PL Capital
PRABHUDAS LILLADHER

Nestle India (NEST IN)

Rating: HOLD | CMP: Rs1,277 | TP: Rs1,359

October 16, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	**HOLD**		**HOLD**	
Target Price	**1,359**		**1,222**	
Sales (Rs. m)	2,46,569	2,71,293	2,37,194	2,58,911
% Chng.	*4.0*	*4.8*		
EBITDA (Rs. m)	58,649	65,810	55,710	61,707
% Chng.	*5.3*	*6.6*		
EPS (Rs.)	18.9	21.6	18.0	20.2
% Chng.	*5.2*	*6.9*		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	202	223	247	271
EBITDA (Rs. bn)	48	51	59	66
Margin (%)	*23.6*	*22.9*	*23.8*	*24.3*
PAT (Rs. bn)	30	32	36	42
EPS (Rs.)	31.6	16.4	18.9	21.6
Gr. (%)	*(22.3)*	*(48.0)*	*15.1*	*14.4*
DPS (Rs.)	25.5	12.0	15.0	17.0
Yield (%)	*2.0*	*0.9*	*1.2*	*1.3*
RoE (%)	*81.7*	*70.2*	*69.3*	*69.1*
RoCE (%)	*102.7*	*85.8*	*86.2*	*86.9*
EV/Sales (x)	6.1	11.0	10.0	9.0
EV/EBITDA (x)	25.9	48.1	41.9	37.1
PE (x)	40.4	77.7	67.5	59.0
P/BV (x)	29.9	50.1	43.8	38.1

Key Data	NEST.BO | NEST IN
52-W High / Low	Rs.1,287 / Rs.1,055
Sensex / Nifty	83,468 / 25,585
Market Cap	Rs.2,462bn/ $ 28,029m
Shares Outstanding	1,928m
3M Avg. Daily Value	Rs.1721.35m

Shareholding Pattern (%)

Promoter's	62.76
Foreign	10.02
Domestic Institution	11.44
Public & Others	15.78
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.0	7.1	3.7
Relative	4.6	(1.1)	1.3

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Strong volume beat, input pressures peaked out

Quick Pointers:

- Volumes up ~9%, margins decline due to lag impact of input cost inflation.
- All segments except Nutrition posted double digit volume growth

We are increasing FY27/FY28 estimates by 5.2/6.9% given 1) better than expected volume growth across segments, excluding Nutrition 2) expected increase in volume growth due to benefits of lower GST in majority of NEST products 3) peaked out commodity prices (Milk, coffee, cocoa etc. 4) lower increase in incremental depreciation and interest as capex intensity has likely peaked out.

NESTLE posted a strong quarter with 10.6% sales growth and flattish EBIDTA as margins declined 97bps given impact of elevated commodity prices (coffee, cocoa, milk and palmoil), higher operational costs (expansion in capacity. We expect high single digit to low double- digit volume growth in coming few quarters on the lines of GST transition gains in FY18 led by Maggi, Nescafe (powder + RTD) and Chocolates (Wafers and milk chocolates).

NEST faces structural increase in competition in segments like Instant Noodles and Nutrition, which remains a key drag. We estimate EPS CAGR of 14.7% over FY26-28. The stock trades at 59xFY28 EPS. We assign DCF based target price of Rs1359 (Rs1222 earlier). Downside seems capped given expected acceleration in volumes.

Sales increased 10.6%, PAT down 0.8% YoY: Revenues grew 10.6% YoY to Rs56.4bn (PLe:Rs53.3bn). Gross margins contracted 230bps YoY to 54.3% (Ple: 55.0%) due to input cost pressures. EBITDA grew by 5.9% YoY to Rs12.4bn (PLe:Rs 11.95bn); Margins contracted by 97bps YoY to 21.9% (PLe:21.0%). Adjusted PAT declined by 0.8% YoY to Rs7.5bn (PLe:Rs 6.8bn). Volume growth came in at high single digits vs our expectation of ~4%

Segment-wise Performance

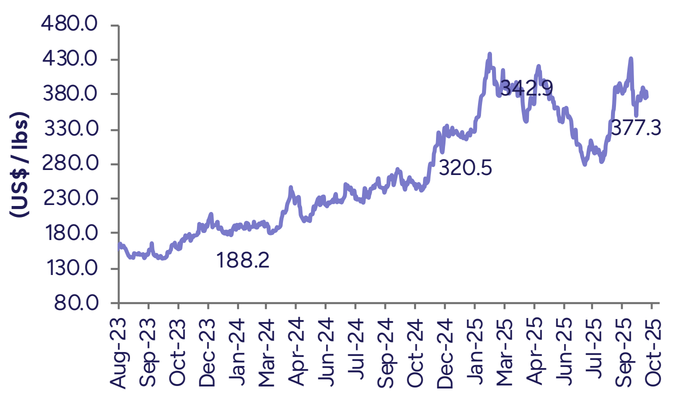
- **Powdered and Liquid Beverages:** Strong double-digit growth led by higher penetration and higher growth in premium offerings such as NESCAFÉ Gold and NESCAFÉ. RTD continued to deliver strong growth.
- **Prepared Dishes and Cooking Aids:** Maggi Noodles achieved double-digit value growth led by double digit volume growth. Digital-first launches of MAGGI Double Masala and MAGGI Spicy range continued to build value added portfolio for urban consumers.
- **Confectionary- Kitkat drives growth:** KITKAT was the largest growth driver, especially in Rural markets led by rising rural penetration and reach. MUNCH and MILKYBAR grew at high double-digit. NEST launched premium KITKAT Delights range with the launch of Salted Caramel and Hazelnut.
- Petcare business delivered double digit growth and PURINA FRISKIES cat food brand launched two new variants: Meaty Grills and Indoor Delights
- **Milk Products and Nutrition-Mixed performance:** MILKMAID posted strong growth due to early festival season. Toddler milks products delivered strong performance with market share gains.

Exhibit 1: 2QFY26: Revenue up 10.6% YoY; Gross margins/EBITDA margins contract 230bps/97bps YoY.

Y/e March (Rs mn)	2QFY26	2QFY25	YoY gr. (%)	1QFY26	QoQ gr. (%)	1HFY26	1HFY25	YoY gr. (%)
Net Sales	**56,436**	**51,040**	***10.6***	**50,962**	***10.7***	**1,07,398**	**99,180**	***8.3***
Gross Profit	30,656	28,901	*6.1*	28,107	*9.1*	58,763	56,652	*3.7*
% of NS	*54.3*	*56.6*	*-2.3*	*55.2*	*-0.8*	*54.7*	*57.1*	*-2.4*
Other Expenses	18,289	17,224	*6.2*	17,105	*6.9*	35,394	33,831	*4.6*
EBITDA	**12,366**	**11,677**	***5.9***	**11,003**	***12.4***	**23,369**	**22,821**	***2.4***
Margins (%)	*21.9*	*22.9*	*-1.0*	*21.6*	*0.3*	*21.8*	*23.0*	*-1.3*
Depreciation	1,634	1,216	*34.3*	1,569	*4.1*	3,203	2,343	*36.7*
Interest	464	322	*44.0*	469	*(1.0)*	933	639	*46.0*
Other Income	16	69	*(76.1)*	40	*(59.4)*	57	460	*(87.6)*
PBT	**10,285**	**10,208**	***0.8***	**9,005**	***14.2***	**19,290**	**20,298**	***(5.0)***
Tax	2,753	2,613	*5.4*	2,412	*14.1*	11,022	11,085	*(0.6)*
Effective tax rate (%)	*26.8*	*25.6*	*1.2*	*26.8*	*0.0*	*57.1*	*54.6*	*2.5*
Adjusted PAT	**7,532**	**7,595**	***(0.8)***	**6,592**	***14.3***	**8,268**	**9,213**	***(10.3)***

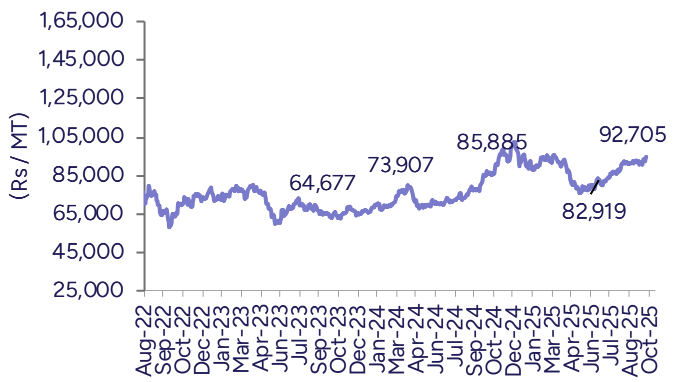
Source: Company, PL

Exhibit 2: Coffee prices inch up 38.8%YoY & down 6.7% QoQ



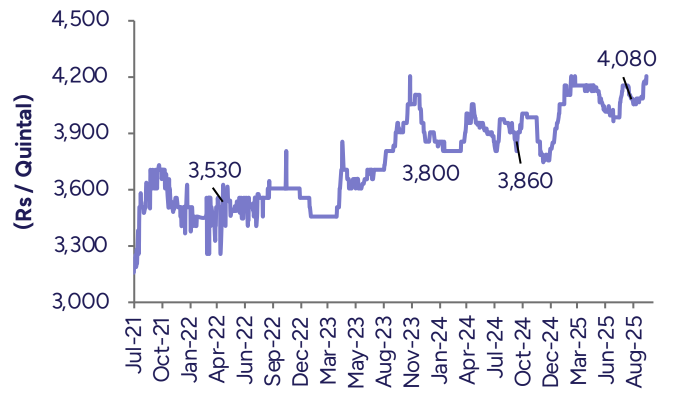
Source: Company, PL

Exhibit 3: Palmoil up 17.7% YoY and up 9.1% QoQ



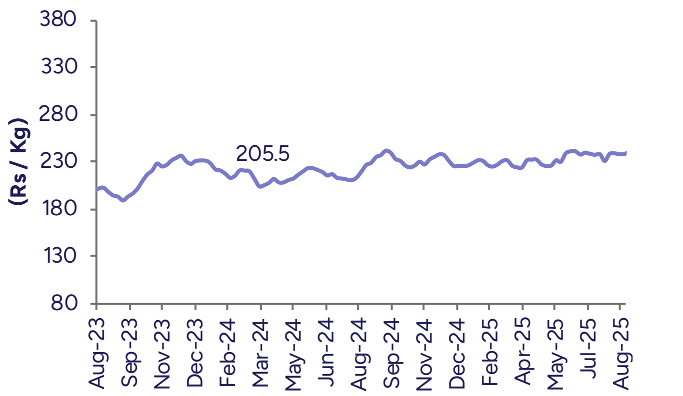
Source: Company, PL

Exhibit 4: Sugar prices up 2.8% YoY & down by 0.3% QoQ



Source: Company, PL

Exhibit 5: SMP prices up 6% YoY & 2% QoQ



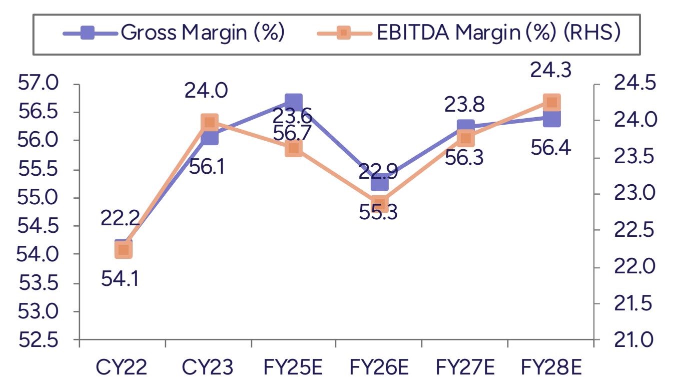
Source: Company, PL

Exhibit 6: Beverages and Chocolates to drive long term volume growth

	Y/e March	CY22	15MFY24	FY25	FY26	FY27	FY28
Milk Products		134034	1,68,143	1,25,771	1,27,029	1,29,569	1,32,809
	Volume growth	-0.5%	25.4%	-25.2%	1.0%	2.0%	2.5%
	Sales Value (Rs m)	68157	98,687	76,576	79,661	83,692	89,216
	Growth in Value	8.73%	44.8%	-22.4%	4.0%	5.1%	6.6%
	% of sales	40.6%	40.7%	38.1%	35.9%	34.1%	33.1%
Beverages	Volume (MT)	28020	38,039	30,153	33,168	36,485	39,404
	Value (Rs m)	20188	30,207	28,881	33,358	38,528	43,275
	Growth in Volume	14.3%	35.8%	-20.7%	10.0%	10.0%	8.0%
	Growth in Value	19.3%	49.6%	-4.4%	15.5%	15.5%	12.3%
	%Sales	12.0%	12.4%	14.4%	15.0%	15.7%	16.0%
Prepared Dishes & Cooking Aids	Volume (MT)	348225	4,42,827	3,59,785	3,95,764	4,35,340	4,70,167
	Value (Rs m)	53006	73,914	61,991	70,235	80,071	89,590
	Growth in Volume	5.7%	27.2%	-18.8%	10.0%	10.0%	8.0%
	Growth in Value	15.7%	39.4%	-16.1%	13.3%	14.0%	11.9%
	%Sales	31.6%	30.4%	30.9%	31.7%	32.7%	33.2%
Chocolate & Confectionery	Volume (MT)	62401	85,934	69,473	76,420	83,298	89,962
	Value (Rs.mn)	26545	39,947	33,328	38,494	42,797	47,608
	Realisation (Rs./Kg)	425	465	480	504	514	529
	Growth in volume	12.1%	37.7%	-19.2%	10.0%	9.0%	8.0%
	Growth in Value	25.0%	50.5%	-16.6%	15.5%	11.2%	11.2%
	Growth in Realisations	11.5%	9.3%	3.2%	5.0%	2.0%	3.0%
	% Sales	15.8%	16.5%	16.6%	17.4%	17.5%	17.7%

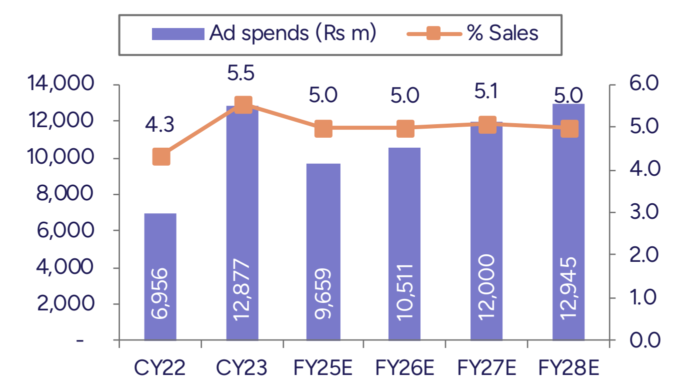
*Source: Company, PL, * NEST changed year ended from Dec to March in CY23*

Exhibit 7: GM to normalize as commodities stabilise



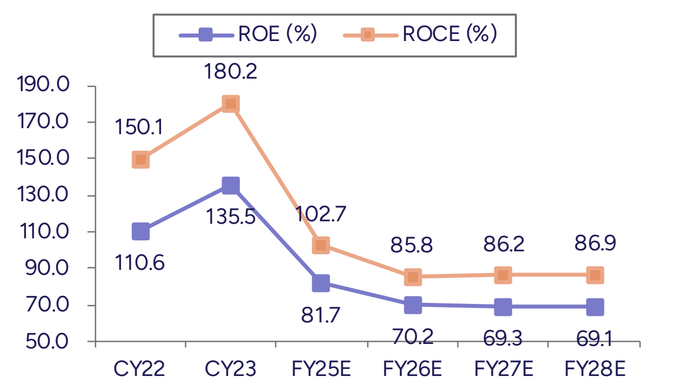
Source: Company, PL

Exhibit 8: Ad spends to remain range-bound



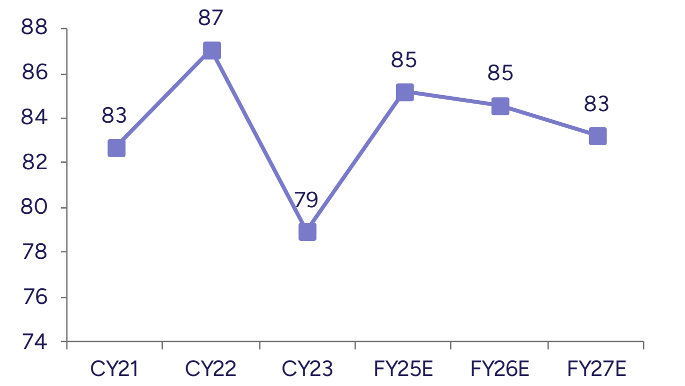
Source: Company, PL

Exhibit 9: ROE and ROCE remain healthy



Source: Company, PL

Exhibit 10: Expect higher dividend payout



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**2,02,016**	**2,23,348**	**2,46,569**	**2,71,293**
YoY gr. (%)	*(17.2)*	*10.6*	*10.4*	*10.0*
Cost of Goods Sold	87,498	99,837	1,07,857	1,18,198
Gross Profit	1,14,518	1,23,511	1,38,712	1,53,095
Margin (%)	*56.7*	*55.3*	*56.3*	*56.4*
Employee Cost	20,237	22,618	24,754	26,969
Other Expenses	22,644	24,655	27,372	29,711
EBITDA	**47,737**	**51,095**	**58,649**	**65,810**
YoY gr. (%)	*(18.4)*	*7.0*	*14.8*	*12.2*
Margin (%)	*23.6*	*22.9*	*23.8*	*24.3*
Depreciation and Amortization	5,399	6,883	7,973	8,552
EBIT	**42,338**	**44,213**	**50,675**	**57,258**
Margin (%)	*21.0*	*19.8*	*20.6*	*21.1*
Net Interest	1,360	1,310	1,553	1,419
Other Income	589	216	498	909
Profit Before Tax	**41,567**	**43,119**	**49,621**	**56,748**
Margin (%)	*20.6*	*19.3*	*20.1*	*20.9*
Total Tax	11,085	11,426	13,150	15,038
Effective tax rate (%)	*26.7*	*26.5*	*26.5*	*26.5*
Profit after tax	**30,482**	**31,692**	**36,471**	**41,710**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**30,482**	**31,692**	**36,471**	**41,710**
YoY gr. (%)	*(22.3)*	*4.0*	*15.1*	*14.4*
Margin (%)	*15.1*	*14.2*	*14.8*	*15.4*
Extra Ord. Income / (Exp)	(1,595)	-	-	-
Reported PAT	**28,887**	**31,692**	**36,471**	**41,710**
YoY gr. (%)	*(26.3)*	*9.7*	*15.1*	*14.4*
Margin (%)	*14.3*	*14.2*	*14.8*	*15.4*
Other Comprehensive Income	(796)	(500)	(500)	(500)
Total Comprehensive Income	28,090	31,192	35,971	41,210
Equity Shares O/s (m)	**964**	**1,928**	**1,928**	**1,928**
EPS (Rs)	**31.6**	**16.4**	**18.9**	**21.6**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	**1,10,192**	**1,24,752**	**1,38,567**	**1,47,039**
Tangibles	1,10,192	1,24,752	1,38,567	1,47,039
Intangibles	-	-	-	-
Acc: Dep / Amortization	**55,456**	**61,838**	**69,286**	**77,286**
Tangibles	55,456	61,838	69,286	77,286
Intangibles	-	-	-	-
Net fixed assets	**54,736**	**62,914**	**69,281**	**69,753**
Tangibles	54,736	62,914	69,281	69,753
Intangibles	-	-	-	-
Capital Work In Progress	11,726	8,500	7,500	6,500
Goodwill	-	-	-	-
Non-Current Investments	7,691	7,788	7,865	7,865
Net Deferred tax assets	(536)	114	246	396
Other Non-Current Assets	11,745	12,529	13,480	14,563
Current Assets				
Investments	264	4,435	9,804	16,181
Inventories	28,501	24,256	26,122	28,643
Trade receivables	3,632	3,402	3,693	4,064
Cash & Bank Balance	692	3,681	3,523	5,452
Other Current Assets	3,902	3,902	4,292	4,721
Total Assets	**1,23,239**	**1,31,925**	**1,46,251**	**1,58,630**
Equity				
Equity Share Capital	964	1,928	1,928	1,928
Other Equity	40,207	47,196	54,242	62,671
Total Networth	**41,172**	**49,124**	**56,171**	**64,600**
Non-Current Liabilities				
Long Term borrowings	225	225	5,000	3,000
Provisions	30,902	32,259	33,744	35,362
Other non current liabilities	3,552	4,223	5,070	5,982
Current Liabilities				
ST Debt / Current of LT Debt	7,309	5,000	2,000	1,000
Trade payables	26,238	26,532	28,072	30,764
Other current liabilities	13,307	14,562	16,194	17,922
Total Equity & Liabilities	**1,23,239**	**1,31,925**	**1,46,251**	**1,58,630**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	41,567	43,119	49,621	56,748
Add. Depreciation	5,399	6,883	7,973	8,552
Add. Interest	1,360	1,310	1,553	1,419
Less Financial Other Income	589	216	498	909
Add. Other	398	(1,819)	(1,306)	(1,718)
Op. profit before WC changes	48,724	49,493	57,841	65,001
Net Changes-WC	(3,321)	1,771	(4,817)	(5,363)
Direct tax	(11,085)	(11,426)	(13,150)	(15,038)
Net cash from Op. activities	**34,317**	**39,837**	**39,874**	**44,600**
Capital expenditures	(19,842)	(11,835)	(13,341)	(8,023)
Interest / Dividend Income	1,830	1,816	1,979	2,514
Others	(2,817)	-	-	-
Net Cash from Invt. activities	**(20,829)**	**(10,018)**	**(11,363)**	**(5,509)**
Issue of share cap. / premium	4,267	(100)	-	-
Debt changes	7,222	(2,309)	1,775	(3,000)
Dividend paid	(24,586)	(23,140)	(28,925)	(32,781)
Interest paid	(1,360)	(1,310)	(1,553)	(1,419)
Others	-	-	-	-
Net cash from Fin. activities	**(14,457)**	**(26,858)**	**(28,703)**	**(37,200)**
Net change in cash	**(969)**	**2,961**	**(191)**	**1,890**
Free Cash Flow	14,476	28,003	26,533	36,577

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	31.6	16.4	18.9	21.6
CEPS	37.2	20.0	23.0	26.1
BVPS	42.7	25.5	29.1	33.5
FCF	15.0	14.5	13.8	19.0
DPS	25.5	12.0	15.0	17.0
Return Ratio(%)				
RoCE	102.7	85.8	86.2	86.9
ROIC	34.6	35.7	38.1	41.8
RoE	81.7	70.2	69.3	69.1
Balance Sheet				
Net Debt : Equity (x)	0.2	(0.1)	(0.1)	(0.3)
Net Working Capital (Days)	11	2	3	3
Valuation(x)				
PER	40.4	77.7	67.5	59.0
P/B	29.9	50.1	43.8	38.1
P/CEPS	37.2	20.0	23.0	26.1
EV/EBITDA	25.9	48.1	41.9	37.1
EV/Sales	6.1	11.0	10.0	9.0
Dividend Yield (%)	2.0	0.9	1.2	1.3

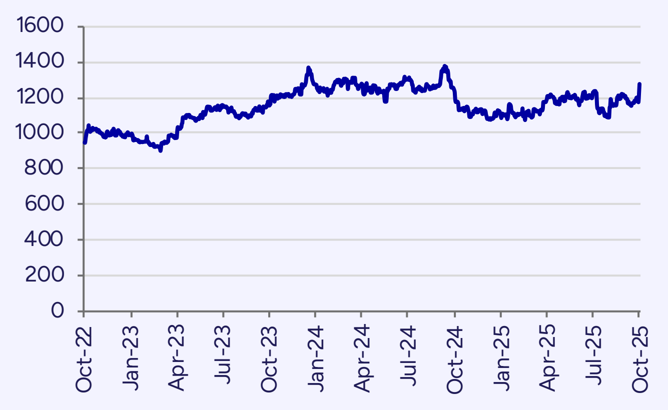
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	**47,797**	**55,039**	**50,962**	**56,436**
YoY gr. (%)	*3.9*	*4.5*	*5.9*	*10.6*
Raw Material Expenses	20,846	24,124	22,854	25,781
Gross Profit	26,951	30,914	28,107	30,656
Margin (%)	*56.4*	*56.2*	*55.2*	*54.3*
EBITDA	**11,027**	**13,890**	**11,003**	**12,366**
YoY gr. (%)	*(0.9)*	*3.8*	*(1.3)*	*5.9*
Margin (%)	*23.1*	*25.2*	*21.6*	*21.9*
Depreciation / Depletion	1,325	1,553	1,569	1,634
EBIT	**9,702**	**12,336**	**9,433**	**10,733**
Margin (%)	*20.3*	*22.4*	*18.5*	*19.0*
Net Interest	346	375	469	464
Other Income	44	84	40	16
Profit before Tax	**9,400**	**12,046**	**9,005**	**10,285**
Margin (%)	*19.7*	*21.9*	*17.7*	*18.2*
Total Tax	2,261	3,192	2,412	2,753
Effective tax rate (%)	*24.1*	*26.5*	*26.8*	*26.8*
Profit after Tax	**7,139**	**8,854**	**6,592**	**7,532**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**7,139**	**8,854**	**6,592**	**7,532**
YoY gr. (%)	*6.0*	*(4.2)*	*(11.7)*	*(0.8)*
Margin (%)	*14.9*	*16.1*	*12.9*	*13.3*
Extra Ord. Income / (Exp)	(178)	-	-	-
Reported PAT	**6,961**	**8,854**	**6,592**	**7,532**
YoY gr. (%)	*6.2*	*(5.2)*	*(11.7)*	*(23.6)*
Margin (%)	*14.6*	*16.1*	*12.9*	*13.3*
Other Comprehensive Income	(1,010)	202	(9)	1
Total Comprehensive Income	**5,951**	**9,056**	**6,583**	**7,533**
Avg. Shares O/s (m)	964	964	964	964
EPS (Rs)	**7.4**	**9.2**	**6.8**	**7.8**

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-25	Hold	1,222	1,177
2	24-Jul-25	Hold	2,392	2,322
3	09-Jul-25	Accumulate	2,550	2,419
4	25-Apr-25	Accumulate	2,559	2,433
5	09-Apr-25	Accumulate	2,546	2,275
6	05-Feb-25	Accumulate	2,606	2,300
7	08-Jan-25	Accumulate	2,689	2,220
8	17-Oct-24	Accumulate	2,689	2,379

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,248	2,353
2	Avenue Supermarts	Hold	4,111	4,320
3	Britannia Industries	BUY	6,484	5,897
4	Colgate Palmolive	Hold	2,453	2,235
5	Dabur India	Hold	515	492
6	Emami	Accumulate	608	552
7	Hindustan Unilever	Accumulate	2,746	2,517
8	ITC	BUY	530	400
9	Jubilant FoodWorks	Hold	670	614
10	Kansai Nerolac Paints	Accumulate	272	246
11	Marico	Accumulate	778	715
12	Metro Brands	Hold	1,302	1,267
13	Mold-tek Packaging	Accumulate	821	761
14	Nestle India	Hold	1,222	1,177
15	Pidilite Industries	BUY	1,714	1,471
16	Restaurant Brands Asia	Accumulate	87	75
17	Titan Company	BUY	3,902	3,418
18	Westlife Foodworld	Hold	748	677

PL's Recommendation Nomenclature (Absolute Performance)

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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