

February 10, 2025

RESULT REPORT DEC'24 QUARTER | Sector: Consumer Staples

Gillette India Ltd.

Topline misses; Oral Care EBIT surprises positively

Gillette India Ltd. (GILL's) Dec'24 quarter saw a miss on topline as the grooming business failed to maintain the strong topline delivered in the previous quarter. Grooming business growth was still decent at 11% YoY and looks even more commendable as it comes at a time when FMCG peers saw urban consumption pressure. We believe this growth is driven by multiple factors (1) resilient rural growth aiding volumes in *Guard* portfolio, (2) support from upgraded *Guard* product at a higher price point of Rs.12 supported by superior compelling advertisement for Hindi heartland, (3) continued strong growth in the *Venus* portfolio, (4) reach & coverage increase and (5) premiumization supported by strong traction for *Gillette Labs*. Overall growth for Dec'24 was dragged by 8.3% decline in Oral Care business largely due to competitive intensity in the entry level portfolio, we believe. Quarterly margin 'up & down' continues but structurally it is on an upward trajectory through productivity and innovations. We continue to maintain our ADD rating with a revised target price (TP) of Rs9,725 (Rs9,500 earlier), targeting ~54x March'27E EPS. Key monitorable: 1) Any delayed impact of urban slowdown; 2) Sustainance of strong improvement in Oral Care profitability; 3) Outcome for P&G India businesses from evaluation of "Integrated growth strategy"; 4) Exports & Oral Care recovery.

December'24 Quarter Result Highlights

- **Headline performance:** Revenue grew by 7.2% YoY to Rs6.9bn (vs est. Rs7.4bn). EBITDA was up 17.3% YoY to Rs1.8bn (vs est. Rs1.8bn). APAT was up 21.2% YoY to Rs1.26n (vs est. Rs1.24bn).
- **Segmental performance:** (1) Grooming business (83.2% of revenues in Dec'24 Qtr vs 80.4% in base) revenue up by 11% YoY to Rs5.7bn (vs est. Rs6bn). 5-yr revenue CAGR stood at 10.6%, respectively. Grooming segment EBIT margin down by ~350bps YoY to 21.6%. (2) Oral care revenues (16.8% of revenues in Dec'24 Qtr vs 19.6% in base) down 8.3% to Rs1.15bn (vs est. Rs1.35bn) with EBIT margin up sharply YoY to 33.7%.
- **Margin:** Overall gross margin came at 58.7% (vs. est. 58.5%), up 60bps YoY and up 2,300bps QoQ. Savings in Other overheads (down 220bps YoY) and Employee cost (down 170bps YoY) was partially offset by higher A&SP spends (up 220bps YoY; absolute A&SP spends up 27.3% YoY). Thus, EBITDA margin was up 230bps YoY to 26.7% (vs est. 25%).
- **YTD'25:** Revenue, EBITDA & APAT up 12.3%, 27.6% & 31.7%, resp. Gross margin up 120bps YoY to 57.5% while EBITDA margin up 300bps YoY to 25.4%.

View & Valuation

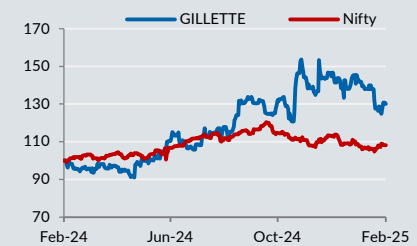
Change in model have led to 0.4%/2.2%/3.9% upward revision in our FY25E/FY26E/FY27E EPS. Over FY24-27E, we now estimate 8.8% revenue CAGR. Our current growth estimates do not consider any major reversal in trend towards shaving from 'sporting beard' or 'trimming'. Margin delivery has been ahead in recent times led by gross margins. Over FY24-27E, we now build ~220bps improvement in EBITDA margin (gross margin estimated to improve by ~130bps) largely led by pricing+premiumization and productivity interventions leading to EBITDA growth of 12% over FY24-27E. Gillette's market share are at highest levels and continues to strengthen. With strong traction in *Gillette Labs*, upgraded *Guard* product and continued innovations, it's market share should further improve or atleast be maintained. GILL boasts strong return ratios and has also shown healthy growth in dividends over the years. We continue to maintain our ADD rating with a revised TP of Rs9,725 (Rs9,500 earlier), targeting ~54x March'27E EPS. Key monitorable: 1) Any delayed impact of urban slowdown; 2) Sustainance of strong improvement in Oral Care profitability; 3) Outcome for P&G India businesses from evaluation of "Integrated growth strategy"; 4) Exports & Oral Care recovery.

Reco	: ADD
CMP	: Rs 8,853
Target Price	: Rs 9,725
Potential Return	: +9.8%

Stock data (as on Feb 10, 2025)

Nifty	23,382
52 Week h/l (Rs)	10699 / 6191
Market cap (Rs/USD mn)	290297 / 3319
Outstanding Shares (mn)	33
6m Avg t/o (Rs mn):	376
Div. yield (%):	1.4
Bloomberg code:	GILL IN
NSE code:	GILLETTE

Stock performance



	1M	3M	1Y
Absolute return	-8.3%	-9.8%	30.0%

Shareholding pattern (As of Jun'24 end)

Promoter	75.0%
FII+DII	14.1%
Others	11.0%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	9,725	9,500

Δ in earnings estimates

	FY25e	FY26e	FY27e
EPS (New)	151.2	168.6	186.1
EPS (Old)	150.6	165.0	179.1
% change	0.4%	2.2%	3.9%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	28,917	31,462	33,916
YoY Growth (%)	9.8	8.8	7.8
EBIDTA	7,227	8,023	8,818
Margins (%)	25.0	25.5	26.0
PAT	4,927	5,495	6,066
EPS	151.2	168.6	186.1
YoY Growth (%)	19.7	11.5	10.4
ROCE (%)	68.1	74.6	79.9
ROE (%)	50.6	55.4	59.5
P/E (x)	58.6	52.5	47.6
EV/EBITDA (x)	39.7	35.8	32.5

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Exhibit 1: Actual vs estimate

Rsmn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Revenue	6,856	7,369	7,490	(7.0)	(8.5)
EBITDA	1,827	1,842	1,872	(0.8)	(2.4)
EBITDA Margin (%)	26.7	25.0	25.0	1.7	1.7
Adjusted PAT	1,260	1,239	1,269	1.7	(0.7)

Source: Bloomberg, YES Sec

Exhibit 2: Quarterly result snapshot

Particulars (Rs. Mn) - Y/E June	Dec'23	Sept'24	Dec'24	YoY (%)	QoQ (%)	YTDFY24	YTDFY25	YoY (%)
Revenue	6,395	7,818	6,856	7.2%	-12.3%	13,070	14,674	12.3%
COGS	2,682	3,406	2,831	5.6%	-16.9%	5,715	6,237	9.1%
Gross margin %	58.1%	56.4%	58.7%	0.6%	2.3%	56.3%	57.5%	1.2%
Employee costs	488	481	406	-16.8%	-15.6%	1,022	887	-13.2%
% of sales	7.6%	6.2%	5.9%	-1.7%	-0.2%	7.8%	6.0%	-1.8%
Advertising & sales promotion expenses	758	1,134	965	27.3%	-15.0%	1,787	2,099	17.5%
% of sales	11.8%	14.5%	14.1%	2.2%	-0.4%	13.7%	14.3%	0.6%
Other expenses	909	892	827	-9.1%	-7.3%	1,621	1,718	6.0%
% of sales	14.2%	11.4%	12.1%	-2.2%	0.7%	12.4%	11.7%	-0.7%
EBITDA	1,558	1,905	1,827	17.3%	-4.1%	2,926	3,732	27.6%
EBITDA margin %	24.4%	24.4%	26.7%	2.3%	2.3%	22.4%	25.4%	3.0%
Depreciation	207	192	205	-1.0%	6.6%	408	398	-2.6%
EBIT	1,351	1,712	1,622	20.1%	-5.3%	2,518	3,334	32.4%
EBIT margin %	21.1%	21.9%	23.7%	2.5%	1.8%	19.3%	22.7%	3.5%
Interest expense	33	11	43	30.8%	304.8%	34	53	56.8%
Other income	72	71	92	27.8%	30.4%	158	162	2.6%
PBT	1,390	1,772	1,671	20.2%	-5.7%	2,642	3,444	30.3%
Tax	351	442	412	17.3%	-6.9%	676	854	26.4%
Effective tax rate %	25.2%	25.0%	24.6%	-0.6%	-0.3%	25.6%	24.8%	-0.8%
Adj. PAT	1,040	1,330	1,260	21.2%	-5.3%	1,966	2,590	31.7%
PAT margin %	16.3%	17.0%	18.4%	2.1%	1.4%	15.0%	17.6%	2.6%
EPS	31.9	40.8	38.6	21.1%	-5.3%	60.3	79.4	31.7%

Source: Company, YES Sec

Exhibit 3: Quarterly Segmental Snapshot

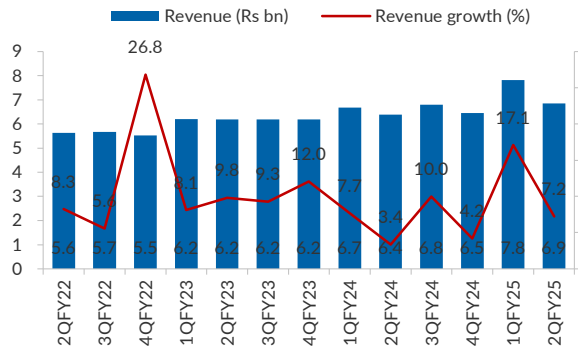
Segmental Performance (Rs. Mn)	Dec'23	Sept'24	Dec'24	YoY (%)	QoQ (%)	YTDFY24	YTDFY25	YoY (%)
Segmental Revenue	6,395	7,818	6,856	7.2%	-12.3%	13,070	14,674	12.3%
Grooming	5,142	6,489	5,706	11.0%	-12.1%	10,417	12,195	17.1%
Oral Care	1,253	1,329	1,149	-8.3%	-13.5%	2,653	2,478	-6.6%
Sales proportion (%)								
Grooming	80.4%	83.0%	83.2%	2.8%	0.2%	79.7%	83.1%	3.4%
Oral Care	19.6%	17.0%	16.8%	-2.8%	-0.2%	20.3%	16.9%	-3.4%
Segmental Results	1,355	1,720	1,622	19.7%	-5.7%	2,544	3,343	31.4%
Grooming	1,290	1,563	1,235	-4.3%	-21.0%	2,223	2,798	25.9%
Oral Care	65	157	387	496.9%	146.8%	321	544	69.5%
EBIT margins (%)								
Grooming	25.1%	24.1%	21.6%	-3.5%	-2.5%	21.3%	22.9%	1.6%
Oral Care	5.2%	11.8%	33.7%	28.5%	21.9%	12.1%	22.0%	9.9%

EBIT Composition (%)

	2022	2023	2024	2025	2026	2027	2028	2029
Grooming	95.2%	90.9%	76.1%	-19.1%	-14.8%	87.4%	83.7%	-3.7%
Oral Care	4.8%	9.1%	23.9%	19.1%	14.8%	12.6%	16.3%	3.7%

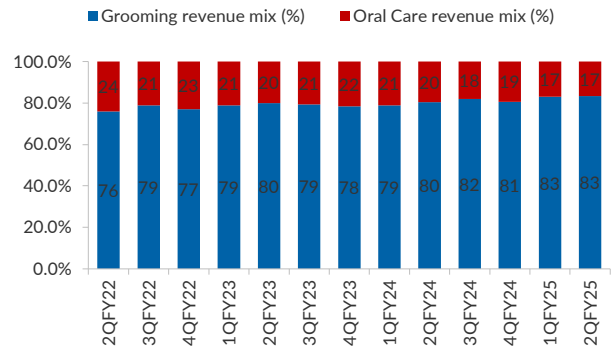
Source: Company, YES Sec

Exhibit 4: Revenues up by 7.2% YoY to Rs.6.9bn in Dec'24 quarter



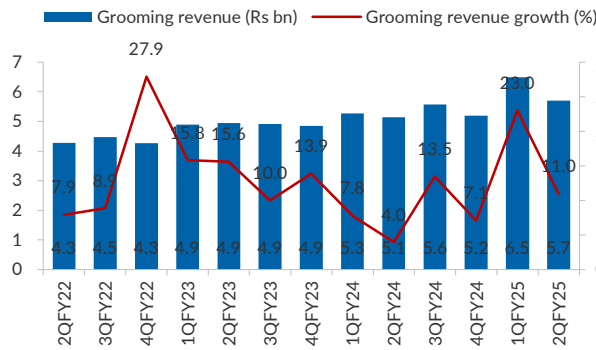
Source: Company, YES Sec

Exhibit 5: Grooming revenue mix improves 280bps YoY to 83% in Dec'24 quarter



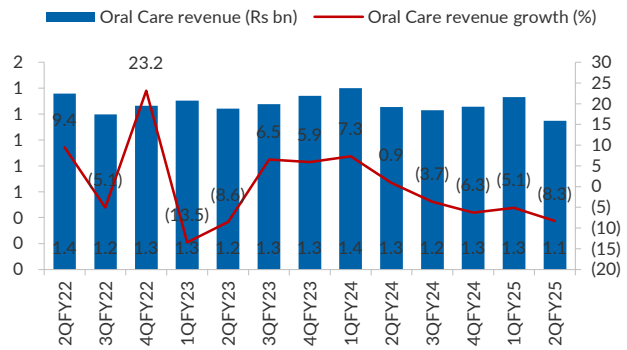
Source: Company, YES Sec

Exhibit 6: Grooming segment revenues grew by 23% YoY to Rs.6.5bn



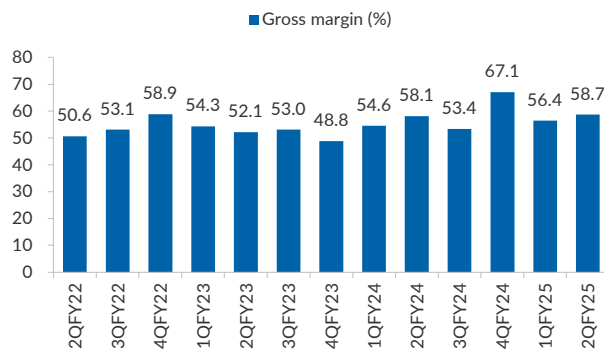
Source: Company, YES Sec

Exhibit 7: Oral Care segment revenues down 5.1% YoY to Rs1.3bn



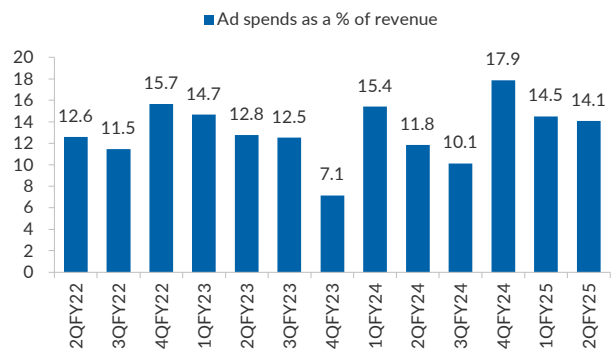
Source: Company, YES Sec

Exhibit 8: Gross margin for the quarter stood at 58.7% (+60bps YoY and +230bps QoQ)



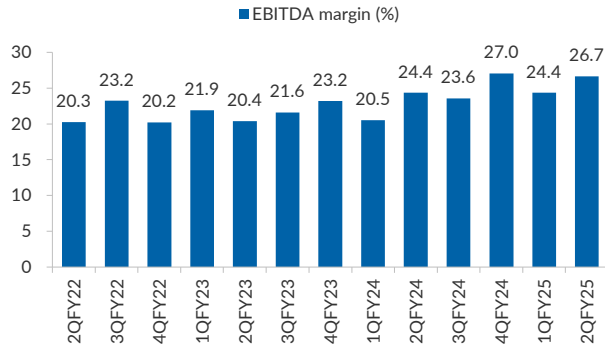
Source: Company, YES Sec

Exhibit 9: Advertisement & Sales Promotion expense (A&SP) as a % of revenue up 220bps YoY to 14.1%



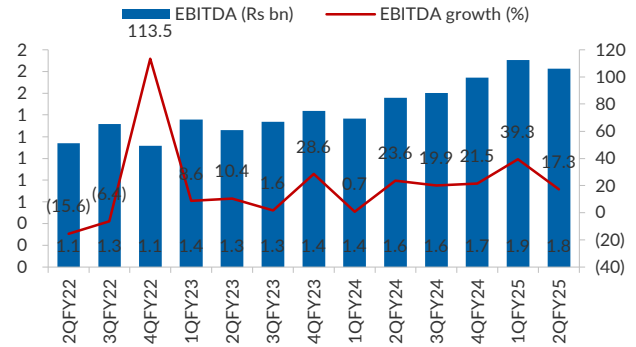
Source: Company, YES Sec

Exhibit 10: EBITDA margin for the quarter stood at 26.7% (+230bps YoY)



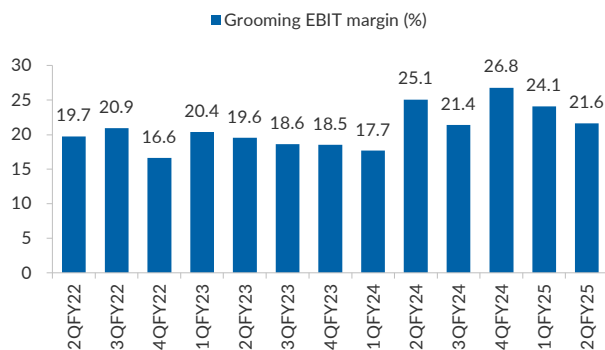
Source: Company, YES Sec

Exhibit 11: EBITDA thus grew 17.3% YoY to Rs1.8bn



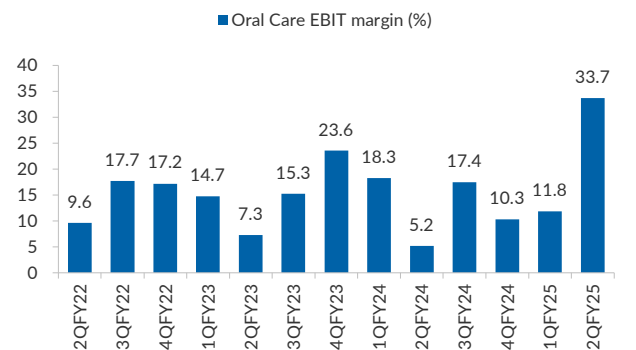
Source: Company, YES Sec

Exhibit 12: Grooming segment EBIT margin down 350bps YoY to 21.6%..



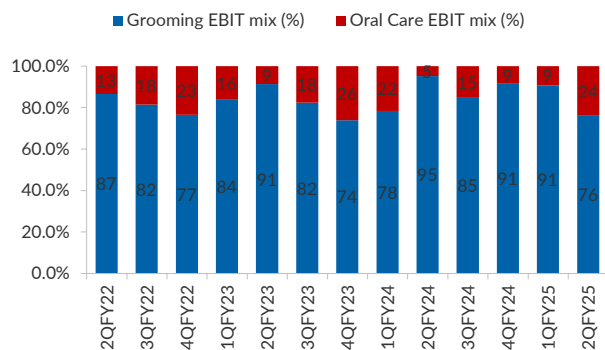
Source: Company, YES Sec

Exhibit 13: ..while Oral Care segment EBIT margin up 2,850bps YoY to 33.7%



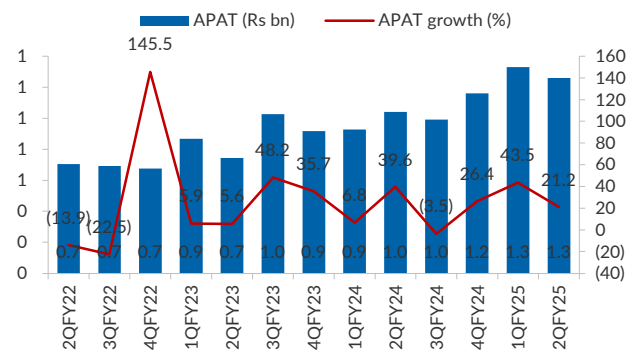
Source: Company, YES Sec

Exhibit 14: Grooming EBIT mix moves down 1,910bps YoY to 76.1%



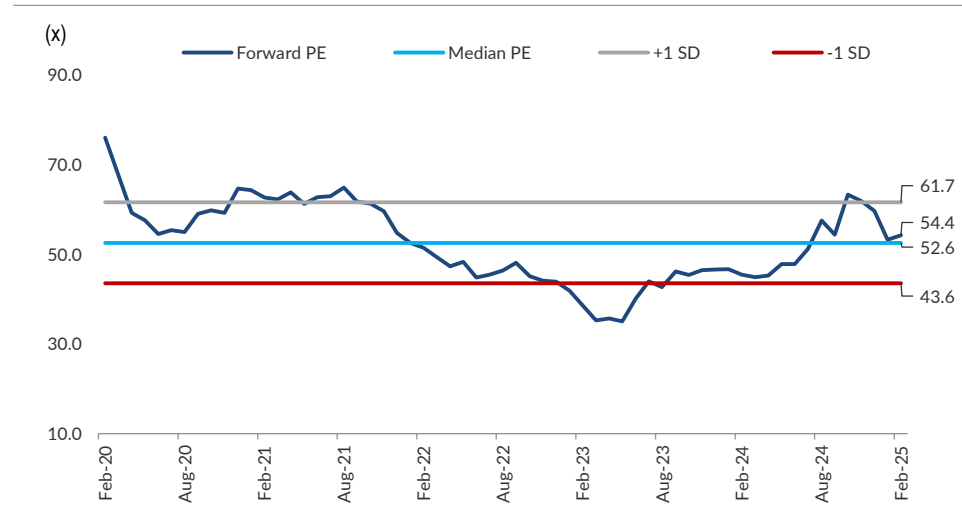
Source: Company, YES Sec

Exhibit 15: APAT was up 21.2% YoY to Rs1.3bn in Dec'24 quarter



Source: Company, YES Sec

Exhibit 16: Currently trading at ~54.4x 1-yr forward earnings



Source: Company, YES Sec

FINANCIALS

Exhibit 17: Balance Sheet

Y/E June (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	326	326	326	326	326
Reserves	9,563	9,387	9,447	9,722	10,025
Net worth	9,889	9,713	9,773	10,048	10,351
Total debt	0	0	0	0	0
Deferred tax liability and others	-458	-535	-535	-535	-535
Total liabilities	10,545	10,182	10,243	10,518	10,821
Gross block	8,029	8,430	9,180	9,930	10,680
Depreciation	4,134	4,961	5,841	6,797	7,827
Net block	3,895	3,469	3,339	3,133	2,853
Capital work-in-progress	324	259	500	500	500
Investments	0	0	0	0	0
Other LTA	1986	2178	2504	2248	2572
Inventories	4,124	3,958	4,700	4,179	5,229
Debtors	3,202	2,743	3,278	2,928	3,576
Cash	4,556	4,756	4,483	5,298	5,911
Other current assets	591	383	383	383	383
Total current assets	12,499	11,866	12,868	12,813	15,125
Creditors	6,801	6,390	7,596	6,610	8,443
Other current liabilities & provisions	1,357	1,200	1,373	1,567	1,785
Total current liabilities	8,158	7,590	8,969	8,177	10,228
Net current assets	4,341	4,276	3,900	4,636	4,896
Total assets	10,545	10,182	10,243	10,518	10,821

Source: Company, YES Sec

Exhibit 18: Income statement

Y/E June (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	24,771	26,331	28,917	31,462	33,916
% Growth	9.8%	6.3%	9.8%	8.8%	7.8%
COGS	11,881	11,013	12,154	12,962	13,736
Staff costs	1,698	1,874	1,884	2,076	2,255
Advertising costs	2,916	3,629	4,049	4,468	4,850
Other expenses	2,884	3,541	3,603	3,933	4,256
Total expenses	19,379	20,057	21,690	23,439	25,098
EBITDA	5,392	6,274	7,227	8,023	8,818
% growth	11.8%	16.4%	15.2%	11.0%	9.9%
EBITDA margin (%)	21.8%	23.8%	25.0%	25.5%	26.0%
Other income	222	261	290	322	357
Interest costs	78	86	70	65	60
Depreciation	807	826	880	955	1,030
Profit before tax (before exceptional items)	4,729	5,623	6,567	7,324	8,085
Exceptional items	0	0	0	0	0
Tax	1,172	1,506	1,640	1,829	2,019
PAT (before exceptional items)	3,557	4,117	4,927	5,495	6,066
PAT	3,557	4,117	4,927	5,495	6,066
PAT margin (%)	14.4%	15.6%	17.0%	17.5%	17.9%
% Growth	22.9%	15.8%	19.7%	11.5%	10.4%

Source: Company, YES Sec

Exhibit 19: Cash flow statement

Y/E June (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
PAT	3,557	4,117	4,927	5,495	6,066
Depreciation	807	826	880	955	1,030
Net other income	-222	-261	-290	-322	-357
(Inc.)/dec. in working capital	190	265	103	78	353
Cash flow from operations	4,409	5,034	5,690	6,272	7,152
Capital expenditure (-)	-746	-336	-991	-750	-750
Net cash after capex	3,663	4,698	4,699	5,522	6,402
Inc./(dec.) in investments	219	175	477	79	545
Cash from investing activities	-527	-161	-514	-671	-205
Dividends paid (-)	-2,314	-4,399	-4,680	-5,220	-5,762
Inc./(dec.) in total borrowings	76	-273	-70	-65	-60
Cash from financial activities	-2,238	-4,672	-4,750	-5,285	-5,822
Opening cash balance	2,911	4,556	4,756	4,483	5,298
Closing cash balance	4,556	4,756	4,483	5,298	5,911
Change in cash balance	1,645	201	-273	815	613

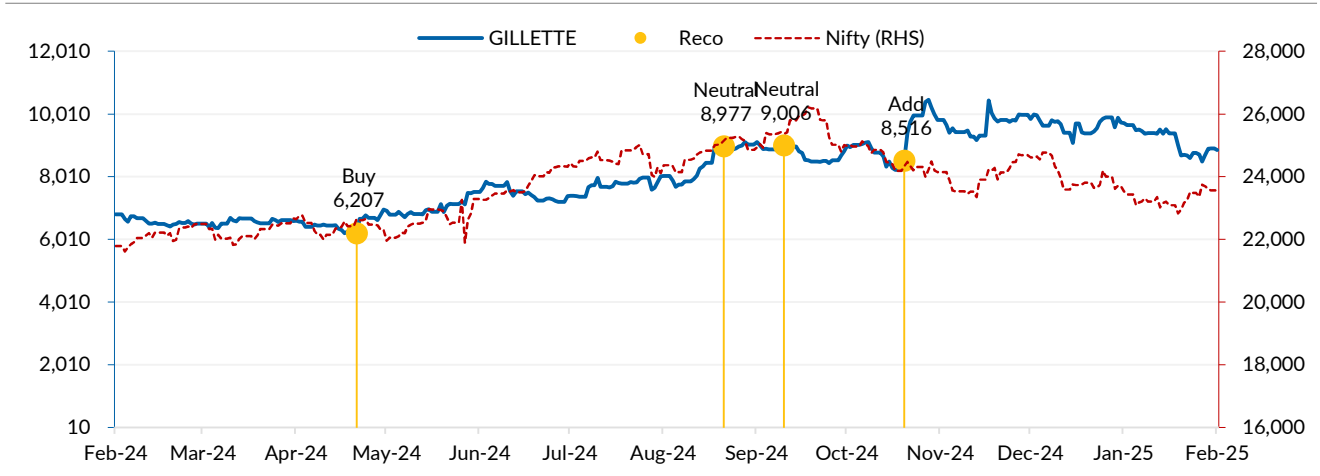
Source: Company, YES Sec

Exhibit 20: Growth and Ratio matrix

Y/E June	FY23	FY24	FY25E	FY26E	FY27E
Per share (Rs)					
EPS	109.1	126.3	151.2	168.6	186.1
Book value	303.4	298.0	299.9	308.3	317.6
DPS	85.0	135.0	143.6	160.2	176.8
Valuation (x)					
P/Sales	11.6	11.0	10.0	9.2	8.5
EV/sales	11.6	10.9	9.9	9.1	8.5
EV/EBITDA	53.2	45.7	39.7	35.8	32.5
P/E	81.1	70.1	58.6	52.5	47.6
P/BV	29.2	29.7	29.5	28.7	27.9
Return ratios (%)					
RoCE (pre-tax)	52.0	58.2	68.1	74.6	79.9
RoE	38.5	42.0	50.6	55.4	59.5
RoIC (pre-tax)	81.7	100.6	121.7	141.6	170.6
Profitability ratios (%)					
Gross margin	52.0	58.2	58.0	58.8	59.5
EBITDA margin	21.8	23.8	25.0	25.5	26.0
EBIT margin	3.3	3.1	3.0	3.0	3.0
PAT margin	14.4	15.6	17.0	17.5	17.9
Liquidity ratios (%)					
Current ratio	1.5	1.6	1.4	1.6	1.5
Quick ratio	1.0	1.0	0.9	1.1	1.0
Turnover ratios					
Total asset turnover ratio (x)	1.3	1.5	1.5	1.7	1.6
Fixed asset turnover ratio (x)	6.4	7.6	8.7	10.0	11.9
Debtor days	42	41	38	36	35
Inventory days	121	134	130	125	125
Creditor days	188	219	210	200	200

Source: Company, YES Sec

Recommendation Tracker



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Analyst signature

Analyst signature

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