

Duration: 6-9 Months

CMP (Rs)	Target (Rs)	Potential Upside (%)
1,156	1,270	10%

**MARKET DATA**

No. of Shares	192.8 Cr
Market Cap	2,22,836 Cr
52-week High / Low	1,388/1,057
BSE Code	500790
NSE Code	NESTLEIND

**Why Nestle India Ltd?**

- ✓ **Encouraging Growth Opportunities**
- ✓ **Company-specific Triggers.**
- ✓ **Expecting a Positive Impact of GST Reforms**

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**About the Company**

Nestlé India manufactures and markets a wide range of food and beverage products, including milk and milk products, coffee, tea, noodles, chocolates, confectionery, and infant nutrition. Some of its popular brands in India include Maggi, Nescafé, KitKat, MilkyBar, and Nestle Everyday. Furthermore, it recently acquired Purina Petcare to enter into the pet care business and launched Gerber Cereals to drive the premiumisation agenda. The company operates a robust distribution network that covers both urban and rural areas of India.

**Investment Rationale**

- Mixed Performance:** Nestlé India reported a modest 2.5% YoY revenue growth in Q1FY26, supported by robust double-digit growth in beverages and confectionery and a rebound in volumes for the MAGGI noodles franchise. However, performance in the Milk & Nutrition portfolio was mixed. EBITDA declined 1.3% YoY, with margins contracting 156 bps to 21.7%, weighed down by a 250 bps decline in gross margins due to elevated input costs and higher operating expenses from recent capacity expansions.
- Segmental Trends:** The Powdered and Liquid Beverages segment remained a key growth driver, delivering strong double-digit growth on a high base. Confectionery posted high double-digit growth, driven by volume growth across major brands. In prepared dishes and cooking aids, Maggi delivered double-digit growth with positive volume growth. Petcare business posted a strong growth, primarily driven by the cat portfolio.
- Demand Environment:** Consumption trends have strengthened in recent quarters, with urban markets sustaining momentum and several Rurban pockets turning positive. Notably, seven of Nestlé's twelve power brands delivered double-digit growth, underscoring the breadth of recovery. Management expects key commodities such as coffee, cocoa, and edible oils to remain stable in the near term, while milk prices are anticipated to soften with the onset of the monsoon and flush season, providing a supportive backdrop for margins.
- GST Reforms—A Structural Positive:** The proposed GST rate reduction to 5% on packaged foods, dairy products, noodles, pasta, sauces, and ketchup is expected to enhance affordability and stimulate discretionary demand. Nestlé, with its wide presence in these categories, stands to be a key beneficiary, particularly in noodles and cooking aids.
- Outlook-** Nestlé remains well-positioned for long-term growth, underpinned by its dominant domestic franchise, continued innovation, distribution-led market penetration, capacity expansion, and increasing out-of-home consumption. While volatile commodity prices, especially in coffee, cocoa, and edible oils, may keep near-term margins under pressure, the expected moderation in milk prices alongside its strong pricing power and efficiency initiatives should partly offset cost headwinds.
- Valuation-** We expect Nestle's Sales, EBITDA, and PAT to grow at 10%, 13%, and 13% CAGR over CY22-FY27E, respectively. The stock is currently trading at 64x FY27E.
- Recommendation:** We recommend a BUY with a near-term TP of Rs 1,270, implying an upside of 10% from the CMP

**Financial Summary**

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)
FY24	24,275	5,820	3,928	40.8	28.4	117.6	64.9
FY25	20,078	4,774	3,024	31.4	36.8	73.4	40.1
FY26E	21,973	5,264	3,347	17.4	66.6	70.2	51.2
FY27E	24,807	5,986	3,826	19.8	58.2	64.9	74.0

Source: Axis Securities Research. CMP as on 29<sup>th</sup> August, 2025

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