




Nestle India Limited

HOLD

Sector: Food Products

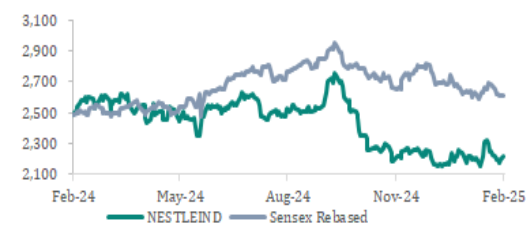
20th February, 2025

Key Changes	Target		Rating		Earnings		Target	2,390
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP		2,203
Large Cap	NEST:IN	75,997	NESTLEIND	500790	12 Months	Return		+8%

Data as of: 19-02-2025

Company Data			
Market Cap (Rs.cr)	212,404		
52 Week High — Low (Rs.)	2,777 - 2,132		
Enterprise Value (Rs. cr)	212,270		
Outstanding Shares (cr)	96.4		
Free Float (%)	37		
Dividend Yield (%)	1.2		
6m average volume (lacs)	10.0		
Beta	0.8		
Face value (Rs.)	1.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	62.8	62.8	62.8
FII's	11.9	11.9	10.3
MFs/Institutions	9.2	9.5	10.8
Public	14.2	14.0	14.3
Others	1.9	1.8	1.9
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-0.7%	-12.0%	-12.4%
Absolute Sensex	-2.1%	-5.6%	4.4%
Relative Return	1.4%	-6.4%	-16.8%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	20,576	22,337	24,694
Growth (%)	-15.6	8.6	10.5
EBITDA	4,710	5,317	6,064
EBITDA Margin (%)	22.9	23.8	24.6
PAT Adjusted	3,140	3,562	4,050
Growth (%)	-20.1	13.4	13.7
Adjusted EPS	32.6	36.9	42.0
Growth (%)	-20.1	13.4	13.7
P/E	67.6	59.6	52.4
P/B	51.5	42.3	35.2
EV/EBITDA	45.1	39.9	35.0
ROE (%)	76.1	71.0	67.2
D/E	0.0	0.0	0.0

Key products performed well in the quarter

Nestle India Ltd, a subsidiary of Nestle S.A., is a food processing company, primarily into manufacturing of milk products and other food products such as beverages and cereals.

- In Q3FY25, Nestle's sales grew 3.9% YoY to Rs. 4,780cr, aided by growth in both domestic and export sales.
- Domestic sales increased 3.3% YoY to Rs. 4,566cr in the quarter. The growth was driven by powdered and liquid beverages, which saw high double-digit growth. Confectionery and prepared dishes and cooking aids also contributed, with high single-digit growth.
- The export segment grew a significant 21.2% YoY to Rs. 196cr across its international markets, led by continued double-digit growth in coffee exports, along with growth in nutrition, instant tea and confectionery. Expansion of Nestle Munch, Nescafe Sunrise, and Maggi Masala-Ae-Magic to new markets in the United States and United Arab Emirates was carried out in the quarter.
- EBITDA declined a mere 0.9% YoY to Rs. 1,085cr, while EBITDA margin narrowed 110bps to 22.7%. This was primarily due to higher cost of sales (+5.0% YoY) and employee benefit expenses (+17.7% YoY), partly offset by lower other expenses (-5.9% YoY).

Outlook & Valuation

Nestle has been investing in capacity expansion since 2020, particularly for Maggi, coffee and chocolate, to aid its long-term objective of volume growth. The *RURban* strategy is expected to strengthen Nestle's market position in rural areas by opening an optimal number of outlets, thereby penetrating deep into the market through portfolio, price points and frequency of purchase. Premiumisation, investments in R&D, newly introduced products, up-trading, digital channel and geographical opportunities are expected to drive volume and revenue growth in the future. Therefore, we retain our **HOLD** rating on the stock with a rolled-forward target price of Rs. 2,390, based on 57x FY27E P/E.

Quarterly Financials Standalone

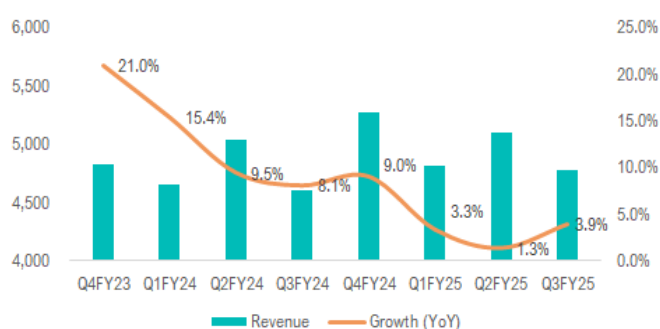
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	4,780	4,600	3.9	5,104	-6.4	14,698	14,296	2.8
EBITDA	1,085	1,095	-0.9	1,168	-7.1	3,367	3,376	-0.3
Margin (%)	22.7	23.8	-110bps	22.9	-20bps	22.9	23.6	-70bps
EBIT	952	986	-3.4	1,046	-9.0	3,000	3,048	-1.6
PBT	922	886	4.0	1,312	-29.7	3,243	3,048	6.4
Rep. PAT	696	656	6.2	986	-29.4	2,429	2,262	7.4
Adj PAT	696	656	6.2	696	0.1	2,429	2,262	7.4
Adj. EPS (Rs)	7.2	6.8	6.2	10.2	-29.4	25.2	23.5	7.4



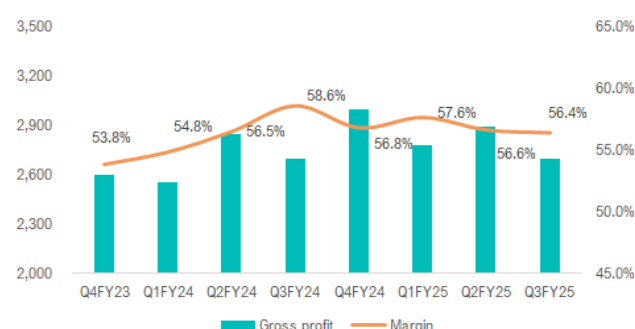
Key concall highlights

- In Q3FY25, the largest growth contributor to the company was the powdered and liquid beverage business. In the last 12 months, the segment crossed Rs. 2,000cr business, led by Nescafe Classic, Nescafe Sunrise and Nescafe Gold. This has helped Nescafe to increase its market share and strengthen its leadership position.
- Nestle launched Nespresso website in India in Q3FY25. Nespresso is a premium coffee portfolio with coffee capsules, machines, accessories and recipes. The company expects to open Nespresso Boutique in Delhi and expand further to other major cities.
- KitKat delivered double-digit growth in Q3FY25. 'Find the Golden KitKat' consumer campaign was launched in the quarter.
- Volume growth in Maggi noodles and strong performance of Masala-Ae-Magic aided growth of prepared dishes and cooking aids.
- After integration of petcare business into Nestle India business in 2022, the highest growth was recorded in the quarter, led by performance of premium cat food brand 'Felix'.
- Nestle faces pressure on its pricing strategy due to a 75% YoY increase in coffee prices. The company aims to reduce the impact through efficiencies and sustainable sourcing, with an additional cost of Rs. 3-4 per kilogram for sustainably sourced coffee.
- Rural demand growth is trending upwards, outpacing urban growth, driven by the universal premiumisation trend across both urban and rural areas, with the company's *RUrban* strategy tapping into this trend. The company is balancing headwinds in mega cities with opportunities in smaller towns, despite concerns over urban unemployment, real wage growth, and post-Covid moderation.

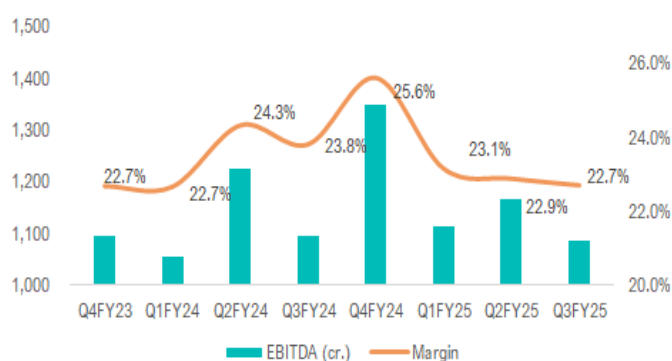
Revenue



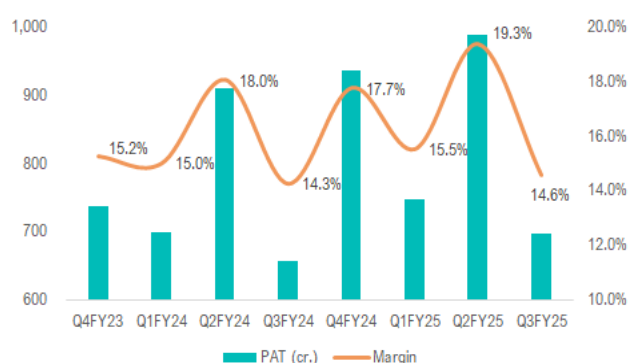
Gross Profit



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change -%	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	21,380	23,869	20,576	22,337	24,694	-3.8	-6.4
EBITDA	5,248	5,922	4,710	5,317	6,064	-10.2	-10.2
Margins (%)	24.5	24.8	22.9	23.8	24.6	-160bps	-100bps
Adj. PAT	3,523	3,976	3,140	3,562	4,050	-10.9	-10.4
EPS	36.5	41.2	32.6	36.9	42.0	-10.8	-10.3



Standalone Financials

Profit & Loss

Y.E March (Rs. Cr)	CY22A**	FY24A*	FY25E	FY26E	FY27E
Sales	16,897	24,394	20,576	22,337	24,694
% change	14.9	27.5	-15.6	8.6	10.5
EBITDA	3,713	5,820	4,710	5,317	6,064
% change	3.4	30.2	-19.1	12.9	14.0
Depreciation	403	538	554	606	709
EBIT	3,310	5,282	4,157	4,711	5,355
Interest	-155	-145	-147	-148	-150
Other Income	101	152	178	186	196
PBT	3,256	5,289	4,187	4,749	5,401
% change	12.9	31.0	-20.8	13.4	13.7
Tax	-865	-1,356	-1,047	-1,187	-1,350
Tax Rate (%)	26.6	25.6	25.0	25.0	25.0
Reported PAT	2,391	3,933	3,140	3,562	4,050
PAT att. to common shareholders	2,391	3,933	3,140	3,562	4,050
Adj.*	-	-4	-	-	-
Adj. PAT	2,391	3,928	3,140	3,562	4,050
% change	0.4	30.8	-20.1	13.4	13.7
No. of shares (cr)	96.4	96.4	96.4	96.4	96.4
Adj EPS (Rs.)	24.8	40.7	32.6	36.9	42.0
% change	0.4	30.8	-20.1	13.4	13.7
DPS (Rs.)	22.0	32.2	24.4	27.7	31.5

Cashflow

Y.E March	CY22A**	FY24A*	FY25E	FY26E	FY27E
Net inc. + Depn.	2,794	4,471	3,694	4,168	4,760
Non-cash adj.	130	-336	-391	213	237
Other adjustments	-	-	-	-	-
Changes in W.C	-186	40	1	40	69
C.F. Operation	2,737	4,175	3,305	4,421	5,066
Capital exp.	-541	-1,878	-1,481	-1,631	-1,827
Change in inv.	8	284	60	60	60
Other invest.CF	141	357	-	-	-
C.F - Investment	-392	-1,237	-1,421	-1,571	-1,767
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	-2,025	-3,008	-2,355	-2,672	-3,038
Other finance.CF	-98	-127	-142	-143	-145
C.F - Finance	-2,123	-3,135	-2,497	-2,815	-3,183
Chg. in cash	223	-198	-614	35	116
Closing Cash	946	779	165	200	315

* FY24 includes fifteen months period data ended on March 31, 2024

** Calendar year ended December 2022

Balance Sheet

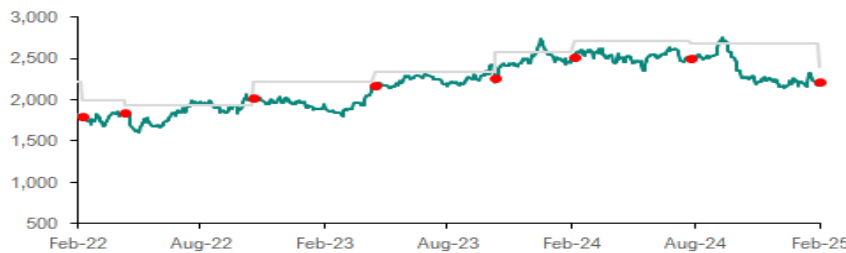
Y.E March (Rs. Cr)	CY22A**	FY24A*	FY25E	FY26E	FY27E
Cash	946	779	165	200	315
Accts. Receivable	192	300	350	357	370
Inventories	1,929	2,089	1,902	2,054	2,251
Other Cur. Assets	424	326	511	546	584
Investments	560	424	364	304	244
Gross Fixed Assets	5,383	8,626	10,107	11,738	13,565
Net Fixed Assets	2,685	1,719	1,985	2,889	3,881
CWIP	358	1,742	2,404	2,524	2,650
Intangible Assets	-	-	-	-	-
Def. Tax -Net	-	-	-	-	-
Other Assets	1,885	3,144	3,740	3,886	4,026
Total Assets	8,979	10,523	11,419	12,760	14,322
Current Liabilities	3,076	3,950	3,893	4,185	4,567
Provisions	3,205	2,917	3,063	3,216	3,377
Debt Funds	30	31	31	31	31
Other Liabilities	208	283	305	312	317
Equity Capital	96	96	96	96	96
Res. & Surplus	2,363	3,244	4,030	4,920	5,933
Shareholder Funds	2,459	3,341	4,126	5,017	6,029
Minority Interest	-	-	-	-	-
Total Liabilities	8,979	10,523	11,419	12,760	14,322
BVPS	26	35	43	52	63

Ratio

Y.E March	CY22A**	FY24A*	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	22.0	23.9	22.9	23.8	24.6
EBIT margin (%)	19.6	21.7	20.2	21.1	21.7
Net profit mgn.(%)	14.1	16.1	15.3	15.9	16.4
ROE (%)	97.2	117.7	76.1	71.0	67.2
ROCE (%)	133.0	156.6	100.0	93.3	88.4
W.C & Liquidity					
Receivables (days)	4.1	4.5	6.2	5.8	5.5
Inventory (days)	90.8	71.2	76.7	75.9	74.8
Payables (days)	91.1	76.3	84.7	85.0	85.8
Current ratio (x)	1.1	0.9	0.8	0.8	0.8
Quick ratio (x)	0.4	0.3	0.1	0.1	0.2
Turnover & Leverage					
Gross asset T.O (x)	3.3	3.2	2.2	2.0	2.0
Total asset T.O (x)	2.0	2.4	1.9	1.8	1.8
Int. covge. ratio (x)	21.4	36.3	28.3	31.7	35.7
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	11.1	10.3	10.3	9.5	8.6
EV/EBITDA (x)	50.4	43.3	45.1	39.9	35.0
P/E (x)	78.7	64.4	67.6	59.6	52.4
P/BV (x)	76.5	75.7	51.5	42.3	35.2



Recommendation Summary - (last 3 years)



Dates	Rating	Target
23-Feb-22	HOLD	1,999
28-Apr-22	HOLD	1,938
02-Nov-22	HOLD	2,214
02-May-23	HOLD	2,338
27-Oct-23	HOLD	2,574
19-Feb-24	HOLD	2,704
09-Aug-24	HOLD	2,680
20-Feb-25	HOLD	2,390

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

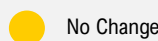
Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

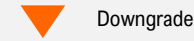
Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to ratings. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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