

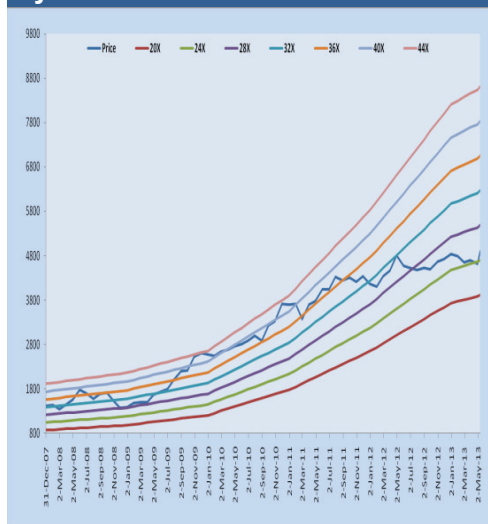
Result update	NEUTRAL
CMP	4878
Target Price	-
Previous Target Price	-
Upside	-
Change from Previous	-

Market Data	
BSE Code	500790
NSE Symbol	NESTLEIND
52wk Range H/L	5050/4306
Mkt Capital (Rs Cr)	47030
Average Daily Volume	21590
Nifty	5995.4

Stock Performance			
	1M	1yr	YTD
Absolute	8.1	7.3	6.0
Rel. to Nifty	7.7	-14.9	-8.1

Share Holding Pattern-%			
	Current	4QFY13	3QFY1
Promoters	62.8	62.8	62.8
FII	11.9	11.3	11.0
DII	6.7	7.3	7.5
Others	18.7	18.7	18.8

1 yr Forward P/B



Inline numbers with weak domestic revenue growth;

Nestle India reported inline numbers than street expectations with 10% (YoY) sales growth. Nestle Domestic Revenue growth was very weak at 7.7%(YoY), impacted very low volume growth close to 0%.

On comparison with peers, such as GSK Cons- has been promising 7-8% (YoY)volume growth despite of more focus on ad spends and investing in new launches. At same time, they believes on expansion of new plant set up by ignoring the dividend payout to investors.

Nestle India reported inline numbers than street expectations with 10% (YoY) sales growth, Company's net profit for Q1 March 2013 is not comparable with that of the net profit in Q1 March 2012 as the net profit in Q1 March 2013 has been negatively impacted due to changes in regulatory procedures. These changes resulted in timing differences provisions for contingencies that reduced the net profit in Q1 March 2013,

Nestle Domestic Revenue growth was very weak at 7.7% on YoY basis, impacted very low volume growth close to 0%. Considering the company's current prospect, we are considering no better sign of volume growth recovery even with a low base kicking in over the past few quarters. Exports jumped 50.9% in Q1 March 2013. Domestic revenue contributes 93% of Sales.

Static Margin: EBITDA Margin expanded by 130bps (YoY) to 24% due to lower raw material costs and other expenses. The company continues to focus on margin expansion to drive earnings, rather than invest in marketing expenses to generate revenue growth. Gross margins expanded 65 bp YoY as key raw materials such as milk and milk powder have come off sequentially.

Mix impact on Cost: RM cost declined due to higher sales realizations, partially offset by higher input costs. Finance costs increased mainly due to higher average outstanding loan during Q1 March 2013 as well as due to completion of major capital projects for expansion of capacity.

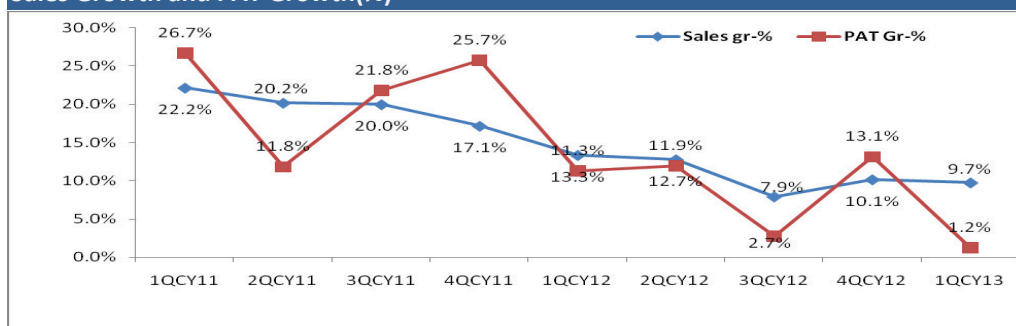
Company's less aggression on volume growth and the excessive focus on Margin expansion make us cautious on the stock. At same time, company believes on expansion of new plant set up by ignoring the dividend payout to investors. Consistently, its RoE is on downward direction. At a CMP of Rs 4900, stock trades at 25x P/BV of FY14E. We have a "Neutral" view on stock.

Financials	Rs, Cr				
	1QCY13	4QCY13	(QoQ)-%	1QCY12	(YoY)-%
Revenue	2248.08	2152.64	4.4%	2047.45	9.8%
EBITDA	539.9	504.1	7.1%	465.7	15.9%
PAT	279.1	278.9	0.1%	275.7	1.2%
EBITDA Margin	24.0%	23.4%	60bps	22.7%	130bps
PAT Margin	12.4%	13.0%	(60bps)	13.5%	(110bps)

(Source: Company/Eastwind)

Nestle India

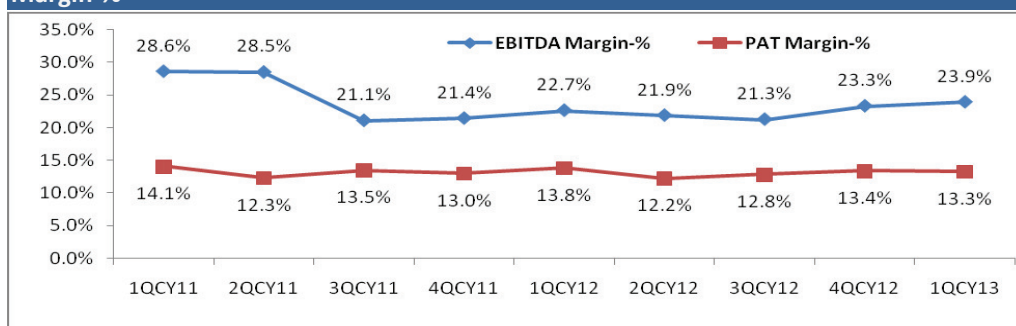
Sales Growth and PAT Growth(%)



(Source: Company/Eastwind)

Revenue trend deteriorates in 1QCY13; slight increase in 'other expenses' indicates no significant increase in marketing costs

Margin-%



(Source: Company/Eastwind)

RM inflation outlook appears benign and that should help margins to hold out.

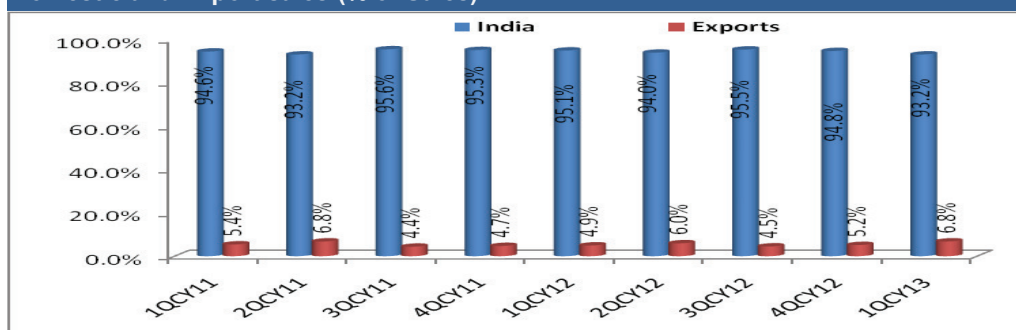
Sales Mix-(% of Sales)

Segments	CY09	CY10	CY11	CY12
Milk Product and Nutrition	44.3%	43.6%	44%	45%
Beverages	15.4%	14.1%	13.9%	13.0%
Prepared Dishes and Cooking Aids	25.6%	27.1%	28.1%	29.0%
Chocolate and confectionery	14.8%	15.3%	14.3%	13.0%

(Source: Company/Eastwind)

Nestlé enjoys leadership position in most the categories it operates in

Domestic and Export sales-(% of Sales)



(Source: Company/Eastwind)

Domestic revenue growth continues to be very weak