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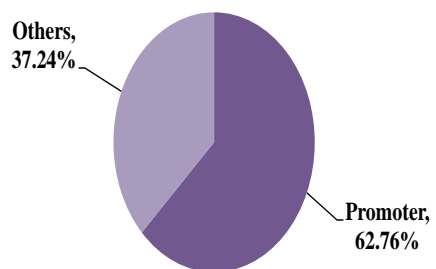
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Nestle Ltd - Wealth Creator

19th July, 2012

BSE Code	500790
BSE Group / Index	A
CMP	Rs. 4500/-
Market Capitalization	Rs. 43387 Cr
Face Value	Rs.10
EPS (TTM)	Rs 101.81
Book Value per Share (CY11)	Rs. 132.13
52 Wk High (BSE)	Rs. 5024.35 (19 Apr,2012)
52 Wk Low (BSE)	Rs. 3930.00 (16 Jan ,2012)
Target Price & Potential upside	Rs. 5200 (15%)

Shareholding Pattern % as of June 2012





Public holding more than 1% of the Total No. of Shares as of June, 2012

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
1	Life Insurance Corporation of India	2,684,626	2.78
2	Arisaig Partners (Asia) PTE Ltd A/C Arisaig India Fund Ltd	1,833,651	1.90
3	Aberdeen Global Indian Equity Fund (Mauritius) Ltd	1,350,000	1.40
4	HDFC Standard Life Insurance Company Ltd	984,467	1.02
	Total	6,852,744	7.11

➤ **About the Company**

Nestle is one of the world's leading nutrition, health and wellness company continues to bet big on India. Nestle India is the largest packaged food company in India.

➤ **Expansion Plans on Track**

The Rs1700 Cr expansion plan of Nestle India for increasing capacities is on track. The Tahliwal factory goes on stream, addressing capacity constraints and hinting better growth in ensuing quarters. This increase in capex indicates the management's confidence and optimism about the strong growth potential in the domestic market.

➤ **ECB undertaken for Growth**

Nestle draws another \$2.1 Cr from Nestle SA via ECB route with total outstanding ECB at \$157mn as on 31st March 2012.

➤ **Rupee Depreciation** has favorable impacted on export growth by 6.3% in Q1CY12.



➤ **Q1CY12 Results**

Top-line growth during Q1CY12 was driven by higher realizations on domestic sales. The company's export sales growth stood at 3.3% yoy, whereas domestic sales growth stood at 13.7% yoy. Nestle's operating profit margin increased by 104 bps on account of cost rationalization. Earnings grew by ~7.8%.

➤ **Strong Brand Positioning & Acceptance**

Nestle enjoys a strong position across categories in the foods and beverage space through its diversified portfolio of established brands such as Maggi, Nescafe, Everyday, Kit Kat and Milkmaid. The prospects on underpenetrated categories such as instant noodles, value-added dairy products, chocolates and confectionery, are also expected to witness an uptrend in consumer demand going ahead. It enjoys leadership in Infant Nutrition, Instant Coffee and Prepared Dishes.

➤ **AGM Highlights**

- Technology innovation continues and new launches are likely in chocolates and other products
- The Greenfield Tahliwal unit in Himachal Pradesh has started production and will provide 100% tax benefits in the first five years.
- Another round of capex is likely after the current capex plan gets consolidated.

➤ **Key Arguments**

- a. NESTLE'S dominant position works in favour of the company going ahead The company's strong pricing power and healthy innovation pipeline enables profitable volume growth.
- b. We like Nestle, with its strong brand equity and market position and remain positive on the long term prospects of the company.
- c. Demand over a span of 3 to 5 years doesn't seem to be an issue as more cities turn urban and the middle class expands.
- d. India's food and beverage sector is expected to grow at double the rate of GDP for the next few years. Hence Nestle would continue to command premium valuations, considering its strong business model and lack of listed players in the packaged food and beverage segment.

**Valuation: (Rs. in cr)**

	CY 10	CY 11	CY 12 E
Sales	6,297	7,541.71	8952.60
PAT	818.66	961.55	1,144.28
EPS (Rs)	84.91	99.73	118.70

- Top line and bottom line is expected to jump up significantly in FY 12.
- The top line is expected to increase by ~19% from Rs. 7,541 cr to Rs. 8,952 cr.
- Bottom line is expected to be increase from Rs. 961 cr to Rs. 1144 cr ~19%
- Nestle Ltd stock looks good and can give good potential upside of Rs. 5,200 from current price levels within 12 -18 months.

Recommendation of Other Brokerages

Brokerage Co	Date of Coverage	Recommendation	Target
Way2Wealth	27/4/2012	Add	-
Emkay	25/4/2012	Accumulate	5110
Angel Broking	27/4/2012	Neutral	-
ICICI Direct	23/4/2012	Buy	5074
Destimoney	12/4/2012	Accumulate	5050



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