May 16, 2017

Colgate-Palmolive India (COLPAL) ₹ 994

High competitive intensity drags growth…

Rating matrix		
Rating	:	Hold
Target	:	₹ 990
Target Period	:	12 months
Potential Upside	:	0%

What's changed?	
Target	Changed from ₹ 950 to ₹ 990
EPS FY18E	Changed from ₹ 23.4 to ₹ 23.6
EBS FY19E	Changed from ₹ 25.0 to ₹ 26.0
Rating	Unchanged

Quarterly performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Sales	1171.8	1142.4	2.6	981.6	19.4
EBITDA	244.3	241.3	1.2	214.1	14.1
EBITDA (%)	20.8	21.0	-22 bps	21.6	-83 bps
PAT	142.6	143.3	-0.5	127.8	11.5

Key financials

₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	4,319.0	4,489.9	4,901.6	5,395.6
EBITDA	938.5	944.9	1,023.8	1,130.8
PAT	581.2	577.4	640.6	708.4
EPS (₹)	21.4	21.2	23.6	26.0

Valuation summary

	FY16	FY17	FY18E	FY19E
P/E	46.5	46.8	42.2	38.2
Target P/E	46.3	46.6	42.0	38.0
Div. Yield	1.0	1.3	1.7	1.7
Mcap/Sales	6.3	6.0	5.5	5.0
RoNW (%)	58.5	45.3	50.2	49.3
RoCE (%)	81.7	64.1	71.4	70.4

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	27,044.9
Total Debt (FY17) (₹ Crore)	0.0
Cash and Investments (FY17) (₹ Crore)	294.3
EV (₹ Crore)	26,750.6
52 week H/L	1049 / 788
Equity capital	₹ 27.2 crore
Face value	₹ 1

Price performance

	1M	3M	6M	12M
Colgate	(1.7)	12.7	8.8	18.9
Dabur	-3.5	4.4	2.3	-4.5
HUL	6.4	15.7	22.0	18.2
Gillette	18.2	19.7	16.7	5.5

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- Colgate-Palmolive (India) reported a muted Q4FY17 performance. The numbers are not comparable with our estimates due to revision in the base quarter
- It reported 2.6% YoY revenue growth to ₹ 1171.8 crore (I-direct estimate: ₹ 1242.9 crore). The company witnessed 3% YoY volume decline against our estimate of 1%, due to the muted pick-up in the wholesale channel. It continued to maintain its leadership with 55.1% (55.4% in December 2017) and 47.4% (47.0% in December 2017) market share in toothpaste and toothbrush categories, respectively
- Raw material cost as a percentage of sales declined 139 bps YoY. However, the company aggressively invested in brand building and increased its advertisement expense to 12.3% during the quarter against 10.2% in Q4FY16. Thus, operating margin contracted marginally by 22 bps to 20.8%, in line with our estimate of 20.5%
- PAT stayed flat YoY to ₹ 142.6 crore (I-direct estimate: ₹ 158.2 crore)

Product innovation & aggressive marketing to assist amid competition

CPIL is the largest player in oral care in India with a market share of 55.6% in toothpaste and 47.3% in toothbrush category in CY16. Though the entry of Patanjali has disrupted the toothpaste category, denting CPIL's market share by ~180 bps in past year, HUL has been impacted more with a market share loss of ~370 bps in 2013-16. We believe CPIL has an edge over its indigenous rival in the form of strong brand equity. Additionally, a) CPIL's renewed focus on the naturals segment under toothpaste through Colgate Vedshakti (priced lower than Patanjali's Dant Kanti), b) its presence across traditional segments and reach to 5.8 million outlets and c) continuous launch of innovative products coupled with aggressive marketing expense, would continue to support CPL amid a highly competitive environment. We believe it may help CPL gain market share, going ahead. CPIL also plans to launch more products under the herbal product portfolio to tap the herbal wave going on in the country at present. We expect CPL to clock 4.0% and 5.0% volume growth in the toothpaste segment for FY18E and FY19E, respectively.

Offerings across value pyramid to capture consumers

Over the years, Colgate has built an extensive oral care portfolio through constant innovation, thereby offering products across value pyramid & within each sub-category. Lately, it has been aggressive on extension of its premium portfolio to capture uptrading consumers. In FY16, it launched 'Pain Out' for express toothache relief, and further launched sachets in the same category to increase penetration. Additionally, at the bottom of the pyramid, it launched Colgate A1, an entry level toothbrush priced at ₹ 12/unit. Additionally, CPL is focusing on increasing the penetration level of toothpaste usage in rural India (currently at 74.1%) through various campaigns and increasing number of vans.

Initiatives yet to result in considerable growth, maintain HOLD

Though we remain positive on the company's constant innovation & aggressive brand building exercises, we would wait for these to result in growth. We expect the company to report 9.6% and 10.8% revenue and earnings CAGR, respectively, in FY17-19E. On account of higher advertisement expense and expected increase in raw material cost, we expect the EBITDA margin to remain capped at 20.8% for FY19E. We reiterate our **HOLD** rating on the stock with a target price of ₹ 990/share valuing it at 38x FY19E EPS.

Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Net Sales	1,171.8	1,242.9	1,142.4	2.6	981.6	19.4	Due to volume decline of 3% YoY amid soft wholesale offtake, revenue grew marginally by 2.6% YoY
Operating Income	4.9	8.7	7.7	-35.9	9.6	-48.5	
Raw Material Expenses	387.7	407.7	393.9	-1.6	315.9	22.7	Raw material cost to sales declined by 139 bps YoY
Employee Expenses	76.3	79.7	74.5	2.4	65.2	17.0	
SG&A Expenses	144.3	124.3	116.4	24.0	83.9	71.9	Company aggressively invested in brand building and increased its advertisement expense 212 bps YoY to 12.3% of net sales
Other operating Expenses	184.9	252.3	189.4	-2.4	195.5	-5.4	
Excise duty	139.2	130.5	134.5	3.5	116.6	19.3	
EBITDA	244.3	257.1	241.3	1.2	214.1	14.1	
EBITDA Margin (%)	20.8	20.5	21.0	-22 bps	21.6	-83 bps	
Depreciation	34.1	31.1	29.7	14.8	34.2	-0.1	
Interest	0.0	0.0	0.0	NA	0.0	NA	
Other Income	8.0	10.1	11.4	-29.5	10.9	-26.5	
PBT before exceptional	218.2	236.1	223.0	-2.1	190.8	14.4	
Exceptional Items	0.0	0.0	0.0	NA	0.0	NA	
Tax Outgo	75.6	77.9	79.7	-5.1	63.0	20.1	
PAT	142.6	158.2	143.3	-0.5	127.8	11.5	Due to muted topline and EBITDA growth, PAT remained flat
Key Metrics YoY growth (%)							
Volume Growth overall	-3%		6.0		NA	NA	Due to low offtake in the wholesale channel, the volume declined 3%
Volume Growth (Toothpastes)	NA		4.0		NA	NA	
Volume Mkt Share (Toothpaste)	55.1		55.7	-60 bps	55.4	-30 bps	Amid intense competition, company lost some market share
Volume Mkt Share (Toothbrush)	47.4		46.2	120 bps	47.0	40 bps	With increasing penetration to the bottom of pyramid through entry level toothbrush, we believe the company was able to gain market share

Source: Company, ICICIdirect.com Research

Change in estimates

	FY18E			FY18E	FY19E			
(₹ Crore)	Old	New	% Change	New	Old	New	% Change	Comments
Sales	4894.4	4901.6	0.1	4901.6	5303.9	5395.6	1.7	Revised the volume estimates upwards on account of intense product launches and brand building exercises
EBITDA	1022.7	1023.8	0.1	1023.8	1095.0	1130.8	3.3	
EBITDA Margin (%)	20.7	20.7	1 bps	20.7	20.5	20.8	33 bps	
PAT	635.1	640.6	0.9	640.6	679.8	708.4	4.2	
EPS (₹)	23.4	23.6	0.9	23.6	25.0	26.0	4.2	Led by upward revision in sales

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier		Comments
	FY16	FY17E	FY18E	FY19E	FY18E	FY19E	
Toothpaste Vol. Growth(%)	4.0	-4.0	4.0	5.0	3.0	3.0	Marginally tweaked growth number given the company's initiative to invest in brands and product innovation
Toothpaste Value Growth(%)	7.5	-2.7	8.2	9.2	7.1	7.1	
Toothbrush Vol. Growth(%)	15.0	-2.0	10.0	10.0	10.0	10.0	
Toothbrush Value Growth(%)	20.6	8.2	5.4	14.4	5.9	14.4	
Raw Material/Sales %	34.2	32.9	32.4	32.6	34.9	35.5	
Marketing Exp./Sales %	10.4	11.4	11.5	11.5	11.0	11.0	

Source: Company, ICICIdirect.com Research

Conference call highlights

- The company reported 3.0% volume decline and soft offtake of demand from the wholesale channel
- Amid increasing competition, the market share of Colgate in toothpaste has come down from 57.4% in CY15 to 55.6% in CY16. The company still enjoys 2.9x market share vs. the second largest player in the category
- In contrast, on account of innovative launches and with launch of entry level toothbrush to tap the bottom of the pyramid, Colgate has increased its market share in the toothbrush category from 44.4% in CY15 to 47.3% CY16. The company's market share is 3.2x the nearest competitor
- Colgate launched a) New Colgate Kids toothpaste for 2-5 year olds, b) Colgate sensitive with clove essence, c) Maxfresh Power Freeze and d) Colgate Cibaca Vedshakti, in the toothpaste category. Following the innovation, it launched Superflexi black toothpaste. In order to increase rural penetration, it launched Colgate Star (entry level toothbrush at ₹ 12/unit). It also launched Spicy Fresh flavour in Colgate Plax and continued innovation in the Palmolive range of products
- The penetration level of toothpaste usage in urban India is at 92.3% and 74.1% for the rural India
- Colgate's innovative herbal product, Colgate Vedshakti has been able to gain 0.5% market share pan-India. In order to tackle the competition, it is priced below the offering of Patanjali, Danth Kanti
- Colgate is currently available at 5.8 million retail outlets in India
- During demonetisation, the premium category, pain management segment witnessed some pressure. However, the company remains upbeat on the same and continues to push the product through pharmacy outlets. Additionally, it has launched sachets in the same category
- The company aggressively increased advertisement expense during the quarter and expects it to remain at elevated level given the intense competitive environment. Additionally, Colgate has roped in brand ambassadors like Virat Kohli, Anushka Sharma, Sonam Kapoor for strong brand building
- The company remains positive on the growth outlook on account of its focus on a) customer engagement for brand building, b) continued innovation in product launches and c) reaching out to the bottom of the pyramid through affordable launches
- Additionally, CPIL has undertaken price hikes in select products

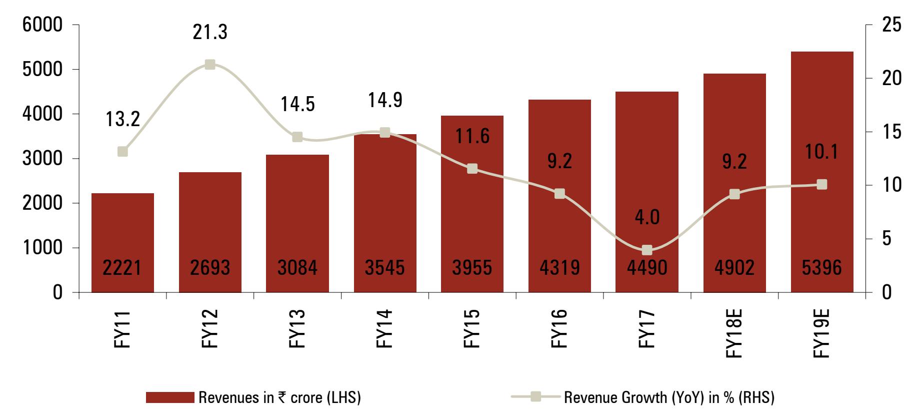
Company Analysis

Intense competition to maintain pressure on revenue growth

Despite intensifying competition in the toothpaste category with entry of Patanjali, CPIL successfully maintained its market leadership in the oral care segment with 55.6% share by volume in CY16. Though it lost 180 bps market share over past year, the company is focused on strengthening its presence through innovative launches supported by marketing initiatives. On the other hand, it gained 290 bps volume market share in CY16 in the toothbrush category. The nearest competitors in the toothpaste and toothbrush categories are at less than half the share of CPIL with 19.1% & 14.6% (2016) share by volume, respectively.

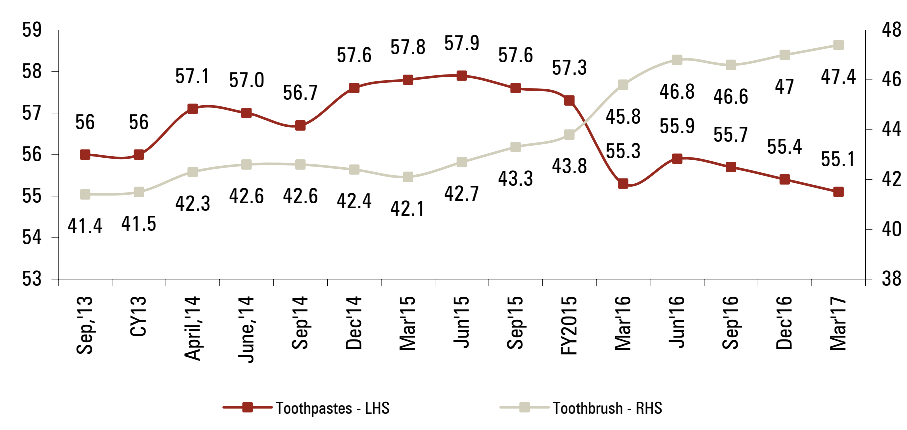
With the ability to maintain the premium in its market share and comprehensive oral care portfolio, CPIL registered strong revenue growth of 14.1% CAGR (FY07-16). However, on grounds of intense competition panning out coupled with expiry of fiscal benefits at its Baddi facility, CPIL witnessed tepid sales growth of 4.0% in FY17. Though we believe CPIL's strong brand equity would continue to maintain its dominance in the segment and benefit from the increasing presence in rural India, we remain cautious on growth. We expect revenue to grow at a CAGR of 9.6% in FY17-19E led by a mix of volume & realisation growth.

Exhibit 1: Revenue trend (₹ crore)



Source: Company, ICICIdirect.com Research

Exhibit 2: CPIL market share trend

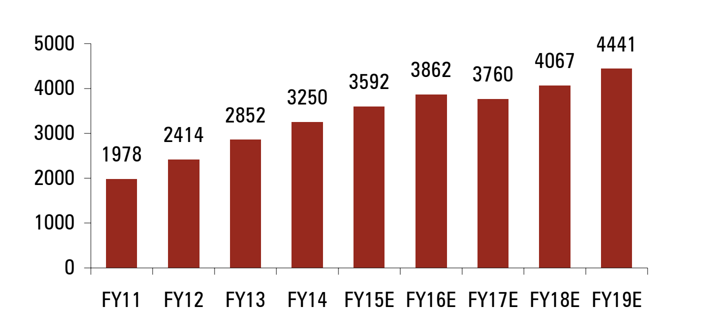


Source: Company, ICICIdirect.com Research

Market leadership to sustain with moderate revenue growth in toothpaste category

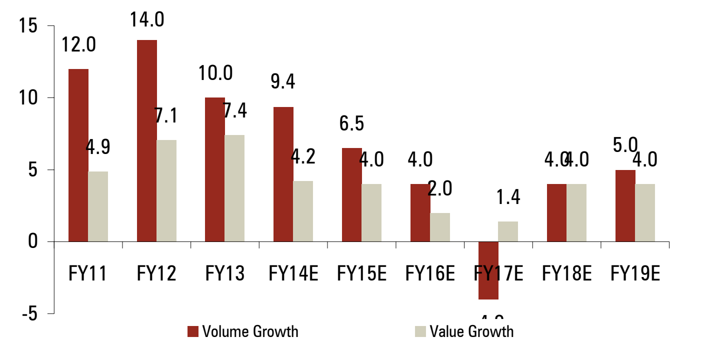
Led by the dominance of CPIL in toothpastes with a presence across premium, popular and mass categories and having SKUs across variants (regular, sensitive, herbal, whitening, gum care, freshness), CPIL's market share in toothpaste has strengthened from 48.8% in CY07 to 55.6% in CY16. Aided by the strengthening market share, toothpaste revenues & increasing penetration, revenues from the segment have grown at a CAGR of 15.5% in FY08-15. Going ahead, we believe that with toothpaste per capita consumption expected to grow at 6.5% CAGR in FY14-23E to ~240 gm by FY23E and Colgate's ability to maintain its market leadership through increasing innovation (New Kid toothpaste, Colgate Sensitive Clove Essence, Colgate Maxfresh Power Freeze gel, and Colgate Cibaca Vedshakti toothpaste launched in FY17) and strong distribution (available in 5.8 mn retail outlets), CPIL will continue to maintain its leadership in the category. We expect toothpaste volume to grow at 4.5% CAGR over FY17E-19E. Thus, revenue form the segment is estimated to grow at a CAGR of 8.7% in FY17E-19E to ₹ 4440.6 crore.

Exhibit 3: Toothpaste revenue growth trend



Source: Company, ICICIdirect.com, Research

Exhibit 4: Volume growth to remain modest



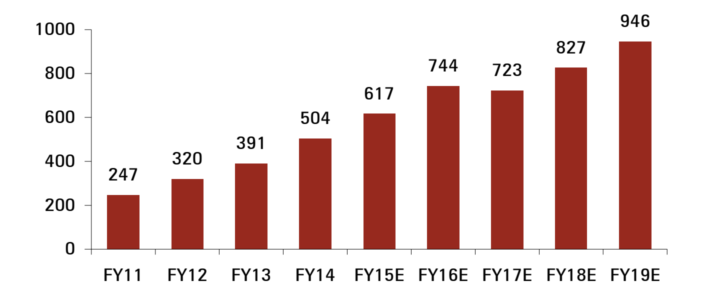
Source: Company, ICICIdirect.com, Research

Strengthening presence in toothbrush to sustain growth at 14.4% CAGR (FY17E-19E)

CPIL's undeterred market share at 47.3% (CY16) in the toothbrush segment (~11% of revenues) has been led by strong volume CAGR (FY08-15) of 20.4% with segmental revenues growing at 21.1% CAGR (FY08-15). The company's brand strength has enabled it to grab market share of unbranded players. Further, CPIL's nearest competitor, P&G, with brand Oral-B, continues to maintain a distant No.2 position in the segment with 14.6% volume share in the segment.

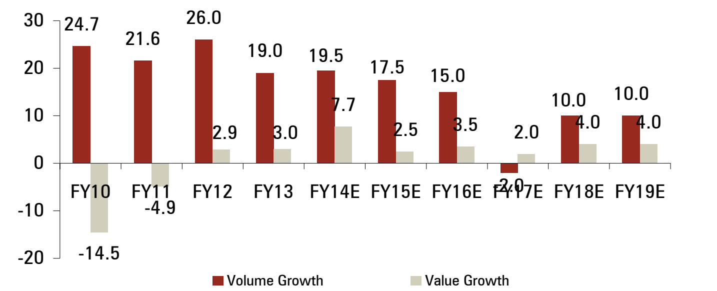
We believe that with upgrading consumer needs in rural markets and uptrading demand by urban consumer, CPIL's revenues from the toothbrush segment would continue to grow at 14.4% CAGR (FY17E-19E) led by healthy volume CAGR of 10.0%. We expect CPIL's strong brand equity and new launches to tap the bottom of the pyramid to aid in further strengthening the market share for the company in the toothbrush segment.

Exhibit 5: Toothbrush revenue to grow at 14.4% CAGR



Source: Company, ICICIdirect.com, Research

Exhibit 6: With the expected volume growth of 10%



Source: Company, ICICIdirect.com, Research

Increasing penetration, per capita consumption to aid growth

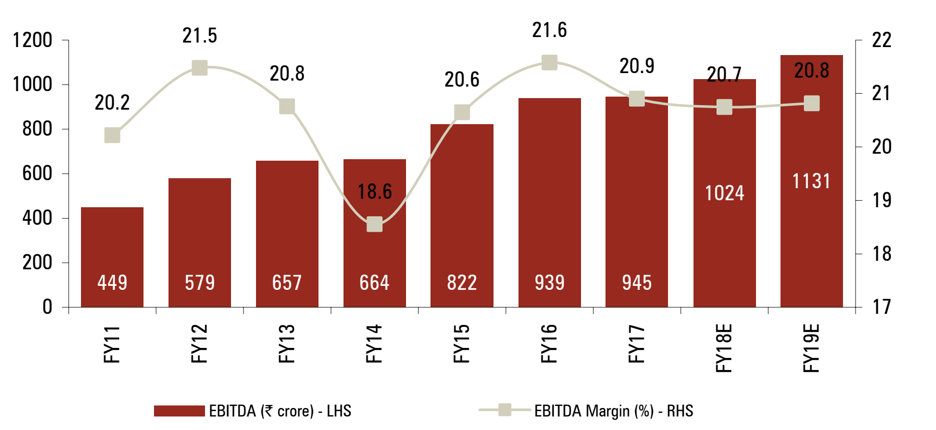
The penetration of toothpaste in India is ~80%, with ~25 crore people still using conventional methods of brushing. Though urban penetration is higher at 92.3% (2016), rural penetration lags behind at 74.1% (2016). The rural population accounts for ~35% toothpaste revenues for CPIL. It has been constantly increasing reach in rural areas by various initiatives like 'Rural vans' (1014 Colgate rural vans in 2016 vs. 951 in 2014). Hence, we believe there is a huge untapped opportunity for CPIL to increase its reach and volumes being the market leader of the segment. Further, the overall per capita consumption of toothpaste in India is significantly lower at 158 gm (November 2016) compared to other developing nations, China at 212 gm, Philippines at 312 gm and Brazil at 603 gm, providing enough room for CPIL to maintain its volume growth. We believe increase in volume growth & per capita consumption would come through increasing awareness on oral hygiene, change in consumer habits (brushing twice daily) and increasing penetration, aiding the company to maintain volume and value growth.

Margins likely to remain under check

EBITDA margins have improved significantly from 15.4% in FY08 to 20.6% in FY15 led by gross margin expansion and increasing contribution of premium products in revenues. Led by the company's strong brand equity, CPIL enjoys strong pricing power in the oral care industry enabling it to easily pass on higher raw material cost through increasing prices without impacting its volume growth and concurrently expanding its gross margins.

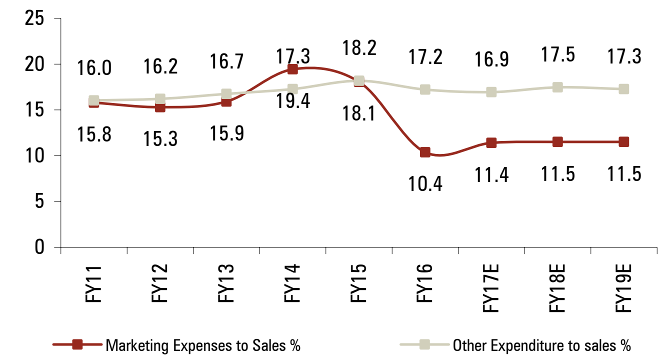
Since Q1FY14, however, CPIL's margins witnessed moderation following the increased competitive action in the oral care industry and slowing urban consumption demand (moderating the rate of premiumisation in the segment). The increased competitive activity (HUL's aggressiveness, P&G's re-entry and Patanjali's entry) pulled up marketing & other expenditure (includes sales promotion expenses) of CPIL, thereby moderating its margins to 18.6% in FY14. With declining raw material costs and judicious A&P spend by CPIL, operating margins came in at 21.6% in FY16. However, with increase in marketing expense and excise duty outgo, EBITDA margin contracted to 20.9% for FY17. We believe that though consumption demand would revive along with improving sales mix for CPIL (launch of premium products), marketing spend is expected to remain at elevated levels, courtesy new launches and intense rivalry. EBITDA margins are likely to be capped at 20.8% by FY19E.

Exhibit 7: EBITDA margin trend (%)



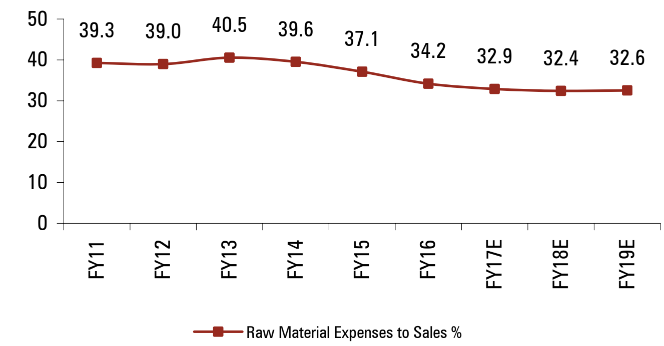
Source: Company, ICICIdirect.com Research

Exhibit 8: Marketing expenses expected to remain high



Source: Company, ICICIdirect.com, Research

Exhibit 9: RM cost to sales ratio to remain low

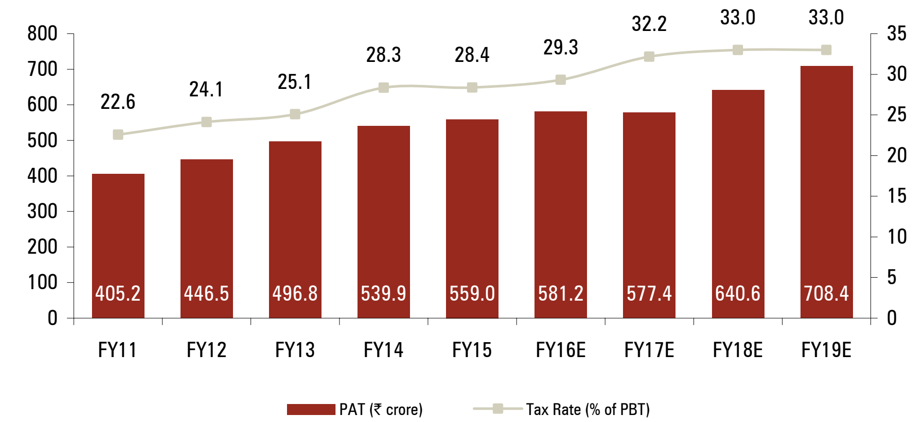


Source: Company, ICICIdirect.com, Research

PAT to grow at 10.8% CAGR over FY17-19E

CPIL's Baddi plant was under 100% tax exemption until March, 2010 and enjoyed ~30% tax exemption until April 2015, after which it enjoyed no further exemptions. Hence, we are estimating the effective tax rate for CPIL will increase gradually to 33.0% in FY18E & FY19E. We expect the company to report PAT CAGR of 10.8% over FY17-19E.

Exhibit 10: PAT to grow moderately owing to higher tax incidence



Source: Company, ICICIdirect.com Research

Outlook & valuation

CPIL is the largest player in oral care in India with a market share of 55.6% in toothpaste and 47.3% in toothbrush category in CY16. Though the entry of Patanjali has disrupted the toothpaste category, denting CPIL's market share by ~180 bps in past year in the toothpaste category, HUL has been impacted more with market share loss of ~370 bps between 2013 and 2016. We believe CPIL has an edge over its indigenous rival in the form of strong brand equity along with a vast distribution network covering over 5.8 mn outlets. Though we remain positive on the company's constant innovation & aggressive brand building exercises, we would wait for these to result in growth.

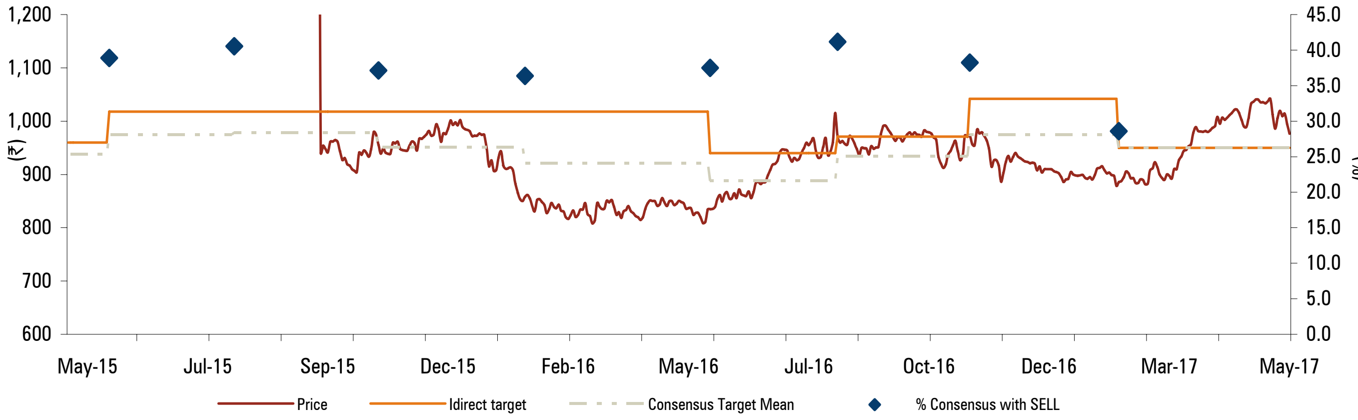
Thus, amid growing competition, we are factoring in volume CAGR of 4.5% and 10.0% for toothpaste & toothbrush segment, respectively, in FY17E-19E. Thus, revenues are expected to grow at 9.6% CAGR in the same period. On account of higher advertisement expense and expected increase in the raw material cost, we expect the EBITDA margin to remain capped at 20.8% for FY19E. PAT is estimated to grow at 10.8% CAGR (FY17-19E) due to capped EBITDA margin & higher tax incidence on CPIL's Baddi plant (Himachal Pradesh). Hence, we continue to maintain our **HOLD** recommendation on the stock with a revised target price of ₹ 990/share valuing the stock at 38x its FY19E earnings of ₹ 26.0.

Exhibit 11: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	4489.9	4.0	21.2	-0.6	46.8	28.2	45.3	64.1
FY18E	4901.6	9.2	23.6	10.9	42.2	25.9	50.2	71.4
FY19E	5395.6	10.1	26.0	10.6	38.2	23.3	49.3	70.4

Source: Company, ICICIdirect.com Research

Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Jul-09	Rise in share price aided by a special dividend of ₹ 8/share and the increasing attractiveness of the defensives (FMCG Index) following the economic downturn
Nov-09	Second interim dividend of ₹ 7/share taking the total dividend in H1FY10 to ₹ 15/share
May-10	Did not pay any final dividend keeping the dividend per share for FY10 restricted at ₹ 20/share
Jul-10	First interim dividend for FY11 of ₹ 10/share
Mar-11	Lacklustre performance of the stock following lower sales growth of ~13% and a decline in margins and net profit following increased competition
May-12	Significant jump in performance with reported sales growth of ~21% YoY, volume growth of ~12% and improvement in margins. Also, with a run up in FMCG stocks, following the robust growth and subdued performance in other sectors, the stock price witnessed significant gains
Jan-13	Stock gains significantly mirroring the FMCG Index led by the preference of defensives with strong market leadership in a weak economic scenario
Jun-13	Re-entry of P&G in oral care market in the country increased pressure on the stock considering the concerns of increasing competition from a fierce player. Also, following the entry, Colgate's marketing expenses were expected to increase, pressurising margins
Nov-13	Concerns on subdued FMCG volume growth with softening consumer demand impacted the performance of the complete FMCG Index also impacting the stock performance
Apr-15	Announces voluntary retirement scheme at toothpowder manufacturing plant in Waluj
Sep-15	Announces bonus issue in the ratio 1:1

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Colgate-Palmolive Co	31-Dec-16	51.00	138.7	0.0
2	Life Insurance Corporation of India	31-Dec-16	5.54	15.1	0.9
3	ARISAIG Partners (Asia) Pte. Ltd.	31-Mar-17	4.72	12.8	3.2
4	Vontobel Asset Management, Inc.	31-Mar-17	1.08	2.9	-0.1
5	The Vanguard Group, Inc.	31-Mar-17	0.78	2.1	0.0
6	Fidelity Management & Research Company	31-Mar-17	0.64	1.7	0.1
7	Wasatch Advisors, Inc.	31-Mar-17	0.59	1.6	0.0
8	JPMorgan Asset Management U.K. Limited	31-Jan-17	0.52	1.4	0.1
9	Columbia Wanger Asset Management, LLC	31-Mar-16	0.51	1.4	-0.3
10	UTI Asset Management Co. Ltd.	28-Feb-17	0.50	1.3	-0.1

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-16
Promoter	51.0	51.0	51.0	51.0	51.0
FII	16.2	16.3	16.8	17.0	16.8
DII	8.0	8.3	8.5	8.8	9.1
Others	24.8	24.4	23.8	23.2	23.2

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
ARISAIG Partners (Asia) Pte. Ltd.	49.47m	3.22m	Vontobel Asset Management, Inc.	-2.29m	-0.15m
Life Insurance Corporation of India	11.57m	0.87m	Norges Bank Investment Management (NBIM)	-1.97m	-0.15m
SBI Funds Management Pvt. Ltd.	5.57m	0.36m	UTI Asset Management Co. Ltd.	-1.21m	-0.09m
Stewart Investors	2.62m	0.17m	Mirae Asset Global Investments Co., Ltd.	-0.95m	-0.07m
Lombard Odier Darier Hentsch & Cie	1.33m	0.1m	Mirae Asset Global Investments (Hong Kong) Limited	-0.82m	-0.06m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY16	FY17	FY18E	FY19E
Total Operating Income	4349.1	4520.2	4934.9	5432.3
Growth (%)	9.2	3.9	9.2	10.1
Raw Material Expenses	1,476.3	1,476.3	1,589.3	1,756.5
Employee Expenses	262.4	288.5	313.7	345.3
Marketing Expenses	447.6	511.7	563.7	620.5
Administrative Expenses	0.0	0.0	186.3	188.8
Other expenses	743.5	760.4	670.0	743.0
Total Operating Expenditure	3,410.6	3,575.3	3,911.1	4,301.5
EBITDA	938.5	944.9	1,023.8	1,130.8
Growth (%)	14.1	0.7	8.4	10.4
Depreciation	111.4	133.2	110.3	119.1
Interest	0.0	0.0	0.0	0.0
Other Income	39.5	39.8	42.6	45.6
PBT	866.6	851.4	956.1	1,057.3
Exceptional items	-31.3	0.0	0.0	0.0
Total Tap	254.1	274.0	315.5	348.9
PAT	581.2	577.4	640.6	708.4
Growth (%)	4.0	-0.6	10.9	10.6
EPS (₹)	21.4	21.2	23.6	26.0

Source: Company, ICICIdirect.com Research

** FY16 onwards numbers are as per IND-AS*

Cash flow statement				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Profit/Loss after Tap	581.2	577.4	640.6	708.4
Add: Depreciation	111.4	133.2	110.3	119.1
Add: Interest	0.0	0.0	0.0	0.0
(Inc)/dec in Current Assets	-51.1	-74.9	-83.3	-65.0
Inc/(dec) in Current Liabilities	76.0	52.7	32.0	103.5
CF from operating activities	717.5	688.4	699.6	866.0
(Inc)/dec in Investments	-1.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-275.2	-321.4	-33.4	-150.0
Others	-86.6	-26.7	35.9	-2.0
CF from investing activities	-362.8	-348.1	2.5	-152.0
Issue/(Buy back) of Equity	13.6	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tap	-327.4	-419.0	-547.9	-547.9
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	-13.6	0.0	0.0	0.0
CF from financing activities	-327.4	-419.0	-547.9	-547.9
Net Cash flow	27.3	-78.7	154.2	166.1
Opening Cash	254.4	281.7	203.1	357.3
Closing Cash	288.7	294.3	357.3	523.4

Source: Company, ICICIdirect.com Research

Balance sheet				₹ Crore
	FY16	FY17	FY18E	FY19E
Liabilities				
Equity Capital	27.2	27.2	27.2	27.2
Reserve and Surplus	1,003.8	1,246.6	1,248.0	1,408.5
Total Shareholders funds	1,031.0	1,273.8	1,275.2	1,435.7
Total Debt	0.0	0.0	0.0	0.0
Long Term Provisions	17.9	25.1	34.3	37.8
Other Non-current Liabilities	11.4	29.2	29.2	29.2
Total Liabilities	1,060.3	1,328.1	1,338.7	1,502.6
Assets				
Gross Block	1,577.3	1,810.5	1,960.5	2,110.5
Less: Acc Depreciation	569.1	702.4	812.7	931.8
Net Block	1,008.1	1,108.1	1,147.8	1,178.7
Capital WIP	78.4	166.6	50.0	50.0
Deferred Tap Asset	0.0	0.0	0.0	0.0
Non Current Investments	31.2	31.2	31.2	31.2
LT Loans & Advances/Others	110.2	161.9	135.2	140.6
Current Assets				
Inventory	291.5	292.6	362.6	399.1
Debtors	101.5	129.9	134.3	147.8
Cash	288.7	294.3	357.3	523.4
Loans & Advances	12.0	63.0	67.1	73.9
Other Current Assets	81.4	75.9	80.6	88.7
Current Liabilities				
Creditors	551.9	601.2	671.4	739.1
Provisions	48.5	56.4	60.4	66.5
Other CL	342.2	337.7	295.4	325.2
Net Current Assets	-167.6	-139.7	-25.4	102.1
Total Assets	1,060.3	1,328.1	1,338.7	1,502.6

Source: Company, ICICIdirect.com Research

** FY16 onwards numbers are as per IND-AS*

Key ratios				
(Year-end March)	FY16	FY17	FY18E	FY19E
Per share data (₹)				
EPS	21.4	21.2	23.6	26.0
Cash EPS	25.5	26.1	27.6	30.4
BV	37.9	46.8	46.9	52.8
DPS	10.0	13.0	17.0	17.0
Cash Per Share	10.6	10.8	13.1	19.2
Operating Ratios (%)				
EBITDA Margin	21.6	20.9	20.7	20.8
PBT / Net Sales	20.1	19.0	19.5	19.6
PAT Margin	13.5	12.9	13.1	13.1
Inventory days	24.6	23.8	27.0	27.0
Debtor days	8.6	10.6	10.0	10.0
Creditor days	46.6	48.9	50.0	50.0
Return Ratios (%)				
RoE	58.5	45.3	50.2	49.3
RoCE	81.7	64.1	71.4	70.4
Valuation Ratios (x)				
P/E	46.5	46.8	42.2	38.2
EV / EBITDA	28.4	28.2	25.9	23.3
EV / Net Sales	6.2	5.9	5.4	4.9
Market Cap / Sales	6.3	6.0	5.5	5.0
Price to Book Value	26.2	21.2	21.2	18.8
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.6	0.6	0.6	0.6
Quick Ratio	0.2	0.3	0.3	0.3

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (FMCG)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			Price/Sales (x)			RoCE (%)			RoE (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
Colgate (COLPAL)	994	990	Hold	27,045	21.2	23.6	26.0	46.8	42.2	38.0	6.0	5.5	5.0	64.1	71.4	70.4	45.3	50.2	49.3
Dabur India (DABIND)	275	305	Hold	50,368	7.2	7.5	8.0	38.0	36.8	38.0	6.5	6.1	5.6	28.0	25.6	25.5	26.4	23.4	22.6
GSK CH (GLACON)	5,304	6,074	Buy	22,079	156.1	176.3	199.2	34.0	30.1	30.5	5.0	4.4	3.8	30.8	30.3	31.3	21.0	21.2	21.7
Hindustan Unilever (HINLEV)	983	978	Buy	188,930	20.3	21.9	24.4	48.4	45.0	40.1	6.1	5.6	5.1	177.7	195.4	247.2	154.9	177.3	232.1
ITC Limited (ITC)	278	300	Buy	347,639	8.5	9.6	10.4	32.9	29.0	28.9	6.4	6.0	5.3	44.4	49.0	50.3	31.0	34.6	35.4
Jyothy Lab (JYOLAB)	385	397	Buy	6,690	8.8	10.9	13.3	43.5	35.4	29.9	4.0	3.5	3.2	16.4	17.8	22.8	14.7	17.4	20.0
Marico (MARLIM)	310	341	Hold	40,641	6.3	6.9	8.4	49.3	45.0	40.4	6.9	5.9	5.0	44.6	45.1	49.4	34.9	34.6	37.7
Nestle (NESIND)	6,610	7,420	Buy	63,637	103.9	133.4	154.5	63.6	49.6	48.0	6.8	5.9	5.3	34.9	36.7	44.3	36.2	40.0	44.1
Tata Global Bev (TATGLO)	155	147	Hold	9,041	8.2	8.8	9.4	18.8	17.6	15.7	1.3	1.2	1.1	9.5	9.9	10.1	8.0	8.7	8.7
VST Industries (VSTIND)	3,019	3,320	Hold	4,790	108.3	127.1	150.8	27.9	23.7	22.0	5.1	4.5	4.0	45.0	47.2	49.5	31.1	32.8	34.8

Source: Company, ICICIdirect.com Research

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