RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,653 | ⮝ 11%

NESTLE INDIA | Consumer Staples | 22 July 2026

Strong volume-led growth drives earnings beat

- **Operating leverage and cost savings offset higher brand investments, resulting in a meaningful earnings beat**
- **Omnichannel momentum remained robust, with 35.6% export growth, strong Quick Commerce traction and rural-led GT expansion**
- **Margin expansion driven by operating leverage despite 40%+ increase in advertising spends; maintain HOLD with TP of Rs 1,653**

Lavita Lasrado
Research Analyst
Nistha Pala
Research Associate
research@bobcaps.in

Domestic sales grew 25.0% on broad-based double-digit growth across all product groups: Nestlé's total sales increased 25.4% YoY to Rs 63.6bn (**8**.9% ahead of our estimate), driven by strong volume growth across all four product groups and channels. Domestic sales grew 25.0%, while exports remained robust (+35.6% YoY) despite geopolitical headwinds, supported by expansion into newer international markets and product launches across Canada, Europe, the Middle East and the HoReCa channel. Nestlé sustained strong momentum across confectionery, beverages, prepared dishes and nutrition. KITKAT continued to gain market share, while the beverages portfolio delivered its 20th consecutive quarter of double-digit growth, aided by premiumisation and deeper coffee penetration. The company further strengthened its innovation pipeline through launches including FELIX Gravy Lover and PRO PLAN Cat in pet food, MAGGI seasonal flavours and Veg Atta with MAGGI Masala Tastemaker, while expanding premium coffee offerings through NESPRESSO.

Strong earnings beat driven by operating leverage despite higher brand investments: EBITDA grew 39.8% YoY to Rs 15.4bn (16.4% ahead of our estimate), with EBITDA margin expanding 157bps YoY to 24.1%, supported by accelerated operational cost-saving initiatives and strong operating leverage despite a more than 40% increase in advertising investments behind brands. PAT grew 47.9% YoY to Rs 9.8bn, reflecting robust profitability across the business. Qcom remained a key growth driver, organised trade posted double-digit growth, and rural distribution continued to deepen through technology-led expansion of direct reach GT delivered strong double-digit growth across town classes led by rural markets, while Nestlé Professional and Out-of-Home businesses continued to witness healthy volume-led growth, reinforcing the company's execution strength across channels.

Outlook and Valuation: Nestle's focus on innovation, market share and premiumisation is envisaged to boost volume-led growth. We expect the company to deliver sales/EBITDA/EPS CAGR of ~12.2%/14.2%/14.1% over FY26–29E. We maintain our HOLD rating, valuing the stock at 68x June'28 EPS with a revised TP of Rs1,653.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	NEST IN/Rs 1,494
Market cap	US$ 15.2bn
Free float	37%
3M ADV	US$ 31.9mn
52wk high/low	Rs 2,475/Rs 1,085
Promoter/FPI/DII	63%/10%/12%

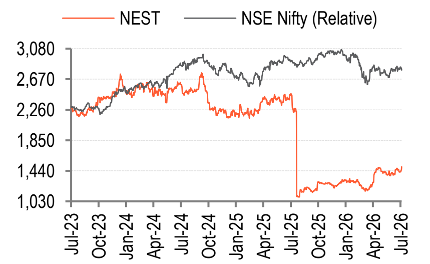
Source: NSE | Price as of 22 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	231,546	263,557	293,451
EBITDA (Rs mn)	53,061	61,441	71,356
Adj. net profit (Rs mn)	34,238	37,259	45,304
Adj. EPS (Rs)	17.8	19.3	23.5
Consensus EPS (Rs)	17.8	20.1	23.0
Adj. ROAE (%)	67.9	64.7	70.6
Adj. P/E (x)	84.1	77.3	63.6
EV/EBITDA (x)	27.1	23.4	20.2
Adj. EPS growth (%)	12.3	8.8	21.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Takeaways

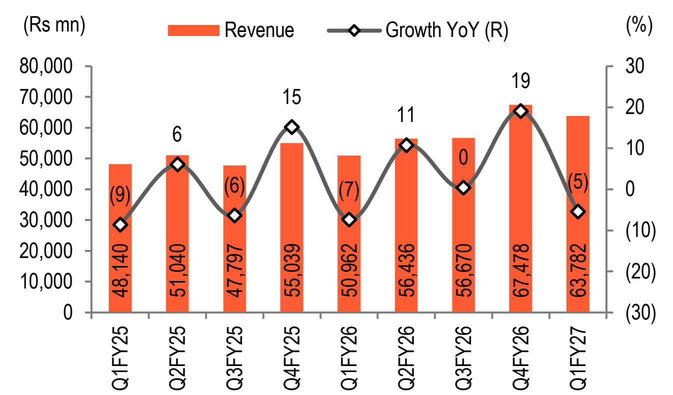
- **Prepared Dishes & Cooking Aids:** Strong double-digit growth driven by urban demand, continued rural expansion and focused innovation, resulting in market share and penetration gains. Key launches included MAGGI Tandoori Masala, Curry Masala, MAGGI Veg Atta with MAGGI Masala Tastemaker, while focus remained on building the MAGGI spicy range with the national launch of Spicy Green Chilli, supported by exclusive Quick Commerce launches and the Uniqlo collaboration to further strengthen consumer engagement.
- **Confectionery:** Delivered another quarter of double-digit volume-led growth, supported by premiumisation, e-commerce and strong transaction momentum. KITKAT continued to gain market share, aided by higher brand investments and partnerships such as KITKAT × One Piece, reinforcing penetration and premium portfolio growth.
- **Powdered & Liquid Beverages:** Recorded its 20th consecutive quarter of double-digit growth, driven by higher coffee penetration and accelerated premiumisation. Growth was led by NESCAFÉ Classic, NESCAFÉ Sunrise and premium NESCAFÉ Gold, while the RTD portfolio scaled rapidly. NESPRESSO further expanded its footprint across Delhi NCR, Mumbai and Bengaluru, with the launch of the Bengaluru Pavilion during the quarter.
- **Milk Products & Nutrition:** Reported strong broad-based growth supported by underlying volume growth across brands and channels. EVERYDAY returned to positive growth in priority markets, while toddler nutrition products continued to deliver strong growth and market share gains, supported by digital activation, portfolio refinement and disciplined brand investments.
- **Pet Food:** Delivered strong double-digit growth, supported by portfolio expansion, wider distribution and stronger consumer engagement. The company expanded its cat food portfolio through the launch of FELIX Gravy Lover and PRO PLAN Cat, addressing both mainstream and premium segments.
- **Channels – Exports / OOH / Rural / Digital:** Exports grew 35.6% YoY, despite geopolitical headwinds, supported by expansion across Canada, Europe, UAE, Saudi Arabia and Lebanon, while the company received 4-Star Export House status. Quick Commerce remained a key growth driver within e-commerce, organised trade posted double-digit growth, and Nestlé Professional (OOH) continued to deliver double-digit volume-led growth. General Trade recorded strong double-digit growth across town classes, with rural markets leading growth, supported by expansion in rural distribution touchpoints and technology-led execution.
- **Commodity outlook: C**ommodity markets remained mixed during the quarter. Coffee supply remained favourable, supported by higher production in Brazil and Vietnam, although weather-related disruptions and fund activity continued to drive near-term volatility. Cocoa and sugar remained under pressure amid adverse weather conditions and lower crop estimates, while edible oil prices stayed stable at elevated levels. Wheat and milk remained broadly range-bound, whereas dairy-based proteins continued to witness inflationary pressure due to demand outpacing supply.

Fig 1 – Quarterly Table

Consolidated (mn)	Q1FY27	Q4FY26	QoQ (%)	Q1FY26	YoY (%)
Total Revenues	**63,782**	**67,478**	**(5.5)**	**50,962**	**25.2**
COGS	27,270	29,899	**(8.8)**	22,854	**19.3**
as % of sales	42.8	44.3	(155bps)	44.8	(209bps)
Gross Profit	**36,512**	**37,579**	**(2.8)**	**28,107**	**29.9**
Gross margin (%)	57.2	55.7	155bps	55	209bps
Employee costs	5,706	5,194	**9.9**	5,157	**10.6**
as % of sales	8.9	7.7	125bps	10.1	(117bps)
Other expenses	15,425	14,669	**5.2**	11,948	**29.1**
as % of sales	24.2	21.7	245bps	23	74bps
EBITDA	**15,381**	**17,716**	**(13.2)**	**11,003**	**39.8**
EBITDA margin (%)	24.1	26.3	(214bps)	22	253bps
D&A	1,878	2,045	**(8.2)**	1,569	**19.7**
Interest cost	422	368	**14.7**	469	**(10.0)**
PBT	**13,080**	**15,094**	**(13.3)**	**8,878**	**47.3**
Tax	3,493	3,985	**(12.3)**	2,412	**44.8**
Reported PAT	**9,587**	**11,109**	**(13.7)**	**6,466**	**48.3**
PAT margin	15.0	16.5	(143bps)	13	234bps

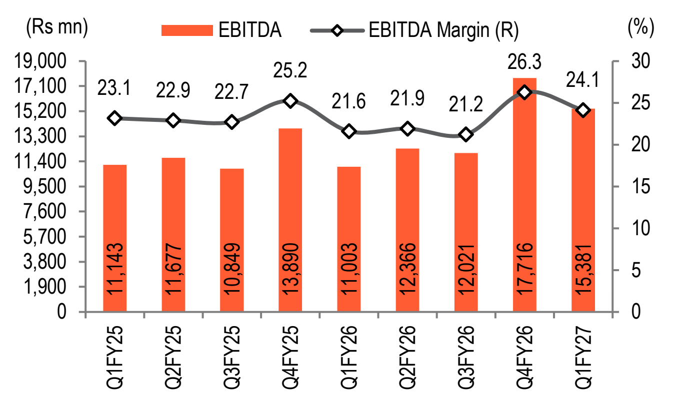
Source: Company, BOBCAPS Research

Fig 2 – Revenue Trend



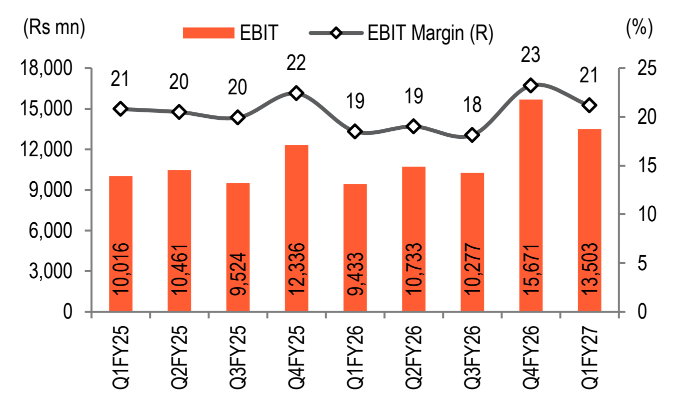
Source: Company, BOBCAPS Research

Fig 3 – EBITDA and its margins



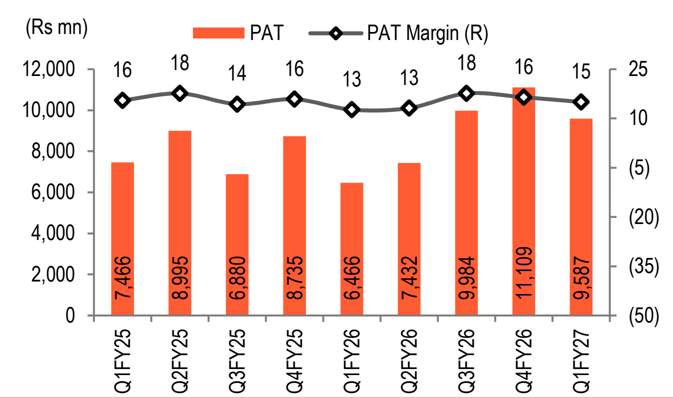
Source: Company, BOBCAPS Research

Fig 4 – EBIT Trend



Source: Company, BOBCAPS Research

Fig 5 – PAT Trend



Source: Company, BOBCAPS Research

Valuation methodology

We expect the company to deliver sales/EBITDA/EPS CAGR of ~12.2%/14.2%/14.1% over FY26–29E. We maintain our HOLD rating, valuing the stock at 68x June'28 EPS with a revised TP of Rs1,653.

Fig 6 – Actual vs Estimates

Rs mn	Q1FY27A	Q1FY27E	Deviation (%)
Revenue	63,782	58,584	8.87
EBITDA	15,381	13,211	16.43
EBITDA Margin (%)	24.1	22.6	157bps

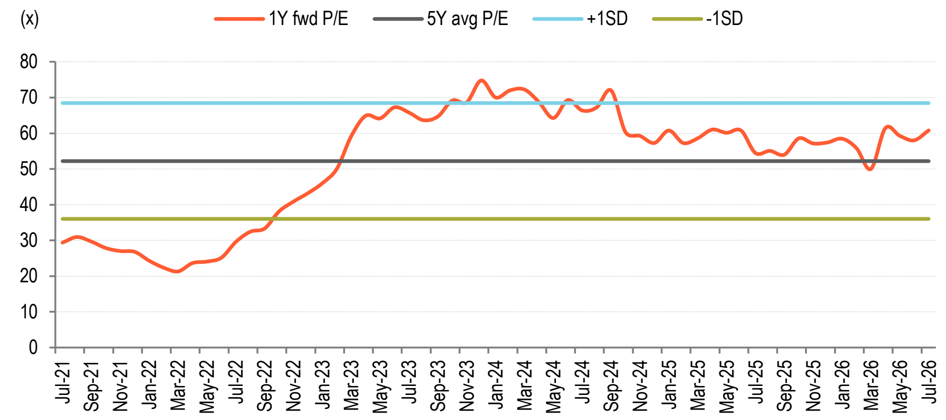
Source: Company, BOBCAPS Research

Fig 7 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Sales	263,557	293,451	327,253	255192	284246	317080	3.28	3.24	3.21
EBITDA	61,441	71,356	79,123	60324	68990	76662	1.85	3.43	3.21
EBITDA Margin (%)	22.9	23.3	24.3	23.6	24.3	24.2	(72bps)	(96bps)	14 bps
Adj. PAT	37,259	45,304	50,847	37427	45620	51818	(0.45)	(0.69)	-1.87

Source: BOBCAPS Research

Fig 8 – Trading at 16.2x on 1YF P/E vs historical average of 52.2x since IPO



Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- Input cost inflation
- Weak recovery in rural
- Higher volume elasticity on the currently high price levels

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**202,016**	**231,546**	**263,557**	**293,451**	**327,253**
EBITDA	47,737	53,061	61,441	71,356	79,123
Depreciation	5,399	6,992	8,778	10,094	11,091
EBIT	42,338	46,068	52,663	61,262	68,033
Net interest inc./(exp.)	(1,360)	(1,583)	(1,442)	(1,360)	(1,360)
Other inc./(exp.)	589	404	420	436	454
Exceptional items	(1,595)	(753)	227	0	0
EBT	43,161	45,641	51,414	60,338	67,127
Income taxes	11,085	10,651	14,382	15,034	16,279
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**32,076**	**34,991**	**37,032**	**45,304**	**50,847**
Adjustments	(1,595)	(753)	227	0	0
Adjusted net profit	**30,481**	**34,238**	**37,259**	**45,304**	**50,847**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	23,735	29,667	31,121	36,581	40,868
Other current liabilities	2,159	1,636	1,636	1,636	1,636
Provisions	33,324	31,314	35,218	38,863	42,985
Debt funds	7,533	244	244	244	244
Other liabilities	15,079	17,394	17,420	17,444	17,472
Equity capital	964	1,928	1,928	1,928	1,928
Reserves & surplus	39,138	49,641	55,308	62,240	70,020
Shareholders' fund	40,102	51,570	57,236	64,168	71,948
Total liab. and equities	**121,933**	**131,825**	**142,875**	**158,937**	**175,154**
Cash and cash eq.	762	13,206	19,263	27,566	36,560
Accounts receivables	3,632	3,295	2,888	3,216	3,586
Inventories	28,501	25,692	28,221	33,172	37,060
Other current assets	4,149	3,399	3,869	4,308	4,804
Investments	0	0	0	0	0
Net fixed assets	49,257	57,475	57,719	58,141	58,777
CWIP	11,726	5,070	5,070	5,070	5,070
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	23,907	23,688	25,423	27,042	28,874
Total assets	**121,933**	**131,824**	**142,874**	**158,936**	**175,153**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**29,364**	**50,476**	**49,598**	**59,709**	**66,499**
Capital expenditures	(20,086)	(8,297)	(9,444)	(10,515)	(11,726)
Change in investments	(3,066)	1,701	0	0	0
Other investing cash flows	5,043	359	(1,289)	(1,159)	(1,350)
Cash flow from investing	**(18,109)**	**(6,237)**	**(10,733)**	**(11,674)**	**(13,077)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	7,257	(7,257)	0	0	0
Interest expenses	(1,152)	(1,366)	(1,442)	(1,360)	(1,360)
Dividends paid	(24,586)	(23,172)	(31,366)	(38,372)	(43,067)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(18,481)**	**(31,795)**	**(32,808)**	**(39,732)**	**(44,427)**
Chg in cash & cash eq.	**(7,227)**	**12,444**	**6,057**	**8,303**	**8,995**
Closing cash & cash eq.	**762**	**13,206**	**19,263**	**27,566**	**36,560**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	16.6	18.1	19.2	23.5	26.4
Adjusted EPS	15.8	17.8	19.3	23.5	26.4
Dividend per share	12.8	12.0	16.3	19.9	22.3
Book value per share	41.6	53.5	47.5	52.4	52.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	7.1	6.2	5.5	4.9	4.4
EV/EBITDA	30.2	27.1	23.4	20.2	18.2
Adjusted P/E	94.5	84.1	77.3	63.6	56.6
P/BV	35.9	27.9	31.4	28.5	28.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.3	76.7	72.0	75.1	75.7
Interest burden (PBT/EBIT)	101.9	99.1	97.6	98.5	98.7
EBIT margin (EBIT/Revenue)	21.0	19.9	20.0	20.9	20.8
Asset turnover (Rev./Avg TA)	165.7	175.6	184.5	184.6	186.8
Leverage (Avg TA/Avg Equity)	3.0	2.6	2.5	2.5	2.4
Adjusted ROAE	80.0	67.9	64.7	70.6	70.7

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	(17.2)	14.6	13.8	11.3	11.5
EBITDA	(18.4)	11.2	15.8	16.1	10.9
Adjusted EPS	(61.2)	12.3	8.8	21.6	12.2
Profitability & Return ratios (%)					
EBITDA margin	23.6	22.9	23.3	24.3	24.2
EBIT margin	21.0	19.9	20.0	20.9	20.8
Adjusted profit margin	15.1	14.8	14.1	15.4	15.5
Adjusted ROAE	80.0	67.9	64.7	70.6	70.7
ROCE	88.9	88.9	91.6	95.1	94.2
Working capital days (days)					
Receivables	7	5	4	4	4
Inventory	119	91	91	91	91
Payables	99	105	100	100	100
Ratios (x)					
Gross asset turnover	2.4	2.3	2.4	2.5	2.5
Current ratio	0.8	1.0	1.1	1.3	1.4
Net interest coverage ratio	31.1	29.1	36.5	45.0	50.0
Adjusted debt/equity	18.8	0.5	0.4	0.4	0.3

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

Brand Name: **BOBCAPS**
Website: **https://www.bobcaps.in/**
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BUY – Expected return >+15%

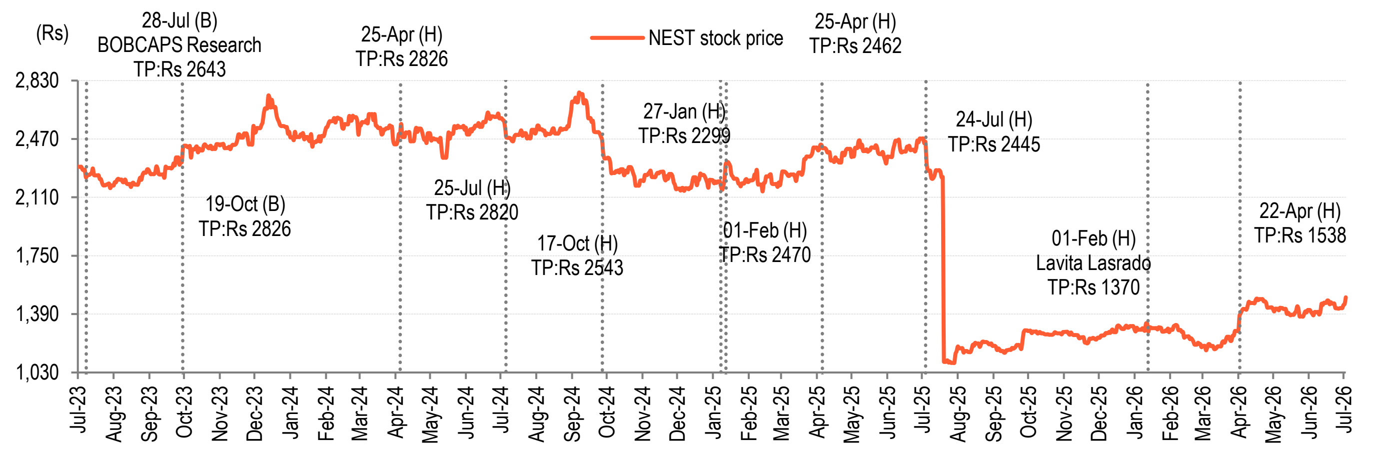
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): NESTLE INDIA (NEST IN)



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