

Estimate changes	↔
TP change	↔
Rating change	↔

CMP: INR2,481 **TP: INR2,500 (1%)** **Neutral**

Bloomberg	NEST IN
Equity Shares (m)	964
M.Cap.(INRb)/(USD\$b)	2391.7 / 28.6
52-Week Range (INR)	2771 / 2145
1, 6, 12 Rel. Per (%)	-4/-14/-15
12M Avg Val (INR M)	2146

Financials & Valuations (INR b)

Y/E Dec	FY24*	FY25E	FY26E
Sales	243.9	210.3	233.1
Sales Gr. (%)	15.5	-13.8	10.8
EBITDA	59.1	52.4	58.7
Margin (%)	24.2	24.9	25.2
Adj. PAT	39.6	35.5	39.3
Adj. EPS (INR)	41.0	36.8	40.8
EPS Gr. (%)	62.5	-10.2	10.7
BV/Sh.(INR)	34.6	41.8	49.6

Ratios

RoE (%)	136.5	96.4	89.3
RoCE (%)	140.9	99.2	91.1
Payout (%)	78.4	80.0	80.0

Valuations

P/E (x)	60.4	67.3	60.8
P/BV (x)	71.6	59.4	50.0
EV/EBITDA (x)	40.3	45.5	40.5
Div. Yield (%)	1.3	1.2	1.3

*Note: FY24 is 15-month period as the company changed its accounting year-end from December to March

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	62.8	62.8	62.8
DII	9.2	9.1	9.1
FII	11.9	12.1	12.4
Others	16.1	16.1	15.8

FII Includes depository receipts

Weak revenue growth; miss on all fronts

- Nestle India (Nestle) reported weak 3.3% YoY revenue growth (est. 8.6%) in 1QFY25. Last eight-quarter average revenue growth was 14%. Domestic sales grew 4.2% YoY, supported by volume growth and a favorable product mix. Export sales contracted by 7.2% YoY to INR1.8b.
- GM expanded 280bp YoY to INR57.6% (est. 55.5%). GP was up by 9% YoY. Input prices are seeing inflation, with coffee and cocoa prices hitting all-time highs. Cereals and grains (MSP led) are also seeing inflationary trends. Prices are stable for milk, edible oils and packaging. Nestle has seen a strong GM recovery (up 300bp) in the last 12 months; we model a limited expansion in FY25. With 11% growth in operating costs, EBITDA margin inched up 40bp. EBITDA grew 5% YoY to INR11.2b (est. INR12.1b).
- Nestle has been focusing on its RURBAN strategy and expanding its distribution reach in the untapped markets. E-commerce continued to deliver healthy growth, with double-digit growth in 1Q. During the quarter, Nestle added 800 distribution touchpoints and increased its village coverage by 5,000 to ~205,000 villages. Nestle posted broad-based growth across brands for the last few years. **We reiterate our Neutral rating with a TP of INR2,500 (based on 60x P/E Jun'26E) due to expensive valuations.**

Miss on all fronts

- **Slowdown in domestic sales:** Nestle saw a sharp deceleration in revenue growth in 1QFY25 as net revenue was up only 3.3% YoY to INR48.1b (est. INR50.6b). Domestic sales grew 4.2% YoY to INR46.1b, while exports contracted by 7.2% YoY to INR1.8b. Domestic growth was primarily driven by healthy volume and a favorable product mix.
- **Broad-based growth across categories:** Nestle sustained broad-based growth across segments, though revenue growth was low. Five of the top 12 brands clocked double-digit growth. Beverages business delivered double-digit growth despite the scorching summer. Prepared Dishes maintained growth momentum, with innovations contributing to ~30% of growth. KITKAT delivered double-digit growth. E-commerce mix was 7.5% and growing at double digits.
- **Gross margin** continued to expand, up 280bp YoY at 57.6% (est. 55.5%). RM prices are seeing inflationary trends, especially in coffee, cocoa, cereals and grains. Employee/other expenses grew by 11%/12% YoY. EBITDA margin expanded by 40bp YoY to 23.3% (est. 23.8%). EBITDA rose 5.1% YoY to INR11.2b (est. INR 12.1b).
- PBT grew 6.9% YoY to INR10.2b (est. INR10.9b), and adj. PAT increased by 5.1% YoY to INR7.4b (est. INR8.0b).
- The board has recommended an interim dividend of INR2.75 per share.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- There are no material changes to our FY25 and FY26 EPS estimates.
- The company has been focusing on its RURBAN strategy; hence, growth was higher in RURBAN markets. Most of Nestlé's categories have been reaping the benefits of distribution penetration. Packaged food penetration has improved in the tier-2 and rural markets.
- The GM trajectory has been volatile over the last three years. It was 57% in CY21, which then dropped to 54% in CY22. Owing to benign raw material inflation, GM expanded in CY23. We estimate ~56% margin in FY25/FY26.
- Nestlé's portfolio is relatively safe from local competition; thus, operating costs have not accelerated unlike its FMCG peers. We believe the company will be able to sustain its EBITDA margin at ~25% for FY25/FY26.
- The stock trades at expensive valuations of 67x/61x FY25E/FY26E EPS. **We reiterate our Neutral rating with a TP of INR2,500 (based on 60x P/E Jun'26E).**

Quarterly performance**(INR b)**

Y/E December	FY24					FY25E				FY24E*	FY25E	FY25E 1QE	Var.
	1Q	2Q	3Q	4Q	5Q	1Q	2QE	3QE	4QE				
Net Sales	48.3	46.6	50.4	46.0	52.7	48.1	53.9	49.9	58.2	243.9	210.3	50.6	-4.9%
YoY Change (%)	21.0	15.1	9.5	8.1	9.0	3.3	7.1	8.6	10.5	15.5	-13.8	8.6	
Gross Profit	26.0	25.5	28.5	27.0	29.9	27.8	30.7	28.7	33.3	136.9	120.5	28.1	
Margin (%)	53.8	54.8	56.5	58.6	56.8	57.6	57.0	57.5	57.1	56.1	57.3	55.5	
EBITDA	11.2	10.7	12.5	11.3	13.4	11.2	13.6	12.4	15.2	59.1	52.4	12.1	-7.1%
Margins (%)	23.3	22.9	24.8	24.5	25.5	23.3	25.3	24.8	26.1	24.2	24.9	23.8	
YoY Growth (%)	19.8	24.5	21.6	13.5	19.4	5.1	9.4	9.9	13.2	23.9	-11.3	13.2	
Depreciation	1.0	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	5.4	4.7	1.2	
Interest	0.4	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	1.5	1.2	0.3	
Other income	0.3	0.2	0.3	0.3	0.3	0.4	0.4	0.3	0.3	1.5	1.4	0.3	
PBT	10.2	9.5	11.4	10.3	12.3	10.2	12.5	11.2	14.0	53.7	47.9	10.9	-6.9%
Tax	2.5	2.4	3.1	2.3	3.2	2.6	3.2	2.8	3.2	13.6	11.8	2.7	
Rate (%)	24.9	25.4	27.6	22.5	25.6	25.8	25.4	25.3	22.7	25.2	24.7	25.2	
Adjusted PAT	7.5	7.0	8.1	7.8	9.1	7.4	9.2	8.3	10.6	39.6	35.5	8.0	-7.6%
YoY Change (%)	25.8	30.0	20.7	23.5	21.7	5.1	14.7	6.2	16.2	30.0	-10.2	13.8	

E: MOFSL Estimates

Key Performance Indicators

Y/E December	FY24					FY25E
	1Q	2Q	3Q	4Q	5Q	1Q
2Y average growth (%)						
Sales	15.8	15.8	14.0	10.8	15.0	9.2
EBITDA	10.1	12.7	14.0	14.0	19.6	14.8
PAT	12.5	16.5	14.0	17.2	23.7	17.5
% of Sales						
COGS	46.2	45.2	43.5	41.4	43.2	42.4
Employee Expenses	9.4	9.8	10.3	9.1	9.2	10.5
Other Expenses	21.1	22.1	21.5	24.9	22.1	23.9
Depreciation	2.1	2.3	2.2	2.4	2.1	2.3
YoY change (%)						
COGS	25.0	12.8	0.6	-0.9	2.0	-3.1
Employee Expenses	14.0	11.5	23.2	3.2	7.2	10.5
Other Expenses	17.2	12.7	10.5	22.8	13.9	11.5
Other Income	57.1	23.6	8.6	2.5	-20.6	63.3
EBIT	22.7	27.1	22.4	13.9	20.7	5.1

E: MOFSL Estimates *Note: FY24 is 15-month period as the company changed its accounting year-end from December to March

Key highlights from the press release

Category performance

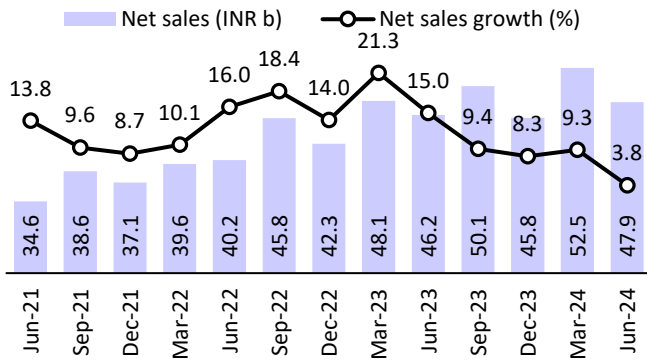
- **Prepared Dishes and Cooking Aids:** Growth momentum remained intact, with innovations contributing to ~30% of growth in 1Q.
- **Growth across MAGGI, KITKAT:** MAGGI Korean Noodles received a positive response from consumers. Masala-Ae-Magic and KITKAT saw double-digit growth.
- **Milk Products and Nutrition:** Growth remained steady in the portfolio, driven by MILKMAID and toddler range of products.
- **Confectionery:** The segment remains the top performer with strong distribution and upcoming innovations. MUNCH made regional inroads, while KITKAT launched category-first initiatives on OTT platforms. Additionally, MUNCH entered into a movie partnership.
- **Beverages** saw a robust performance across all products, with NESCAFÉ Sunrise gaining traction in South India. NESCAFÉ solidified its leadership position, increasing its market share and household penetration.
- **Petcare Business:** Felix wet cat food received positive feedback from both trade and cat parents. Its focus on e-commerce and quick commerce helped Nestle reach more pet families.

Other points

- **Out-of-Home (OOH)** is seeing healthy growth, driven by portfolio transformation, innovations, increased market penetration, and premiumization.
- **E-commerce** continued its growth, contributing to 7.5% of domestic sales and growing in double digits.
- **In organized trade,** retail grew in double digits, driven by value-added noodles, beverages, and overall premiumization.
- **Expanding distribution reach:** Nestle added over 800 distribution touchpoints, including cash distributors, re-distributors and wholesale hubs. During the quarter, village coverage has increased by 5,000 to ~ 205,000 villages. Nestle has expanded its footprint by introducing new SKUs in the USA, Canada, the Middle East and North Africa markets.
- **Commodity prices** are seeing unprecedented headwinds in coffee and cocoa, with prices hitting all-time highs. Cereals and grains are going through a structural cost increase, driven by MSP. There is relative stability in milk prices, packaging and edible oils.
- **Update on JV with Dr. Reddy's:** Nestlé has acquired 49,000 equity shares of INR10 each in Dr. Reddy's and Nestlé Health Science" (formerly Dr. Reddy's Nutraceuticals) from Dr. Reddy's Labs. Following this acquisition, Nestlé now holds 49% of the share capital, while DRL retains 51%.

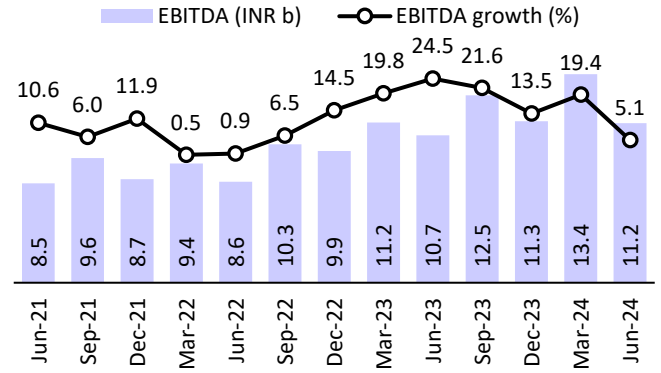
Key Exhibits

Exhibit 1: Net sales up 4% YoY to INR47.9b



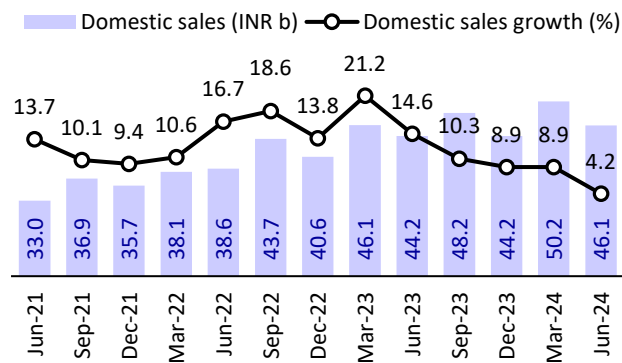
Sources: Company reports, MOFSL

Exhibit 2: EBITDA rose 5% YoY to INR11.2b



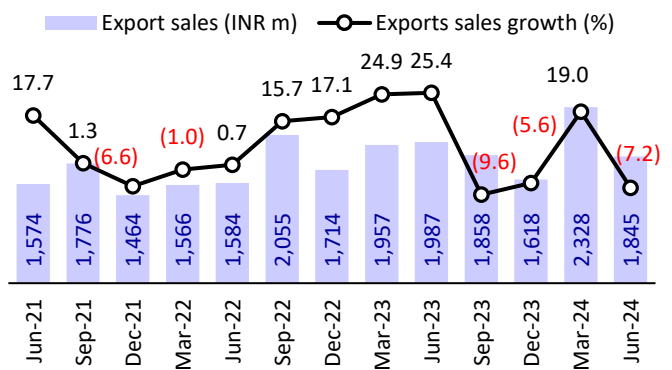
Source: Company reports, MOFSL

Exhibit 3: Domestic sales rose 4% YoY to INR46.1b



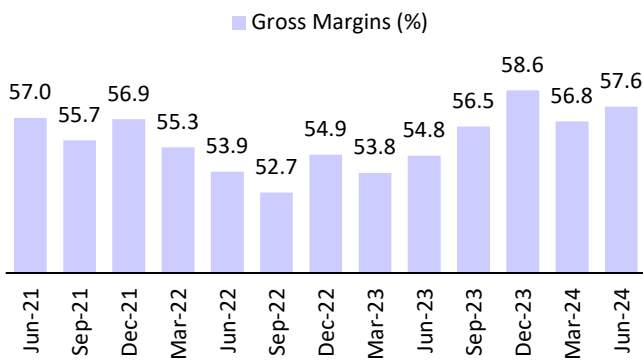
Sources: Company reports, MOFSL

Exhibit 4: Exports sales declined 7% YoY to INR1,845m



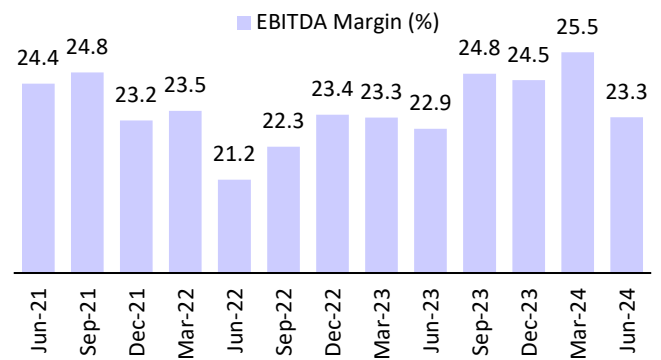
Sources: Company reports, MOFSL

Exhibit 5: Gross margin expanded 280bp YoY to 57.6%



Sources: Company reports, MOFSL

Exhibit 6: EBITDA margin expanded ~40bp YoY to 23.3%



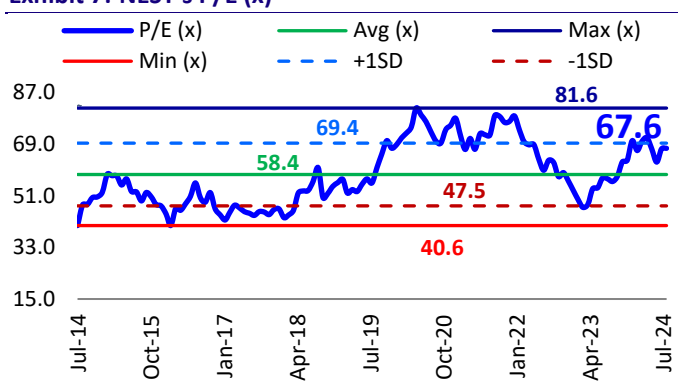
Sources: Company reports, MOFSL

Valuation and view

Reiterate Neutral rating

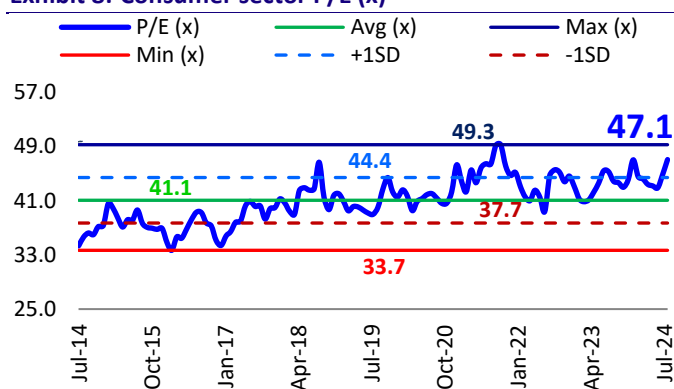
- There are no material changes to our FY25 and FY26 EPS estimates.
- The company has been focusing on its RURBAN strategy; hence, growth was higher in RURBAN markets. Most of Nestlé’s categories have been reaping the benefits of distribution penetration. Packaged food penetration has improved in the tier-2 and rural markets.
- The GM trajectory has been volatile over the last three years. It was 57% in CY21, which then dropped to 54% in CY22. Owing to benign raw material inflation, GM expanded in CY23. We estimate ~56% margin in FY25/FY26.
- Nestlé’s portfolio is relatively safe from local competition; thus, operating costs have not accelerated unlike its FMCG peers. We believe the company will be able to sustain its EBITDA margin at ~25% for FY25/FY26.
- The stock trades at expensive valuations of 67x/61x FY25E/FY26E EPS. **We reiterate our Neutral rating with a TP of INR2,500 (based on 60x P/E Jun’26E).**

Exhibit 7: NEST’s P/E (x)



Sources: Company reports, MOFSL

Exhibit 8: Consumer sector P/E (x)



Sources: Company reports, MOFSL

Exhibit 9: No material changes to our estimates

	Old		New		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	210.3	233.1	211.7	234.7	-0.7	-0.7
EBITDA	52.4	58.7	52.7	59.2	-0.5	-0.9
PAT	35.5	39.3	35.5	39.7	0.1	-0.9

Source: MOFSL

Financials and valuations

Income Statement							(INR b)	
Y/E March	CY19	CY20	CY21	CY22	FY24*	FY25	FY26E	
Net Sales	123.7	133.5	147.4	169.0	243.9	210.3	233.1	
Change (%)	9.5	7.9	10.4	14.6	15.5	-13.8	10.8	
Gross Profit	71.4	76.8	83.9	91.5	136.9	120.5	133.8	
Margin (%)	57.8	57.5	56.9	54.1	56.1	57.3	57.4	
EBITDA	29.3	32.6	36.0	38.1	59.1	52.4	58.7	
Change (%)	6.1	11.4	10.2	6.1	23.9	-11.3	11.9	
Margin (%)	23.7	24.4	24.4	22.6	24.2	24.9	25.2	
Depreciation	3.2	3.7	3.9	4.0	5.4	4.7	5.7	
Int. and Fin. Ch.	1.2	1.6	2.0	1.5	1.5	1.2	1.3	
Other Inc.- Rec.	2.5	1.5	1.2	1.0	1.5	1.4	1.4	
PBT	27.4	28.7	31.2	33.6	53.7	47.9	53.0	
Change (%)	6.5	4.9	8.7	7.5	60.0	-10.8	10.6	
Margin (%)	22.1	21.5	21.2	19.9	22.0	22.8	22.7	
Tax	7.1	7.3	7.4	8.7	13.6	11,832	13,111	
Tax Rate (%)	25.8	25.4	23.7	25.8	25.2	24.7	24.7	
Adjusted PAT	19.9	21.0	23.3	24.4	39.6	35.5	39.3	
Change (%)	15.8	5.1	11.2	4.5	30.0	-10.2	10.7	
Margin (%)	16.1	15.7	15.8	14.4	16.2	16.9	16.9	
Reported PAT	19.7	20.8	21.2	23.9	39.3	35.3	39.1	

Balance Sheet							(INR b)	
Y/E March	CY19	CY20	CY21	CY22	FY24*	FY25	FY26E	
Share Capital	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
Reserves	18.4	19.2	19.9	23.6	32.4	39.3	46.9	
Net Worth	19.3	20.2	20.8	24.6	33.4	40.3	47.9	
Loans	0.5	0.3	0.3	0.3	0.3	0.6	0.9	
Capital Employed	19.9	20.5	21.1	24.9	33.7	40.9	48.8	
Gross Block	36.1	40.0	51.2	54.7	64.3	87.7	93.7	
Less: Accum. Depn.	13.8	18.2	21.2	24.3	29.7	34.4	40.1	
Net Fixed Assets	22.3	21.8	29.9	30.4	34.6	53.3	53.6	
Capital WIP	1.4	6.4	2.5	3.6	17.4	2.0	2.0	
Investments	17.5	14.6	7.7	7.8	4.6	4.6	4.6	
Curr. Assets, L&A	29.4	36.0	41.7	47.7	48.6	43.5	57.7	
Inventory	12.8	14.2	15.8	19.3	20.9	23.1	25.6	
Account Receivables	1.2	1.6	1.7	1.9	3.0	2.4	2.6	
Cash and Bank Balance	13.1	17.7	7.4	9.5	7.8	1.6	12.7	
Others	2.2	2.5	16.9	17.1	16.9	16.4	16.7	
Curr. Liab. and Prov.	50.5	58.5	61.0	64.9	71.4	62.5	69.0	
Account Payables	14.9	15.2	17.3	19.3	22.4	18.3	20.3	
Other Liabilities	5.7	8.5	7.1	9.5	14.1	15.5	17.0	
Provisions	29.9	34.9	36.5	36.1	34.9	28.7	31.7	
Net Curr. Assets	-21.2	-22.5	-19.3	-17.2	-22.8	-19.0	-11.3	
Def. Tax Liability	-0.2	0.2	0.3	0.3	-0.1	-0.1	-0.1	
Appl. of Funds	19.9	20.5	21.1	24.9	33.7	40.9	48.8	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	CY19	CY20	CY21	CY22	FY24*	FY25	FY26E
Basic (INR)							
EPS	20.7	21.7	24.2	25.3	41.0	36.8	40.8
Cash EPS	24.0	25.6	28.2	29.4	46.6	41.7	46.8
BV/Share	20.0	20.9	21.6	25.5	34.6	41.8	49.6
DPS	34.2	20.0	20.0	22.0	32.2	29.5	32.6
Payout (%)	165.3	92.0	82.7	87.1	78.4	80.0	80.0
Valuation (x)							
P/E	119.9	114.1	102.6	98.2	60.4	67.3	60.8
Cash P/E	103.5	97.0	87.9	84.3	53.2	59.5	53.1
EV/Sales	19.1	17.7	16.1	14.1	9.8	11.4	10.2
EV/EBITDA	80.7	72.4	66.1	62.3	40.3	45.5	40.5
P/BV	123.8	118.5	114.8	97.3	71.6	59.4	50.0
Dividend Yield (%)	1.4	0.8	0.8	0.9	1.3	1.2	1.3
Return Ratios (%)							
RoE	71.2	106.1	113.6	107.2	136.5	96.4	89.3
RoCE	74.5	112.2	122.0	113.4	140.9	99.2	91.1
Working Capital Ratios							
Debtor (Days)	3.7	4.5	4.1	4.1	4.5	4.1	4.1
Asset Turnover (x)	4.3	6.6	7.1	7.4	8.3	5.6	5.2
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

Y/E March	CY19	CY20	CY21	CY22	FY24*	FY25	FY26E
							(INR b)
OP/(loss) before Tax	26.7	28.1	28.8	32.6	52.9	47.1	52.2
Int./Div. Received	0.0	0.3	0.1	0.2	0.3	1.2	1.3
Depn. and Amort.	3.2	3.7	3.9	4.0	5.4	4.7	5.7
Interest Paid	-2.5	-1.5	-1.3	-0.7	-1.3	-1.4	-1.4
Direct Taxes Paid	-6.7	-7.0	-7.3	-8.4	-13.0	-11.8	-13.1
Incr in WC	1.6	1.0	-1.5	-0.3	-2.5	-5.6	0.5
CF from Operations	22.3	24.5	22.7	27.4	41.7	34.2	45.2
Others	11.7	4.4	8.0	0.9	2.0	-3.1	4.4
Incr in FA	-1.5	-4.7	-7.3	-5.4	-18.8	-8.0	-6.0
Free Cash Flow	20.8	19.8	15.4	22.0	23.0	26.2	39.2
Pur of Investments	-0.2	0.0	-13.5	0.5	4.7	0.0	0.0
CF from Invest.	10.0	-0.4	-12.9	-4.0	-12.1	-11.1	-1.6
Incr in Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	-35.6	-18.9	-19.3	-20.2	-30.1	-28.4	-31.5
Others	0.2	-0.7	-0.9	-1.0	-1.3	-0.9	-1.0
CF from Fin. Activity	-35.4	-19.6	-20.2	-21.2	-31.3	-29.3	-32.4
Incr/Decr of Cash	-3.0	4.6	-10.3	2.1	-1.7	-6.2	11.2
Add: Opening Balance	16.1	13.1	17.7	7.4	9.5	7.8	1.6
Closing Balance	13.1	17.7	7.4	9.5	7.8	1.6	12.7

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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