



Nestle India Ltd.

Margin contraction led by persistent input cost inflation

CMP INR 1,289	Target INR 1,301	Potential Upside 1.0%	Market Cap (INR Bn) 2,467	Recommendation HOLD	Sector Consumer
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Result highlights

Financial Performance:

- Revenue stood at INR 56,436 mn, rising 10.7% QoQ and 10.6% YoY, above our estimate of INR 54,061 mn (+4.4% beat), driven by broad-based volume growth across categories and strong domestic momentum.
- Gross profit came in at INR 30,656 mn, up 9.1% QoQ and 6.1% YoY, slightly above our estimate of INR 30,329 mn (1.1% beat). Higher input costs in dairy and edible oils offset easing coffee prices. Gross margin compressed 230 bps YoY and 83 bps QoQ to 54.3%, tracking higher raw material costs and mix normalization.
- EBITDA at INR 12,366 mn grew 12.4% QoQ and 5.9% YoY, in line with our estimate of INR 12,372 mn. EBITDA margin moderated 97 bps YoY.
- PAT reported at INR 7,432 mn, up 14.9% QoQ but down 17.4% YoY, missed our estimate of INR 8,015 mn (-7.3% miss). PAT margin contracted 445 bps YoY but expanded 48 bps QoQ to 13.2%.
- Geographically, domestic sales grew 10.8% YoY, led by penetration-led volume gains across urban and rural markets, while exports delivered high double-digit growth, aided by strong demand for MAGGI, NESCAFÉ, and KITKAT across Middle East and Asia.

Segmental Performance:

- Prepared Dishes & Cooking Aids** (MAGGI and others) grew in strong double digits, led by volume gains, rural pricing actions, and new launches like *Double Masala* and *Spicy* variants.
- Confectionery** delivered robust double-digit growth, with *KITKAT* driving share gains and India reaffirming its position as the brand's second-largest global market.
- Powdered & Liquid Beverages** sustained high double-digit growth through *NESCAFÉ* portfolio expansion across both affordable and premium segments.
- Milk Products & Nutrition** saw mixed trends—*MILKMAID* and toddler milks performed well, while other dairy segments remained muted.
- Pet Care** posted its highest-ever turnover with new *FRISKIES* variants..

Outlook & Valuation:

While structural growth drivers remain intact, led by the company's volume-centric strategy and improving demand across rural and urban markets, we prefer to await clearer signs of margin recovery.

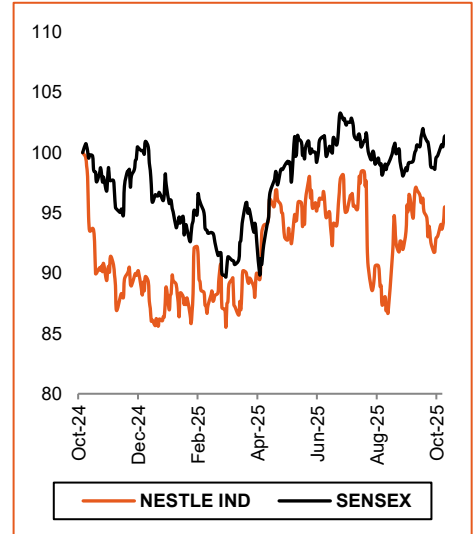
We have also rolled forward our valuation to a Sep'27 basis and value NEST at 65.0x Sep'27E EPS. The stock currently trades at 81.3x/69.3x FY26E/FY27E EPS. We downgrade our rating from "ACCUMULATE" to "**HOLD**" as near-term headwinds, including margin pressure from the elevated input costs, are likely to constrain earnings momentum.

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,95,634	2,02,016	2,20,960	2,43,460	2,66,556
EBITDA	47,430	47,737	50,013	57,247	63,973
EBITDA Margin	24.2%	23.6%	22.6%	23.5%	24.0%
Adj. PAT	32,044	30,242	30,569	35,863	40,835
Adj. PAT Margin	16.4%	15.0%	13.8%	14.7%	15.3%
Adj. EPS	16.6	15.7	15.9	18.6	21.2

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	1,930
Mkt Cap (INR Bn)	2,467
52 Week H/L (INR)	1,312/ 1,055

*Based on the previous closing
Note: All the market data is as of the previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Aug-25	Jun-25	Mar-25
Promoters	62.8	62.8	62.8
FIIIs	10.0	10.2	10.0
DIIIs	11.4	11.2	11.3
Others	15.8	15.8	15.9
Total	100.0	100.0	100.0

9.8%

Revenue CAGR
between FY25-FY27E

8.9%

Adj. PAT CAGR
between FY25-FY27E

Nestle India Ltd.

Key Result Highlights:

Growth Strategy

- Management reiterated its focus on volume-led growth and market penetration, with three of four product groups delivering double-digit volume growth. Domestic sales grew 10.8% YoY, reaching a record INR 54,110 mn, while total sales rose 10.9%.
- The company continues to emphasize rural expansion, particularly through the numeric distribution of KITKAT and targeted pricing in the MAGGI portfolio. A new MAGGI noodles production line at Sanand, Gujarat, underscores continued investment in manufacturing capacity, aligned with Nestlé India's goal of expanding accessibility across geographies and channels.

Market Dynamics

- Management described an overall positive demand environment, aided by recent GST rate reductions which are expected to drive consumption and affordability in FMCG. Confectionery, Coffee, and Culinary categories reported strong double-digit growth, reflecting resilient consumer sentiment despite broader macro challenges.
- While milk products showed mixed trends, underlying demand indicators improved, suggesting stabilization in nutrition segments. The company noted broad-based growth across organized trade, e-commerce, and exports, indicating strength across both domestic and international markets.

Challenges

- Input cost pressures persisted, with material cost-to-sales rising to 45.8% from 43.6% YoY. Commodity trends remain mixed — milk prices are expected to soften post-festive, while coffee and cocoa are likely to stabilize; however, edible oils may remain firm given global supply constraints.
- The company continues to navigate inflationary conditions through pricing actions and efficiency initiatives, maintaining EBITDA margin at 22%.

Innovation and Product Development

- Nestlé India sustained strong momentum in innovation-led growth, with several new launches across categories. MAGGI expanded its portfolio with Double Masala and Spicy ranges, while KITKAT Delights introduced Salted Caramel and Hazelnut variants. The Polo Sharebag and new PURINA FRISKIES variants strengthened the confectionery and pet food offerings respectively.
- The NESCAFÉ franchise saw expansion in premium and affordable segments, while Nespresso became available on Amazon to drive premium coffee access. Management highlighted plans to accelerate innovation and brand investment under its “bolder, bigger, better” innovation strategy.

Out-of-Home / Institutional Channel Strategy

- Nestlé Professional, the company's Out-of-Home (OOH) business, posted strong double-digit growth, making India the fastest-growing market in the Zone and the second-largest in size across Asia, Oceania & Africa.
- The division expanded its innovation footprint, partnering with global chains to launch the 'Made with KITKAT' dessert range, broadening consumption occasions and driving engagement with chefs and QSR operators.

Digital Transformation

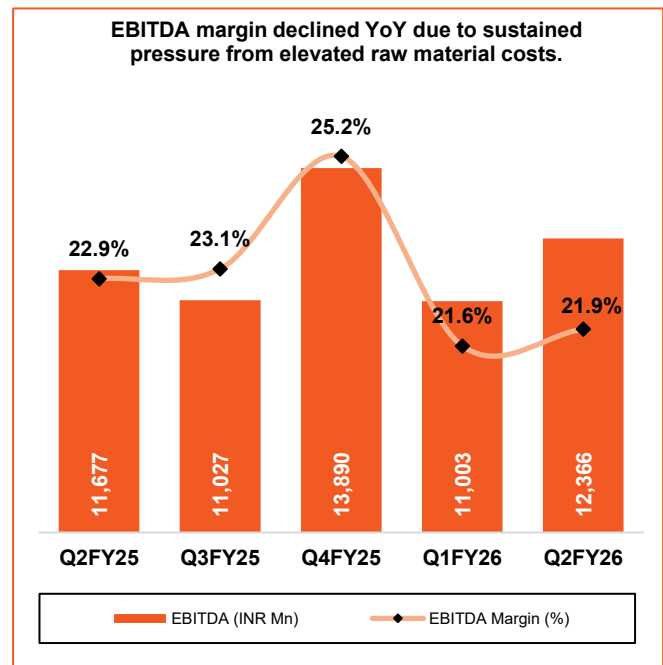
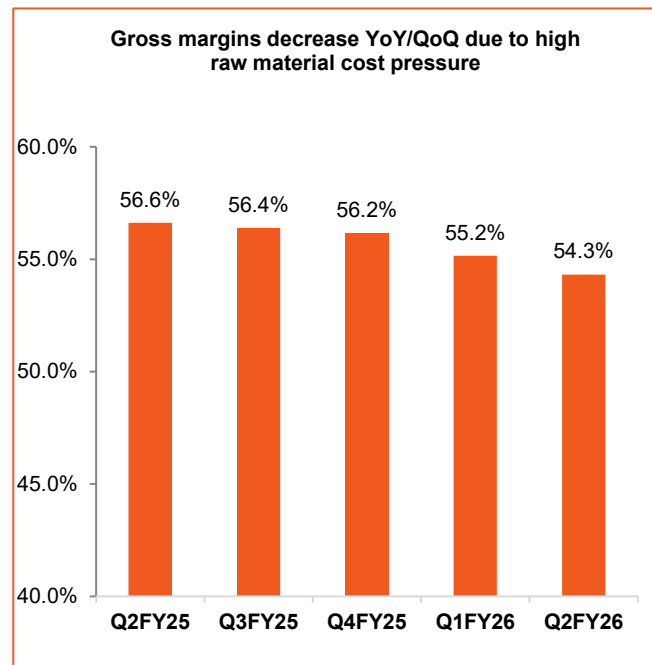
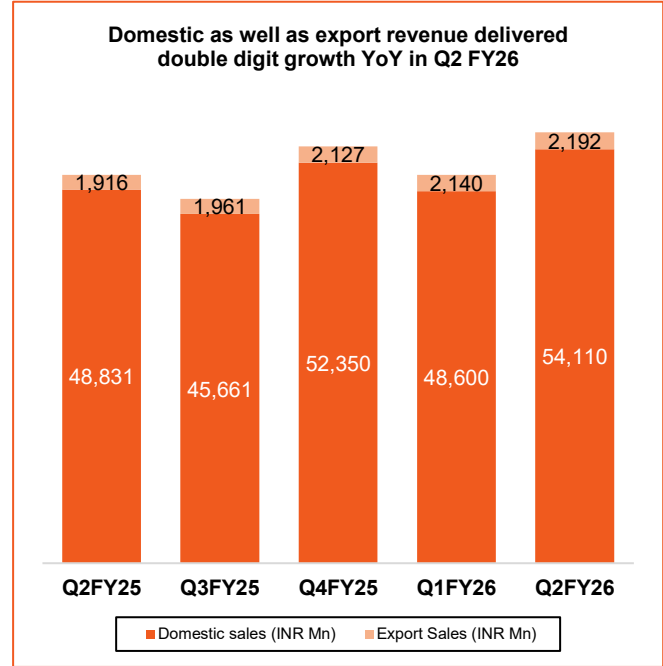
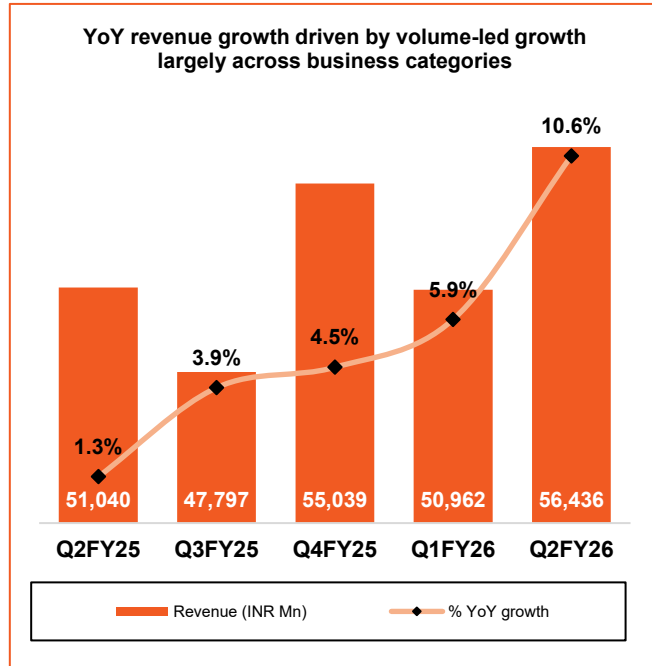
- Digital initiatives continued to drive growth through e-commerce, quick commerce, and digital-first launches. The company leveraged data-driven targeting, thematic festive campaigns, and strategic partnerships with major e-commerce platforms to sustain online momentum.
- E-commerce remained a strong growth driver, supported by new digital-exclusive launches such as KITKAT Delights and MAGGI Double Masala, and enhanced product discoverability across platforms.

Management Outlook

- Management remains optimistic yet disciplined, emphasizing a penetration-led, volume-driven growth strategy backed by innovation and capacity investment. The leadership reaffirmed its commitment to being “Fast, Focused, and Flexible” in responding to evolving market dynamics.
- While near-term commodity cost pressures persist, Nestlé India expects continued broad-based category growth and profitability improvement through brand investment, distribution expansion, and operational agility.

Nestle India Ltd.

Story in Charts



Source: Company, DevenChoksey Research

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Result Snapshot

Particulars (INR Mn)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Sales	56,436	50,962	51,040	10.7%	10.6%
Total Expenditure	44,070	39,959	39,363	10.3%	12.0%
Cost of Raw Materials	24,023	21,533	20,252	11.6%	18.6%
Purchase of Stock	1,620	1,795	1,053	(9.8%)	53.8%
Changes in Inventories	138	(473)	834	(129.2%)	83.4%
Employee Cost	5,367	5,157	5,017	4.1%	7.0%
Other Expenses	12,922	11,948	12,207	8.2%	5.9%
EBITDA	12,366	11,003	11,677	12.4%	5.9%
EBITDA Margins (%)	21.9%	21.6%	22.9%	32 bps	(97 bps)
Depreciation	1,634	1,569	1,216	4.1%	34.3%
EBIT	10,733	9,433	10,461	13.8%	2.6%
EBIT Margins (%)	19.0%	18.5%	20.5%	51 bps	(148 bps)
Interest Expense	464	469	322	(1.0%)	44.0%
Other Income	16	40	69	(59.4%)	(76.1%)
PBT	10,285	9,005	10,208	14.2%	0.8%
Exceptional item	0	0	(1,834)	NA	(100.0%)
Tax	2,753	2,412	3,010	14.1%	(8.5%)
PAT	7,432	6,466	8,995	14.9%	(17.4%)
PAT Margin (%)	13.2%	12.7%	17.6%	48 bps	(445 bps)
EPS	3.9	3.4	4.7	14.9%	(17.4%)
Adj. PAT	7,432	6,466	7,161	14.9%	3.8%
Adj. PAT margin	13.2%	12.7%	14.0%	48 bps	(86 bps)
Adj. EPS	3.9	3.4	3.7	14.9%	3.8%

Source: Company, DevenChoksey Research

Nestle India Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Revenues	2,02,016	2,20,960	2,43,460	2,66,556
COGS	87,498	99,170	1,07,123	1,14,619
Gross profit	1,14,518	1,21,790	1,36,338	1,51,937
Employee cost	20,237	21,736	24,346	26,656
Other expenses	46,543	50,042	54,745	61,308
EBITDA	47,737	50,013	57,247	63,973
EBITDA Margin	23.6%	22.6%	23.5%	24.0%
D&A	5,399	6,818	7,857	7,908
EBIT	42,338	43,195	49,390	56,065
Other income	589	170	369	366
Interest expense	1,360	1,748	2,008	2,098
Exceptional items	-1,834	0	0	0
PBT	43,161	41,491	47,750	54,333
Tax	11,085	10,922	11,888	13,498
PAT	32,076	30,569	35,863	40,835
Adj. PAT	30,242	30,569	35,863	40,835
EPS (INR)	16.6	15.9	18.6	21.2
Adj. EPS	15.7	15.9	18.6	21.2

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26E	FY27E	FY28E
CFFO	29,363	47,183	49,504	54,429
CFFI	(18,109)	(20,154)	(17,877)	(18,811)
CFFF	(18,481)	(26,203)	(30,698)	(34,767)
Net Inc/Dec in cash	(7,227)	826	929	851
Opening Cash	7,589	761	1,587	2,517
Closing Cash	761	1,587	2,517	3,368

Exhibit 4: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
EBITDA Margin (%)	23.6%	22.6%	23.5%	24.0%
Tax rate (%)	25.7%	26.3%	24.9%	24.8%
Adj. PAT Margin (%)	15.0%	13.8%	14.7%	15.3%
RoE (%)	80.0%	66.1%	67.2%	66.3%
RoCE (%)	56.4%	56.3%	57.0%	57.5%
EPS (INR)	16.6	15.9	18.6	21.2
P/E	143.5x	81.3x	69.3x	60.9x

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Equity				
Equity Capital	964	964	964	964
Other Equity	39,138	45,252	52,424	60,591
Total Equity	40,102	46,216	53,388	61,555
Non-Current Liabilities				
Borrowings	225	225	225	225
Lease Liabilities	3,415	3,415	3,415	3,415
Other Current Liabilities	31,338	26,864	29,569	32,345
Total Non-Current Liabilities	34,978	30,504	33,209	35,985
Current Liabilities				
Borrowings	7,309	7,309	7,309	7,309
Trade Payables	23,735	25,811	29,349	31,402
Lease Liabilities	720	720	720	720
Other current liabilities	15,090	15,090	15,090	15,090
Total Current Liabilities	46,854	48,930	52,467	54,521
Total Liabilities	81,831	79,433	85,676	90,506
Non-Current Assets				
PPE	49,257	62,767	73,170	84,454
Other current assets	35,335	29,585	29,585	29,585
Total Non-Current Assets	84,592	92,352	1,02,755	1,14,039
Current Assets				
Inventories	28,501	24,453	25,827	26,692
Trade Receivables	3,632	2,421	2,668	2,191
Cash and Bank	762	1,587	2,517	3,368
Other current assets	4,447	4,836	5,298	5,772
Total Current Assets	37,342	33,297	36,309	38,023
Total Assets	1,21,933	1,25,649	1,39,064	1,52,062

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Date	CMP (INR)	TP(INR)	Recommendation
20-Oct-25	1,289	1,301	HOLD
29-July-25	1,119	1,242	ACCUMULATE
28-Apr-25	1,201	1,283	ACCUMULATE
04-Feb-25	1,150	1,224	ACCUMULATE
18-Oct-24	1,173	1,262	ACCUMULATE
27-Jul-24	1,239	1,361	ACCUMULATE

Note: Historical CMP and TP adjusted for Bonus 1:1 in August 2025

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Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%