

RESULTS REVIEW
Share Data

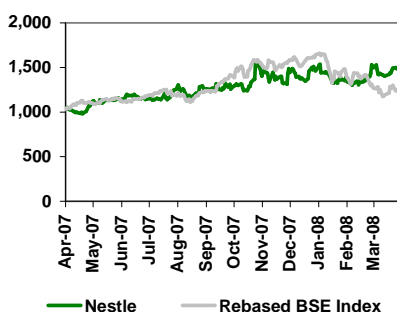
Market Cap	Rs. 148.3 bn
Price	Rs. 1,538.30
BSE Sensex	15,757.08
Reuters	NEST.BO
Bloomberg	NEST IN
Avg. Volume (52 Week)	0.05 mn
52-Week High/Low (BSE)	Rs. 1,675.75 / 956
Shares Outstanding	96.4 mn

Valuation Ratios

Year to December	2008E	2009E
EPS (Rs.)	51.0	56.5
+/- (%)	13.9%	10.9%
PER (x)	30.2x	27.2x
EV/ Sales (x)	3.6x	3.1x
EV/ EBITDA (x)	18.7x	16.9x

Shareholding Pattern (%)

Promoters	62
FII's	8
Institutions	12
Public & Others	19

Relative Performance


Nestle India Limited

Hold
Year of robust growth.

The growth trajectory of Nestle India Limited remained intact in the fourth quarter of CY07 as well; the Company reported consistent 20% plus growth in net sales for the fourth consecutive quarter of CY07. Net sales grew by 21.6% yoy and 24.4% yoy for Q4'07 and CY07 respectively.

Nestle has become an aggressive player in the market place, with continuous introduction of new products and increasing advertisement and promotion spends. The strategy is helping the Company to drive the top-line growth, which in turn helped the Company to maintain its net profit margins by achieving scale efficiencies.

Our analysis of the Company's quarterly results does not call for a change in rating. Currently, Nestle is trading at P/E of 30.2x for CY08E and 27.2x for CY09E. The effect of impressive results is fully factored in and hence we expect limited upside.

Result Highlights

On back of judicious price hikes taken during Q3'07, Nestlé's recorded a growth of 21.6% for Q4'07 and 24.4% for CY'07 in net sales. In spite of appreciation in Indian Rupee, export sales for CY07 grew at decent 17.9%; however the main driver for top-line growth was staggering 24.5% growth in domestic sales.

Key Figures

Quarterly Data	Q4'06	Q3'07	Q4'07	YoY%	QoQ%	CY'06	CY'07	YoY%
(Figures in Rs. mn, except per share data)								
Net Sales	7,363	9,067	8,957	21.6%	(1.2)%	28,161	35,044	24.4%
Adj. EBITDA	1,211	1,916	1,576	30.1%	(17.7)%	5,415	6,963	28.6%
Adj. Net Profit	730	1,133	887	21.7%	(21.7)%	3,094	4,059	31.2%
Margins(%)								
EBITDA	16.5%	21.1%	17.6%			19.2%	19.9%	
NPM	9.9%	12.5%	9.9%			11.0%	11.6%	
Per Share Data (Rs.)								
Adj. EPS	7.6	11.8	9.2	21.6%	(21.7)%	32	42	31.2%

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Adjusted EBITDA for the quarter registered a steep rise of 30.1% yoy to Rs. 1.6 bn. However adjusted EBITDA margins improved by only 110 bps yoy to 17.6% for the quarter as the gains from 200 bps yoy dip in other expenditure and 30 bps yoy decline in employee cost as a percentage of net sales was partially offset by increase in raw material prices.

Adjusted net profit for the fourth quarter also rose by 21.6% yoy to Rs. 887.5 mn, but an increase of 58.6% yoy in taxation forced the Company to report a flat net profit margin

Key Events

- Board of Directors recommended a final dividend of Rs. 2.50 per equity share. This is in addition to the two interim dividends for 2007, of Rs. 6.50 and Rs. 24.00 per equity share, paid in March 2007 and December 2007 respectively.
- The Company launched new variants of its existing brands such as KitKat chunky, KitKat mini, Nescafe Mild, and Maggi Cuppa Mania instant noodles.

Outlook

FMCG and in particular food processing space in India looks exciting due to shift in consumption pattern towards packaged food and increasing disposable income. Nestlé's focus has been on nutrition, health and wellness products and with its strong product portfolio in processed food and milk based products backed by its parent Company; Nestle is well equipped to exploit the opportunity.

Despite continuous rising raw material cost, the Company has been successful in maintaining its net profit margins. Going forward we expect the

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Company to sustain its margins as Nestle enjoys limited competition and has a strong pricing power in categories which are major contributors to top-line (like infant nutrition, coffee, instant noodles)

We expect Nestle to report revenue CAGR of 16.1% to Rs. 47 bn over CY07-09E, we expect the Company would be able to manage the cost efficiently thus, net profit is expected to grow at a CAGR of 12.4%. However, we feel that currently stock is trading at P/E of 30.2x for CY08E and 27.2x for CY09E is fairly priced and we maintain Hold rating.

Key Figures

Year to December	CY'05	CY'06	CY'07	CY'08E	CY'09E	CAGR (%)
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(Figures in Rs. mn, except per share data) (CY07-09E)

Net Sales	24,769	28,161	35,044	40,903	47,238	16.1%
Adj. EBITDA	5,221	5,415	6,963	7,894	8,739	12.0%
Adj. Net Profit	3,293	3,300	4,313	4,914	5,449	12.4%

Margins(%)

EBITDA	21.1%	19.2%	19.9%	19.3%	18.5%
NPM	13.3%	11.7%	12.3%	12.0%	11.5%

Per Share Data (Rs.)

Adj. EPS	32.1	32.7	44.7	51.0	56.5	12.4%
PER (x)	29.2x	34.8x	33.5x	30.2x	27.2x	

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