

Result Update – Q1CY23

- ❑ Nestle India's topline grew by 21% YoY and 13.5% QoQ to Rs48,305 mn led by volume growth and product mix. Domestic Sales growth is broad based with a healthy balance of pricing, volume and mix. Export Sales increased by 24.9% YoY. This is the highest growth for the company in a quarter in the last 10 years.(excluding 2016 which was an exceptional quarter which had a low base of 2015)
- ❑ EBITDA grew by 19% YoY and 12.6% QoQ to Rs10,955 mn due to better pricing mix and topline growth. Although, EBITDA margin remained flat to 23% YoY and QoQ due to inflationary pressure. Other Income increased by 57.1% YoY and 14% QoQ due to higher yields and higher average liquidities.
- ❑ PBT increased by 23.5% YoY and 15.3% QoQ to Rs9,905 mn on account of lower interest cost. PAT went up by 24.7% YoY and 17.3% QoQ to Rs7,366 mn in Q1CY23. The company witnessed a strong growth for products across its distribution channels like E-commerce, Organized trade, Out-of Home and Exports. Moreover, they declared an interim dividend of Rs27 per equity for the quarter ended.
- ❑ During the quarter, key commodities like edible oils, coffee, wheat, fuel remain firm to bullish while costs of packaging materials continue to increase amid supply constraints, rising fuel and transportation costs.
- ❑ In terms of segment wise, Prepared Dishes and Cooking Aids segment delivered strong growth across all products in its food portfolio. The growth momentum was aided by market presence, media campaigns and focused consumer activations.
- ❑ Despite commodity pressures in Milk Products and Nutrition, the segment continued to deliver double digit growth. Products like GERBER Cereals and CEREGROW Grain Selection performed well. Strong growth in MILKMAID. They launched ThickenUp Clear.
- ❑ In the Confectionery Category, the growth was led by KITKAT and MUNCH which was supported by focused trade plans and strong consumer engagement. In beverage segment, NESCAFÉ recorded its highest ever market share. Also, NESCAFÉ RTD and out-of-home also delivered strong growth. For pet food category, new products were launched within its cat portfolio.
- ❑ Nestle India is a vibrant company that provides consumers in India with products of global standards and is committed to long-term sustainable growth and shareholder satisfaction. The current inflationary environment has affected its margin while its overall profitability performance continued to remain strong. Nestle is witnessing some signs of softening of commodities in edible oils, wheat and packaging materials. Therefore, improvement in margins and profitability will be key parameters to watch out for next few quarters. **We assign HOLD rating on the stock with target price of ₹23,230 using a target multiple of 67x CY24 EPS (12% upside from its current levels).**



Quarterly Results

	Standalone				
(In ₹ mn)	Q1CY23	Q4CY22	QoQ(%)	Q1CY22	YoY(%)
Net sales	48,305	42,568	13.5	39,926	21.0
Total expenses	37,351	32,838	13.7	30,717	21.6
EBITDA	10,955	9,730	12.6	9,209	19.0
Other income	337	296	14.0	214	57.1
Interest costs	370	448	(17.4)	356	4.0
Dep and amortisation	1,017	987	3.1	1,045	(2.7)
PBT	9,905	8,591	15.3	8,023	23.5
Tax	2,538	2,310	9.9	2,115	20.0
PAT	7,366	6,281	17.3	5,907	24.7

Source: Company, Anand Rathi Research

Standalone Financials

(In ₹ mn)	CY-21	CY-22	CY-23E	CY-24E
Net Sales	1,47,406	1,68,970	1,86,102	2,04,060
Operating Expense	1,11,782	1,31,907	1,42,368	1,53,453
EBITDA	35,624	37,063	43,734	50,607
Other Income	1,241	1,073	1,861	2,347
Depreciation	3,910	4,030	5,199	5,701
EBIT	32,955	34,105	40,396	47,253
Interest	2,017	1,546	1,669	1,719
Misc. items	(2,365)	-	-	-
PBT	28,573	32,560	38,727	45,534
Tax	7,389	8,655	10,294	12,103
PAT	21,184	23,905	28,434	33,431

Margins	CY-21	CY-22	CY-23E	CY-24E
Sales Growth %	10.4	14.6	10.1	9.6
PAT Growth %	1.7	12.8	18.9	17.6
EBITDA Margin %	24.2	21.9	23.5	24.8
Net Margin %	14.4	14.1	15.3	16.4

Source: Company, Anand Rathi Research

(In ₹ mn)	CY-21	CY-22	CY-23E	CY-24E
<u>Liabilities</u>				
Equity Share Capital	964	964	964	964
Reserves & Surplus	18,500	23,628	52,061	85,492
Total Shareholder's Funds	19,464	24,592	53,025	86,456
Long-Term Liabilities	275	267	267	267
Other Long-term Liabilities	34,955	34,132	34,132	34,132
Deferred Tax Liability	(258)	(256)	(256)	(256)
Short-term Liabilities	27,647	30,799	32,088	35,184
Total	82,083	89,532	1,19,255	1,55,782
<u>Assets</u>				
Net Fixed Assets	32,409	34,021	33,456	33,456
Long-Term L&A	1,682	2,654	2,654	2,654
Non Current Investments	7,107	5,602	5,602	5,602
Other Non-Current Assets	13,263	12,354	12,354	12,354
Current Asset	27,622	34,903	65,190	1,01,717
Total	82,083	89,532	1,19,255	1,55,782

(In ₹ mn)	CY-21	CY-22	CY-23E	CY-24E
EPS (₹)	220	248	295	347
P/E (x)	94.0	83.3	70.0	59.6
P/B (x)	102.3	81.0	37.5	23.0
ROE	109	123	116	63.

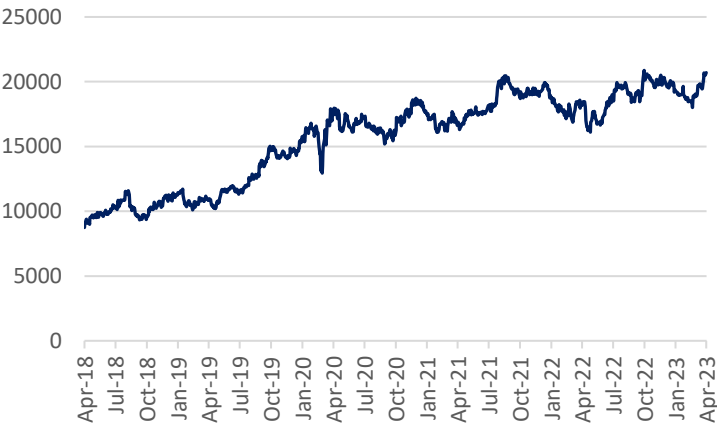
Key Risks:

- ☐ Volatility in raw material prices may put pressure on profitability.
- ☐ Supply chain challenges
- ☐ Digital vulnerabilities
- ☐ Climate change continues



Rating and Target Price history

NEST IN rating history & price chart



Source: Bloomberg, Anand Rath Research

NOTE: Prices are as on 25 April 2023 close.

NEST IN rating details

Date	Rating	Target Price (₹)	Share Price (₹)
6-Apr-2020	BUY	17,902	15,105
22-Jun-2020	BUY	18,710	16,141
31-Aug-2020	BUY	18,710	15,957
25-Nov-2020	BUY	19,445	17,520
28-Apr-2021	BUY	19,445	16,634
17-Aug-2021	HOLD	20,072	18,725
22-Nov-2021	HOLD	20,072	18,995
07-May-2022	HOLD	20,072	16,995
02-Mar-2023	BUY	21,100	18,481
25-April-2023	HOLD	23,230	20,663

Source: Bloomberg, Anand Rath Research



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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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