

ACCUMULATE

CMP (Rs)	2,536
Target Price (Rs)	2,813
Potential Upside	10.9%
Sensex	71,424
Nifty	21,572

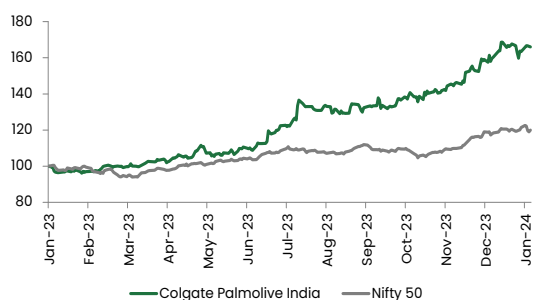
Key Stock data

BSE Code	500830
NSE Code	COLPAL
Bloomberg	CLGT IN
Shares o/s, Cr (FV 1)	27.2
Market Cap (Rs Cr)	68,981
3M Avg Volume	403,922
52 week H/L	2,550/1,435

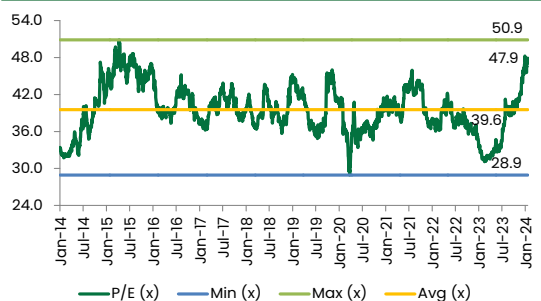
Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	51.0	51.0	51.0
FII	21.8	24.1	24.6
DII	7.8	5.9	5.9
Others	19.4	19.0	18.5

1 year relative price performance



1 year P/E Forward (x)



Research Analyst

Nirvi Ashar

nirvi.ashar@religare.com

Decent Q3FY24 numbers; Maintain Accumulate

Q3FY24 Result Update | Sector: FMCG | January 23, 2024

Steady revenue growth as compared to last year: Colgate Palmolive India reported steady Q3FY24 revenue growth of 8.1% to Rs 1,395.7cr, driven by domestic growth at 8.8% YoY. On a sequential basis, revenue de-grew by 5.1%. Overall topline growth was led by improved traction in the oral care category specially toothpaste with double-digit growth and positive volume expansion.

Healthy margin improvement: Colgate's gross profit for Q3FY24 grew by 18.4% YoY but was flat sequentially to Rs 1,007.3cr and gross margins improved by 631bps YoY and 341bps QoQ to 72.7% led by decline in raw material cost by 11.9% YoY and 15.5% QoQ. Despite an increase in advertisement cost by 20.2% YoY and employee cost by 11.0% YoY, EBITDA witnessed a growth of 29.6% YoY to Rs 468.4cr while was marginally down by 2.8% QoQ. EBITDA margin improved to 33.6% to 557bps YoY and 79bps QoQ. PAT grew by 35.7% YoY but was down by 2.9% QoQ to Rs 330.1cr with PAT margin at 23.7%, higher by 482bps YoY and 54bps QoQ.

Robust 9MFY24 performance: The Company reported 9MFY24 revenue of Rs 4,190.4cr, up by 8.1% as compared to 9MFY23. Further, its gross profit grew by 15.7% YoY to Rs 2,924.8cr with margin at 69.8%, improved by 454bps YoY led by decline in raw material cost by 6% YoY. Its EBITDA grew by 25% YoY to Rs 1,368.6cr with margin at 32.7% and improvement of 440bps YoY. Its PAT for 9MFY24 was up by 29.1% YoY to Rs 943.8cr and margin at 22.5% with an improvement of 366bps YoY.

Key highlights: 1) Management remains positive on the growth prospect of the company and the plan is to continue investment behind its brands, focus on technology, cost management and focus on right talent. 2) This quarter their campaign, 'The Sweet Truth - Brush at Night' reached over 300mn people in urban India. 3) Amongst the products, Colgate MaxFresh underwent a relaunch and they introduced a new-to-world proprietary formula infused with unique cooling crystals to deliver a superior freshness experience to consumers. 4) The new campaign for Colgate MaxFresh was NeendBhagaoTaazgiJagao.

Outlook & Valuation: Colgate continued to deliver yet another quarter of steady numbers. Despite competition their focus is to drive growth by launching and relaunching oral care products largely in the toothpaste category, expanding distribution reach, increasing advertising spend and focus on campaigns to promote brand recall value. On the financial front, we expect its revenue/EBITDA/PAT to grow at 8%/13.4%/15% CAGR over FY23-26E and continue to maintain our **Accumulate** rating with a revised target price upwards to **Rs 2,813**.

Financial Summary - standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	5,226.2	5,641.9	6,093.2	6,580.7
EBITDA	1,547.0	1,865.0	2,045.7	2,255.4
EBITDAM (%)	29.6	33.1	33.6	34.3
APAT	1,047.2	1,292.9	1,439.5	1,594.3
APATM (%)	20.0	22.9	23.6	24.2
EPS (Rs)	38.5	47.5	52.9	58.6
PE (x)	65.9	53.4	47.9	43.3
RoE (%)	61.0	67.3	63.3	57.4

Source : RBL Research

Net Sales of 8.1% YoY driven by domestic growth at 8.8% YoY.

Gross & EBITDA margin improved led by decline in raw material prices

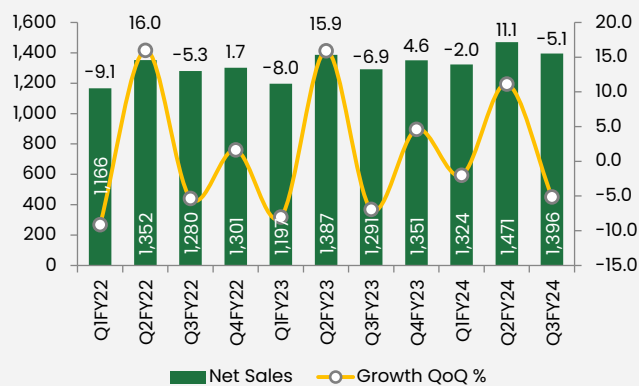
P&L Account Quarterly – standalone

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Net Sales	1,395.7	1,291.3	8.1	1,471.1	(5.1)
Cost of Raw Materials	334.4	369.4	(9.5)	369.9	(9.6)
Purchase of Finished Goods	63.5	75.8	(16.2)	70.4	(9.7)
(Increase) / Decrease In Stocks	(9.5)	(4.4)	-	19.1	-
Total Raw material cost	388.3	440.7	(11.9)	459.4	(15.5)
Gross Profit	1,007.3	850.6	18.4	1,011.7	(0.4)
Gross Margins (%)	72.2	65.9	631bps	68.8	341bps
Employee Cost	109.8	98.9	11.0	106.2	3.4
Advertisement exp.	204.3	169.9	20.2	206.0	(0.8)
Other Expense	224.8	220.3	2.1	217.3	3.5
Total Expenditure	538.9	489.1	10.2	529.5	1.8
EBITDA	468.4	361.5	29.6	482.1	(2.8)
EBITDA Margins (%)	33.6	28.0	557bps	32.8	79bps
Depreciation	41.4	43.7	(5.3)	44.3	(6.6)
EBIT	427.0	317.8	34.4	437.9	(2.5)
Other Income	17.9	10.4	71.9	21.0	(14.9)
Interest	1.5	1.3	19.8	1.1	43.8
PBT	443.4	326.9	35.6	457.8	(3.1)
Tax	113.3	83.7	35.4	117.8	(3.8)
PAT	330.1	243.2	35.7	340.1	(2.9)
PAT Margin (%)	23.7	18.8	482bps	23.1	54bps
EPS (Rs)	12.1	8.9	35.7	12.5	(2.9)

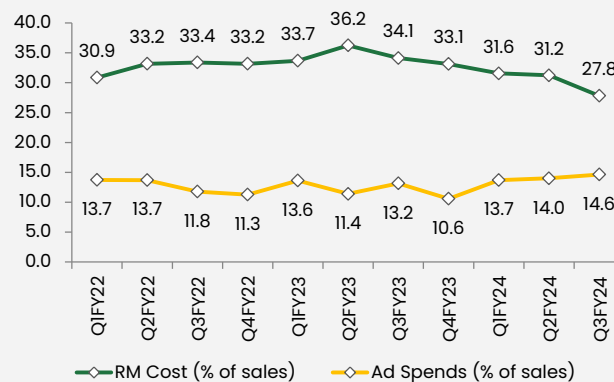
Source : RBL Research

Story in charts

Net Sales (Rs cr) grew by 8.1% YoY but declined by 5.1% QoQ

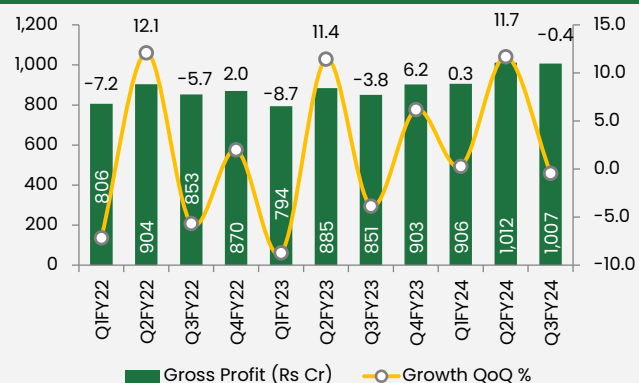


RM cost declined to 27.8% but Advertisements increased to 14.6% in Q3FY24

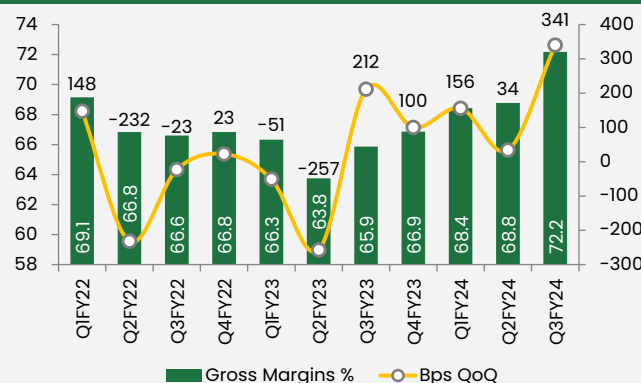


Source : RBL Research

Gross profit grew by 18.4% YoY but declined by 0.4% QoQ

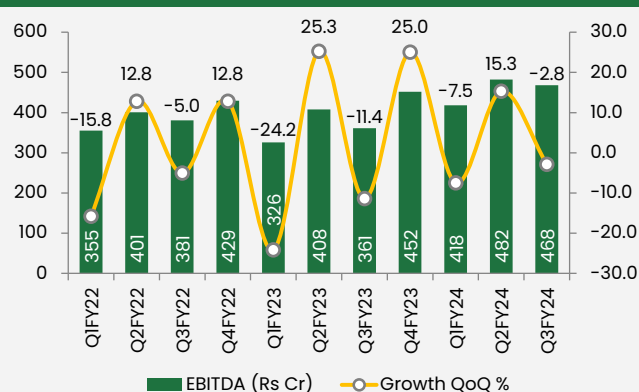


Gross margins improved by 631bps YoY and 341bps QoQ

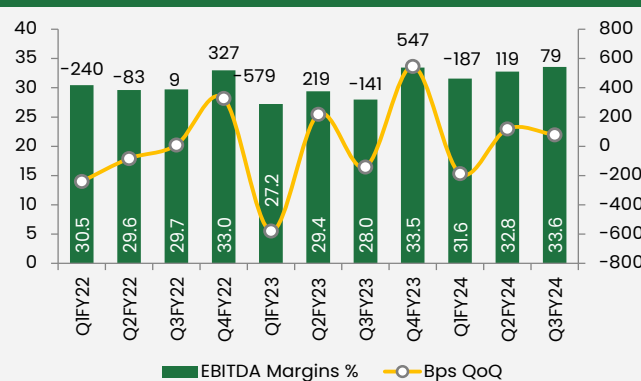


Source : RBL Research

EBITDA improved by 29.6% YoY but declined by 2.8% QoQ

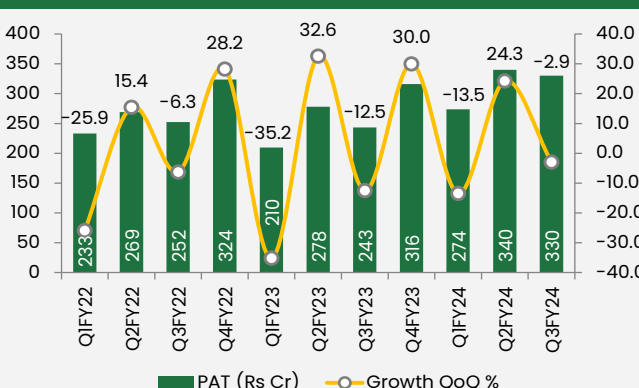


EBITDA margins improved by 557bps YoY and 79bps QoQ

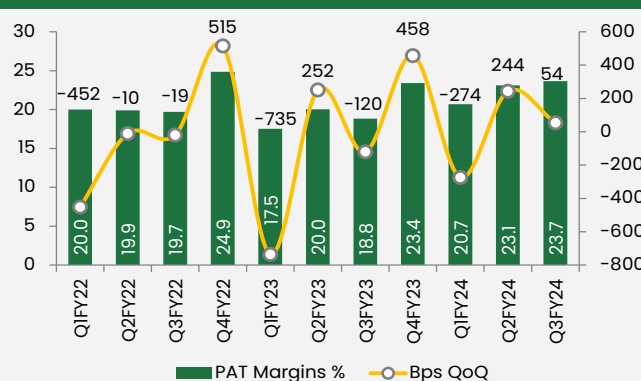


Source : RBL Research

PAT was up by 35.7% YoY but declined by 2.9% QoQ



PAT margins improved by 482bps YoY and 54bps QoQ



Source : RBL Research

P&L Account – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net sales	5,226.2	5,641.9	6,093.2	6,580.7
Expenditure				
Cost of materials	1,492.5	1,398.4	1,498.9	1,599.1
Purchase of stock in trade	297.8	260.7	280.3	302.7
(Increase) / Decrease In Stocks	3.9	7.1	7.7	8.3
Total raw materials	1,794.2	1,666.3	1,786.9	1,910.2
Gross Profit	3,432.0	3,975.6	4,306.3	4,670.5
Gross Margins (%)	65.7	70.5	70.7	71.0
Employee cost	377.0	422.1	450.9	480.4
Advertisements cost	634.1	803.5	865.2	934.5
Other expenses	874.0	885.0	944.5	1,000.3
Total expenditure	1,885.0	2,110.6	2,260.6	2,415.1
EBITDA	1,547.0	1,865.0	2,045.7	2,255.4
EBITDAM (%)	29.6	33.1	33.6	34.3
Depreciation	174.8	173.0	188.9	197.4
EBIT	1,372.2	1,692.1	1,856.8	2,058.0
Other income	53.6	71.3	77.0	83.1
Interest expenses	4.9	4.8	4.8	4.8
PBT	1,420.9	1,758.6	1,929.0	2,136.4
Tax	362.5	446.2	489.5	542.1
Reported PAT	1,058.4	1,312.4	1,439.5	1,594.3
Exceptional Income / Expenses	-11.2	-19.5	0.0	0.0
PAT (after Exceptional)	1,047.2	1,292.9	1,439.5	1,594.3
PAT Margin (%)	20.0	22.9	23.6	24.2
EPS (Rs)	38.5	47.5	52.9	58.6

Source : RBL Research

Balance Sheet – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	27.2	27.2	27.2	27.2
Reserves & Surplus	1,689.2	1,894.1	2,245.6	2,751.9
Total Shareholder's Fund	1,716.4	1,921.3	2,272.8	2,779.1
Long term provision	23.6	25.5	27.5	29.7
Other long term liabilities	58.4	63.0	68.1	73.5
Total	82.0	88.5	95.6	103.2
Current Liabilities				
Trade payables	761.1	821.7	887.4	937.5
Short term provisions	90.5	97.7	105.5	114.0
Other current liabilities	233.0	251.5	271.7	293.4
Total	1,084.6	1,170.9	1,264.6	1,344.9
Total liabilities	2,883.0	3,180.6	3,632.9	4,227.2
Application of Assets				
Net Block	861.8	887.7	914.3	941.7
Current work in process	114.1	114.1	114.1	114.1
Tax assets	28.8	31.1	33.6	36.3
Long term loans and advances	0.9	1.0	1.1	1.2
Other non-current assets	329.5	355.7	384.1	414.8
Total	1,335.1	1,389.5	1,447.2	1,508.1
Current Assets				
Inventories	335.5	362.1	391.1	414.7
Trade receivables	157.4	169.9	183.5	198.2
Cash balance	801.2	1,014.2	1,354.8	1,837.6
Bank balance	121.9	102.4	102.4	102.4
Short term loans and advances	87.6	94.6	102.1	110.3
Other current assets	44.5	48.0	51.8	56.0
Total	1,547.9	1,791.1	2,185.8	2,719.1
Total assets	2,883.0	3,180.6	3,632.9	4,227.2

Source : RBL Research

Cashflow – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Profit before tax	1,420.9	1,758.6	1,929.0	2,136.4
Add: Depreciation	174.8	173.0	188.9	197.4
Add: Interest cost	4.9	4.8	4.8	4.8
Less: Other Income	(41.0)	(52.8)	(57.0)	(61.5)
Others	6.5	-	-	-
Operating profit before working capital changes	1,566.1	1,883.6	2,065.7	2,277.0
Changes in working capital	(8.9)	14.5	15.8	3.9
Cash from Operations	1,557.1	1,898.1	2,081.5	2,280.9
Less: Taxes	(380.9)	(446.2)	(489.5)	(542.1)
Cash flow from Operations	1,176.3	1,451.9	1,592.0	1,738.8
Net cash used in Investing				
Purchase/sales of fixed assets	(69.5)	(198.8)	(215.5)	(224.8)
Other Income	37.4	52.8	57.0	61.5
Others	24.5	-	-	-
Cash flow from investing	(7.5)	(146.1)	(158.5)	(163.3)
Cash flow from Financing				
Dividend (Incl dividend tax)	(1,057.5)	(1,088.0)	(1,088.0)	(1,088.0)
Interest cost	(4.9)	(4.8)	(4.8)	(4.8)
Others	(29.3)	-	-	-
Cash flow from Financing	(1,091.6)	(1,092.8)	(1,092.8)	(1,092.8)
Net cash Inflow/Outflow	77.1	213.0	340.7	482.7
Opening cash	724.1	801.2	1,014.2	1,354.8
Closing Cash	801.2	1,014.2	1,354.8	1,837.6

Source : RBL Research

Key ratios – standalone

Particulars	FY23	FY24E	FY25E	FY26E
Per share Data				
EPS (Rs)	38.5	47.5	52.9	58.6
Book value per share (Rs)	63.1	70.6	83.6	102.2
Dividend per share (Rs)	38.9	40.0	40.0	40.0
Dividend Payout (%)	101.0	84.2	75.6	68.2
Dividend Yield (%)	1.5	1.6	1.6	1.6
Profitability Ratios				
EBITDAM(%)	29.6	33.1	33.6	34.3
PBTM (%)	27.2	31.2	31.7	32.5
NPM (%)	20.0	22.9	23.6	24.2
RoE (%)	61.0	67.3	63.3	57.4
RoCE (%)	79.9	88.1	81.7	74.1
Efficiency Data				
Debt-Equity Ratio	0.0	0.0	0.0	0.0
Interest Cover Ratio	279.5	353.2	387.5	429.5
Fixed Asset Ratio	0.2	0.2	0.2	0.1
Debtors (Days)	11.0	11.0	11.0	11.0
Inventory (Days)	23.4	23.4	23.4	23.0
Payable (Days)	53.2	53.2	53.2	52.0
WC (Days)	-18.7	-18.7	-18.7	-18.0
Valuation				
P/E (x)	65.9	53.4	47.9	43.3
P/BV (x)	40.2	35.9	30.3	24.8
EV/EBITDA (x)	44.1	36.4	33.1	29.8
EV/Sales (x)	13.0	12.0	11.1	10.2

Source : RBL Research

Research Team

Name	Email ID
Siddarth Bhamre	siddarth.bhamre@religare.com
Ajit Mishra	ajit.mishra@religare.com
Manoj Vayalar	manoj.vayalar@religare.com
Nirvi Ashar	nirvi.ashar@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Akshay Tiwari	akshay.tiwari@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Rohan Shah	rohan.shah@religare.com
Riddhika Mirajkar	riddhika.mirajkar@religare.com
Ashwani Harit	ashwani.harit@religare.com
James Kunnel	james.kunnel@religare.com

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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