

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	CLGT IN
Equity Shares (m)	272
M.Cap.(INRb)/(USD\$)	425.5 / 5.3
52-Week Range (INR)	1814 / 1376
1, 6, 12 Rel. Per (%)	-1/15/-19
12M Avg Val (INR M)	677

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	51.0	54.1	57.6
Sales Gr. (%)	5.3	6.0	6.4
EBITDA	15.7	15.8	17.6
EBITDA Mrg. (%)	30.7	29.3	30.5
Adj. PAT	10.5	10.6	11.9
Adj. EPS (INR)	38.5	39.1	43.6
EPS Gr. (%)	4.2	1.6	11.6
BV/Sh.(INR)	63.8	63.8	63.8

Ratios

RoE (%)	72.1	61.3	68.4
RoCE (%)	73.0	62.2	69.3
Payout (%)	104.0	100.0	100.0

Valuation

P/E (x)	40.7	40.1	35.9
P/BV (x)	24.6	24.6	24.6
EV/EBITDA (x)	26.7	26.4	23.7
Div. Yield (%)	2.6	2.5	2.8

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	51.0	51.0	51.0
DII	9.1	8.4	8.5
FII	18.7	18.6	18.6
Others	21.2	22.0	21.9

FII Includes depository receipts

CMP: INR1,564 TP: INR1,565 Neutral

Broadly in line; sales revival remains elusive

- CLGT's 1QFY23 sales and gross profit were in line. Higher than forecasted other expenses led to an EBITDA miss.
- The management said 1QFY23 was impacted by a slowdown in rural India and inflationary pressures. It remains cautiously optimistic of improving trends in coming quarters.
- While we await the response of re-launches/launches and the strategy under the new CEO, the core issue of lack of sales growth (caused by high category penetration, especially when allied with the fact that CLGT has not shown any signs of regaining lost market share), will continue to delay re-rating of the stock, given the little signs of a shift from its dependence on Oral Care. **We maintain our Neutral rating.**

Sales and gross margin in line; higher other expense led to an EBITDA miss

- CLGT reported a net sales growth of 2.6% YoY to INR12b (est. INR12.1b).
- Domestic volume is likely to decline by 1% YoY in 1QFY23.
- EBITDA declined by 8.3% YoY to INR3.3b (est. INR3.7b).
- PBT declined by 7.1% YoY to INR2.9b (est. INR3.3b).
- Adjusted PAT declined by 6.1% YoY to INR2.2b (est. INR2.4b).
- Gross margin contracted by 280bp YoY to 66.3% (est. 66.2%).
- As a percentage of sales, lower staff costs at 7.8% (down 30bp YoY), flat ad-spends at 13.6% (v/s 13.7% YoY), and higher other expenses at 17.7% (up 90bp), **led to a 330bp contraction in EBITDA margin to 27.2%** (est. 30.5%).
- Absolute ad spends grew 1.8% YoY and 11% QoQ to INR1.6b.
- Exceptional Item:** It pertains to severance and related expenses of INR93.4m with respect to certain changes in its organizational structure.

Key highlights from the press release

- The management said 1QFY23 was impacted by a slowdown in rural India and inflationary pressures.
- The management is cautiously optimistic that the current trends will improve in coming quarters.
- It has received an encouraging response to its recently launched Face Care range, and advance electronic Toothbrushes and Water Flossers.
- Visible Whit O2, which has a patented, innovative technology, has been appreciated by consumers.

Valuation and view

- There is no material change to our EPS forecasts. EPS CAGR of ~6% over the next two years implies a tepid outlook.
- With weak revenue and earnings growth likely to sustain going forward, there is unlikely to be any re-rating of the stock. We retain our target multiple of 35x FY24E EPS and roll forward to Jun'24 EPS to arrive at our TP of INR1,565 per share. We maintain our **Neutral** rating on the stock.

Quarterly performance											(INR m)	
Y/E March	FY22				FY23				FY22	FY23	FY23 1QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Toothpaste volume Gr. (%)	8.0	4.0	1.0	-4.0	-1.0	3.0	4.0	4.0			1.0	
Net sales (including OOI)	11,660	13,524	12,801	13,013	11,968	14,336	13,697	14,077	50,998	54,078	12,126	-1.3%
Change (YoY %)	12.0	5.2	3.9	1.4	2.6	6.0	7.0	8.2	5.3	6.0	4.0	
COGS	3,597	4,486	4,275	4,317	4,031	4,802	4,547	4,667	16,675	18,047	4,099	
Gross Profit	8,062	9,038	8,526	8,696	7,938	9,533	9,150	9,410	34,323	36,031	8,027	-1.1%
Gross margin (%)	69.1	66.8	66.6	66.8	66.3	66.5	66.8	66.8	67.3	66.6	66.2	
EBITDA	3,552	4,008	3,806	4,294	3,257	4,157	4,041	4,367	15,660	15,822	3,698	-11.9%
Margin (%)	30.5	29.6	29.7	33.0	27.2	29.0	29.5	31.0	30.7	29.3	30.5	
Growth (YoY %)	15.3	-2.1	2.7	1.8	-8.3	3.7	6.2	1.7	3.7	1.0	4.1	
Depreciation	447	449	439	438	442	471	466	497	1,773	1,875	469	
Interest	15	15	15	14	13	17	15	14	59	59	14	
Financial other Income	52	65	57	89	115	75	68	68	263	326	58	
PBT	3,142	3,609	3,408	3,931	2,918	3,744	3,628	3,924	14,090	14,214	3,274	-10.9%
Tax	810	917	885	1,015	727	944	914	996	3,627	3,581	825	
Rate (%)	25.8	25.4	26.0	25.8	24.9	25.2	25.2	25.4	25.7	25.2	25.2	
Adj. PAT	2,332	2,692	2,523	2,916	2,190	2,801	2,714	2,928	10,463	10,632	2,449	-10.6%
Change (YoY %)	17.7	-1.8	1.6	3.0	-6.1	4.1	7.6	0.4	4.2	1.6	5.0	

E: MOFSL estimates

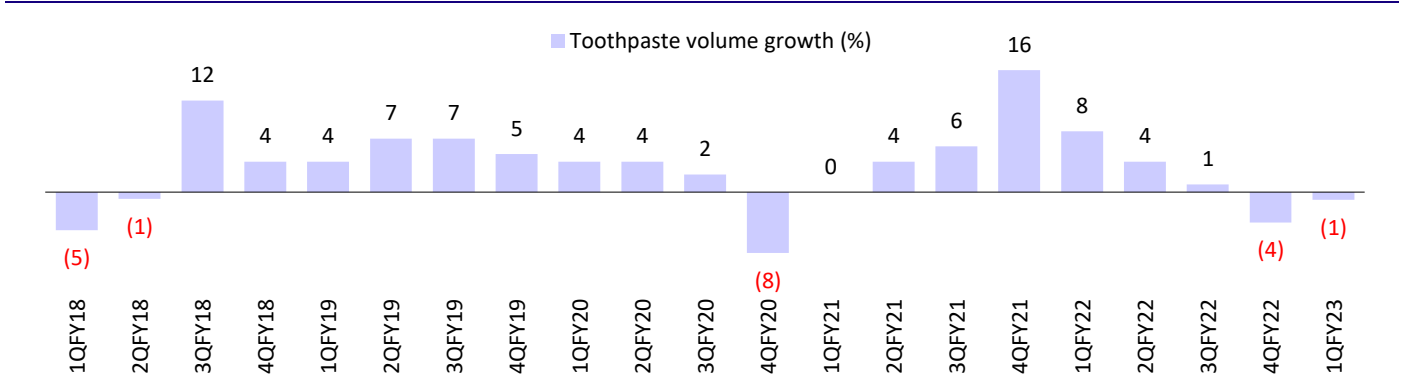
Key performance indicators

Y/E March	FY22				FY23			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
Growth in realization (%)	4.0	1.2	2.9	5.4	3.6	3.0	3.0	4.2
Average growth in the last two years (%)								
Volumes	4.0	4.0	3.5	6.0	3.5	3.5	2.5	0.0
Sales	4.0	5.2	5.7	10.6	7.3	5.6	5.5	4.8
EBITDA	9.0	12.3	10.0	31.1	3.5	0.8	4.4	1.8
PAT	17.4	5.2	13.2	20.8	5.8	1.1	4.6	1.7
Sales (%)								
COGS	30.9	33.2	33.4	33.2	33.7	33.5	33.2	33.2
Others	38.7	37.2	36.9	33.8	39.1	37.5	37.3	35.8
Depreciation	3.8	3.3	3.4	3.4	3.7	3.3	3.4	3.5
Change (YoY %)								
COGS	2.1	9.5	14.8	4.0	12.0	7.1	6.4	8.1
Other income	-17.0	-14.0	-42.5	33.8	121.5	15.0	20.0	-23.4
EBIT	18.2	-2.0	3.6	2.5	-9.3	3.6	6.2	0.4

E: MOFSL estimates

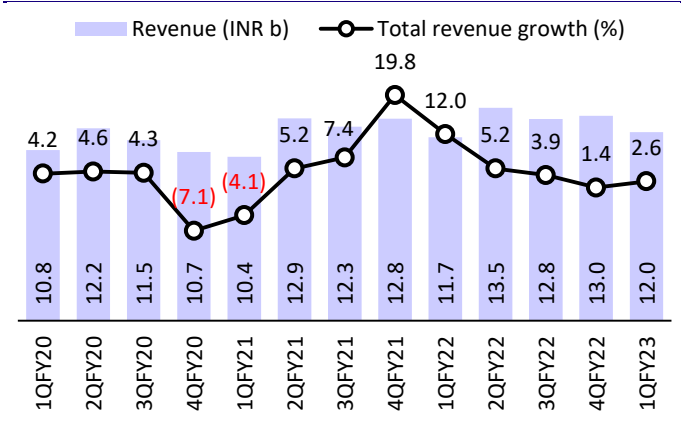
Key exhibits

Exhibit 1: Toothpaste volumes likely down 1% YoY in 1QFY23



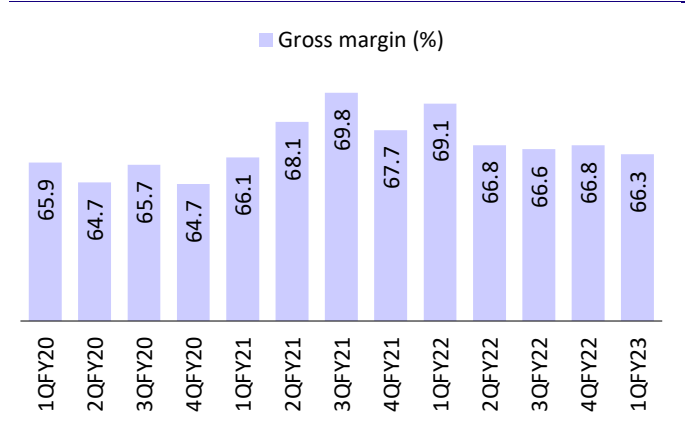
Source: MOFSL

Exhibit 2: Revenue rose 2.6% YoY to INR12b in 1QFY23



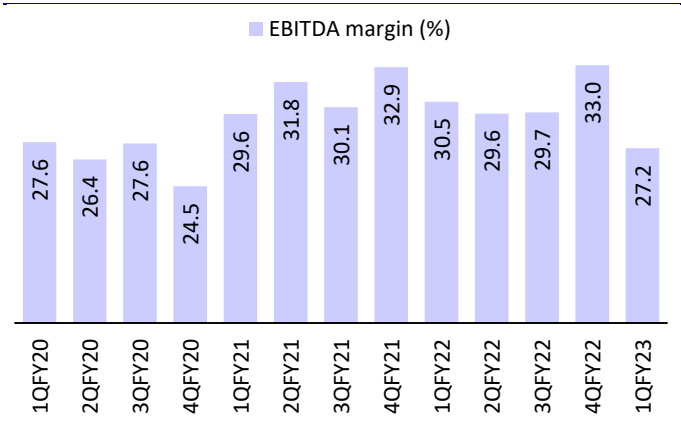
Source: Company, MOFSL

Exhibit 3: Gross margin contracts by 280bp YoY to 66.3% in 1QFY23



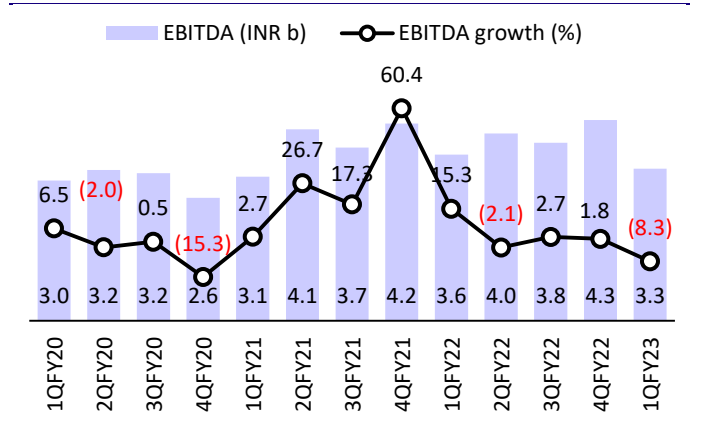
Source: Company, MOFSL

Exhibit 4: EBITDA margin contracts by 330bp to 27.2% in 1QFY23



Source: Company, MOFSL

Exhibit 5: EBITDA declines by 8.3% YoY to INR3.3b in 1QFY23



Source: Company, MOFSL

Valuation and view

What happened in the past decade from a business perspective?

- The combination of a sharp decline in market share in recent years and increased penetration in the category itself has resulted in single-digit revenue growth over the last 10 years. In recent years, premiumization has reduced, adversely affecting realization growth (v/s the past).
- For a company with a modest base of INR20.4b in sales in FY10, a sales/EBITDA/PBT CAGR of 8-10% over the last 10 years is a weak performance. PAT CAGR was lower at 7% as the company's tax rate stood at 16.7% in FY10.
- Due to a market share decline in recent years, the sales/EBITDA/PAT CAGR has been lower by ~3%/~8%/~8% over the last five years.

Maintain neutral with TP of INR1,565 per share

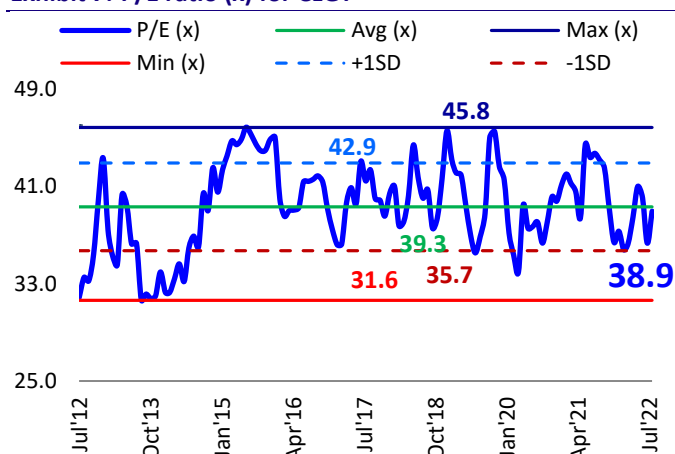
- There is no material change to our EPS forecasts. EPS CAGR of ~6% over the next two years implies a tepid outlook.
- With weak revenue and earnings growth likely to sustain going forward, there is unlikely to be any re-rating of the stock. We retain our target multiple of 35x FY24E EPS and roll forward to Jun'24 EPS to arrive at our TP of INR1,565 per share. We maintain our **Neutral** rating on the stock.

Exhibit 6: Changes to our model led to a -2.5% change in our FY23 EPS estimate. There are no changes to our FY24 estimates

INR m	Old estimates		New estimates		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	54,078	57,564	54,078	57,564	0.0	0.0
EBITDA	16,220	17,537	15,822	17,550	(2.5)	0.1
PAT	10,905	11,856	10,632	11,863	(2.5)	0.1

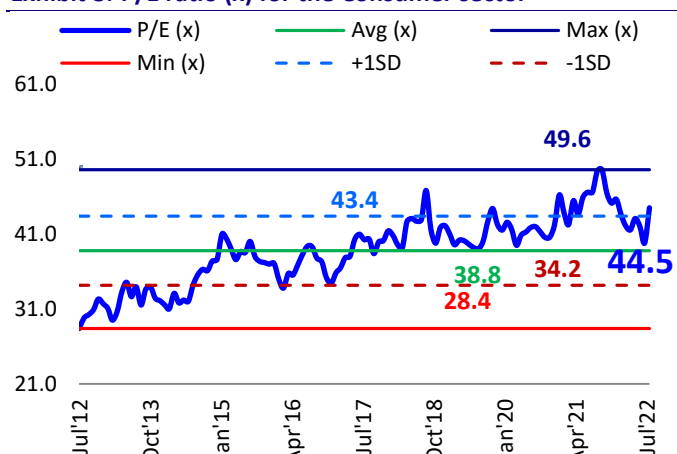
Source: MOFSL

Exhibit 7: P/E ratio (x) for CLGT



Source: Company, MOFSL

Exhibit 8: P/E ratio (x) for the Consumer sector



Source: Company, MOFSL

Financials and valuations

Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	39,818	41,880	44,624	45,251	48,412	50,998	54,078	57,564
Change (%)	2.9	5.2	6.6	1.4	7.0	5.3	6.0	6.4
COGS	14,763	14,887	15,586	15,729	15,494	16,675	18,047	18,869
Gross Profit	25,055	26,992	29,039	29,522	32,918	34,323	36,031	38,694
Gross Margin (%)	62.9	64.5	65.1	65.2	68.0	67.3	66.6	67.2
Operating expenses	15,619	15,855	16,678	17,505	17,822	18,663	20,208	21,144
EBITDA	9,435	11,137	12,361	12,017	15,096	15,659	15,822	17,550
Change (%)	0.5	18.0	11.0	-2.8	25.6	3.7	1.0	10.9
Margin (%)	23.7	26.6	27.7	26.6	31.2	30.7	29.3	30.5
Depreciation	1,332	1,565	1,592	1,979	1,825	1,773	1,875	1,943
Int. and Fin. Charges	0	0	25	96	73	59	59	59
Financial Other Income	411	375	377	492	304	263	326	311
Profit before Taxes	8,514	9,947	11,120	10,434	13,502	14,090	14,214	15,859
Change (%)	-1.8	16.8	11.8	-6.2	29.4	4.4	0.9	11.6
Margin (%)	21.4	23.8	24.9	23.1	27.9	27.6	26.3	27.6
Tax	2,740	3,022	3,566	2,475	3,572	3,768	3,581	3,996
Tax Rate (%)	32.2	31.1	32.1	21.7	25.6	25.7	25.2	25.2
Adjusted PAT	5,774	6,850	7,555	8,165	10,039	10,463	10,632	11,863
Change (%)	-5.7	18.6	10.3	8.1	23.0	4.2	1.6	11.6
Margin (%)	14.5	16.4	16.9	18.0	20.7	20.5	19.7	20.6
Non-rec. (Exp.)/Income	0	-117	201	0	315	320	0	0
Reported PAT	5,774	6,734	7,756	8,165	10,354	10,783	10,632	11,863

Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	272	272	272	272	272	272	272	272
Reserves	12,466	14,974	14,196	15,670	11,387	17,075	17,075	17,075
Net Worth	12,738	15,246	14,468	15,942	11,659	17,347	17,347	17,347
Loans	0	0	777	0	0	0	0	0
Deferred Liability	275	355	309	50	-48	-173	-173	-173
Capital Employed	13,013	15,601	15,553	15,992	11,611	17,174	17,174	17,174
Gross Block	17,188	19,077	21,077	22,182	19,831	20,587	21,087	22,087
Less: Accum. Depn.	-6,107	-7,617	-9,169	-10,953	-9,184	-10,957	-12,833	-14,775
Net Fixed Assets	11,081	11,459	11,909	11,229	10,647	9,630	8,254	7,312
Capital WIP	1,666	1,586	1,987	1,900	1,448	1,218	1,218	1,218
Investments	312	312	312	186	186	0	0	0
Curr. Assets, L&A	10,048	12,282	12,058	12,725	16,611	17,997	19,768	21,222
Inventory	2,926	2,267	2,486	2,969	3,358	3,572	3,648	3,676
Account Receivables	1,299	2,010	2,098	1,326	1,171	2,247	2,354	2,506
Cash and Bank	2,943	4,562	3,994	4,213	8,676	7,547	8,338	9,519
Others	2,880	3,443	3,481	4,217	3,405	4,631	5,427	5,521
Curr. Liab. and Prov.	10,094	10,037	10,712	10,048	17,282	11,672	12,067	12,578
Account Payables	5,975	6,203	6,132	6,125	7,604	7,714	7,941	8,277
Other Liabilities	3,356	3,040	3,757	2,830	8,555	2,978	3,096	3,221
Provisions	763	794	823	1,093	1,122	980	1,029	1,080
Net Current Assets	-46	2,245	1,346	2,677	-671	6,326	7,701	8,644
Application of Funds	13,013	15,601	15,553	15,992	11,611	17,174	17,174	17,174

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	21.2	25.2	27.8	30.0	36.9	38.5	39.1	43.6
Cash EPS	26.1	30.9	33.6	37.3	43.6	45.0	46.0	50.8
BV/Share	46.8	56.1	53.2	58.6	42.9	63.8	63.8	63.8
DPS	11.0	24.0	23.0	28.0	38.0	40.0	39.1	43.6
Payout (%)	51.7	95.3	82.8	93.3	103.0	104.0	100.0	100.0
Valuation (x)								
P/E ratio	73.8	62.2	56.4	52.2	42.5	40.7	40.1	35.9
Cash P/E ratio	60.0	50.6	46.6	42.0	35.9	34.8	34.1	30.9
EV/Sales ratio	10.6	10.1	9.5	9.3	8.6	8.2	7.7	7.2
EV/EBITDA ratio	44.8	37.8	34.2	35.1	27.6	26.7	26.4	23.7
P/BV ratio	33.5	28.0	29.5	26.7	36.6	24.6	24.6	24.6
Dividend Yield (%)	0.7	1.5	1.5	1.8	2.4	2.6	2.5	2.8
Return Ratios (%)								
RoE	50.1	49.0	50.9	53.7	72.7	72.1	61.3	68.4
RoCE	49.3	47.9	48.6	52.2	73.1	73.0	62.2	69.3
Working Capital Ratios								
Debtor (Days)	11	17	17	11	9	16	16	16
Asset Turnover (x)	3.6	3.1	3.4	3.3	4.9	3.2	3.4	3.6
Leverage Ratio								
Debt/Equity ratio (x)	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(loss) before Tax	8,514	9,947	11,121	10,434	13,502	14,090	14,214	15,859
Depreciation	1,332	1,565	1,592	1,979	1,825	1,773	1,875	1,943
Int./Div. Received	34	81	85	-95	58	150	-326	-311
Interest Paid	-297	-290	-317	-171	-137	-208	59	59
Direct Taxes Paid	-3,014	-3,474	-4,144	-3,213	-3,584	-3,699	-3,581	-3,996
(Incr.)/Decr. in WC	311	-889	1,494	-35	-3,826	4,151	-584	238
CF from Operations	6,880	6,940	9,830	8,899	7,839	16,257	11,657	13,793
(Incr.)/Decr. in FA	-3,212	-2,087	-1,042	-604	-573	-493	-500	-1,000
Free Cash Flow	3,668	4,853	8,788	8,295	7,265	15,765	11,157	12,793
(Pur.)/Sale of Investments	0	0	0	133	1,060	-1,003	0	0
Others	-205	564	-1,209	305	5,703	-4,985	542	526
CF from Invest.	-3,418	-1,523	-2,251	-166	6,190	-6,481	42	-474
Change in Equity	0	0	0	0	0	0	0	0
(Incr.)/Decr. in Debt	0	0	-121	0	0	0	0	0
Dividend Paid	-2,717	-2,986	-6,462	-7,315	-9,211	-10,572	-10,632	-11,863
Others	-689	-812	-1,564	-1,199	-353	-334	-275	-275
CF from Fin. Activity	-3,406	-3,798	-8,147	-8,514	-9,565	-10,906	-10,907	-12,138
Incr./Decr. in Cash	56	1,619	-568	219	4,464	-1,129	791	1,181
Add: Opening Balance	2,887	2,943	4,562	3,994	4,213	8,676	7,547	8,338
Closing Balance	2,943	4,562	3,994	4,213	8,676	7,547	8,338	9,519

E: MOFSL estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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