

Result Update – Q3CY21

- ❑ NESTLE India Limited reported revenues at ₹ 38,649.7 million in Q3CY21 as against ₹ 35,254.1 million during Q3CY20. Total Sales increased by 9.6% YoY to ₹ 38,649.7 million in 3QCY21. Domestic Sales increased by 13.7% to ₹ 36,873.7million Domestic Sales growth is broad based and largely driven by volume &mix. Export Sales increased by 1.3% YoY to ₹ 1,776 million.
- ❑ Operating profit came in at ₹ 9,479.9 million witnessing a growth of 7.3%. Operating margin lowered by 50bps during 3QCY21 as compared to the same quarter last year due to higher commodity prices, particularly edible oil and packaging materials, partly offset by better realisations. Profit before tax grew 6.1% YoY to ₹ 8,342.4 million while Profit after tax increased by 5.2% YoY to ₹ 6,173.7 million.
- ❑ The third quarter saw strong high single digit volume & mix growth in domestic sales, which reinforces the secular trends. Prepared Dishes and Cooking Aids Continuing momentum and improved availability helped achieve good growth despite the high base effect (build-up after Q2'20). MAGGI Noodles and MAGGI Masala-Magic posted healthy growth while MAGGI Sauces had somewhat muted growth due to decreased in-home consumption.
- ❑ Milk Products and Nutrition Toddler range (CEREGROW,NANGROW) and MILKMAID posted strong double digit growth. Confectionery all power brands KITKAT, MUNCH and MILKYBAR registered high double digit growth aided by media campaigns, attractive consumer promotions and distribution drives. In Beverages Strong double digit growth in NESCAFÉ Classic led by increased penetration, visibility actions and sustained generating demand inputs.
- ❑ E-commerce channel showed strong acceleration on the back of convenience and pandemic driven consumer behavior, fully leveraged by a team who used the power of meaningful shopper insights, data analytics, speed, flexibility, sharp communication and customisation for the channel at scale. E-commerce as a channel is also developing new models like Quick Commerce (hyper-local) leading to lower delivery lead times, effectively improving shopper experience.
- ❑ Decrease in pandemic intensity and increase in vaccination coverage contributed to broad-based growth across all food & beverages categories especially coffee & confectionery. Out of Home (OOH) channel is on a recovery path with gradual opening of hotels, restaurants, offices and malls. : MAGGI Noodles and POLO have been introduced in the markets of Middle East recently. Crunch Wafers have been introduced in ASEAN markets.
- ❑ 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. NESTLE India manufactures products of truly international quality under internationally famous brand names. However The stock is trading at premium valuation multiples at 61x CY22E. We reiterate our **HOLD** rating with target price of ₹ **20,072** share on the stock.



Financials:

(In ₹ mn)	Q3-CY21	Q3-CY20	Chg	9M -CY21	9M -CY20	Chg
Net Sales	38,826	35,417	9.6%	109,701	99,175	10.6%
Operating Expense	29,346	26,581	10.4%	82,442	74,930	10.0%
EBITDA	9,480	8,836	7.3%	27,259	24,245	12.4%
Other Income	337	345	-2.3%	928	1,153	-19.5%
Depreciation	955	911	4.9%	2,844	2,749	3.5%
EBIT	8,861	8,270	7.2%	25,342	22,648	11.9%
Interest	519	405	28.3%	1,576	1,222	29.0%
PBT	8,342	7,865	6.1%	23,766	21,426	10.9%
Tax	2,169	1,994	8.8%	6,184	5,435	13.8%
Consolidated PAT	6,174	5,871	5.2%	17,582	15,991	9.9%

Margins	Q3-CY21	Q3-CY20	Chg	9M-CY21	9M-CY20	Chg
Operating Margin %	24.4%	24.9%	-53	24.8%	24.4%	40
Net Margin %	15.9%	16.6%	-68	16.0%	16.1%	-10

Consolidated Financials:

(In ₹ mn)	CY-19	CY-20	CY-21E	CY-22E
Net Sales	123,689	133,500	149,010	164,721
Operating Expense	94,430	101,534	111,326	122,149
EBITDA	29,259	31,966	37,683	42,572
Other Income	2,484	1,508	2,384	2,636
Depreciation	3,702	3,704	4,065	4,494
EBIT	28,042	29,770	36,002	40,714
Interest	1,291	1,642	2,114	2,114
Misc. items	-	-	-	-
PBT	26,751	28,128	33,889	38,600
Tax	7,051	7,304	8,530	9,716
Minority Interest	-	-	-	-
PAT	19,700	20,824	25,359	28,884

Margins	CY-19	CY-20	CY-21E	CY-22E
Sales Growth %	9.5%	7.9%	11.6%	10.5%
Operating Margin %	23.7%	23.9%	25.3%	25.8%
Net Margin %	15.9%	15.6%	17.0%	17.5%

(In ₹ mn)	CY-19	CY-20	CY-21E	CY-22E
<u>Liabilities</u>				
Equity Share Capital	964	964	964	964
Reserves & Surplus	18,225	19,229	25,690	35,677
Total Shareholder's Funds	19,189	20,193	26,655	36,641
Minority Interest	-	-	-	-
Long-Term Liabilities	531	317	296	296
Other Long-term Liabilities	29,969	33,561	33,455	33,455
Deferred Tax Liability	134	(199)	(199)	(199)
Short-term Liabilities	21,906	24,926	26,772	29,532
Total	71,729	78,798	86,980	99,726
<u>Assets</u>				
Net Fixed Assets	24,848	28,180	28,017	28,150
Long-Term L&A	1,274	1,359	1,631	1,631
Non Current Investments	7,436	7,408	8,890	8,890
Other Non-Current Assets	-	-	-	-
Current Asset	38,172	41,851	48,442	61,055
Total	71,729	78,798	86,980	99,726

(In ₹ mn)	CY-19	CY-20	CY-21E	CY-22E
EPS (₹)	204.2	216.0	263.0	299.6
P/E (x)	89.4	84.5	69.4	60.9
P/B (x)	91.7	87.1	66.0	48.0
ROE	102.6%	103.1%	95.1%	78.8%

Source: Company, Anand Rathi Research

Key Risks:

- ❑ Volatility in raw material prices may put pressure on profitability.
- ❑ Intense competition.
- ❑ Slowdown in consumption.



Rating and Target Price history:

NEST IN rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 22 November 2021 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

Source: Bloomberg, Anand Rathi Research



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