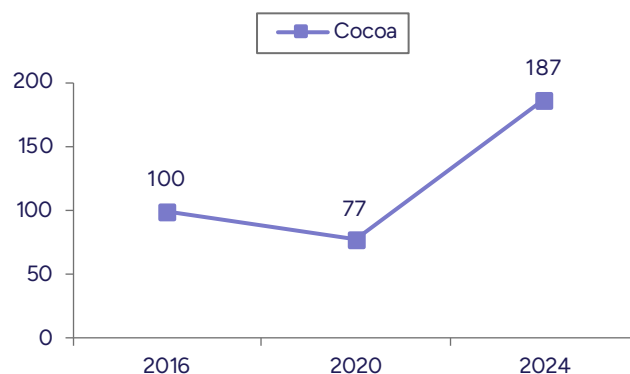
Sales up by 3.9%, Margins decline due to RM Inflation: Revenues grew 3.9% YoY to Rs47.8bn with domestic/ export sales up 3.3%/ 21.2%. Gross margins contracted 221bps YoY to 56.4%. EBITDA declined 0.9% YoY to Rs11bn; Margins contracted by 112bps YoY to 23.1%. Adjusted PAT declined 8.6% YoY to Rs7.1bn, excluding impact of Rs1.06bn exceptional item in base quarter, PAT increased by 6%.

Exhibit 2: Coffee prices up 89% since Oct22



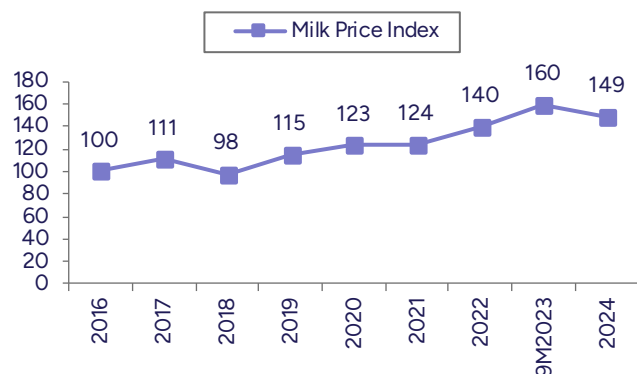
Source: Company, PL

Exhibit 3: Cocoa prices 142% over 2020-24



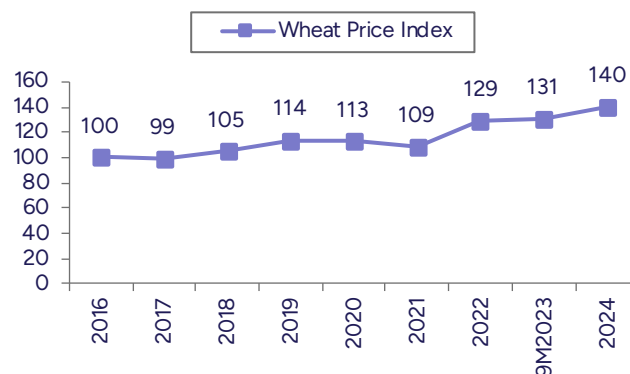
Source: Company, PL

Exhibit 4: Milk prices down 7% since Oct 23



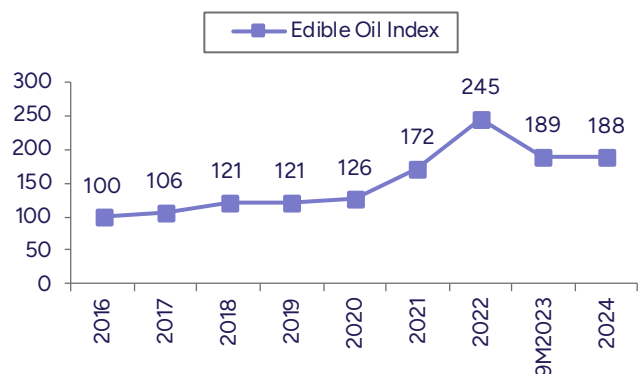
Source: Company, PL

Exhibit 5: Wheat prices up 7% since Oct23



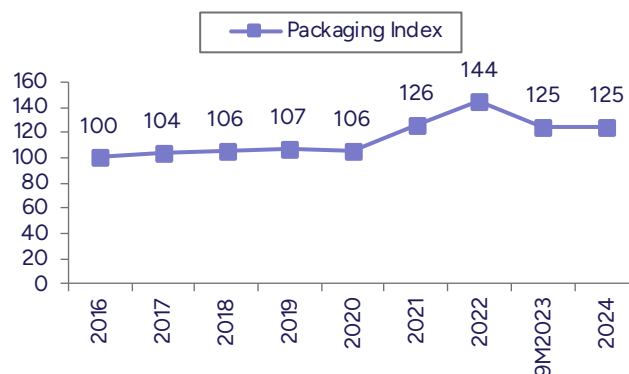
Source: Company, PL

Exhibit 6: Edible Oil prices flat since Oct23



Source: Company, PL

Exhibit 7: Packaging prices flat since oct2023



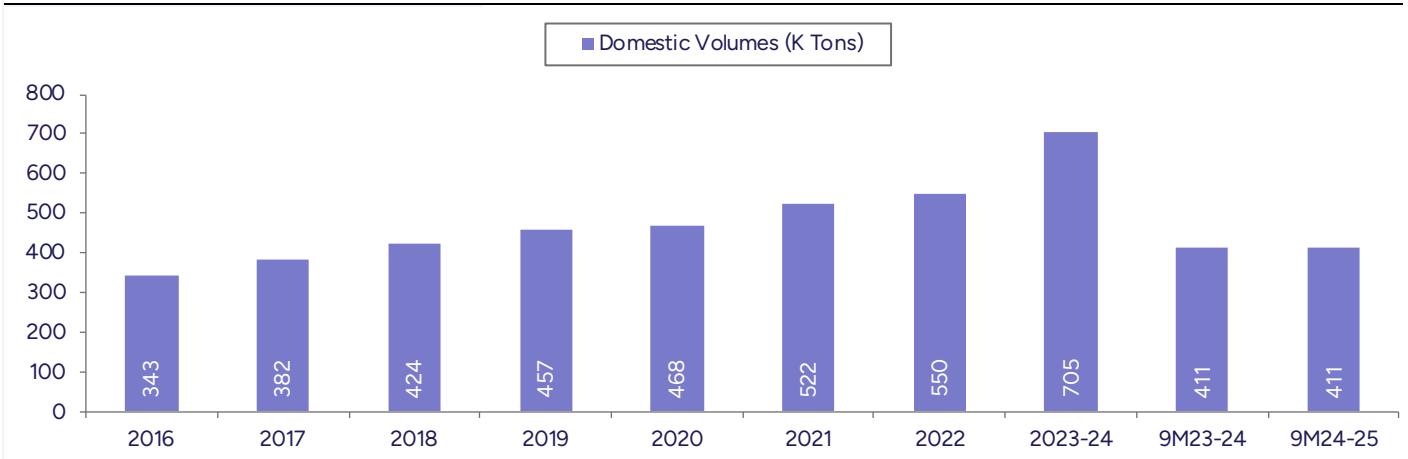
Source: Company, PL

Exhibit 8: Prepared dishes/ Beverages and chocolates to drive long term volume growth

Y/e March	CY21	CY22	15MFY24	FY25	FY26	FY27
Milk Products						
Volume (MT)	134,669	134,034	168,143	132,295	134,279	137,166
Volume growth	-2.7%	-0.5%	25.4%	-21.3%	1.5%	2.2%
Sales Value (Rs m)	62,686	68,157	98,687	79,624	84,859	91,018
Growth in Value	1.9%	8.7%	44.8%	-19.3%	6.6%	7.3%
% of sales	42.7%	40.6%	40.7%	39.4%	38.1%	36.9%
Beverages						
Volume (MT)	24,507	28,020	38,039	31,512	34,190	37,267
Value (Rs m)	16,918	20,188	30,207	27,318	30,233	33,942
Growth in Volume	18.0%	14.3%	35.8%	-17.2%	8.5%	9.0%
Growth in Value	14.6%	19.3%	49.6%	-9.6%	10.7%	12.3%
%Sales	11.5%	12.0%	12.4%	13.5%	13.6%	13.8%
Prepared Dishes & Cooking Aids						
Volume (MT)	329,567	348,225	442,827	358,867	394,754	434,229
Value (Rs m)	45,813	53,006	73,914	60,614	68,009	77,242
Growth in Volume	17.1%	5.7%	27.2%	-19.0%	10.0%	10.0%
Growth in Value	17.1%	15.7%	39.4%	-18.0%	12.2%	13.6%
%Sales	31.2%	31.6%	30.4%	30.0%	30.6%	31.3%
Chocolate & Confectionery						
Volume (MT)	55,648	62,401	85,934	70,535	76,883	84,571
Value (Rs.mn)	21,231	26,545	39,947	34,414	39,386	44,625
Realisation (Rs./Kg)	382	425	465	488	512	528
Growth in volume	10.5%	12.1%	37.7%	-17.9%	9.0%	10.0%
Growth in Value	21.0%	25.0%	50.5%	-13.9%	14.5%	13.3%
Growth in Realisations	9.5%	11.5%	9.3%	5.0%	5.0%	3.0%
% Sales	14.5%	15.8%	16.5%	17.0%	17.7%	18.1%

Source: Company, PL, * NEST changed year ended from Dec to March in CY23

Exhibit 9: Focus on volume-led growth to continue



Source: Company, PL

Exhibit 10: Growth led by balanced portfolio



Source: Company, PL

Exhibit 11: Premiumization Trend universal across urban & rural (Rs.75bn size price)

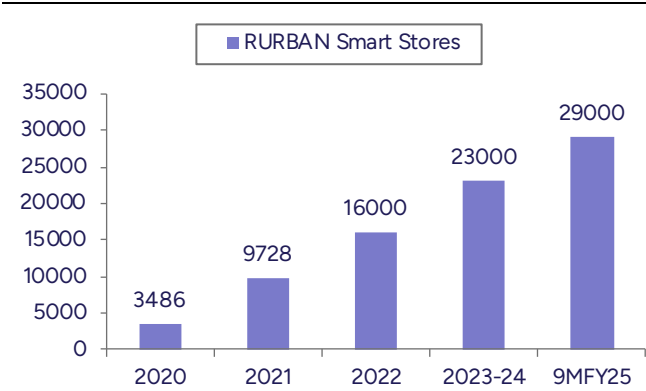


Source: Company, PL

Exhibit 12: Nestle has entered into a JV with Dr Reddy's to cater to Rs240bn medical nutrition market

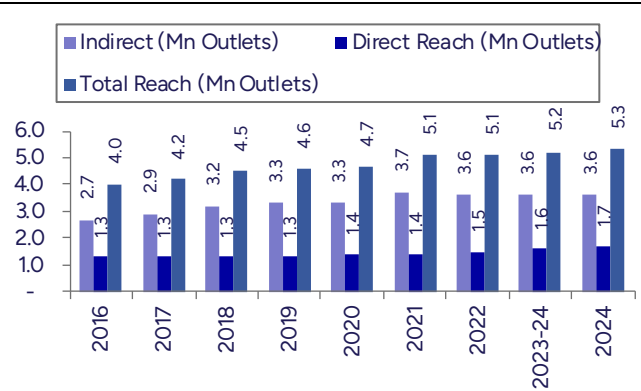


Exhibit 13: RURBAN Smart stores continue to increase



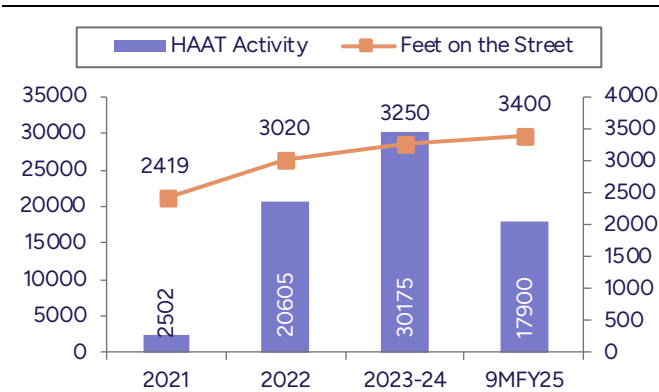
Source: Company, PL

Exhibit 14: NESTLE continues to expand outlet coverage



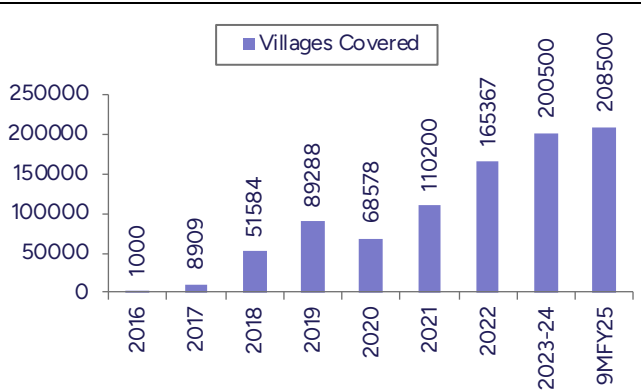
Source: Company, PL

Exhibit 15: Calibrated increase in distribution



Source: Company, PL

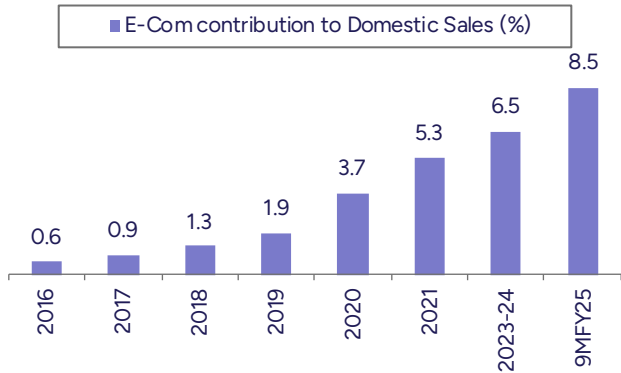
Exhibit 16: Nestle continues to increase direct Rural penetration



Source: Company, PL

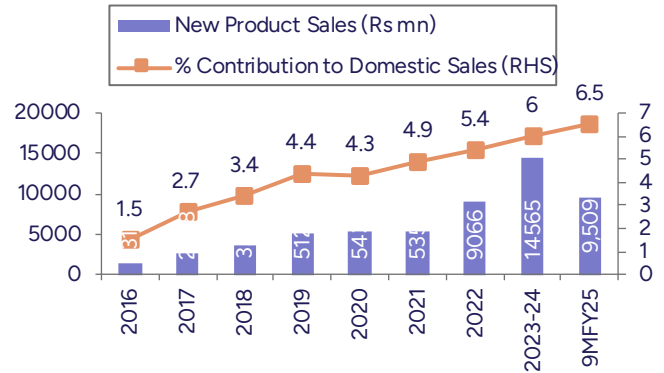


Exhibit 17: Ecom now accounts for 8.5% of sales



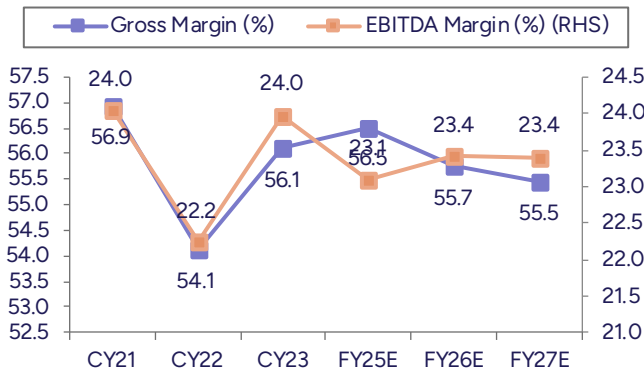
Source: Company, PL

Exhibit 18: NPD contribution is at 6.5% of sales



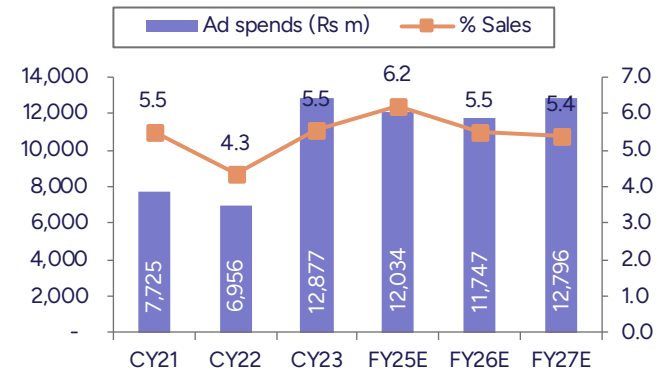
Source: Company, PL

Exhibit 19: Further scope of GM expansion remains limited



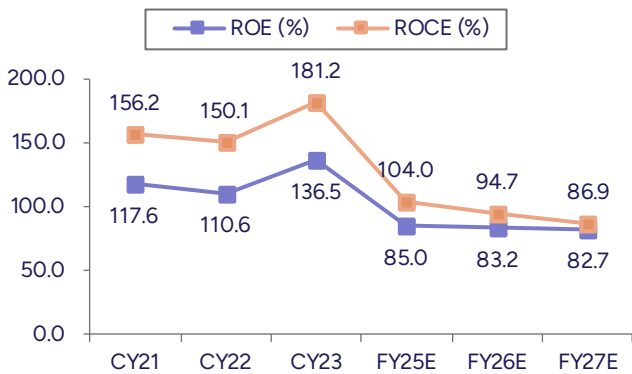
Source: Company, PL

Exhibit 20: Ad spends to remain range-bound



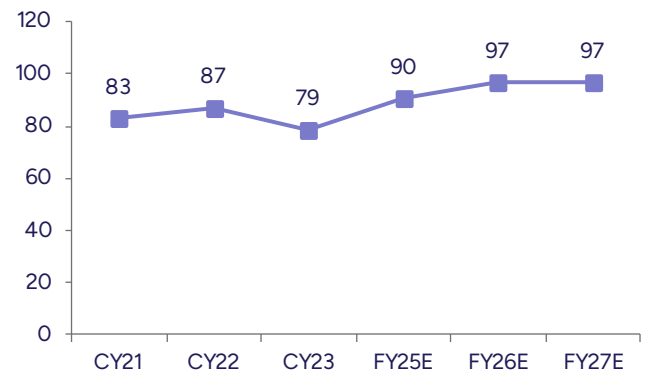
Source: Company, PL

Exhibit 21: ROE and ROCE remain healthy



Source: Company, PL

Exhibit 22: Expect higher dividend payout



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24*	FY25E	FY26E	FY27E
Net Revenues	2,43,939	2,02,802	2,23,584	2,48,022
YoY gr. (%)	44.4	(16.9)	10.2	10.9
Cost of Goods Sold	1,07,086	88,181	98,936	1,10,460
Gross Profit	1,36,853	1,14,620	1,24,648	1,37,562
Margin (%)	56.1	56.5	55.7	55.5
Employee Cost	23,361	19,793	21,581	23,695
Other Expenses	27,968	24,944	25,311	27,581
EBITDA	58,490	46,848	52,354	58,048
YoY gr. (%)	55.6	(19.9)	11.8	10.9
Margin (%)	24.0	23.1	23.4	23.4
Depreciation and Amortization	5,378	5,189	6,145	7,112
EBIT	53,113	41,659	46,209	50,936
Margin (%)	21.8	20.5	20.7	20.5
Net Interest	1,455	1,440	1,529	2,623
Other Income	1,480	814	1,115	1,282
Profit Before Tax	53,080	41,033	45,795	49,595
Margin (%)	21.8	20.2	20.5	20.0
Total Tax	13,560	10,463	11,678	12,647
Effective tax rate (%)	25.5	25.5	25.5	25.5
Profit after tax	39,520	30,570	34,117	36,948
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	39,520	30,570	34,117	36,948
YoY gr. (%)	62.2	(22.6)	11.6	8.3
Margin (%)	16.2	15.1	15.3	14.9
Extra Ord. Income / (Exp)	(292)	(246)	(271)	(298)
Reported PAT	39,228	30,324	33,847	36,650
YoY gr. (%)	62.1	(22.7)	11.6	8.3
Margin (%)	16.1	15.0	15.1	14.8
Other Comprehensive Income	(318)	(500)	(500)	(500)
Total Comprehensive Income	38,909	29,824	33,347	36,150
Equity Shares O/s (m)	964	964	964	964
EPS (Rs)	41.0	31.7	35.4	38.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24*	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	85,568	1,02,159	1,19,213	1,38,123
Tangibles	85,568	1,02,159	1,19,213	1,38,123
Intangibles	-	-	-	-
Acc: Dep / Amortization	50,966	56,361	62,732	70,092
Tangibles	50,966	56,361	62,732	70,092
Intangibles	-	-	-	-
Net fixed assets	34,602	45,798	56,481	68,031
Tangibles	34,602	45,798	56,481	68,031
Intangibles	-	-	-	-
Capital Work In Progress	17,417	23,400	17,000	10,000
Goodwill	-	-	-	-
Non-Current Investments	4,884	7,723	7,790	7,871
Net Deferred tax assets	(120)	105	221	348
Other Non-Current Assets	13,380	12,118	11,124	22,214
Current Assets				
Investments	6,523	5,453	6,675	9,379
Inventories	20,894	18,814	24,358	27,024
Trade receivables	3,005	2,352	2,560	2,840
Cash & Bank Balance	1,665	1,567	2,072	2,823
Other Current Assets	2,288	3,889	4,278	4,706
Total Assets	1,05,230	1,21,541	1,32,948	1,55,664
Equity				
Equity Share Capital	964	964	964	964
Other Equity	32,445	37,583	42,487	44,892
Total Network	33,409	38,547	43,451	45,856
Non-Current Liabilities				
Long Term borrowings	255	7,755	7,755	20,000
Provisions	29,172	30,582	32,119	33,808
Other non current liabilities	2,714	3,599	4,581	5,712
Current Liabilities				
ST Debt / Current of LT Debt	57	57	57	57
Trade payables	22,379	22,468	25,750	28,750
Other current liabilities	17,125	18,534	19,236	21,482
Total Equity & Liabilities	1,05,231	1,21,542	1,32,949	1,55,665

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24*	FY25E	FY26E	FY27E
PBT	53,094	41,033	45,795	49,595
Add. Depreciation	5,378	5,189	6,145	7,112
Add. Interest	1,455	1,440	1,529	2,623
Less Financial Other Income	1,480	814	1,115	1,282
Add. Other	(4,228)	918	347	(11,752)
Op. profit before WC changes	55,698	48,580	53,816	47,578
Net Changes-WC	9,417	3,920	(3,479)	(912)
Direct tax	(13,560)	(10,463)	(11,678)	(12,647)
Net cash from Op. activities	51,555	42,036	38,659	34,019
Capital expenditures	(23,376)	(22,368)	(10,428)	(11,661)
Interest / Dividend Income	2,620	1,646	2,211	2,477
Others	1,363	(2,817)	-	-
Net Cash from Inv. activities	(19,393)	(23,539)	(8,217)	(9,184)
Issue of share cap. / premium	87	(100)	-	-
Debt changes	11	7,500	-	12,245
Dividend paid	(30,082)	(24,586)	(28,443)	(33,746)
Interest paid	(1,455)	(1,440)	(1,529)	(2,623)
Others	-	-	-	-
Net cash from Fin. activities	(31,438)	(18,626)	(29,972)	(24,123)
Net change in cash	724	(128)	470	712
Free Cash Flow	28,179	19,669	28,231	22,358

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1CY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	52,677	48,140	51,040	47,797
YoY gr. (%)	9.0	3.3	1.3	3.9
Raw Material Expenses	22,759	20,388	22,139	20,846
Gross Profit	29,918	27,751	28,901	26,952
Margin (%)	56.8	57.6	56.6	56.4
EBITDA	13,386	11,023	11,677	11,027
YoY gr. (%)	20.6	4.1	(5.0)	(0.9)
Margin (%)	25.4	22.9	22.9	23.1
Depreciation / Depletion	1,089	1,127	1,216	1,325
EBIT	12,297	9,896	10,461	9,702
Margin (%)	23.3	20.6	20.5	20.3
Net Interest	262	317	322	346
Other Income	268	391	69	44
Profit before Tax	12,303	9,971	10,208	9,400
Margin (%)	23.4	20.7	20.0	19.7
Total Tax	3,164	2,625	2,613	2,261
Effective tax rate (%)	25.7	26.3	25.6	24.1
Profit after Tax	9,139	7,346	7,595	7,139
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	9,139	7,346	7,595	7,139
YoY gr. (%)	21.7	4.7	(5.7)	(8.6)
Margin (%)	17.3	15.3	14.9	14.9
Extra Ord. Income / (Exp)	204	120	2,269	(178)
Reported PAT	9,342	7,466	9,864	6,962
YoY gr. (%)	26.8	6.9	8.6	6.2
Margin (%)	17.7	15.5	19.3	14.6
Other Comprehensive Income	(111)	11	1	(1,010)
Total Comprehensive Income	9,231	7,477	9,864	5,952
Avg. Shares O/s (m)	964	964	964	964
EPS (Rs)	9.5	7.6	7.9	7.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24*	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	41.0	31.7	35.4	38.3
CEPS	46.6	37.1	41.8	45.7
BVPS	34.7	40.0	45.1	47.6
FCF	29.2	20.4	29.3	23.2
DPS	31.2	25.5	29.5	35.0
Return Ratio(%)				
RoCE	181.2	104.0	94.7	86.9
ROIC	54.7	36.4	37.2	35.5
RoE	136.3	85.0	83.2	82.7
Balance Sheet				
Net Debt : Equity (x)	(0.2)	0.0	0.0	0.2
Net Working Capital (Days)	2	(2)	2	2
Valuation(x)				
PER	56.1	72.5	65.0	60.0
P/B	66.4	57.5	51.0	48.4
P/CEPS	46.6	37.1	41.8	45.7
EV/EBITDA	37.8	47.4	42.3	38.3
EV/Sales	9.1	10.9	9.9	9.0
Dividend Yield (%)	1.4	1.1	1.3	1.5

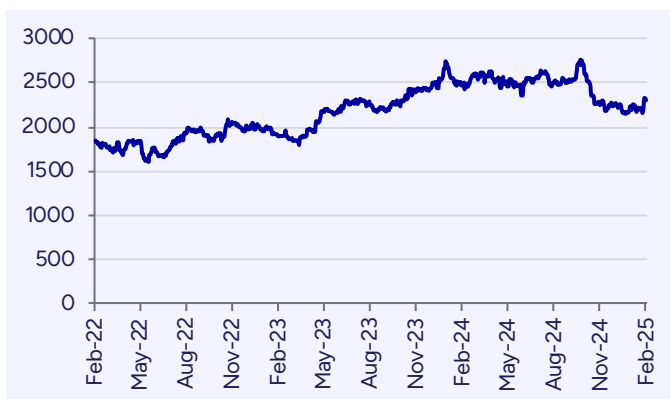
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24*	FY25E	FY26E	FY27E
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Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	Accumulate	2,689	2,220
2	17-Oct-24	Accumulate	2,689	2,379
3	07-Oct-24	Accumulate	2,862	2,598
4	25-Jul-24	Accumulate	2,746	2,481
5	09-Jul-24	Accumulate	2,695	2,574
6	25-Apr-24	Accumulate	2,695	2,563
7	09-Apr-24	Accumulate	2,695	2,507
8	08-Feb-24	Accumulate	2,699	2,500

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,230	2,334
2	Avenue Supermarts	Hold	3,964	3,686
3	Britannia Industries	BUY	5,815	4,860
4	Colgate Palmolive	Hold	2,801	2,679
5	Dabur India	Hold	561	534
6	Emami	Accumulate	716	554
7	Hindustan Unilever	Accumulate	2,691	2,343
8	ITC	Accumulate	536	450
9	Jubilant FoodWorks	Hold	719	750
10	Kansai Nerolac Paints	Reduce	274	257
11	Marico	Accumulate	704	671
12	Metro Brands	Hold	1,177	1,199
13	Mold-tek Packaging	Accumulate	709	628
14	Nestle India	Accumulate	2,689	2,220
15	Pidilite Industries	Accumulate	3,318	2,910
16	Restaurant Brands Asia	Hold	76	72
17	Titan Company	BUY	3,882	3,484
18	Westlife Foodworld	Hold	778	718

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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