INVasset Corporate Insights



Nestlé

16th May, 2024

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Comprehensive Overview of Nestlé India Limited's Operations and Strategic Initiatives

Corporate Structure and Business Operations: Nestlé India Limited, a notable subsidiary of the Swiss multinational Nestlé S.A., holds a 62% stake and specializes in the food industry. The company's diverse product lineup includes Milk Products and Nutrition, Prepared Dishes and Cooking Aids, Powdered and Liquid Beverages, and Confectionery, featuring prominent brands like NESCAFÉ, MAGGI, and KIT KAT.

Market Dominance in India: As a leading Fast-Moving Consumer Goods (FMCG) player in India, Nestlé India ranks among the top two in various product categories such as milk products, beverages, and chocolates. The company boasts a vast distribution network with over 10,000 distributors and 5.2 million retail outlets across the country.

Revenue Composition: In the first nine months of 2023, the revenue distribution of Nestlé India was segmented into 40% from Milk Products and Nutrition, 32% from Prepared Dishes and Cooking Aids, 17% from Confectionery, and 11% from Beverages. This breakdown highlights the company's strong performance across multiple food segments.

Geographic Sales Distribution: Nestlé India's market is predominantly domestic, with 96% of its sales generated within India and only 4% from exports. This significant domestic focus underscores the company's robust foothold in the Indian market and its strategic emphasis on catering to the local consumer base.

Manufacturing and Expansion: The company operates nine manufacturing facilities across India and is expanding its operations with the construction of a 10th facility in Odisha. Between 2020 and 2023, Nestlé India invested approximately Rs. 2600 Cr, with plans to spend an additional Rs. 5000 Cr from 2023 to 2025.

Strategic Divestments: Nestlé India has approved the divestment of its Nestlé Business Services Division to Purina PetCare India Private Limited for approximately Rs. 80 Cr. This division primarily provides captive services such as Order to Cash and Source to Pay, supporting internal operations. This move is part of Nestlé's strategy to streamline its operations and focus more on its core businesses.

Direct Consumer Engagement: In an innovative move, Nestlé India launched its first 'direct to consumer' platform, mynestle.in, which allows consumers to purchase products directly manufactured by the company in India. This initiative marks a significant shift towards enhancing direct customer interactions.

Innovation and New Products: Over the past seven years, Nestlé India has launched 130 new products and continues to innovate with recent introductions like MAGGI Korean noodles and GERBER Puffs. The company has also embraced millet-based products, collaborating with Nutrihub and ICAR-Institute of Millet Research to explore the nutritional benefits of millets in food products.

Stock Data	
CMP (15-05-2024)	2,466
52 Week High/Low	2,771/2,126
Face Value	1.00
Market Cap (In Crs)	2,37,776
Enterprise Value (In Crs)	2,37,341
NSE	NESTLEIND
BSE	500790
Bloomberg	NEST:IN
Sector	FMCG – Food Processing – MNC

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	62.76	62.76
FII	12.10	12.09
DII	9.00	9.16
Public	16.14	15.98

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-0.27	12.89	20.54
NESTLEIND	-3.44	2.04	13.20

Key Ratios	
P/E	74.6
P/S	12.5
P/B	71.1
Debt To Equity	0.10
ROE	122%
ROCE	153%
Dividend Yield	0.66%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	5,268	4,600	4,831	14.52%	9.05%
Expenses	3,919	3,505	3,735	11.81%	4.93%
EBITDA	1,386	1,018	1,129	36.15%	22.76%
Other Income	37	-77	34	-148.05%	8.82%
Net Profit	934	656	737	42.38%	26.73%
EPS	9.69	6.80	7,64	42.50%	26.83%

Result Highlights

Quarterly Performance Analysis of Nestlé India Limited for Q4 Fy24

Sales Performance Review: Nestlé India Limited reported a significant increase in sales for Q4 FY24, totaling ₹5,268 crores. This marks a growth of 14.52% compared to Q3 FY24 and a 9.05% increase compared to Q4 FY23. The consistent upward trend in sales underscores the company's strong market position and effective strategies in response to consumer demand, demonstrating Nestlé India's adaptability in a dynamic market environment. The company's ability to sustain growth amidst competitive market conditions reflects its strong brand presence and strategic marketing efforts.

Expense Management Insights: The company's expenses rose to ₹3,919 crores in Q4 FY24, which is an increase of 11.18% from Q3 FY24 and a modest rise of 4.93% from Q4 FY23. The relatively lower increase in expenses compared to sales growth points to improved operational efficiency and effective cost control measures implemented by the company, enhancing overall financial health. These efforts have helped Nestlé India maintain its profitability while expanding its market reach and product offerings.

EBITDA and Profitability: EBITDA for the quarter stood at ₹1,386 crores, demonstrating robust growth of 36.15% from the previous quarter and 22.76% year-on-year. This significant improvement in EBITDA reflects the company's ability to enhance its operational profitability and maintain a healthy margin, showcasing strong management effectiveness in navigating financial challenges. The increase in EBITDA is a positive indicator of the company's operational efficiency and its ability to generate significant cash flows from its core business operations.

Other Income Dynamics: Other income showed a remarkable recovery, amounting to ₹37 crores in Q4 FY24 from a negative ₹77 crores in Q3 FY24 and an increase from ₹34 crores in Q4 FY23. The drastic turnaround and growth in other income could be attributed to better financial management and positive fluctuations in non-operational revenue streams, contributing positively to the overall financial stature of the company. This recovery helps buffer the financial results against operational variabilities and enhances the company's financial resilience.

Net Profit Trends: Net profit for the quarter was impressive at ₹934 crores, marking a substantial increase of 42.38% over Q3 FY24 and 26.73% over Q4 FY23. This growth in net profit highlights the company's success in leveraging higher sales and operational efficiencies to deliver increased shareholder value, affirming the company's strategic focus on sustainable profitability. The robust growth in net profit also underscores the effectiveness of Nestlé India's business strategies and operational execution.

Earnings Per Share (EPS) Enhancement: The EPS for Q4 FY24 reached 9.69, up significantly from 6.80 in Q3 FY24 and 7.64 in Q4 FY23, reflecting increases of 42.50% and 26.83% respectively. This increase in EPS is indicative of the company's strong performance and its positive impact on shareholder earnings per share, further solidifying investor confidence in Nestlé India's market leadership. The improvement in EPS is particularly noteworthy as it signals the company's enhanced profitability and its commitment to returning value to its shareholders.

Concall Highlights

Expansive Growth Potential in India's Food and Beverage Sector: The Indian Food and Beverage (F&B) market presents a vast opportunity for growth, driven by robust consumer trends and significant digital and infrastructural advancements. With India boasting 1.2 billion mobile users and a per capita data consumption of 24 GB per month, alongside 100% rural electrification and extensive road construction at 29 kilometers per day, the digital and infrastructure readiness supports a burgeoning market. The entrepreneurial spirit is underscored by India having the third highest number of unicorns globally, with significant transactions through digital means like 10 billion monthly UPI transactions. The consumer base is vast, with 470 million Gen Z individuals, further promoting a dynamic market environment. The F&B spending, which is strongly correlated with economic growth, shows India's F&B expenditure per capita significantly below that of countries like China and Thailand, indicating immense potential for market expansion. This is particularly notable in the branded packaged F&B segment, which is expected to grow from US$1,096 million in 2019 to US$2,988 million by 2028, suggesting a shift towards processed foods with a focus on nutrition, health, and wellness. This trajectory is supported by a compound annual growth rate (CAGR) of 12.4%, signifying a promising future for market players in the Indian F&B sector.

Nestlé India: Harnessing Core Strengths to Capitalize on Market Opportunities: Nestlé India is strategically positioned to capitalize on the burgeoning opportunities within the Indian Food and Beverage sector, supported by a robust foundation in several key areas. The company boasts a diverse portfolio of iconic brands that have established a deep connection with customers, ensuring a strong market presence. The commitment of Nestlé India extends beyond mere product offerings to enhancing the quality of life through the nutritional value of its products, embodying the company's purpose of unlocking the power of food. Furthermore, Nestlé's dedicated and talented workforce drives innovation and maintains the brand's competitive edge. In terms of sustainability, Nestlé is dedicated to creating a healthier planet, reflecting a commitment to environmental responsibility.

Global Reach and Innovation: Key Drivers of Nestlé's Success: Nestlé SA stands as the world's largest Fast-Moving Consumer Goods (FMCG) company, with an impressive history of providing safe, quality nutrition for over 150 years. Operating 340 factories across 76 countries, Nestlé has achieved a market capitalization of US$284.7 billion, underlining its massive global presence and financial strength. The company's commitment to innovation is evident from its US$1.8 billion expenditure on Research and Development (R&D), aimed at continually enhancing its product offerings and staying ahead in the competitive market. Nestlé's diversified portfolio includes more than 2,000 brands, ranging from global icons like Nescafé, KitKat, and Maggi to specialized nutrition products like Gerber and Purina, catering to a wide spectrum of consumer needs across North America, Europe, Asia, and Latin America. This strategic diversification and focus on R&D have culminated in a substantial revenue of US$103.6 billion and an operating profit of US$15.7 billion, showcasing the company's robust operational efficacy and leading position in the global market.

Nestlé's Commitment to Innovation Through World-Class R&D: Nestlé's dedication to research and development (R&D) is showcased through its world-class infrastructure and substantial investments in innovation. In 2023, the group allocated a significant US$1.8 billion (INR 152 billion) to R&D, demonstrating a strategic focus on advancing science and technology in nutrition and health. This commitment is further emphasized by the company spending three times more on R&D compared to its peers. Nestlé operates 23 R&D sites globally, employing over 4,100 specialists, and holds more than 12,000 patents, indicating a strong emphasis on innovation and intellectual property.

Decade of Growth: Major Brand Strength Gains Across Nestlé's Portfolio: Over the last decade, Nestlé has witnessed substantial increases in brand strength across its diverse product portfolio. The chart showcases significant growth for some of its key brands from 2012 to 2022. Maggi, a leader in the Prepared Dishes and Cooking Aids segment, saw the most dramatic rise, with its Brand Strength Index surging by 3.1 times, from 165 to 510. In the Powdered and Liquid Beverages category, NESCAFÉ experienced a 1.6-fold increase in its index, escalating from 249 to 342. The Confectionery segment observed KitKat's index modestly rise by 1.1 times.

Nestlé India's Exceptional Shareholder Value Growth Over Two Decades: Nestlé India has demonstrated remarkable growth and value creation for its shareholders over the past decades. From January 2001 to December 2023, the company achieved a Total Shareholders Return of 7,393% and an impressive annualized return of 20.6%. This period saw Nestlé India's growth outperform the BSE Sensex by a factor of 48.5. In a more recent timeframe, from January 2019 to December 2023, the Total Shareholders Return stood at 158%, with an annualized return of 20.9%, still outpacing the BSE Sensex by a ratio of 2.4. The market capitalization grew from INR 53 billion (US$ 1.1 billion) in 2001 to INR 2,564 billion (US$ 30.8 billion) by 2023, underlining Nestlé India's enduring success and strong market presence.

Strategic Positioning for Future Growth: Hindustan Unilever's Long-Term Outlook: Hindustan Unilever Limited (HUL) is strategically positioned to capitalize on India's dynamic growth landscape. As the fastest growing major economy, India presents a fertile ground for the FMCG sector, driven by the rise of affluent households and a rapid digital revolution. Despite the current under-indexed per-capita FMCG consumption, these factors forecast a significant growth opportunity for companies like HUL. The company is well-equipped to leverage this potential due to its broad and resilient product portfolio that spans across various price points, catering to a diverse consumer base.

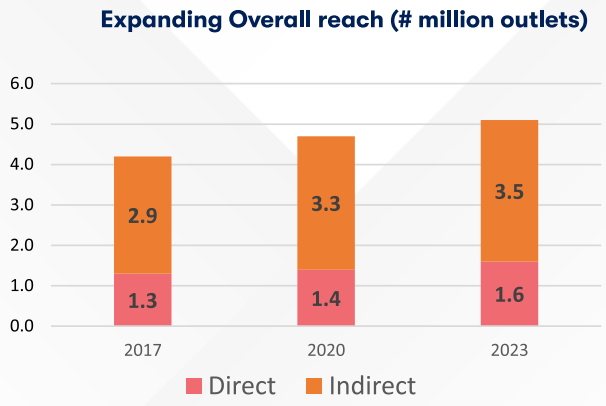
Revolutionizing Business: A Digital Leap in R&D, Marketing, and IT Infrastructure: The infographic details the comprehensive digital, data, and IT strategies employed across various sectors of a corporation to enhance performance and consumer engagement. Significant advancements include the implementation of digital technologies in R&D, manufacturing, and supply chains, along with the expansion in digital consumer data collection, now boasting over 275 million records. Over 1,000 specialists have been hired globally to bolster digital consumer interactions, supported by 37 new content studios. The company has also developed strategic marketing solutions and embraced cloud technologies, indicating a holistic integration of digital tools to optimize operations and market presence.

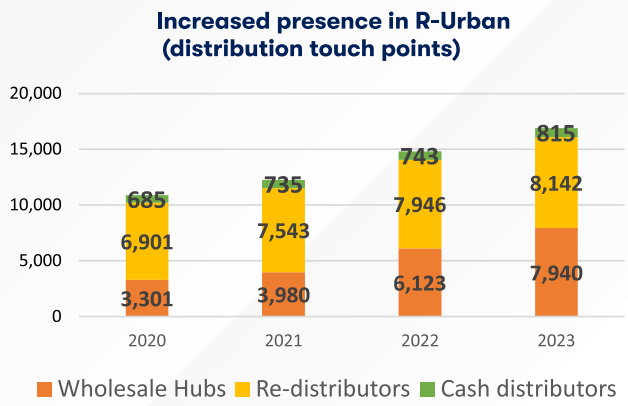
Nestlé India's Nationwide Expansion: A Snapshot of Manufacturing Growth": Nestlé India operates nine state-of-the-art manufacturing facilities across the country, showcasing a significant growth in net book values from INR 22.3 billion in 2018 to INR 40.5 billion in 2023. Key locations include Moga, Pantnagar, and Samalkha, with facilities spread from Gujarat to Tamil Nadu. An upcoming facility in Odisha highlights future advancements with features like zero-touch operations and carbon-neutral commitments.

Nestlé's Digital Transformation: Enhancing Connectivity and Commerce: Nestlé is dramatically expanding its digital and IT capabilities, increasing its e-commerce sales from 1.3% in 2018 to 6.7% in 2023. The company has also developed key digital platforms and leveraged AI and AR technologies to optimize sales, supply chain processes, and employee training, ensuring robust data security across all operations.

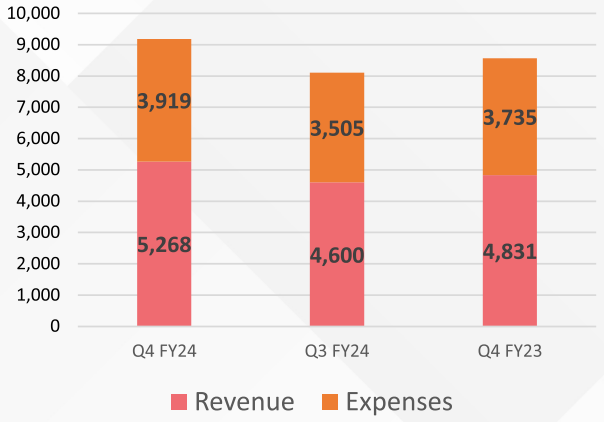
Nestlé India's Brand Portfolio Expansion: A Flourishing Future: Nestlé India boasts a diverse and powerful brand portfolio across various categories, significantly contributing to its revenue in 2023. Milk Products and Nutrition lead with 40.8% revenue share, followed by Prepared Dishes and Cooking Aids at 30.5%, Confectionery at 16.3%, and Powdered and Liquid Beverages at 12.4%. Notably, revenue growth has been robust across these categories, with Compound Annual Growth Rates (CAGR) reflecting strong market performance: 8.4% in Milk Products, 13.3% in Prepared Dishes, 17.2% in Confectionery, and 9.1% in Beverages from 2018 to 2023. This showcases Nestlé's success in leveraging its global brands and introducing premium products.

Awards Galore: Nestlé's Industry-Wide Recognition for Excellence: Nestlé has distinguished itself through a multitude of awards across various domains in 2024, underscoring its commitment to quality and innovation. The company achieved recognition in digital innovation with KITKAT and Maggi earning accolades at the Digies and for brand excellence, respectively. In sustainability, it secured a second place in FICCI's agriculture awards and won for best procurement practices. Operational achievements include awards for supply chain logistics and manufacturing competitiveness, with specific mention of its CFO being named the best in large enterprises. These awards reflect Nestlé's prowess in integrating health consciousness, operational excellence, and sustainability in its business practices.

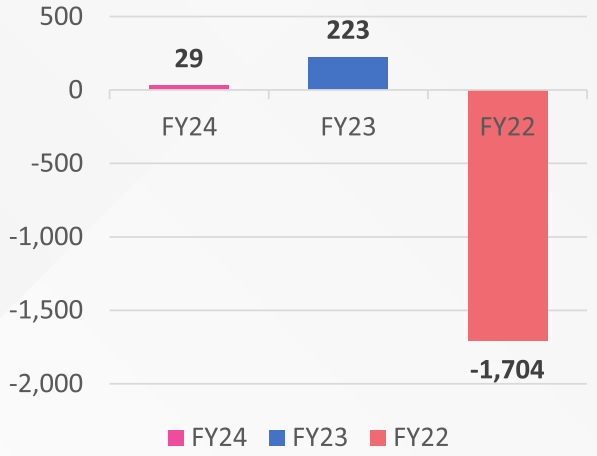




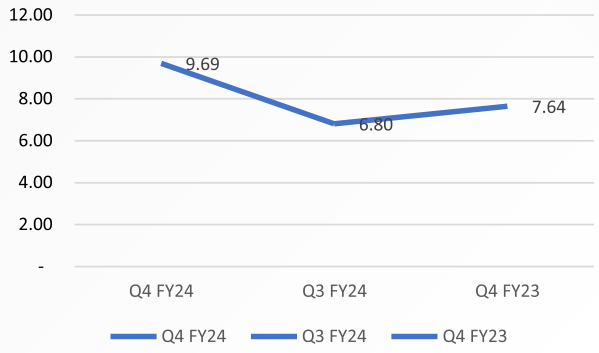
Revenue & Expenses (In Cr)



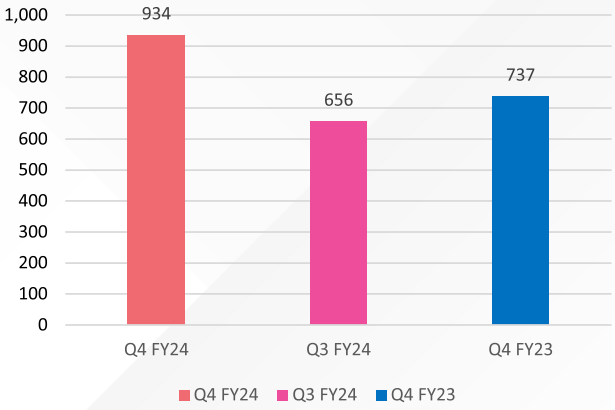
Cashflow (In Cr)



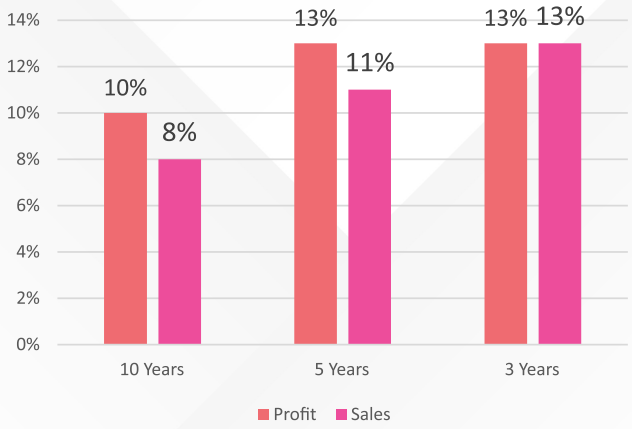
EPS



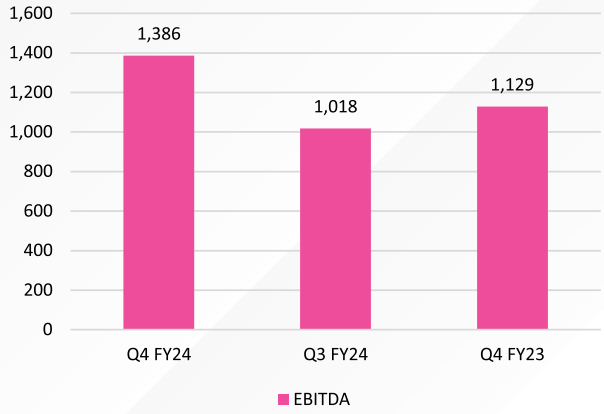
Net Profit (In Cr)



Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The weekly chart of Nestlé India Ltd shows a consistent upward trend within a well-defined ascending channel, spanning several years. The recent price action, particularly since 2019, indicates a consolidation phase with a slight contraction in volatility, as observed in the trading range highlighted within the grey box. This consolidation is characterized by the stock stabilizing around the 2400-2800 range, suggesting a period of accumulation. The current market price at 2465.50 represents a slight drop, marked by a 2.67% decrease. Despite the recent dip, the overall trend remains bullish, supported by the lower boundary of the ascending channel which has consistently provided support.

The moving averages for Nestlé India indicate a stable uptrend over various periods. The Simple Moving Average (SMA) and Exponential Moving Average (EMA) values are closely aligned across all days analyzed. Notably, shorter-term averages (5 and 10 days) are higher than the longer-term (200 days), suggesting recent price strength and potential bullish momentum in the market.

The Relative Strength Index (RSI) values for Nestlé India indicate a neutral momentum in the market. With a daily RSI at 43.58 and a weekly RSI at 48.57, the stock is neither overbought nor oversold. This suggests that Nestlé India is currently stable, with no immediate signs of major bullish or bearish trends.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	2,517.9	2,506.8
10	2,503.1	2,506.7
20	2,502.3	2,510.7
50	2,541.5	2,522.5
100	2,540.2	2,506.4
200	2,430.3	2,428.2

Pivot Levels : FIBONACCI		
R1 2,510.2	Pivot 2,496.10	S1 2,473.3
R2 2,533.1		S2 2,459.2
R3 2,547.2		S3 2,436.3

	Daily	Weekly
Relative Strength Index (RSI)	43.58	48.57

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