

Nestle India | REDUCE

Revenue delivery surprises positively

Nestle India's 2QFY26 earnings print was ahead of our/Street's expectation, driven by better-than-expected domestic revenue performance (double-digit growth after 7 quarters). Revenue growth of c.11% was ahead of our/Street estimates by c.5-7%, led by volume growth (we estimate c.7%). Confectionary & beverage continued to clock high double-digit growth. Prepared dishes surprised positively with strong double-digit growth (double-digit volume growth in Noodles) with portfolio intervention showing promising results. Performance in Milk & Milk products remains a mixed bag. Gross margin surprised negatively, down 220bps/70bps YoY/QoQ, impacted by input cost inflation. Commodity outlook is unchanged (expect softening in milk prices post the festive season, continued firmness in edible oil prices, and stabilisation in coffee prices), which, along with operating leverage, should lead to better profitability in 2H (vs. 1H) in our view. Clearly, the execution on revenue line is commendable considering the expectation of GST transition-led disruption in September. We raise our FY27/28 Sales/EBITDA est by c.2%; however, due to higher depreciation and net interest expense, EPS upgrade is marginal. Valuations at 67x/60x FY27/28E adequately capture the positives (earnings CAGR of 15% over FY26-28E). We roll forward to Dec'27E and maintain REDUCE rating with a revised TP of INR 1,250. With leadership change after a decade, the new MD's strategic directions (on accelerating volumes/extracting cost efficiencies) and disclosure on new growth engines will be the key monitorable.

- **Better-than-expected volume drove revenue/earnings beat:** Nestlé's total sales grew by 10.9% YoY to INR 56.3bn led by strong volume growth, implying high-single-digit volume, much better vs. our expectation of low single digits. Domestic sales grew by 10.8% YoY while exports grew at a faster pace and delivered 14.4% growth YoY. EBITDA grew 6% to INR 12.4bn while adjusted profit declined by 1.9% to INR 7.5bn.
- **Double digit growth in Prepared Dishes, Confectionary & Beverages while Milk & Nutrition segment continues to lag:** **1) Prepared Dishes and Cooking Aids** reported double-digit sales growth driven by double-digit volume growth in MAGGI noodles on the back of uptick in consumption in urban markets (newer launches) and share gains in rural markets (targeted pricing strategies). Pet Food business clocked the highest ever turnover, led by the Cat portfolio. **2) Milk Products and Nutrition** witnessed mixed trends with certain segments performing well while others showing muted performance. MILKMAID posted strong growth. **3) Confectionery** saw volume-led double-digit growth across KITKAT, MUNCH and MILKYBAR supported by distribution expansion in rural, premiumisation, and increased in-home penetration led by quick commerce. **4) Beverages** saw strong double-digit growth with NESCAFÉ portfolio benefiting from improved penetration (due to affordable pricing) and premiumisation (consumer uptrading to NESCAFÉ Gold and Roastery). **5) Out-of-home business** posted double-digit growth,
- **Gross margin surprises negatively:** Gross margin contracted 220bps YoY to 54.2% (below our estimate of 55.0%) due to high input costs. Staff costs and other expenses grew by 6-7% YoY, lower compared to sales growth. Resultantly, EBITDA grew 6% YoY with margin compression of 105bps to 22% (in line with our estimate). Adjusted PAT was down 2% YoY due to higher depreciation and interest cost. On the commodity front, the management expects milk prices to soften post the festive season with the onset of the flush season and coffee prices to be stable or decrease as the upcoming Vietnam and India crop appears to be normal. Global supply and demand trends for cocoa will remain balanced after demand correction over 2 years. Edible oil prices may remain firm and may see increase due to tight demand-supply at the global level.



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Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	REDUCE
Current Price Target (12M)	1,250
Upside/(Downside)	-2.1%
Previous Price Target	1,200
Change	4.2%

Key Data – NEST IN

Current Market Price	INR1,277
Market cap (bn)	INR2,461.7/US\$28.0
Free Float	32%
Shares in issue (mn)	1,928.4
Diluted share (mn)	1,928.4
3-mon avg daily val (mn)	INR1,721.4/US\$19.6
52-week range	1,287/1,055
Sensex/Nifty	83,468/25,585
INR/US\$	87.8

Price Performance

%	1M	6M	12M
Absolute	6.0	7.1	3.7
Relative*	5.0	0.8	0.6

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	242,755	200,775	218,461	238,211	259,935
Sales Growth (%)	44.6	-17.3	8.8	9.0	9.1
EBITDA	58,498	47,737	49,450	56,960	63,296
EBITDA Margin (%)	24.0	23.6	22.5	23.8	24.2
Adjusted Net Profit	39,296	30,978	30,989	36,581	41,299
Diluted EPS (INR)	20.4	16.1	16.1	19.0	21.4
Diluted EPS Growth (%)	64.4	-21.2	0.0	18.0	12.9
ROIC (%)	1,291.7	152.1	113.1	152.6	197.4
ROE (%)	135.5	83.1	71.2	76.8	81.8
P/E (x)	62.7	79.5	79.5	67.3	59.6
P/B (x)	73.7	59.8	53.7	49.8	47.8
EV/EBITDA (x)	42.0	51.7	49.7	43.1	38.7
Dividend Yield (%)	1.3	1.1	1.1	1.3	1.6

Source: Company data, JM Financial. Note: Valuations as of 16/Oct/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. 2QFY26 result snapshot (parent): Better-than-expected volume drove revenue/earnings beat

INR mn	2QFY26	2QFY25	YoY change	2QFY26E	% var	1HFY26	1HFY25	YoY change
Net Sales	56,302	50,748	10.9%	52,458	7.3%	1,07,042	98,677	8.5%
Other Operating Income	134	292	-54%	310	-56.8%	356	502	-29.2%
Total Revenue	56,436	51,040	11%	52,768	7.0%	1,07,398	99,180	8.3%
Gross Profit	30,522	28,608	7%	28,852	5.8%	58,407	56,150	4.0%
Gross Profit Margin %	54.2%	56.4%	-216 bps	55.0%	-79 bps	54.6%	56.9%	-234 bps
Staff Cost	5,367	5,017	6.99%	5,141	4.4%	10,524	10,071	4.5%
Other Expenses	12,922	12,207	5.86%	12,683	1.9%	24,870	23,761	4.7%
EBITDA	12,366	11,677	5.9%	11,338	9.1%	23,369	22,821	2.4%
EBITDA margin %	22.0%	23.0%	-105 bps	21.6%	35 bps	21.8%	23.1%	-129 bps
Depreciation	1,634	1,216	34.3%	1,626	0.4%	3,203	2,343	36.7%
EBIT	10,733	10,461	2.6%	9,712	10.5%	20,166	20,478	-1.5%
Interest Expense	464	322	44.0%	450	3.1%	933	639	46.0%
Financial Other Income	16	69	-76.1%	70	-76.6%	57	460	-87.6%
PBT	10,285	10,208	0.8%	9,332	10.2%	19,290	20,298	-5.0%
Taxes	10,285	13,116	-21.6%	9,332	10.2%	19,290	23,207	-16.9%
Reported Net Profit	2,753	3,252	-15.3%	2,333	18.0%	5,166	5,877	-12.1%
Adjusted Net Profit	7,532	9,864	-23.6%	6,999	7.6%	14,124	17,330	-18.5%

Source: Company, JM Financial

Exhibit 2. Quarterly performance – standalone basis

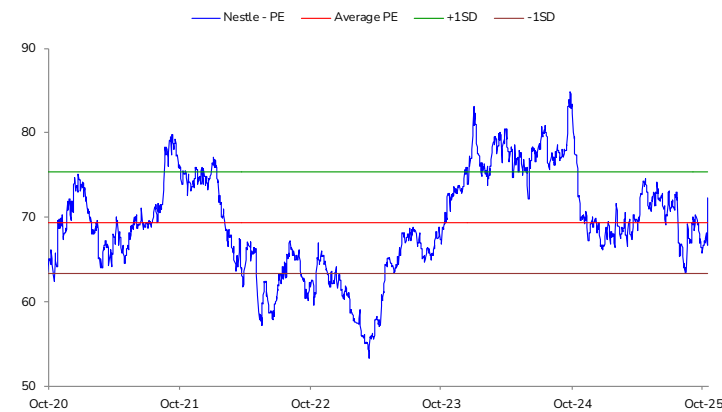
INR mn	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Sales	50,095	45,836	52,544	47,930	50,748	47,621	54,476	50,740	56,302
YoY	9%	8%	9%	4%	1%	4%	4%	6%	11%
Other operating income	273	168	132	210	292	176	562	222	134
Revenue from operations	50,368	46,004	52,676	48,140	51,040	47,797	55,039	50,962	56,436
YoY	9%	8%	9%	3%	1%	4%	4%	6%	11%
Gross Profit	28,452	26,959	29,917	27,751	28,901	26,951	30,914	28,107	30,656
Staff cost	5,176	4,201	4,869	5,054	5,017	4,947	5,220	5,157	5,367
Other expenses	10,997	11,663	11,548	11,554	12,207	10,978	11,805	11,948	12,922
EBITDA	12,280	11,095	13,501	11,143	11,677	11,027	13,890	11,003	12,366
YoY	22%	12%	22%	6%	-5%	-1%	3%	-1%	6%
Depreciation	1,142	1,231	1,101	1,127	1,216	1,503	1,553	1,569	1,634
Interest	314	230	262	317	322	346	375	469	464
Other income	333	303	268	391	69	44	84	40	16
PBT before exceptional items	11,156	9,938	12,405	10,091	10,208	9,223	12,046	9,005	10,285
YoY	24%	16%	25%	7%	-9%	-7%	-3%	-11%	1%
Exceptional income / (expense)	1,064	-1,073	101	0	2,908	0	0	0	0
PBT after exceptional items	12,220	8,865	12,506	10,091	13,116	9,223	12,046	9,005	10,285
Tax	3,139	2,309	3,164	2,625	3,252	2,261	3,192	2,412	2,753
Reported PAT	9,081	6,556	9,342	7,466	9,864	6,961	8,854	6,592	7,532
YoY	37%	4%	27%	7%	9%	6%	-5%	-12%	-24%
Adjusted PAT	8,290	7,350	9,266	7,466	7,677	6,961	8,854	6,592	7,532
% to sales	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Gross margin	56.3%	58.4%	56.7%	57.5%	56.4%	56.2%	55.7%	55.0%	54.2%
Staff cost	10.3%	9.2%	9.3%	10.5%	9.9%	10.4%	9.6%	10.2%	9.5%
Other expenses	22.0%	25.4%	22.0%	24.1%	24.1%	23.1%	21.7%	23.5%	23.0%
EBITDA margin	24.5%	24.2%	25.7%	23.2%	23.0%	23.2%	25.5%	21.7%	22.0%

Source: Company, JM Financial

Exhibit 3. New product launches during 2QFY26

Product Category	New Launches during 2QFY26
Prepared Dishes and Cooking Aids	MAGGI Double Masala
	MAGGI Spicy range
Pet Food business	Meaty Grills
	Indoor Delights
Confectionery	KITKAT Delight - Salted Caramel
	KITKAT Delight - Hazelnut
	Polo Sharebag

Source: Company, JM Financial

Exhibit 4. Nestlé's 5yr avg. PE Band

Source: Bloomberg, Company, JM Financial

Exhibit 5. Nestlé's 10yr avg. PE Band

Source: Bloomberg, Company, JM Financial

Exhibit 6. Revision in estimates

INR mn	Revised			Earlier			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	2,18,461	2,38,211	2,59,935	2,13,677	2,32,890	2,54,018	2.2%	2.3%	2.3%
EBITDA	49,450	56,960	63,296	50,037	55,893	62,022	-1.2%	1.9%	2.1%
PAT	30,989	36,581	41,299	32,094	36,344	40,788	-3.4%	0.7%	1.3%
EPS	16.1	19.0	21.4	16.6	18.8	21.2	-3.4%	0.7%	1.3%

Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	242,755	200,775	218,461	238,211	259,935
Sales Growth	44.6%	-17.3%	8.8%	9.0%	9.1%
Other Operating Income	1,184	1,241	1,114	1,215	1,326
Total Revenue	243,939	202,016	219,575	239,426	261,261
Cost of Goods Sold/Op. Exp	107,086	87,498	98,524	104,789	114,071
Personnel Cost	23,361	20,237	21,249	22,736	24,328
Other Expenses	54,995	46,543	50,353	54,940	59,565
EBITDA	58,498	47,737	49,450	56,960	63,296
EBITDA Margin	24.0%	23.6%	22.5%	23.8%	24.2%
EBITDA Growth	56.3%	-18.4%	3.6%	15.2%	11.1%
Depn. & Amort.	5,678	5,399	6,502	6,899	7,198
EBIT	52,820	42,338	42,948	50,061	56,098
Other Income	1,480	589	217	392	739
Finance Cost	1,455	1,360	1,569	1,351	1,402
PBT before Excep. & Forex	52,845	41,567	41,596	49,102	55,435
Excep. & Forex Inc/Loss(-)	44	2,908	0	0	0
PBT	52,889	44,475	41,596	49,102	55,435
Taxes	13,560	11,330	10,607	12,521	14,136
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	39,328	33,145	30,989	36,581	41,299
Adjusted Net Profit	39,296	30,978	30,989	36,581	41,299
Net Margin	16.1%	15.3%	14.1%	15.3%	15.8%
Diluted Share Cap. (mn)	1,928.4	1,928.4	1,928.4	1,928.4	1,928.4
Diluted EPS (INR)	20.4	16.1	16.1	19.0	21.4
Diluted EPS Growth	64.4%	-21.2%	0.0%	18.0%	12.9%
Total Dividend + Tax	31,046	26,032	26,341	32,923	39,234
Dividend Per Share (INR)	16.1	13.5	13.7	17.1	20.3

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	52,845	41,567	41,596	49,102	55,435
Depn. & Amort.	5,678	5,399	6,273	6,660	6,946
Net Interest Exp. / Inc. (-)	0	0	1,352	959	663
Inc (-) / Dec in WCap.	-2,489	-7,112	4,205	1,278	1,818
Others	-1,298	-247	0	0	0
Taxes Paid	-12,988	-10,244	-10,607	-12,521	-14,136
Operating Cash Flow	41,748	29,364	42,819	45,477	50,726
Capex	-18,783	-20,044	-5,574	-5,000	-5,000
Free Cash Flow	22,965	9,320	37,245	40,477	45,726
Inc (-) / Dec in Investments	4,736	-1,491	0	0	0
Others	1,673	3,426	150	321	664
Investing Cash Flow	-12,374	-18,109	-5,424	-4,679	-4,336
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-30,082	-24,586	-26,341	-32,923	-39,234
Inc / Dec (-) in Loans	-8	7,204	-6,819	-714	0
Others	-1,260	-1,099	-1,569	-1,351	-1,402
Financing Cash Flow	-31,349	-18,481	-34,729	-34,987	-40,636
Inc / Dec (-) in Cash	-1,976	-7,227	2,665	5,811	5,755
Opening Cash Balance	11,629	8,188	957	3,622	9,433
Closing Cash Balance	9,853	1,156	3,622	9,433	15,188

Source: Company, JM Financial

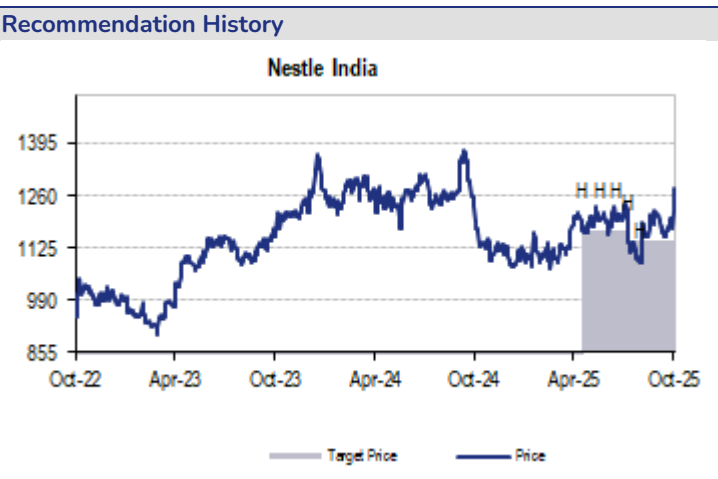
Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	33,409	41,172	45,820	49,478	51,543
Share Capital	964	964	964	964	964
Reserves & Surplus	32,445	40,207	44,856	48,514	50,579
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	311	7,533	714	0	0
Def. Tax Liab. / Assets (-)	120	536	536	536	536
Total - Equity & Liab.	33,841	49,241	47,070	50,014	52,079
Net Fixed Assets	48,886	62,327	61,695	60,106	58,234
Gross Fixed Assets	57,142	79,949	87,949	92,949	97,949
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	26,585	30,692	36,965	43,625	50,571
Capital WIP	18,329	13,070	10,712	10,782	10,856
Investments	15,173	17,032	17,032	17,032	17,032
Current Assets	38,038	39,746	43,761	53,177	62,895
Inventories	20,894	28,501	29,328	31,979	34,895
Sundry Debtors	3,005	3,632	3,591	3,916	4,273
Cash & Bank Balances	7,789	957	3,622	9,433	15,188
Loans & Advances	6,352	6,656	7,221	7,850	8,539
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	68,256	69,863	75,418	80,301	86,082
Current Liabilities	36,086	36,086	39,793	42,679	46,305
Provisions & Others	32,170	33,777	35,625	37,621	39,777
Net Current Assets	-30,218	-30,118	-31,657	-27,124	-23,187
Total - Assets	33,841	49,241	47,070	50,014	52,079

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	16.1%	15.3%	14.1%	15.3%	15.8%
Asset Turnover (x)	2.6	1.8	1.8	1.9	1.9
Leverage Factor (x)	3.3	3.0	2.8	2.7	2.7
RoE	135.5%	83.1%	71.2%	76.8%	81.8%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	17.3	21.4	23.8	25.7	26.7
ROIC	1,291.7%	152.1%	113.1%	152.6%	197.4%
ROE	135.5%	83.1%	71.2%	76.8%	81.8%
Net Debt/Equity (x)	-0.2	0.2	-0.1	-0.2	-0.3
P/E (x)	62.7	79.5	79.5	67.3	59.6
P/B (x)	73.7	59.8	53.7	49.8	47.8
EV/EBITDA (x)	42.0	51.7	49.7	43.1	38.7
EV/Sales (x)	10.1	12.2	11.2	10.2	9.4
Debtor days	4	7	6	6	6
Inventory days	31	51	49	49	49
Creditor days	71	85	85	85	85

Source: Company, JM Financial

History of Recommendation and Target Price			
Date	Recommendation	Target Price	% Chg.
1-May-25	Hold	1,170	
3-Jun-25	Hold	1,170	0.0
4-Jul-25	Hold	1,170	0.0
24-Jul-25	Hold	1,145	-2.1
17-Aug-25	Hold	1,145	0.0
7-Oct-25	Reduce	1,200	4.8



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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