

Stellar Q4 backed by strong volume growth

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.

Q4FY26 performance: Nestle recorded another quarter of stellar performance with consolidated revenues growing by 22.6% YoY to Rs.6,747.8cr and PAT growing by 30% YoY to Rs1,137.7cr. Domestic business revenues grew by 23.4% YoY to Rs.6,723.8cr. We believe volume growth improved to mid-teens vs. low double digit volume growth in Q3FY26. Gross margins were lower by 48bps YoY to 55.7%. However strong revenue growth and cost saving measures aided in 103bps YoY improvement in the EBIDTA margins to 26.5% (despite 50% increase in ad-spend). Operating profit grew by 27.6% YoY to Rs.1,771.6cr.

Investment Rationale:

- Revenue growth improves in upwards of 20%; growth momentum to sustain:** Nestle's domestic revenues reported 23% YoY growth improved from 18.3% YoY growth in Q3FY26 and 10.8% YoY growth in Q2FY26. We believe domestic business volume growth will be 16%+ in Q4 better than 12-13% volume growth in Q3FY26. Double digit volume growth can be attributed to demand recovery in the urban markets, benefits from increase in capacity (Maggie, Kit Kat), increased distribution in the rural markets and high media spends. Focused expansion across rural areas (presence across 2,16,000 villages) coupled with improving growth in E-commerce will further help in penetration aiding the volume and revenue growth in the upcoming quarters. We expect revenues to grow at CAGR of 13% over FY2026-28E (with volume growth of ~11%).
- Sustained double digit growth in core portfolio:** Nestle reported broad based double-digit growth in 3 out of its 4 core categories. Confectionary continued to demonstrate its strong performance with high double-digit growth in both value and volume terms driven by increased distribution, enhanced freshness through visicoolers and innovations. Powdered and liquid beverages continued to grow in high double-digits driven by robust performance in coffee portfolio and accelerated premiumisation. Prepared dishes and cooking aids continued its volume-led growth trajectory aided by enhanced urban and rural reach and premiumisation. Milks products and Nutrition continued its steady growth in single-digits driven by expanded portfolio accessibility through newer and larger pack sizes.
- EBIDTA margins might witness some dent in H1; will improve in H2:** Nestle's EBIDTA margin decreased by ~70bps YoY to 22.9% in FY26 due to raw material inflation (largely due to inflated coffee and cocoa prices). Coffee prices corrected from high and are trending lower while Cocoa prices have remained subdued. On the other hand, edible oil, wheat and milk prices have firmed up in the recent times. We believe volatility in the input prices might put margins under stress in H1 and will see an uptick in H2 in the stable raw material price and demand environment. Overall, we expect the EBIDTA margins to remain flat in FY27. Better mix and efficiencies will help EBIDTA margins to improve in FY28.

Rating and Target Price: We recommend Buy with revised price target of **Rs1,615 (valued at 68x FY28E EPS of Rs23.7).**

Key Financial Summary

Key Financials (₹ crore)	CY23	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	23154.6	26496.6	29565.7	13.5
EBIDTA	3712.6	5819.8	4769.6	13.3	5306.1	6083.3	6958.6	13.4
EBIDTA Margins(%)	22.0	23.9	23.6		22.9	23.0	23.5	
Adjusted PAT	2390.5	3928.5	3070.0	13.3	3408.5	3915.4	4572.8	14.2
EPS (Rs.)	12.4	20.4	15.9		17.7	20.3	23.7	
PE (x)	113.7	69.2	88.5		79.7	69.4	59.4	
EV to EBIDTA (x)	72.9	46.6	57.3		51.2	44.8	39.0	
RoE (%)	108.5	135.5	83.5		74.4	72.1	74.3	
RoCE (%)	59.5	96.5	59.7		50.1	55.4	60.6	

Source: Company, ICICI Direct Research



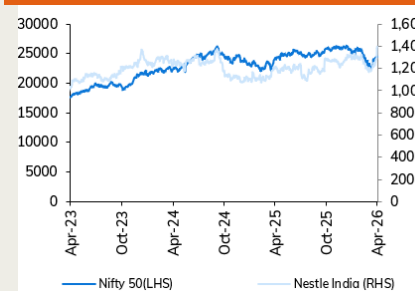
Particulars

Particular	Amount
Market Capitalisation (₹ crore)	269342
Debt (FY25) - ₹ crore	1,922
Cash (FY25) - ₹ crore	96
EV (₹ crore)	271168
52 week H/L (₹)	1,425 / 1085
Equity capital (₹ crore)	193
Face value (₹)	1

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	62.8	62.8	62.8	62.8
FII	10.3	9.8	9.8	9.7
DII	11.2	11.8	12.1	12.4
Others	15.8	15.7	15.3	15.1

Price Chart



Key risks

- Slowdown in the urban demand will continue to affect the volume growth.
- Volatility in the raw material prices to affect margins.
- Increase in the competition from new brands in key categories.

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Q4FY26 Performance Highlights

- Nestle's consolidated revenues reported 22.6% YoY growth to Rs.6747.8cr. Domestic business reported 23.1% YoY growth to Rs.6445.1cr while international business grew by 31% YoY to Rs.278.7cr in Q4FY26. Strong performance was driven by double-digit volume growth. Growth in volumes were further aided by increase in reach led by higher advertisement spends (+50% YoY).
- Gross profit margins declined by 48bps YoY in Q4FY26 to 55.7%. On sequential basis, gross margins remained flat. The rate of decline in gross margins also moderated with improving input cost conditions.
- Strong revenue growth aided 103bps YoY expansion in EBITDA margins to 26.3% during the quarter. This was despite higher advertising spends which indicates scale led operating leverage. EBITDA reported 27.6% YoY growth to Rs.1771.6cr in Q4FY26.
- Stronger operating performance, lower finance cost and higher other income led to 30.2% YoY growth in Adjusted PAT to Rs.1137.7cr in Q4FY26. Reported PAT after adjusting for exceptional stood at Rs.1110.9cr growing by 27.2% YoY during the quarter.

FY26 Performance Highlights

- Consolidated revenues recorded 14.6% YoY growth to Rs.23,154.6cr with Domestic business reporting 14.6% YoY growth to Rs.22,118.7cr and international business growing by 21.4% YoY to Rs.952.8cr.
- **Powdered and Liquid beverages** continued to grow in high double-digits for another year. Growth was largely driven by sustained double-digit growth in the coffee portfolio. Broad based across categories was witnessed due to targeted strategies towards brand building and accelerated premiumisation. RTD portfolio also accelerated with launch of new products and reinforced the category as a strong growth pillar for the future.
- **Prepared Dishes and Cooking Aids** portfolio reported strong growth driven by robust volumes. Expanding urban engagements and enhanced rural reach fuelled further growth in volumes and also led to market share gains and penetration. Newer and focused innovation led products such as Double Masala and Spicy Range including incremental ad spends behind core brands helped drive further growth in the Prepared Dishes and Cooking aids portfolio.
- **Confectionary** reported strong growth led by high double-digit growth in both volume and value terms. Powerhouse brands also witnessed strong growth during the year. Growth momentum sustained due increased freshness in portfolio through innovations such as KITKAT Pops, MILKYBAR butterscotch tablets and MUNCH MAX and installation of visi coolers and enhanced distributions. The category also witnessed premiumisation led expansion through launch of premium KITKAT portfolio.
- **Milk Products and Nutrition** delivered steady growth. Portfolio accessibility was expanded through larger pack sizes to support consumer demand. Everyday dairy whitener continued to aid portfolio strength aided by strong reach in East and South India. The company expanded the nutrition portfolio by boosting toddler portfolio through differentiated multi-channel communication.
- The **Out-of-Home** supported by innovation and premiumisation across categories witnessed strong consumer acquisition. Nestle Professional sustained penetration-led volume growth and continued to be Nestle's fastest growing business.

- **International business** reported 21.4% YoY growth in FY26 to Rs.952.8cr. It expanded exports to new markets, including the Maldives and Papua New Guinea, taking Nestlé India's export footprint to 28 countries. Products such as Nescafe sunrise was expanded to New Zealand, Singapore, Saudi Arabia and UAE. The company expanded MAGGI Masala Ae-Magic seasoning mix in the UK, US and UAE; launched the KITKAT range in Singapore; and introduced MILKMAID Doypack in Sri Lanka.
- **Pet Food business** reported high double-digit growth driven by strong innovation, enhanced distribution and reach.
- **Commodity costs continued to remain volatile during the year:** Coffee and cocoa prices largely remained stable during the year. Milk prices remained elevated and remained higher despite flush season due to steady demand. Palm oil prices continued to remain higher during the year and inched up during the end of FY26 due to geopolitical instability and rise in crude prices. Overall, gross margins declined by 140bps YoY in FY26 to 55.3%.
- **Lower gross margins and continued brand building investments impacted EBITDA margins in FY26:** The company continued to invest in brand building activities with consumer-focused ad spends. Strong revenue flowthrough to EBITDA was partially offset by lower gross profits and brand building investments. Overall, EBITDA margins witnessed 70bps YoY decline to 22.9%. EBITDA reported 11.2% YoY growth to Rs.5306.1cr
- **Adjusted PAT reported 11% YoY growth:** Strong revenues growth was partially offset by higher finance cost and depreciation and lower other income. Overall adjusted PAT (after share of profit to associates) reported 11% YoY growth to Rs.3408.5cr in FY26.
- The company has announced final dividend of Rs.5/share.

Commodity outlook

- As per the commodity outlook by the management, Coffee prices continued to trend lower courtesy to favourable Vietnam crop. Sugar prices remained stable Cocoa prices remained subdued led by improving supply and lower demand. Edible oil moved higher in-line with crude oil prices. Wheat was impacted by unseasonal rains in April while Milk prices remained firm and expected to remain elevated through the summer season.

Channels of Trade

- All business channels recorded strong double-digit growth in FY26.
- **E-commerce:** Strong performance from quick commerce during the year aided growth in e-commerce channel. Growth in quick commerce was driven by improved availability, platform specific packs, targeted on and off platform media spends and strong offtake during festivals.
- **Organized Trade:** The channel delivered double-digit growth across key categories, led by in-store activations, and improved visibility in the stores.
- The management continues to execute omni-channel strategies aligned to the growing trends in the retail system. The company continues to scale quick commerce, modern trade and pharmacy store reach. It parallelly continues to scale through general trade, semi-urban and rural markets.
- Further, the company is prioritising in-stock availability, reducing lead times and enhancing consistency in execution through channel-wise assortment and collaborations.
- In rural market, the company has changed the route-to-market and is enhancing the reach through focus on infrastructure, product portfolio technology and visibility, this has enabled the brand's reach across geographies with ~216,000 villages now under coverage.

Company outlook

- The management has outlined 4 key priorities for the future 1) consumer centricity 2) penetration-led volume growth 3) sustained reinvestment behind brands and capacity and 4) accelerating tech-led sales and operations.

Revision in earnings estimates

We have broadly maintained our estimates for FY27 and FY28. We will keenly monitor the volatility in the input prices and review our estimates in the quarters ahead.

Exhibit 1: Changes in headline estimates

₹ crore)	FY27E			FY28E		
	Old	New	% Chg	Old	New	% Chg
Net Revenues	25970.2	26496.6	2.0	28975.4	29565.7	2.0
EBIDTA	5989.8	6083.3	1.6	6850.4	6958.6	1.6
EBIDTA margin (%)	23.1	23.0		23.6	23.5	
PAT	3940.9	3915.4	-0.6	4594.1	4572.8	-0.5
EPS (Rs.)	20.4	20.3	-0.6	23.8	23.7	-0.5

Source: Company, ICICI Direct Research

Exhibit 2: 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	1,42,653	1,51,212	1,58,772
Volume growth (%)	-0.5	25.4	-19.2	5.0	6.0	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	8,882	9,697	10,487
yoy%	7.0	35.3	-17.6	9.2	9.2	8.2
Prepaid dishes & cooking aids						
Sales Volume - metric tonnes (MT)	3,48,225	4,42,827	3,50,719	4,03,327	4,59,793	5,10,370
Volume growth (%)	6.3	27.2	-20.8	15.0	14.0	11.0
Realisation (Rs.)	152	167	172	180	187	192
Value growth (%)	9.6	9.7	3.0	4.5	4.0	3.0
Revenues (Rs cr)	5301	7391	6030	7246	8591	9822
yoy%	16.5	39.4	-18.4	20.2	18.6	14.3
Powder & liquid beverages						
Sales Volume - metric tonnes (MT)	28,020	38,039	32,257	35,805	39,744	43,321
Volume growth (%)	14.3	35.8	-15.2	11.0	11.0	9.0
Realisation (Rs.)	720	794	850	892	919	946
Value growth (%)	4.4	10.2	7.0	5.0	3.0	3.0
Revenues (Rs cr)	2,019	3,021	2,741	3,194	3,652	4,100
yoy%	19.3	49.6	-9.3	16.6	14.3	12.3
Confectionary						
Sales Volume - metric tonnes (MT)	62,401	85,934	61,872	69,916	80,403	88,444
Volume growth (%)	12.1	37.7	-28.0	13.0	15.0	10.0
Realisation (Rs.)	425.4	464.9	516.0	536.6	552.7	569.3
Value growth (%)	11.5	9.3	11.0	4.0	3.0	3.0
Revenues (Rs cr)	2,654	3,995	3,193	3,752	4,444	5,035
yoy%	25.0	50.5	-20.1	17.5	18.5	13.3

Source: Company, ICICI Direct Research

Exhibit 3: Q4FY26 consolidated result snapshot (₹ crore)

Particulars	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
Net Sales	6,723.8	5,447.6	23.4	5,643.5	19.1
Other Operating income	24.0	56.2	(57.3)	23.5	2.2
Total Revenue	6,747.8	5,503.9	22.6	5,667.0	19.1
Raw Material Cost	2,989.9	2,412.4	23.9	2,508.8	19.2
Employee Cost	519.4	524.0	(0.9)	591.0	(12.1)
Other Expenses	1,466.9	1,179.1	24.4	1,365.2	7.5
Total Operating Cost	4,976.2	4,115.6	20.9	4,465.0	11.4
Operating Profit	1,771.6	1,388.3	27.6	1,202.1	47.4
Other Income	18.5	9.1	102.7	11.7	57.6
Interest & Other Financial Cost	36.8	37.5	(2.0)	28.3	30.1
Depreciation	204.5	155.3	31.7	174.4	17.3
Profit Before Tax	1,548.8	1,204.6	28.6	1,011.1	53.2
Tax Expense	407.9	318.7	28.0	109.2	273.5
Adjusted PAT	1,140.9	885.9	28.8	901.9	26.5
Share of profit from associates	(3.2)	(12.4)		(19.6)	
Adjusted PAT (After Share from Associates)	1,137.7	873.5	30.2	882.3	28.9
Exceptional Items	26.8	-		(116.1)	
Reported PAT	1,110.9	873.5	27.2	998.4	11.3
Diluted. EPS (Rs)	5.9	4.5	30.2	4.6	28.9
Margins	Q4FY26	Q4FY25	bps	Q3FY26	bps
GPM (%)	55.7	56.2	(48)	55.7	(4)
OPM (%)	26.3	25.2	103	21.2	504
NPM (%)	16.5	15.9	59	17.6	(115)
Tax rate (%)	26.3	26.5	(12)	10.8	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Net revenues	20077.5	23071.5	26384.3	29444.9
Other operating income	124.1	83.1	112.3	120.8
Total operating income	20201.6	23154.6	26496.6	29565.7
y-o-y (%)	-17.2	14.6	14.4	11.6
Raw Material Expenses	8749.8	10341.3	11791.0	13038.5
Gross Profit	11451.8	12813.3	14705.6	16527.2
Gross Profit Margins (%)	56.7	55.3	55.5	55.9
Employee Expenses	2027.5	2165.8	2382.4	2620.6
Advertisement expenses	0.0	0.0	1510.3	1626.1
Other Expenditure	4654.6	5341.4	4729.6	5321.8
Total Operating Expenditure	15432.0	17848.5	20413.3	22607.0
EBITDA	4769.6	5306.1	6083.3	6958.6
Growth (%)	-18.0	11.2	14.6	14.4
Interest	136.0	158.3	120.0	100.0
Depreciation	539.9	699.2	732.1	785.0
Other Income	63.0	40.4	67.9	114.8
PBT	4156.7	4488.9	5299.2	6188.5
Less Tax	1062.7	1034.9	1333.8	1557.6
Adjusted PAT (before exceptional item and share of profits from associates)	3094.0	3454.0	3965.4	4630.8
Growth (%)	-21.2	11.6	14.8	16.8
Share of profits from associates	-24.0	-45.5	-50.0	-58.0
Adjusted PAT (After Share of Profits from Associates)	3070.0	3408.5	3915.4	4572.8
Exceptional item	-137.6	-90.6	0.0	0.0
Reported PAT	3207.6	3499.1	3915.4	4572.8
Growth (%)	-18.4	9.1	11.9	16.8
EPS (Diluted)	15.9	17.7	20.3	23.7

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	96.4	192.8	192.8	192.8
Reserve and Surplus	3913.8	4964.1	5505.0	6414.0
Total Shareholders funds	4010.2	5157.0	5697.8	6606.8
Total Debt	1922.2	1422.9	1250.0	750.0
Deferred Tax Liability	30.0	64.1	73.7	84.8
Long-Term Provisions	3090.2	2823.6	3023.6	3223.6
Other Non Current Liabilities	13.6	18.7	18.7	18.7
Total Liabilities	9066.1	9486.3	10063.9	10684.0
Gross Block - Fixed Assets	8796.0	10312.1	11219.0	11869.0
Accumulated Depreciation	3322.4	4021.6	4753.7	5538.7
Net Block	5473.6	6290.4	6465.3	6330.3
Capital WIP	1172.6	507.0	150.0	150.0
Leased Assets	0.0	0.0	0.0	0.0
Fixed Assets	6646.2	6797.4	6615.3	6480.3
Investments	575.0	530.9	530.9	530.9
Other non-Current Assets	1238.0	1263.7	1390.1	1529.1
Inventory	2850.1	2569.2	3266.7	3645.1
Debtors	363.2	329.5	361.4	403.4
Current Investments	0.0	0.0	750.0	1250.0
Other Current Assets	390.2	307.7	353.8	406.9
Loans & Advances	35.0	43.2	47.6	52.3
Cash & bank deposits	95.6	1340.9	589.4	761.8
Total Current Assets	3734.1	4590.5	5369.0	6519.5
Creditors	2623.8	3160.0	3243.8	3716.2
Provisions	242.3	307.8	357.8	407.8
Other Current Liabilities	261.1	228.4	239.9	251.9
Total Current Liabilities	3127.2	3696.2	3841.4	4375.9
Net Current Assets	606.9	894.3	1527.5	2143.6
Application of Funds	9066.1	9486.3	10063.9	10684.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit/(Loss) after taxation	3031.0	3413.7	3897.4	4516.0
Add: Depreciation & Amortization	539.9	699.2	732.1	785.0
Increase/decrease in working capital	-1392.7	670.7	-561.1	117.3
Other income	63.0	40.4	67.9	114.8
Minority Interest	-24.0	-45.5	-50.0	-58.0
CF from Operating activities	2217.3	4778.4	4086.4	5475.1
Investments & Bank bal	-110.7	43.3	-749.7	-500.0
(Purchase)/Sale of Fixed Assets	-1984.1	-850.5	-550.0	-650.0
Others	0.0	0.0	0.0	0.0
CF from Investing activities	-2094.8	-807.2	-1299.7	-1150.0
(inc)/Dec in Loan	1577.6	-499.3	-172.9	-500.0
Change in equity & reserves	202.1	1980.6	0.0	0.0
Dividend paid	-2602.8	-4242.3	-3374.6	-3663.8
Other	37.4	54.5	29.6	31.1
CF from Financing activities	-785.7	-2706.5	-3517.8	-4132.7
Net Cash Flow	-663.2	1264.7	-731.1	192.4
Cash and Cash Equivalent	758.9	76.2	1320.6	569.4
Cash	95.6	1340.9	589.4	761.8
Free Cash Flow	233.1	3928.0	3536.4	4825.1

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
EPS (Diluted)	15.9	17.7	20.3	23.7
Cash EPS	18.7	21.3	24.1	27.8
BV per share	20.8	26.7	29.5	34.3
Cash per Share	0.8	6.8	6.8	10.3
Dividend per share	27.0	22.0	17.5	19.0
Operating Ratios (%)				
Gross Profit Margins	56.7	55.3	55.5	55.9
EBITDA margins	23.6	22.9	23.0	23.5
PAT Margins	15.2	14.7	14.8	15.5
Cash Conversion Cycle	-4.0	-8.0	-10.0	-10.0
Asset Turnover	0.7	0.6	0.6	0.6
Return Ratios (%)				
RoE	83.5	74.4	72.1	74.3
RoCE	59.7	50.1	55.4	60.6
Valuation Ratios (x)				
P/E	87.7	79.0	68.8	58.9
EV / EBITDA	56.9	50.8	44.4	38.7
EV / Net Sales	13.5	11.7	10.2	9.1
Market Cap / Sales	13.3	11.6	10.2	9.1
Price to Book Value	67.2	52.2	47.3	40.8
Solvency Ratios				
Debt / EBITDA	0.4	0.3	0.2	0.1
Debt / Equity	0.5	0.3	0.2	0.1
Current Ratio	0.8	1.0	1.1	1.3

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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