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## **Nestle India Ltd— BUY—2200—INR**

Sector — FMCG (Food Products)  
Regd.Off.— M, 5A, Connaught Circus, New Delhi - 110001  
Listed — NSE, BSE.

### **Company overview—**

Company was incorporated in 1959 as Food Specialties, Nestle India Limited was promoted by Nestle Alimentana, Switzerland. Its first unit at Moga (Punjab) started in 1962 for manufacturing milk products, infant milk food and weaning cereals, culinary products and beverages. The second factory at Choladi, Tamilnadu to produce beverages (tea) was set up in 1967. To part finance this project company went public in the year 1968. The third plant at Nanjangud, Karnataka, set up in 1989, manufactures instant coffee and health beverages. Company entered the chocolate business introducing Nestle Premium chocolate in 1990. Later in 1991, company entered into a joint venture floated by the parent in collaboration with the BM Khaitan group to set up facilities to manufacture a range of soya based products. Company's products are sold under brand names such as Milkmaid, Everyday, Cerelac, Nescafe, Maggi, Lactogen, Eclairs, etc. It launched the world famous Kitkat chocolates in 1995.

Company forayed into the ultra heat-treated liquid milk market in 2000. In 2001, it launched Nestle Pure Life bottled water. Company's initiatives to introduce smaller pack sizes at lower price points were well expected by consumers. To capture the market in coastal areas, the company launched Maggi cubes in prawn flavor to cater to consumers' tastes. In the area of chocolate and confectionery, Nestle Munch, a crisp wafer biscuit with chocolayer, was rolled out nationally. In the milk and cereal category, Everyday Dairy Whitener showed satisfactory growth while Nestle Growing Up Milk, launched in 1999, was launched nationally. The company also forayed into the chilled dairy business with the launch of Nestle "dahi" in select cities of the north. The company ventured into beverage section by launching new blend of coffee powder, vanilla and mocha. The company also made its foray into the iced tea segment. Nestle Pure Life bottled water was launched in early 2001. Nestle Bar-One was re-launched after renovating it to make it smoother, creamier and better meet consumer needs.

### **Products & services—**

Company is one of the top players in the processed food & beverages industry and the largest producer of instant coffee in India. Company has a large list of successful brands. KitKat and Polo is the name in its successful international as well as Indian brands. Company has launched its first product in the hard-boiled sugar confectionery market, Allen's Splash. Company leads the list of the country's top coffee exporters. Nestle has set up a well-structured distribution network across the country. Company has also set up a special cold chain for product distribution in select retail outlets.

Nestle India manufactures products in different categories like: “Milk Products and Nutrition”, “Beverages”, “Prepared Dishes and Cooking Aids” and “Chocolate and Confectionery”. Nestle India manufactures products of truly International quality under brand names such as milkmaid, everyday, cerelac, lactogen, maggi, nescafe, nescafe sunrise, nestea, milo, kitkat, milky bar, munch, polo, nestle milk, nestle dahi, nestle “fruit n milk” and nestle “fruit n dahi”.

Company has launched a range of gift packs under the Fox confectionery brand name for the festival seasons. With six factories and a large number of co-packers, 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. In domestic bottled water business it has the product under the brand name “Pure Life”. In milk, Company has launched its ultra heat-treated liquid milk, “Nestle Pure Milk”. Company bags Tetra Pak's annual dairy and beverage industry award in 2004. Company has signed on Bollywood actress Preity Zinta to feature in its latest commercial brand magi and Rani Mukherjee as brand ambassador for its chocolate brand Nestle Munch advertising campaign.

## Financials—

### Quarterly results for apr-jun2009

Description	Millions (Rs.)
Net Sales / Interest Earned / Operating Income	12,149.30
Other Income	33.70
Total Income	12,183.00
Expenditure	-9,638.90
Interest	-5.70
Profit Before Depreciation and Tax	2,538.40
Depreciation	-264.00
Profit before Tax	2,274.40
Tax	-654.20
Net Profit	1,620.20
Equity Capital	964.20
Basic And Diluted EPS after Extraordinary item	16.80
Nos. of Shares - Public	36,785,762.00
Percent of Shares-Public	38.15
Operating Profit Margin	20.94
Net Profit Margin	13.34
Cash EPS	19.54

## Valuations—

Nestle is planning to invest Rs 6 billion in India in 2009 for expansion of its business in the country. Nestle International is reinvesting and expanding in India and Nestle India will have all the financial resources to expand and grow from the parent company. Nestle International said that India is one of the fastest growing markets for Nestle worldwide. At current market price,

stock is trading at valuation of only 24.76 P/E multiple of its FY2011 estimated EPS. We recommend investors to "BUY" "Nestle India" for medium to long-term investment horizon.

**We invite Readers to send Valuable feedback, stock and subscription queries at E-mail Id- [investment\\_guru1@yahoo.com](mailto:investment_guru1@yahoo.com)**

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