

India

HOLD (no change)

Consensus ratings*: Buy 21 Hold 14 Sell 5

Current price: Rs1,276
 Target price: ▼ Rs1,375
 Previous target: Rs1,560
 Up/downside: 7.8%
 InCred Research / Consensus: -11.1%

Reuters: NEST.NS
 Bloomberg: NEST IN
 Market cap: US\$25,881m
 Rs2,460,144m
 Average daily turnover: US\$32.6m
 Rs3100.8m
 Current shares o/s: 1,928.3m
 Free float: 37.2%

*Source: Bloomberg

Key changes in this note

- Lower our target price to Rs1,375 from Rs1,560 earlier.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.9)	(10.4)	0.1
Relative (%)	(7.8)	(6.9)	12.4

Major shareholders	% held
Promoters	62.8
LIC	4.9
Vanguard Group	2.1

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Nestle India Ltd

Today's growth, tomorrow's high base

- Nestle India posted 20.5% yoy sales growth in 2QFY27 led by 20.4%/22% yoy growth in domestic/export sales. Volume growth is estimated at ~12%.
- The low base tailwind is fading & Nestle India starts cycling a high base from 3Q. FSSAI action on infant formula and dairy whitener adds an overhang.
- We expect growth to normalise from 2HFY27F as the low base tailwind fades. We retain our HOLD rating on Nestle India with a lower TP of Rs1,375.

Another quarter of strong double-digit volume growth

Nestle India's domestic sales in 2QFY27 grew by 20.4% yoy to Rs65.1bn, while exports grew by 22% yoy to Rs2.6bn. Volume growth came in around ~12%, vs. ~11% in 1QFY26 and in low single-digit through FY26. All categories pulled their weight. Confectionery led on volumes as Kitkat gained market share and festive bets such as the one done during Onam which drove Munch and Milkybar brands. Coffee Nescafe Classic and the relaunched Nescafe Sunrise fared well, Nescafe Gold grew in strong double digits and RTD was scaled up. Maggi deepened rural penetration, nutrition portfolio improved sequentially with toddler products gaining share, and pet food grew in double digits. E-commerce channel saw strong growth, led by quick commerce. General trade posted double-digit growth across town classes.

Gross margin tailwind fades; margins likely to be rangebound

Gross margin expanded 260bp yoy (~30bp qoq) to 56.9% in 2QFY27, after six straight quarters of yoy decline up to 4QFY26. Part of the gains were reinvested, with other expenses up 30% yoy (+180bp at 24.7% of sales) on higher A&P spending. Management has flagged food inflation as a potential risk. Sugar & edible oils prices stable at elevated levels, cocoa is volatile and milk is seasonally firm, while coffee and wheat are range-bound. With advertising intensity remaining elevated, we see limited room for further margin expansion.

FSSAI cases on infant formula and other products add an overhang

In Sep 2026, FSSAI filed three cases against Nestle India over promotional claims on NAN Excella Pro and Lactogen Pro, and a formula that failed on biotin. In Oct 2026, it declared a low-fat dairy whitener sample unsafe in a dispute over phosphorus limits and for Celevida GLP+ over misleading health claims. Nestle India disputes these, and any potential fines are likely to be negligible in the overall scheme of things. The real drag, if any, will be a slower revival in nutrition, which had just started recovering sequentially.

Retain HOLD rating with a lower target price of Rs1,375

The GST cut-led volume boost has held up better than expected. But on a high base, where 2HFY26 sales were up +21% yoy vs +8.3% in 1HFY26, we expect the momentum to slow down. We retain our HOLD rating on Nestle India with a lower target price of Rs1,375 (65x Sep 2028F EPS), from Rs1,560 earlier. Upside risk: Sustained double-digit volume growth delivery despite a higher base going ahead. Downside risks: Demand slowdown and input cost volatility.

Financial Summary	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
Revenue (Rsm)	202,016	231,546	262,640	287,643	315,688
Operating EBITDA (Rsm)	47,696	51,935	61,265	69,445	78,310
Net Profit (Rsm)	30,237	33,112	39,300	45,247	51,382
Core EPS (Rs)	15.7	17.2	20.4	23.5	26.6
Core EPS Growth	(23.0%)	9.5%	18.7%	15.1%	13.6%
FD Core P/E (x)	81.36	74.30	62.60	54.37	47.88
DPS (Rs)	13.3	14.5	17.3	19.9	22.6
Dividend Yield	1.00%	0.94%	1.35%	1.56%	1.77%
EV/EBITDA (x)	51.80	47.20	40.01	35.26	31.21
P/FCFE (x)	161.37	73.96	73.76	59.69	51.22
Net Gearing	26.0%	(16.9%)	(15.1%)	(17.8%)	(21.8%)
P/BV (x)	59.75	46.34	41.62	37.26	33.29
ROE	81.1%	70.3%	70.1%	72.3%	73.4%
% Change In Core EPS Estimates			(2.48%)	(2.23%)	(2.04%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Today's growth, tomorrow's high base

Figure 1: Quarterly result summary – standalone

Y/E Mar (Rs. m)	2QFY26	1QFY27	2QFY27	YoY (%)	QoQ (%)	1HFY26	1HFY27	Gr. (%)
Revenue	56,436	63,782	67,883	20.3	6.4	1,07,398	1,31,665	22.6
Expenditure	44,070	48,401	51,729	17.4	6.9	84,029	1,00,129	19.2
Consumption of raw materials	25,781	27,270	29,244	13.4	7.2	48,635	56,513	16.2
as % of sales	45.7	42.8	43.1			45.3	42.9	
Employee costs	5,367	5,706	5,687	6.0	-0.3	10,524	11,393	8.3
as % of sales	9.5	8.9	8.4			9.8	8.7	
Other expenditure	12,922	15,425	16,798	30.0	8.9	24,870	32,223	29.6
as % of sales	22.9	24.2	24.7			23.2	24.5	
EBITDA	12,366	15,381	16,155	30.6	5.0	23,369	31,536	34.9
Depreciation	1,634	1,878	1,924	17.8	2.5	3,203	3,802	18.7
EBIT	10,733	13,503	14,231	32.6	5.4	20,166	27,734	37.5
Other income	16	225	203	1135.4	-9.8	57	427	652.3
Interest	464	422	403	-13.2	-4.5	933	825	-11.6
PBT	10,285	13,306	14,031	36.4	5.4	19,290	27,337	41.7
Total tax	2,753	3,493	3,726	35.3	6.7	5,166	7,219	39.7
Adjusted PAT	7,532	9,814	10,305	36.8	5.0	14,124	20,118	42.4
Extraordinary items	0	62	37	NA	-40.8	0	99	NA
Reported PAT	7,532	9,751	10,268	36.3	5.3	14,124	20,019	41.7
Adjusted EPS	3.9	5.1	5.3	36.8	5.0	7.3	10.4	42.4

Margins (%)	2QFY26	1QFY27	2QFY27	YoY (bp)	QoQ (bp)	1HFY26	1HFY27	(bp)
Gross margin	54.3	57.2	56.9	260	-30	54.7	57.1	240
EBITDA	21.9	24.1	23.8	190	-30	21.8	24.0	220
EBIT	19.0	21.2	21.0	190	-20	18.8	21.1	230
EBT	18.2	20.9	20.7	240	-20	18.0	20.8	280
PAT	13.3	15.4	15.2	180	-20	13.2	15.3	210
Effective tax rate	26.8	26.2	26.6	-20	30	26.8	26.4	-40

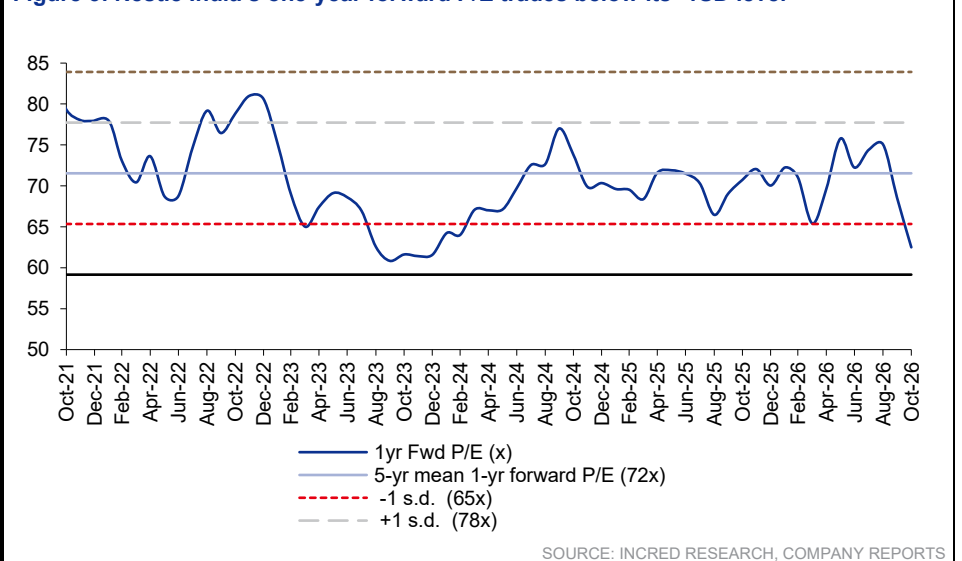
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Y/E Mar (Rs. m)	FY27F			FY28F			FY29F		
	Previous	Revised	% Change	Previous	Revised	% Change	Previous	Revised	% Change
Net revenue	2,62,640	2,62,640	-	2,87,643	2,87,643	-	3,15,688	3,15,688	-
EBITDA	62,651	61,265	(2.2)	70,895	69,445	(2.0)	79,814	78,310	(1.9)
EBITDA Margin (%)	23.9	23.3	-50bp	24.6	24.1	-50bp	25.3	24.8	-50bp
Net Profit	40,306	39,300	(2.5)	46,303	45,247	(2.3)	52,814	51,382	(2.7)
EPS	20.9	20.4	(2.5)	24.0	23.5	(2.2)	27.2	26.6	(2.0)

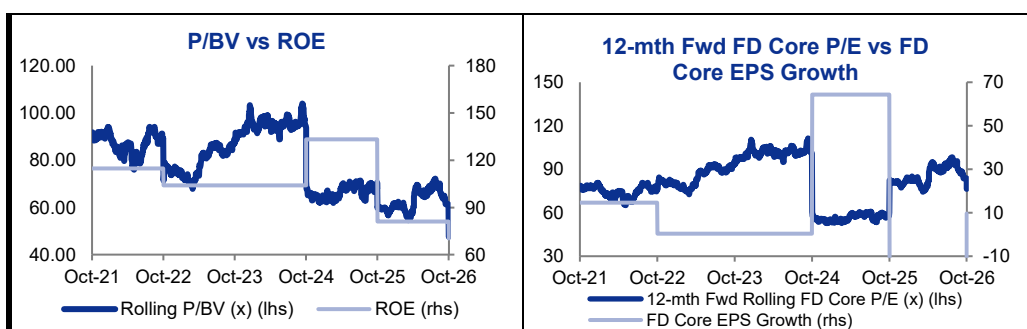
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Nestle India's one-year forward P/E trades below its -1SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
Total Net Revenues	202,016	231,546	262,640	287,643	315,688
Gross Profit	114,518	128,133	147,604	163,381	179,626
Operating EBITDA	47,696	51,935	61,265	69,445	78,310
Depreciation And Amortisation	(5,399)	(6,992)	(7,925)	(8,579)	(9,243)
Operating EBIT	42,297	44,942	53,340	60,866	69,067
Financial Income/(Expense)	(730)	(1,180)	(800)	(375)	(375)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	41,567	43,763	52,540	60,491	68,692
Exceptional Items					
Pre-tax Profit	41,567	43,763	52,540	60,491	68,692
Taxation	(11,330)	(10,651)	(13,240)	(15,244)	(17,310)
Exceptional Income - post-tax					
Profit After Tax	30,237	33,112	39,300	45,247	51,382
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	30,237	33,112	39,300	45,247	51,382
Recurring Net Profit	30,237	33,112	39,300	45,247	51,382
Fully Diluted Recurring Net Profit	30,237	33,112	39,300	45,247	51,382

Cash Flow

(Rs mn)	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
EBITDA	47,696	51,935	61,265	69,445	78,310
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,664)	6,199	1,868	3,651	4,204
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	630	404	450	825	825
Net Interest (Paid)/Received	(1,360)	(1,583)	(1,250)	(1,200)	(1,200)
Tax Paid	(11,330)	(10,651)	(13,240)	(15,244)	(17,310)
Cashflow From Operations	31,972	46,303	49,093	57,477	64,829
Capex	(22,533)	(5,813)	(11,840)	(12,363)	(12,894)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(2,417)		(4,000)	(4,000)	(4,000)
Other Investing Cashflow					
Cash Flow From Investing	(24,950)	(5,813)	(15,840)	(16,363)	(16,894)
Debt Raised/(repaid)	8,223	(7,227)	100	100	100
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(24,586)	(23,140)	(33,286)	(38,324)	(43,519)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(16,363)	(30,367)	(33,186)	(38,224)	(43,419)
Total Cash Generated	(9,341)	10,123	67	2,890	4,516
Free Cashflow To Equity	15,245	33,263	33,353	41,214	48,035
Free Cashflow To Firm	8,382	42,073	34,503	42,314	49,135

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
Total Cash And Equivalents	957	13,409	13,475	16,366	20,881
Total Debtors	3,632	3,295	3,238	3,546	3,892
Inventories	28,501	25,692	19,428	21,278	23,352
Total Other Current Assets	16,632	16,146	16,785	16,922	17,075
Total Current Assets	49,721	58,542	52,926	58,112	65,201
Fixed Assets	69,153	67,974	71,889	75,673	79,325
Total Investments	7,056	7,056	11,056	15,056	19,056
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	76,209	75,030	82,945	90,729	98,381
Short-term Debt	8,028	863	863	863	863
Current Portion of Long-Term Debt					
Total Creditors	23,735	29,667	31,448	34,075	37,070
Other Current Liabilities	39,094	43,671	31,448	34,075	37,070
Total Current Liabilities	70,858	74,201	63,759	69,013	75,003
Total Long-term Debt	3,640	3,578	3,678	3,778	3,878
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	3,640	3,578	3,678	3,778	3,878
Total Provisions	33,997	32,367	40,776	44,095	47,878
Total Liabilities	108,494	110,146	108,213	116,886	126,759
Shareholders Equity	41,171	53,092	59,106	66,030	73,892
Minority Interests					
Total Equity	41,171	53,092	59,106	66,030	73,892

Key Ratios

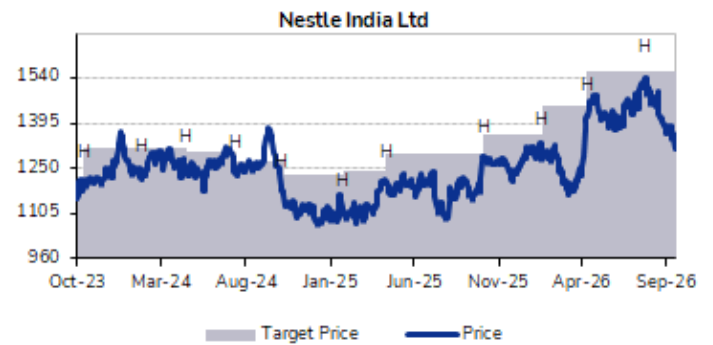
	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
Revenue Growth	(17.2%)	14.6%	13.4%	9.5%	9.7%
Operating EBITDA Growth	(18.0%)	8.9%	18.0%	13.4%	12.8%
Operating EBITDA Margin	23.6%	22.4%	23.3%	24.1%	24.8%
Net Cash Per Share (Rs)	(5.56)	4.65	4.63	6.08	8.37
BVPS (Rs)	21.35	27.53	30.65	34.24	38.32
Gross Interest Cover	31.10	28.39	42.67	50.72	57.56
Effective Tax Rate	27.3%	24.3%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	81.3%	69.9%	84.7%	84.7%	84.7%
Accounts Receivables Days	6.00	5.46	4.54	4.30	4.30
Inventory Days	103.03	95.64	71.58	59.78	59.86
Accounts Payables Days	96.18	94.24	96.95	96.23	95.43
ROIC (%)	76.8%	113.0%	110.1%	123.5%	139.5%
ROCE (%)	102.4%	87.2%	99.4%	114.4%	113.8%
Return On Average Assets	26.8%	26.4%	29.8%	32.0%	33.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Recommendation history table

Date	Recommendation	Target Price	% Chg.
5-Aug-26	Hold	1,560	7.6
22-Apr-26	Hold	1,450	6.6
31-Jan-26	Hold	1,360	4.6
17-Oct-25	Hold	1,300	4.6
25-Apr-25	Hold	1,243	1.0
5-Feb-25	Hold	1,230	-3.1
18-Oct-24	Hold	1,270	-2.7
25-Jul-24	Hold	1,305	-1.0
26-Apr-24	Hold	1,318	0.0
8-Feb-24	Hold	1,318	8.8
26-Oct-23	Hold	1,212	

Recommendation history chart



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Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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