

Strong volume led growth; but margins remain pressured

- NEST's Q3FY26 results were ahead of our estimates. Domestic/export revenue grew by 18.3/22.9% YoY respectively. Overall, revenue increased by 10.5% on a 5-year CAGR basis.
- Due to inflationary commodity prices, GM contracted by 70bps YoY to 55.7%. Coffee prices have eased YoY led by strong crop yields in Vietnam and India. However, edible oil prices remain elevated and are likely to remain range bound in H1CY26. Further, despite the flush season, milk prices have stayed firm, supported by strong demand. Nonetheless, as per the management wheat harvest outlook is strong in April'26, indicating a promising crop. We expect RM prices to continue to exert pressure on GM in the near term.
- As Q3 performance was a beat, we have upward revised our FY26/27/28E EPS estimates by 0.5/0.3/1.4% at Rs 17.8/20.4/22.7. We believe Nestle's growth rate and profitability will remain high in the long run (given strong leadership & unique positioning in most categories). Further, favorable base and GST reduction offers the company to post improvement in volumes. That being said, we maintain our 'Reduce' rating with a TP of Rs 1,363 (Rs 1,300 earlier), valuing the stock at 60x FY28E EPS.

Results ahead of our estimates

Net sales stood at Rs 56.7bn, up 18.6% YoY in Q3FY26 (base of 3.9% growth). Due to inflationary commodity prices, GM contracted by 70bps YoY to 55.7%. A 70/10/110bps increase in RM cost/employee cost/other expenses, respectively, led to EBITDA margin contraction of 190bps YoY to 21.2%. EBITDA grew by 9.0% YoY to Rs 12.0bn. APAT grew by 23.7% YoY to Rs 8.6bn. Q3 had an exceptional gain of Rs 1.6 bn from tax provision writeback, partly offset by restructuring and gratuity costs.

Healthy volume led to double-digit growth in key brands

The beverage portfolio recorded strong growth, achieving 18 straight quarters of double-digit sell-out growth. Milk Products and Nutrition reported mid-single-digit growth despite mixed category performance. Further, Confectionery was the fastest-growing group and witnessed strong double-digit growth, led by robust UVG. KITKAT also reported high double-digit UVG, particularly in rural areas, and MILKYBAR also showcased healthy performance. The Prepared Dishes and Cooking Aids category achieved healthy double-digit value growth, led by accelerated UVG. MAGGI Noodles posted double-digit volume growth, while Masala-ae-Magic maintained its strong performance. Petcare delivered strong double-digit growth.

Key Data

Nifty	25,419
Equity / FV	Rs 1,928mn / Rs 1
Market Cap	Rs 2,569bn
	USD 27.9bn
52-Week High/Low	Rs 1,333/ 1,055
Avg. Volume (no)	9,27,804
Bloom Code	NEST IN

	Current	Previous
Rating	Reduce	Reduce
Target Price	1,363	1,300

Change in Estimates

(Rs.bn)	Current		Chg (%) /bps	
	FY26E	FY27E	FY26E	FY27E
Revenue	229.5	256.0	3.9	4.1
EBITDA	53.3	60.3	0.5	0.2
EBITDA (%)	23.2	23.6	(80)	(90)
APAT	34.4	39.4	0.5	0.3
EPS (Rs)	17.8	20.4	0.5	0.3

Valuation (x)

	FY26E	FY27E	FY28E
P/E	74.7	65.1	58.6
EV/EBITDA	48.3	42.6	38.6
ROE (%)	77.1	66.6	58.2
RoACE (%)	65.6	61.0	54.7

Q3FY26 Result (Rs Mn)

Particulars	Q3FY26	YoY (%)	QoQ (%)
Revenue	56,670	18.6	0.4
Total Expense	44,650	21.4	1.3
EBITDA	12,021	9.0	(2.8)
Depreciation	1,744	16.1	6.8
EBIT	10,277	7.9	(4.3)
Other Income	117	163.7	614.0
Interest	283	(18.4)	(39.1)
EBT	11,681	26.7	13.6
Tax	1,500	(33.7)	(45.5)
RPAT	10,181	46.2	35.2
APAT	8,611	23.7	14.3
		(bps)	(bps)
Gross Margin	55.7	(70)	140
EBITDA (%)	21.2	(190)	(70)
NPM (%)	18.0	340	462
Tax Rate (%)	12.8	(1168)	(1393)
EBIT (%)	18.1	(179)	(88)

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Exhibit 1: Actual V/s Dolat Estimates

Particulars (Rs mn)	Actual	Estimates	Variance (%)	Comments
Revenue	56,670	52,099	8.8	Overall volume performance was ahead of our estimate.
EBITDA	12,021	11,513	4.4	Cascading effect of higher revenue.
EBITDA margin %	21.2	22.1	(90bps)	-
APAT	8,611	6,952	23.9	Cascading effect of higher EBITDA and higher other income.

Source: Company, Dolat Capital

Exhibit 2: Change in estimates

Particulars (Rs mn)	FY26E			FY27E			FY28E		
	New	Old	Chg (%)	New	Old	Chg (%)	New	Old	Chg (%)
Revenue	2,29,527	2,20,881	3.9	2,56,041	2,46,061	4.1	2,81,902	2,70,358	4.3
EBIDTA	53,278	53,038	0.5	60,306	60,170	0.2	66,472	65,643	1.3
EBIDTA margin (%)	23.2	24.0	(80 bps)	23.6	24.5	(90 bps)	23.6	24.3	(70 bps)
PAT	34,385	34,211	0.5	39,429	39,330	0.3	43,811	43,207	1.4
EPS (Rs)	17.8	17.7	0.5	20.4	20.4	0.3	22.7	22.4	1.4

Source: Company, Dolat Capital

We have upward revised our FY26/27/28E revenue estimates as Q3 performance was a beat. However, we have downward revised our margin estimates to factor in Q3 and RM pressures. In line with the revision in EBITDA, we have revised our APAT estimates.

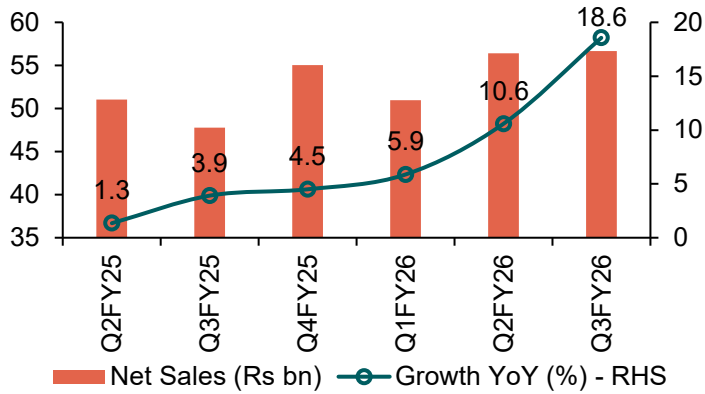
Exhibit 3: 9MFY26 performance

Particulars (Rs.mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Net Revenue	56,670	47,797	18.6	56,436	0.4	1,64,068	1,46,977	11.6
Total Expenditure	44,650	36,770	21.4	44,070	1.3	1,28,678	1,13,129	13.7
RM Cost	25,088	20,846	20.4	25,769	(2.6)	73,696	63,374	16.3
Employee Exp	5,910	4,947	19.5	5,367	10.1	16,434	15,017	9.4
Other Exp	13,652	10,978	24.4	12,933	5.6	38,549	34,738	11.0
PBIDT (Excl OI)	12,021	11,027	9.0	12,366	(2.8)	35,390	33,848	4.6
Other Income	117	44	163.7	16	614.0	174	504	(65.5)
Depreciation	1,744	1,503	16.1	1,634	6.8	4,947	3,846	28.6
EBIT	10,394	9,569	8.6	10,749	(3.3)	30,617	30,506	0.4
Interest	283	346	(18.4)	464	(39.1)	1,216	985	23.4
PBT	10,111	9,223	9.6	10,285	(1.7)	29,401	29,521	(0.4)
Tax	1,500	2,261	(33.7)	2,753	(45.5)	6,666	8,138	(18.1)
PAT After Tax (Adj)	8,611	6,961	23.7	7,532	14.3	22,735	21,383	6.3
Exceptional items	(1,570)	-	NA	-	NA	(1,570)	(2,908)	NA
Net Profit (Reported))	10,181	6,961	46.2	7,532	35.2	24,305	24,291	0.1
EPS (based on RPAT)	5.3	3.6	46.2	3.9	35.2	12.6	12.6	0.1
			bps		bps			bps
Gross Profit (%)	55.7	56.4	(70)	54.3	140	55.1	56.9	(180)
Employee Cost (%)	10.4	10.3	10	9.5	90	10.0	10.2	(20)
Other Exp (%)	24.1	23.0	110	22.9	120	23.5	23.6	(10)
EBITDA (%)	21.2	23.1	(190)	21.9	(70)	21.6	23.0	(150)
PAT (%)	18.0	14.6	340	13.3	460	14.8	16.5	(170)

Source: Company, Dolat Capital

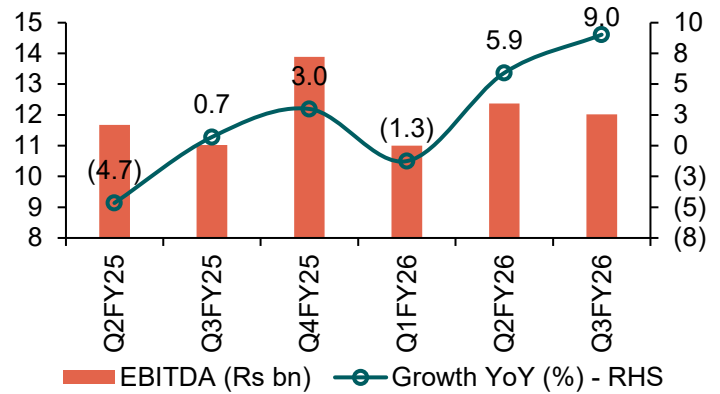
Story in Charts

Exhibit 4: Sales growth at 18.6%



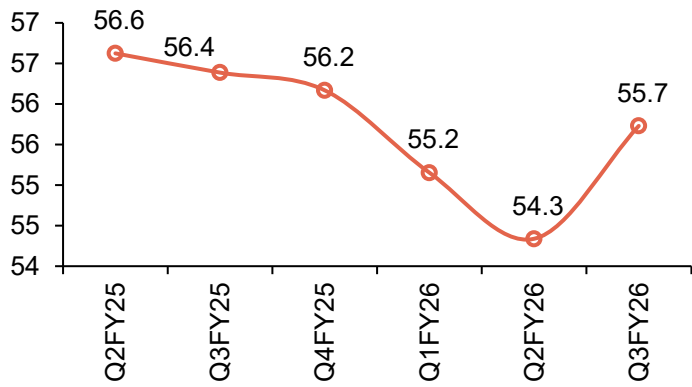
Source: Company, Dolat Capital

Exhibit 5: EBITDA and EBITDA Growth Trend



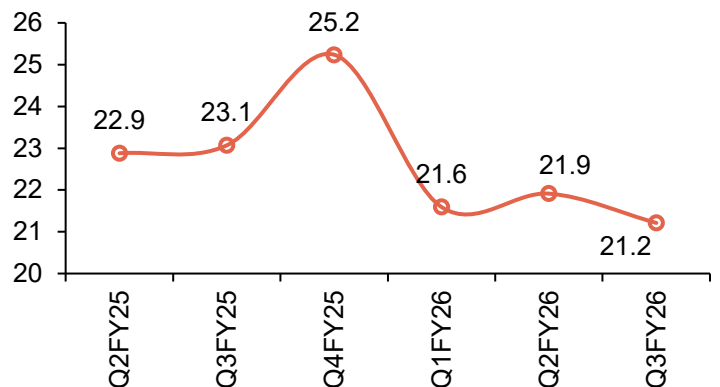
Source: Company, Dolat Capital

Exhibit 6: Gross margin at 55.7%



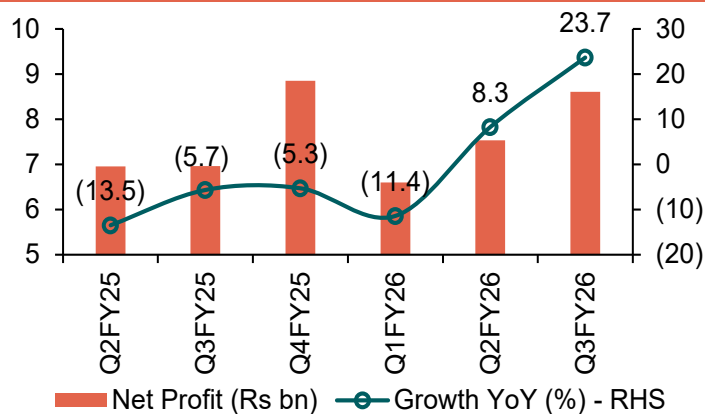
Source: Company, Dolat Capital

Exhibit 7: EBITDA margin at 21.2%



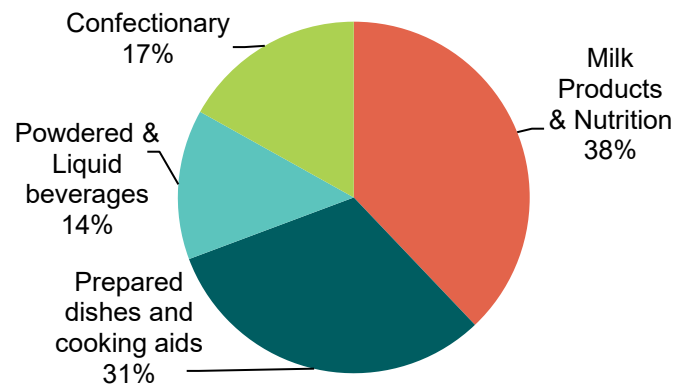
Source: Company, Dolat Capital

Exhibit 8: Net Profit and Growth Trend



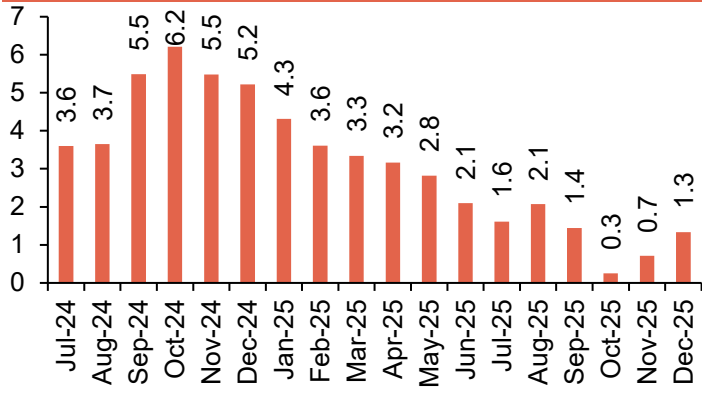
Source: Company, Dolat Capital

Exhibit 9: Revenue Breakup (FY25)



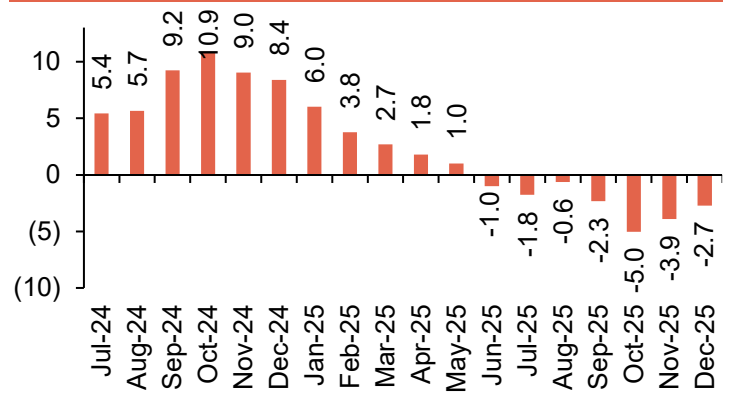
Source: Company, Dolat Capital

Exhibit 10: CPI Monthwise (YoY %)



Source: Company, Dolat Capital

Exhibit 11: Food Inflation Monthwise (YoY %)



Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Revenue	2,02,016	2,29,527	2,56,041	2,81,902
Total Expense	1,54,279	1,76,248	1,95,735	2,15,430
COGS	87,498	1,00,561	1,11,648	1,23,226
Employees Cost	20,237	22,618	24,810	26,853
Other expenses	46,543	53,069	59,278	65,350
EBIDTA	47,737	53,278	60,306	66,472
Depreciation	5,399	5,306	5,369	5,485
EBIT	42,338	47,972	54,937	60,988
Interest	1,360	1,496	1,646	1,810
Other Income	589	793	912	1,049
Exc. / E.O. items	2,908	1,570	0	0
EBT	44,475	48,839	54,204	60,226
Tax	11,330	12,884	14,774	16,416
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
RPAT	33,145	35,955	39,429	43,811
Adjustments	(2,908)	(1,570)	0	0
APAT	30,237	34,385	39,429	43,811

Balance Sheet

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Sources of Funds				
Equity Capital	964	1,928	1,928	1,928
Minority Interest	0	0	0	0
Reserves & Surplus	40,207	50,129	64,490	82,267
Net Worth	41,172	52,058	66,418	84,196
Total Debt	7,533	7,533	7,533	7,533
Net Deferred Tax Liability	536	536	536	536
Total Capital Employed	49,241	60,127	74,488	92,265

Applications of Funds

Net Block	54,736	60,430	72,061	83,577
CWIP	11,726	14,726	17,726	20,726
Investments	7,056	7,056	7,056	10,056
Current Assets, Loans & Advances	49,721	54,715	58,358	64,891
Current Investments	0	0	0	0
Inventories	28,501	30,813	32,970	36,300
Receivables	3,632	3,899	4,209	4,634
Cash and Bank Balances	957	3,371	4,548	7,325
Loans and Advances	184	184	184	184
Other Current Assets	16,448	16,448	16,448	16,448
Less: Current Liabilities & Provisions	73,998	76,800	80,714	86,984
Payables	23,735	26,411	26,656	29,349
Other Current Liabilities	50,263	50,389	54,057	57,635
	<i>sub total</i>			
Net Current Assets	(24,277)	(22,085)	(22,355)	(22,093)
Total Assets	49,241	60,127	74,488	92,265

E – Estimates

Important Ratios

Particulars	FY25A	FY26E	FY27E	FY28E
(A) Margins (%)				
Gross Profit Margin	56.7	56.2	56.4	56.3
EBIDTA Margin	23.6	23.2	23.6	23.6
EBIT Margin	21.0	20.9	21.5	21.6
Tax rate	25.5	26.4	27.3	27.3
Net Profit Margin	16.4	15.7	15.4	15.5
(B) As Percentage of Net Sales (%)				
COGS	43.3	43.8	43.6	43.7
Employee	10.0	9.9	9.7	9.5
Other	23.0	23.1	23.2	23.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	31.1	32.1	33.4	33.7
Inventory days	51	49	47	47
Debtors days	7	6	6	6
Average Cost of Debt	34.7	19.9	21.8	24.0
Payable days	43	42	38	38
Working Capital days	(44)	(35)	(32)	(29)
FA T/O	3.7	3.8	3.6	3.4
(D) Measures of Investment				
AEPS (Rs)	15.7	17.8	20.4	22.7
CEPS (Rs)	18.5	20.6	23.2	25.6
DPS (Rs)	12.7	13.0	13.0	13.5
Dividend Payout (%)	81.3	72.9	63.6	59.4
BVPS (Rs)	21.4	27.0	34.4	43.7
RoANW (%)	88.9	77.1	66.6	58.2
RoACE (%)	76.1	65.6	61.0	54.7
RoAIC (%)	113.9	91.3	86.7	78.8
(E) Valuation Ratios				
CMP (Rs)	1332	1332	1332	1332
Mcap (Rs Mn)	25,68,629	25,68,629	25,68,629	25,68,629
EV	25,75,206	25,72,791	25,71,614	25,68,837
MCap/ Sales	12.7	11.2	10.0	9.1
EV/Sales	12.7	11.2	10.0	9.1
P/E	84.9	74.7	65.1	58.6
EV/EBITDA	53.9	48.3	42.6	38.6
P/BV	62.4	49.3	38.7	30.5
Dividend Yield (%)	1.0	1.0	1.0	1.0
(F) Growth Rate (%)				
Revenue	(17.2)	13.6	11.6	10.1
EBITDA	(18.4)	11.6	13.2	10.2
EBIT	(19.8)	13.3	14.5	11.0
PBT	(15.9)	9.8	11.0	11.1
APAT	(23.0)	13.7	14.7	11.1
EPS	(23.0)	13.7	14.7	11.1

E – Estimates

Cash Flow

Particulars	FY25A	FY26E	FY27E	FY28E
Profit before tax	44,475	48,839	54,204	60,226
Depreciation & w.o.	5,399	5,306	5,369	5,485
Net Interest Exp	0	0	0	0
Direct taxes paid	(10,244)	(12,884)	(14,774)	(16,416)
Change in Working Capital	(13,683)	2,198	(1,895)	(744)
Non Cash	(1,339)	0	0	0
(A) CF from Operating Activities	24,608	43,458	42,904	48,551
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(20,044)	(14,000)	(20,000)	(20,000)
Free Cash Flow	4,564	29,458	22,904	28,551
(Inc.)/ Dec. in Investments	4,239	0	0	(3,000)
Other	0	0	0	0
(B) CF from Investing Activities	(15,805)	(14,000)	(20,000)	(23,000)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	8,952	(1,975)	3,342	3,259
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(24,586)	(25,069)	(25,069)	(26,033)
Other	0	0	0	0
(C) CF from Financing	(15,635)	(27,044)	(21,727)	(22,774)
Net Change in Cash	(6,832)	2,415	1,176	2,777
Opening Cash balances	7,789	957	3,371	4,548
Closing Cash balances	957	3,371	4,548	7,325

E – Estimates

Notes

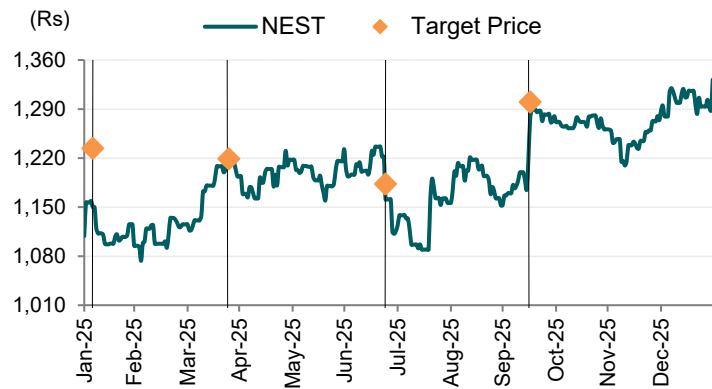
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	5	4	20
Rel to NIFTY (%)	7	6	11

Shareholding Pattern

Particulars	Jun'25	Sep'25	Dec'25
Promoters	62.8	62.8	62.8
MF/Banks/FIs	11.2	11.4	12.1
FIIIs	10.3	10.0	9.8
Public / Others	15.8	15.8	15.3



Month	Rating	TP (Rs.)	Price (Rs.)
Feb-25	Reduce	1,234	1,150
Apr-25	Reduce	1,219	1,214
Jul-25	Reduce	1,183	1,161
Oct-25	Reduce	1,300	1,277

*Price as on recommendation date

Dolat Rating Matrix

Total Return Expectation (12 Months)

BUY	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
SELL	< 0%

Notes

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