

Nestle India Ltd.

Low base should support FY26 performance

Nestle India Ltd.'s (NEST) 4QFY25 revenues were in-line with our estimate as miss on export sales was compensated by sharp growth in other operating revenues. Domestic sales grew by 4.2% led by ~2% volume growth while exports de-grew by 8.7%. Challenges in mid-price Nutrition segment would have continued to put pressure on the overall growth of the domestic business we believe. While the sector is currently benefitting from resilient rural growth in the very near-term, NEST with high urban mix and higher base has seen relative growth pressures. Gross margins continue to remain under pressure on a YoY basis in 4Q, but the pain seems to have eased a bit led by price actions. EBITDA margins surprised this quarter led by lower overheads, but we think this might not be sustainable as company would want to invest for growth going forward. Growth and margin concerns witnessed in FY25 should start fading through the course of next fiscal led by lower base. Over FY25-27E, we are now building 12.4% EPS CAGR led by ~9% revenue CAGR. The stock currently trades at ~69x/61x FY26E/FY27E EPS and leaves little room for execution miss. We continue to assign ~60x on FY'27E EPS, arriving at a revised target price (TP) of Rs2,420 (Rs2,455 earlier). Maintain NEUTRAL.

4QFY25 Result Highlights (Standalone)

- **Headline performance:** Revenues (inclg. OOI) grew by 4.5% YoY to Rs55bn (vs est. Rs55bn). EBITDA flattish at Rs13.9bn (vs est. Rs12.9bn). Adjusted PAT (APAT) de-grew by 3.4% YoY to Rs8.85bn (vs est. Rs8.36bn).
- **Domestic sales** grew 4.2% YoY to Rs52.35bn (vs est. Rs52.4bn). As per media, volume has grown by ~2% in-line with our estimate. Exports (~3.9% of sales for the quarter) were down by 8.7% YoY to Rs2.1bn (vs est. Rs2.56bn). Other operating revenues grew sharply by 327% to Rs562mn.
- **Margins:** Gross margin was largely in-line at 56.2% (down QoQ by 20bps and YoY by 60bps). Savings in Other expenses (down 70bps YoY), which was partially offset by slight increase in Staff cost (up 20bps YoY) meant that EBITDA margin was down just 20bps YoY to 25.2% (vs. est. 23.5%).
- **FY25:** Comparable revenue & EBITDA were up 3.3% & 0.6%, resp., while APAT was down 5.3% YoY. Gross margin stood flat at 56.7% while EBITDA margin was down 60bps YoY to 23.6%.
- **Other highlights:**
 - (1) For FY25, Powdered and Liquid Beverages grew at high double-digits. Confectionery grew at a high single-digit pace both in value and volume driven by KITKAT. Prepared Dishes and Cooking Aids posted mid-single-digit growth with MAGGI returning to volume growth.
 - (2) Out-of-Home (OOH) business delivered strong double-digit growth and is emerging as one of the fastest growing businesses.
 - (3) Commodity outlook: Coffee continues to be firm. Cocoa prices have corrected but continue to be high. Prices continue to remain stable for edible oils. Milk prices have cyclically firmed up with the onset of summers.
 - (4) E-commerce (including Q-commerce) contributed to 8.5% of domestic sales.
 - (5) RUrban distribution touchpoints have increased to 27,730. NEST is now present in ~208,500 villages.

View & Valuation

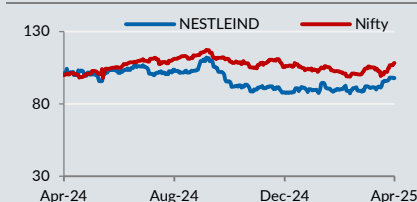
We expect growth and margin concerns witnessed in FY25 to start fading through the course of next fiscal. Over FY25-27E, we believe earnings growth would be led by (1) Capacity addition led push. (2) Sweating of distribution assets especially in non-urban markets. NEST's initiative on distribution reach and products catering to RURBAN portfolio is strengthening its position in rural areas but contribution remains low at 20-25% of domestic topline; (3) Continued R&D led innovations leading to maintenance of growth in premium portfolio. Recently introduced new categories will only add to medium-to-long term earnings. Over FY25-27E, we are now building 12.4% EPS CAGR led by ~9% revenue CAGR. We continue to assign ~60x on FY'27E EPS, arriving at a revised target price (TP) of Rs2,420 (Rs2,455 earlier). Maintain NEUTRAL.

Reco	: NEUTRAL
CMP	: Rs 2,433
Target Price	: Rs 2,420
Potential Return	: -0.5%

Stock data (as on April 24, 2025)

Nifty	24,247
52 Week h/l (Rs)	2778 / 2110
Market cap (Rs/USD mn)	2346180 / 27507
Outstanding Shares (mn)	964
6m Avg t/o (Rs mn):	1,856
Div yield (%):	1.4
Bloomberg code:	NEST IN
NSE code:	NESTLEIND

Stock performance



	1M	3M	1Y
Absolute return	7.5%	10.2%	-2.7%

Shareholding pattern (As of Dec'24 end)

Promoter	62.8%
FII+DII	21.1%
Others	16.2%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price (Rs)	2,420	2,455

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	35.0	39.1
EPS (Old)	36.1	41.3
% change	-3.2%	-4.1%

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Revenue	202,015	219,309	240,119
YoY Growth (%)	-17.2	8.6	9.5
EBIDTA	47,737	51,922	58,511
Margins (%)	23.6	23.7	24.4
PAT	30,236	33,712	38,217
EPS	31	35	40
YoY Growth (%)	-92.4	11.5	13.4
ROCE (pre-tax)	104.2	88.0	88.9
ROE	81.1	74.9	72.4
P/E	77.6	69.6	61.4
EV/EBITDA	49.1	45.1	39.8

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Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Revenue	55,039	55,028	54,949	0.0	0.2
EBITDA	13,890	12,906	13,251	7.6	4.8
EBITDA Margin (%)	25.2	23.5	24.1	1.8	1.1
Adjusted PAT	8,854	8,359	8,575	5.9	3.3

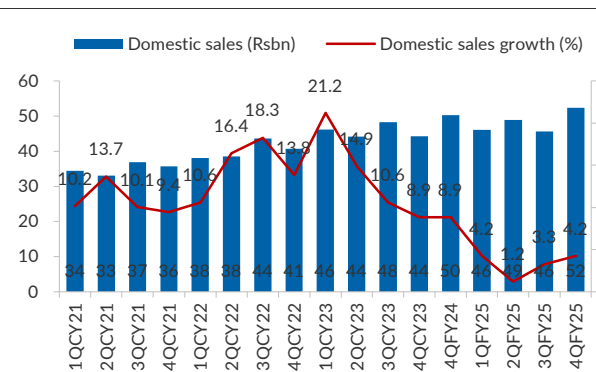
Source: Bloomberg, Company, YES Sec

Exhibit 2: Quarterly snapshot

Particulars (Rs. Mn)	March'24	Dec'24	March'25	YoY (%)	QoQ (%)	FY24*	FY25	YoY (%)
Revenue	52,676	47,797	55,039	4.5	15.2	195,634	202,016	3.3
COGS	22,759	20,846	24,124	6.0	15.7	84,770	87,498	3.2
Gross margin %	56.8	56.4	56.2	-0.6	-0.2	56.7	56.7	0.0
Employee costs	4,869	4,947	5,220	7.2	5.5	18,818	20,237	7.5
% of sales	9.2	10.3	9.5	0.2	-0.9	9.6	10.0	0.4
Other expenses	11,663	10,978	11,805	1.2	7.5	44,615	46,543	4.3
% of sales	22.1	23.0	21.4	-0.7	-1.5	22.8	23.0	0.2
EBITDA	13,385	11,027	13,890	3.8	26.0	47,430	47,737	0.6
EBITDA margin %	25.4	23.1	25.2	-0.2	2.2	24.2	23.6	-0.6
Depreciation	1,089	1,503	1,554	42.7	3.4	4,547	5,399	18.7
EBIT	12,297	9,524	12,336	0.3	29.5	42,883	42,338	-1.3
Interest expense	262	346	375	43.1	8.4	1,085	1,360	25.4
Other income	268	44	84	-68.4	90.1	1,143	589	-48.5
Exceptional items	76	0	0	0.0	0.0	32	2,908	-
PBT	12,302	9,223	12,046	-2.1	30.6	42,941	41,566	-3.2
Tax	3,139	2,261	3,192	1.7	41.1	11,011	11,330	2.9
Effective tax rate %	25.5	24.5	26.5	1.0	2.0	25.6	27.3	1.6
Adj. PAT	9,163	6,961	8,854	-3.4	27.2	31,930	30,237	-5.3
Adj. PAT margin %	17.4	14.6	16.1	-1.3	1.5	16.3	15.0	-1.4
EPS	9.5	7.2	9.2	-3.4	27.2	33.1	31.4	-5.3

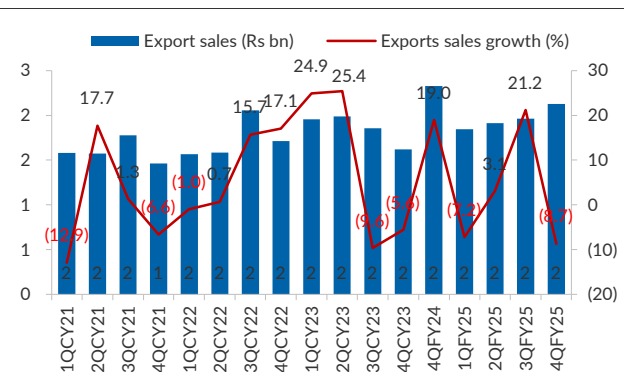
Source: Company, YES Sec; *Note: Corresponding comparable twelve months ended for FY24

Exhibit 3: Domestic sales grew 4.2% YoY in 4QFY25



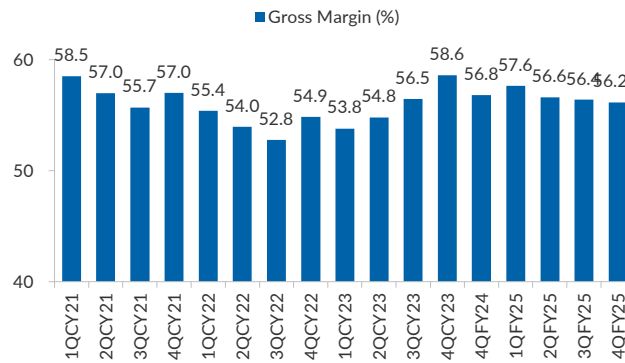
Source: Company, YES Sec

Exhibit 4: Export sales degrew by 8.7% YoY in 4QFY25



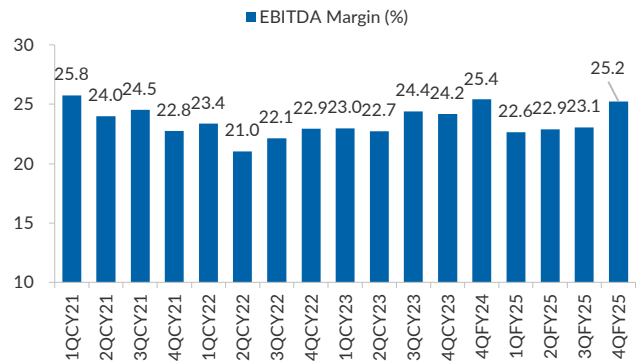
Source: Company, YES Sec

Exhibit 5: Gross margin was down 60bps YoY/ 20bps QoQ



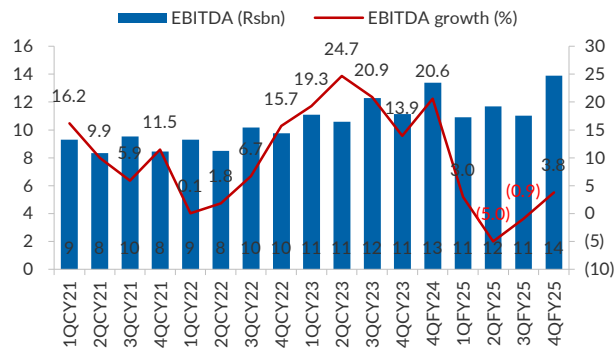
Source: Company, YES Sec

Exhibit 6: EBITDA margin was down 20bps YoY to 25.2%



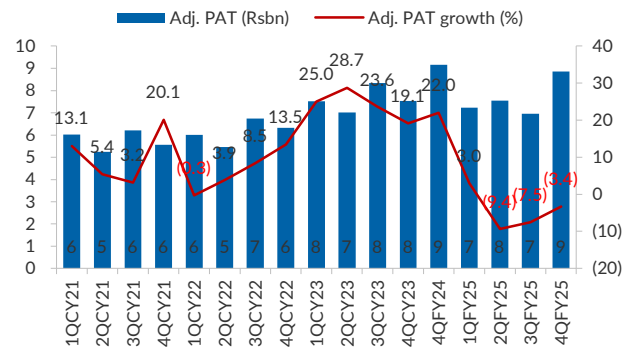
Source: Company, YES Sec

Exhibit 7: EBITDA grew by 3.8% YoY to Rs 13.9bn



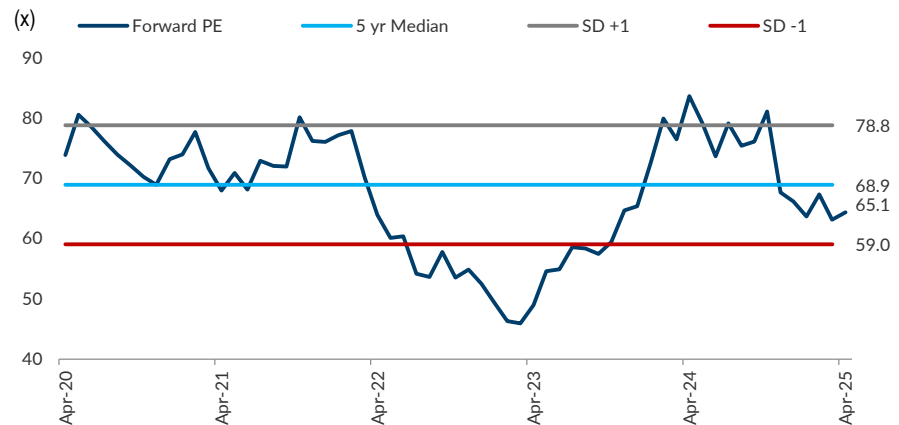
Source: Company, YES Sec

Exhibit 8: Adj PAT de-grew by 3.4% YoY to Rs 8.9bn



Source: Company, YES Sec

Exhibit 9: Currently trading at ~65x 1-yr fwd EPS



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Balance Sheet

Y/E March (Rs mn)	CY22	FY24	FY25	FY26E	FY27E
Share capital	964	964	964	964	964
Reserves	23,628	32,445	40,207	47,901	55,762
Net worth	24,592	33,409	41,172	48,866	56,726
Total debt	300	311	7,533	7,533	4,520
Deferred tax liability	(256)	120	536	536	536
Total liabilities	24,636	33,841	49,241	56,935	61,782
Gross block	54,740	63,337	88,870	103,870	108,870
Depreciation	24,303	28,734	34,134	40,398	47,312
Net block	30,437	34,602	54,736	63,472	61,558
Capital work-in-progress	3,584	17,417	11,726	11,726	11,726
Investments	7,775	4,639	7,056	8,467	11,007
Inventories	19,288	20,894	28,501	28,551	29,769
Debtors	1,919	3,005	3,632	4,170	4,567
Cash	9,456	7,789	957	2,094	9,913
Loans, advances & other assets	17,073	16,886	16,632	19,151	19,936
Total current assets	47,735	48,572	49,721	53,966	64,186
Creditors	19,338	22,379	23,735	25,971	28,096
Other current liabilities & provisions	45,557	49,011	50,263	54,725	58,599
Total current liabilities	64,895	71,390	73,998	80,696	86,695
Net current assets	(17,160)	(22,818)	(24,277)	(26,730)	(22,509)
Total assets	24,636	33,841	49,241	56,935	61,782

Source: Company, YES Sec; Note: Since the FY24 numbers are for 15 months, numbers are not comparable

Exhibit 11: Income statement

Y/E March (Rsmn)	CY22	FY24	FY25	FY26E	FY27E
Net Sales	168,970	243,939	202,015	219,309	240,119
% Growth	14.6	44.4	-17.2	8.6	9.5
COGS	77,499	107,085	87,498	94,793	102,549
Staff costs	16,679	23,463	20,237	21,963	24,292
Other expenses	37,209	54,899	46,543	50,631	54,767
Total expenses	131,387	185,448	154,279	167,387	181,608
EBITDA	37,583	58,491	47,737	51,922	58,511
% growth	6.1	55.6	-18.4	8.8	12.7
EBITDA margin (%)	22.2	24.0	23.6	23.7	24.4
Other income	1,010	1,480	589	594	713
Interest costs	1,546	1,456	1,360	1,202	1,238
Depreciation	4,030	5,378	5,399	6,264	6,914
Profit before tax	33,017	53,137	41,566	45,051	51,072
Exceptional items	-457	-249	2,908	2,908	2,908
Tax	8,655	13,560	11,330	11,339	12,855
Rate of Tax (%)	26.2	25.5	27.3	25.2	25.2
PAT	23,905	39,328	33,144	36,620	41,126
Adj PAT	24,362	39,576	30,236	33,712	38,217
Adj PAT margin (%)	14.4	16.2	15.0	15.4	15.9
% Growth	6.6	62.4	-23.6	11.5	13.4

Source: Company, YES Sec; Note: Since the FY24 numbers are for 15 months, numbers are not comparable

Exhibit 12: Cash flow statement

Y/E March (Rs mn)	CY22	FY24	FY25	FY26E	FY27E
PAT	24,148	39,901	31,008	34,319	38,742
Depreciation	4,030	5,378	5,399	6,264	6,914
Other income	(683)	177	(589)	(594)	(713)
Interest paid	181	(1,220)	1,360	1,202	1,238
(Inc.)/dec. in working capital	(302)	(2,489)	(5,373)	3,591	3,598
Cash flow from operations	27,374	41,748	31,806	44,781	49,778
Capital expenditure (-)	(5,407)	(18,783)	(19,841)	(15,000)	(5,000)
Net cash after capex	21,967	22,965	11,964	29,781	44,778
Inc./(dec.) in investments & others	1,362	6,717	1,342	1,483	557
Cash flow from investments	(4,045)	(12,066)	(18,499)	(13,517)	(4,443)
Dividends paid (-)	(20,247)	(30,082)	(26,000)	(28,926)	(33,265)
Others	(980)	(1,267)	5,862	(1,202)	(4,251)
Cash from financial activities	(21,227)	(31,349)	(20,138)	(30,128)	(37,516)
Opening cash balance	7,354	9,456	7,789	957	2,094
Closing cash balance	9,455	7,789	957	2,094	9,913
Change in cash balance	2,102	(1,667)	(6,832)	1,137	7,819

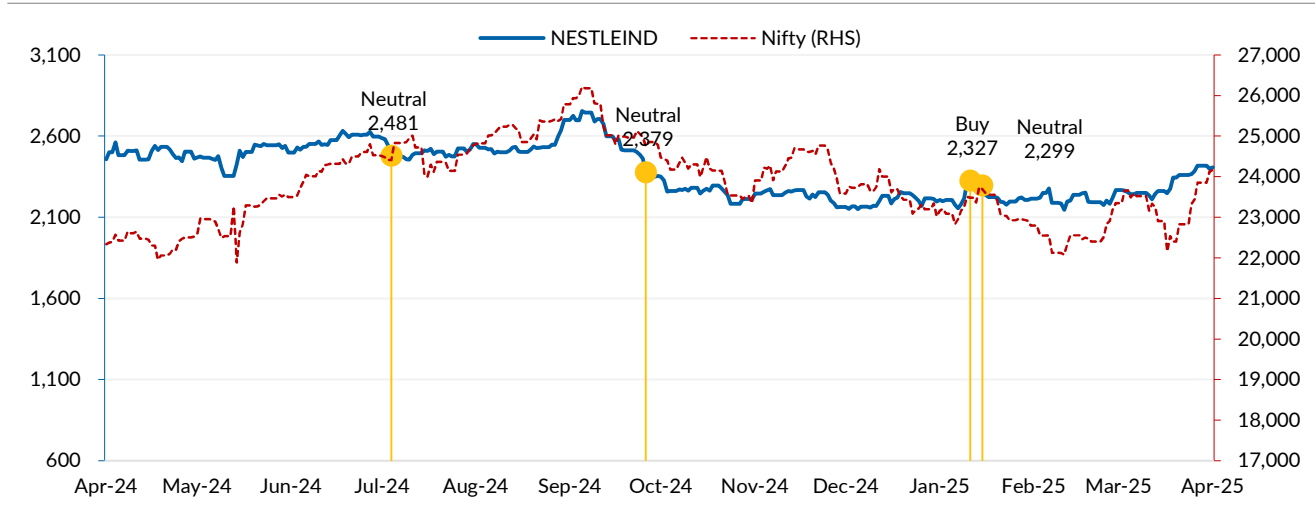
Source: Company, YES Sec; Note: Since the FY24 numbers are for 15 months, numbers are not comparable

Exhibit 13: Growth and Ratio matrix

Y/E March	CY22	FY24	FY25	FY26E	FY27E
Per share (Rs)					
EPS	252.7	410.5	31.4	35.0	39.6
Book value	255.0	346.5	42.7	50.7	58.8
DPS	210.0	31.2	27.0	30.0	34.5
Valuation (x)					
EV/sales	13.8	9.6	11.6	10.7	9.7
EV/EBITDA	62.0	39.9	49.1	45.1	39.8
P/E	96.3	59.3	77.6	69.6	61.4
P/BV	95.4	70.2	57.0	48.0	41.4
Return ratios (%)					
RoCE (pre-tax)	154.7	186.3	104.2	88.0	88.9
RoE	110.6	136.5	81.1	74.9	72.4
Profitability ratios (%)					
Gross margin	54.1	56.1	56.7	56.8	57.3
EBITDA margin	22.2	24.0	23.6	23.7	24.4
EBIT margin	19.9	21.8	21.0	20.8	21.5
PAT margin	14.4	16.2	15.0	15.4	15.9
Liquidity ratios (%)					
Current ratio	0.7	0.7	0.7	0.7	0.7
Quick ratio	0.4	0.4	0.3	0.3	0.4
Turnover ratios					
Total asset turnover ratio (x)	7.6	8.3	4.9	4.1	4.0
Fixed asset turnover ratio (x)	5.6	7.0	3.7	3.5	3.9
Inventory days	83	68	103	110	104
Debtors days	4	4	6	6	7
Creditor days	87	71	96	96	96

Source: Company, YES Sec; Note: Since the FY24 numbers are for 15 months, numbers are not comparable

Recommendation Tracker



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Analyst signature

Analyst signature

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