Nestle India Reduce

Consumer Staples | Q4FY25 Result Update

CMP: Rs.2,427 | TP: Rs 2,438 | Upside 0%

Persistent inflationary conditions to pressurize GM

- **NEST's Q4FY25 revenue met our estimates, with domestic revenue growing by 4.2% YoY, although exports de-grew by 8.7% YoY. Overall, revenue increased by 10.6% on a 5-year CAGR basis.**
- **Due to inflationary commodity prices, GM contracted by 60bps YoY to 56.2%. While coffee prices remained firm, cocoa prices witnessed some correction; they remain elevated overall, and milk prices have seasonally firmed up with the onset of summer. In contrast, edible oil prices have stabilized. We believe RM prices will continue to exert pressure on GM in the near term.**
- **We reduce our FY26/27E EPS estimates by 2.6/1.2% to Rs 36.4/42.0 to factor in Q4 performance and urban slowdown. Although we believe Nestle's growth rate and profitability will remain high in the long run (given strong leadership & unique positioning in most categories), the company may also witness near-term demand and inflationary headwinds. That being said, we maintain our 'Reduce' rating with a TP of Rs 2,438 (Rs 2,467 earlier) valuing the stock at 58x FY27E EPS.**

Revenue inline, Profitability ahead of estimates

Net sales stood at Rs 55.0bn, up 4.5% YoY in Q4FY25 (base of 9.0% growth). Due to inflationary commodity prices, GM contracted by 60bps YoY to 56.2%. A 60/20bps increase in RM/employee cost was partially offset by a 50bps decrease in other expenses. Consequently, EBITDA margin contracted by 40bps YoY to 25.2%. EBITDA grew 3.0% YoY to Rs 13.9bn. RPAT de-grew by 5.2% YoY to Rs 8.8bn; excluding exceptional items in the last year, APAT de-grew by 4.2% YoY.

Double-digit growth in a few core brands

The beverage portfolio achieved double-digit growth, driven by strong performance of core brands like NESCAFE; which also achieved significant market share gains from 'NESCAFE SUNRISE'. NEST further launched 'NESCAFÉ ROASTERY' in the premium coffee category. In Milk Products and Nutrition category, MILKMAID posted strong growth. Additionally, Nestle a+ extended its yoghurt range with launch of low-fat Greek yoghurt. In confectioneries, consumer brand activations led to penetration gains. The company launched new offerings, including KITKAT Raspberry, MUNCH Maxx Nuts & KITKAT Salted Caramel. Prepared Dishes & Cooking Aids segment posted mid-single-digit growth led by MAGGI noodles. The petcare business posted high-double-digit growth aided by Felix and Friskies.

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Key Data

Nifty	24,329
Equity / FV	Rs 964mn / Rs 1
Market Cap	Rs 2,340bn
	USD 27.4bn
52-Week High/Low	Rs 2,778/ 2,110
Avg. Volume (no)	8,12,373
Bloom Code	NEST IN

	Current	Previous
Rating	**Reduce**	**Reduce**
Target Price	**2,438**	**2,467**

Change in Estimates

(Rs.bn)	Current		Chg (%)/bps	
	FY26E	FY27E	FY26E	FY27E
Revenue	227	253	(0.1)	(0.1)
EBITDA	54	62	2.8	2.8
EBITDA (%)	24.0	24.5	68	68
APAT	35	41	(2.6)	(1.2)
EPS (Rs)	36.4	42.0	(2.6)	(1.2)

Valuation (x)

	FY25P	FY26E	FY27E
P/E	77.4	66.6	57.7
EV/EBITDA	49.2	43.1	37.7
ROE (%)	88.9	76.0	68.7
RoACE (%)	76.1	67.5	62.9

Q4FY25 Result (Rs Mn)

Particulars	Q4FY25	YoY (%)	QoQ (%)
Revenue	55,039	4.5	15.2
Total	41,149	5.0	11.4
EBITDA	13,890	3.0	28.0
Depreciation	1,553	42.7	17.2
EBIT	12,336	(1.9)	29.5
Other	84	(68.4)	90.1
Interest	375	43.1	8.4
EBT	12,046	(2.9)	30.6
Tax	3,192	0.9	41.1
RPAT	8,854	(5.2)	27.2
APAT	8,854	(4.2)	27.2
		(bps)	(bps)
Gross Margin	56.2	(60)	(22)
EBITDA (%)	25.2	(40)	254
NPM (%)	16.1	(160)	152
Tax Rate (%)	26.5	100	198
EBIT (%)	22.4	(150)	249

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Exhibit 1: Actual V/s Dolat Estimates

Particulars (Rs mn)	Actual	Estimates	Variance (%)	Comments
Revenue	55,039	55,204	(0.3)	
EBITDA	13,890	12,866	8.0	Other expenses were lower than estimate
EBITDA margin %	25.2	23.3	190bps	
APAT	8,854	8,294	6.7	Cascading effect of higher EBITDA

Source: Company, Dolat Capital

Exhibit 2: Change in estimates

Particulars (Rs mn)	FY26E			FY27E		
	New	Old	Chg (%)	New	Old	Chg (%)
Revenue	2,26,658	2,26,864	(0.1)	25,34,547	25,36,808	(0.1)
EBIDTA	54,426	52,942	2.8	6,19,780	6,03,191	2.8
EBIDTA margin (%)	24.0	23.3	70bps	24.5	23.8	70bps
PAT	35,135	36,078	(2.6)	4,05,340	4,10,084	(1.2)
EPS (Rs)	36.4	37.4	(2.6)	42.0	42.5	(1.2)

Source: Company, Dolat Capital

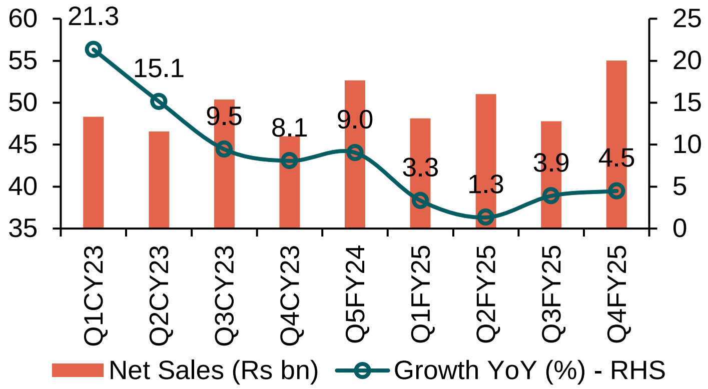
We have broadly maintained our FY26/27E revenue estimates as we have already factored in demand conditions, and in line Q4 performance. However, we have upward revised our margin estimates to factor in margins and sequential deflation in a few commodities. Nevertheless, we have downward revised our profitability estimates primarily due to lower-than-expected other income. In line with the reduction in APAT, we have also revised down our FY26/27E EPS estimates.

Exhibit 3: FY25 performance

Particulars (Rs.mn)	Q4FY25	Q4FY24*	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Net Revenue	55,039	52,676	4.5	47,797	15.2	2,02,015	1,95,633	3.3
Total Expenditure	41,149	39,188	5.0	36,948	11.4	1,54,456	1,48,390	4.1
RM Cost	24,124	22,759	6.0	20,846	15.7	87,498	84,770	3.2
Employee Exp	5,220	4,869	7.2	4,947	5.5	20,237	18,818	7.5
Other Exp	11,805	11,560	2.1	11,155	5.8	46,721	44,802	4.3
PBIDT (Excl OI)	13,890	13,488	3.0	10,849	28.0	47,558	47,243	0.7
Other Income	84	268	(68.4)	44	90.1	589	1,143	(48.5)
Depreciation	1,553	1,089	42.7	1,325	17.2	5,222	4,361	19.7
EBIT	12,421	12,667	(1.9)	9,569	29.8	42,926	44,025	(2.5)
Interest	375	262	43.1	346	8.4	1,360	1,133	20.0
PBT	12,046	12,405	(2.9)	9,223	30.6	41,566	42,892	(3.1)
Tax	3,192	3,164	0.9	2,261	41.1	11,329	11,022	2.8
PAT After Tax (Adj)	8,854	9,241	(4.2)	6,961	27.2	30,236	31,870	(5.1)
Exceptional items	0	(101)	NA	0	NA	(2,908)	(92)	NA
Net Profit (Reported))	8,854	9,342	(5.2)	6,961	27.2	33,144	31,962	3.7
EPS (based on RPAT)	9.2	9.7	(5.2)	7.2	27.2	344	331	3.7
			bps		bps			bps
Gross Profit (%)	56.2	56.8	(60)	56.4	(20)	56.7	56.7	-
Employee Cost (%)	9.5	9.2	20	10.3	(90)	10.0	9.6	40
Other Exp (%)	21.4	21.9	(50)	23.3	(190)	23.1	22.9	20
EBITDA (%)	25.2	25.6	(40)	22.7	250	23.5	24.1	(60)
PAT (%)	16.1	17.7	(160)	14.6	150	16.4	16.3	10

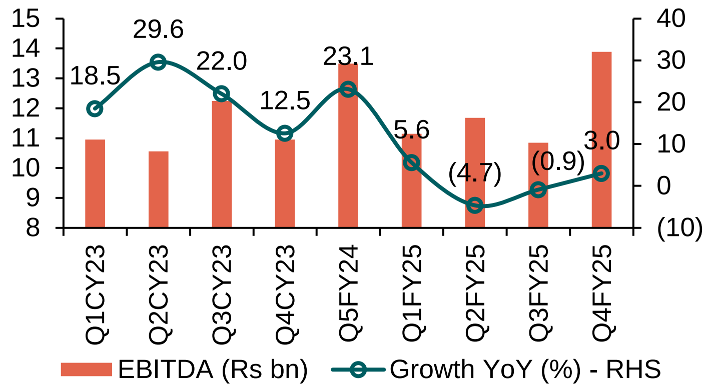
*Source: Company, Dolat Capital *Change in reporting from calendar year to financial year (Q4FY24 is Q5CY23)*

Exhibit 4: Sales and Growth Trend



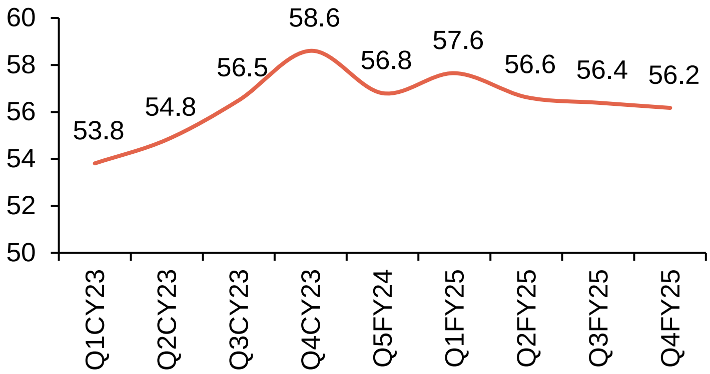
Source: Company, Dolat Capital

Exhibit 5: EBITDA and EBITDA Growth Trend



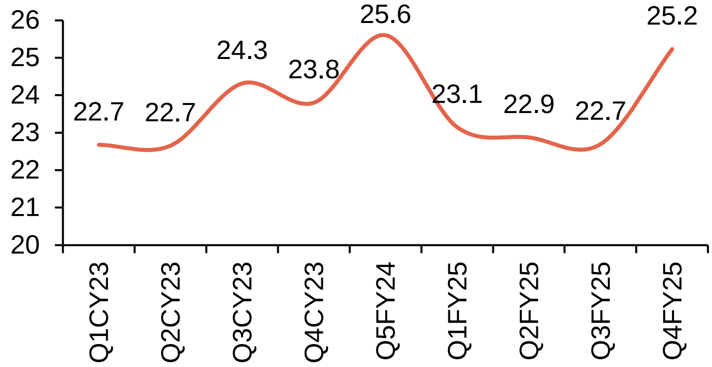
Source: Company, Dolat Capital

Exhibit 6: Gross margin (%)



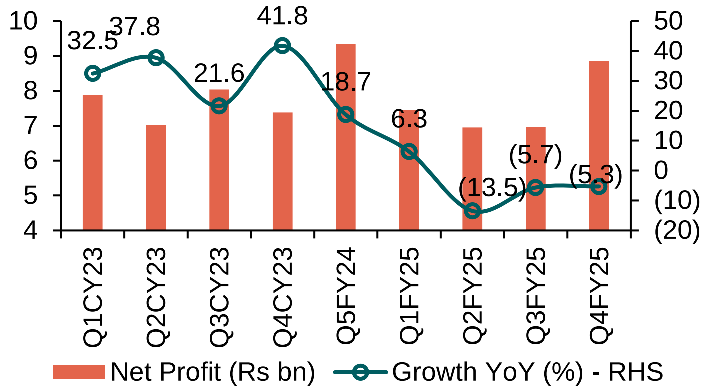
Source: Company, Dolat Capital

Exhibit 7: EBITDA margin (%)



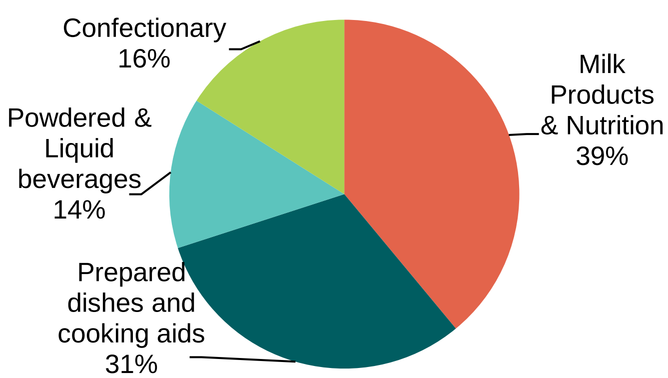
Source: Company, Dolat Capital

Exhibit 8: Net Profit and Growth Trend



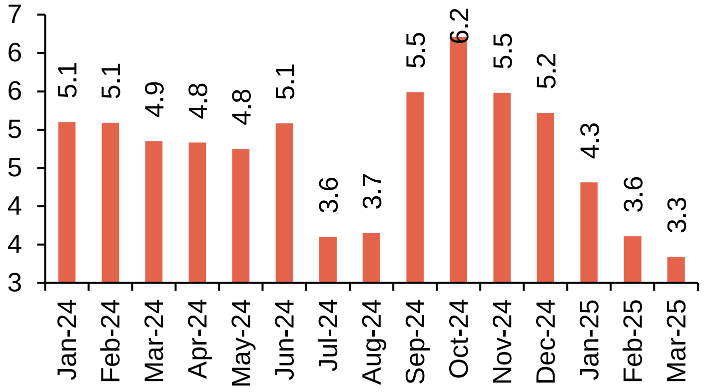
Source: Company, Dolat Capital

Exhibit 9: Revenue Breakup (9MFY25)



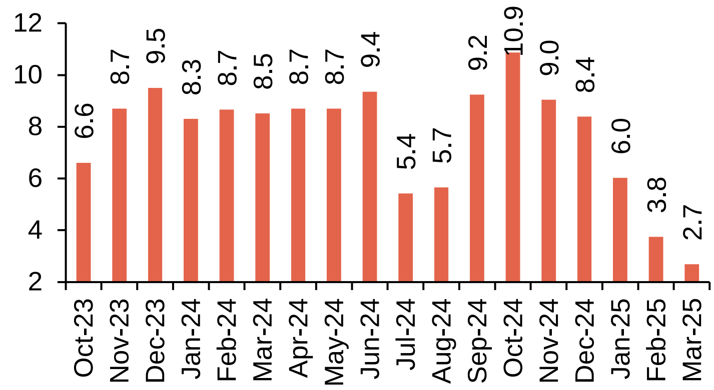
Source: Company, Dolat Capital

Exhibit 10: CPI Monthwise (YoY %)



Source: Company, Dolat Capital

Exhibit 11: Food Inflation Monthwise (YoY %)



Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A*	FY25P	FY26E	FY27E
Revenue	**2,43,939**	**2,02,016**	**2,26,658**	**2,53,455**
Total Expense	**1,85,741**	**1,54,279**	**1,72,232**	**1,91,477**
COGS	1,07,086	87,498	97,491	1,08,239
Employees Cost	23,361	20,237	22,335	24,559
Other expenses	55,295	46,543	52,406	58,679
EBIDTA	**58,198**	**47,737**	**54,426**	**61,978**
Depreciation	5,378	5,399	5,513	5,626
EBIT	**52,820**	**42,338**	**48,913**	**56,352**
Interest	1,455	1,360	1,496	1,646
Other Income	1,480	589	883	1,015
Exc. / E.O. items	44	2,908	0	0
EBT	**52,889**	**44,475**	**48,300**	**55,722**
Tax	13,560	11,330	13,165	15,188
Minority Interest	**0**	**0**	**0**	**0**
Profit/Loss share of associates	0	0	0	0
RPAT	39,328	33,145	35,135	40,534
Adjustments	(44)	(2,908)	0	0
APAT	**39,285**	**30,237**	**35,135**	**40,534**

Balance Sheet

(Rs Mn)	FY24A*	FY25P	FY26E	FY27E
Sources of Funds				
Equity Capital	964	964	964	964
Minority Interest	0	0	0	0
Reserves & Surplus	32,445	40,207	50,273	65,739
Net Worth	**33,409**	**41,172**	**51,238**	**66,703**
Total Debt	311	7,533	7,533	7,533
Net Deferred Tax Liability	120	536	536	536
Total Capital Employed	**33,841**	**49,241**	**59,307**	**74,772**
Applications of Funds				
Net Block	**34,603**	**54,736**	**64,223**	**73,598**
CWIP	17,417	11,726	14,726	17,726
Investments	4,239	7,056	7,056	7,056
Current Assets, Loans & Advances	**48,972**	**49,721**	**42,403**	**51,660**
Current Investments	400	0	0	0
Inventories	20,894	28,501	19,250	21,526
Receivables	3,005	3,632	2,794	3,125
Cash and Bank Balances	7,789	957	3,726	10,378
Loans and Advances	190	184	184	184
Other Current Assets	16,695	16,448	16,448	16,448
Less: Current Liabilities & Provisions	**71,390**	**73,998**	**69,101**	**75,268**
Payables	22,379	23,735	21,734	24,304
Other Current Liabilities	49,011	50,263	47,366	50,964
sub total				
Net Current Assets	(22,418)	(24,277)	(26,698)	(23,607)
Total Assets	**33,841**	**49,241**	**59,307**	**74,772**

E – Estimates; P - Provisional *FY24 includes 15 months

Important Ratios

Particulars	FY24A*	FY25P	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	56.1	56.7	57.0	57.3
EBIDTA Margin	23.9	23.6	24.0	24.5
EBIT Margin	21.7	21.0	21.6	22.2
Tax rate	25.6	25.5	27.3	27.3
Net Profit Margin	16.1	16.4	15.5	16.0
(B) As Percentage of Net Sales (%)				
COGS	43.9	43.3	43.0	42.7
Employee	9.6	10.0	9.9	9.7
Other	22.7	23.0	23.1	23.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.2	0.1	0.1
Interest Coverage	36.3	31.1	32.7	34.2
Inventory days	31	51	31	31
Debtors days	4	7	5	5
Average Cost of Debt	475.7	34.7	19.9	21.8
Payable days	33	43	35	35
Working Capital days	(34)	(44)	(43)	(34)
FA T/O	7.0	3.7	3.5	3.4
(D) Measures of Investment				
AEPS (Rs)	40.7	31.4	36.4	42.0
CEPS (Rs)	46.3	37.0	42.2	47.9
DPS (Rs)	25.5	26.0	26.0	0.0
Dividend Payout (%)	62.6	82.9	71.4	0.0
BVPS (Rs)	34.6	42.7	53.1	69.2
RoANW (%)	135.6	88.9	76.0	68.7
RoACE (%)	139.3	76.1	67.5	62.9
RoAIC (%)	256.2	113.9	94.2	93.9
(E) Valuation Ratios				
CMP (Rs)	2427	2427	2427	2427
Mcap (Rs Mn)	23,40,113	23,40,113	23,40,113	23,40,113
EV	23,32,237	23,46,690	23,43,921	23,37,269
MCap/ Sales	9.6	11.6	10.3	9.2
EV/Sales	9.6	11.6	10.3	9.2
P/E	59.6	77.4	66.6	57.7
EV/EBITDA	40.1	49.2	43.1	37.7
P/BV	70.0	56.8	45.7	35.1
Dividend Yield (%)	1.1	1.1	1.1	0.0
(F) Growth Rate (%)				
Revenue	44.4	(17.2)	12.2	11.8
EBITDA	56.8	(18.0)	14.0	13.9
EBIT	59.6	(19.8)	15.5	15.2
PBT	62.4	(15.9)	8.6	15.4
APAT	64.3	(23.0)	16.2	15.4
EPS	64.3	(23.0)	16.2	15.4

E – Estimates; P - Provisional *FY24 includes 15 months

Cash Flow

Particulars	FY24A*	FY25P	FY26E	FY27E
Profit before tax	**52,889**	**44,475**	**48,300**	**55,722**
Depreciation & w.o.	5,378	5,399	5,513	5,626
Net Interest Exp	0	0	0	0
Direct taxes paid	(12,988)	(10,244)	(13,165)	(15,188)
Change in Working Capital	(2,489)	(13,683)	7,527	184
Non Cash	1,570	(1,339)	0	0
(A) CF from Operating Activities	**44,360**	**24,608**	**48,175**	**46,343**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(18,783)	(20,044)	(18,000)	(18,000)
Free Cash Flow	**25,577**	**4,564**	**30,175**	**28,343**
(Inc)./ Dec. in Investments	2,838	4,239	0	0
Other	0	0	0	0
(B) CF from Investing Activities	**(15,945)**	**(15,805)**	**(18,000)**	**(18,000)**
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	0	8,952	(2,336)	3,377
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(30,082)	(24,586)	(25,069)	(25,069)
Other	0	0	0	0
(C) CF from Financing	**(30,082)**	**(15,635)**	**(27,405)**	**(21,692)**
Net Change in Cash	(1,667)	(6,832)	2,770	6,652
Opening Cash balances	**9,456**	**7,789**	**957**	**3,726**
Closing Cash balances	**7,789**	**957**	**3,726**	**10,378**

E – Estimates; P - Provisional *FY24 includes 15 months

Notes

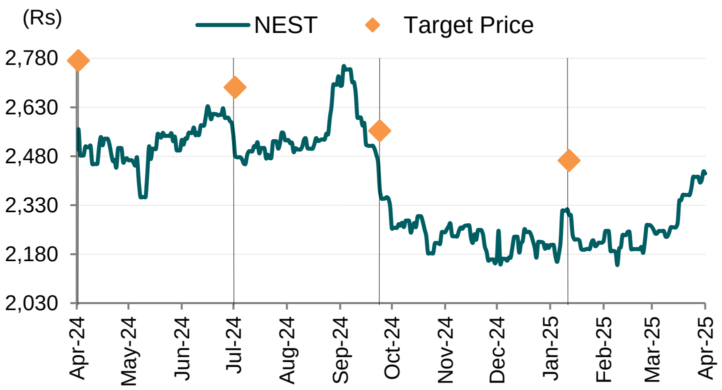
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	7	10	(3)
Rel to NIFTY (%)	4	5	(12)

Shareholding Pattern

Particulars	Sep'24	Dec'24	Mar'25
Promoters	62.8	62.8	62.8
MF/Banks/FIs	9.5	10.8	11.3
FIIs	11.9	10.3	10.0
Public / Others	15.8	16.2	15.9



Month	Rating	TP (Rs.)	Price (Rs.)
Apr-24	Accumulate	2,773	2,563
Jul-24	Reduce	2,691	2,481
Oct-24	Reduce	2,558	2,379
Feb-25	Reduce	2,467	2,299

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

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Analyst(s) Certification

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I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

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