

24 April 2025

India | Equity Research | Results update

Nestle

Consumer Staples & Discretionary

Soft quarter; watchful of strategy shift under new leadership

Nestle's Q4FY25 operational performance was subdued with revenue growth of 4% YoY on a high base of 9% and ~100 bps margin contraction primarily due to inflationary pressures in key raw materials such as coffee, edible oil and palm oil. During the quarter, the performance was led by double-digit growth in the Beverages and Confectionery categories, largely driven by pricing actions. This was partially offset by muted performance in the Prepared Dishes and Milk Nutrition segments, impacted by high competition and weak consumer demand, respectively. Nestle announced the appointment of Manish Tiwary as MD for a five-year term starting April 1, 2025. Under Suresh Narayanan tenure (2015-2025), Nestle achieved significant outperformance compared to peers through consistent product innovation and distribution expansion in the rural markets.

Going ahead, we will closely watch for any strategic shifts under the new leadership. Considering the current weak demand environment and the stock's premium valuation, we believe there is limited near-term upside. Maintain **HOLD**.

Revenue grew 4% driven by Beverages and Confectionary

Nestle's revenue grew 4% YoY (marginally below estimates) in Q4FY25. Domestic revenue grew 4% YoY while exports declined 9% YoY. During the quarter, the performance was led by double-digit growth in Beverages and Confectionary. We believe the performance in prepared dishes and milk nutrition portfolio was soft on account of heightened competitive intensity and weak consumer demand, respectively. For FY25, revenue grew 3% YoY. For the year, the key highlights were (1) Powdered and Liquid Beverages was the largest growth contributor for the company, registering high double-digit growth largely driven by Nescafe (pricing led growth), (2) Confectionery value and volume grew in high single-digit driven by Kitkat, (3) Prepared Dishes and Cooking Aids posted mid-single digit growth on account of marginal recovery in Maggi volumes, (4) Milk Products and Nutrition performance was soft. However, the company continued with innovations and launched no refined sugar variants for Cerelac and Ceregrow, (5) Petcare business reported high double-digit growth. Cat food brands (Purina Felix and Friskies) achieved high growth, initial response for dog food brand (Purina Pro Plan) is encouraging. (6) Out-of-Home business delivered strong double-digit growth.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	1,94,671	2,00,775	2,20,542	2,47,102
EBITDA	46,543	46,497	52,173	59,929
EBITDA Margin (%)	23.9	23.2	23.7	24.3
Net Profit	31,870	30,237	35,518	41,318
EPS (INR)	33.1	31.4	36.8	42.9
EPS % Chg YoY	33.3	(5.1)	17.5	16.3
P/E (x)	73.6	77.6	66.1	56.8
EV/EBITDA (x)	50.2	50.6	44.9	38.9
RoCE (%)	107.1	72.5	66.0	66.6
RoE (%)	109.9	81.1	79.2	78.5

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Market Data

Market Cap (INR)	2,346bn
Market Cap (USD)	27,501mn
Bloomberg Code	NEST IN
Reuters Code	NEST.BO
52-week Range (INR)	2,778 / 2,110
Free Float (%)	37.0
ADTV-3M (mn) (USD)	21.4

Price Performance (%)	3m	6m	12m
Absolute	10.2	7.7	(2.7)
Relative to Sensex	5.5	8.1	(10.7)

ESG Score	2023	2024	Change
ESG score	74.2	69.6	(4.6)
Environment	54.0	57.2	3.2
Social	74.5	65.4	(9.1)
Governance	86.5	82.4	(4.1)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(1.0)	(1.0)
EBITDA	(1.2)	(1.2)
EPS	(2.1)	(1.9)

Previous Reports

18-10-2024: [Q2FY25 results review](#)

25-07-2024: [Q1FY24 results review](#)

Nestle's focus on new product launches continues, resulting in the contribution from NPD increasing to 7% sales for FY25. Interestingly, emerging channel of Quick Commerce is witnessing strong growth and now contributes 8.5% of overall revenue.

Operating margin declined due to sustained RM inflation

Gross margin contracted by 98bps YoY to 55.7% as elevated raw material inflation continues. Management highlighted: (1) Coffee continues to be inflationary, (2) Cocoa prices have corrected but continue to be at elevated levels, (3) the prices of edible oil have stabilised, (4) milk prices have cyclically inched up with the onset of summers.

EBITDA margin contracted by 98bps YoY to 24.5%, resulting in flat EBTIDA YoY. Staff cost increased by 7% YoY while other expenditure increased by 2% YoY. Recurring PAT declined 4% YoY to INR 8.9bn. We expect 110bps of margin improvement over FY25-27E on the back on moderation in RM prices, calibrated price hikes and premiumisation of portfolio.

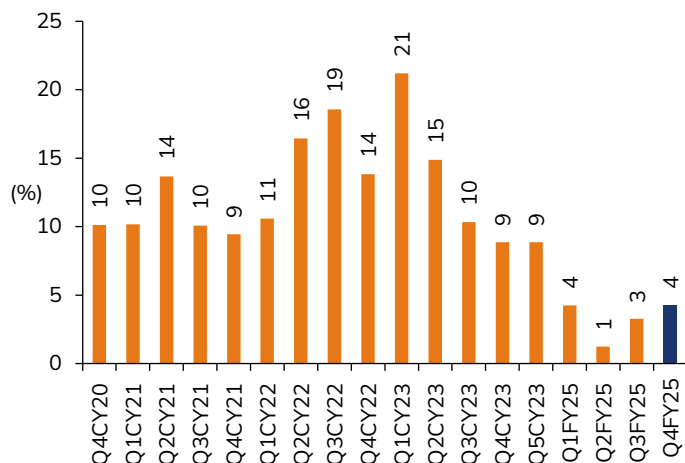
Valuation and risks

We marginally tweaked our estimates, modelling revenue / EBITDA / PAT CAGR of 11% / 14% / 17% over FY25-26E. Maintain HOLD with a DCF-based revised target price of INR 2,350 (vs INR 2,300). Upside risk: Faster-than-anticipated recovery in demand environment. Downside risk: Higher-than-expected inflation in key raw material prices.

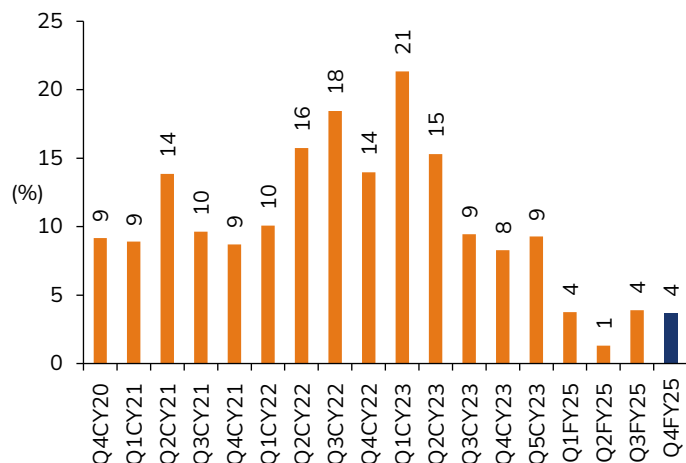
Exhibit 1: Standalone Q4FY25 result review

INR mn	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Net domestic revenue	52,350	50,216	4	45,661	15	192,927	186,879	3
Export revenue	2,127	2,328	(9)	1,961	8	7,848	7,792	1
Net Revenues	54,476	52,544	4	47,621	14	200,775	194,671	3
COGS	(24,124)	(22,759)	6	(20,846)	16	(87,498)	(84,770)	3
Gross profit	30,352	29,786	2	26,775	13	113,277	109,900	3
Staff cost	(5,220)	(4,869)	7	(4,947)	6	(20,237)	(18,818)	8
Other opex	(11,805)	(11,548)	2	(10,978)	8	(46,663)	(44,539)	5
Total opex	(17,025)	(16,417)	4	(15,924)	7	(66,901)	(63,357)	6
EBITDA	13,327	13,369	(0)	10,851	23	46,377	46,543	(0)
Other income	647	399	62	220	193	1,829	2,106	(13)
Finance Cost	(375)	(262)	43	(346)	8	(1,360)	(1,133)	20
D&A	(1,553)	(1,101)	41	(1,503)	3	(5,399)	(4,373)	23
PBT	12,046	12,405	(3)	9,223	31	41,447	43,142	(4)
Tax	(3,192)	(3,164)	1	(2,261)	41	(11,330)	(11,022)	3
PAT	8,854	9,241	(4)	6,961	27	30,117	32,120	(6)
Impairment of fixed assets	-	-	-	-	-	-	(174)	-
Provision for contingencies	-	-	-	-	-	120	(76)	(258)
Recurring PAT	8,854	9,241	(4)	6,961	27	30,237	31,870	(5)
Extraordinary items	-	101	-	-	-	2,908	92	-
Net profit (reported)	8,854	9,342	(5)	6,961	27	33,145	31,962	4
EPS	9.2	9.6	(4)	7.2	27	31.4	33.1	(5)
Costs as a % of sales								
COGS	44.3	43.3	97 bps	43.8	50 bps	43.6	43.5	3 bps
Gross margin (%)	55.7	56.7	-98 bps	56.2	-51 bps	56.4	56.5	-4 bps
Staff cost	9.6	9.3	31 bps	10.4	-81 bps	10.1	9.7	41 bps
Other opex	21.7	22.0	-31 bps	23.1	-139 bps	23.2	22.9	36 bps
EBITDA margin (%)	24.5	25.4	-98 bps	22.8	167 bps	23.1	23.9	-81 bps
Income tax rate (%)	26.5	25.5	98 bps	24.5	197 bps	27.3	25.5	178 bps

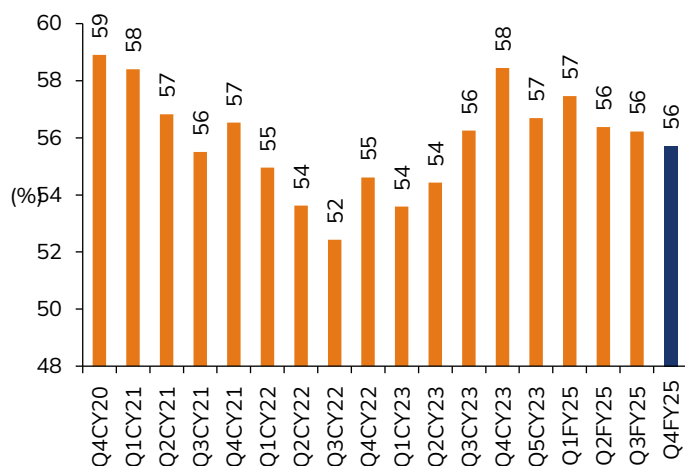
Source: I-Sec research, Company data

Exhibit 2: Domestic revenue growth

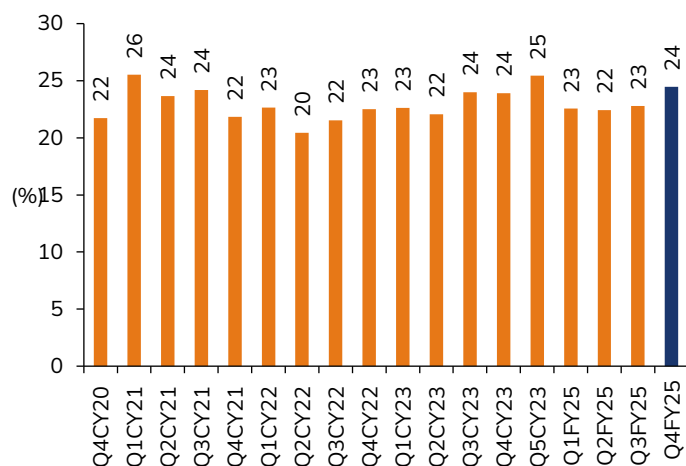
Source: Company data, I-Sec research

Exhibit 3: Revenue growth

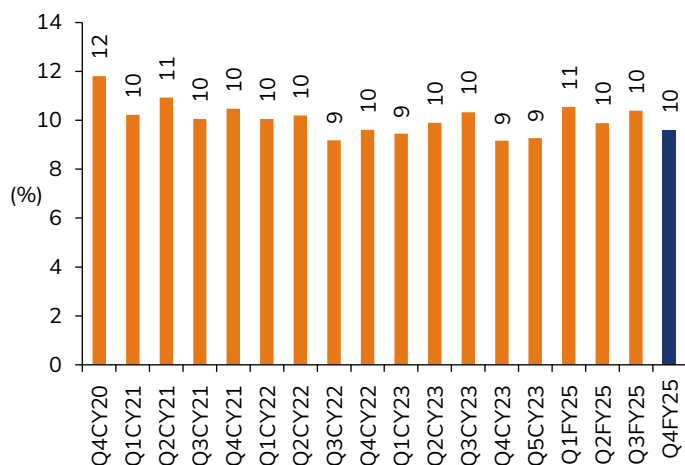
Source: Company data, I-Sec research

Exhibit 4: Gross margin

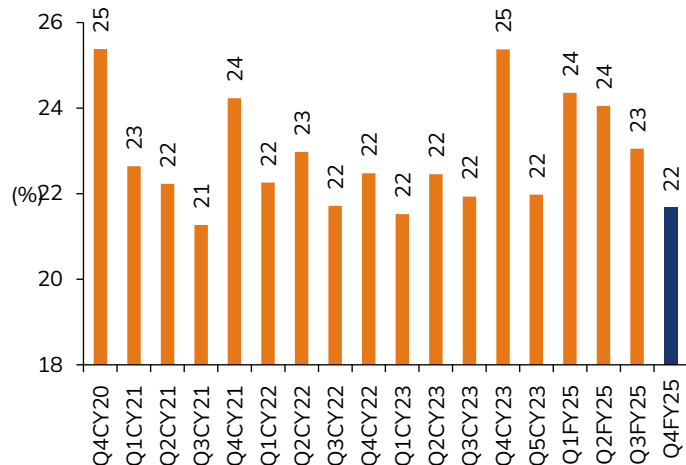
Source: Company data, I-Sec research

Exhibit 5: EBITDA margin

Source: Company data, I-Sec research

Exhibit 6: Employee costs (as a % of sales)

Source: Company data, I-Sec research

Exhibit 7: Other expenses (as a % of sales)

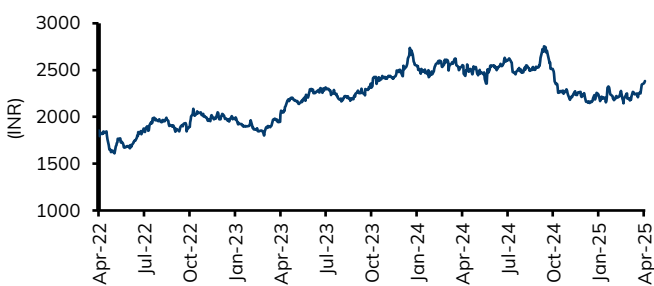
Source: Company data, I-Sec research

Exhibit 8: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	62.8	62.8	62.8
Institutional investors	21.4	21.0	21.3
MFs and others	5.1	4.4	4.4
FIs/Banks, Insurance	4.3	6.3	6.8
FIIIs	12.0	10.3	10.1
Others	15.8	16.2	15.9

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	1,94,671	2,00,775	2,20,542	2,47,102
Operating Expenses	1,48,128	1,54,279	1,68,369	1,87,173
EBITDA	46,543	46,497	52,173	59,929
EBITDA Margin (%)	23.9	23.2	23.7	24.3
Depreciation & Amortization	4,373	5,399	6,024	6,385
EBIT	42,170	41,097	46,149	53,543
Interest expenditure	1,133	1,360	1,331	1,484
Other Non-operating Income	2,106	1,829	2,647	3,157
Recurring PBT	43,142	41,567	47,465	55,216
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	11,022	11,330	11,947	13,898
PAT	32,120	30,237	35,518	41,318
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	92	2,908	-	-
Net Income (Reported)	31,962	33,145	35,518	41,318
Net Income (Adjusted)	31,870	30,237	35,518	41,318

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	34,947	37,342	51,349	68,245
of which cash & cash eqv.	8,188	957	11,563	23,870
Total Current Liabilities & Provisions	33,188	36,322	40,019	44,974
Net Current Assets	1,759	1,019	11,330	23,271
Investments	4,239	7,056	7,056	7,056
Net Fixed Assets	30,557	49,257	48,084	46,888
ROU Assets	-	-	-	-
Capital Work-in-Progress	17,417	11,726	11,726	11,726
Total Intangible Assets	-	-	-	-
Long Term Loans & Advances	14,025	12,380	13,598	15,236
Deferred Tax assets	-	-	-	-
Total Assets	72,042	86,917	97,274	1,09,656
Liabilities				
Borrowings	311	7,533	7,533	7,533
Deferred Tax Liability	120	536	536	536
Provisions	29,172	30,902	33,944	38,032
Other Liabilities	9,030	6,774	6,774	6,774
Equity Share Capital	964	964	964	964
Reserves & Surplus	32,445	40,207	47,522	55,817
Total Net Worth	33,409	41,172	48,486	56,781
Minority Interest	-	-	-	-
Total Liabilities	72,042	86,917	97,274	1,09,656

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	47,930	50,748	47,621	54,476
% growth (YOY)	4.2	1.2	3.3	4.2
EBITDA	10,814	11,385	10,851	13,327
Margin %	22.6	22.4	22.8	24.5
Other Income	391	69	44	84
Extraordinaries	-	2,908	-	-
Adjusted Net Profit	7,466	6,955	6,961	8,854

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	41,748	29,364	43,396	50,056
Working Capital Changes	(2,489)	(7,112)	2,120	2,817
Capital Commitments	(14,045)	(18,864)	(4,852)	(5,189)
Free Cashflow	27,703	10,499	38,544	44,866
Other investing cashflow	1,670	755	1,596	1,949
Cashflow from Investing Activities	(12,374)	(18,109)	(3,256)	(3,240)
Issue of Share Capital	-	-	-	-
Interest Cost	(16)	(67)	(1,331)	(1,484)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(30,082)	(24,586)	(28,203)	(33,024)
Others	(1,251)	6,172	-	-
Cash flow from Financing Activities	(31,349)	(18,481)	(29,534)	(34,508)
Chg. in Cash & Bank balance	(1,976)	(7,227)	10,606	12,307
Closing cash & balance	7,480	562	11,563	23,870

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	33.1	31.4	36.8	42.9
Adjusted EPS (Diluted)	33.1	31.4	36.8	42.9
Cash EPS	37.6	37.0	43.1	49.5
Dividend per share (DPS)	32.3	24.3	29.3	34.3
Book Value per share (BV)	34.6	42.7	50.3	58.9
Dividend Payout (%)	97.6	77.3	79.4	79.9
Growth (%)				
Net Sales	15.9	3.1	9.8	12.0
EBITDA	27.5	(0.1)	12.2	14.9
EPS (INR)	33.3	(5.1)	17.5	16.3
Valuation Ratios (x)				
P/E	73.6	77.6	66.1	56.8
P/CEPS	64.7	65.8	56.5	49.2
P/BV	70.2	57.0	48.4	41.3
EV / EBITDA	50.2	50.6	44.9	38.9
P / Sales	12.1	11.7	10.6	9.5
Dividend Yield (%)	1.3	1.0	1.2	1.4
Operating Ratios				
Gross Profit Margins (%)	56.5	56.4	56.6	56.7
EBITDA Margins (%)	23.9	23.2	23.7	24.3
Effective Tax Rate (%)	25.5	27.3	25.2	25.2
Net Profit Margins (%)	16.5	15.1	16.1	16.7
Net Debt / Equity (x)	(0.2)	0.2	(0.1)	(0.3)
Net Debt / EBITDA (x)	(0.2)	0.1	(0.1)	(0.3)
Fixed Asset Turnover (x)	3.6	2.9	2.6	2.8
Working Capital Days	(14)	0	0	(1)
Inventory Turnover Days	42	53	54	54
Receivables Days	6	7	7	7
Payables Days	45	44	45	46
Profitability Ratios				
RoCE (%)	107.1	72.5	66.0	66.6
RoE (%)	109.9	81.1	79.2	78.5
RoIC (%)	112.5	75.8	69.7	70.5

Source Company data, I-Sec research

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