

BUY**TP: Rs 1,755 | ▲ 38%****NESTLE INDIA**

Consumer Staples

16 October 2026

Broad-based growth across categories

- Revenue grew 10.3% YoY, driven by double digit volume-led growth across categories and sustained market share gains in key brands
- Continued focus on premiumization, rural expansion and digital commerce strengthens long-term growth visibility
- A&P spends increased ~46% YoY as co stepped up brand-building initiatives; upgrade HOLD with TP of Rs 1,755

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Key changes

Target	Rating
▲	▲

Ticker/Price	NEST IN/Rs 1,276
Market cap	US\$ 13.0bn
Free float	37%
3M ADV	US\$ 29.1mn
52wk high/low	Rs 1,553/Rs 1,159
Promoter/FPI/DII	63%/10%/12%

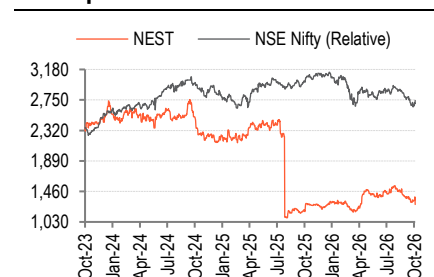
Source: NSE | Price as of 15 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	231,546	269,605	300,270
EBITDA (Rs mn)	53,061	62,212	72,944
Adj. net profit (Rs mn)	34,238	38,080	46,907
Adj. EPS (Rs)	17.8	19.7	24.3
Consensus EPS (Rs)	17.8	22.0	25.1
Adj. ROAE (%)	67.9	65.7	72.7
Adj. P/E (x)	71.9	64.6	52.4
EV/EBITDA (x)	23.2	19.8	16.9
Adj. EPS growth (%)	12.3	11.2	23.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Volume led growth: Nestle consol sales grew 20.5% YoY (in line with our estimates) to Rs 67bn in Q2FY27, driven by double-digit volume growth and broad-based performance across all product groups. Confectionery delivered double-digit, volume-led growth and Powdered & Liquid beverages delivered strong vol growth. Growth was further supported by demand across GT, organised trade and e-commerce, with quick commerce emerging as an important growth driver through improved product availability and channel-specific assortments. Nestlé continued to strengthen its international presence through product launches, including MAGGI Masala-e-Magic in Canada, the expansion of NESCAFÉ Sunrise into five West African markets and a new instant coffee variant in the Middle East.

Earnings growth supported by operating efficiencies EBITDA margin expanded by 212 bps YoY to 23.8%, primarily driven by a 260 bps improvement in gross margin owing to lower raw material costs and favourable product mix. Moreover, A&P spends increased 46% YoY, reflecting higher investments behind brand-building initiatives and growth categories. Management flagged rising food inflation and commodity-cost volatility as key challenges. Coffee and wheat prices are expected to remain range-bound, while sugar and edible oil prices have stabilised at elevated levels; cocoa remains volatile amid weather-related crop concerns, and milk prices have firmed up seasonally, with some easing expected as flush-season supplies arrive. Additionally, co strengthened its rural reach, enhanced digital sales execution, and continued investing behind premiumization, innovation and distribution expansion to sustain long-term growth.

Outlook: We expect Nestlé India to sustain healthy growth, supported by product innovation, premiumisation and deeper distribution. However, inflation remain key concern for margins, while the higher base in H2FY27 will be critical to assess the sustainability of growth momentum. We expect the company to deliver sales/EBITDA/EPS CAGR of ~13.1%/15.1%/15.4% over FY26–29E. We believe the current valuation offers an attractive risk-reward opportunity post correction and hence upgrade the stock to BUY (from HOLD) and value it at 68x Sep'28 EPS, implying a revised target price of Rs Rs 1,755



Key Takeaways

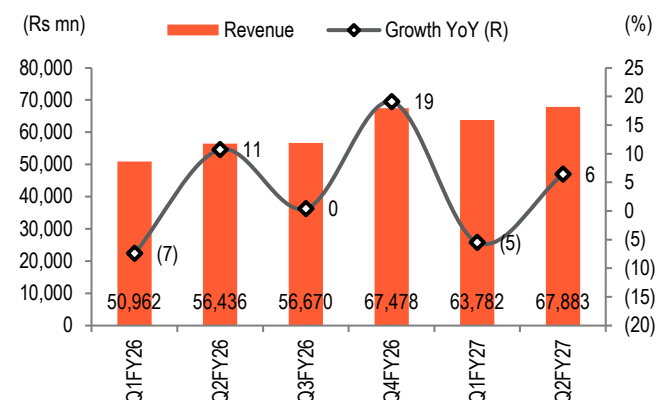
- **Prepared Dishes & Cooking Aids:** Strong growth continued, led by MAGGI noodles, which expanded through rural penetration. MAGGI Masala-e-Magic focused on increasing household penetration by driving regional dish usage. The company continued to strengthen its portfolio through MAGGI Double Masala, the Spicy range and the scale-up of MAGGI Veg Atta with the taste of MAGGI masala, supporting wider consumer engagement and category penetration.
- **Confectionery:** Delivered another quarter of strong, double-digit, volume-led growth, driven by continued market share gains in KITKAT and sustained momentum across MUNCH and MILKYBAR. The premium portfolio was strengthened with the launch of KITKAT Delights Choco Lava. The MUNCH Onam Pack supported festive consumption, while the Formula 1 partnership was leveraged to launch an exclusive F1 Tin Gift Pack on e-commerce platforms, which received a strong consumer response.
- **Powdered & Liquid Beverages:** Recorded strong, broad-based, volume-led growth, supported by sustained household reach, enhanced affordability and premiumisation across the coffee portfolio. NESCAFÉ CLASSIC continued to drive household recruitment through renewed brand communication, while the relaunch of NESCAFÉ SUNRISE with an improved recipe strengthened its proposition in the chicory-coffee segment. The premium portfolio, led by NESCAFÉ GOLD, sustained strong double-digit growth. NESCAFÉ Ready-to-Drink continued to scale rapidly, reinforcing cold coffee as a key future growth platform.
- **Milk Products & Nutrition:** Delivered strong, broad-based growth, supported by continued investments in brand building and portfolio optimisation. The nutrition category recorded sequentially strengthening performance, with toddler-specific products delivering strong growth and market share gains.
- **Nespresso & Pet Food:** Nespresso sustained strong growth momentum across e-commerce and retail channels, driven by premiumisation and increased seasonal relevance through iced coffee. The pet food business also delivered strong double-digit growth, supported by sharper digital consumer engagement and a focused route-to-market strategy. The company strengthened its cat food portfolio through science-based nutritional offerings, including FELIX Gravy Lover, PRO PLAN Cat and FRISKIES wet cat products.
- **Channels – E-commerce / Organised Trade / OOH / Exports / Rural:** E-commerce continued to deliver strong growth, led by quick commerce, supported by improved product availability, sharper channel-specific assortments, enhanced digital shelf execution and targeted shopper engagement. Organised trade recorded strong growth through improved in-store execution, consumer activations and wider store-network reach. Nestlé Professional sustained robust, double-digit, volume-led growth, driven by premium offerings, customer retention and acquisition, and innovative out-of-home solutions. Exports maintained strong double-digit growth, supported by portfolio expansion, including the launch of MAGGI Masala-e-Magic in Canada and the expansion of NESCAFÉ SUNRISE into five West African markets. General trade delivered robust, double-digit growth across town classes, led by rural markets, with further expansion of rural distribution touchpoints.

- Financial Performance & Margins: Total sales grew 20.5% YoY to Rs 6,782.2 crore, while domestic sales increased 20.4% YoY. GM expanded by ~260 bps YoY to 56.9% in Q2FY27, driven by a moderation in raw material costs. EBITDA margin stood at 23.8%, and PAT rose 36.3% YoY to Rs 1,026.8 crore. A&P spends increased 46% YoY, reflecting higher investments behind core brands.
- Commodity Outlook: Coffee and wheat prices are expected to remain range-bound, while sugar and edible oil prices have stabilised at elevated levels. Cocoa remains volatile due to weather-related crop concerns in key origins. Milk prices have witnessed seasonal inflation but are expected to normalize as milk procurement improves over the next few months. Nestle remains focused on mitigating commodity cost pressures through innovation, brand investments, productivity improvements and operational efficiencies

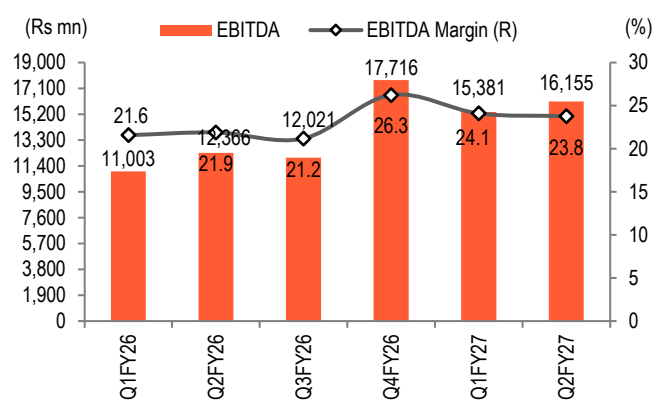
Fig 1 – Quarterly Table

Consolidated (mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)
Total Revenues	67,883	63,782	6.4	56,436	20.3
COGS	29,244	27,270	7.2	25,781	13.4
as % of sales	43.1	42.8	32bps	45.7	(260bps)
Gross Profit	38,640	36,512	5.8	30,655	26.0
Gross margin (%)	56.9	57.2	(32bps)	54	260bps
Employee costs	5,687	5,706	(0.3)	5,367	6.0
as % of sales	8.4	8.9	(57bps)	9.5	(113bps)
Other expenses	16,798	15,425	8.9	12,922	30.0
as % of sales	24.7	24.2	56bps	23	185bps
EBITDA	16,155	15,381	5.0	12,366	30.6
EBITDA margin (%)	23.8	24.1	(32bps)	22	189bps
D&A	1,924	1,878	2.5	1,634	17.8
Interest cost	403	422	(4.5)	464	(13.2)
PBT	13,822	13,080	5.7	10,185	35.7
Tax	3,726	3,493	6.7	2,753	35.3
Reported PAT	10,096	9,587	5.3	7,432	35.9
PAT margin	14.9	15.0	(16bps)	13	170bps

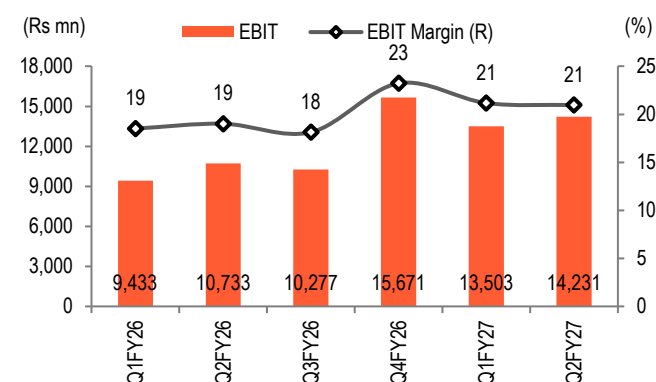
Source: Company, BOBCAPS Research

Fig 2 – Revenue & its growth

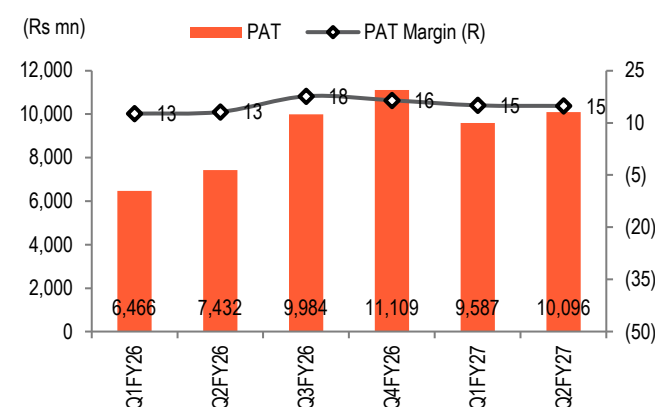
Source: Company, BOBCAPS Research

Fig 3 – EBITDA & EBITDA Margins

Source: Company, BOBCAPS Research

Fig 4 – EBIT & EBIT Margins

Source: Company, BOBCAPS Research

Fig 5 – PAT & PAT Margins

Source: Company, BOBCAPS Research

Valuation methodology

We believe the current valuation offers an attractive risk-reward opportunity post correction and hence upgrade the stock to BUY (from HOLD) and value it at 68x Sep'28 EPS, implying a revised target price of Rs Rs 1,755

Fig 6 – Actual vs Estimates

Rs mn	Q2FY27A	Q2FY27E	Deviation (%)
Revenue	67,883	67,167	1.07
EBITDA	16,155	15,448	4.58
EBITDA Margin (%)	23.8	22.6	125bps
PAT	10,096	9,946	1.51

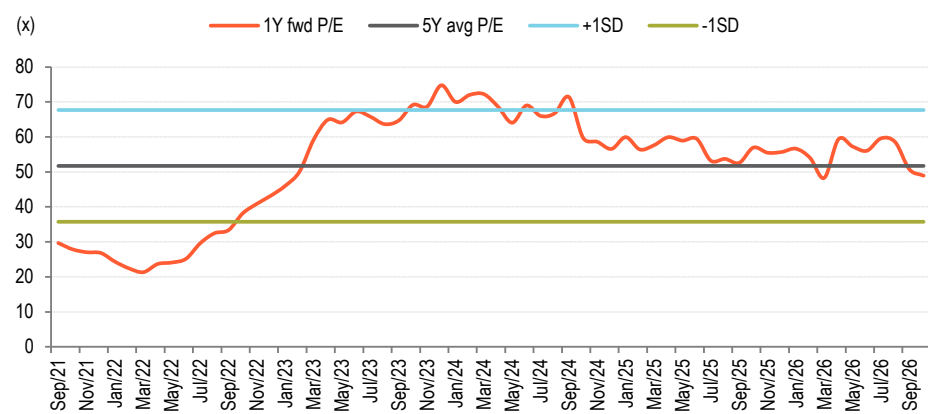
Source: Company, BOBCAPS Research

Fig 7 – Revised estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Sales	269,605	300,270	334,867	263557	293451	327253	2.29	2.32	2.33
EBITDA	62,212	72,944	80,935	61441	71356	79123	1.25	2.23	2.29
EBITDA Margin (%)	22.9	23.1	24.3	23.3	24.3	24.2	(40bps)	(124bps)	11bps
Adj. PAT	38,080	46,907	52,654	37259	45304	50847	2.20	3.54	3.55

Source: Company, BOBCAPS Research

Fig 8 – Trading at 12.2x on 1YF P/E vs historical average of 51.7x 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	269,605	300,270	334,867
EBITDA	47,737	53,061	62,212	72,944	80,935
Depreciation	5,399	6,992	8,140	9,537	10,497
EBIT	42,338	46,068	54,071	63,407	70,439
Net interest inc./(exp.)	(1,360)	(1,583)	(1,505)	(1,360)	(1,360)
Other inc./(exp.)	589	404	420	436	454
Exceptional items	(1,595)	(753)	435	0	0
EBT	43,161	45,641	52,551	62,484	69,532
Income taxes	11,085	10,651	14,907	15,577	16,878
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	32,076	34,991	37,645	46,907	52,654
Adjustments	(1,595)	(753)	435	0	0
Adjusted net profit	30,481	34,238	38,080	46,907	52,654

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	23,735	29,667	31,848	37,431	41,817
Other current liabilities	2,159	1,636	1,636	1,636	1,636
Provisions	33,324	31,314	35,955	39,695	43,914
Debt funds	7,533	244	244	244	244
Other liabilities	15,079	17,394	17,425	17,450	17,478
Equity capital	964	1,928	1,928	1,928	1,928
Reserves & surplus	39,138	49,641	55,401	62,579	70,635
Shareholders' fund	40,102	51,570	57,330	64,507	72,564
Total liab. and equities	121,933	131,825	144,439	160,963	177,653
Cash and cash eq.	762	13,206	18,830	26,621	35,069
Accounts receivables	3,632	3,295	2,955	3,291	3,670
Inventories	28,501	25,692	28,880	33,943	37,921
Other current assets	4,149	3,399	3,958	4,408	4,916
Investments	0	0	0	0	0
Net fixed assets	49,257	57,475	58,460	59,683	61,185
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	25,750	27,412	29,287
Total assets	121,933	131,824	144,324	160,848	177,538

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	29,364	50,476	50,286	60,841	67,798
Capital expenditures	(20,086)	(8,297)	(9,661)	(10,760)	(11,999)
Change in investments	(3,066)	1,701	0	0	0
Other investing cash flows	5,043	359	(1,612)	(1,200)	(1,393)
Cash flow from investing	(18,109)	(6,237)	(11,273)	(11,960)	(13,392)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	7,257	(7,257)	0	0	0
Interest expenses	(1,152)	(1,366)	(1,505)	(1,360)	(1,360)
Dividends paid	(24,586)	(23,172)	(31,885)	(39,730)	(44,598)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(18,481)	(31,795)	(33,389)	(41,090)	(45,958)
Chg in cash & cash eq.	(7,227)	12,444	5,624	7,791	8,448
Closing cash & cash eq.	762	13,206	18,830	26,621	35,069

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	16.6	18.1	19.5	24.3	27.3
Adjusted EPS	15.8	17.8	19.7	24.3	27.3
Dividend per share	12.8	12.0	16.5	20.6	23.1
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	6.1	5.3	4.6	4.1	3.7
EV/EBITDA	25.8	23.2	19.8	16.9	15.2
Adjusted P/E	80.7	71.9	64.6	52.4	46.7
P/BV	30.7	23.9	26.9	24.3	24.3

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.3	76.7	71.6	75.1	75.7
Interest burden (PBT/EBIT)	101.9	99.1	97.2	98.5	98.7
EBIT margin (EBIT/Revenue)	21.0	19.9	20.1	21.1	21.0
Asset turnover (Rev./Avg TA)	165.7	175.6	186.8	186.7	188.6
Leverage (Avg TA/Avg Equity)	3.0	2.6	2.5	2.5	2.4
Adjusted ROAE	80.0	67.9	65.7	72.7	72.6

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	(17.2)	14.6	16.4	11.4	11.5
EBITDA	(18.4)	11.2	17.2	17.3	11.0
Adjusted EPS	(61.2)	12.3	11.2	23.2	12.3

Profitability & Return ratios (%)

EBITDA margin	23.6	22.9	23.1	24.3	24.2
EBIT margin	21.0	19.9	20.1	21.1	21.0
Adjusted profit margin	15.1	14.8	14.1	15.6	15.7
Adjusted ROAE	80.0	67.9	65.7	72.7	72.6
ROCE	88.9	88.9	93.9	97.9	96.7

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	2.5	2.5	2.6
Current ratio	0.8	1.0	1.1	1.2	1.4
Net interest coverage ratio	31.1	29.1	35.9	46.6	51.8
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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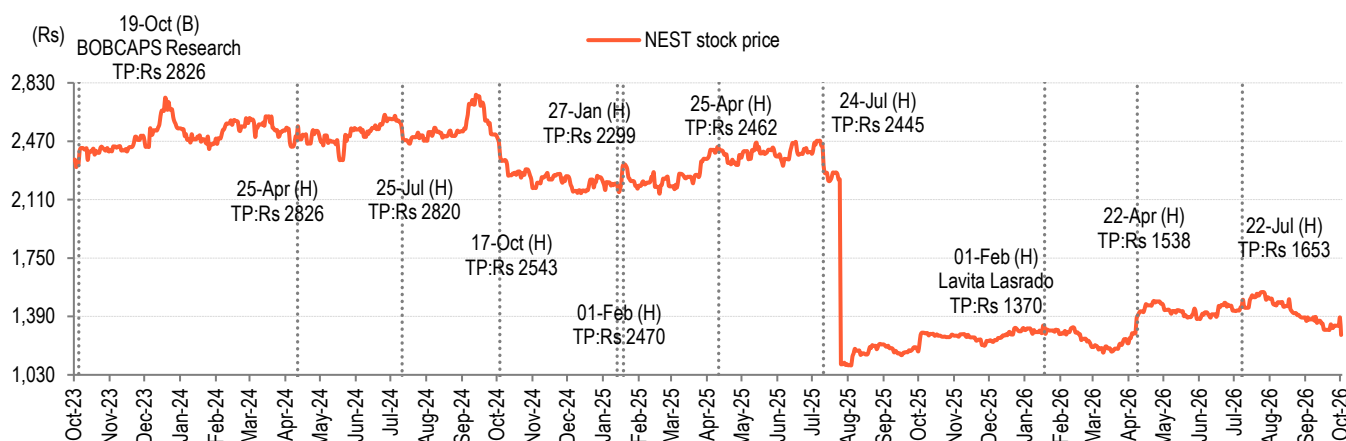
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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