Educational Equity Research Report (as of August 2025)

Pee Aar The Financial People

Nestle India Ltd

Target: N/A	Holding Period: N/A	Educational Report

I Shaurya Sharma am initiating a research report on **Nestle India Ltd,**Nestle India Limited's primary business is in the food and beverage sector, specifically within the Fast Moving Consumer Goods (FMCG) industry

Nestlé Good food, Good life

About the business

- Nestle India a subsidiary of Nestle S A (holds 62% stake) is primarily involved in the Food business which incorporates product groups viz. Milk Products and Nutrition, Prepared dishes and Cooking aids, Powdered and Liquid Beverages and Confectionery.
- It owns brands such as NESCAFÉ, MAGGI, MILKYBAR, KIT KAT, BAR-ONE, MILKMAID, NESTEA etc
- It is among the top two players in most of its product categories, including milk products and nutrition, beverages, prepared dishes and cooking aids, and chocolate and confectionery. It has 10,000+ distributors and 5.2 million outlets

Company Snapshot

Mkt Cap	₹ 2,22,566 Cr
High/Low	₹ 1,350 / 1,055
Div Yield	1.17 %
P/E	74X
Face Value	₹ 10.0
ROE	83 %

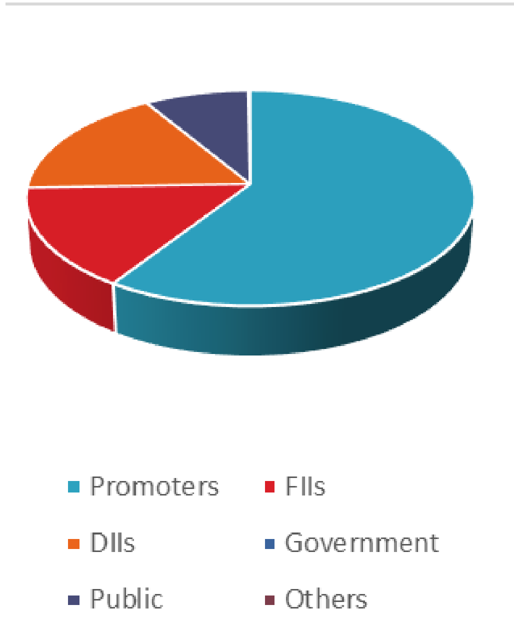
	Mar'21	Mar'22	Mar'23	Mar'24	Mar'25
Revenue	**14,740.59**	**16,896.96**	**19,126.30**	**24,393.89**	**20,201.56**
EBITDA	3,450.02	3,813.55	4,586.49	6,002.11	5,123.39
Profit before tax	2,857.32	3,255.97	4,038.29	5,288.87	4,447.47
Tax	738.91	865.45	1,039.62	1,356.03	1,132.97
Net profit	**2,118.41**	**2,390.52**	**2,998.67**	**3,932.84**	**3,314.50**

Shareholding Pattern

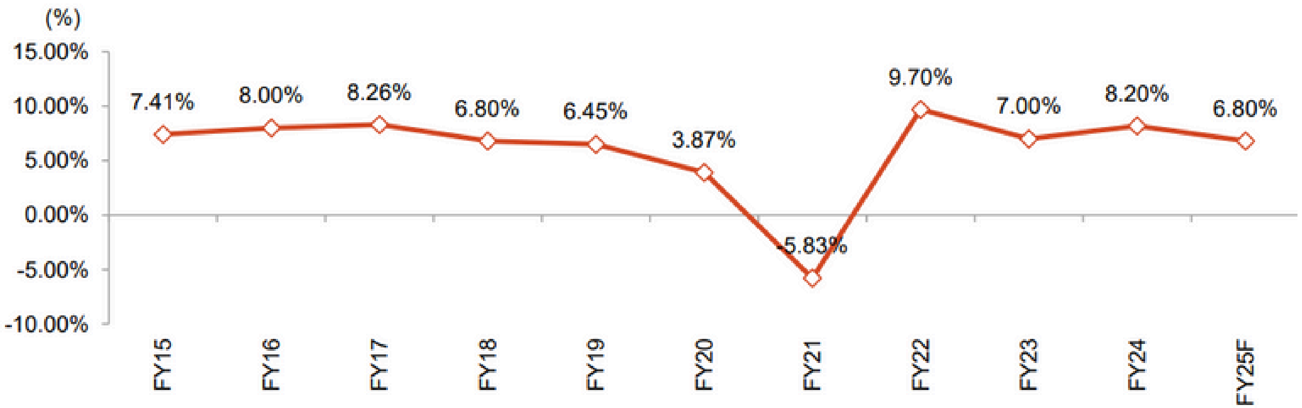
Promotors	62.76%
FIIs	10.02%
DIIs	11.43%.
Public	15.77%

Global Outlook

- Global growth was 3.3% in 2024, only slightly below the 3.5% of 2023, despite high inflation, geopolitical issues, and trade fragmentation.
- Global inflation dropped significantly from 6.6% in 2023 to 5.7% in 2024, aided by tight monetary policy and fewer supply chain issues.
- The United States led developed economies with 2.8% GDP growth, fueled by strong consumer and government spending.
- Growth was weaker in Europe and Asia. China's recovery was hesitant due to sluggish consumer demand and ongoing property sector stress.
- Investment stagnated, productivity gains stalled, and public debt remained a growing concern globally.
- Central banks in advanced economies began to move away from strictly restrictive policies, making financial conditions more supportive



India's Economic Performance and Outlook



E: Estimate, F: Forecast
Source: RBI, NSO, CRISIL MI&A Research

- India's real gross domestic product (GDP) growth stood at 8.2% on-year for fiscal 2024, higher than the 7.0% in fiscal 2023.

HISTORY

- **Incorporation and Promotion (1959):** Nestlé India Limited was incorporated in New Delhi on 28 March 1959, promoted by Nestlé Alimentana S.A. through its wholly owned subsidiary, Nestlé Holdings Ltd., Nassau, Bahamas.
- **Early Plants (1961–1989):** The first factory was set up in Moga, Punjab (1961), followed by Choladi, Tamil Nadu (tea processing), and Nanjangud, Karnataka (1989)
- **Product & Business Expansion (1990s):** Entered the confectionery business (1990), partnered with BM Khaitan group for soya products (1991), and established new plants in Goa at Ponda (1995) and Bicholim (1997).
- **Further Growth (2000–2011):** Launched liquid milk and iced tea (2000), set up its 7th plant at Pantnagar, Uttarakhand (2006), and an 8th plant in Karnataka (2011).
- **Recent Investments (2020–2023):** Invested ₹2,600 crore in Sanand, Gujarat, with operations starting in October 2021, and announced a ₹894 crore food processing unit in Mundamba, Odisha (2023).

Industry Analysis

Nestle India Ltd. (NIL) operates primarily within the Fast-Moving Consumer Goods (FMCG) sector, with specific concentrations identified in Food Products and Beverages

- The Indian packaged food market is undergoing a period of robust expansion, presenting substantial growth opportunities for sector leaders like NIL.
- The total market size reached USD 121.3 Billion in 2024. Based on current projections, the market is forecast to nearly double, reaching USD 224.8 Billion by 2033. This expansion corresponds to a Compound Annual Growth Rate (CAGR) of 6.50% during the 2025-2033 forecast period.
- Specific segments relevant to NIL's operations demonstrate even higher growth potential. The Indian dairy industry, encompassing milk and value-added products, was valued at INR 18,975 Billion in 2024. This segment is projected to grow aggressively at a CAGR of 12.35% from 2025 to 2033, reaching INR 57,001.81 Billion.
- Similarly, the India Instant Coffee market, a core domain for NIL, is expected to grow from USD 2.6 Billion in 2024 to USD 5.1 Billion by 2033, reflecting a healthy 7.5% CAGR. These segment-specific growth rates exceeding the general packaged food CAGR indicate that NIL's focus on high-value, high-growth categories is strategically sound for long-term revenue acceleration

Business Segments and Product Portfolio

Milk Products and Nutrition

- The NESCAFÉ Ready-To-Drink (RTD) portfolio focused on expanding the cold coffee category, successfully targeting young consumers and achieving strong growth by capturing both in-home and out-of-home consumption.
- The introduction of a new café-style cold coffee range, featuring variants like Iced Latte and Iced Frappe at ₹50, and more indulgent options such as Choco Latte, Caramel Latte, and Classic Latte at ₹75, helped NESCAFÉ RTD attain the market leader position.
- This range provides café-quality cold coffee in a new, stylish can format designed to suit the fast-paced, aspirational, and convenience-driven lifestyles of its consumers
- The Company's Nutrition business is built on the belief that breast milk is the best nutrition, advocating for exclusive breastfeeding for six months, followed by continued support.
- Dedicated to providing high-quality, science-based nutrition, the business achieved satisfactory growth, outperforming the category. A key innovation was the launch of the entire CERELAC and CEREGROW cereal ranges with zero refined sugar.
- The company also focused on delivering research-based, validated products and saw strong acceptance for its differentiated toddler products, such as NANGROW, which is promoted for supporting the '7 Signs of Growth

Business Segments and Product Portfolio

Prepared Dishes and Cooking Aids

- MAGGI expanded its product lineup with the addition of a Spicy Cheesy variant to its successful Spicy range, which already included Spicy Garlic and Spicy Manchurian.
- To address the RUrban market, the MAGGI Nutrilicious Veg Atta noodle was made available at an affordable price of INR 20.
- The brand continued to grow its Korean range in select channels and introduced a category-first innovation, MAGGI Besan Noodles, in the second half of 2024.
- Marketing efforts included the 'Rishtey Maangein bas 2 minute' campaign, which highlighted the role of MAGGI in facilitating meaningful shared moments and conversations.

- Simultaneously, the Masala-e-Magic campaign, 'Banaye roz ka khana kaamal', focused on transforming daily meals by improving their aroma, color, and taste
- MAGGI also saw significant growth in Q-commerce driven by enhanced digital marketing and consumer engagement. On the sustainability front, MAGGI reduced the plastic content in each cup of its Cuppa Noodles range by 40% through the use of an innovative ‘Thermofoam cup’ technology.
- Furthermore, the core MAGGI range is designed for recyclability, encouraging proper waste segregation by consumers.

Business Segments and Product Portfolio

Breakfast Cereals

- The Company significantly expanded its Breakfast Cereals portfolio to satisfy consumer demand for a more indulgent morning experience by launching MUNCH CHOCO FILLS. This new product is described as an exciting way to start the day, featuring a crunchy exterior and a delicious chocolate filling, which combines the crunch of whole wheat, rice, and corn with the unique chocolate flavor of MUNCH
- The MUNCH Breakfast Cereals segment has shown consistent, robust growth, positioning the Company as a leading player in the single-serve segment
- This success was driven by improved product availability, strong consumer preference, and a targeted media campaign.
- . The campaign, “Get Set & Crunch your breakfast,” emphasized a crunchy and chocolaty start to the day and resonated well with the audience. Overall, the Company's Breakfast Cereals portfolio, which falls under the Prepared Dishes and Cooking Aids business, continues to accelerate and achieve robust growth by offering a diverse range of cereals to meet the needs of various consumer segments

Business Segments and Product Portfolio

PURNIA

- The PURINA cat food portfolio, featuring FELIX and FRISKIES, experienced significant growth, driven by the rising trend in cat adoption and the superior palatability of the products. This growth was further fueled by digital media campaigns, targeted sampling, and high-impact shelf visibility.

- The super-premium brand PRO PLAN recorded impressive growth primarily due to increased advocacy from key opinion leaders, veterinarians, and discerning pet parents. In 2024, the brand launched PRO PLAN Starter, a scientifically designed product for puppies, pregnant, and nursing mothers. This launch was supported by high-impact point-of-sale visibility and a strong focus on engagement and detailing with veterinarians.

- The E-commerce channel, particularly Q-commerce (Quick Commerce), continued to accelerate, posting high double-digit growth and contributing a significant 30% to the overall business
- Embracing the 'Better Together' spirit, which asserts that pets and people are better together, PURINA launched its Pets at Work programme in May 2024. This initiative welcomed employees' pets to the corporate office, spreading positivity and cheer.

Business Segments and Product Portfolio

Confectionery

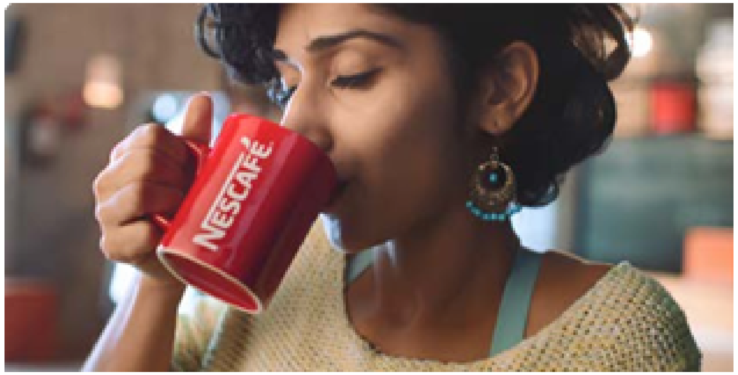
- The Confectionery business achieved its highest-ever penetration levels.
- Growth was driven by increasing brand relevance, leveraging e-commerce to drive in-home consumption, and focusing on volume growth.
- E-commerce specifically aided significant market share gains through increased investments and e-commerce forward launches.
- KITKAT sustained impressive double-digit growth, making Nestlé India the brand's second-largest market worldwide.
- The "Break Pe Sirph Break" campaign encouraged consumers to completely disengage during their breaks.
- MUNCH focused on driving RUrban (rural and urban) penetration with its new thematic campaign, "Utha MUNCH, Dikha Crunch," which motivates teenagers to overcome doubts and naysayers.

- KITKAT launched Salted Caramel and expanded its premium range (Dark, Rich, and Caramel) with two new offerings: Cookie Crumble (Limited Edition) and Marbled Double Chocolate.
- MUNCH expanded its premium presence with innovations like MUNCH MAX Butterscotch and MUNCH MAX Nuts

Business Segments and Product Portfolio

Powdered and Liquid Beverages

- The NESCAFÉ in-home portfolio (CLASSIC, Sunrise, and GOLD) achieved broad-based double-digit growth.
- It reached the highest household penetration milestone and maintained its leadership position in the category with significant market share increases.
- NESCAFÉ ICE ROAST: Specifically designed for preparation with cold water or milk, capitalizing on the rising popularity of cold coffee.
- NESCAFÉ ROASTERY: Introduced as a luxury, expertly crafted coffee to build the premium coffee category and offer an elevated sensory experience
- NESCAFÉ CLASSIC: Led category recruitment by focusing on the youth and expanded distribution. It solidified market leadership through a renovated product, a refreshed brand identity, and the 'Make Your World' campaign.
- NESCAFÉ SUNRISE: Delivered exceptional performance in the challenging South India market with a renovated product and an accelerated cluster strategy (customized plans for each market), resulting in significant market share gains in 2024
- NESCAFÉ GOLD: Achieved remarkable growth and was pivotal in the effort to build a premium coffee category in the country.



Business Segments and Product Portfolio

Out-of-Home

- The Out-of-Home (OOH) business sustained its position as one of the fastest-growing businesses for the Company, adhering to the strategy of 'penetration-led volume growth'.
- In terms of revenue, India became the second-largest country for Nestlé's Out-of-Home business within the Asia, Oceania, and Africa (AOA) zone.
- Growth was achieved by strengthening presence in mega and metro cities and strategically expanding into tier-1 towns
- The business was propelled by relevant innovations and premiumization across categories, with an effort to become a 'total solution provider'.
- Beverage Machine Launches: Two cutting-edge machines were introduced:
- NESCAFÉ Compatto: Offers freshly brewed tea and Roast & Ground coffee.

- NESCAFÉ Duo Gusto: Capable of dispensing both hot and cold beverages.
- New Category Foray: The business entered the cocoa-based spreads category with the launch of KITKAT Professional Spread for chefs.
- Food Solutions: Products like MAGGI Coconut Milk Powder showed strong double-digit growth.
- Plant-Based Offerings: The business continued its foray into plant-based meat alternatives with the versatile MAGGI Plant-based mince.
- The Nestlé Out-of-Home business engaged in strategic collaborations, partnering with Chai Point and SOCIAL to co-create menus featuring custom MAGGI noodles, and with Mad Over Donuts (MOD) to launch a new range of KITKAT donuts and shakes
- . A pilot with Pizza Hut for NESCAFÉ was successful and subsequently rolled out across 60 stores. Concurrently, the 'Retail ONE' initiative significantly expanded its retail presence by adding over 100 new branded kiosks (such as NESCAFÉ Corners and MAGGI Hotspots) in various high-traffic locations, raising the total count to 960. These operator-funded kiosks also generated employment for about 1,890 people

BUSINESS SEGMENT PERFOMANCE ANALYSIS

Milk Products and Nutrition (MP&N) - 37.9% Revenue

- The largest segment focuses on nutritional upgrades with zero refined sugar CERELAC and CEREGROW variants, addressing global health concerns.
- Key innovations include unsweetened low-fat Greek yogurt (NESTLÉ a+) providing 10% daily protein and affordable MILKMAID Mini packaging for mass market penetration.
- The strategic joint venture with Dr. Reddy's Laboratories (49%) enables distribution of specialized Nestlé Health Science brands (Nature's Bounty, Optifast, Peptamen) in high-value healthcare and wellness markets

CONTRIBUTION TO TOTAL SALES	**37.9%**
TINS OF MILKMAID SOLD	**34 MILLION**

Prepared Dishes and Cooking Aids (PD&CA) - 31.4% Revenue

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- Key innovations include unsweetened low-fat Greek yogurt (NESTLÉ a+) providing 10% daily protein and affordable MILKMAID Mini packaging for mass market penetration.
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CONTRIBUTION TO TOTAL SALES	**31.4%**
MAAGI SOLD	**5+billion**

BUSINESS SEGMENT PERFOMANCE ANALYSIS

Confectionery - 16.9% Revenue

- Driven by premiumization strategy with KITKAT as the centerpiece (world's second largest market). Premium variants include KITKAT Salted Caramel and limited-edition Marbled Double Chocolate.
- Operational excellence involves significant capital investment in cool chain networks and Visicoolers, creating barriers for smaller competitors in the premium chocolate segment.

CONTRIBUTION TO TOTAL SALES	**16.9%**
MUNCH sold	**2,200 million units of**
fingers of KITKAT sold	**3,950 million**

Powdered and Liquid Beverages (P&LB) - Highest Growth Contributor

- Achieved high double-digit growth by targeting Gen Z and Millennial preferences with NESCAFÉ ICE ROAST and nationally available RTD cold coffee range (₹50-75).
- Ultra-premium strategy includes NESCAFÉ ROASTERY and NESPRESSO capsule machines with nationwide e-commerce distribution. The Out-of-Home business became second largest in Asia-Oceania-Africa zone with 960 branded Retail ONE kiosks and innovative beverage machines (NESCAFÉ Compatto, Duo Gusto)

CONTRIBUTION TO TOTAL SALES	**13.8%**
CUPS OF COFFEE SOLD	**12.1 BILLION**

BUSINESS SEGMENT PERFOMANCE ANALYSIS

Product Category	Nestle India Brand	Market Share (%)
Baby Grain Cereals	Cerelac	96.8%
Instant Pasta	Maggi	80.2%
White & Wafers Confectionery	KitKat, Munch, Milkibar	72.9%
Infant Formula	Lactogen, Nan	63.9%
Instant Noodles	Maggi	59%
Instant Coffee	Nescafé	54.5%

Peer Financial Comparison

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Key Risks and Opportunities

The structural analysis identifies clear areas of risk and opportunity for future performance:

- **Key Risk**: The extreme concentration in sensitive categories, especially Infant Nutrition, exposes NIL to disproportionate reputational risk and regulatory scrutiny, exemplified by the FSSAI taking action on the added sugar controversy. Continuous, proactive reformulation is necessary to manage this risk.

- **Key Opportunity (Category Expansion)**: The high CAGR of the overall packaged food market (6.50%) is surpassed by specific segments like dairy (12.35%) and instant coffee (7.5%). Leveraging existing cold chain logistics and brand equity to expand offerings in value-added dairy (e.g., cheese, yogurt) presents a major untapped growth vector beyond formula and condensed milk.

- **Key Opportunity (Digital Acceleration)**: The continued rapid growth of e-commerce offers a scalable, infrastructure-independent route to market, allowing NIL to bypass physical distribution complexities and increase high-margin sales.

INCOME STATEMENT

Narration	Dec-21	Dec-22	Dec-23	Mar-24	Mar-25
Sales	**14,740.59**	**16,896.96**	**19,126.30**	**24,393.89**	**20,201.56**
Expenses	11,178.19	13,190.67	14,655.31	18,550.77	15,430.23
Other Income	-112.38	107.26	115.50	158.99	352.06
EBITDA	3,450.02	3,813.55	4,586.49	6,002.11	5,123.39
EBITDA Margin	23.40	22.57	23.98	24.60	25.36
Depreciation	391.02	403.01	428.91	567.75	539.92
Interest	201.68	154.57	119.29	145.49	136.00
Profit before tax	2,857.32	3,255.97	4,038.29	5,288.87	4,447.47
Tax	738.91	865.45	1,039.62	1,356.03	1,132.97
Net profit	**2,118.41**	**2,390.52**	**2,998.67**	**3,932.84**	**3,314.50**
EPS	10.99	12.40	15.55	20.40	17.19
Price to earning	89.67	79.06	85.45	64.29	65.47
Price	**985.29**	**980.30**	**1,329.02**	**1,311.18**	**1,125.38**
Operating Profit	**3,562.40**	**3,706.29**	**4,470.99**	**5,843.12**	**4,771.33**

- Nestlé India reported Trailing Twelve Months (TTM) Sales of ₹ 20,484 Cr. The latest reported quarterly sales (Q2, June 2025) reached ₹ 5,096 Cr, reflecting a modest Year-over-Year (YoY) growth of 5.86%.

- However, the analysis of the full fiscal year ending March 31, 2025, reveals a highly concerning trend: the company witnessed a significant revenue contraction, with sales de-growing by 17.45%. This marks the first instance of revenue contraction for the company in the last three years.

- This 17.45% sales de-growth is fundamentally alarming for a premium-valued FMCG player. It suggests either a substantial divestiture, a major commodity price deflation effect on realization, or a severe volume/pricing drop in key segments. The core investment logic dictates that a high valuation requires consistent, high growth. Therefore, this recent contraction dramatically increases the risk of market skepticism and subsequent multiple compression.
- The company reported a Q2 (June 2025) PAT of ₹ 659 Cr, which represented an -11.7% YoY profit decline. Furthermore, the Annual Net Profit for the year ending March 2025 stood at Rs 3,314 Cr, reflecting a substantial YoY growth decline of -15.7%
- Financially, the company maintains an exceptionally clean balance sheet, spending less than 1% of its operating revenues towards interest expenses. This negligible interest burden highlights a pristine capital structure, providing immense resilience and flexibility necessary to navigate this period of financial deceleration and to fund aggressive future growth plan

RATIO ANALYSIS

Market Cap	₹ 2,22,566 Cr.	Current Price	₹ 1,154	High / Low	₹ 1,350 / 1,055
Stock P/E	74.0	Book Value	₹ 21.4	Dividend Yield	1.17 %
ROCE	95.7 %	ROE	83.0 %	Face Value	₹ 1.00
Sales	₹ 20,484 Cr.	Profit after tax	₹ 3,008 Cr.	Mar Cap	₹ 2,22,566 Cr.
Sales Qtr	₹ 5,096 Cr.	PAT Qtr	₹ 659 Cr.	Qtr Sales Var	5.86 %
Qtr Profit Var	-11.7 %	Price to Earning	74.0	Price to book value	54.1
ROCE	95.7 %	Return on assets	27.1 %	Debt to equity	0.28
EPS	₹ 16.7	Return on equity	83.0 %	Debt	₹ 1,167 Cr.
Promoter holding	62.8 %	Change in Prom Hold	0.00 %	Pledged percentage	0.00 %

- **Extreme Premium P/E (74.0x):** This is assessed as Bad/Risky. Investors are willing to pay $74 for every $1 of current annual earnings. This is significantly higher than the average for the industry (~45.5x). . If growth slows down, the stock price will likely fall sharply due to a correction in the multiple.

- **Highly Productive Assets (ROA: 27.1%):** This confirms the company is using its physical assets (like factories and equipment) very effectively to generate revenue**.**

- **Exceptional Efficiency (ROCE: 95.7%): T**his is how much profit the company makes from all the money (debt and shareholder equity) it uses. This ratio is a massive outlier compared to its closest competitor, HUL (ROCE: 27.8%). This indicates world-class efficiency, superior brand power, and minimal wasted capital. This is the primary reason the stock commands a premium price.

- **Exceptional Returns for Shareholders (ROE: 83.0%):** This is the profit made from just the shareholders' money. It's exceptionally high. The high returns are partly due to the company having a low "Book Value"—which is typical for established companies that pay out substantial dividends instead of keeping a lot of cash on their balance sheet.

- **Low Leverage (Debt to Equity - D/E: 0.28):** This is assessed as Very Strong. A D/E ratio of 0.28 confirms conservative management and limited reliance on external debt. This low leverage provides crucial financial flexibility—the company can easily fund new projects without stressing its balance sheet

Conclusion

- The assessment concludes with a recommendation of HOLD (Neutral Stance) for Nestlé India Ltd.

- Nestlé India is recognized as a fundamentally superior quality franchise within the Indian Fast-Moving Consumer Goods (FMCG) landscape, demonstrated by its exceptional capital efficiency, notably a Return on Capital Employed (ROCE) of 95.7% and a Return on Equity (ROE) of 83.0%.
- The company possesses an unrivaled brand moat and is a primary beneficiary of India's robust, long-term consumer growth trajectory.
- However, the stock's valuation is extreme, with a Price-to-Earnings (P/E) ratio of 74.0x and a Price-to-Book (P/B) ratio of 54.1x.
- This valuation trades at a significant premium to both the Indian food industry average P/E (45.5x) and its global peers.
- . The financial year ending March 31, 2025, saw a contraction in annual sales of 17.45% and a sharp decline in annual profit after tax (PAT) of 15.7% Year-over-Year (YoY)
- . The current price is believed to adequately reflect the high quality and long-term potential while factoring in the significant valuation and execution risks arising from the recent profitability slowdown