Nestle India (NESIND)

ICICI Direct

CMP: ₹1,277 | Target: ₹1495(17%) | Target Period: 12 months | BUY

October 17, 2025

Result Update

ICICI Securities – Retail Equity Research

Growth momentum to improve ahead; Upgrade to Buy

About the stock: Nestle India (Nestle) is a subsidiary of NESTLÉ S.A. of Switzerland. With nine manufacturing facilities and a strong distribution network of 5.3mn outlets, the company is one of largest food processing companies in India. The company's product portfolio includes renowned international brands such as NesCafe, Maggi, Milkybar, Milkmaid and Nestea.

Q2FY26 performance: Nestle's consolidated revenues grew by 11% YoY to Rs.5,630.2cr. Domestic business revenues grew by 10.8% YoY to Rs.5,411cr while export revenues grew by 14.4% YoY to Rs.219.2cr. Inflated input prices led to 206 bps decline in the gross margins to 54.6%. This along with higher operating cost led 72bps decline in EBIDTA margins to 22.2%. Operating profit grew by 7.1% YoY to Rs.1,250.1cr. Higher interest and depreciation cost led to just 1.4% growth in the adjusted PAT to Rs.767cr.

Investment Rationale:

- **Domestic revenue growth improved to ~11%; GST cut benefits to further push growth in H2FY26:** Nestle's domestic business revenues grew by 10.8% YoY; improved from 5.5% revenue growth witnessed in Q1FY26 and 4.2% growth in Q4FY25. Double digit growth in the domestic business was largely volume led growth with three out of four product categories registered double digit volume growth during the quarter. We believe recent GST rate cuts in food and dairy product categories will further stimulate demand in the coming quarters. Thus, we expect domestic business revenue growth to be higher by 200-300bps in the quarters ahead.
- **Commodity inflation likely to cool-off in H2FY26:** Inflated coffee, cocoa and dairy prices led to 228bps decline in the gross margins to 54.8% in H1FY26. The company has indicated of milk prices softening post the festive season while coffee prices are anticipated to stabilise and may decrease as crops in Vietnam and India are expected to be normal. Global demand-supply of cocoa is expected to balance in the coming months. All these factors are indicating of softening in the key input prices in H2FY26 aiding gross margins to improve sequentially in the quarters ahead. Further improved utilisation levels at new facilities will lead to better operating leverage in the medium to long run.
- **Investment in capacities and productivity to drive consistent growth:** Nestle has outlined a capex plan of Rs.5,000cr to increase the capacities of various product segments, improve productivity and investment in the new product lines to strengthen its operations for consistent growth in the coming years. In FY25, the company added a new KitKat production line in Sanand for Rs.1,100cr and replaced the coffee ergon lines in Nanjangud for Rs.659.2cr. Further the company, is also setting up a food processing unit in Odisha for Rs.900cr which will focus on cooking aids.

Rating and Target Price: We expect Nestle's revenue/PAT to witness good recovery driven by expected uptick in the consume demand, capacity addition and improved distribution reach (especially in the rural markets) in the quarters ahead. **We upgrade our rating on the stock to Buy from Hold earlier with revised price target of Rs1,495 (valued at 65x FY28E EPS of Rs23).**

Good Food, Good Life™

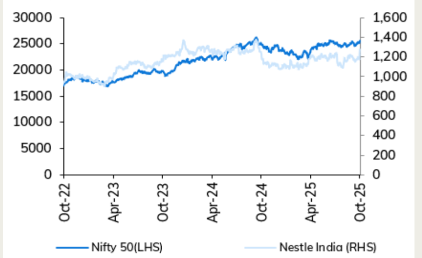
Particulars

Particular	Amount
Market Capitalisation (₹ crore)	246206
Debt (FY25) -₹ crore	1,922
Cash (FY25) - ₹ crore	76
EV (₹ crore)	248204
52 week H/L (₹)	1,286 / 1058
Equity capital (₹ crore)	96
Face value (₹)	1

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	62.8	62.8	62.8	62.8
FII	10.3	10.0	10.3	10.0
DII	10.8	11.3	11.2	11.4
Others	16.2	15.9	15.8	15.8

Price Chart



Key risks

(i) Slowdown in the urban demand will continue to affect the volume growth.

(ii) Volatility in the raw material prices to affect margins.

(iii) Increase in the competition from new brands in key categories.

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Key Financial Summary

Key Financials (₹ crore)	CY22	FY24 (15 months)	FY25	2 year CAGR (CY22-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenues	16897.0	24393.9	20201.6	9.3	22501.3	25280.6	28026.9	11.5
EBIDTA	3712.6	5819.8	4773.7	13.4	5134.1	5919.7	6639.3	11.6
EBIDTA Margins(%)	22.0	23.9	23.6		22.8	23.4	23.7	
Adjusted PAT	2390.5	3928.5	3048.1	12.9	3285.7	3894.3	4438.9	13.3
EPS (Rs.)	12.4	16.3	15.8		17.0	20.2	23.0	
PE (x)	103.0	78.4	80.8		74.9	63.2	55.5	
EV to EBIDTA (x)	66.1	42.2	52.0		48.3	41.8	37.2	
RoE (%)	108.5	122.1	82.9		78.1	83.5	83.6	
RoCE (%)	60.0	84.4	61.0		59.2	65.0	67.0	

Source: Company, ICICI Direct Research

Key Performance Highlights

- **Improved revenue growth**: Consolidated Revenues recorded 11% YoY growth to Rs.5,630.2cr with Domestic business reporting 10.8% YoY growth to Rs.5,411cr and international business growing by 14.4% YoY to Rs.219.2 crore. Growth was driven by volume led double-digit growth across product groups such as Prepared Dishes and Cooking aids, Powdered and Liquid Beverages and Confectionary.
- **Powdered and Liquid beverages** reported high double-digits growth in Q2FY26 continuing its double-digit growth momentum. Increased penetration and market share gains continues to aid Nescafe's growth which remained the leader in coffee category. Affordable price point packs continue to aid growth in customer count while Nescafe Gold and Roastery continue to aid premiumisation journey.
- In **Prepared Dishes and Cooking Aids**, Robust volume growth aided strong double digit value growth for the category. Maggi continued to deliver double-digit growth. Targeted pricing strategies has helped Maggi continuing its penetration in rural areas while expansion of value-added product such as Maggi spicy range continues for the urban market.
- **Confectionary** witnessed strong double-digit growth aided by strong underlying volume growth. Distribution expansion of KITKAT in rural areas coupled with market share gains aided growth for the brand. Quick commerce was also a key driver of growth which helped in better in-home penetration, rural acceleration and premiumisation.
- **Milk Products and Nutrition** posted mixed bag results. MILKMAID and Toddler milks posted strong performance while other segments reported muted performance for the quarter. Growth in Toddler milks and MILKMAID indicates recovery cycle in the nutrition portfolio.
- The **Out-of-Home** business recorded strong double-digit growth which is likely to be aided by strong performance of Nescafe. With this, India is now the fastest growing market for Nestle Out-of-Home business.
- **International business** reported 14.4% YoY growth to Rs.219.2cr in Q2FY26. Growth was primarily aided by strong performance across product groups.
- **Inflated input prices affected margins**: Higher input cost such as Milk and Coffee prices continued to impact the gross margins. Gross margins for Q2FY26 witnessed 206bps YoY decline to 54.6%. EBITDA margins declined 72bps YoY decline to 22.2% in Q2FY26 impacted by flow through of gross margin decline.
- **Adjusted PAT stood flat**: Higher Finance cost (+44%) and Depreciation (34%) continued to weigh on the profits of the company as Adjusted PAT witnessed low single digit growth of 1.4% YoY to Rs.767cr.

Company outlook

- The company expects the milk prices to soften post the festive season which also aligns with the peak milk production period. Robust rainfall in India is expected to aid better coffee crop production while Vietnam coffee production also looks normal. Hence, stabilisation of coffee prices is expected to further aid softening in the input prices.
- Further, due to demand correction, the company expects the cocoa demand and supply to balance out further aiding favourable cost conditions for the company.
- Tight supply and elevated demand for Edible oils are likely to keep the oil prices elevated and is expected to rise further with tightening demand supply situation.

- The company is focusing on volume led growth strategy which is expected to aided through increased penetration. To facilitate higher penetration across the market, the management expects accelerated investments across brands and manufacturing facilities.

Stepping-up the RUrban reach to improve penetration

Nestle is continuously strengthening its route to market through its strategy of RUrban. To step up the initiative, the company is focusing on 5 key pillars, Infrastructure, Product Portfolio, Technology, Visibility and Consumer Connect. In the last 9 years, the company has expanded its Total retail reach from 4mn outlets to over 5mn outlets in 2024. The total reach of the company was the highest among its peers in the industry. The growth in the total reach was aided by the strengthening of its distribution touchpoints which witnessed growth from 12,331 to 28,240 between 2021 and 2024.

Further, the increase in reach and the distribution touchpoints has led to rapid increase of the company's presence in villages which has grown from 1.1 Lakh villages in 2021 to over 2.1 lakh villages in 2024. The growth in the presence is also led by the increase in activation and feet on street. The company's HAAT activation has grown from ~3,400 personnel across the streets. Further, the reach has been expanded by increasing its RUrban smart stores which has grown from over 9,700 stores in 2021 to 29,000 stores in 2024. Lastly, to tackle the increasing competition, Nestle has been introducing value added and innovative product proposition in the market. Also, Technological interventions have remained foundation of business acceleration in RUrban, and initiatives like RD DMS (Re-Distributor 'Distributor Management Solution') solution facilitating the automation of the Company's sub-distributors in RUrban markets, NesMitra – Retailer Self Order system and RACE – End to end integration of planning till execution of sales at POS.

Through the RUrban strategy the company aims to increase reach and thereby also increasing frequency, variety of portfolio and price points aiding further growth of the business.

Investment in capacities and adding of new production line

Nestle has outlined a capital expenditure plan of around Rs.5,000cr over the next few years to augment capacity, enhance productivity, and strengthen sustainability initiatives across its manufacturing network. The expansion will span all business categories, with focus on foods, chocolates, and beverages. Investments include digitalization of shop floors, high-throughput processing lines, and automation to improve operational efficiency. During FY25, Nestle commissioned a new Rs.1,100 crore KitKat production line at its Sanand factory and replaced the older coffee Egron 1 line with the Rs.659cr Egron 3 line at Nanjangud. Further in FY26, the company has added 2 additional Maggi production lines in Sanand for ~Rs.192cr. Additionally, the company is setting up a Rs.900 crore food processing unit in Khordha, Odisha, marking its tenth factory and first in eastern India, focused on the prepared dishes and cooking aids.

Exhibit 1: Capex Schedule

Production Facility	Capex (In ₹)	Type of Capex	Product Category
Sanand	1,100.0	Production Line Addition	Confectionary
Sanand	192.0	Production Line Addition	Prepared Dishes and Cooking Aids
Nanjangud	659.2	Replacement of Old Production Line	Powdered and Liquid Beverages
Odisha	900.0	New Food Processing Unit	Prepared Dishes and Cooking Aids

Source: Company, ICICI Direct Research

Revision in earnings estimates

We have increased our earnings estimates for FY26 and FY27 by 1.5% and 4.9% respectively to factor in better-than-expected revenue growth in Q2FY26. We have introduced FY28 estimates in this note.

Exhibit 2: Changes in headline estimates

(₹ crore)	FY26E			FY27E		
	Old	New	% Chg	Old	New	% Chg
Net Revenues	21809.0	22501.3	3.2	24054.0	25280.6	5.1
EBIDTA	5003.6	5134.1	2.6	5645.5	5919.7	4.9
EBIDTA margin (%)	22.9	22.8		23.5	23.4	
PAT	3270.5	3320.7	1.5	3761.4	3944.3	4.9
EPS (Rs.)	17.0	17.0	0.5	19.5	20.2	3.6

Source: Company, ICICI Direct Research

Exhibit 3: Key Operating Assumptions

Particulars	CY22	FY24 (15 mths)	FY25	FY26E	FY27E	FY28E
Milk products & Nutrition						
Sales Volume - metric tonnes (MT)	1,34,034	1,68,143	1,35,860	1,40,615	1,47,645	1,55,028
Volume growth (%)	-0.5	25.4	-19.2	3.5	5.0	5.0
Realisation (Rs.)	509	587	599	623	641	661
Value growth (%)	9.2	15.4	2.0	4.0	3.0	3.0
Revenues (Rs cr)	7,293	9,869	8,133	8,755	9,468	10,240
yoy%	7.0	35.3	-17.6	7.6	8.2	8.2
Prepaid dishes & cooking aids						
Sales Volume - metric tonnes (MT)	3,48,225	4,42,827	3,50,719	3,84,037	4,30,122	4,68,833
Volume growth (%)	6.3	27.2	-20.8	9.5	12.0	9.0
Realisation (Rs.)	152	167	172	181	187	192
Value growth (%)	9.6	9.7	3.0	5.5	3.0	3.0
Revenues (Rs cr)	5301	7391	6030	6966	8036	9021
yoy%	16.5	39.4	-18.4	15.5	15.4	12.3
Powder & liquid beverages						
Sales Volume - metric tonnes (MT)	28,020	38,039	32,257	34,838	38,670	42,150
Volume growth (%)	14.3	35.8	-15.2	8.0	11.0	9.0
Realisation (Rs.)	720	794	850	875	901	928
Value growth (%)	4.4	10.2	7.0	3.0	3.0	3.0
Revenues (Rs cr)	2,019	3,021	2,741	3,049	3,486	3,913
yoy%	19.3	49.6	-9.3	11.2	14.3	12.3
Confectionary						
Sales Volume - metric tonnes (MT)	62,401	85,934	61,872	68,678	77,607	86,143
Volume growth (%)	12.1	37.7	-28.0	11.0	13.0	11.0
Realisation (Rs.)	425.4	464.9	516.0	531.5	542.1	552.9
Value growth (%)	11.5	9.3	11.0	3.0	2.0	2.0
Revenues (Rs cr)	2,654	3,995	3,193	3,650	4,207	4,763
yoy%	25.0	50.5	-20.1	14.3	15.3	13.2

Source: Company, ICICI Direct Research

Exhibit 4: Q2FY26 consolidated result snapshot (₹ crore)

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Net Sales	**5,630.2**	**5,074.8**	**10.9**	**5,074.0**	**11.0**
Other Operating income	13.4	29.2	(54.2)	22.2	(39.7)
Total Revenue	**5,643.6**	**5,104.0**	**10.6**	**5,096.2**	**10.7**
Raw Material Cost	2,564.2	2,213.9	15.8	2,285.4	12.2
Employee Cost	536.7	501.7	7.0	515.7	4.1
Other Expenses	1,292.2	1,220.7	5.9	1,194.8	8.2
Total Operating Cost	4,393.2	3,936.3	11.6	3,995.9	9.9
Operating Profit	**1,250.4**	**1,167.7**	**7.1**	**1,100.3**	**13.6**
Other Income	1.6	6.9	(76.1)	4.0	(59.4)
Interest & Other Financial Cost	46.4	32.2	44.0	46.9	(1.0)
Depreciation	163.4	121.6	34.3	156.9	4.1
Profit Before Tax	1,042.3	1,020.8	2.1	900.5	15.8
Tax Expense	275.3	264.3	4.2	241.2	14.1
Adjusted PAT	**767.0**	**756.5**	**1.4**	**659.2**	**16.3**
Share of profit from associates	(10.0)	(3.7)		(12.6)	**(20.6)**
Adjusted PAT (After Share from Associates)	757.0	752.8	**0.6**	646.6	**17.1**
Exceptional Items	-	(146.7)		-	
Reported PAT	**757.0**	**899.5**	**(15.8)**	**646.6**	**17.1**
Adj. EPS (Rs)	7.9	7.8	0.6	6.7	17.1
Margins	**Q2FY26**	**Q2FY25**	**bps**	**Q1FY26**	**bps**
GPM (%)	54.6	56.6	(206)	55.2	(59)
OPM (%)	22.2	22.9	(72)	21.6	57
NPM (%)	13.4	17.6	(421)	12.7	73
Tax rate (%)	26.4	25.9	52	26.8	(38)

Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement

₹ crore

(Year-end March)	FY24 (15mths)	FY25	FY26E	FY27E	FY28E
Net revenues	24275.5	20077.5	22419.3	25196.6	27938.1
Other operating income	118.4	124.1	82.0	83.9	88.8
Total operating income	24393.9	20201.6	22501.3	25280.6	28026.9
y-o-y (%)	44.4	-17.2	11.4	12.4	10.9
Raw Material Expenses	10708.6	8749.8	10069.4	11186.7	12345.9
Gross Profit	13685.3	11451.8	12432.0	14093.9	15681.1
Gross Profit Margins (%)	56.1	56.7	55.3	55.8	56.0
Employee Expenses	2336.1	2023.7	2145.1	2359.6	2595.6
Advertisement expenses	**1287.7**	**1010.1**	**1125.1**	**1327.2**	**1471.4**
Other Expenditure	**4241.8**	**3644.3**	**4027.7**	**4487.3**	**4974.8**
Total Operating Expenditure	18574.1	15427.9	17367.3	19360.8	21387.7
EBITDA	5819.8	4773.7	5134.1	5919.7	6639.3
Growth (%)	56.8	-18.0	7.5	15.3	12.2
Interest	145.5	136.0	140.0	112.0	80.0
Depreciation	**537.8**	**539.9**	**626.1**	**640.1**	**671.6**
Other Income	148.0	58.9	69.8	103.4	121.9
PBT	**5284.5**	**4156.7**	**4437.7**	**5271.0**	**6009.5**
Less Tax	1356.0	1108.5	1117.0	1326.7	1512.6
Adjusted PAT (before exceptional item and share of profits from associates)	3928.5	3048.1	3320.7	3944.3	4496.9
Growth (%)	**64.3**	**-22.4**	**8.9**	**18.8**	**14.0**
Share of profits from associates	0.0	0.0	-35.0	-50.0	-58.0
Adjusted PAT (After Share of Profits from Associates	**3928.5**	**3048.1**	**3285.7**	**3894.3**	**4438.9**
Exceptional item	-4.4	-159.5	0.0	0.0	0.0
Reported PAT	**3932.8**	**3207.6**	**3285.7**	**3894.3**	**4438.9**
Growth (%)	**64.5**	**-18.4**	**2.4**	**18.5**	**14.0**
EPS (Diluted)	16.3	15.8	17.0	20.2	23.0

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement

₹ crore

(Year-end March)	FY24 (15mths)	FY25	FY26E	FY27E	FY28E
Profit/(Loss) after taxation	3780.5	2989.3	3251.0	3840.9	4375.1
Add: Depreciation & Amortization	537.8	539.9	626.1	640.1	671.6
Increase/decrease in working capital	-662.0	-1392.7	518.0	-201.1	96.5
Other income	148.0	58.9	69.8	103.4	121.9
Minority Interest	0.0	0.0	35.0	50.0	58.0
CF from Operating activities	3804.3	2195.4	4429.9	4333.3	5207.1
Investments & Bank bal	261.6	-110.7	-640.5	-210.0	-400.0
(Purchase)/Sale of Fixed Assets	-1472.9	-1984.1	-650.0	-400.0	-650.0
Others	0.0	0.0	0.0	0.0	0.0
CF from Investing activities	-1211.4	-2094.8	-1290.5	-610.0	-1050.0
(inc)/Dec in Loan	3.0	1577.6	-172.2	-500.0	-500.0
Change in equity & reserves	13916.3	224.0	0.0	0.0	0.0
Dividend paid	-17596.7	-2602.8	-2892.5	-3374.6	-3663.8
Other	32.0	37.4	14.5	25.2	25.9
CF from Financing activities	-3645.3	-763.8	-3050.1	-3849.4	-4137.9
Net Cash Flow	-1052.3	-663.2	89.2	-126.1	19.2
Cash and Cash Equivalent	**1831.2**	**758.9**	**76.2**	**155.4**	**9.3**
Cash	**778.9**	**95.6**	**165.4**	**29.3**	**28.5**
Free Cash Flow	**2331.4**	**211.2**	**3779.9**	**3933.3**	**4557.1**

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet

₹ crore

(Year-end March)	FY24 (15mths)	FY25	FY26E	FY27E	FY28E
Equity Capital	96.4	96.4	192.8	192.8	192.8
Reserve and Surplus	3244.5	3913.8	4210.6	4730.3	5505.5
Total Shareholders funds	3340.9	4010.2	4403.5	4923.2	5698.3
Total Debt	344.5	1922.2	1750.0	1250.0	750.0
Deferred Tax Liability	12.0	30.0	34.5	39.6	45.6
Long-Term Provisions	2917.2	3090.2	3265.2	3465.2	3665.2
Other Non Current Liabilities	15.5	13.6	13.6	13.6	13.6
Total Liabilities	**6630.1**	**9066.1**	**9466.7**	**9691.6**	**10172.7**
Gross Block - Fixed Assets	6333.7	8796.0	10468.6	10868.6	11518.6
Accumulated Depreciation	2873.4	3322.4	3948.5	4588.6	5260.2
Net Block	3460.3	5473.6	6520.1	6280.0	6258.3
Capital WIP	1741.7	1172.6	150.0	150.0	150.0
Leased Assets	0.0	0.0	0.0	0.0	0.0
Fixed Assets	5202.0	6646.2	6670.1	6430.0	6408.3
Investments	423.9	575.0	575.0	575.0	575.0
Other non-Current Assets	1402.5	1238.0	1359.2	1495.1	1644.7
Inventory	2089.4	2850.1	2774.1	3116.8	3455.4
Debtors	300.5	363.2	307.1	345.2	382.7
Current Investments	40.0	0.0	650.0	850.0	1250.0
Other Current Assets	228.8	390.2	448.7	516.0	593.4
Loans & Advances	57.3	35.0	37.1	40.8	44.9
Cash & bank deposits	778.9	95.6	165.4	29.3	28.5
Total Current Assets	3494.7	3734.1	4382.5	4898.1	5755.0
Creditors	2237.9	2623.8	2953.7	3076.5	3515.8
Provisions	261.6	242.3	292.3	342.3	392.3
Other Current Liabilities	1393.4	261.1	274.2	287.9	302.3
Total Current Liabilities	3892.9	3127.2	3520.1	3706.7	4210.3
Net Current Assets	-398.2	606.9	862.4	1191.5	1544.6
Application of Funds	**6630.1**	**9066.1**	**9466.7**	**9691.6**	**10172.7**

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24 (15mths)	FY25	FY26E	FY27E	FY28E
Per share data (₹)					
EPS (Diluted)	16.3	15.8	17.0	20.2	23.0
Cash EPS	18.5	18.6	20.3	23.5	26.5
BV per share	13.9	20.8	22.8	25.5	29.6
Cash per Share	8.3	0.8	4.2	4.5	6.5
Dividend per share	182.5	27.0	15.0	17.5	19.0
Operating Ratios (%)					
Gross Profit Margins	56.1	56.7	55.3	55.8	56.0
EBIDTA margins	23.9	23.6	22.8	23.4	23.7
PAT Margins	16.1	15.1	14.6	15.4	15.8
Cash Conversion Cycle	-10.3	-4.0	-8.0	-10.0	-10.0
Asset Turnover	0.9	0.7	0.6	0.6	0.6
Return Ratios (%)					
RoE	122.1	82.9	78.1	83.5	83.6
RoCE	84.4	61.0	59.2	65.0	67.0
Valuation Ratios (x)					
P/E	78.4	80.8	74.9	63.2	55.5
EV / EBITDA	42.2	52.0	48.3	41.8	37.2
EV / Net Sales	10.1	12.4	11.1	9.8	8.8
Market Cap / Sales	10.1	12.2	10.9	9.7	8.8
Price to Book Value	92.1	61.4	55.9	50.0	43.2
Solvency Ratios					
Debt / EBITDA	0.1	0.4	0.3	0.2	0.1
Debt / Equity	0.1	0.5	0.4	0.3	0.1
Current Ratio	0.9	0.8	0.9	1.0	1.2

Source: Company, ICICI Direct Research

RATING RATIONALE

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Hold: -5% to 15%;

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