8th July ‘ 2026

Value Buy

Nestle India Limited

Value Investment – Growth Visible Double Digit Volume Growth Nos. Aobve Estimates

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Nestlé Good food, Good life

Kantilal Chhaganlal Since 1954

Nestlé, a subsidiary of its parent Nestlé SA of Switzerland, is India's third-largest FMCG company after HUL and ITC. Over the years, Nestlé has set up seven factories across the country and is now involved in manufacturing and marketing of a range of quality products. It has well-established brands, including Maggi, Nescafe, Lactogen, KitKat and Milkmaid. Nestle enjoys leadership in its core categories such as baby foods, instant noodles and instant coffee. It enjoys a distinct advantage over competitors in the F&B space on account of its strong focus on developing products around the nutrition, health and wellness platform, and a culture of renovation and innovation in its offerings backed by strong parent support.

Key Growth Highlights

Focus on Bigger Growth Bets: Management is concentrating on fewer, bigger and stronger brands to drive long-term growth.
Purina – The Next Growth Engine: Pet care is emerging as a key growth pillar, backed by rising pet ownership and a largely untapped Indian pet food market.
Strong Volume-Led Growth: Chocolates and Beverages delivered outstanding growth, with sales up 33% and 26%, supported by robust volume growth of 25% and 18%, respectively.
Growth Beyond Dairy: With a combined revenue base of ~₹81bn, Chocolates and Beverages are now large enough to support overall growth even as dairy sales remain flat.
MAGGI Continues to Perform: The Prepared Dishes & Cooking Aids segment reported 17.3% value growth and 11.6% volume growth in FY26, reflecting healthy consumer demand.

Key takeaways from Nestlé's FY26 Annual Report include: Revenue grew 14.9% YoY, driven by ~11% volume growth. While Milk Products & Nutrition (33% of sales) remained flat, the remaining portfolio delivered ~22% growth, led by Chocolates & Confectionery (+33%) and Beverages (+26%). Operating cash flow surged 72% YoY to ₹50.5bn as capex normalised to ₹8.3bn. Distribution expanded to 5.3mn outlets, with Quick Commerce emerging as one of the fastest-growing channels. We remain positive on Nestlé's long-term outlook, supported by innovation, premiumisation, rural expansion, and easing coffee and cocoa prices. Maintain BUY a TP of INR1,650 with FY29E EPS Of 27.4x

8th July' 2026

Rating: : Buy
Target : 1650 (12Months)
Upside : 12%
CMP : 1471.95 (BSE)

Key Data

Bloomberg Code	NEST
Mkt Cap (INR)	2,84,965 Crs.
Free Float Mkt Cap (INR)	105,591 Crs
52Wk Range (INR)	1339.85/1057.5
Free Float (%)	37.2

Shareholding (%)

Promoters	Mar'26	Dec'25	Sep'25
Promoters	62.77%	62.77%	62.77%
FIIs	10.9%	10.98%	10.98%
DIIs	12.39%	12.09%	11.77%

Management	
MD & Chairman	Mr. Manish Tiwary
CFO	Ms. Svetlana Boldina
Executive Director	Mr. Satish Sriinivasan
Non- Executive Director	Mr. Alpna Parida
Auditor	S.R. Batliboi and Co. LLP

Top 10 Shareholding

Name	holding (%)	Name	holding (%)
LIC	6.04	UTI AMC	0.63
Vanguard	1.61	Norges Bk	0.37
BlackRock INC	1.4	Goldman G	0.27
SBI Funds	0.89	Nippon Life	0.26
ICICI Prudentia	0.8	CreditAgri	0.24

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Key highlights

Key Highlights from Nestlé India FY26 Annual Report

Growth powered by core categories: Excluding the flat Milk Products & Nutrition business, the remaining portfolio delivered strong double-digit growth, led by Chocolates & Confectionery (+33%) and Beverages (+26%), supported by robust volume expansion. Pet care emerging as a long-term opportunity: Purina continues to strengthen its presence, benefiting from rising pet ownership and a structurally underpenetrated pet food market in India.

Premiumisation gaining momentum:

Continued innovation across brands such as KITKAT, MUNCH and NESCAFÉ is enhancing the product mix, while premium coffee and chocolate categories offer meaningful margin expansion potential.

Retail footprint expanding:

Distribution increased to ~5.3mn retail outlets across ~216,000 villages through the RURBAN strategy. Quick Commerce, Modern Trade and Nestlé Professional remained among the fastest-growing channels.
Brand investments remain healthy: Royalty payments remained stable at 4.4% of sales, while access to Nestlé's global R&D capabilities continues to support innovation, product renovation and nutrition-led offerings.

Margin outlook improving:

EBITDA margin softened due to elevated coffee, cocoa and milk costs. However, easing coffee and cocoa prices are expected to support gross margin recovery in FY27.

Capex normalising:

Capital expenditure moderated sharply as major capacity expansion projects were completed, resulting in a significant decline in CWIP and stronger free cash flow generation.

Technology driving efficiency:

Automation, SAP S/4HANA implementation and GenAI initiatives delivered record operational cost savings, improving productivity across the value chain.

Positive investment view:
We remain constructive on Nestlé India's long-term growth prospects, supported by innovation, premiumisation, expanding rural reach, improving cash generation and a favourable margin outlook..

Management Commentary – Key Takeaways

What management is positive about

Strong volume growth: The company expects growth to be driven mainly by higher volumes while continuing to gain market share across key categories.
Better raw material outlook: Coffee and cocoa prices have started easing, which should support margin improvement in FY27.

Rural market opportunity: Rural India remains a key growth driver, with further expansion planned under the RURBAN strategy.

Fast-growing channels: Quick Commerce, Nestlé Professional and Out-of-Home businesses continue to deliver strong growth.

Pet care business: Purina is becoming an important long-term growth opportunity in the fast-growing pet food market. Technology improving efficiency: Investments in SAP, automation and GenAI are helping reduce costs and improve productivity.

Key challenges

Pressure on consumer spending: Food inflation and weak demand in some segments continue to affect consumer purchases.
Higher input costs: Milk prices remain high, while edible oils and wheat prices are also under pressure.

Global uncertainty: Geopolitical issues and energy price volatility could impact packaging, freight and other costs.
Monsoon remains important: A good monsoon and stable food inflation will be key for rural demand recovery.

Key business focus

Continue investing behind large and strong brands.
Increase spending on advertising, innovation and capacity expansion.
Expand presence in rural markets and Quick Commerce.
Grow premium products and the Out-of-Home business.
Improve efficiency through technology and automation.
Growth drivers ahead Around 1,000 Retail ONE kiosks are improving brand visibility and consumer reach. Expansion of Nespresso reflects the company's focus on premium coffee.
Purina is expected to become a meaningful long-term growth business.
New capacity investments will support future demand.
Dedicated products for Quick Commerce are expected to drive faster channel growth.

Income Statement

Amt. (In Millions.)

Particulars	FY26A	FY27E	FY28E	FY29E
Total Operating Income	231,546	264,288	293,500	323,800
Growth (%)	-	14.10%	11.10%	10.30%
Gross Profit	128,133	149,614	165,000	182,500
Gross Margin (%)	55.30%	56.60%	56.20%	56.40%
Employee Cost	21,658	22,958	25,800	28,700
Other Expenses	40,956	48,658	54,200	60,000
EBITDA	53,061	61,692	70,000	76,500
EBITDA Margin (%)	22.90%	23.30%	23.80%	23.60%
Depreciation	6,992	5,879	6,300	6,800
Interest Expense	1,583	1,000	950	900
Other Income	4,084	1,274	1,400	1,500
Profit Before Tax	48,889	56,087	64,150	70,300
Tax	10,651	14,022	16,000	17,600
Reported PAT	35,446	42,065	48,150	52,700
PAT Margin (%)	15.30%	15.90%	16.40%	16.30%
EPS (₹)	17.8	21.8	25	27.4

Key Ratio Assu

Key Ratio Assumptions

Ratio	FY26A	FY27E	FY28E	FY29E
Revenue Growth (%)	14.9	14.1	11.1	10.3
EBITDA Growth (%)	11.2	16.3	13.5	9.3
EBITDA Margin (%)	23	23.3	23.8	23.6
Net Profit Margin (%)	14.8	15.9	16.4	16.3
ROE (%)	76.4	75.4	72.5	70.5
ROCE (%)	92.5	101.9	96	92

Balance Sheet

Amt. (In Millions.)

Particulars	FY26A	FY27E	FY28E	FY29E
Equity & Liabilities				
Share Capital	1,928	1,928	1,928	1,928
Reserves & Surplus	49,641	58,054	66,800	76,500
Shareholders' Funds	**51,570**	**59,983**	**68,728**	**78,428**
Borrowings	244	244	244	244
Trade Payables	29,667	23,563	25,800	28,000
Other Current Liabilities	50,344	50,345	53,500	56,800
Total Liabilities	**131,825**	**134,135**	**148,272**	**163,472**
Assets				
Net Block	62,904	48,801	52,000	55,500
Capital Work in Progress	5,070	5,070	6,000	6,500
Non-current Assets	6,597	5,931	6,200	6,500
Cash & Cash Equivalent	**13,409**	**19,894**	**28,000**	**36,000**
Sundry Debtors	3,295	2,728	3,000	3,300
Inventory	1,123	1,073	1,200	1,300
Loans & Advances	40,715	41,728	44,000	47,000
Other Assets	**-4,139**	**8,910**	**7,872**	**7,372**
Total Assets	**128,974**	**134,135**	**148,272**	**163,472**

Cash Flow Statement (INR mn)

Particulars	**FY26A**	**FY27E**	**FY28E**	**FY29E**
Reported Profit	35,446	42,065	48,150	52,700
Add: Depreciation	6,992	5,879	6,300	6,800
Add: Interest Expense	1,583	1,000	950	900
Other Non-Cash Items	4,075	4,000	3,500	3,800
Change in Working Capital	2,379	-654	-1,000	-1,200
Operating Cash Flow (CFO)	50,476	48,290	57,900	62,000
Capital Expenditure	-4,075	-7,000	-8,000	-8,500
Investments / Other Assets	-	-	-2,000	-2,500
Investing Cash Flow (CFI)	-4,075	-7,000	-10,000	-11,000
Dividend Paid	-35,000	-38,000	-39,800	-43,000
Borrowings / Other Financing	-	-	-	-
Financing Cash Flow (CFF)	-35,000	-38,000	-39,800	-43,000
Net Change in Cash	11,401	3,290	8,100	8,000
Opening Cash Balance	2,008	13,409	19,894	28,000
Closing Cash Balance	13,409	19,894	28,000	36,000

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