INVasset Knowledge Bank



Nestlé

20th November, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Nestle Ltd

Nestlé's connection with India began more than a century ago, in 1912, during the British colonial period. At that time, Nestlé operated under the name The Nestlé Anglo-Swiss Condensed Milk Company (Export) Limited, primarily as an importer and seller of finished products in the Indian market.

The company focused on products such as condensed milk, which was popular due to its long shelf life and ease of transportation in the warm climate of India. This initial foray laid the groundwork for a longstanding relationship with the Indian market, establishing Nestlé as a household name even before India's independence.

Nestlé's journey in India reflects a century-long commitment to growth, community development, and shared prosperity. From its beginnings as an importer to becoming a leader in India's food processing industry, Nestlé has consistently adapted to the needs and aspirations of the Indian people.

By supporting local farmers, generating employment, innovating for health and wellness, and engaging in responsible corporate citizenship, Nestlé has not only grown its business in India but also contributed significantly to the nation's socio-economic development.

Today, Nestlé India stands as a symbol of how global businesses can successfully blend international expertise with local sensitivity, creating a legacy of trust, quality, and positive impact that resonates across generations.

Investment Rationale

Investing in Nestlé India offers a balanced mix of growth potential, stability, and resilience, making it a compelling choice in the FMCG space. Here are the key reasons for considering an investment in Nestlé India:

1. Strong Brand Leadership:
Nestlé India's portfolio includes iconic brands like Maggi, Nescafé, and KitKat, leading market share in key categories and enjoying strong consumer loyalty.

2. Expansive Distribution Network
Reaching over 4 million outlets across urban and rural areas, along with a growing e-commerce presence, ensures Nestlé's deep market penetration and accessibility.

3. Consistent Financial Growth
With a revenue CAGR of 11.1% and operating profit CAGR of 11.8% (2018-2023), Nestlé India demonstrates strong financial performance and effective capital utilization with a 135% ROE.

4. Alignment with Health & Sustainability Trends
Nestlé's focus on healthier product variants and sustainability initiatives aligns well with consumer preferences and regulatory standards, enhancing its brand equity and future growth potential.

Stock Data	
CMP	₹ 2124.80
52 Week High/Low	₹ 2218/2168
Face Value	₹ 1
Market Cap (In Crs)	₹ 2,13,055
NSE	NESTLEIND
BSE	500790
ISIN Code	INE239A01024
Sector	Food Processing

Shareholding Pattern		
Metrics	June 2024	Sept 2024
Promoter	62.76%	62.76%
FII	11.94%	11.94%
DII	9.17%	9.45%
Public	16.10%	15.86%

Price Performance			
(%)	1M	6M	1Yr
Nifty 50	-5.63%	4.10%	19.09%
Nestle	-5.76%	-10.00%	-8.87%

Key Ratios	
Current Ratio	0.9
Debt-Equity Ratio	0.1
Return on Equity	108.50%
Inventory Turnover Ratio	9.7
Return on Capital Employed	114.40%
Return on Investment	8.70%

Business Verticals



Confectionery



Beverages



Nutritional Substances



Prepared Dishes and Cooking Aids



Breakfast Cereals

Product Portfolio



Milk Products and Nutrition

- Dairy Products
- Milk Powder
- Ceregrow
- Weaning Foods

Prepared Dishes and Cooking Aids

- Maggi
- Maggi Masala-ae-Magic
- Sauces
- Cereals

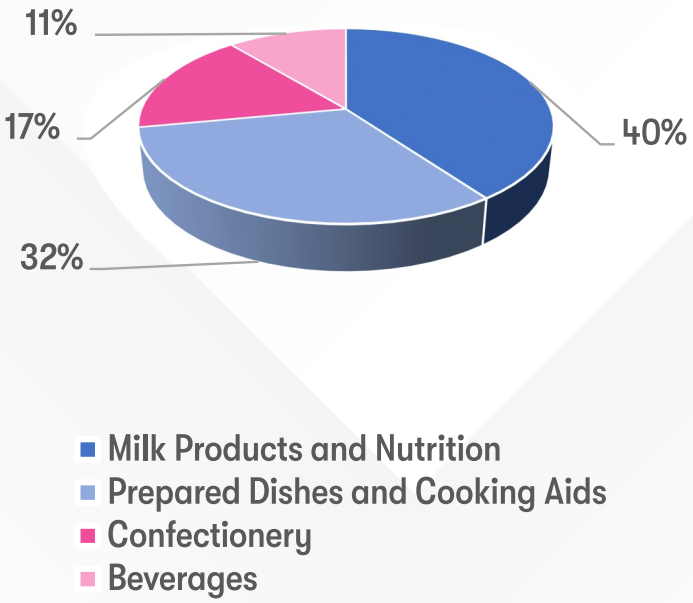
Confectionery

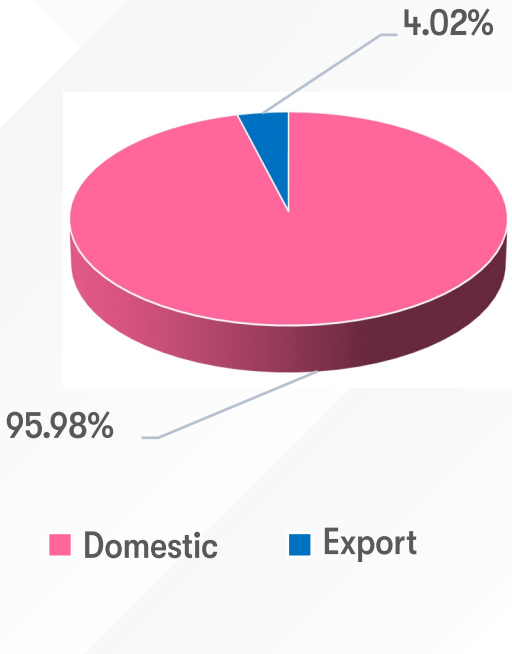
- Kit Kat
- Munch
- Milkybar
- Sugar Confectionery

Beverages

- Instant Coffee

Revenue Breakdown





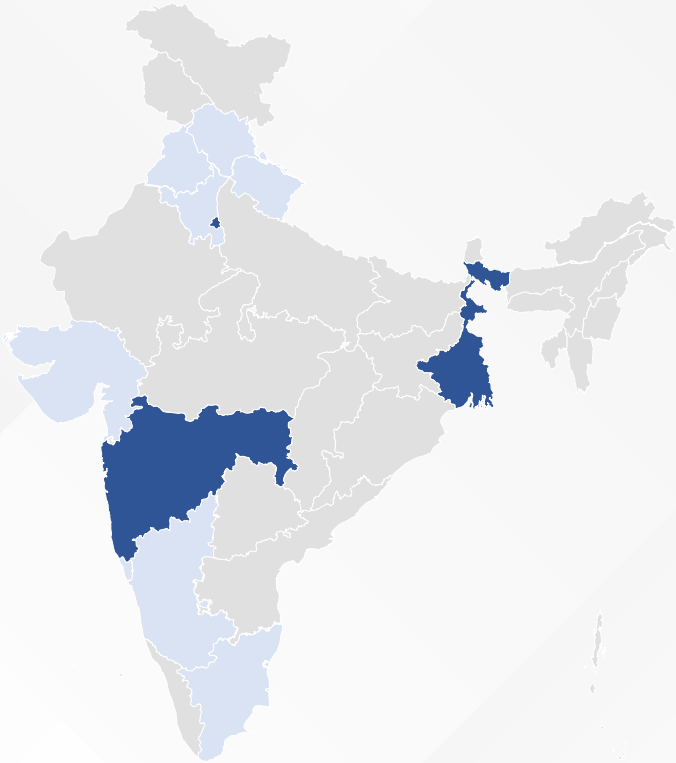
Company's Evolution

Year	Evolution
1959	Company incorporated at New Delhi, India . Promoted by Nestle Alimentana S.A.
1961	First factory at Punjab.
1987	Installed a new Coffee factory at Nanjangud, Karnataka .
1989	Change of name from Food Specialities Limited to Nestle India Limited.
1990	Introduced Nestle premium chocolates
1993	Installed new cereal-based products factory at Samalkha
1994	Launched Cerelac, Soya, Milkmaid, Dessert mixes, Maggo Tonit's special cooking bases, Maggi 1-2-3 noodles, Contadina snack dressing, chocolate items, bar one peanut, polo.
1995	Constructed a new kit kat factory at Goa. Installed noodles factory at Samalkha. Installed a new milo factory at Nanjangud.
1996	Launched Milo, instant dosa batter, sambar powder, pickles and Maggi soups in South India.
1998	Nestle SA joint ventured with BM Khaitan under the name ' Nutritional Food Products India Ltd" and later amalgamated into Nestle India.
1999	Nestle India agreement with Campco to manufacture and supply chocolates and cocoa products.
2000	Launched 'Pure Life' and 'San Pellegrina' water bottle, Nestle Oure Milk, Nescafe Gold and Nescafe Gold Decaffeinated.
2002	Nestle Group increased its shareholding in Nestle India to 53.27%.Tied up with Nilgiris for co-branding purposes.Launched throat lozenges Acti -V.Nestle SA sold assets of Excelsia Foods to Parson Nutritional Private Limited.
2003	Rolled out 'Nestle Development Nutritio Plan'. Launched Cerelac 123. Nestle Group increased its shareholding in Nestle India to 59.8%.
2004	Nestle India introduced 'Sweet Lassi'.
2005	Launches new variant of Maggi.
2006	Initiates Uttaranchal unit
2009	Nestle India Board acquired Healthcare Nutrition Business of Speciality Food.
2010	Inaugurated New plant at Nanjangud.Signed India Pledge.
2011	New plant at Karnataka
2012	Nestle celebrates 100 years.
2013	Acquired 26% stakes in Indicon Agro and Allied Activities Private Limited. Nestle India exports noodles and sauces.
2014	Agreement signed with Magic Bus India Foundation.
2015	Resumed Manufacturing of Maggi after safety clearance test.
2016	Launched Nestle a+ GREKYO yoghurt, nestle a+ Pro -Grow, Nescafe Ready to Drink.
2017	Launched Nescafe Sunrise Insta filter. Supported Cause of Educating the Girl Child with Nanhi Kali. Tied up with Alibaba for marketing.
2018	Launched breakfast cereals, NesPlus
2019	Relaunched Milo.
2020	Launched Maggi Desh Ke Kiye 2 Minute -Ek Chhoti Si Koshish.
2022	Acquired Purina Pet Care India Private Limited's Pet Foods business. Introduced NestlMilk, Nestle Slim Milk, Nestle Dahi, Nestle Jeera Raita.

Geographical Presence

Nestlé India Manufacturing Facilities Timeline		
Year	**Location**	**State**
1961	Moga	Punjab
1967	Choladi	Tamil Nadu
1989	Nanjangud	Karnataka
1992	Samalkha	Haryana
1995	Ponda	Goa
1997	Bicholim	Goa
2006	Pantnagar	Uttarakhand
2012	Tahliwal	Himachal Pradesh

Nestlé India Branch Offices	
Location	**Purpose**
Delhi	Branch Office (Sales & Marketing)
Mumbai	Branch Office (Sales & Marketing)
Chennai	Branch Office (Sales & Marketing)
Kolkata	Branch Office (Sales & Marketing)
Gurgaon	Head Office (Corporate Headquarters)



- These branch offices are strategically positioned to oversee sales, marketing, and distribution activities across the country. Each branch office plays a key role in executing regional marketing strategies, supporting supply chain management, and ensuring that products reach retail outlets promptly.

- By maintaining a presence in these metropolitan areas, Nestlé is able to effectively engage with local markets and tailor its approach to the unique demands of different regions.

- Additionally, Nestlé India's Head Office is located in Gurgaon, Haryana. This head office serves as the central hub for Nestlé's administrative, managerial, and strategic operations in India.

- The Gurgaon office coordinates activities across manufacturing, sales, marketing, and logistics, and also facilitates communication between Nestlé India and its global counterparts.

- It is here that key decisions regarding Nestlé's growth, innovation, and expansion strategies in India are made, ensuring that the company's operations align with both local and international goals.

- Nestlé's extensive network of manufacturing facilities and branch offices across India reflects the company's deep-rooted commitment to the Indian market.

- From the initial establishment of its Moga plant in 1961 to the addition of multiple plants across diverse regions, Nestlé has consistently expanded its presence to meet the needs of Indian consumers.

- The strategically placed branch offices in Delhi, Mumbai, Chennai, and Kolkata, along with the corporate head office in Gurgaon, facilitate Nestlé's operations and enable the company to stay connected with local markets and consumers.

- This robust infrastructure underscores Nestlé's long-standing relationship with India and its dedication to supporting economic growth and development throughout the country.

Global Economy

- The global economy showed more resilience than expected in 2023-24 despite the after-effects of the prolonged Russia-Ukraine conflict, though the growth outlook remained weak.
- Despite the cost-of-living crisis in several countries, sharp currency devaluations, and a spike in commodity prices driven largely by attacks on container ships in the Red Sea, the global economy grew by 3.1% in 2023.
- With deflation and steady growth, IMF stated that the likelihood of a hard landing has receded, and risks to global growth are broadly balanced.
- While faster deflation could lead to further easing of financial conditions on the one hand, new commodity price spikes from geopolitical shocks like the Red Sea conflict and resultant supply chain disruptions could prolong tight monetary conditions.
- In its World Economic Outlook released in January 2024, the IMF stated that the world's economy would match 2023's growth of 3.1% in 2024 and rise to 3.2% in 2025.
- Global headline inflation is expected to fall to 5.8% in 2024 and 4.4% in 2025

Indian FMCG Sector

- Despite softening inflation and a general improvement in consumer sentiments, the domestic Fast-Moving Consumer Goods (FMCG) sector witnessed sluggish demand during the year, mainly led by a rural slowdown.
- As per Kantar, the household consumption trends suggested a reduction in bulk purchases by consumers to manage expenses, allowing for some discretionary spending which saw a pickup.
- Low wage growth in the rural economy led to down trading and weak consumption trends in FMCG categories. That said, demand is expected to progressively improve in 2024, helped by a good harvest and the expectation of an above-normal monsoon.
- While rural demand continued to lag behind urban markets for most of the year, the gap between the two narrowed progressively.
- As per Nielsen, rural growth in sales of FMCG products in villages outpaced that in cities for the first time since Covid in December 2023, an early indication of demand recovery in the hinterland.

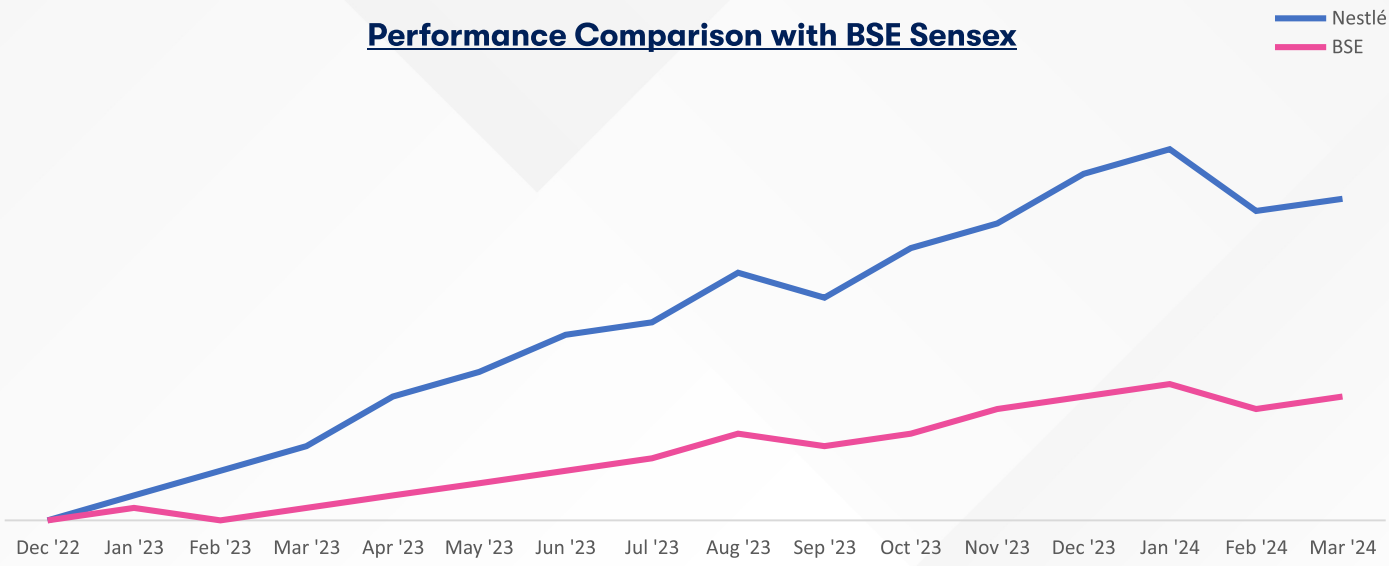
Nestle Ltd Key Take Aways

- **Present in India for 110+ Years:** Nestlé has been a long-standing brand in India, with over a century of presence in the country.
- **Household Brands Winning with Local Consumers:** Nestlé's products have become household names, resonating with Indian consumers across generations.
- **Science and Consumer-Based Innovation and Renovation:** Nestlé focuses on innovation driven by scientific research and consumer needs to enhance its product offerings.
- **Strong Support from Nestlé Group:** Nestlé India benefits from the resources, expertise, and backing of the global Nestlé Group.
- **Recalibrating for the Future:** Nestlé India is committed to adapting to future trends, challenges, and opportunities in the FMCG industry.

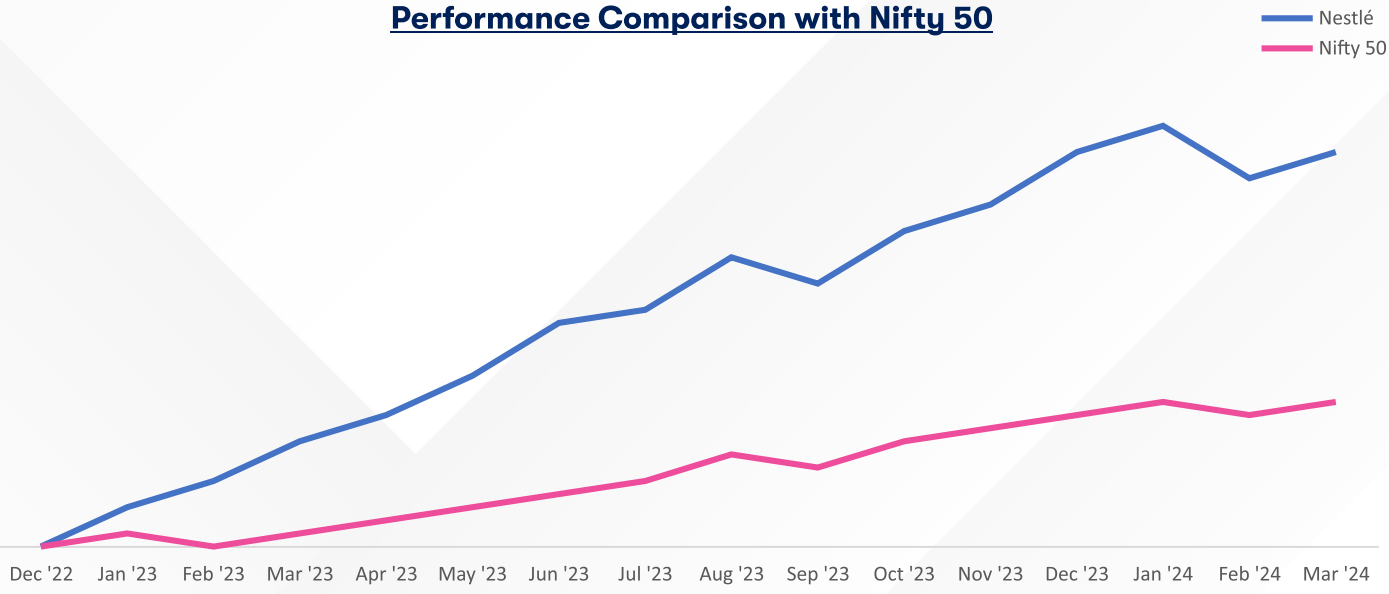
- **Iconic FMCG Company in India:** Nestlé holds a prominent position in India's FMCG sector, known for its strong brand portfolio.
- **Creating Shared Value for Shareholders and Society:** Nestlé strives to create economic and social value that benefits both its shareholders and society at large.
- **Consistent Delivery of Growth, Margins, and Economic Value for Investors:** Nestlé India is focused on delivering steady growth and value to its investors.

Share Holding and Relative Price Movements

Performance Comparison with BSE Sensex



Performance Comparison with Nifty 50



Key Drivers and Challenges

Key Drivers

• **Brand Equity and Trust:** Nestle India enjoys a legacy of more than a century in the country, which has solidified its brand as a household name. Products like Maggi, Nescafé, KitKat, and Lactogen have become staples in Indian households. This brand loyalty and trust provide Nestle with a competitive edge, as consumers are likely to prefer trusted brands over new entrants, especially in food products. The recall value for these brands is high, helping the company to maintain steady sales and reduce the need for heavy promotional spending.

• **Growing Middle-Class Population and Urbanization:** India's middle-class population is expanding rapidly, driven by economic growth and urbanization. The growth of nuclear families and the busy urban lifestyle contribute to a preference for convenience foods, including ready-to-eat and instant food products. This aligns with Nestle's portfolio, as products like Maggi noodles and Nescafé cater to these convenience needs. The projected growth in disposable income further enhances Nestle's opportunity to penetrate deeper into urban markets and tier-2 and tier-3 cities.

• **Health and Nutrition Trends:** With increasing health consciousness among Indian consumers, there is a growing demand for nutritious food options. Nestle has strategically positioned itself in the health and wellness space with products in the nutrition, dairy, and infant care segments, such as Nestlé Ceregrow and Lactogen. Nestle's emphasis on nutrition, fortified products, and healthier offerings places it in a favorable position to capture market share as consumers shift from traditional snacks to healthier packaged alternatives.

• **Product Innovation and Local Adaptation:** Nestle India has demonstrated its ability to adapt products to local tastes and preferences. For example, it has introduced Indianized flavors in Maggi and customized Nescafé offerings to suit the Indian palate. This localization strategy helps the company remain relevant and appeal to a wide array of consumers. Continuous product innovation, such as launching new flavors, healthier versions, and convenience-focused packaging, enables Nestle to stay ahead of consumer expectations and differentiate itself from competitors.

• **Strong Distribution Network:** Nestle India's extensive distribution network ensures that its products reach both urban and rural areas. By using a mix of traditional trade (kirana stores) and modern retail channels, Nestle ensures product availability in diverse geographies. This distribution strength is a key driver in ensuring steady growth and penetration across India, where logistical challenges can often be a barrier for FMCG companies. Nestle's robust supply chain and distribution capabilities are a substantial advantage in tapping both urban and rural demand effectively.

• **Digital and E-commerce Expansion:** The growth of e-commerce platforms in India presents Nestle with an opportunity to reach tech-savvy, younger consumers who prefer online shopping. Nestle has collaborated with major e-commerce players to enhance product availability on online platforms. This digital push allows the company to leverage direct-to-consumer channels, gather consumer insights, and tap into new revenue streams. E-commerce has proven particularly beneficial during the COVID-19 pandemic, accelerating Nestle's shift to digital channels.

• **Support from Global Parent Company (Nestlé S.A.):** Nestle India benefits significantly from its association with Nestlé S.A., the global food and beverage leader. The parent company provides Nestle India with access to advanced R&D, innovation, and global best practices in marketing, sustainability, and operations. This support enhances Nestle India's competitive positioning and enables it to leverage insights and expertise from global markets. This backing also provides Nestle with the financial stability and capacity to invest in new products, technology, and sustainability initiatives.

• **Favorable Demographic Profile:** India has one of the world's youngest populations, with a median age of around 28 years. This demographic is increasingly aware of global food trends and open to experimenting with new flavors and products. Nestle's products cater to the preferences of young consumers looking for convenience, nutrition, and indulgence. As this demographic enters the workforce and gains purchasing power, it provides a significant consumer base for Nestle's ready-to-eat and ready-to-drink products.

Key Challenges

- **Volatile Input Costs and Inflationary Pressures:** Nestle India, like other FMCG companies, is vulnerable to fluctuations in the prices of raw materials such as dairy, sugar, coffee, wheat, and packaging. Inflationary pressures in commodity markets can impact profit margins, especially if Nestle is unable to pass on the increased costs to consumers. Additionally, rising fuel and logistics costs also add to the company's operational expenses. Managing these cost pressures is a continuous challenge, requiring efficiency in procurement, cost-saving measures, and product pricing strategies.

- **Intense Competition from Local and Global Players:** Nestle faces stiff competition from both domestic and international brands like Hindustan Unilever, ITC, Britannia, Amul, and Dabur. These companies are highly competitive in segments such as dairy, biscuits, and beverages, and they continually innovate to capture market share. Additionally, smaller local players have strong regional roots and cater specifically to local tastes, which poses a threat to Nestle's market penetration. The high level of competition necessitates constant product differentiation and marketing efforts to maintain consumer loyalty.

- **Changing Regulatory Landscape and Compliance Requirements:** The Indian food industry is subject to strict regulations, particularly regarding food safety, labeling, and product composition. Regulatory bodies like the FSSAI (Food Safety and Standards Authority of India) regularly update guidelines, which can require costly adjustments to Nestle's products and operations. Any non-compliance or negative publicity, like the 2015 Maggi controversy, can severely impact the company's brand image and sales. Staying compliant and maintaining a positive brand reputation in a highly regulated market is an ongoing challenge for Nestle.

- **Evolving Consumer Preferences Towards Natural and Organic:** Increasing health awareness among Indian consumers has led to a growing preference for organic, less-processed, and clean-label foods. This trend poses a challenge for Nestle's traditional product offerings, which include packaged foods and processed items. Nestle needs to innovate continually to meet these preferences and may face challenges in shifting its product portfolio towards more "natural" offerings, which can also be more expensive to produce.

- **High Dependence on Key Brands:** Nestle India derives a significant portion of its revenue from a few key brands, such as Maggi, Nescafé, and KitKat. This reliance increases its vulnerability to any adverse events affecting these brands, such as regulatory issues, health controversies, or supply chain disruptions. Diversifying the brand portfolio and reducing dependency on a few high-performing brands is essential to mitigate this risk and sustain long-term growth.

- **Environmental and Sustainability Challenges:** Nestle faces increasing pressure from consumers, regulators, and stakeholders to adopt sustainable practices, especially concerning plastic waste reduction and water conservation. As an FMCG company, Nestle's use of single-use plastic packaging and water resources places it in the spotlight for environmental advocacy groups. Meeting these sustainability goals requires significant investment in eco-friendly packaging and sustainable sourcing, adding to operational costs. Failure to comply could harm Nestle's reputation and customer goodwill.

- **Macroeconomic and Geopolitical Risks:** Economic slowdowns, inflation, or geopolitical events can adversely impact Nestle India's operations, especially if they disrupt supply chains or increase the costs of raw materials. Additionally, economic slowdowns can impact consumer purchasing power, particularly in the middle- and lower-income segments, which may lead to reduced demand for Nestle's premium products. Political and regulatory shifts, especially regarding food standards and trade policies, also introduce an element of uncertainty.

- **Disruption from Direct-to-Consumer (D2C) Brands:** The rise of D2C brands, especially in health and wellness categories, poses a growing challenge to established FMCG brands like Nestle. D2C brands are agile, able to respond quickly to changing consumer preferences, and often have a strong digital presence, which appeals to younger consumers. The shift towards digital purchasing behavior means Nestle must continuously innovate in both product offerings and digital engagement to retain its relevance and appeal to tech-savvy consumers.

Comprehensive Investment Rationale

1. Strong Brand Leadership and Market Dominance

- **Established Brand Portfolio:** Nestlé's portfolio includes iconic brands such as Maggi, Nescafé, KitKat, and Munch, which enjoy widespread recognition and loyalty across India.
- **Brand Trust and Legacy:** With over 110 years in India, Nestlé has built immense trust among consumers. This historical presence is a major advantage, as customers associate Nestlé with quality and reliability.
- **Market Leadership in Key Segments:**
  - **Maggi** holds a dominant position in the instant noodle category, with around 60% market share, reinforcing its association with the product.
  - **Nescafé** is a market leader in coffee, benefiting from early adoption and a strong brand recall.
  - **KitKat and Munch** have solidified their positions in the confectionery segment, leveraging innovative marketing campaigns and frequent product variations.
- **Continuous Brand-Building Efforts:** Nestlé invests heavily in advertising and marketing, ensuring its brands remain top-of-mind for consumers. The company regularly runs campaigns across various media channels, aligning its brands with family, tradition, and quality.
- **Adaptation to Local Tastes:** Nestlé tailors its products to suit Indian tastes, a critical factor for success in such a diverse market. For example, Maggi has introduced various flavor options, including spicy variants, that appeal to local palates.
- **Strong Barriers to Entry:** Due to its established brand reputation, it is challenging for new entrants to disrupt Nestlé's stronghold in its core categories. Competing brands face significant obstacles to achieving similar consumer loyalty and market penetration.
- **Consumer Loyalty Programs:** Nestlé has implemented loyalty programs and engaging campaigns that maintain consumer engagement and foster repeat purchases.

2. Extensive Distribution Network Across Urban and Rural India

- **Robust Retail Reach:** Nestlé products are available in over 4 million retail outlets across India, making it one of the most widely distributed brands in the FMCG space.
- **Access to Urban and Rural Markets:** The company's distribution network effectively covers both densely populated urban centers and smaller, rural markets, catering to various demographic segments.
- **Leveraging Distributor Relationships:** Nestlé has built and maintained strong relationships with its distribution partners, enabling efficient product flow and availability. These established partnerships help secure prime shelf space and visibility.
- **Agility in Product Launches:** The distribution network allows Nestlé to introduce new products swiftly across markets, capitalizing on current trends and seasonal demands.
- **Focus on Increasing Penetration in Tier 2 and 3 Cities:** With rising purchasing power in smaller cities, Nestlé is intensifying its focus on these areas to drive growth. This is expected to be a significant growth engine, particularly for affordable products.
- **Distribution as a Barrier to Competition:** Nestlé's extensive reach acts as a competitive moat, making it difficult for smaller players to achieve similar levels of market penetration and availability.

3. Strong Financial Performance with Stable Growth

- **Consistent Revenue and Profit Growth:**

- Nestlé India has achieved a revenue CAGR of 11.1% and an operating profit CAGR of 11.8% from 2018 to 2023, underscoring its consistent growth trajectory.

- This stable performance is indicative of Nestlé's pricing power, operational efficiency, and resilience in the face of economic fluctuations.

- **High Return on Equity (ROE):** With an ROE of 108.50%, Nestlé demonstrates high capital efficiency, indicating that the company effectively utilizes shareholder equity to generate profits.

- **Stable Margins:** Nestlé has maintained stable margins even during periods of inflation and rising input costs, highlighting its ability to pass on costs without impacting demand.

- **Resilience in Economic Downturns:** As an essential FMCG company with popular and affordable products, Nestlé shows resilience during economic slowdowns. This makes it a defensive investment, particularly attractive in volatile markets.

- **Reliable Dividends and Shareholder Returns:** Nestlé has a strong track record of rewarding shareholders through dividends, with steady growth in dividend payments over the years, attracting income-focused investors.

- **Prudent Financial Management:** Nestlé's conservative approach to managing debt and liquidity contributes to its strong balance sheet, ensuring it has the resources to capitalize on new opportunities and withstand challenges.

4. Alignment with Health, Wellness, and Sustainability Trends

- **Product Portfolio Adaptation to Health Trends:**

- Nestlé is proactively responding to the increasing consumer demand for healthier products by introducing options with reduced salt, sugar, and artificial ingredients.

- The company's focus on healthier product lines appeals to health-conscious consumers, particularly in urban areas.

- **Focus on Nutrition and Wellness:**

- Nestlé's commitment to providing nutritious food aligns with the broader global movement toward wellness.

- Products such as Nestlé a+ (dairy) and CEREGROW (infant nutrition) exemplify this focus and are positioned as healthier choices for families and children.

- **Sustainability Initiatives:**

- Nestlé is actively working to reduce its environmental impact, with initiatives like reducing plastic usage and promoting recyclable packaging.

- The company's commitment to sustainability resonates with environmentally aware consumers and investors, enhancing its brand reputation.

- **Emphasis on ESG Compliance:** Nestlé's environmental, social, and governance (ESG) initiatives align it with the values of responsible investing, making it a preferred choice for ESG-focused investors.

- **Reduced Environmental Footprint in Operations:**

- The company has implemented energy-efficient practices and water conservation initiatives across its manufacturing facilities.

- Nestlé's adherence to sustainable sourcing practices in its supply chain appeals to both consumers and regulatory bodies, mitigating reputational and operational risks.

Quarterly Performance

Figures in Crs

Quarter	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024
Sales	**4,831**	**4,659**	**5,037**	**4,600**	**5,268**	**4,814**	**5,104**
Expenses	3,735	3,603	3,812	3,505	3,919	3,700	3,936
Operating Profit	**1,095**	**1,056**	**1,225**	**1,095**	**1,349**	**1,114**	**1,168**
OPM %	23%	23%	24%	24%	26%	23%	23%
Other Income	34	24	140	-77	37	39	298
Interest	37	33	31	23	32	32	32
Depreciation	102	107	111	109	113	113	122
Profit before tax	**990**	**939**	**1,222**	**886**	**1,251**	**1,009**	**1,312**
Tax %	26%	26%	26%	26%	25%	26%	25%
Net Profit	**737**	**698**	**908**	**656**	**934**	**747**	**986**
EPS in ₹	**7.64**	**7.24**	**9.42**	**6.80**	**9.69**	**7.74**	**10.23**

Period	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024
Promoters	62.76%	62.76%	62.76%	62.76%	62.76%	62.76%	62.76%
FIIs	12.06%	12.38%	12.10%	12.09%	12.10%	11.94%	11.94%
DIIs	9.19%	9.05%	9.32%	9.16%	9.00%	9.17%	9.45%
Public	15.99%	15.82%	15.81%	16.01%	16.14%	16.10%	15.86%

Strengths

- **Strong Brand Equity:** Nestlé India holds iconic brands like Maggi, Nescafé, KitKat, and Munch, which enjoy high consumer loyalty and recognition.
- **Extensive Distribution Network:** Nestlé's products are widely available across urban and rural markets in India, supported by over 4 million retail outlets, ensuring high market penetration.
- **Diverse Product Portfolio:** Nestlé offers products across various segments—dairy, beverages, confectionery, and infant nutrition—reducing dependency on a single category and spreading risk.
- **High Financial Stability:** With a steady revenue growth and strong return on equity (135%), Nestlé demonstrates reliable financial health, supported by strong cash flows and conservative financial management.
- **Commitment to Health and Nutrition:** Nestlé's focus on healthier, fortified, and nutrition-rich products aligns well with shifting consumer preferences towards wellness.
- **Robust Marketing and Innovation:** Continuous investment in brand-building and product innovation keeps the company relevant and attractive to consumers.

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Weaknesses

- **Premium Pricing:** Many Nestlé products are positioned at a premium price, limiting their reach in price-sensitive markets and competing against local low-cost brands.
- **Dependency on Key Brands:** A significant portion of revenue is driven by a few flagship brands like Maggi and Nescafé. Any regulatory or market disruption affecting these products could impact Nestlé's overall performance.
- **High Exposure to Commodity Prices:** Nestlé's cost structure is sensitive to fluctuations in raw material prices (e.g., milk, coffee beans, cocoa), affecting profitability if costs rise.
- **Slow Adaptation to Local Tastes in Some Segments:** While the company has localized some products, it could further expand its portfolio to cater more specifically to regional tastes and preferences.

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Opportunities

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- **Growing Demand for Health and Wellness Products:** There is an increasing demand for nutritious and health-focused products. Nestlé can capitalize on this by expanding its offerings in the health, wellness, and nutrition categories.
- **E-commerce Expansion:** With digital adoption on the rise, Nestlé has a chance to grow its e-commerce presence, particularly in urban areas, allowing for direct-to-consumer sales and better consumer data analytics.
- **Rural Market Penetration:** Rising disposable income in rural and semi-urban areas presents an opportunity for Nestlé to target these segments with affordable products and smaller SKUs.
- **Sustainability Initiatives and ESG Compliance:** By focusing on environmentally-friendly packaging, renewable energy, and reducing plastic use, Nestlé can attract environmentally conscious consumers and align with ESG-focused investors.
- **Innovation in Product Offerings:** Nestlé can further innovate with products catering to specific dietary needs (like plant-based alternatives or sugar-free products) to meet diverse consumer preferences.

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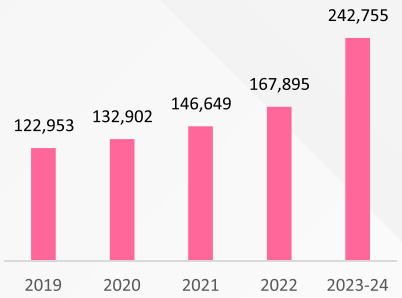
Threats

- **Intense Competition:** The FMCG sector in India is highly competitive, with both multinational companies (like Unilever) and local players offering competing products at lower prices.
- **Regulatory and Compliance Risks:** Nestlé has previously faced regulatory issues, most notably with Maggi noodles. Changes in food safety regulations or adverse findings in product quality could harm Nestlé's brand image.
- **Commodity Price Volatility:** The prices of key raw materials (e.g., dairy, coffee, cocoa) are subject to global market fluctuations, which could pressure margins if costs increase significantly.
- **Economic Slowdowns:** An economic downturn can impact consumer spending, especially in premium product categories, reducing demand for Nestlé's higher-priced offerings.
- **Environmental and Sustainability Challenges:** Increasing scrutiny over plastic usage and environmental impact could lead to higher operational costs as Nestlé transitions to more sustainable practices.
- **Changing Consumer Preferences:** As consumers become more health-conscious, they may move away from processed foods and sugary snacks, affecting demand for products like chocolates and instant noodles.

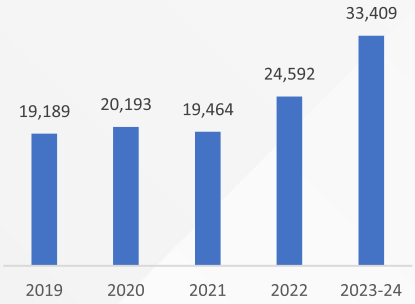
Company Performance

₹ in million, except otherwise stated

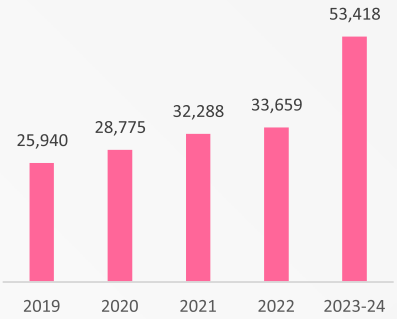
Net Sales



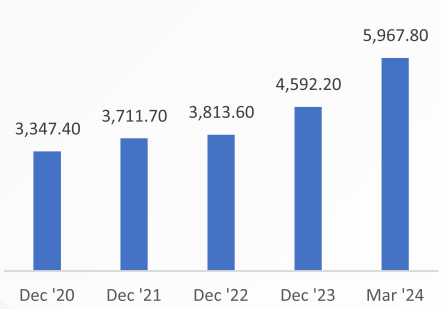
Shareholders Fund



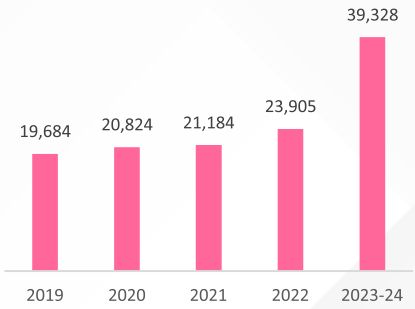
Operating Profit



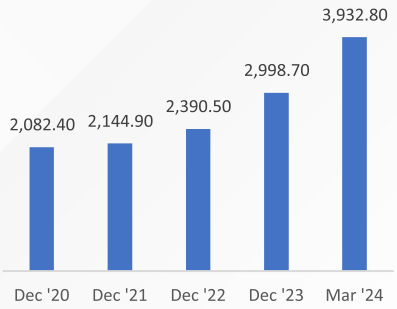
EBITDA (in Crs)



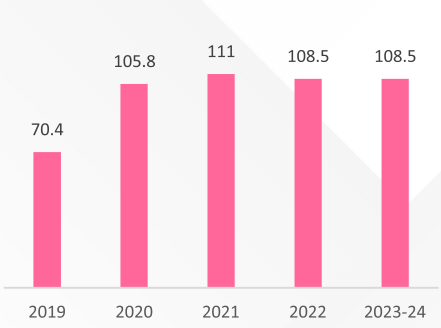
Profit Before Tax



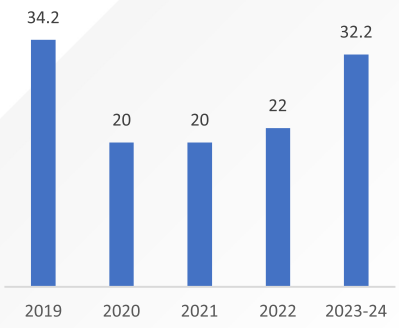
Net Profit (in Crs)



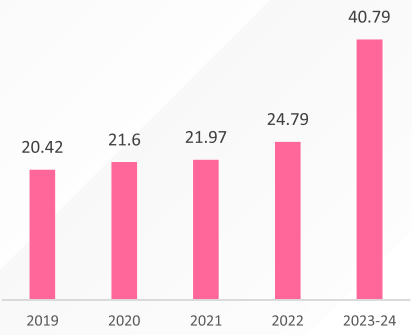
ROAE %



DPS (in ₹)



EPS (in ₹)



Peer Comparison

Figures in Crs

Name	Nestle India	Britannia Inds.	Swojas Energy Foods Ltd.
CMP (Rs.)	2209.75	4865.95	14.11
Mar Cap Rs.(Cr.)	213054.63	117205.33	43.68
P/E	67.14	54.54	150.62
CMP / BV	53.39	36.51	--
ROE (%)	135.33	57.14	1.13
B.V. Rs.	41.39	133.28	--
ROA 12M (%)	40.25	23.19	1.02
OPM (%)	23.89	18.19	3.36
Sales (Rs. Cr.)	19785.96	17243.55	8.04
PAT 12M (Rs. Cr.)	3175.86	2148.99	0.29
CMP / Sales	10.77	6.8	5.43
EV / EBITDA	44.17	35.78	98.09
CMP / FCF	106.56	74.48	--
Debt / Eq	0.09	0.86	0
FII Hold (%)	11.94	17.91	0
Public Hold (%)	15.86	15.18	24.31
DII Hold (%)	9.45	16.37	0.68
Ind PE	55.1	55.1	55.1
Debt (Rs. Cr.)	369.84	2753.56	0
Prom. Hold. (%)	62.76	50.55	75.01
EPS 12M Rs.	34.46	88.5	--
EV (Rs.Cr.)	213283.93	119708.58	43.16
Current ratio	0.75	0.99	1.48
PEG	3.43	4.17	-6.48
1Yr return (%)	-10.44	4.18	63.88
3Yrs return (%)	4	11.23	--
5Yrs return (%)	8.94	9.54	--
M.Cap / Sales	10.77	6.8	5.43

Financial Snapshot

Indicator	Mar '24	Dec '23	Dec '22	Dec '21	Dec '20
Book Value Per Share	34.7	320.8	255.1	216.2	209.4
RoA %	37.37%	29.70%	26.62%	26.12%	26.36%
ROE %	117.71%	96.95%	97.20%	102.89%	103.12%
ROCE %	82.68%	66.04%	57.81%	59.24%	55.05%
Profitability Ratio					
EBDIT Margin %	24.46%	24.00%	22.56%	25.23%	25.07%
EBIT Margin %	22.25%	21.76%	20.18%	22.58%	22.29%
PBT Margin %	21.68%	21.11%	19.26%	19.60%	21.06%
Net Profit Margin %	16.12%	15.67%	14.14%	14.58%	15.59%
Asset Turnover	2.5	2	2	1.8	1.8
Liquidity Ratio					
Current Ratio	0.9	1	1.1	1.1	1.7
Quick Ratio	0.4	0.5	0.5	0.4	1.1
Dividend Payout to NP	0.9	7.8	8.4	9	9.1
Valuation Ratio					
Enterprise Value	252,190.90	255,590.40	188,056.10	189,328.50	175,604
EV Per Net Sales	10.3	13.4	11.1	12.9	13.2
EV Per EBITDA	42.3	55.7	49.3	51	52.5
Market Cap Per Sales	10.4	13.4	11.2	12.9	13.3
Retention Ratio %	23.51%	N/A	15.30%	10.09%	9.25%

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