AXIS DIRECT

Result Update
17th October, 2025

Nestle India Ltd.
FMCG

BUY
Target Price
1,410

Strong Topline Growth, Margins Under Pressure; Maintain BUY

Est. Vs. Actual for Q2FY26: Revenue – BEAT; EBITDA – BEAT ; PAT – BEAT

Changes in Estimates post Q2FY26

FY26E/FY27E - Revenue: 2%/2%; EBITDA: 3%/2%; PAT: 6%/4%

Recommendation Rationale

- **Stellar Performance:** Nestlé posted a healthy ~11% YoY revenue increase, supported by robust double-digit growth in confectionery, beverages, and prepared dishes, alongside solid volume traction in MAGGI noodles. The Milk and Nutrition portfolio remained mixed. EBITDA rose ~6% YoY, though margins compressed by 105 bps to 22%, weighed down by a 216-bps decline in gross margins amid higher input costs and increased operational expenses from capacity expansion.
- **Improving Commodity Outlook:** As per the management, milk prices are likely to ease post the festive period as the flush season boosts supply. Coffee prices are expected to moderate with normal crop prospects in Vietnam and India. After two years of demand correction, the cocoa market is projected to move toward equilibrium. Meanwhile, edible oil prices are expected to stay elevated, supported by persistent tightness in global supply-demand dynamics.
- **GST Revision:** The recent reduction in GST rates by the Government of India is expected to enhance consumer affordability, spur demand, and support growth across the FMCG landscape. The company is actively collaborating with its trade partners and channel network to ensure the benefits of these rate cuts are effectively passed on to consumers across all product categories.

Sector Outlook: Positive

Company Outlook: Positive

Current Valuation: 65x Sep'27E EPS (Earlier: 64x Mar'27E EPS)

Current TP: Rs 1,410/share(Earlier TP: Rs 2,580/share)*
(*TP is not comparable as Nestle has issued a bonus share in the ratio of 1:1)

Recommendation: We remain optimistic about the company's long-term prospects. We **maintain our BUY rating on the stock,** with a TP of Rs 1,410/share, implying a 10% upside potential from the CMP.

Financial Performance

Nestlé India reported revenue of Rs 5,630 Cr in Q2FY26, reflecting a ~11% YoY growth driven by strong volume growth. Three out of four products delivered strong volume, leading to a double-digit growth. Gross profit rose 6.7% YoY to Rs 3,052 Cr, although gross margins contracted by 216 bps due to elevated consumption prices. EBITDA improved ~6%YoY to Rs 1,237 Cr; however, margins compressed by 105 bps, owing to gross margin pressure. PAT stood at Rs 753 Cr, down ~24% YoY, impacted by higher depreciation, increased interest cost due to a temporary spike in borrowings, and a sharp decline in other income.

Key Financials (Standalone)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	5,630	11.0	10.9	5,337	5.5
EBITDA	1,237	12.4	5.9	1,183	4.5
EBITDA Margin (%)	22.0	28 bps	-105 bps	22.2	-20 bps
Net Profit	753	14.3	(23.6)	721	4.5
EPS (Rs)	4	14.2	(23.7)	7	(47.7)

Source: Company, Axis Research

(CMP as of 16th October, 2025)

CMP (Rs)	1,276
Upside /Downside (%)	10%
High/Low (Rs)	1257/1057
Market cap (Cr)	24,6158
Avg. daily vol.(6m)Shrs. '000	1167
No. of shares (Cr)	192

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	62.8	62.8	62.8
FIIs	10.3	10.0	10.0
MFs / UTI	4.4	4.4	3.9
FIs/Banks	0.1	0.1	0.1
Others	22.5	22.7	23.2

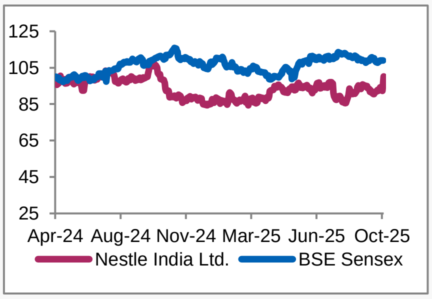
Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	22,434	25,503	28,770
EBITDA	5,448	6,190	7,027
Net Profit	3,539	4,040	4,612
EPS (Rs)	18.4	21.0	23.9
PER (x)	69.5	60.9	53.4
EV/EBITDA (x)	45.7	40.5	35.8
ROE (%)	73.4	70.2	65.3

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	2%	2%
EBITDA	3%	2%
PAT	6%	4%

Relative Performance



Source: Ace Equity, Axis Securities

Results Gallery

Q1FY26
Q4FY25
Q3FY25
Q2FY25

Suhanee Shome
Research Associate
email: suhanee.shome@axissecurities.in

Outlook

The outlook on Nestlé remains positive from a long-term perspective, as the current demand environment, coupled with recent GST 2.0 reforms, is expected to boost consumption going forward. Additionally, its long-term initiatives include: 1) Efforts toward rural penetration and market share gains through the RURBAN strategy; 2) Constant focus on innovation (launching 125 products in the last seven years), thereby driving growth; 3) Driving premiumisation in core categories (e.g., Maggi noodles range) and launching differentiated products; 4) Entering new categories of the future (e.g., Nespresso, Purina Pet Care, and Gerber's for toddler nutrition); 5) Introducing a D2C platform to engage consumer attention; 6) Renewed focus on its fast-growing nutraceutical portfolio. The company is well-positioned for long-term growth, with all key levers firmly in place.

Valuation & Recommendation

We expect Nestle's Sales, EBITDA, and PAT to grow at 11%, 14%, and 14% CAGR over CY22-FY28E, respectively. **We maintain our BUY stance with a TP of Rs 1,410/share, representing a 10% upside from the CMP.**

Other Highlights

Product performance:

- **The Confectionery portfolio** recorded robust double-digit growth, fueled by strong volume gains. KITKAT led the expansion, further increasing its market share, with India standing as its second-largest market globally. Growth was supported by a wider numeric distribution, especially in rural regions. MUNCH and MILKYBAR also delivered impressive double-digit growth during the period.
- **The Powdered and Liquid Beverages** segment sustained strong double-digit growth for the quarter, led by NESCAFÉ, which strengthened its position in the coffee category through higher market share and expanded household penetration.
- **The Prepared Dishes and Cooking Aids segment** achieved robust double-digit value growth, driven by faster volume expansion. MAGGI Noodles posted strong double-digit volume gains, while Masala-ae-Magic maintained its impressive performance.
- **The Milk Products and Nutrition segment** delivered a mixed performance, with some categories showing growth while others remained subdued. However, underlying trends in select areas indicate gradual improvement, offering a positive outlook.
- **OHH:** The business strengthened its innovation presence, with KITKAT gaining traction among chefs and dessert chain operators. Collaborations with prominent global and regional partners led to the launch of the 'MADE WITH KITKAT' range, tapping into new consumption occasions.
- **The Pet Food** business posted strong double-digit growth, marking its highest turnover since joining Nestlé India. The PURINA FRISKIES cat food range was expanded with the launch of two new variants: Meaty Grills and Indoor Delights.

E-commerce

- The e-commerce business saw a notable uptick in quick commerce, driven by festive season campaigns, new product launches, focused demand-generation initiatives, and enhanced platform accessibility.

Key Risks to Our Estimates and TP

- Increase in competitive intensity
- RM inflation
- Weakening of the demand environment
- Continued volatility in raw material prices and subdued demand

Change in Estimates

	Old Estimates		Revised Estimates		% Revision	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	21,973	24,901	22,434	25,503	2%	2%
EBITDA	5,264	6,076	5,448	6,190	3%	2%
PAT	3,347	3,893	3,539	4,040	6%	4%

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q2FY25	Q1FY26	Axis Sec Est.	Q2FY26	YoY growth (%)	QoQ growth (%)	Axis Sec Est. (Var%)
Volume growth (% YoY)	**-2**	**2.5**	**3**	**6**			
Net Sales	**5,075**	**5,074**	**5,337**	**5,630**	**10.9**	**11.0**	**5.5**
Gross Profits	2,861	2,789	2,962	3,052	6.7	9.5	3.0
Gross Margin (%)	56.4	55.0	55.5	54.2	-216 bps	-75 bps	-129 bps
Staff costs	502	516	542	537	7.0	4.1	(0.9)
Other operating expenses	1,221	1,195	1,270	1,292	5.9	8.2	1.8
EBITDA	**1,168**	**1,100**	**1,183**	**1,237**	**5.9**	**12.4**	**4.5**
EBITDA margin (%)	**23.0**	**21.7**	**22.2**	**22.0**	**-105 bps**	**28 bps**	**-20 bps**
Depreciation	122	157	165	163	34.3	4.1	(0.9)
Interest Cost	32	47	49	46	44.0	(1.0)	(5.7)
Other Income	7	4	5	2	(76.1)	(59.4)	(66.2)
PBT	1,021	900	974	1,029	0.8	14.2	5.6
Tax	325	241	253	275	(15.3)	14.1	8.7
Tax rate (%)	31.9	26.8	26.0	26.8	-509 bps	-2 bps	77 bps
Reported PAT	**986**	**659**	**721**	**753**	**(23.6)**	**14.3**	**4.5**
EPS (Rs.)	**5**	**3**	**7**	**4**	**(23.7)**	**14.2**	**(47.7)**

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E	FY28E
Net sales	**20,078**	**22,434**	**25,503**	**28,770**
Growth, %	(17)	12	14	13
Other operating income	124	136	150	165
Total income	20,202	22,571	25,653	28,935
Raw material expenses	(8,750)	(9,756)	(11,024)	(12,347)
Employee expenses	(2,024)	(2,186)	(2,513)	(2,890)
Other Operating Expenses	(4,654)	(5,182)	(5,925)	(6,670)
EBITDA (Core)	**4,774**	**5,448**	**6,190**	**7,027**
Growth, %	(18)	14	14	14
Margin, %	24	24	24	24
Depreciation	(540)	(595)	(665)	(735)
EBIT	**4,234**	**4,853**	**5,525**	**6,293**
Growth, %	(20)	15	14	14
Margin, %	21	22	22	22
Interest paid	(136)	(137)	(138)	(139)
Other Income	59	66	73	80
Non-recurring Items	(291)	-	-	-
Pre-tax profit	**3,866**	**4,782**	**5,459**	**6,233**
Tax provided	(1,133)	(1,243)	(1,419)	(1,621)
Profit after tax	**2,733**	**3,539**	**4,040**	**4,612**
Unadj. shares (Cr)	96	193	193	193

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E	FY28E
Cash & bank	96	(2,247)	(3,769)	(4,625)
Marketable securities at cost	-	-	-	-
Debtors	363	246	279	315
Inventory	2,850	3,185	3,620	4,084
Loans & advances	74	74	74	74
Other current assets	415	415	415	415
Total current assets	3,798	1,672	620	263
Investments	706	706	706	706
Gross fixed assets	8,543	9,543	10,543	11,543
Less: Depreciation	(3,069)	(3,664)	(4,328)	(5,063)
Add: Capital WIP	1,173	1,173	1,173	1,173
Net fixed assets	6,646	7,052	7,387	7,652
Non-current assets	1,174	1,174	1,174	1,174
Total assets	**12,324**	**10,604**	**9,886**	**9,795**
Current liabilities	4,640	4,417	4,778	5,163
Provisions	3,090	3,453	3,925	4,428
Total current liabilities	7,730	7,870	8,704	9,591
Non-current liabilities	476	476	476	476
Total liabilities	8,207	8,346	9,180	10,068
Paid-up capital	96	96	96	96
Reserves & surplus	4,021	2,161	610	(369)
Shareholders' equity	4,117	2,258	706	(272)
Total equity & liabilities	**12,324**	**10,604**	**9,886**	**9,795**

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E	FY28E
Pre-tax profit	3,866	4,782	5,459	6,233
Depreciation	540	595	665	735
Chg in working capital	181	(78)	365	388
Total tax paid	(1,084)	(1,243)	(1,419)	(1,621)
Other operating activities	-	-	-	-
Cash flow from operating activities	**3,502**	**4,056**	**5,069**	**5,735**
Capital expenditure	(1,984)	(1,000)	(1,000)	(1,000)
Chg in investments	(282)	-	-	-
Chg in marketable securities	40	-	-	-
Other investing activities	-	-	-	-
Cash flow from investing activities	**(2,226)**	**(1,000)**	**(1,000)**	**(1,000)**
Free cash flow	1,276	3,056	4,069	4,735
Equity raised/(repaid)	1	(0)	(0)	(0)
Debt raised/(repaid)	(3)	-	-	-
Dividend (incl. tax)	(2,459)	(5,398)	(5,591)	(5,591)
Other financing activities	-	-	-	-
Cash flow from financing activities	**(2,461)**	**(5,398)**	**(5,591)**	**(5,591)**
Net change in cash	(1,184)	(2,342)	(1,522)	(856)
Opening cash balance	779	96	(2,247)	(3,769)
Closing cash balance	96	(2,247)	(3,769)	(4,625)

Source: Company, Axis Securities

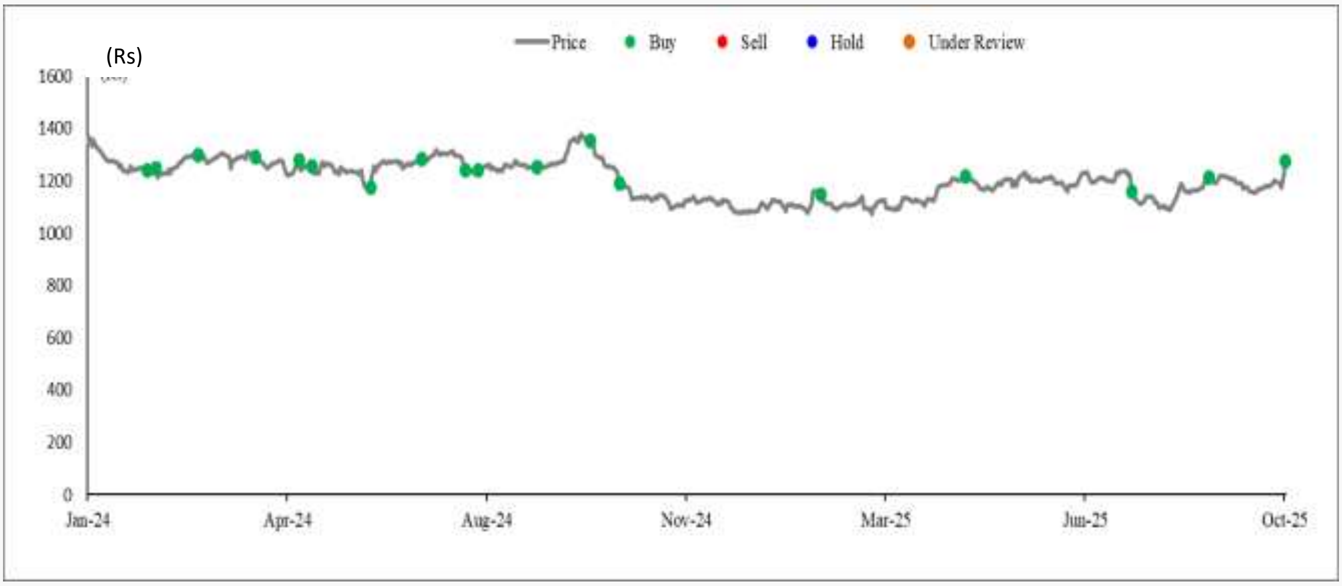
Ratio Analysis

(%)

Y/E Mar	FY25	FY26E	FY27E	FY28E
EPS (Rs)	31.4	18.4	21.0	23.9
Growth, %	(23.0)	(41.5)	14.2	14.2
Book NAV/share (Rs)	42.7	11.7	3.7	(1.4)
FDEPS (Rs)	31.4	18.4	21.0	23.9
CEPS (Rs)	40.0	21.4	24.4	27.7
CFPS (Rs)	26.5	20.7	25.9	29.3
DPS (Rs)	25.5	28.0	29.0	29.0
Return ratios				
Return on assets (%)	25.1	32.1	40.8	48.3
Return on equity (%)	76.0	73.4	70.2	65.3
Return on capital employed (%)	40.1	53.0	74.0	97.6
Turnover ratios				
Asset turnover (x)	4.1	3.4	3.6	3.8
Sales/Total assets (x)	1.8	2.0	2.5	2.9
Sales/Net FA (x)	3.4	3.3	3.5	3.8
Receivable days	6.6	4.0	4.0	4.0
Inventory days	51.8	51.8	51.8	51.8
Payable days	62.1	52.4	52.4	52.5
Working capital days	(17.1)	(8.1)	(5.6)	(3.5)
Liquidity ratios				
Current ratio (x)	0.8	0.4	0.1	0.1
Quick ratio (x)	0.2	(0.3)	(0.6)	(0.7)
Interest cover (x)	31.1	35.5	40.0	45.1
Total debt/Equity (%)	0.2	0.3	1.1	(2.8)
Valuation				
PER (x)	40.7	69.5	60.9	53.4
PEG (x) YoY growth	(1.8)	(1.7)	4.3	3.8
EV/Net sales (x)	6.2	11.1	9.8	8.7
EV/EBITDA (x)	25.9	45.7	40.5	35.8
EV/EBIT (x)	29.2	51.3	45.4	40.0

Source: Company, Axis Securities

Nestle India Price Chart and Recommendation History



Date	Reco	TP	Research
02-Feb-24	BUY	1,400	Top Picks
08-Feb-24	BUY	1,400	Result Update
01-Mar-24	BUY	1,400	Top Picks
01-Apr-24	BUY	1,400	Top Picks
26-Apr-24	BUY	1,440	Result Update
02-May-24	BUY	1,440	Top Picks
03-Jun-24	BUY	1,440	Top Picks
01-Jul-24	BUY	1,440	Top Picks
26-Jul-24	BUY	1,400	Result Update
02-Sep-24	BUY	1,400	Top Picks
01-Oct-24	BUY	1,400	Top Picks
18-Oct-24	BUY	1,480	Result Update
05-Feb-25	BUY	1,320	Result Update
25-Apr-25	BUY	1,260	Result Update
25-Jul-25	BUY	1,338	Result Update
05-Sep-25	BUY	1,340	Company Update
16-Oct-25	BUY	1,410	Result Update

Source: Axis Securities

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.