

January 28, 2021

Q3FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		HOLD	
Target Price	1,651		1,570	
Sales (Rs. m)	52,111	56,824	52,111	56,824
% Chng.	-	-	-	-
EBITDA (Rs. m)	15,803	17,320	15,454	16,576
% Chng.	2.3	4.5	-	-
EPS (Rs.)	37.6	41.3	36.7	39.3
% Chng.	2.6	5.2	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	45,251	47,962	52,111	56,824
EBITDA (Rs. m)	12,017	14,519	15,803	17,320
Margin (%)	26.6	30.3	30.3	30.5
PAT (Rs. m)	8,165	9,432	10,233	11,229
EPS (Rs.)	30.0	34.7	37.6	41.3
Gr. (%)	9.6	15.5	8.5	9.7
DPS (Rs.)	36.0	30.0	32.0	35.0
Yield (%)	2.3	1.9	2.0	2.2
RoE (%)	53.7	61.8	66.6	66.3
RoCE (%)	64.4	81.5	87.8	87.3
EV/Sales (x)	9.3	8.8	8.1	7.4
EV/EBITDA (x)	35.1	29.2	26.7	24.3
PE (x)	52.1	45.1	41.6	37.9
P/BV (x)	26.7	29.2	26.3	24.0

Key Data

COLG.BO | CLGT IN

52-W High / Low	Rs.1,676 / Rs.1,065
Sensex / Nifty	46,874 / 13,818
Market Cap	Rs.425bn/ \$ 5,824m
Shares Outstanding	272m
3M Avg. Daily Value	Rs.2451.53m

Shareholding Pattern (%)

Promoter's	51.00
Foreign	16.59
Domestic Institution	10.11
Public & Others	22.30
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.2)	12.4	5.5
Relative	(0.2)	(7.7)	(7.8)

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Market share gains remain key

Quick Pointers:

- Domestic sales up 10.1%, we estimate volume growth at 5%. Overall volumes are up 4%
- Gross margins expanded 400bps due to benign RM prices, improved sales mix in domestic market and higher growth in Palmolive brand

We are changing EPS estimates by -0.4%/2.6% and 5.2% for FY21, FY22 and FY23 due to superior sales mix, comeback of premium segment in Toothpastes and improving traction in Palmolive Handwash and Shower Gel. Domestic volume and value growth has been 5% while decline in exports has impacted overall sales growth. Toothbrush sales grew in high single digits.

Rural demand remains strong although toothpaste remains highly competitive and penetrated category. CLGT has accelerated its effort to gain market share by 1) sustained innovations (launched Colgate Visible White Instant and Colgate Vedshakti Mouth spray) 2) brand building by Ad spends (up 38.3% YoY) and 3) ensuring shelf availability. We estimate 11.3% EPS CAGR over FY20-23 and 9.1% CAGR over FY21-23. We value the stock at 40x FY23 (66% ROE and 85% dividend payout) and arrive at a target price of Rs1651. Retain Hold.

- Sales grew 7.4%, Domestic Sales up 10.1%:** Net sales grew 7.4% to Rs 12.32bn (Est 12.27bn). Domestic net sales grew 10.1% YoY. We estimate that exports declined by 33%. Gross margins up 400bps at 69.8% (Est 67.6%). EBIDTA up 17.3% to Rs 3.70bn (Est Rs 3.86bn), EBIDTA margins at 30.1% (Est 31.2%) expanded 250bps mainly due to higher GRM's and better fixed cost absorption. Ad-spend higher by 38.3% to Rs 1.98bn. Adj. PAT rose 24.7% to Rs 2.48bn (Est. Rs 2.52bn) due to lower depreciation (down 11.5) and interest costs (down 35.3%) and higher other income (up 70.3%)

Key Highlights:

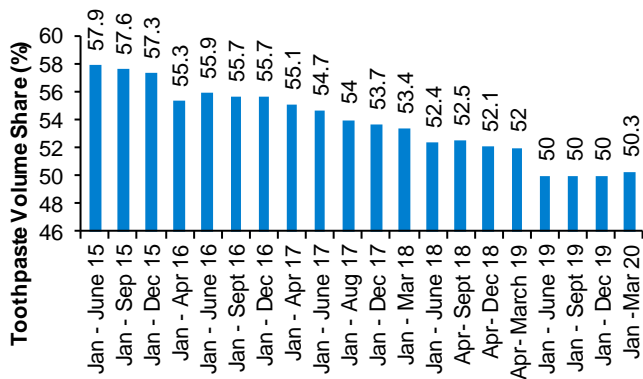
- In 3Q domestic volumes grew by 5% while overall volumes grew by 4% as exports declined 33%.
- Rural demand remains strong and overall growth remains good. Premium segment is coming back as brands like Total and Whitening segment are doing well.
- CLGT launched Vedshakti mouth protect spray and Vedshakti oil pulling in adjacencies. It launched Colgate Diabetics, Visible white and Magik for kids. CLGT also re-launched its Colgate strong teeth with technological innovation which helped to increase penetration by 130 bps.
- Non Oral care segment is focusing on Hand wash and Shower gel in the premium segment under Palmolive brand. Shampoo foray under Luminous brand remains in a very nascent stage.

Exhibit 1: Q3FY21: Domestic sales up 10.1%, GRMs/EBITDA margins expand 400bps/250bps

Particulars	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	9MFY21	9MFY20	YoY gr. (%)
Net Sales	12,319	11,472	7.4	12,855	35,580	34,538	3.0
Gross Profit	8,594	7,541	14.0	8,759	24,235	22,596	7.3
<i>Margin %</i>	<i>69.8</i>	<i>65.7</i>	<i>4.0</i>	<i>68.1</i>	<i>68.1</i>	<i>65.4</i>	<i>2.7</i>
Other Exp	4888	4380	11.6	4666	13356	13208	1.1
<i>% of Net sales</i>	<i>39.7</i>	<i>38.2</i>		<i>36.3</i>	<i>37.5</i>	<i>38.2</i>	
EBITDA	3,706	3,161	17.3	4,093	10,879	9,388	15.9
<i>Margin %</i>	<i>30.1</i>	<i>27.6</i>	<i>2.5</i>	<i>31.8</i>	<i>30.6</i>	<i>27.2</i>	<i>3.4</i>
Depreciation	456	515	(11.5)	461	1371	1518	(9.7)
Interest	19	29		18	57	76	
PBT from operations	3232	2616	23.5	3614	9451	7794	21.3
Other Income	99	58	70.3	76	237	296	(19.8)
PBT	3,330	2,674	24.5	3,689	9,689	8,090	19.8
Tax	847	683	23.9	947	2481	1967	26.2
<i>Tax rate %</i>	<i>25.4</i>	<i>25.6</i>		<i>25.7</i>	<i>25.6</i>	<i>24.3</i>	
Adj. PAT	2,484	1,991	24.7	2,742	7,207	6,123	17.7

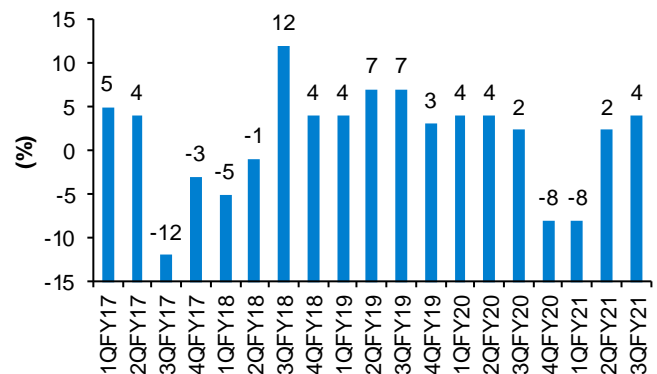
Source: Company, PL

Exhibit 2: Market Share remained flat



Source: Company, PL

Exhibit 3: Overall volumes grew by 4%



Source: Company, PL

Exhibit 4: Launched Vedshakti Mouth Protect Spray and Vedshakti Oil Pulling



Source: Company, PL

Exhibit 5: Adding products like Visible White and Colgate Diabetics to the premium product basket



Source: Company, PL

Exhibit 6: Launched Zig Zag turmeric and Super Flexi Salt to strengthen the brushing portfolio



Source: Company, PL

Exhibit 1: CDC shows increased traction

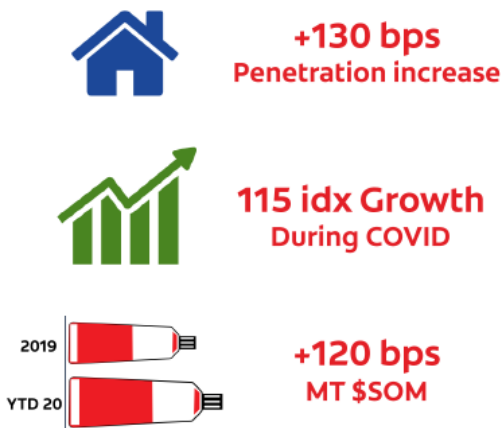
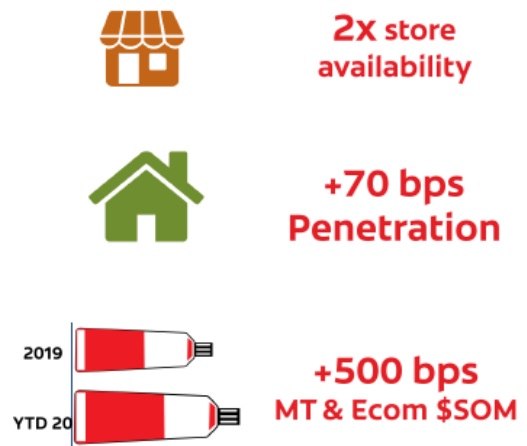


Exhibit 2: Strong momentum on naturals



Source: Company, PL

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	45,251	47,962	52,111	56,824
YoY gr. (%)	1.4	6.0	8.7	9.0
Cost of Goods Sold	15,729	15,171	16,760	18,225
Gross Profit	29,522	32,791	35,351	38,599
Margin (%)	65.2	68.4	67.8	67.9
Employee Cost	3,323	3,617	3,827	4,231
Other Expenses	3,689	4,025	4,271	4,659
EBITDA	12,017	14,519	15,803	17,320
YoY gr. (%)	(2.8)	20.8	8.8	9.6
Margin (%)	26.6	30.3	30.3	30.5
Depreciation and Amortization	1,979	2,081	2,304	2,531
EBIT	10,037	12,438	13,499	14,790
Margin (%)	22.2	25.9	25.9	26.0
Net Interest	96	88	80	72
Other Income	492	344	353	395
Profit Before Tax	10,434	12,694	13,773	15,114
Margin (%)	23.1	26.5	26.4	26.6
Total Tax	2,269	3,262	3,540	3,884
Effective tax rate (%)	21.7	25.7	25.7	25.7
Profit after tax	8,165	9,432	10,233	11,229
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,165	9,432	10,233	11,229
YoY gr. (%)	9.6	15.5	8.5	9.7
Margin (%)	18.0	19.7	19.6	19.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,165	9,432	10,233	11,229
YoY gr. (%)	5.3	15.5	8.5	9.7
Margin (%)	18.0	19.7	19.6	19.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,165	9,432	10,233	11,229
Equity Shares O/s (m)	272	272	272	272
EPS (Rs)	30.0	34.7	37.6	41.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	20,987	23,887	26,388	28,888
Tangibles	20,080	22,981	25,481	27,981
Intangibles	907	907	908	908
Acc: Dep / Amortization	11,655	13,379	15,291	17,389
Tangibles	10,749	12,472	14,383	16,482
Intangibles	907	907	908	908
Net fixed assets	9,332	10,509	11,098	11,499
Tangibles	9,332	10,509	11,098	11,499
Intangibles	-	-	-	-
Capital Work In Progress	1,900	1,500	1,500	1,500
Goodwill	-	-	-	-
Non-Current Investments	383	393	402	413
Net Deferred tax assets	(50)	(76)	(102)	(133)
Other Non-Current Assets	4,304	4,267	4,160	4,044
Current Assets				
Investments	3,596	1,190	2,069	2,708
Inventories	2,969	2,704	2,972	3,235
Trade receivables	1,326	2,086	2,267	2,473
Cash & Bank Balance	617	534	923	1,438
Other Current Assets	405	476	517	564
Total Assets	26,040	25,001	27,318	29,353
Equity				
Equity Share Capital	272	272	272	272
Other Equity	15,670	14,296	15,903	17,423
Total Networkth	15,942	14,568	16,175	17,695
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	488	289	325	275
Other non current liabilities	845	787	713	645
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,125	6,519	7,085	7,573
Other current liabilities	2,578	2,750	2,904	3,018
Total Equity & Liabilities	26,040	25,000	27,317	29,353

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	10,434	12,694	13,773	15,114
Add. Depreciation	1,979	2,081	2,304	2,531
Add. Interest	96	88	80	72
Less Financial Other Income	492	344	353	395
Add. Other	-	-	-	-
Op. profit before WC changes	12,509	14,863	16,157	17,716
Net Changes-WC	(1,800)	1,927	(785)	(773)
Direct tax	(2,269)	(3,262)	(3,540)	(3,884)
Net cash from Op. activities	8,440	13,527	11,832	13,059
Capital expenditures	(1,213)	(2,716)	(2,738)	(2,762)
Interest / Dividend Income	-	-	-	-
Others	125	-	-	-
Net Cash from Inv. activities	(1,087)	(2,716)	(2,738)	(2,762)
Issue of share cap. / premium	(133)	74	78	82
Debt changes	(777)	-	-	-
Dividend paid	(6,558)	(10,879)	(8,704)	(9,791)
Interest paid	(96)	(88)	(80)	(72)
Others	-	-	-	-
Net cash from Fin. activities	(7,564)	(10,893)	(8,706)	(9,781)
Net change in cash	(212)	(83)	389	515
Free Cash Flow	7,227	10,811	9,094	10,297

Source: Company Data, PL Research

Quarterly Financials (Rs m)

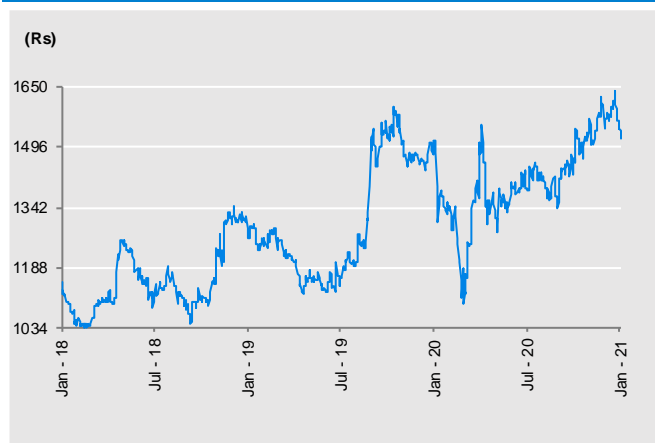
Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	10,713	10,406	12,855	12,319
YoY gr. (%)	(7.1)	(4.1)	5.2	7.4
Raw Material Expenses	3,786	3,524	4,096	3,725
Gross Profit	6,926	6,883	8,759	8,594
Margin (%)	64.7	66.1	68.1	69.8
EBITDA	2,629	3,080	4,093	3,706
YoY gr. (%)	(15.3)	2.7	26.7	17.3
Margin (%)	24.5	29.6	31.8	30.1
Depreciation / Depletion	462	454	461	456
EBIT	2,167	2,626	3,632	3,251
Margin (%)	20.2	25.2	28.3	26.4
Net Interest	20	20	18	19
Other Income	196	63	76	99
Profit before Tax	2,344	2,669	3,689	3,330
Margin (%)	21.9	25.6	28.7	27.0
Total Tax	612	687	947	847
Effective tax rate (%)	26.1	25.7	25.7	25.4
Profit after Tax	1,732	1,982	2,742	2,484
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,732	1,982	2,742	2,484
YoY gr. (%)	(4.6)	17.2	12.3	24.7
Margin (%)	16.2	19.0	21.3	20.2
Extra Ord. Income / (Exp)	310	-	-	-
Reported PAT	2,042	1,982	2,742	2,484
YoY gr. (%)	3.3	17.2	12.3	24.7
Margin (%)	19.1	19.0	21.3	20.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,042	1,982	2,742	2,484
Avg. Shares O/s (m)	272	272	272	272
EPS (Rs)	6.4	7.3	10.1	9.1

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	30.0	34.7	37.6	41.3
CEPS	37.3	42.3	46.1	50.6
BVPS	58.6	53.6	59.5	65.1
FCF	26.6	39.7	33.4	37.9
DPS	36.0	30.0	32.0	35.0
Return Ratio(%)				
RoCE	64.4	81.5	87.8	87.3
ROIC	69.0	68.3	81.0	85.9
RoE	53.7	61.8	66.6	66.3
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	(15)	(13)	(13)	(12)
Valuation(x)				
PER	52.1	45.1	41.6	37.9
P/B	26.7	29.2	26.3	24.0
P/CEPS	41.9	37.0	33.9	30.9
EV/EBITDA	35.1	29.2	26.7	24.3
EV/Sales	9.3	8.8	8.1	7.4
Dividend Yield (%)	2.3	1.9	2.0	2.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-21	Hold	1,570	1,598
2	18-Dec-20	Hold	1,600	1,570
3	21-Oct-20	Hold	1,445	1,427
4	08-Oct-20	Reduce	1,350	1,452
5	29-Jul-20	Reduce	1,344	1,448
6	08-Jul-20	Reduce	1,277	1,392
7	22-May-20	Reduce	1,224	1,313
8	15-Apr-20	Reduce	1,206	1,388
9	30-Jan-20	Reduce	1,270	1,391

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	2,829	2,740
2	Avenue Supermarts	BUY	3,296	2,968
3	Bajaj Electricals	BUY	647	637
4	Britannia Industries	BUY	4,301	3,540
5	Colgate Palmolive	Hold	1,570	1,598
6	Crompton Greaves Consumer Electricals	BUY	447	412
7	Dabur India	Accumulate	539	534
8	Emami	BUY	568	483
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	Hold	1,126	1,131
11	Hindustan Unilever	BUY	2,502	2,391
12	ITC	BUY	254	205
13	Jubilant FoodWorks	UR	-	2,789
14	Kansai Nerolac Paints	UR	-	613
15	Marico	Hold	410	419
16	Nestle India	Hold	17,640	18,515
17	Pidilite Industries	UR	-	1,795
18	Polycab India	BUY	1,247	1,278
19	Titan Company	UR	-	1,573
20	Voltas	UR	-	882

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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