



COLGATE-PALMOLIVE



Sushil Finance
ACTIONABLE KNOWLEDGE



**RE-INSTATING COVERAGE
REPORT**

Colgate Palmolive (India) Ltd

Market Cap.

Rs. 65,157 cr

52 Week H/L

Rs. 2,437/1,435

CMP

Rs.2,395

Target Price

Rs.2,878

FMCG

STOCK DATA

BUY

Reuters Code	COLG.BO	
Bloomberg Code	CLGT IN	
BSE Code	500830	
NSE Symbol	COLPAL	
Face Value	1	
Shares Outstanding	27.2 cr.	
Avg. Daily Vol. (6m)	512,578	
Price Performance (%)		
1M	3M	6M
9	19	44

200 Days EMA Rs. 1932

SHARE HOLDING (%)

Promoters	51.0
FII	24.1
FI/MF	5.4
Body Corporate	0.6
Public & Others	18.9

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CONTINUED INNOVATION AND PREMIUMISATION TO ENSURE THE COMPANY'S GROWTH DRIVER.

Colgate continues to increase its focus towards science-backed innovation for its products. The company focuses on innovation in the personal care segment specifically the oral care segment. The company's constant efforts to increase brand recall and market leadership position enables them to improve its market share in the industry. Colgate has thus launched a number of products in line with evolving needs and preferences of consumers. The company has increased its focus on premiumisation which will result in increase in ASP. Of the total customer base, 86% of toothpaste category is below Rs.110 ASP and for Brush 78% is below Rs.40 ASP. The company also focuses on improving the oral care habits through advertising resulting in improvement in top line and bottom line of the company. The launch of these products is complemented by the existing distribution network of over 1.7 million kirana stores (95% active) across the country.

HEALTHY FINANCIAL PROFILE ENABLES THE COMPANY TO STRONG ARM ANY ADVERSE MARKET TAILWINDS.

During the four years ending March 31, 2023, the company's turnover has grown at a CAGR of ~5% along with considerable margin expansion. The company continues to be debt free and generated free cash flow to the tune of ~Rs 1,114 Cr in FY23.

OUTLOOK & VALUATION

The company has launched a number of products in FY23 & FY24 and the same have gain traction during H1FY24. **Owing to the recovery in the industry and increased traction in the business of the company, we have forecasted annual sales growth of 7%, 5% and 6% in FY24E, FY25E and FY26E derived a revenue of Rs. 6,228.2 cr for FY26E. We expect the PAT margins to remain in the range of 22%-23% through FY24E to FY26E and EPS of Rs. 52.1 in FY26E. As we assign a P/E multiple of ~55X we arrive at a price target of Rs. 2,878 which gives us an upside of ~20% from CMP of Rs. 2,395. Hence, we re-instate coverage on Colgate Palmolive (India) Ltd with a BUY rating over an investment horizon of 24-30 months.**

Y/E Mar	Revenue (Rs. cr)	EBITDA (Rs. cr)	EBITDA (%)	PAT (Rs. cr)	NPM (%)	EPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY23	5,226.2	1,547.0	29.6%	1,047.1	20.0%	38.5	62.2	12.5	38.0
FY24E	5,599.7	1,801.3	32.2%	1,223.1	21.8%	45.0	53.3	11.6	34.6
FY25E	5,877.8	1,895.3	32.2%	1,324.4	22.5%	48.7	49.2	11.1	30.3
FY26E	6,228.2	2,012.9	32.3%	1,418.1	22.8%	52.1	45.9	10.5	26.0

INVESTMENT RATIONALE - CONTINUED INNOVATION AND PREMIUMISATION TO ENSURE THE COMPANY'S GROWTH DRIVER.

Colgate follows a closely defined business strategy to develop and increase its market leadership position in key product categories. While the predominant business of the company has been confined to Oral Care where it continues to face intense competition, the outlook for the industry is positive given the size of the opportunity and the business is expected to grow strongly over the next few years on the back of the company's experience in operating within a challenging environment and its continued focus on capturing significant growth opportunities. The company is now focusing on premiumisation through a science-backed product launches. This is one of the company's major growth driver for near to medium term. Further, the company also focuses on increasing its Average Selling Price (ASP) through premiumisation since the ASP has remained on a lower end. For toothpaste category ~86% is below ASP of Rs.110 and for Brush replacement category ~78% remain below ASP of Rs.40. The company focuses on 'Brushing twice a day' since only 20% of total urban household brush twice a day and 55% of rural household do not brush in a day. Further, the company is educating the consumers through its advertising (~12% of Total Revenues) and other means for timing on brush replacement and 'Brushing twice a day'. Urban household replaces every 6 months and Rural every 15 months. The management's these focus will lead to increase in volumes and ASP resulting in revenues and margin growth.

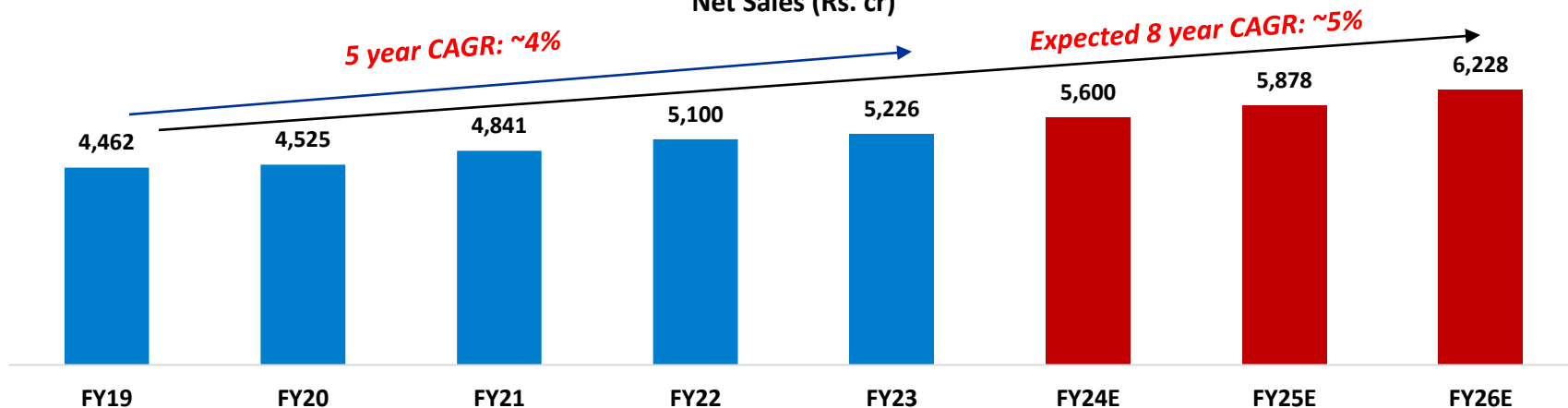
The company has been successful in identifying and meeting consumer needs within its core categories, through its consistent focus on the introduction of innovative products and the deployment of valuable consumer and shopper insights the company has successfully launched these new products in FY23:

Product Name	Description
KEEP Toothbrush	Colgate KEEP toothbrush helps consumers make more sustainable choices. Colgate KEEP has a reusable metal stand-up handle with a softbristled disposable head with a tongue scraper. The removal of plastic from the entire handle results in 80% reduction in plastic.
Advanced Electric Toothbrush	The smart electric toothbrush brings consumers a tailored brushing experience, letting them pick the right combination. The brush comes with 33 combinations, four modes, smart pressure sensor and a 30-second pacer for an advanced cleaning experience.
Visible White O2 Toothbrush	Revolutionary teeth whitening toothbrush with spiral bristles. The Colgate Visible White O2 Toothbrush helps remove extrinsic stains so consumers can flaunt a whiter smile.
Super Flexi Toothbrush	With a fresh new look, the handle is available in four sporty colour variants. The new wave trim bristle material is more durable and designed to elevate the brushing experience.
Colgate MaxFresh Charcoal Toothpaste	With a unique combination of bamboo charcoal, wintergreen mint and our cooling crystals, this gel toothpaste delivers a blast of freshness that helps keep the mouth refreshed and provides a never-before energising wake-up experience.
PerioGard Toothpaste	The all new Colgate PerioGard with a potent zinc citrate formula, combats anaerobic bacteria and helps treat gums problems like gum bleeding, inflammation and, bad breath.

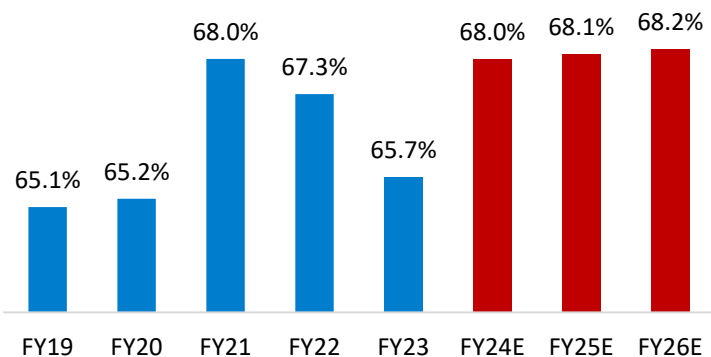


INVESTMENT RATIONALE- HEALTHY FINANCIAL PROFILE ENABLES THE COMPANY TO STRONG ARM ANY ADVERSE MARKET TAILWINDS.

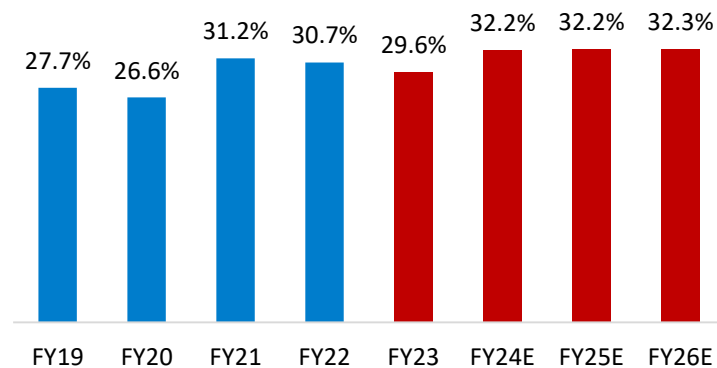
Net Sales (Rs. cr)



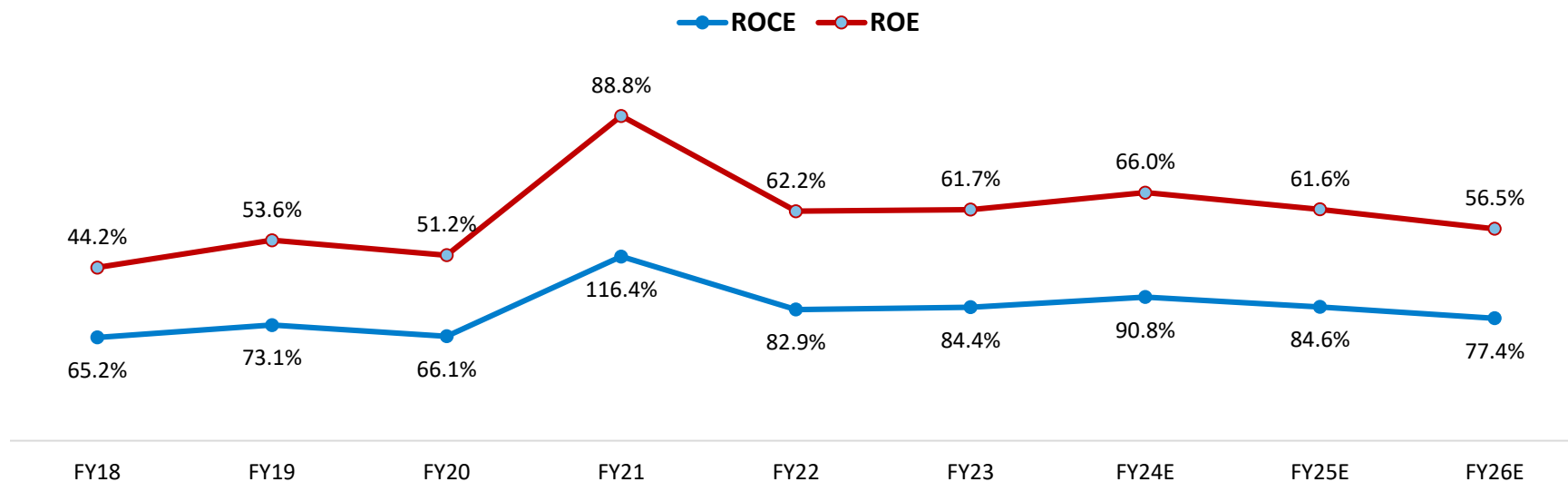
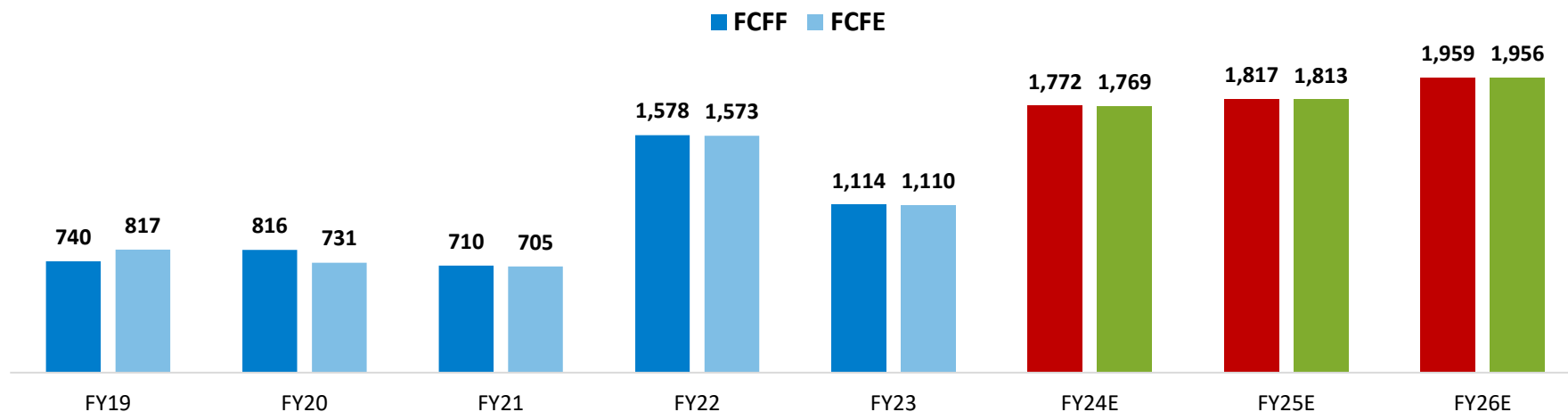
Gross Margins



EBITDA Margins



Source: Company, Sushil Finance Research



Source: Company, Sushil Finance Research

COMPANY OVERVIEW

Colgate-Palmolive (India), is an oral care, innovative growth company that is reimagining a healthier future for all people. The Company has steadfastly nurtured the culture of oral care in India for decades, which has made it India's most preferred oral care brand and India's most penetrated FMCG brand, reaching nine out of ten households. The product line of the Company comprises a oral care range of toothpastes, toothbrushes, mouth washes, and personal care items such as hand washes and shower gels. The company's products reach over 1.7 million stores, 95% of which are active every quarter.

The Company believes in science-led innovation across all areas of its business and has a vast team of specialists including scientists, engineers, innovators, technologists, regulatory experts and data scientists. The Company recognizes India as a key part of its global Research and Development (R&D) agenda. With over 85 years of presence in India, the Company has established a state-of-the-art R&D center in Mumbai, which is one of its largest R&D facilities globally. The Company has a rich experience in the oral care & personal care industry and with support from external partners, on a global level has developed a wealth of patents and proprietary technologies, enabling the company to develop some of the most effective products for the Indian market. Some of the recent product introductions include, Colgate Max-Fresh Charcoal Toothpaste, Colgate PerioGard Toothpaste, KEEP Toothbrush, Visible White O2 Toothpaste, advanced Electric Toothbrush, Super Flexi Toothbrush, etc.

The Company is also committed to building a strong personal care portfolio leveraging the high recall of the brand name 'Palmolive' as well as considering relevant opportunities from the Colgate-Palmolive global portfolio. The product portfolio includes premium body wash and hand wash. Apart from decades-long vendor relationships, the Company has great partnerships with all key modern trade customers and e-commerce. This offers a huge opportunity, as these channels will grow rapidly in the coming years. Colgate also actively engages with B2B customers, to strategically achieve assortment penetration and increased coverage while providing alternate streams of product availability to the traditional trade channels. The e-commerce channel continued on its exponential growth trajectory.

Colgate continued its strong performance in modern trade on the back of innovative new products, shopper engagement initiatives, joint business planning and alignments with category teams. In line with its reputation in the industry, the company has developed key initiatives to build strong relationships with consumers, dental professionals and customers.

Over the last 5 years, the sales and operating profits have grown at ~17% and 25% respectively. As on June 30, 2022, the Promoters' holding stood at 51%, FIIs held 24.08%, DIIs held 5.59%, Government held 0.28% and rest is held by Public. Further Government of Singapore holds 1.36%, LIC holds 1.96% as on Sept 2023.

QUARTERLY PERFORMANCE- Q2FY24

Particulars (In Cr)	Q2FY24	Q1FY24	QoQ	Q2FY23	YoY	H1FY24	H1FY23	YoY
Revenue	1,471.1	1,323.7	11.1%	1,387.5	6.0%	2,794.8	2,584.3	8.1%
Cost of Goods sold	459.4	417.9	9.9%	502.9	-0.1	877.3	906.0	-3.2%
Employee Benefit Exp	106.2	95.8	10.9%	94.5	12.4%	202.0	188.2	7.3%
Other Expenses	423.3	391.9	8.0%	382.0	10.8%	815.2	756.4	7.8%
EBITDA	482.1	418.1	15.3%	408.0	18.2%	900.3	733.7	22.7%
EBITDA (%)	32.8%	31.6%	120 bps	29.4%	340 bps	32.2%	28.4%	380 bps
Other Income	21.0	15.0	40.3%	11.3	86.3%	36.0	22.8	57.7%
Depreciation	44.3	43.8	1.2%	43.9	1.0%	88.0	88.0	0.0%
Interest	1.1	1.1	-1.9%	1.3	-17.3%	2.1	2.6	-17.5%
PBT	457.8	388.3	17.9%	374.1	22.4%	846.1	665.9	27.1%
Tax Expenses	117.8	95.1	23.9%	96.1	22.5%	212.8	168.9	26.0%
PAT	340.1	273.7	24.3%	278.0	22.3%	633.2	497.0	27.4%
PAT (%)	23.1%	20.7%	240 bps	20.0%	310 bps	22.7%	19.2%	350 bps
EPS	12.5	10.1	240 bps	10.2	230 bps	22.6	18.3	430 bps

- **For The Quarter Ended Q2FY24;** Colgate-Palmolive (India) Limited reported Net Sales growth of 6.0% over the same quarter of previous year aggregating to Rs. 1,471.1 cr for the quarter ended September 30, 2023. Reported Net profit after tax for the quarter was Rs. 340.1 cr as against the net profit of Rs.278 cr for Q2FY23.
- **For Half Year ended H1FY24:** The revenues of the company increased to Rs.2,794.8 cr in H1FY24 from Rs.2,584.3 cr in H1FY23, which is an increase of 8.1%. Further, the Net Profit increased substantially to Rs.633.2 in H1FY24 from Rs.497 cr in H1FY23, an increase of 27.4%.
- **Improved Margins for H1FY24:** The operating profit margin for the company has significantly improved to 32.2% in H1FY24 as against 28.4% for H1FY23. The increase is majorly on account of improved gross margins and cost reductions. The management expects the margins to stabilize at same level, going ahead.
- **Interim Dividend Announced:** The management announced an interim dividend of Rs.22/share totaling the dividend to Rs.43/share for FY24 already.

Source: Company, Sushil Finance Research

INCOME STATEMENT

(Rs. cr)

Y/E March	FY22	FY23	FY24E	FY25E	FY26E
Total Revenue	5,100	5,226	5,600	5,878	6,228
Raw Material Cost	1668	1794	1780	1863	1968
Employee Cost	385	377	406	426	452
Other Expenses	1481	1508	1613	1693	1795
EBITDA	1566	1547	1801	1895	2013
<i>EBITDA Margin (%)</i>	<i>30.7%</i>	<i>29.6%</i>	<i>32.2%</i>	<i>32.2%</i>	<i>32.3%</i>
Depreciation	177	175	173	158	151
EBIT	1389	1372	1629	1737	1862
<i>EBIT Margin (%)</i>	<i>27.2%</i>	<i>26.3%</i>	<i>29.1%</i>	<i>29.6%</i>	<i>29.9%</i>
Finance Costs	6	5	5	4	5
Other Income	26	54	55	57	59
Profit before Tax	1409	1421	1679	1790	1916
Tax Expense	345	372	437	465	498
Net Profit	1078	1058	1243	1324	1418
<i>Net Margin (%)</i>	<i>21.1%</i>	<i>20.3%</i>	<i>22.2%</i>	<i>22.5%</i>	<i>22.8%</i>
EPS	39.6	38.5	45.0	48.7	52.1

Source: Company, Sushil Finance Research

BALANCE SHEET STATEMENT

(Rs. cr)

Y/E Mar.	FY22	FY23	FY24E	FY25E	FY26E
PP&E (incl. CWIP)	1,085	976	903	870	850
Other Non-Current	10	13	13	13	13
Inventories	357	335	332	352	367
Trade Receivables	225	157	153	177	188
Cash and Bank Balances	755	923	1,217	1,518	1,931
Other Current Assets	471	478	479	481	484
Total Assets	2,902	2,883	3,097	3,411	3,832
Equity Share Capital	27	27	27	27	27
Reserves & Surplus	1,707	1,689	1,855	2,122	2,483
Borrowings	0.0	0.0	0.0	0.0	
Trade Payables	771	761	765	796	836
Other Financial Liabilities	119	108	140	147	156
Other Current Tax Liab & Provisions	276	298	309	319	331
Total Liabilities	2,902	2,883	3,097	3,411	3,832

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT

(Rs. Cr)

Particulars	FY22	FY23	FY24E	FY25E	FY26E
PBT	1,409	1,421	1,679	1,790	1,916
Depreciation	177	175	173	158	151
Interest	6	5	5	4	5
CFO before Working Cap chg	1,592	1,601	1,856	1,952	2,071
Chg in Inventories	(21)	22	4	(21)	(15)
Chg in Trade Receivables	(108)	67	4	(24)	(11)
Chg in Trade Payables	11	(10)	4	31	40
Income Taxes Paid	(345)	(372)	(437)	(465)	(498)
Cash Flow from Operations	1,626	1,176	1,869	1,938	2,086
Interest Paid	(6)	(5)	(5)	(4)	(5)
Dividend Paid	(1,057)	(1,057)	(1,057)	(1,057)	(1,057)
Other Adjustments	317	348	43	14	18
Cash Flow from Financing	(1,091)	(1,087)	(1,455)	(1,513)	(1,543)
Capital Expenditure	(53)	(66)	(100)	(125)	(130)
Other Adjustments	(55)	58	-	-	-
Cash Flow from Investing	(108)	(8)	(100)	(125)	(130)
Opening Cash	297	724	806	1,120	1,420
Total Cash Flow	427	82	314	301	413
Closing Cash	755	923	1,217	1,518	1,931

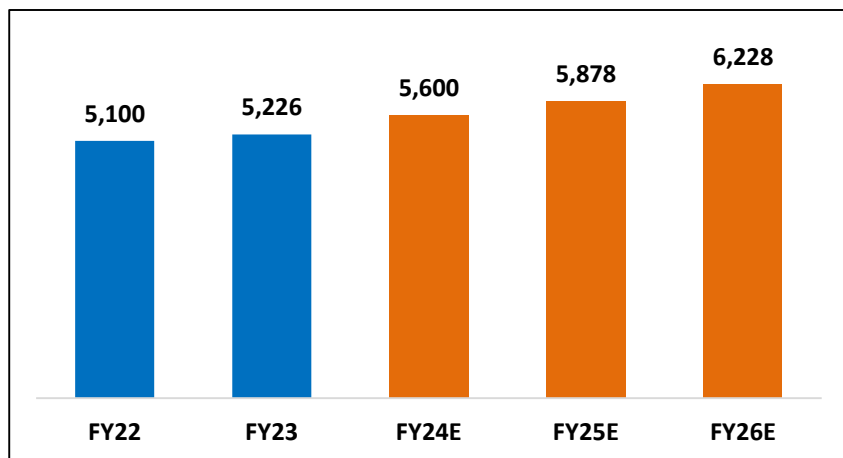
Source: Company, Sushil Finance Research

FINANCIAL RATIOS STATEMENT

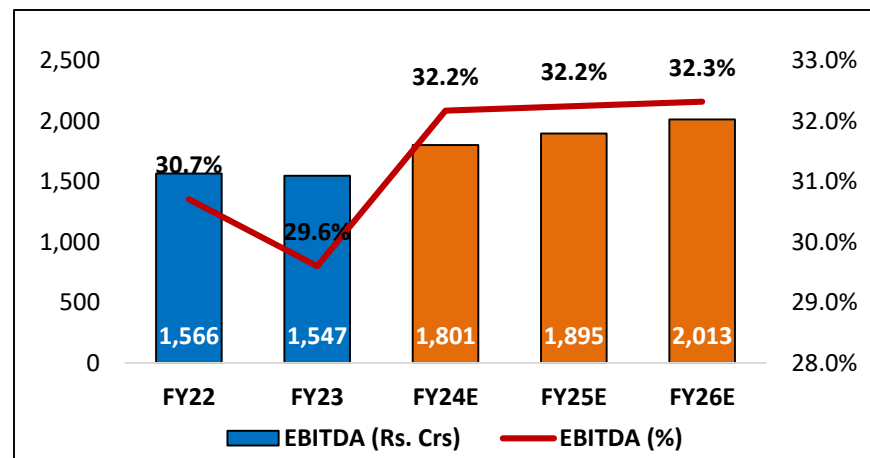
Ratios	FY22	FY23	FY24E	FY25E	FY26E
<u>Growth (%)</u>					
Revenue	5.3%	2.5%	7.1%	5.0%	6.0%
EBITDA	3.7%	-1.2%	16.4%	5.2%	6.2%
Net Profit	4.1%	-1.9%	17.4%	6.6%	7.1%
<u>Profitability (%)</u>					
EBITDA Margin	30.7%	29.6%	32.2%	32.2%	32.3%
Net Profit Margin	21.1%	20.3%	22.2%	22.5%	22.8%
ROCE	82.9%	84.4%	90.8%	84.6%	77.4%
ROE	62.2%	61.7%	66.0%	61.6%	56.5%
<u>Per Share Data (Rs.)</u>					
EPS	39.6	38.5	45.0	48.7	52.1
BVPS	63.8	63.1	69.2	79.0	92.3
CEPS	46.2	44.9	51.3	54.5	57.7
<u>Valuation (x)</u>					
P/E	60.4	62.2	53.3	49.2	46.0
P/BV	37.6	38.0	34.6	30.3	26.0
EV/EBITDA	41.0	41.5	35.7	33.9	31.9
P/Sales	12.9	12.6	11.7	11.2	10.5
<u>Turnover</u>					
Inventory days	78	68	68	69	68
Debtor days	16	11	10	11	11
Creditor days	169	155	157	156	155
Net WC Days	(75)	(76)	(79)	(76)	(76)
<u>Gearing (x)</u>					
D/E	0.0	0.0	0.0	0.0	0.0

Source: Company, Sushil Finance Research

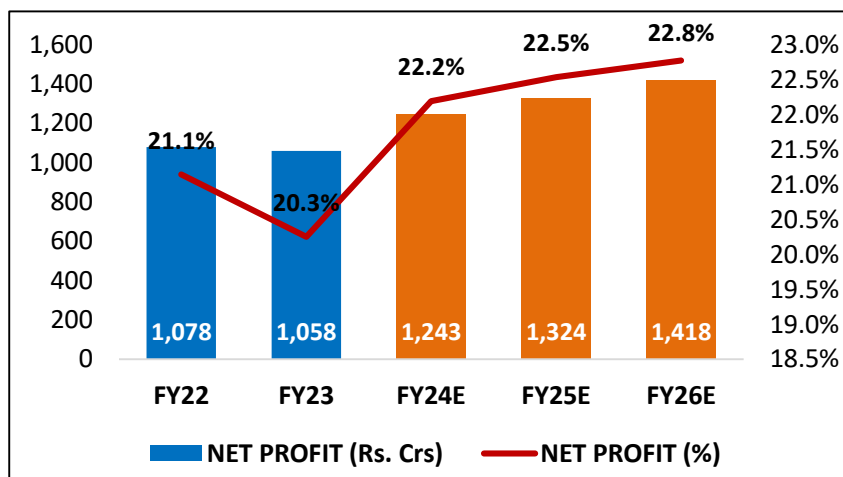
TOTAL INCOME (RS. Crs)



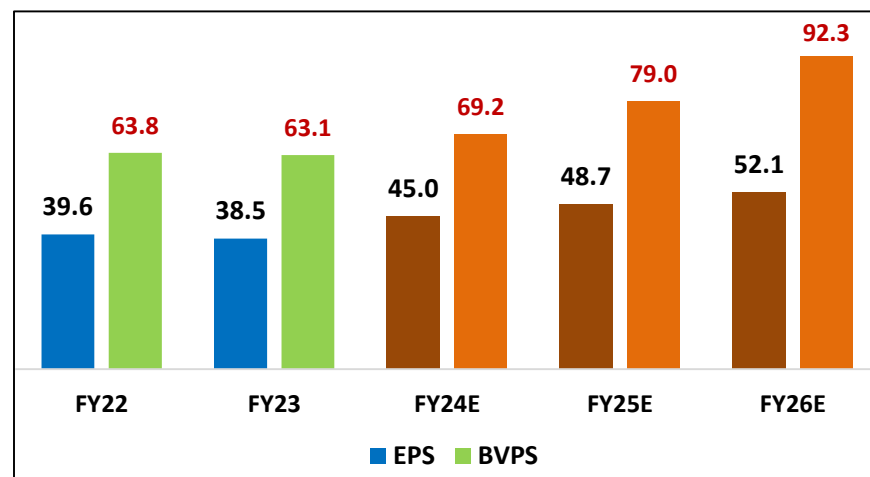
EBITDA (Rs. Crs)



NET PROFIT (Rs. Crs) & NP(%)

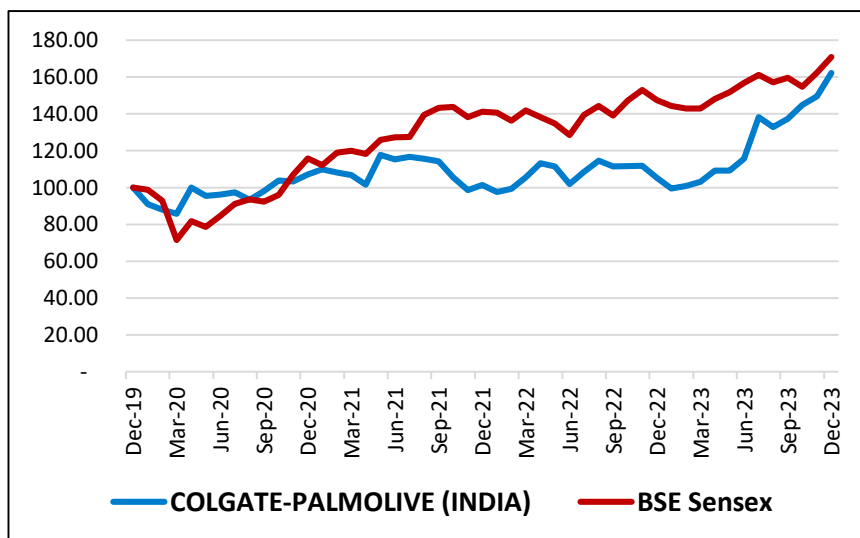
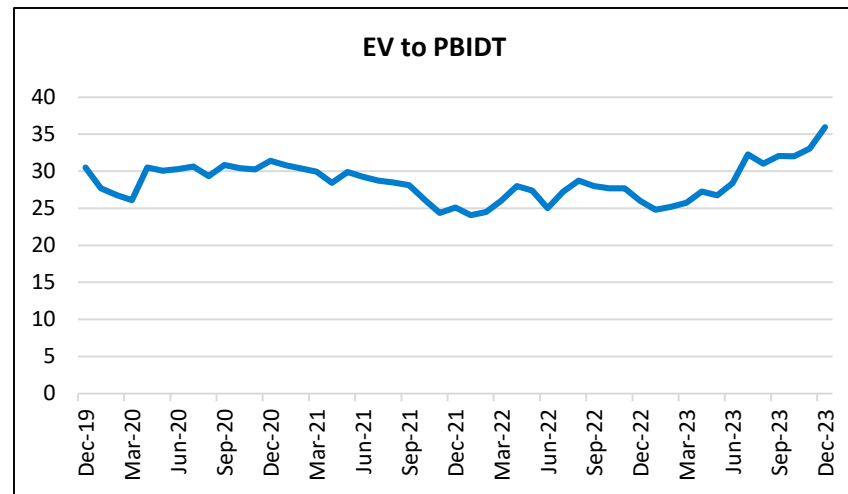
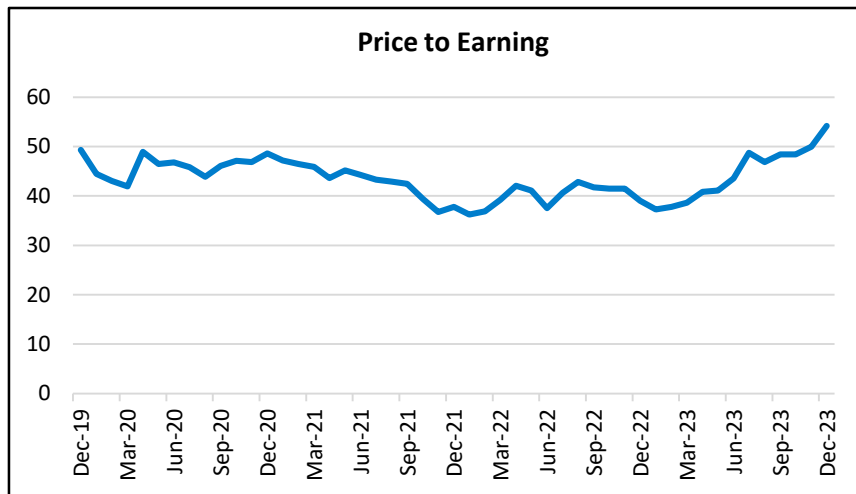


EPS & BVPS



Source: Company, Sushil Finance Research

MARKET INFORMATION



Source: Company, Sushil Finance Research

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 12%

HOLD : -12% to 12%

SELL : Below -12%

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Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No