

April 25, 2025

Q4FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,559		2,546	
Sales (Rs. m)	2,20,595	2,44,784	2,23,584	2,48,022
% Chng.	(1.3)	(1.3)		
EBITDA (Rs. m)	52,029	58,221	52,354	58,048
% Chng.	(0.6)	0.3		
EPS (Rs.)	34.4	37.4	35.4	38.3
% Chng.	(2.7)	(2.5)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. bn)	244	202	221	245
EBITDA (Rs. bn)	58	48	52	58
Margin (%)	24.0	23.6	23.6	23.8
PAT (Rs. bn)	40	30	33	36
EPS (Rs.)	41.0	31.4	34.4	37.4
Gr. (%)	62.2	(23.5)	9.8	8.5
DPS (Rs.)	31.2	25.5	29.5	35.0
Yield (%)	1.3	1.0	1.2	1.4
RoE (%)	136.2	81.1	76.8	78.0
RoCE (%)	181.2	102.7	89.4	79.5
EV/Sales (x)	9.6	11.6	10.7	9.6
EV/EBITDA (x)	40.0	49.3	45.2	40.6
PE (x)	59.4	77.6	70.7	65.1
P/BV (x)	70.2	57.0	51.8	49.8

Key Data

NEST.BO | NEST IN

52-W High / Low	Rs.2,778 / Rs.2,110
Sensex / Nifty	79,801 / 24,247
Market Cap	Rs.2,346bn / \$ 27,513m
Shares Outstanding	964m
3M Avg. Daily Value	Rs.1832.91m

Shareholding Pattern (%)

Promoter's	62.76
Foreign	10.01
Domestic Institution	11.31
Public & Others	15.91
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.5	7.7	(2.7)
Relative	5.0	8.1	(9.9)

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Growth outlook improves, valuations cap upside

Quick Pointers:

- Volumes up 2%, Gross and EBITDA margin decline of 60/20bps much lower than expected, showing the impact of price hikes
- Nescafe, Milkmaid, Masala-Ae-Magic, Petcare reported double-digit growth while KitKat reported high-single digit growth

NESTLE saw a decent quarter with margin beat as calibrated price hikes neutralized the impact of high inflation in coffee and cocoa. Although demand remains weak, there seems QoQ improvement across segments. Although we expect gradual pick up in volume growth, high input cost inflation in coffee & cocoa and rising competition Instant Noodles (60% of tonnage volumes) are key near-term challenges.

Long term drivers remain intact, led by 1) sustained innovation pipeline 2) focus on premiumization 3) huge scope of growth in coffee, RTD & Chocolates 4) higher growth in channels like E-Com (8.5% of sales) and MT and 5) likely benefits from capex done in past couple of years.

We cut FY26/FY27 estimates by 2.7/2.5% given 1) likely margin headwinds from high prices of key inputs like cereals, edible oil, coffee & cocoa and 2) rising competition in Instant Noodles. We rollover and increase DCF based target price to Rs. 2559 (Rs.2546 earlier). We expect back ended returns given valuations of 65x FY27 EPS. Retain Accumulate.

Sales up by 4.5%, PAT down by 4.2%: Revenues grew by 4.5% YoY to Rs55bn (PLe: Rs55.8bn) with domestic sales up 4.2% while export sales declined 8.7%. Gross margins contracted 63bps YoY to 56.2% (PLe: 55.6%). EBITDA grew by 2.9% YoY to Rs13.9bn (PLe:Rs13.12bn); Margins contracted by 39bps YoY to 25.2% (PLe:23.5%). Adjusted PAT declined by 4.2% YoY to Rs8.9bn (PLe:Rs 8.4bn). Odisha factory, with an initial investment of ~Rs9bn, is in its first phase, to manufacture products from foods (Prepared Dishes and Cooking Aids) portfolio.

- NESCAFÉ** delivered high double-digit growth led by pricing and continued traction in RTD segment and new customer addition. NESCAFÉ Classic, NESCAFÉ Sunrise, and NESCAFÉ GOLD, reported double-digit growth. NESPRESSO added its first outlet in Delhi.
- Confectionary** grew at high-single digit in both volume and value driven by traction in KITKAT and distribution gains as India emerged as the second largest for KitKat globally. . During FY25, Nestle launched KITKAT Raspberry, MUNCH Maxx Nuts, KITKAT Salted Caramel.
- MILKMAID** delivered strong growth with Nestlé a+ expanding its yoghurt range with the launch of unsweetened low fat Greek yoghurt.
- Maggi** returned to volume growth with Masala-Ae-Magic demonstrating outperformance led by innovations like besan noodles.

- The **Petcare business** reported high double-digit growth with PURINA FELIX and FRISKIES cat food brands achieving high growth. PURINA PRO PLAN dog food continued to see traction amongst pet owners.

Strong Distribution network: E-Com/Q-com growth continued to accelerate and contributed to 8.5% of domestic sales. Nestle continued to expand its global footprint by introducing new SKUs across categories to Canada, Middle East, Maldives and Papua New Guinea. while it saw a decline in North America. Commodity headwinds in green coffee impacted growth in coffee exports.

Out-of-Home (OOH) business delivered strong double-digit growth and is emerging as one of the fastest growing businesses. OOH business has recently forayed into the 'cocoa-based spreads category' with the launch of KITKAT Professional Spread that can be used by chefs in hot and cold dessert.

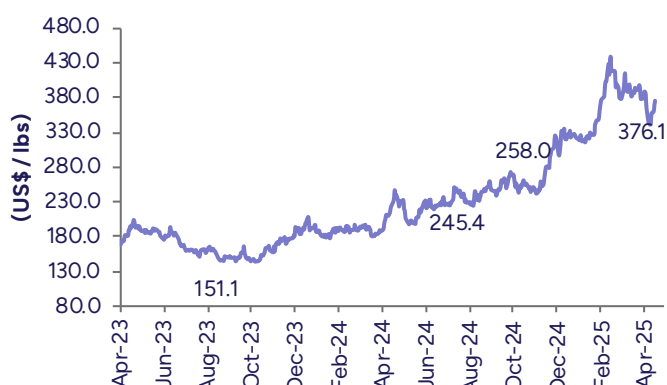
Rising RM costs can affect GM in the near term: Commodity prices continue to be firm for coffee and cocoa. Coffee prices are up 36% QoQ, Cocoa prices have corrected but remain at elevated levels. Prices continue to remain stable for edible oils while milk prices have cyclically firmed up with the onset of summers. Sugar prices are also firm and up 5% QoQ.

Exhibit 1: 4QFY25: Revenue up 4.5% YoY; Gross margins/EBITDA margins contract 60bps/151bps YoY.

Y/e March (Rs mn)	4QFY25	4QFY24	YoY gr. (%)	3QFY25	QoQ gr. (%)	FY25	FY24	YoY gr. (%)
Net Sales	55,039	52,676	4.5	47,797	15.2	2,02,016	1,95,634	3.3
Gross Profit	30,914	29,917	3.3	26,952	14.7	1,14,518	1,10,863	3.3
% of NS	56.2	56.8	-0.6	56.4	-0.2	56.7	56.7	0.0
Other Expenses	17,025	16,417	3.7	15,924	6.9	66,781	63,434	5.3
EBITDA	13,890	13,501	2.9	11,027	26.0	47,737	47,430	0.6
Margins (%)	25.2	25.6	-0.4	23.1	2.2	23.6	24.2	-0.6
Depreciation	1,553	1,101	41.1	1,325	17.2	5,399	4,547	18.7
Interest	375	262	43.1	346	8.4	1,360	1,085	25.4
Other Income	84	268	(68.4)	44	90.1	589	1,143	(48.5)
PBT	12,046	12,405	(2.9)	9,400	28.1	41,567	42,940	(3.2)
Tax	3,192	3,164	0.9	2,261	41.1	11,331	11,022	2.8
Effective tax rate (%)	26.5	25.5	1.0	24.1	2.4	27.3	25.7	1.6
Adjusted PAT	8,854	9,241	(4.2)	7,139	24.0	30,236	31,918	(5.3)

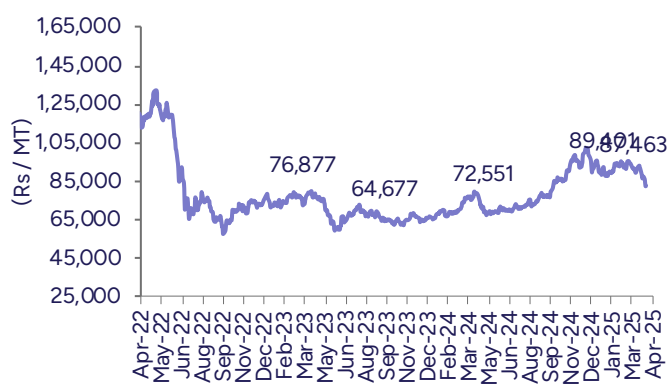
Source: Company, PL,

Exhibit 2: Coffee prices inch up 103.4%YoY & 36.2% QoQ



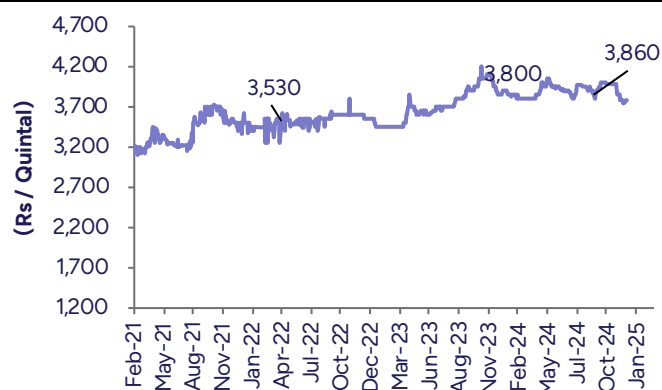
Source: Company, PL

Exhibit 3: Palmoil up 31.3% YoY and down 1.0% QoQ



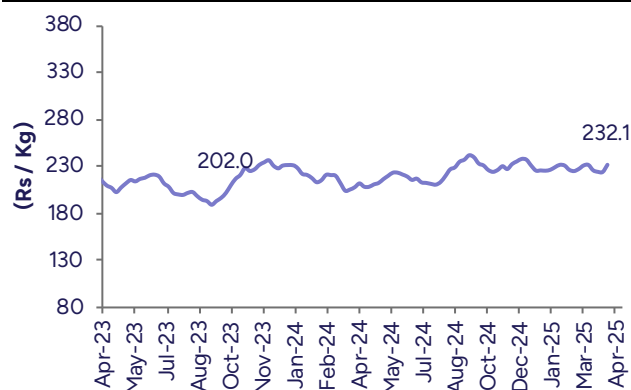
Source: Company, PL

Exhibit 4: Sugar prices up 5.9% YoY and 5.0% QoQ



Source: Company, PL

Exhibit 5: SMP prices up 3.4% YoY & down 1.3% QoQ



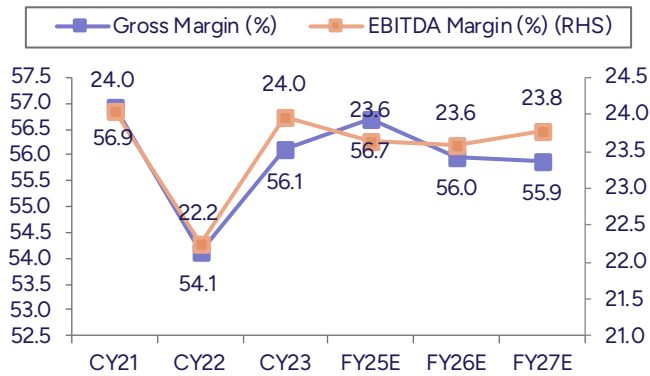
Source: Bloomberg, PL

Exhibit 6: Beverages and Chocolates to drive long term volume growth

Y/e March	CY21	CY22	15MFY24	FY25	FY26	FY27
Milk Products						
Volume (MT)	134669	134034	168143	131152	133119	135981
Volume growth	-2.7%	-0.5%	25.4%	-2.5%	1.5%	2.2%
Sales Value (Rs m)	62686	68157	98687	77394	82483	88469
Growth in Value	1.9%	8.73%	44.8%	-2.1%	6.6%	7.3%
% of sales	42.7%	40.6%	40.7%	38.5%	37.6%	36.3%
Beverages						
Volume (MT)	24507	28020	38039	31344	34008	37069
Value (Rs m)	16918	20188	30207	27173	30072	33762
Growth in Volume	18.0%	14.3%	35.8%	3.0%	8.5%	9.0%
Growth in Value	14.6%	19.3%	49.6%	11.2%	10.7%	12.3%
%Sales	11.5%	12.0%	12.4%	13.5%	13.7%	13.9%
Prepared Dishes & Cooking Aids						
Volume (MT)	329567	348225	442827	357804	393585	432943
Value (Rs m)	45813	53006	73914	61100	68555	77861
Growth in Volume	17.1%	5.7%	27.2%	1.0%	10.0%	10.0%
Growth in Value	17.1%	15.7%	39.4%	2.0%	12.2%	13.6%
%Sales	31.2%	31.6%	30.4%	30.4%	31.2%	32.0%
Chocolate & Confectionery						
Volume (MT)	55648	62401	85934	69778	76058	83664
Value (Rs.mn)	21231	26545	39947	33554	38402	43510
Realisation (Rs./Kg)	382	425	465	481	505	520
Growth in volume	10.5%	12.1%	37.7%	1.5%	9.0%	10.0%
Growth in Value	21.0%	25.0%	50.5%	4.0%	14.5%	13.3%
Growth in Realisations	9.5%	11.5%	9.3%	2.5%	5.0%	3.0%
% Sales	14%	16%	16%	17%	17%	18%

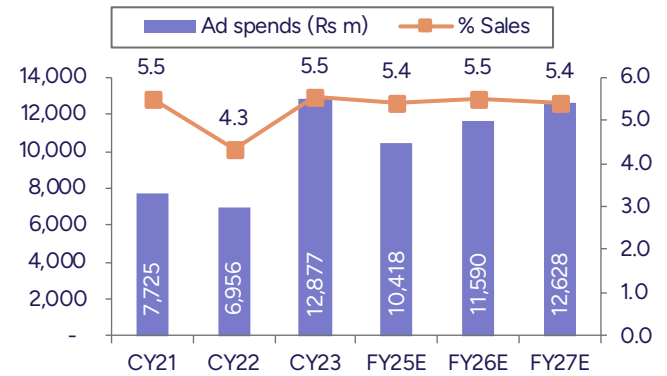
Source: Company, PL, * NEST changed year ended from Dec to March in CY23

Exhibit 7: Further scope of GM expansion remains limited



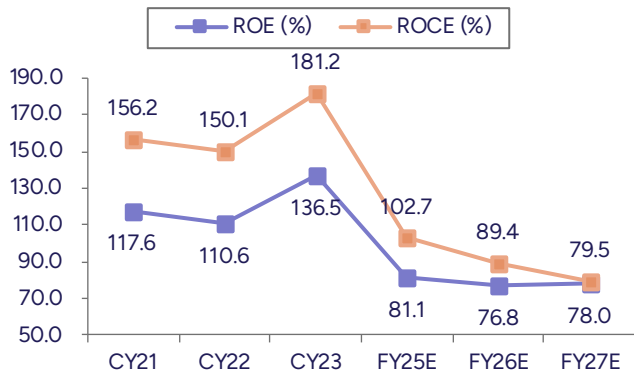
Source: Company, PL

Exhibit 8: Ad spends to remain range-bound



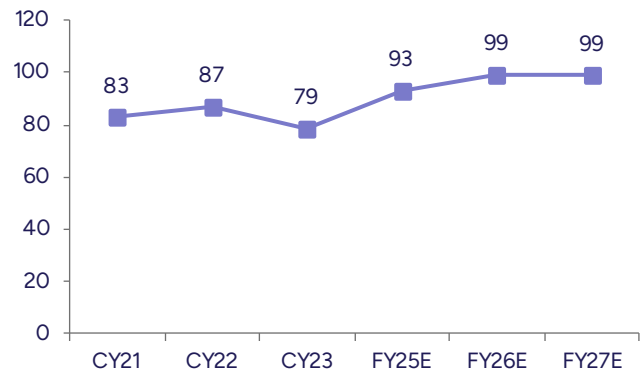
Source: Company, PL

Exhibit 9: ROE and ROCE remain healthy



Source: Company, PL

Exhibit 10: Expect higher dividend payout



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	2,43,939	2,02,016	2,20,595	2,44,784
YoY gr. (%)	44.4	(17.2)	9.2	11.0
Cost of Goods Sold	1,07,086	87,498	97,132	1,07,987
Gross Profit	1,36,853	1,14,517	1,23,464	1,36,796
Margin (%)	56.1	56.7	56.0	55.9
Employee Cost	23,361	20,237	21,293	23,386
Other Expenses	27,968	23,259	24,974	27,222
EBITDA	58,490	47,737	52,029	58,221
YoY gr. (%)	55.6	(18.4)	9.0	11.9
Margin (%)	24.0	23.6	23.6	23.8
Depreciation and Amortization	5,378	5,399	6,623	7,649
EBIT	53,113	42,338	45,405	50,572
Margin (%)	21.8	21.0	20.6	20.7
Net Interest	1,455	1,360	1,402	3,114
Other Income	1,480	589	555	903
Profit Before Tax	53,070	41,567	44,558	48,362
Margin (%)	21.8	20.6	20.2	19.8
Total Tax	13,560	11,330	11,362	12,332
Effective tax rate (%)	25.6	27.3	25.5	25.5
Profit after tax	39,510	30,237	33,196	36,030
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	39,510	30,237	33,196	36,030
YoY gr. (%)	62.2	(23.5)	9.8	8.5
Margin (%)	16.2	15.0	15.0	14.7
Extra Ord. Income / (Exp)	(292)	2,908	-	-
Reported PAT	39,218	33,145	33,196	36,030
YoY gr. (%)	62.1	(15.5)	0.2	8.5
Margin (%)	16.1	16.4	15.0	14.7
Other Comprehensive Income	(318)	(796)	(500)	(500)
Total Comprehensive Income	38,899	32,349	32,696	35,530
Equity Shares O/s (m)	964	964	964	964
EPS (Rs)	41.0	31.4	34.4	37.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	85,568	1,11,102	1,27,331	1,47,025
Tangibles	85,568	1,11,102	1,27,331	1,47,025
Intangibles	-	-	-	-
Acc: Dep / Amortization	50,966	56,366	62,989	70,638
Tangibles	50,966	56,366	62,989	70,638
Intangibles	-	-	-	-
Net fixed assets	34,602	54,736	64,343	76,387
Tangibles	34,602	54,736	64,343	76,387
Intangibles	-	-	-	-
Capital Work In Progress	17,417	11,726	17,000	10,000
Goodwill	-	-	-	-
Non-Current Investments	4,884	7,691	6,724	6,804
Net Deferred tax assets	(120)	(536)	114	237
Other Non-Current Assets	13,380	11,745	10,976	21,924
Current Assets				
Investments	6,523	-	-	9,257
Inventories	20,894	28,501	23,938	26,455
Trade receivables	3,005	3,632	2,526	2,803
Cash & Bank Balance	1,665	955	749	1,959
Other Current Assets	2,288	3,902	4,292	4,721
Total Assets	1,05,230	1,23,238	1,31,065	1,60,992
Equity				
Equity Share Capital	964	964	964	964
Other Equity	32,445	40,207	44,361	46,145
Total Networth	33,409	41,171	45,325	47,109
Non-Current Liabilities				
Long Term borrowings	255	225	225	20,000
Provisions	29,172	30,901	32,392	34,029
Other non current liabilities	2,714	3,552	5,764	7,720
Current Liabilities				
ST Debt / Current of LT Debt	57	7,309	7,309	7,309
Trade payables	22,379	26,238	25,281	28,106
Other current liabilities	17,125	13,307	14,771	16,720
Total Equity & Liabilities	1,05,231	1,23,239	1,31,066	1,60,993

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	53,094	44,475	44,558	48,362
Add. Depreciation	5,378	5,399	6,623	7,649
Add. Interest	1,455	1,360	1,402	3,114
Less Financial Other Income	1,480	589	555	903
Add. Other	(4,228)	(906)	1,595	(10,144)
Op. profit before WC changes	55,698	50,328	54,178	48,981
Net Changes-WC	9,417	(3,057)	5,703	(7,780)
Direct tax	(13,560)	(11,330)	(11,362)	(12,332)
Net cash from Op. activities	51,555	35,941	48,518	28,869
Capital expenditures	(23,376)	(19,842)	(21,504)	(12,693)
Interest / Dividend Income	2,620	4,737	1,638	2,085
Others	1,363	(2,817)	1,056	-
Net Cash from Inv. activities	(19,393)	(17,922)	(18,810)	(10,608)
Issue of share cap. / premium	87	(1)	(99)	-
Debt changes	11	7,222	-	19,775
Dividend paid	(30,082)	(24,586)	(28,443)	(33,746)
Interest paid	(1,455)	(1,360)	(1,402)	(3,114)
Others	-	-	-	-
Net cash from Fin. activities	(31,438)	(18,724)	(29,944)	(17,084)
Net change in cash	724	(705)	(235)	1,177
Free Cash Flow	28,179	16,099	27,014	16,176

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	41.0	31.4	34.4	37.4
CEPS	46.6	37.0	41.3	45.3
BVPS	34.7	42.7	47.0	48.9
FCF	29.2	16.7	28.0	16.8
DPS	31.2	25.5	29.5	35.0
Return Ratio(%)				
RoCE	181.2	102.7	89.4	79.5
ROIC	54.7	34.6	34.8	33.8
RoE	136.2	81.1	76.8	78.0
Balance Sheet				
Net Debt : Equity (x)	(0.2)	0.2	0.1	0.3
Net Working Capital (Days)	2	11	2	2
Valuation(x)				
PER	59.4	77.6	70.7	65.1
P/B	70.2	57.0	51.8	49.8
P/CEPS	46.6	37.0	41.3	45.3
EV/EBITDA	40.0	49.3	45.2	40.6
EV/Sales	9.6	11.6	10.7	9.6
Dividend Yield (%)	1.3	1.0	1.2	1.4

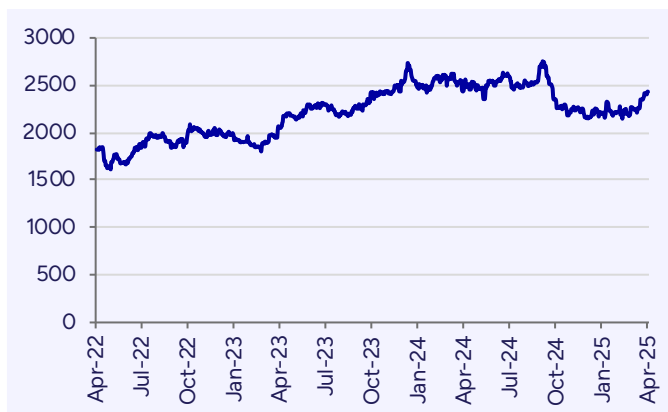
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	48,140	51,040	47,797	55,039
YoY gr. (%)	3.3	1.3	3.9	4.5
Raw Material Expenses	20,388	22,139	20,846	24,124
Gross Profit	27,751	28,901	26,952	30,914
Margin (%)	57.6	56.6	56.4	56.2
EBITDA	11,023	11,677	11,027	13,890
YoY gr. (%)	4.1	(5.0)	(0.9)	3.8
Margin (%)	22.9	22.9	23.1	25.2
Depreciation / Depletion	1,127	1,216	1,325	1,553
EBIT	9,896	10,461	9,702	12,336
Margin (%)	20.6	20.5	20.3	22.4
Net Interest	317	322	346	375
Other Income	391	69	44	84
Profit before Tax	9,971	10,208	9,400	12,046
Margin (%)	20.7	20.0	19.7	21.9
Total Tax	2,625	2,613	2,261	3,192
Effective tax rate (%)	26.3	25.6	24.1	26.5
Profit after Tax	7,346	7,595	7,139	8,854
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	7,346	7,595	7,139	8,854
YoY gr. (%)	4.7	(5.7)	6.0	(4.2)
Margin (%)	15.3	14.9	14.9	16.1
Extra Ord. Income / (Exp)	120	2,269	(178)	-
Reported PAT	7,466	9,864	6,962	8,854
YoY gr. (%)	6.9	8.6	6.2	(5.2)
Margin (%)	15.5	19.3	14.6	16.1
Other Comprehensive Income	11	1	(1,010)	202
Total Comprehensive Income	7,477	9,864	5,952	9,056
Avg. Shares O/s (m)	964	964	964	964
EPS (Rs)	7.6	7.9	7.4	9.2

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-25	Accumulate	2,546	2,275
2	05-Feb-25	Accumulate	2,606	2,300
3	08-Jan-25	Accumulate	2,689	2,220
4	17-Oct-24	Accumulate	2,689	2,379
5	07-Oct-24	Accumulate	2,862	2,598
6	25-Jul-24	Accumulate	2,746	2,481
7	09-Jul-24	Accumulate	2,695	2,574

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,094	2,394
2	Avenue Supermarts	Hold	3,942	4,054
3	Britannia Industries	BUY	5,881	5,179
4	Colgate Palmolive	Hold	2,650	2,440
5	Dabur India	Hold	494	459
6	Emami	Accumulate	709	584
7	Hindustan Unilever	Accumulate	2,667	2,289
8	ITC	Accumulate	524	413
9	Jubilant FoodWorks	Hold	678	682
10	Kansai Nerolac Paints	Accumulate	288	258
11	Marico	Accumulate	672	679
12	Metro Brands	Hold	1,162	1,046
13	Mold-tec Packaging	Accumulate	621	470
14	Nestle India	Accumulate	2,546	2,275
15	Pidilite Industries	Accumulate	3,318	2,931
16	Restaurant Brands Asia	Accumulate	74	67
17	Titan Company	BUY	3,695	3,122
18	Westlife Foodworld	Hold	777	706

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Amnish Aggarwal- MBA, CFA, Ms. Hasti Savla- CA, Mr. Vishwa Solanki- PGDM - Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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