

Nestle India (NEST)

FMCG | Annual Report Analysis

ACCUMULATE

CMP: Rs2,526 | Target Price (TP): Rs2,550 | Upside: 0%

June 20, 2024

Building blocks in place; Ad-spends witness relative uptick

NEST's FY24 annual report (for the 15-month period ending Mar'24) highlights its underlying strengths and the company remains one of the best revenue growth opportunities in the Indian Consumer universe despite seeing subdued volume growth recently.

The key takeaways are as follows:

- The company's weighted average volume growth in FY24 (not shared before the annual report) - adjusted for the 15-month reporting period vs the 12-month reporting period in the base - stood at only ~3%. While overall volume growth for the FMCG sector was under pressure in FY24, these numbers still look weak. CY22 had also witnessed ~5% volume growth and so the base wasn't high either. The pace of volume growth has abated substantially compared to the preceding four years ending CY21, which had witnessed ~8% CAGR in volume over CY17 numbers. In FY24, the company witnessed strong volume growth on a comparative basis in two of its smaller businesses - Confectionery (16.5% of sales in FY24) and Powdered & Liquid Beverages (12.4% of sales in FY24) while growth was weaker in Prepared Dishes & Cooking Aids (30.4% of sales in FY24) and Milk & Nutrition (40.7% of sales in FY24).
- Adjusted volume growth in FY24 was led by Confectionery (up 10.2% YoY, third consecutive year of double-digit volume growth) and Powdered & Liquid Beverages (up 8.6% YoY, nearly a third consecutive year of double-digit volume growth in this segment as well). On the other hand, adjusted volume growth was muted in Prepared Dishes & Cooking Aids (up 1.7%, lowest since the Maggi crisis in 2015). Since Prepared Dishes constitutes ~60% of total volume v/s ~30% of sales, the company's overall volume growth was affected in FY24.
- Adjusted volume in Milk & Nutrition (M&N, 40%/23% of total sales/volume) was flattish in FY24, continuing with its disappointing trend. This segment has been reporting flattish volume/decline in volume for the past five out of six years. Adjusted M&N tonnage in FY24 was in line with CY09 levels.
- Ad-spends (not shared in interim results) nearly doubled (up 85%) in FY24 vs CY22 on an absolute basis. Even on an adjusted basis (for 15-month period in FY24) ad-spends were up ~48%. As a percentage of sales, ad-spends grew by 120bps to 5.5% in FY24 vs CY22 levels. However, this was on a very low base in CY22. For NEST, ad-spends as a percentage of sales stood at 4.3% in CY22, the lowest in over three decades. It had last been at ~4.4-4.5% levels during the CY11-CY13 period when NEST was under investing in the business. Given that the company has been registering double-digit revenue growth over the last few years, driven by higher investments in ad-spends, the decline in ad spends-to-sales ratio (for the fifth consecutive year in CY22) was disappointing and the increase in FY24 was thus a positive.
- Amid the COVID-19 pandemic, the management's prime focus was on its core business; but, the company still managed to maintain a healthy pace of launches compared to its peers. Since CY16, NEST has launched 140+ products.
- Valuation is expensive at ~59x FY26E EPS, preventing us from turning constructive on the stock. We have an "Accumulate" rating on NEST.

Company Data and Valuation Summary

Reuters:	NEST.BO
Bloomberg:	NEST IN Equity
Mkt Cap (Rsbn/US\$bn):	2,435.5 / 29.1
52 Wk H / L (Rs):	2,769 / 2,145
ADTV-3M (mn) (Rs/US\$):	2,678.7 / 32.1
Stock performance (%) 1M/6M/1yr:	0.9 / (0.9) / 10.8
Nifty 50 performance (%) 1M/6M/1yr:	5.0 / 6.6 / 25.0

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	62.8	62.8	62.8
DILs	9.3	9.2	9.0
FII	12.1	12.1	12.1
Others	15.8	16.0	16.1
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	CY22	FY24*	FY25E	FY26E
Revenue	1,68,970	2,43,939	2,17,758	2,48,899
% Growth	14.6	15.5	11.6	14.3
Gross margin (%)	54.1	56.1	58.0	58.8
EBITDA	37,582	58,491	53,923	62,768
EBITDA margin (%)	22.2	24.0	24.8	25.2
% growth	6.1	24.5	15.2	16.4
Adjusted PAT	24,362	39,588	35,532	40,989
APAT margin (%)	14.4	16.2	16.3	16.5
% growth	7.1	30.0	12.2	15.4
EPS	25	33	37	43
% growth	7.1	30.0	12.2	15.4
RoE (%)	110.6	109.2	96.8	93.9
RoCE (%)	114.1	111.0	99.5	96.4
P/E (x)	100.0	76.9	68.5	59.4
EV/EBITDA (x)	60.3	49.5	43.2	36.0

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Note:(1)FY24E*: NEST has changed to Financial Year-end reporting and extended the current Financial Year upto 31st March 2024 covering a period of 15 months (comprising five quarters).

(2)All growth numbers have been adjusted to reflect annualized base.

Key Links – [5QFY24 Result Update](#)

[FY24 Annual Report](#)

Please refer to the disclaimer towards the end of the document.

Healthy volume growth in Confectionery and Beverages; muted in larger segments: NEST reported a healthy 15.5% sales growth in FY24 (adjusted for 15-month period), but its volume growth stood at only 2.7%, affected by high inflation. Healthy volume growth in Chocolates & Confectionery (up 10.2%) and Beverages (up 8.6%) was offset by muted volume growth in larger categories such as Prepared Dishes & Cooking Aids (1.7%, weakest since Maggi crisis) and flat volume in M&N. Over CY19-FY24 (on an annualised basis compared to pre-Covid period), M&N has registered a 0.8% decline in volume on CAGR basis while Prepared Dishes, Beverages and Confectionery have clocked a volume CAGR of 7.6%, 3.6% and 8.8%, respectively, leading to 5.3% overall volume CAGR over the same period. On the other hand, sales CAGR for these segments stood at 8.7%, 12.6%, 18.1% and 17%, respectively.

Ad spends-to-sales ratio has been declining considerably over the years; some uptick seen in FY24: (1) Ad-spends (not shared in interim results) nearly doubled (up 85%) in FY24 over CY22 on an absolute basis. Even on an adjusted basis (for 15-month period in FY24), ad-spends were up ~48% (2) As a percentage of sales, ad-spends grew by 120bps to 5.5% in FY24 over CY22 levels. However this was on a very low base in CY22. For NEST, ad spends as a percentage of sales stood at 4.3% in CY22, the lowest in over three decades. It had last been at ~4.4-4.5% levels during the CY11-CY13 period when NEST was under investing in the business (3) Given that the company has been registering double-digit revenue growth over the last few years, driven by higher investments in ad spends, the decline in ad spends-to-sales ratio (for the fifth consecutive year in CY22) was disappointing and the increase in FY24 was thus a positive.

Launches and new segments: One of the most interesting aspects of NEST in recent years has been its accelerating pace of launches. The company has seen a healthier launch pipeline since CY16 compared to the past. While the launches slowed in CY17-CY18 v/s CY16 levels, the CY19-FY24 period continued to witness a healthy momentum. NEST has launched 140+ products since CY16. Unlike the annual report last year, the company has not shared details on the number of new products in pipeline.

Some key launches within each segment were:

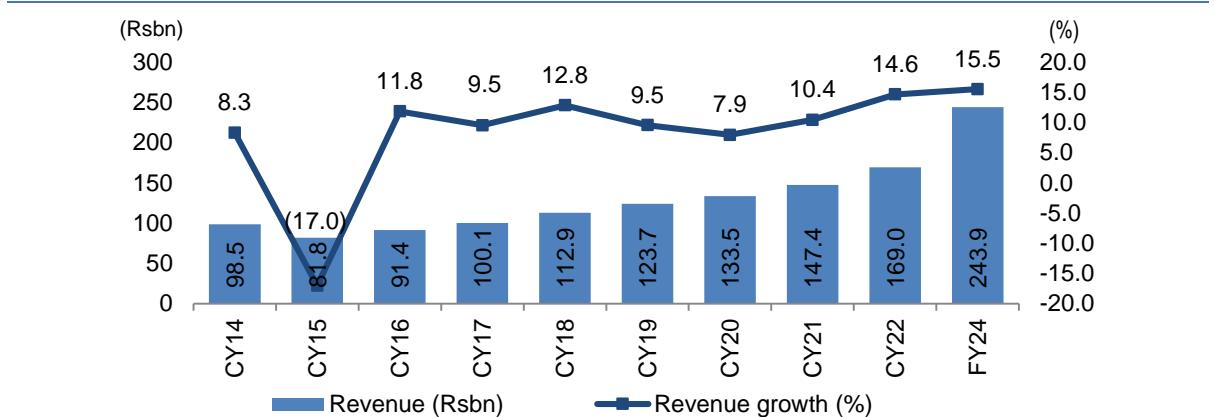
- **Milk & Nutrition launches:** Nestlé a+ Masala Millet, made with bajra and barley, was launched in Delhi/NCR and Mumbai and subsequently expanded to other cities across key geographies. MILO for teenagers was introduced in Tamil Nadu, Andhra Pradesh, Telangana and Kerala.
- **Prepared Dishes launches:** Exciting new products like Maggi Oats Noodles with Millet Magic were launched to cater to the growing consumer demand for taste and balance. The introduction of Maggi Korean Noodles in Veg and Chicken Barbeque flavours resonated well with consumers. Recognizing the unique needs of rural consumers, the company launched Maggi Teekha Masala and Maggi Chatpata Masala noodle variants at an affordable price of Rs10. NEST also introduced Maggi Pasta Masala, a seasoning to prepare pasta at home.
- **Chocolates & confectionary launches:** This segment saw innovative launches like KITKAT Butterscotch and a premium range with Dark, Rich and Caramel options. Other new launches across the portfolio included MILKYBAR caramel and POLO watermelon. These launches were supported by targeted advertising, digital and on-ground initiatives.
- **Beverages launches:** NESCAFÉ continued its innovation journey with the launch of NESCAFÉ ALL IN 1 FRAPPE, which provides consumers a convenient way of making cold coffee.

View and valuation: There is no material change to our FY25E and FY26E EPS estimates: (a) The long-term narrative for revenue and earnings growth for NEST is highly appealing. Companies such as NEST with a strong pedigree and distribution strength are expected to benefit significantly from the immense growth prospects of the Packaged Foods segment in India (b) Further, the successful implementation of the company's volume-led growth strategy during a large part of Mr.Suresh Narayanan's tenure provides confidence in execution as well (c) Significant distribution expansion along with an unprecedented level of capex (~Rs75bn during 2020-2025) also indicates the management's confidence about future growth prospects. (d) However, valuation at ~59x FY26E EPS is expensive and does not offer any significant upside from a one-year perspective. We value NEST at 60x FY26E EPS to arrive at our TP of Rs2,550. We maintain our "Accumulate" stance on NEST.

Revenue growth continues to be strong led by pricing

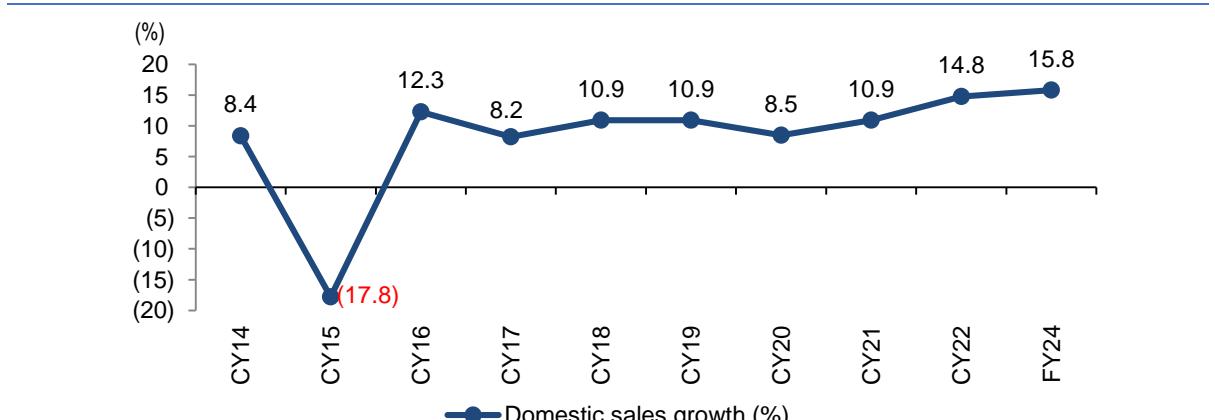
- In FY24, NEST delivered its highest revenue growth in the past decade at 15.5% (adjusted for 15-month period). This was largely led by an increase in pricing by ~12.7% as inflation in key commodities like milk led to overall increase in product prices.
- Tonnage growth was low at 2.7% as demand got impacted to some extent as consumers continued to spend cautiously.
- Domestic sales growth stood at 15.8% in FY24 — a strong performance on a high base indicative of the pricing power that the company enjoys.

Exhibit 1: Net sales increased by 15.5% (adjusted) to ~Rs244bn in FY24

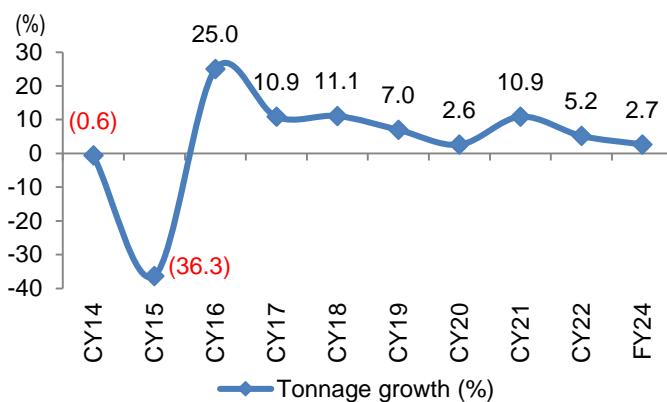


Source: Company, Nirmal Bang Institutional Equities Research

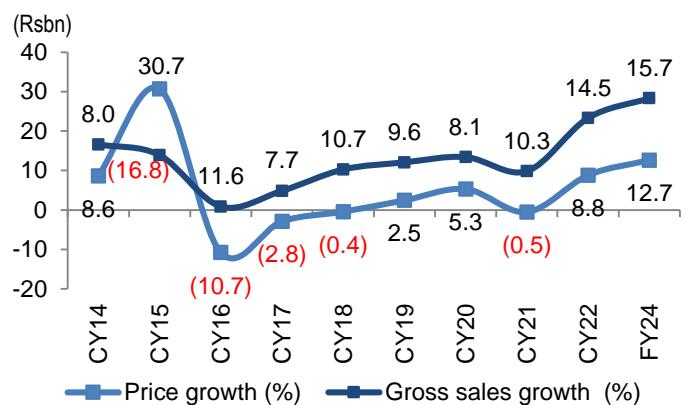
Exhibit 2: Domestic sales grew by 15.8% (adjusted) to Rs233bn in FY24



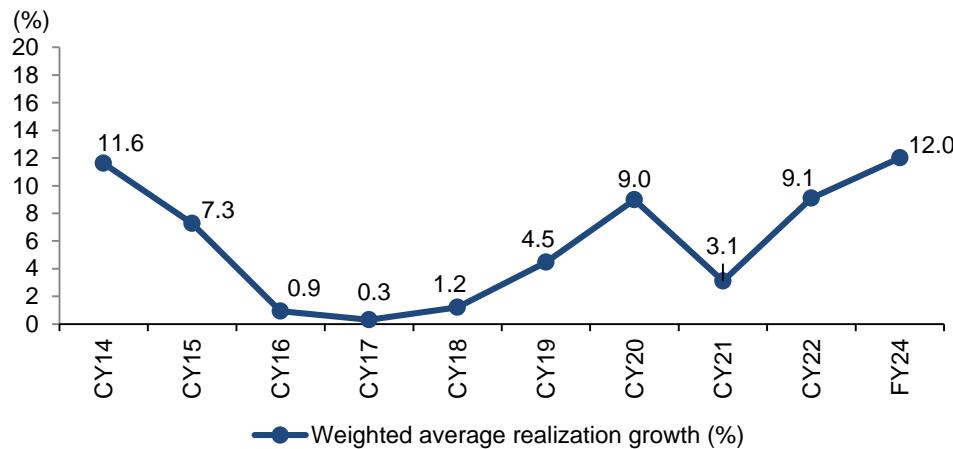
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Overall tonnage grew 2.7% (adjusted for 15 months period) in FY24


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Overall price growth was ~12.7% in FY24 with value growth of ~15.7%


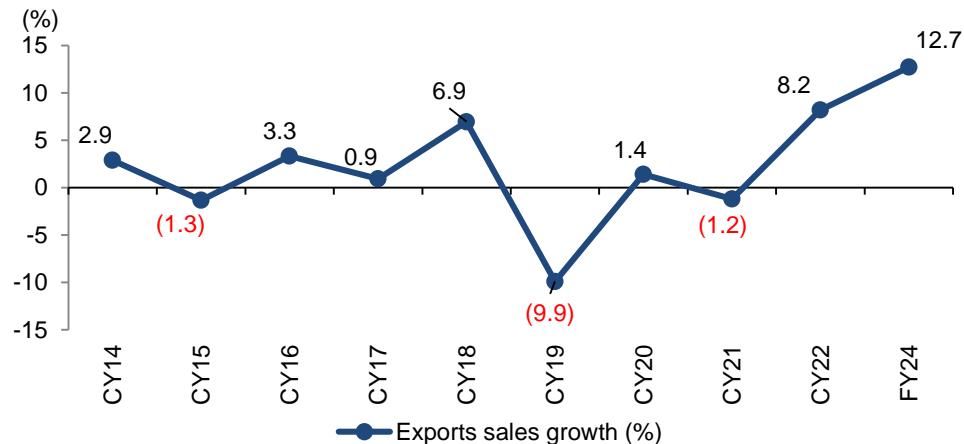
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Weighted average realization growth was at 12% in FY24


Source: Company, Nirmal Bang Institutional Equities Research

Exports

- After declining in CY21 and witnessing an uptick of 8.2% in CY22, exports business continued its strong momentum and saw an increase of ~12.7% in FY24. As a proportion of gross sales, the exports business largely remained flat at ~4%.

Exhibit 6: Exports business grew by ~12.7% (adjusted) in FY24


Source: Company, Nirmal Bang Institutional Equities Research

- Prepared Dishes & Cooking Aids, led by the iconic MAGGI Noodles and Sauces, witnessed an increased demand in key markets such as Canada, USA, Australia, New Zealand and Singapore. MAGGI Noodles also expanded its footprint to newer markets such as Thailand and the Caribbean Islands, demonstrating the brand's global appeal with the Indian diaspora.
- NESCAFÉ was a key contributor to growth in exports. NESCAFÉ SUNRISE continued to gain traction in established markets such as Singapore and Taiwan and achieved a significant milestone with its first ever export to Canada. Additionally, NESCAFÉ Intenso roasted beans forayed into new markets in Maldives and Sri Lanka.

Significant Milestone

- During the period under review, India became the largest Nestlé market globally for MAGGI and the second-largest market for KITKAT.

Exhibit 7: Strong reach of NEST's brand portfolio

Brand footprint in India

Serving families. Touching lives.



figures for the fifteen months financial year ended 31st March 2024

Source: Company, Nirmal Bang Institutional Equities Research

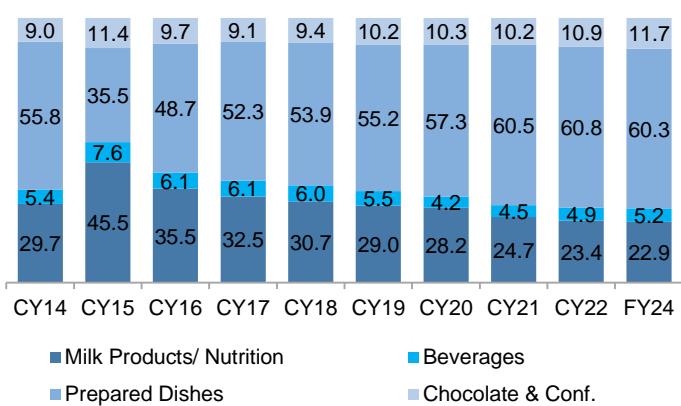
Segmental highlights

Exhibit 8: Segment-wise performance breakdown of NEST's portfolio

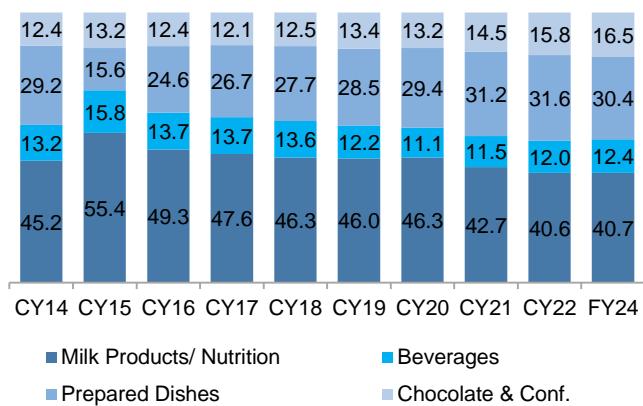
	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	FY24
Volume (MT)										
Milk products	1,35,591	1,31,980	1,28,751	1,30,796	1,37,066	1,38,941	1,38,402	1,34,669	1,34,034	1,68,143
Beverages	24,673	22,130	22,092	24,423	27,013	26,380	20,772	24,507	28,020	38,039
Prepared Dishes and Cooking Aids	2,54,553	1,03,138	1,76,871	2,10,427	2,40,879	2,64,072	2,81,392	3,29,567	3,48,225	4,42,827
Chocolate and Confectionery	41,080	33,083	35,289	36,803	42,197	49,033	50,358	55,648	62,401	85,934
Total	4,55,897	2,90,331	3,63,003	4,02,449	4,47,155	4,78,426	4,90,924	5,44,391	5,72,680	7,34,943
Volume (% of total)										
Milk products	30%	30%	45%	35%	33%	31%	29%	28%	25%	23%
Beverages	6%	5%	8%	6%	6%	6%	6%	4%	5%	5%
Prepared Dishes and Cooking Aids	54%	56%	36%	49%	52%	54%	55%	57%	61%	60%
Chocolate and Confectionery	10%	9%	11%	10%	9%	9%	10%	10%	10%	12%
Total	100%									
Volume growth										
Milk products	-2.3%	-2.7%	-2.4%	1.6%	4.8%	1.4%	-0.4%	-2.7%	-0.5%	25.4%
Beverages	-11.0%	-10.3%	-0.2%	10.6%	10.6%	-2.3%	-21.3%	18.0%	14.3%	35.8%
Prepared Dishes and Cooking Aids	3.7%	-59.5%	71.5%	19.0%	14.5%	9.6%	6.6%	17.1%	5.7%	27.2%
Chocolate and Confectionery	-12.1%	-19.5%	6.7%	4.3%	14.7%	16.2%	2.7%	10.5%	12.1%	37.7%
Total	-0.6%	-36.3%	25.0%	10.9%	11.1%	7.0%	2.6%	10.9%	5.2%	28.3%
Weighted average volume growth	-0.3%	-25.3%	34.6%	11.5%	11.3%	7.2%	3.0%	11.6%	5.4%	28.5%
Price (Rs/kg)										
Milk products	337	354	360	368	378	407	444	465	509	587
Beverages	543	604	582	568	564	569	711	690	720	794
Prepared Dishes and Cooking Aids	116	127	131	129	129	132	139	139	152	167
Chocolate and Confectionery	305	336	332	332	332	335	348	382	425	465
Total	222	290	259	252	251	257	271	269	293	330
Price growth										
Milk products	15.0%	4.9%	1.8%	2.4%	2.7%	7.5%	9.2%	4.8%	9.2%	15.3%
Beverages	13.7%	11.2%	-3.6%	-2.4%	-0.7%	1.0%	24.8%	-2.9%	4.4%	10.3%
Prepared Dishes and Cooking Aids	5.8%	9.5%	2.8%	-1.8%	0.2%	2.8%	4.9%	0.0%	9.5%	9.9%
Chocolate and Confectionery	10.8%	10.1%	-1.2%	0.0%	0.0%	1.0%	3.9%	9.5%	11.5%	9.4%
Total	8.6%	30.7%	-10.7%	-2.8%	-0.4%	2.5%	5.3%	-0.5%	8.8%	12.6%
Weighted average volume growth	11.6%	7.3%	0.9%	0.3%	1.2%	4.5%	9.0%	3.1%	9.1%	12.0%
Gross sales (Rsmn)										
Milk products	45,752	46,694	46,350	48,196	51,876	56,518	61,488	62,686	68,157	1,34,034
Beverages	13,398	13,360	12,861	13,870	15,226	15,018	14,763	16,918	20,188	28,020
Prepared Dishes and Cooking Aids	29,613	13,141	23,176	27,071	31,053	34,982	39,108	45,813	53,006	3,48,225
Chocolate and Confectionery	12,532	11,109	11,709	12,214	14,007	16,435	17,543	21,231	26,545	62,401
Total	1,01,295	84,304	94,096	1,01,351	1,12,162	1,22,953	1,32,902	1,46,649	1,67,895	5,72,680
Gross sales (% of total)										
Milk products	45%	55%	49%	48%	46%	46%	46%	43%	41%	23%
Beverages	13%	16%	14%	14%	14%	12%	11%	12%	12%	5%
Prepared Dishes and Cooking Aids	29%	16%	25%	27%	28%	28%	29%	31%	32%	61%
Chocolate and Confectionery	12%	13%	12%	12%	12%	13%	13%	14%	16%	11%
Total	100%									
Gross sales growth										
Milk products	12%	2%	-1%	4%	8%	9%	9%	2%	9%	97%
Beverages	1%	0%	-4%	8%	10%	-1%	-2%	15%	19%	39%
Prepared Dishes and Cooking Aids	10%	-56%	76%	17%	15%	13%	12%	17%	16%	557%
Chocolate and Confectionery	-3%	-11%	5%	4%	15%	17%	7%	21%	25%	135%
Total	8%	-17%	12%	8%	11%	10%	8%	0%	15%	241%

*Slight impact from the implementation of Goods & Services Tax (GST) on CY16 financials

Source: Company; Nirmal Bang Institutional Equities Research

Exhibit 9: Volume mix (%) – while Prepared Dishes forms the bulk of the volume...


Source: Company, Nirmal Bang Institutional Equities Research

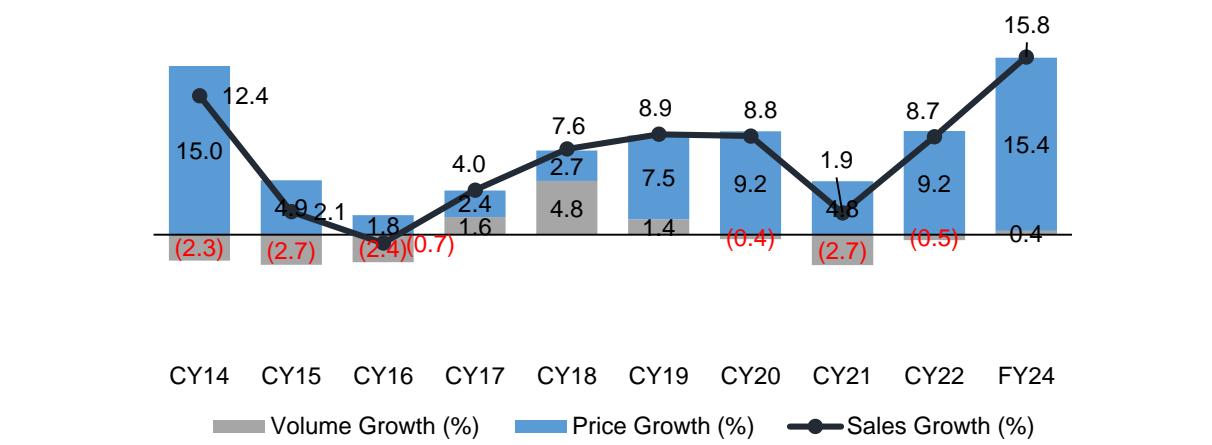
Exhibit 10: Sales mix (%) – majority of the value contribution comes from Milk Products and Nutrition segment


Source: Company, Nirmal Bang Institutional Equities Research

Milk and Nutrition (40.7% of FY24 sales)

- The business recorded strong growth despite fluctuations in commodity prices, which were addressed through cost optimization and value chain efficiencies. The performance of this segment was further bolstered by e-commerce.
- The Ready-To-Drink (RTD) portfolio saw strong growth in both in-home and out-of-home channels. The 'Thoda Aur Macha' campaign celebrating Gen Z heroes, contributed to NESCAFÉ RTD's increased visibility.
- Nestlé a+ Masala Millet, made with bajra and barley, was launched in Delhi/NCR and Mumbai and subsequently expanded to other cities across key geographies.
- MILO for teenagers was introduced in Tamil Nadu, Andhra Pradesh, Telangana and Kerala.
- To expand the reach of its toddler range of products, NEST launched GERBER Multigrain Puffs for toddlers, which are crafted with a blend of oats, wheat and rice. These are fortified with immuno-nutrients and are a source of fiber.
- Within the Nestle Health Science portfolio, 'Thicken Up Clear' was launched for patients with dysphagia. The product has been clinically proven to improve swallowing, safety and efficacy.
- Nestlé India and Dr. Reddy's Laboratories have entered into a definitive agreement to form a joint venture (JV) to bring innovative nutraceutical brands to consumers in India and other agreed territories. The JV to be formed with Dr. Reddy's holding 51% and NEST holding 49%, is expected to become operational in 2HFY25 and headquartered in Hyderabad.

Exhibit 11: Milk and Nutrition – Volume/Price/Sales growth

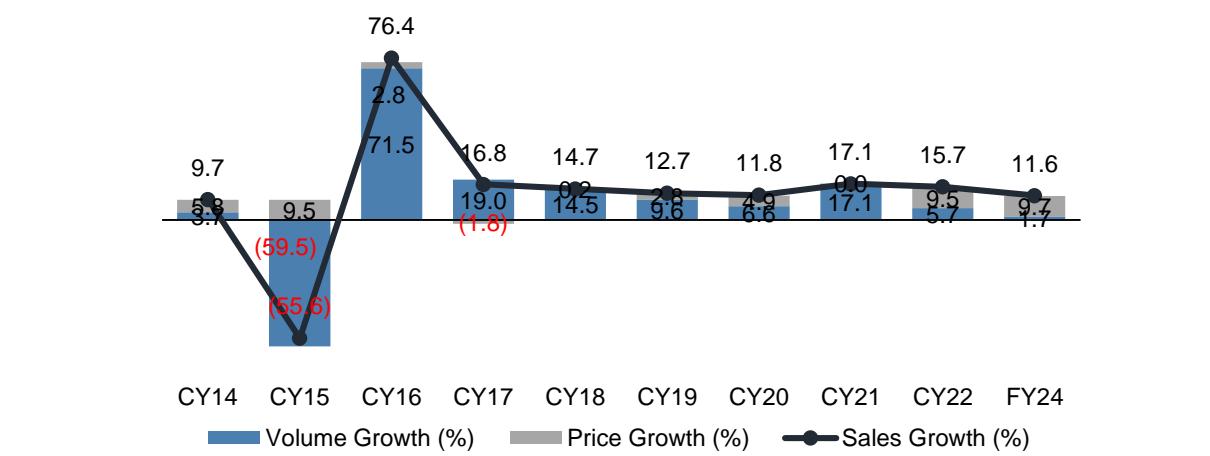


Source: Company, Nirmal Bang Institutional Equities Research

Prepared Dishes and Cooking Aids (30.4% of FY24 sales)

- The segment registered robust growth momentum aided by a balance of product mix, pricing and volume growth in MAGGI Noodles and MAGGI Masala-ae-Magic, supported by strong consumer engagement and market presence with media campaigns and attractive consumer activations.
- Exciting new products such as 'MAGGI Oats Noodles with Millet Magic' were launched to cater to the growing consumer demand for taste and balance. The introduction of 'MAGGI Korean Noodles' in Veg and Chicken Barbeque flavors gathered good response among consumers.
- Recognizing the unique needs of rural consumers, NEST launched 'MAGGI Teekha Masala' and 'MAGGI Chatpata Masala' noodle variants at an affordable price of Rs10. The company also introduced 'MAGGI Pasta Masala', a seasoning to prepare pasta at home.

- Within the Breakfast Cereals portfolio, NEST continued to drive penetration with the introduction of two distinct cereals to cater to a broader array of breakfast preferences:
 - ‘KOKO KRUNCH’ incorporates local grains like Jowar, blending the delightful chocolatey taste of KOKO KRUNCH with the added benefits of millets
 - ‘MUNCH Breakfast Cereals’ crafted with a blend of whole grain, wheat flour, rice and corn offers a satisfying crunch and a delicious way to start the day for those seeking a more indulgent breakfast option.

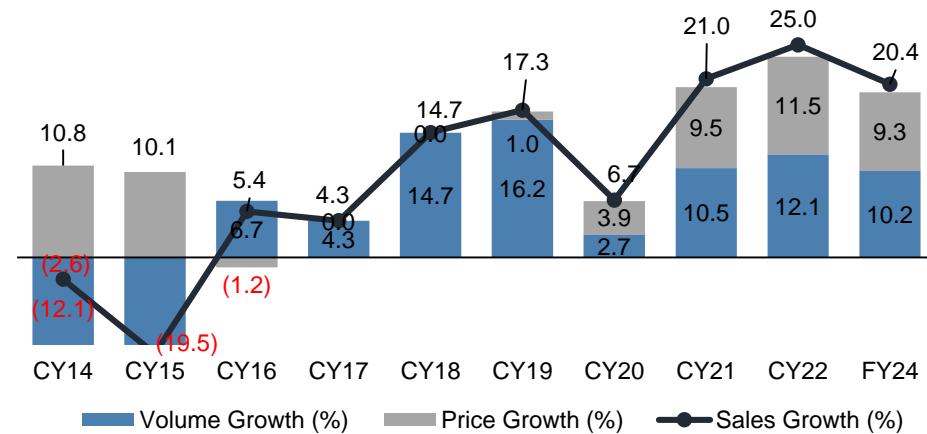
Exhibit 12: Prepared Dishes and Cooking Aids – Volume/Price/Sales growth


Source: Company, Nirmal Bang Institutional Equities Research

Confectionery (16.5% of FY24 sales)

- Fueled by the launch of new products, increased media exposure, a more extensive distribution network and innovative brand activations, Confectionery was one of the main growth drivers for NEST.
- 'KITKAT' emerged as the star performer, by not only delivering strong growth but making Nestlé India the second largest market for the brand globally. This success can be attributed to innovative launches like 'KITKAT Butterscotch' and a premium range with Dark, Rich, and Caramel options.
- 'MUNCH' performed well in different regions aided by innovation in two new flavors such as 'MUNCH Max Brownie' and 'MUNCH Fruity' to the existing range.
- Other new launches across the Confectionery portfolio included 'MILKYBAR caramel', and 'POLO watermelon'. These launches were supported by targeted advertising, digital and on-ground initiatives.

Exhibit 13: Confectionery – Volume/Price/Sales growth

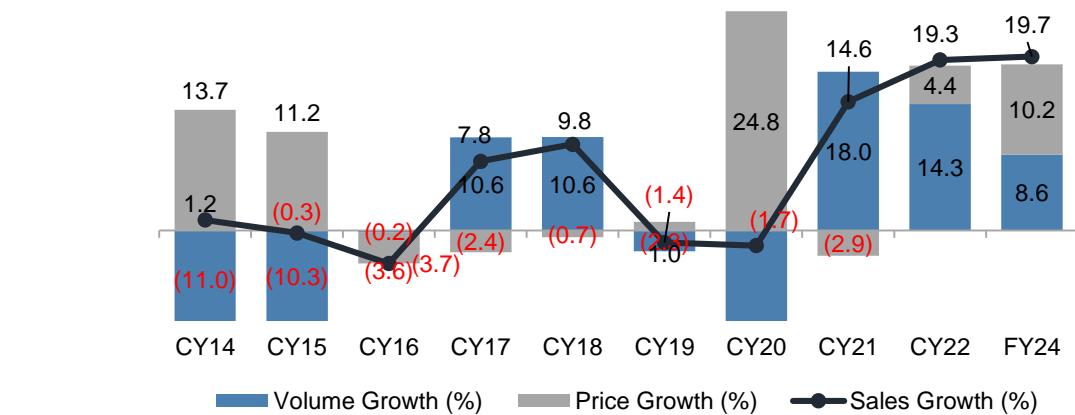


Source: Company, Nirmal Bang Institutional Equities Research

Powdered and Liquid Beverages (12.4% of FY24 sales)

- The Powdered and Liquid Beverages recorded robust performance by staying focused on recruitment and creating more occasions for coffee consumption.
- The in-home portfolio of NESCAFÉ, comprising NESCAFÉ Classic, NESCAFÉ Sunrise, and NESCAFÉ GOLD, delivered strong double-digit growth. This resulted in the highest-ever yearly increase in household penetration and market share during the period under review, further strengthening NESCAFÉ's market leadership. NESCAFÉ has introduced its coffee to over 30mn Indian households in the past seven years.
- NESCAFÉ Classic led category recruitment with the highest penetration gains in a year by driving relevance through core thematic campaigns and expanding its availability. The brand increased consumption occasions with a focus on cold coffee during summer and monsoon. NESCAFÉ continued its innovation journey with the launch of NESCAFÉ ALL IN 1 FRAPPE, which provides consumers a convenient way of making cold coffee.
- NESCAFÉ GOLD delivered strong growth catering to the growing demand for premium coffee experiences. NESCAFÉ Sunrise emerged as one of the top 10 brands for Nestlé India, leading to significant market share gains in the coffee business in the south region. A captivating new thematic campaign, launched across TV and digital platforms, further strengthened brand awareness with consumers in South India.

Exhibit 14: Beverages – Volume/Price/Sales growth



Source: Company, Nirmal Bang Institutional Equities Research

Out-of-Home business highlights

- Within the Out-Of-Home portfolio, NEST collaborated with McDonald's India (West and South), PVR-INOX and Krispy Kreme to co-create a menu using KITKAT and NESCAFÉ. The company partnered with SOCIAL and BOSS Burger outlets to test launch the MAGGI Professional plant-based range. This range has been especially developed for chefs to cater to the Indian taste palate. The launch of the plant-based range is a part of NEST's commitment to offer more food choices to consumers.
- The rapidly growing base of NESCAFÉ machines, backed by cutting-edge solutions catered to a wide spectrum of consumer preferences by offering both hot and cold beverages across offices, educational institutes and healthcare facilities.
- NEST's 'Retail ONE' initiative fostered entrepreneurship by setting up over 830 branded kiosks such as NESCAFÉ Corners, MAGGI Hotspots and KITKAT Break Zones in educational institutes, hospital food zones, malls and airports. These kiosks are operator funded and created employment opportunities for 1,600+ people. ~30% of the food handlers in the kiosks are women.

Pet Food business

- NEST entered the Pet Food business with the acquisition of Purina Petcare India Pvt. Ltd (in CY22), offering pet food for both canine and feline companions.
- The Pet Care portfolio, a part of Prepared Dishes & Cooking Aids business continued to demonstrate its unwavering commitment to enriching the lives of pets. Innovative products coupled with a strong focus on e-commerce enabled the portfolio to reach more pet families.
- Purina Friskies continued to be a popular dry food choice while the newly launched Purina Felix wet food offered a delectable balance of taste and essential nutrients.
- Recognising the ever-evolving needs of pet owners, NEST expanded the reach of the portfolio through e-commerce channels which proved to be highly successful.

New Products & Launches

- Over the past eight years, NEST has recalibrated, redirected and rejuvenated its product portfolio by launching 140+ new products.
- A significant portion of sales in FY24 was attributed to innovative products which included science-led nutrition solutions, millet-based products and plant-based protein options that cater to diverse dietary needs.
- 2023 was the International Year of Millets. NEST launched a slew of millet-based products with a nation-wide campaign on millet awareness being rolled out across print, out-of-home and digital platforms.
- Among others, MAGGI Korean Noodles was also launched, catering to the diverse consumer preferences.

Exhibit 15: Product launches, re-launches and variants over the past 10 years

Year	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	FY24
No. of launches	7	3	19 (39 including variants and re-launches)	9 (17 including variants and re-launches)	14 (20 including variants and re-launches)	20 (24 including variants and re-launches)	12 (14 including variants and re-launches)	18 (20 including variants and renovation)	12 (13 including variants and renovation)	16 (22 including variants and renovation)
1	Maggi Oats Noodles	Relaunched Maggi Noodles	Maggi Hot Heads: four variants	Maggi Nutri-licious Noodles: two variants	KITKAT duo strawberry variant	Maggi Nutriloicious Atta Noodles	MAGGI Yummy Capsica	MAGGI Veggie Masala Noodles	GERBER Cereals with Powerblend – Spinach & Carrot	Nestlé a+ Masala Millet-bajra and barley
2	Nestlé KitKat Senses Milk	Munch Nuts	Maggi No Onion No Garlic Masala	Maggi Masalas of India: four variants	Munch Crunch-O-Nuts	Maggi Fusian Noodles (three variants)	MAGGI Chatpata Tomato	MAGGI Special Chicken65 Masala Noodles	GERBER Cereals with Powerblend – Mango & Berry	GERBER Multigrain Puffs - blend of oats, wheat, and rice
3	Nestlé KitKat Senses Dark	Cerelac Stage 5	Maggi Hot Heads Cuppa Noodles	Nestle a+ Grekyo greek yogurts: three variants	Nesplus Breakfast cereals: four variants	LACTOGEN 1 with L. reuteri (relaunch)	Maggi Atta Spinach Noodles	Nestlé GOLD Corn and Oat flakes	CEREGRROW Grain Selection	Thicken Up Clear(Nestlé Health Science) - for patients with dysphagia
4	Nestlé KitKat Senses Extra Smooth	-	Maggi Cuppa Masala	Nan Excellapro	Nescafe Ready-to-Drink Cans	Pre-NAN with DHA and ARA (relaunch)	Maggi Fried Rice Masala - Classic Veg	Koko Krunch Kookie Cereal	MILO (with Whey Protein and jaggery) in Tamil Nadu	Resource Activ - protein, calcium and vitamin D, and hyaluronate
5	Nestle Masala Buttermilk	-	Maggi Cuppa Chilly Chow	Nestle Resource High Protein: three variants	Maggi Special Masala noodles	Maggi Fusian Chilli Garlic Sauce	Maggi Fried Rice Masala-Chilli Garlic	MAGGI Hot n Sweet Sauce - sriracha	Mishti Doi (with jaggery)	MAGGI Oats Noodles with Millet Magic
6	Nestle Lassi	-	Maggi Cup-a-licious Soups: six variants	Milo Ready- to-Drink beverage	Maggi dip & spread: two variants	Maggi Liquid Seasoning	Maggi Paneer-ae Magic Shahi Paneer	MAGGI Hot n Sweet Sauce – extra hot	Nestle a+ Greek Yoghurt – Mahableshwar Strawberries	MAGGI Korean Noodles -Veg, Chicken barbecue
7	NAN Lo-Lac	-	Nestle a+ Grekyo: four variants	KITKAT Dessert Delight	KITKAT Dessert Delight Brownie Kubes	Maggi Professional Thai Curry Pastes (two variants)	Maggi Kadhai Paneer Masala mix	MAGGI Masala-vin-Magic	Nestle a+ Greek Yoghurt – Alphonso Mangoes	-
8	-	-	Nestle Everyday Masala Fusion Dairy Whitener: six variants	Milkybar (Re-launch)	Nescafé E-Smart Coffee Machine (all-in-one travel mug and coffee machine)	KITKAT Dessert Delight Rich Chocolate Fudge	Koko Krunch cereal	NESCAFÉ ALL in 1 - coffee premix	Nestlé KITKAT Moodbreaks – Mixed Fruit	MAGGI Seasonings - Teekha Masala, Chatpata Masala
9	-	-	Nescafe RTD: three variants	Milkybar Moosha	Maggi Nutri-licious Baked Noodles	Munch Crisp-Pop	Lactogrow Toddler	NESCAFÉ Black Roast	Nestlé KITKAT Moodbreaks – Mango	MAGGI Pasta Masala
10	-	-	Ceregrow	-	Nestle Les Recettes De l'Atelier	Milkybar Moosha Cocoa Crispies	Nestlé POLO Extra Strong	NESCAFÉ SUNRISE Liquid Decoction	MUNCH Max	-

11	-	-	Nestle a+ Pro-grow	-	Nestle Everyday Chai life: three variants	Milo	Nestlé POLO Paan	Nestlé Munch Fruit O Nuts	Nescafe SUNRISE STRONG (with superior strength and aroma)	KOKO KRUNCH- with jowar
12	-	-	Renovation of Cerelac with Iron	-	Nangrow	Nestlé a+ Banglar Mishti Doi	Optifast vanilla flavor	KITKAT Kookie & Crème - limited edition	Felix Wet Cat Food	MUNCH Breakfast Cereals
13	-	-	Nescafe Sunrise Insta- filter	-	Nan Pro with DHA (Re-launch)	Cerelac Organic Cereals*	-	NESCAFÉ Roasted Whole Beans	-	Purina Felix wet
14	-	-	Nestea Iced Tea: three variants	-	Nan Excellapro (re-launch)	Ceregrow Organic Cereals*	-	NESCAFÉ Sunrise Strong	-	KITKAT- Butterscotch, Dark Chocolate, Rich Chocolate, Chunky Caramel
15	-	-	Nescafe Latte	-	-	Cerelac Ragi	-	Seasonings from MAGGI	-	-
16	-	-	KITKAT Duo	-	Optifast	-	-	NESTEA - Instant Green Tea Powder	-	-
17	-	-	Nestle Munch Trio	-	-	Maggi Upma	-	POLO - launched in ME	-	-
18	-	-	Bar One Charge	-	-	Maggi Poha	-	Crunch wafers - launched in ASEAN markets	-	MUNCH- Max Brownie & Fruity
19	-	-	New Alpino	-	-	Nescafe Cappuccino (renovation)	-	-	-	-
20	-	-	-	-	-	Nestea Ready- to- Drink Iced Tea (two variants)	-	-	-	Milkybar- Caramel
21	-	-	--	-	-	-	-	-	-	POLO- Watermelon
22	-	-	-	-	-	-	-	-	-	NESCAFÉ ALL IN 1 FRAPPE

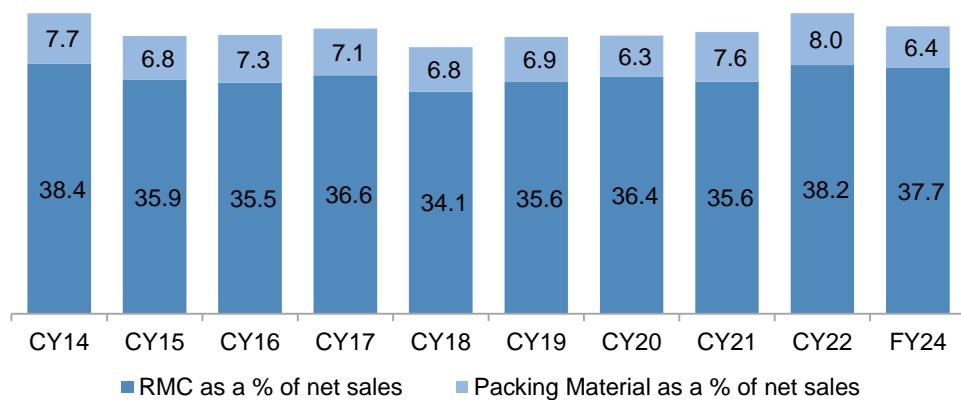
*The company has not shared the number of variants for Cerelac and Ceregrow Organic Cereals

Source: Company, Nirmal Bang Institutional Equities Research

Margin performance

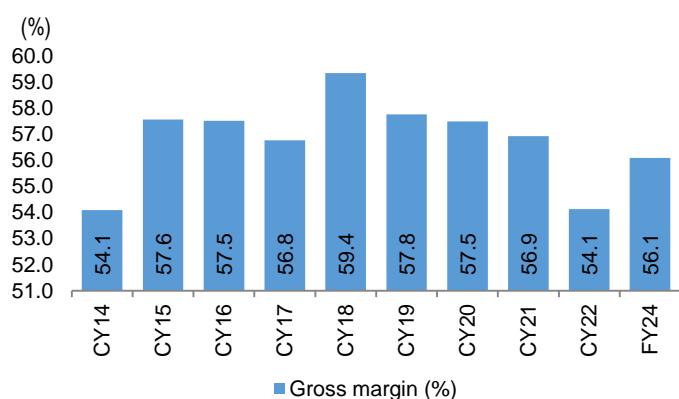
- Net sales increased by 15.5% (adjusted) in FY24. RM costs, which affected gross margin in CY22 (down ~280bps at 54.1%), saw some downward movement, which aided gross margin expansion of ~200bps in FY24 to 56.1%
- Consumption of RMs as a proportion of net sales declined by 50bps YoY to 37.7%. Packing Material (6.4% of sales in FY24) contributed ~160bps to the improvement in gross margin

Exhibit 16: Some relief seen in both RM costs as well as packing material cost which led to increase in gross margin



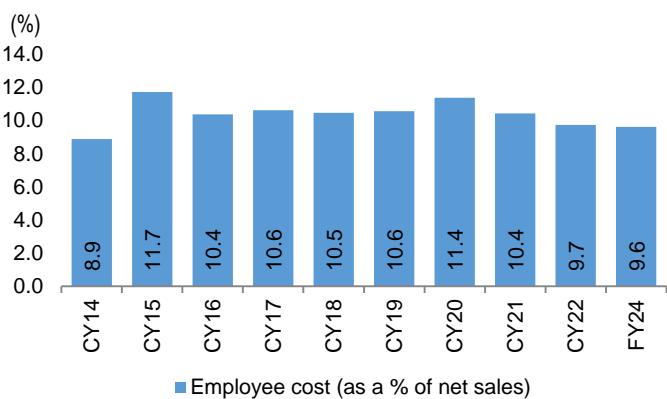
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Gross margin was up by ~200bps in FY24



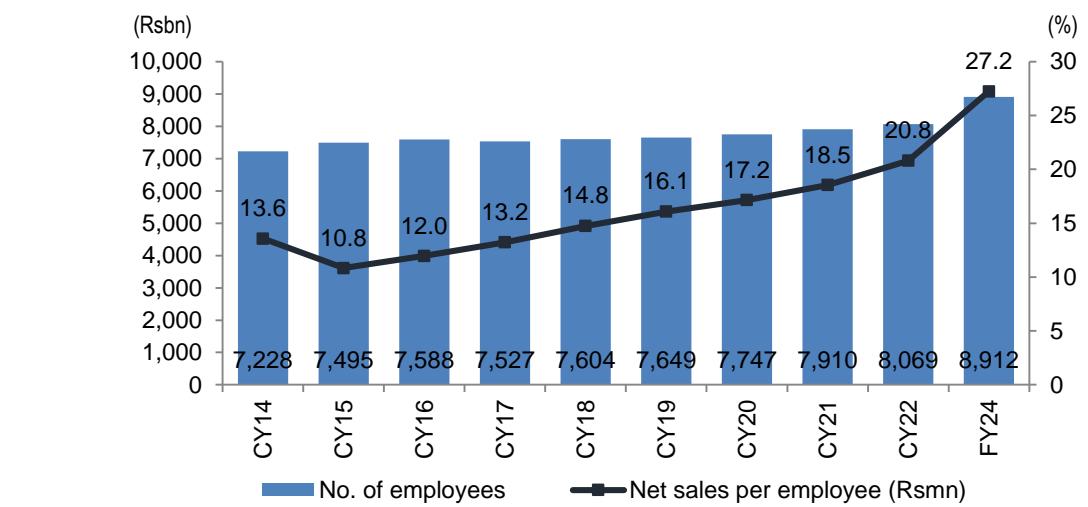
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Employee costs (including training expenses) declined by 10bps to 9.6% in FY24



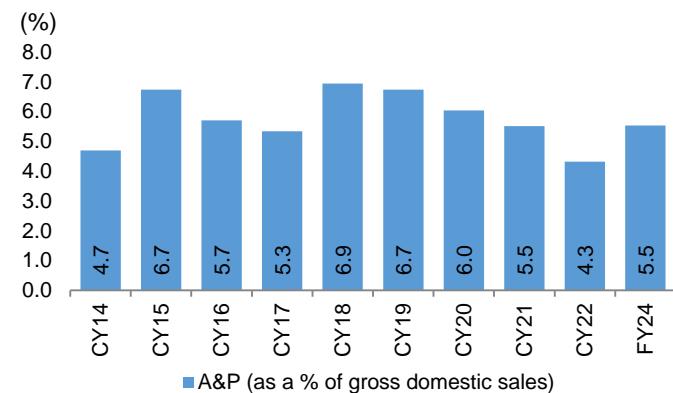
Source: Company, Nirmal Bang Institutional Equities Research

- NEST has stopped sharing breakdown of key RM costs from CY17.
- Absolute employee costs increased by 14.3% (adjusted) while as a % sales it declined by ~10bps to 9.6% in FY24.

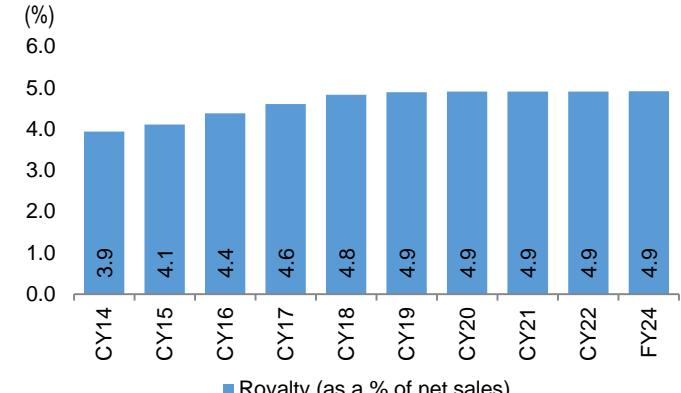
Exhibit 19: Sales per employee at highest levels


Source: Company, Nirmal Bang Institutional Equities Research

- Advertising & sales promotion (A&P) costs increased by 120bps YoY to 5.5% of sales, reaching back to CY21 levels as the company ploughed back the savings in gross margin to invest in the brand. NEST does not share A&P costs in its quarterly results and this data is only available in its annual report.
- While we expect moderation in ad-spends going ahead, any further decrease in key commodity costs can curtail further investment in brands.

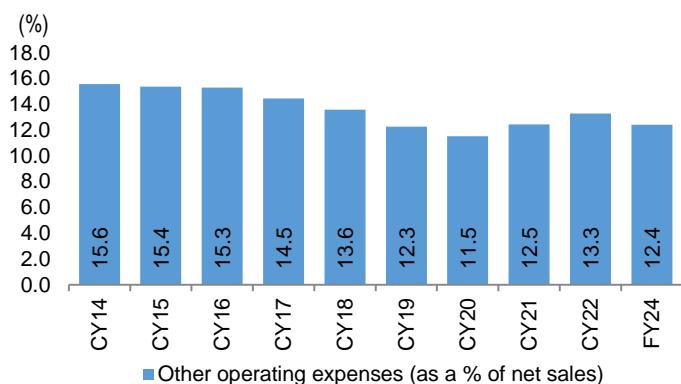
Exhibit 20: Ad-spends increased by ~120bps in FY24


Source: Company, Nirmal Bang Institutional Equities Research

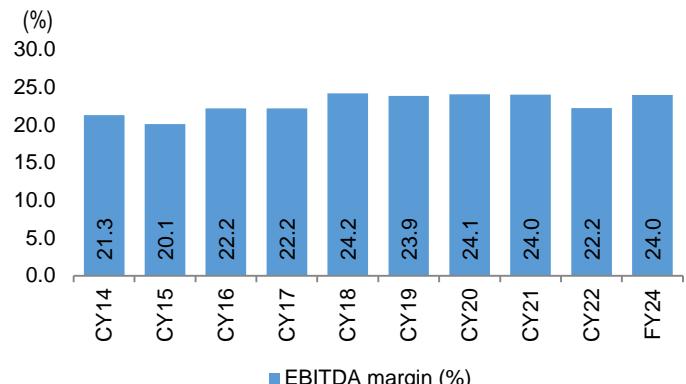
Exhibit 21: Royalty rate remained flat at 4.9%


Source: Company, Nirmal Bang Institutional Equities Research

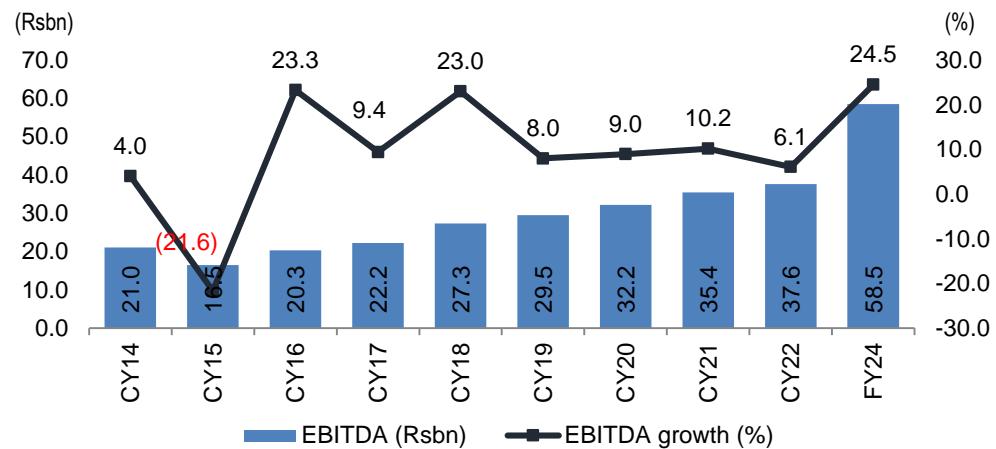
- As a percentage of net sales, royalty expenses or general license fees (including withholding tax on general license fees) remained flat at 4.9% in FY24.
- NEST India's plan to raise royalty from 4.5% to 5.25% of sales (wef 1st July'24) over a period of five years was rejected by shareholders. Hence, continuation of payment of royalty at the rate of 4.5%, net of taxes, of the net sales shall prevail. The BOD also propose to seek approval of the members on the above royalty related matter every five years in compliance with the applicable laws and regulations.
- EBITDA margin increased by ~180bps to 24% in FY24, majorly led by contraction in gross margin by 200bps. Savings in other operating expenses and employee cost of ~90bps and ~10bps, respectively also aided overall EBITDA margin expansion, which was partially offset by higher ad-spends of ~120bps

Exhibit 22: Other operating expenses declined by 90bps


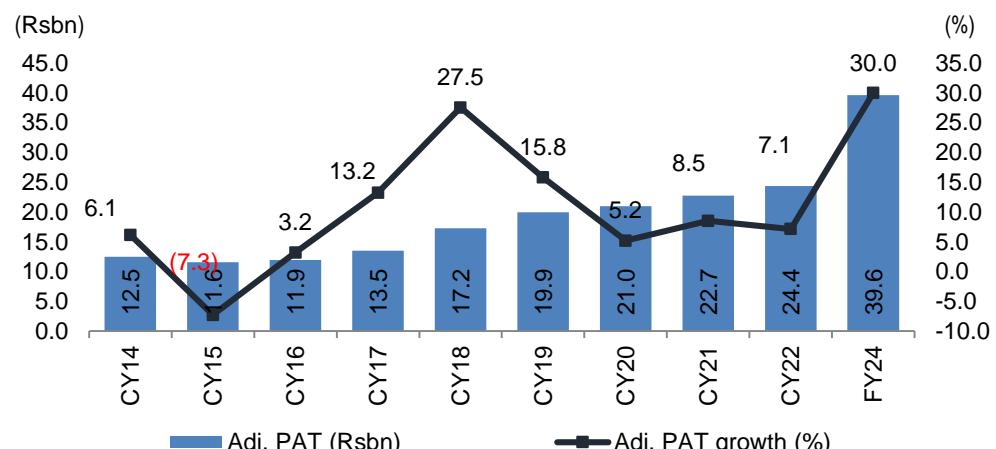
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 23: EBITDA margin expanded by ~180bps to 24.0%


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 24: EBITDA grew by 24.5% (adjusted) in FY24


Source: Company, Nirmal Bang Institutional Equities Research

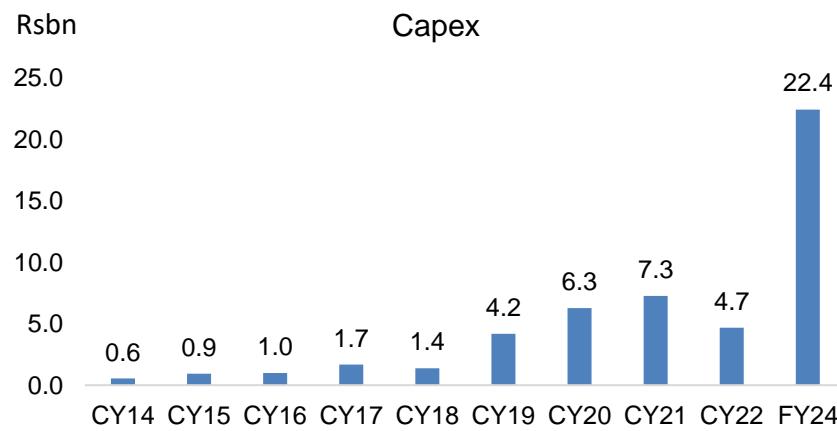
Exhibit 25: Adjusted PAT grew by 30% (adjusted) in FY24


Source: Company, Nirmal Bang Institutional Equities Research

Other key parameters

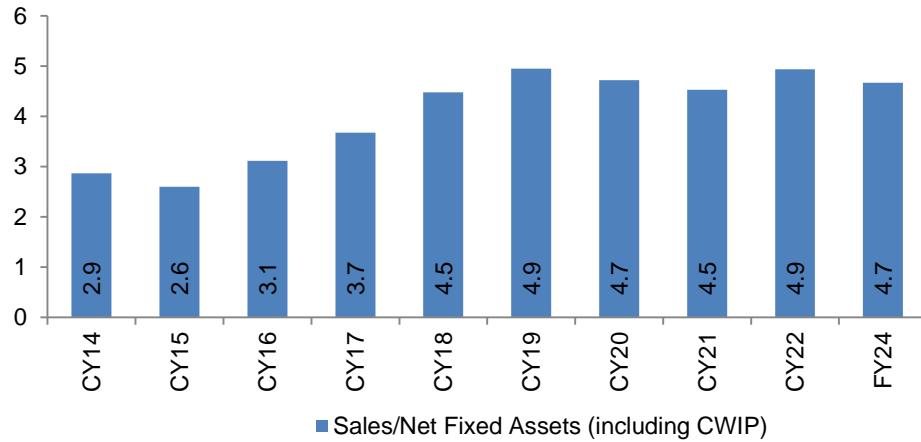
- Capex stood at ~Rs22.4bn in FY24, with capex-to-sales ratio up 640bps at 9.2%. Depreciation stood at Rs5.4bn.
- Consistent with growth in the business and operations, NEST plans to deploy a capex of Rs75bn during 2020-2025 to develop new capabilities and expand existing ones with a sharp focus on sustained growth and innovation.
- The company is also setting up its 10th greenfield manufacturing facility at Odisha at an initial outlay of ~Rs9bn - to be invested over the next 2-3 years.

Exhibit 26: Capex stood at Rs22.4bn in FY24



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 27: Asset turnover remained in the 4.5-5x range



Source: Company, Nirmal Bang Institutional Equities Research

- Cash conversion cycle increased to 3 days in FY24 from 2 days in CY22. Debtor days remained at its historical average of 3-4 days while creditor days decreased by 9 days to 39 days. Decrease in creditor days was offset by an increase in inventory days at 30 days in FY24 (38 days in CY22).

Exhibit 28: Cash conversion cycle remains healthy in FY24; decrease in creditor days offset by increase in inventory days

Cash conversion cycle (avg basis)	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	FY24
Inventory days	29	37	35	34	30	33	37	37	38	30
Debtor days	3	4	4	3	3	4	4	4	4	4
Creditor days	25	33	31	33	36	40	41	40	40	31
Cash conversion cycle	7	8	8	4	-2	-4	0	1	2	3

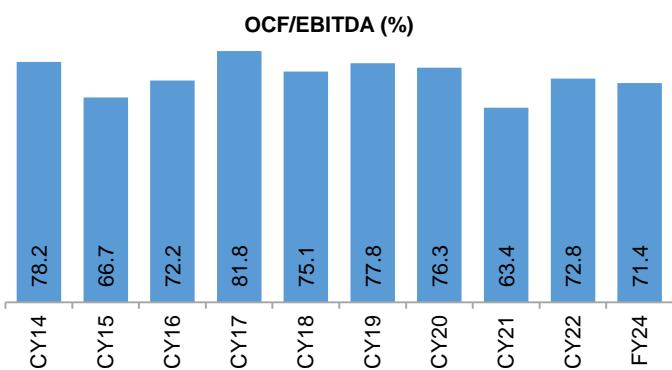
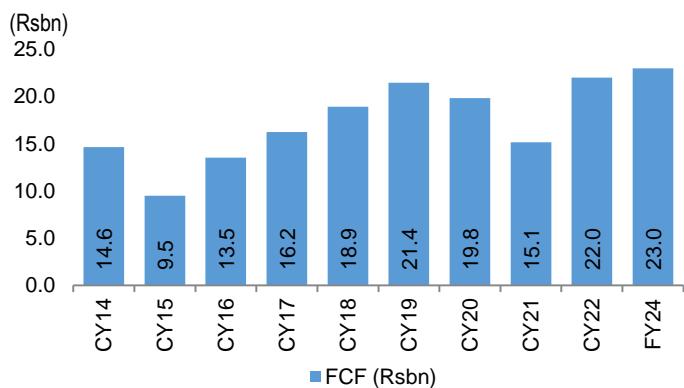
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 29: Breakdown of inventory days

Cash conversion cycle (avg basis)	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	FY24
Inventory days	29	37	35	34	30	33	37	37	38	30
Raw materials	10	12	13	12	10	12	14	14	13	10
Packing materials	1	1	1	1	1	1	2	2	2	1
Work-in-progress	3	4	3	4	4	3	4	5	4	4
Finished goods & Stock-in-trade	14	18	16	15	14	14	15	15	16	12
Stores and spares	2	2	2	2	2	2	2	2	2	2

Source: Company, Nirmal Bang Institutional Equities Research

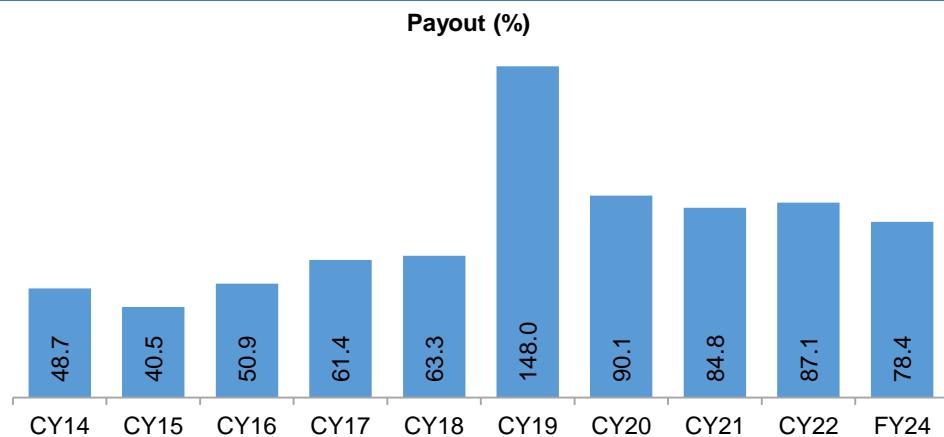
- Operating cash flow/free cash flow increased by 52.5%/4.5% to Rs41.7bn/Rs23bn in FY24 (15-month period). Increase in operating cash flow was a result of strong operating performance. FCF growth lagged that of OCF because of increase in capex in FY24
- Operating cash flow has clocked a CAGR of ~14% over CY17-FY24, led by improvement in profitability and lower working capital requirement

Exhibit 30: OCF/EBITDA(%) remained strong at ~71.4%

Exhibit 31: FCF remained strong despite increase in capex in FY24


Source: Company, Nirmal Bang Institutional Equities Research

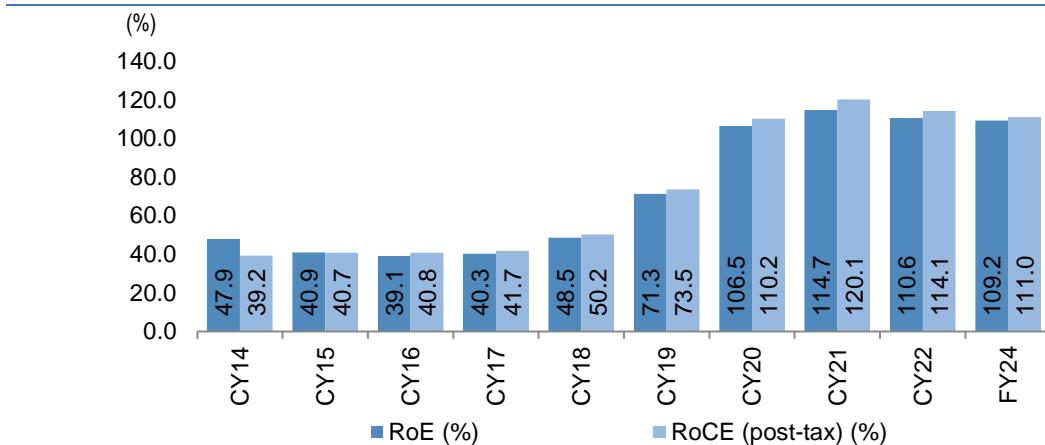
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 32: Payout ratio moderated as the company increased its focus on capex but remains high (unusually high in CY19 due to special dividend)



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 33: RoE and RoCE continue to remain at healthy levels



Source: Company, Nirmal Bang Institutional Equities Research

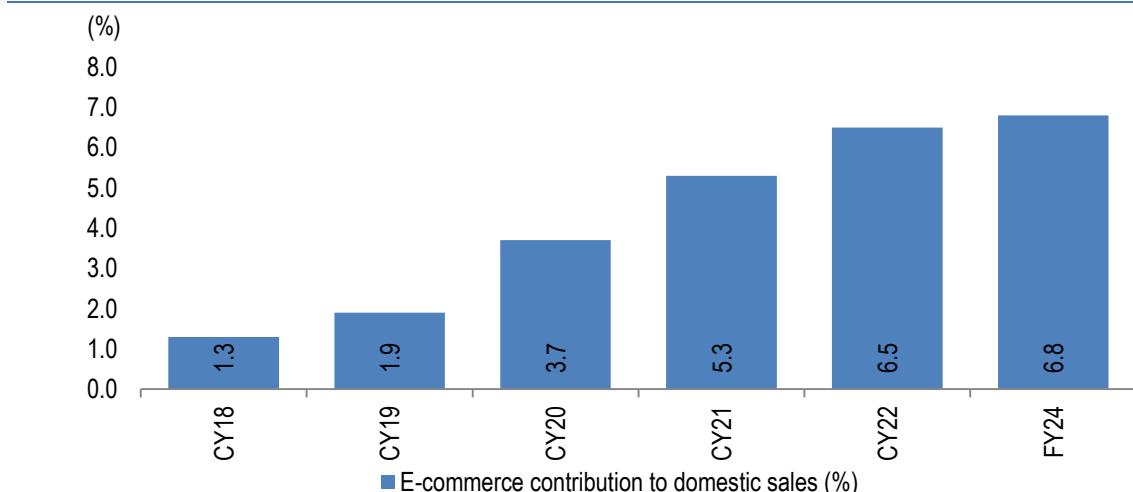
Contingency Provision

- NEST created a contingency provision of Rs1,010mn in FY24 (Rs1,309mn in CY22), for various contingencies resulting mainly from matters which are under litigation / related disputes and other uncertainties requiring management judgement.
- The company has also reversed, utilized/settled contingency provision of Rs2,026mn in FY24 (Rs157mn in CY22).
- Net provisions for contingencies reversed in FY24 and stood at Rs1,016mn v/s creation of Rs1,152mn in CY22.

Distribution expansion strategies

- NEST remained steadfast on its RURBAN journey by creating infrastructure, portfolio, feet on the ground and opportunities for penetrating new geographies.
- Through Project RURBAN, the company registered a notable upswing in sales and expanded direct coverage footprint. Implementing strategies to ensure prominent product placement and high-attention activities (HAAT) within stores and driving sales enabled NEST to achieve the milestone of reaching 2 lakh villages.
- NEST's distribution network covers 5.2mn outlets in total.
- The 'Retailer Self-Ordering Application' – NesMitra – emerged as a game-changer in RUrban markets. This mobile application enables retailers to conveniently place orders, boosting engagement and overcoming challenges associated with difficult-to-access rural locations. NesMitra has a rapidly growing user base, of over 10,000 active users. It serves as a valuable complementary route-to-market solution, streamlining processes. NesMitra's success has been recognized within the Nestlé global network as a model for driving operational efficiency and speed.
- NEST's direct-to consumer (D2C) e-commerce platform – www.mynestle.in is operational in Delhi-NCR and Bangalore. Launched with the aim of providing customers with curated product bundles and a range of services, including gourmet recipes, personalised gifting and subscriptions, the platform also offers free nutrition counseling.

Exhibit 34: Growing contribution of e-commerce in domestic sales



Source: Company, Nirmal Bang Institutional Equities Research

E-commerce

- E-commerce sustained its upward trajectory, contributing 6.8% to sales in the 15 months long financial year ended 31st March'24.
- E-commerce business continued to accelerate with significant growth in quick commerce along with click & mortar, driven by brands such as KITKAT, MAGGI Noodles and others.

Supply chain activities

- NEST has built strong relationships with a network of partners spanning 280,000 farmers, 4,600 suppliers, 10,000 distributors & re-distributors and 5.2mn retail outlets. This network, along with 9 factories, 22 co-manufacturers and co-packers, produces high-quality products while delivering exceptional value to consumers.
- Three fundamental pillars govern the company's supply chain management: a forward looking workforce, digital maturity and strong partnerships across the value chain.
- NEST lays great importance on product quality and thereby adheres to the Nestlé Responsible Sourcing Standard (NRSS) in its supplier selection process, sourcing ~90% of raw materials locally.
- Supply Chain Management (SCM) systems provide real-time inventory tracking, ensuring distributors always have the products that they require. Over half of the customer orders are processed digitally and this has streamlined the entire ordering process. Secure distributor portals offer 24/7 access to resources and empower them to manage their businesses efficiently. Mobile applications further streamline communication, allowing everyone to stay connected on the go.
- NEST is continually modernizing distribution centers to ensure faster servicing of customers.

Technology, Analytics and Digitalization

- 'NesMitra', the customer self-servicing application, is an AI-powered eB2B platform for RURBAN markets that is more effective in driving sales than standalone applications.
- In an effort to digitalize the entire value chain, NEST's Sanand factory operates as a completely digitized and paperless facility.
- The company leveraged GenAI to launch Nestlé's version of ChatGPT – NesGPT, powered by the same technology that provides a secure, private and compliant environment for all Nestlé employees to use.

ESG

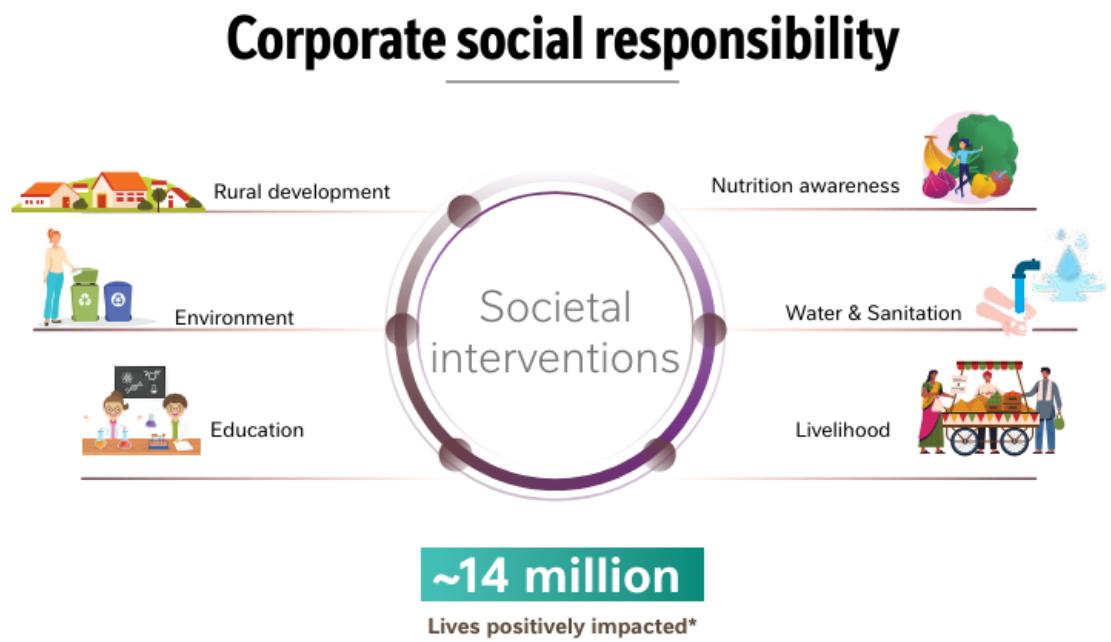
- While expanding the reach of its toddler range of products, 'GERBER', NEST took a step towards a more sustainable future and installed GERBER benches made from recycled plastic waste in parks.
- The company worked on renewing the recipe for MAGGI Tomato Ketchup and it now has 22% less sugar.
- In a first-of-its-kind move for the brand, MAGGI introduced compostable forks in its cuppa noodles. This initiative reduces plastic waste generated by single-use utensils, demonstrating MAGGI's commitment to sustainable packaging solutions.
- NEST continued to demonstrate its commitment to sustainability. Two years ago, the entire Confectionery portfolio transitioned into recyclable packaging (design for recycling - D4R) and remains dedicated to using recyclable packaging.
- In another initiative, KITKAT benches from recycled plastic were placed in colleges across the country.

Sustainability

- NEST not only engages with over 80k dairy farmers and over 5k coffee farmers, but it also encourages sustainable agricultural practices among them, thereby improving their livelihood.
- Through the MAGGI Spice Plan, NEST locally sources 10 key spices from suppliers across nine states. The MAGGI Spice Plan has trained over 1.5k spice farmers as part of the project.
- The company joined forces with 14 other companies as part of the 'Zero Emission Emerging Markets' initiative, a collaborative effort to accelerate the electrification of trucks in the country. By integrating more CNG/LNG and electric vehicles into the fleet, NEST has reduced its reliance on traditional fuels.
- Over 2008-2024 (15 years), for every ton of production, NEST reduced:
 - Energy usage by ~29%
 - Water usage by ~46%
 - Wastewater generation by ~60%
 - Specific direct Green House Gas emissions by ~61%
- Around transportation and logistics, NEST has:
 - Converted 100% fleet from diesel to CNG to deliver to Delhi & Haryana customers and has also introduced EVs to strengthen sustainable logistics
 - It has expanded renewable energy projects across all factories, resulting in a ~56% reduction in emissions over the past six years (vs 2018 baseline)

Corporate social responsibility

- NEST has positively impacted ~14mn direct and indirect beneficiaries as of 15 months ended 31st March'24 through societal interventions across Rural development, Environment, Education, Nutrition awareness, Water & Sanitation and Livelihood.
- Project Jagriti, launched in 2014, a part of NEST India's commitment to provide education programmes for good nutrition and feeding practices, has reached over 12.7mn beneficiaries during the period under review.
- Launched as a pilot programme in 2009, Nestlé Healthy Kids Programme has grown significantly, reaching over 0.6mn adolescents and 56k parents in 26 states and union territories.
- Project Serve Safe Food trains street food vendors on food safety, hygiene and food handling techniques.
- Project Hildaari has diverted ~15,700 MT of waste from landfill through source segregation in seven cities.
- During the period under review, NEST has equipped over 1k schools with modern, easily maintained sanitation facilities.

Exhibit 35: Significant positive impact of CSR Initiatives


Source: Company, Nirmal Bang Institutional Equities Research

Other points

- R&D spends stood at Rs402mn/Rs76mn (recurring/capital R&D) in FY24. Total R&D spends stood at Rs478mn during the year and constituted 0.21% of net sales.

Exhibit 36: R&D expenditure as a percentage of net sales stood at 0.2%

R&D Expenditure (Rsmn)	CY17	CY18	CY19	CY20	CY21	CY22	FY24
Capital	45	39	32	26	109	49	76
Recurring	220	214	201	233	266	298	402
Total	265	254	233	259	374	346	478
R&D Expenditure as a % of net sales	0.27	0.23	0.19	0.19	0.26	0.21	0.20

Source: Company, Nirmal Bang Institutional Equities Research

- In FY24, total remuneration of Managing Director, Mr. Suresh Narayanan was Rs294mn, up 33% (adjusted)

Exhibit 37: MD's remuneration increased ~33% (adjusted) in FY24; increase in median remuneration stood at 9.6% (adjusted)

Name of Employee	Designation	Total remuneration (Rsmn)							% increase in remuneration
		CY17	CY18	CY19	CY20	CY21	CY22	FY24	
Mr. Suresh Narayanan	Chairman and Managing Director	100	111	162	172	188	177	294	33%
Ms. Svetlana Boldina	Executive Director - Finance & Control and CFO	-	-	-	-	-	-	96	-
Mr. David Steven McDaniel	Executive Director - Finance & Control and CFO	39	42	47	49	81	80	44	-

Source: Company, Nirmal Bang Institutional Equities Research

Note – (i) MD's Remuneration in FY24 is for a period of 15 months

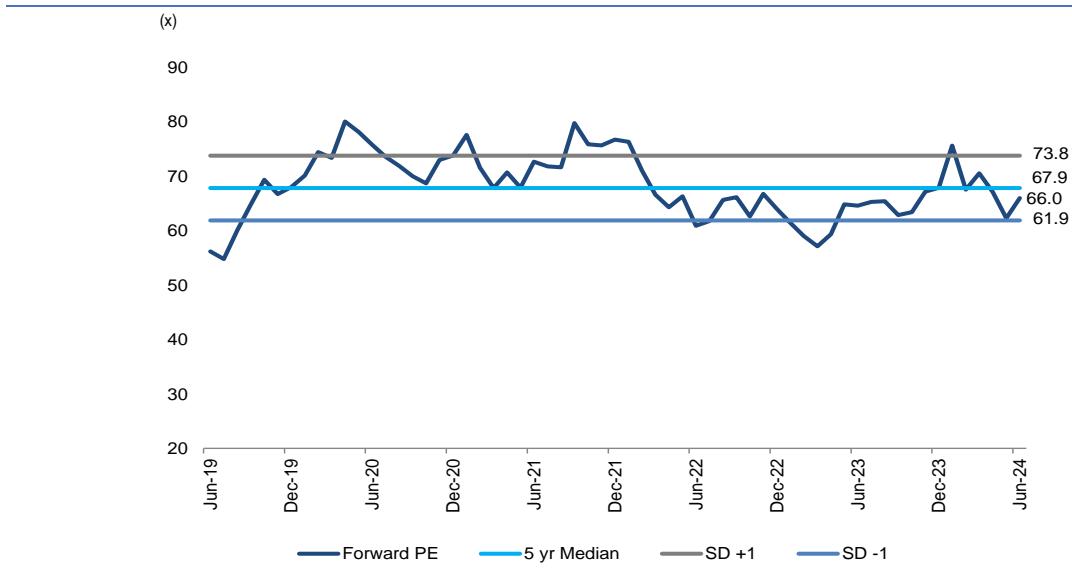
(ii) *Mr. David Steven McDaniel, Executive Director - Finance & Control and Chief Financial Officer relinquished office of Whole-time Director with effect from close of business hours on 28th February 2023

Ms. Svetlana Boldina (DIN: 10044338) was appointed as Whole-time Director designated as "Executive Director - Finance & Control and Chief Financial Officer" for a term of five consecutive years with effect from 1st March 2023.

Exhibit 38: Net foreign outgo increased significantly in FY24

Rsmn	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	FY24
Total foreign expenses	9,040	7,713	9,068	14,291	17,171	29,430	27,915	24,600	27,601	46,924
Total foreign income	4,898	4,828	4,773	4,740	5,079	4,226	4,190	3,998	4,371	6,217
Net foreign expense/ (income)	4,141	2,885	4,295	9,551	12,093	25,204	23,725	20,603	23,230	40,707
Net foreign expense/ (income) to sales	4.2%	3.6%	4.7%	9.6%	10.8%	20.5%	17.9%	14.0%	13.8%	16.8%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 39: One-year forward P/E(x)


Source: Company, Nirmal Bang Institutional Equities Research

Financials (Standalone)

Exhibit 40: Income statement

Y/E March (Rsmn)	CY21	CY22	FY24*	FY25E	FY26E
Net Sales	1,47,406	1,68,970	2,43,939	2,17,758	2,48,899
% Growth	10.4	14.6	15.5	11.6	14.3
COGS	63,482	77,499	1,07,085	91,487	1,02,484
Staff costs	15,299	16,355	23,361	22,085	25,252
Other expenses	33,199	37,534	55,002	50,263	58,395
Total expenses	1,11,980	1,31,387	1,85,448	1,63,836	1,86,131
EBITDA	35,426	37,582	58,491	53,923	62,768
% growth	10.2	6.1	24.5	15.2	16.4
EBITDA margin (%)	24.0	22.2	24.0	24.8	25.2
Other income	1,202	1,010	1,480	1,628	1,725
Interest costs	2,017	1,546	1,455	1,753	1,831
Depreciation	3,910	4,030	5,378	6,314	7,887
Profit before tax (before exceptional items)	30,700	33,016	53,137	47,483	54,776
Exceptional items	-1,560	-457	-260	0	0
Tax	7,957	8,655	13,549	11,951	13,787
Rate of Tax (%)	25.9	26.2	25.5	25.2	25.2
PAT	21,184	23,905	39,329	35,532	40,989
Adj PAT	22,743	24,362	39,588	35,532	40,989
Adj PAT margin (%)	15.4	14.4	16.2	16.3	16.5
% growth	8.5	7.1	30.0	12.2	15.4

Source: Company, Nirmal Bang Institutional Equities Research

All growth numbers have been adjusted to reflect annualized base.

Exhibit 41: Balance sheet

Y/E March (Rsmn)	CY21	CY22	FY24*	FY25E	FY26E
Share capital	964	964	964	964	964
Reserves	18,500	23,628	32,445	39,050	46,292
Net worth	19,464	24,592	33,409	40,014	47,256
Total debt	341	300	311	311	311
Deferred tax liability	-258	-256	120	120	120
Total liabilities	19,546	24,636	33,841	40,446	47,688
Gross block	51,187	54,740	63,337	83,337	1,00,337
Depreciation	21,241	24,303	28,734	35,049	42,936
Net block	29,947	30,437	34,603	48,288	57,401
Capital work-in-progress	2,462	3,584	17,417	17,417	17,417
Investments	7,740	7,775	4,639	5,007	11,234
Inventories	15,927	19,288	20,894	23,379	26,266
Debtors	1,660	1,919	3,005	2,788	3,188
Cash	7,354	9,456	7,789	5,702	6,730
Loans, advances & other assets	17,004	17,073	16,886	14,719	12,881
Total current assets	41,944	47,735	48,572	46,588	49,064
Creditors	17,482	19,338	22,379	25,817	29,201
Other current liabilities & provisions	45,065	45,557	49,011	51,037	58,228
Total current liabilities	62,547	64,895	71,390	76,854	87,429
Net current assets	-20,603	-17,160	-22,818	-30,266	-38,365
Total assets	19,546	24,636	33,841	40,446	47,688

Source: Company, Nirmal Bang Institutional Equities Research

Note: FY24*: The BOD has approved change in the Financial Year of the Company and extended the current Financial Year upto 31st March 2024 covering a period of 15 months (comprising five quarters).

Exhibit 42: Cash flow

Y/E March (Rsmn)	CY21	CY22	FY24*	FY25E	FY26E
PAT		21,287	24,148	39,901	35,657
Depreciation		3,910	4,030	5,378	6,314
Other income		-1,215	-683	-1,302	-1,628
Interest paid		-3	181	260	1,753
(Inc./dec. in working capital)		-1,523	-302	-2,489	5,362
Cash flow from operations	22,456	27,374	41,748	47,458	58,213
Capital expenditure (-)		-7,308	-5,407	-18,783	-20,000
Net cash after capex	15,148	21,967	22,965	27,458	41,213
Inc./dec. in investments & others		-5,307	1,362	6,717	1,135
Cash flow from investments	-12,615	-4,045	-12,066	-18,866	-21,608
Dividends paid (-)		-19,283	-20,247	-30,082	-28,926
Others		-903	-980	-1,267	-1,753
Cash from financial activities	-20,186	-21,227	-31,349	-30,679	-35,578
Opening cash balance		17,699	7,354	9,456	7,789
Closing cash balance		7,354	9,456	7,789	5,702
Change in cash balance		-10,345	2,102	-1,667	-2,086
					1,027

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 43: Key ratios

Y/E March	CY21	CY22	FY24*	FY25E	FY26E
Per share (Rs)					
Adj.EPS	24	25	33	37	43
Book value	20	26	35	42	49
DPS	20	22	32	30	35
Valuation (x)					
Adj.EV/sales	15.5	13.4	11.9	10.7	9.1
Adj.EV/EBITDA	64.6	60.3	49.5	43.2	36.0
Adj.P/E	107.1	100.0	76.9	68.5	59.4
P/BV	125.1	99.0	72.9	60.9	51.5
Return ratios (%)					
Adj.RoCE	120.1	114.1	111.0	99.5	96.4
Adj.RoE	114.7	110.6	109.2	96.8	93.9
Profitability ratios (%)					
Gross margin	56.9	54.1	56.1	58.0	58.8
EBITDA margin	24.0	22.2	24.0	24.8	25.2
EBIT margin	21.4	19.9	21.8	21.9	22.0
PAT margin	15.4	14.4	16.2	16.3	16.5
Liquidity ratios (%)					
Current ratio	0.7	0.7	0.7	0.6	0.6
Quick ratio	0.4	0.4	0.4	0.3	0.3
Solvency ratio (%)					
Debt to Equity ratio	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity ratio	-0.4	-0.5	-0.2	-0.1	-0.1
Turnover ratios					
Adj.Total asset turnover ratio (x)	7.4	7.6	6.7	5.9	5.6
Adj.Fixed asset turnover ratio (x)	4.9	5.6	5.6	4.5	4.3
Inventory days	37	38	30	37	36
Debtors days	4	4	4	5	4
Creditor days	40	40	31	40	40

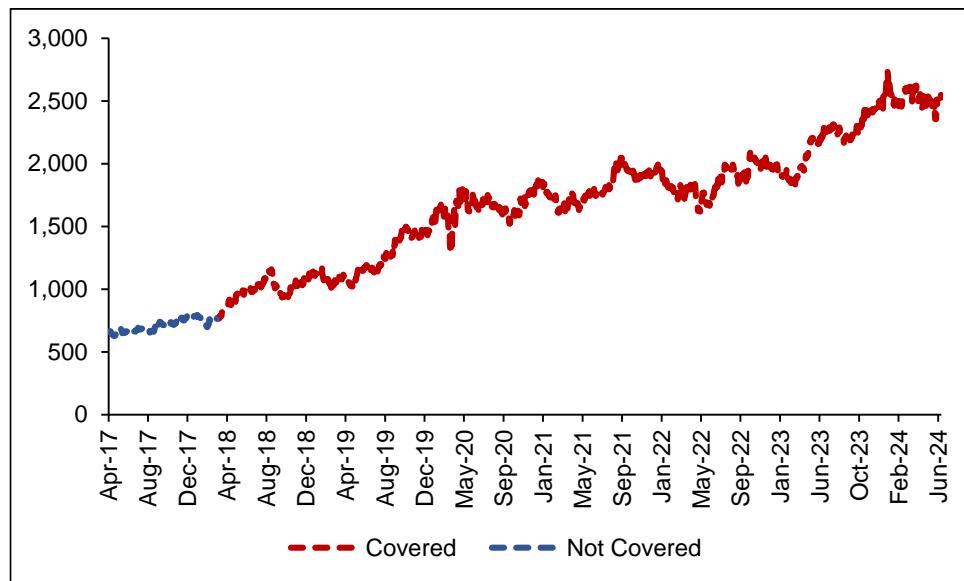
Source: Company, Nirmal Bang Institutional Equities Research

*FY24 ratios have been annualised wherever required

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
13 March 2018	Buy	7,619	9,400
11 May 2018	Buy	8,981	10,700
6 August 2018	Buy	10,325	11,900
29 October 2018	Buy	9,569	11,200
19 February 2019	Buy	10,350	12,500
9 April 2019	Buy	10,878	12,500
15 May 2019	Buy	10,470	12,100
5 August 2019	Accumulate	11,411	12,350
23 September 2019	Accumulate	13,502	14,650
9 October 2019	Accumulate	13,600	14,520
11 November 2019	Accumulate	14,471	14,600
14 February 2020	Accumulate	16,418	15,985
30 March 2020	Accumulate	15,036	16,365
13 May 2020	Accumulate	17,455	16,855
29 July 2020	Accumulate	17,099	17,205
22 September 2020	Accumulate	15,199	17,065
24 October 2020	Accumulate	15,865	16,900
8 January 2021	Accumulate	18,137	18,305
16 February 2021	Accumulate	17,217	17,530
27 February 2021	Accumulate	16,102	17,530
9 April 2021	Accumulate	17,690	17,530
20 April 2021	Accumulate	17,096	17,550
28 July 2021	Accumulate	18,023	17,550
23 September 2021	Accumulate	19,925	19,370
20 October 2021	Accumulate	19,368	19,155
31 October 2021	Accumulate	18,965	19,155
17 February 2022	Accumulate	18,126	19,615
21 February 2022	Accumulate	18,615	19,890
21 March 2022	Accumulate	18,284	19,725
21 April 2022	Accumulate	18,203	19,370
29 July 2022	Accumulate	19,112	19,605
14 September 2022	Accumulate	19,109	21,045
19 October 2022	Accumulate	19,739	21,160
17 February 2023	Accumulate	19,629	21,160
22 March 2023	Accumulate	18,858	21,555
25 April 2023	Accumulate	20,665	21,415
28 July 2023	Accumulate	22,325	22,785
19 October 2023	Accumulate	24,132	23,700
7 February 2024	Accumulate	#2,500	2,380
25 April 2024	Accumulate	#2,563	2,550
20 June 2024	Accumulate	#2,526	2,550

#Price Post-Split

Rating track graph

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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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