

# Colgate Palmolive (India) Ltd.



# Colgate Palmolive (India) Ltd.

**Subdued performance, margin remained under pressure**

CMP <b>INR 1,549</b>	Target <b>INR 1,753</b>	Potential Upside <b>13.2%</b>	Market Cap (INR Mn) <b>INR 4,21,333</b>	Recommendation <b>ACCUMULATE</b>	Sector <b>Consumer Goods</b>
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## Result Highlights of Q1FY23

- In Q1FY23, CLGT reported revenue of INR 11,968 Mn, a growth of 2.6% YoY and a decline of 8.0% QoQ. The quarter was impacted by overall rural slowdown and inflationary pressures.
- EBITDA for the quarter was INR 3,257 Mn, which was lower by 8.3% YoY and 24.2% QoQ. EBITDA margin was at 27.2%, a decline of 325 bps YoY and 579 bps QoQ.
- Net Profit stood at INR 2,097 Mn which is a decline of 10.1% YoY/ 35.2% QoQ. Q1FY23 was impacted by an exceptional item of INR 93 Mn related to severance and related expenses with respect to certain organization structure changes. Excluding that, Adj. Net Profit declined by 6.1% YoY/ 32.3% QoQ. Adj. NPM was at 18.3% which was lower by 170 bps YoY and 657 bps QoQ.

## MARKET DATA

Shares outs (Mn)	272
Mkt Cap (INR mn)	4,21,333
52 Wk H/L (INR)	1,810/1,376
Volume Avg (3m K)	312
Face Value (INR)	1
Bloomberg Code	CLGT IN

## KEY FINANCIALS

INR Millions	FY20	FY21	FY22	FY23E	FY24E
Revenue	45,251	48,412	50,998	54,313	58,929
EBITDA	12,017	15,096	15,659	15,745	18,239
PAT	8,165	10,354	10,783	10,687	12,550
Adj PAT	8,165	10,354	10,783	10,781	12,550
EPS (INR)	30.0	38.1	39.6	39.3	46.1
Adj. EPS (INR)	30.0	38.1	39.6	39.6	46.1
EBITDA Margin (%)	26.6%	31.2%	30.7%	29.0%	31.0%
NPM (%)	18.0%	21.4%	21.1%	19.7%	21.3%

Source: Company, KRChoksey Research

## Another soft quarter; Tepid growth trend continues

CLGT reported revenue of INR 11,968 Mn which increased by 2.6% YoY while declining by 8.0% QoQ. In the last 4 quarters between Q1FY22 to Q4FY22, CLGT has reported YoY revenue growth of 12.0%/ 5.2%/ 3.8%/ 1.4% respectively. While Q1FY23 YoY growth was better than Q4FY22, it continued to be tepid.

The challenging trends of Q4FY22 continued in Q1FY23 as well. Q1FY23 was impacted by overall slowdown in rural geographies and inflationary pressures. While the company did not share any details on volume trends, they mentioned that the pricing strategy and funding growth programs helped the company. Management remains cautiously optimistic of performance trends improving in coming quarters.

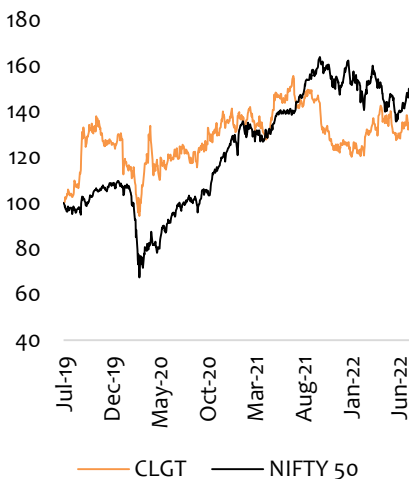
## EBITDA margin pressure coming from all operating expense lines

CLGT's EBITDA for the quarter was INR 3,257 Mn, which was lower by 8.3% YoY and 24.2% QoQ. EBITDA margin was at 27.2%, a decline of 325 bps YoY and 579 bps QoQ. Gross profit margin for the quarter was at 66.3% which declined by 282 bps YoY and 51 bps QoQ. Employee costs and other operating expenses as a % of sales also increased YoY and QoQ leading to higher pressure on the EBITDA margins. Advertising spends as % of sales went up to 13.6% in the quarter after being in the 11% to 12% range for last 2 quarters.

## Newly launched products perform well

CLGT's new innovative product launches such as Visible White O2, relaunches of Colgate Strong Teeth and Colgate Vedshakti toothpaste have received good response. Newly launched category of Palmolive Face care range and extensions in the oral care segment with Advanced Electric Toothbrushes and Water Flossers have also seen encouraging response.

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	56,858
NIFTY	16,930

## SHARE HOLDING PATTERN (%)

Particulars	Jun-22	Mar-22	Dec-21
Promoters	51.0	51.0	51.0
FIIs	18.7	18.6	18.0
DIIIs	8.8	8.3	8.2
Others	21.5	22.1	22.8
Total	100	100	100

# 7.5%

Revenue CAGR between FY22 and FY24E

# 7.9%

PAT CAGR between FY22 and FY24E

# Colgate Palmolive (India) Ltd.

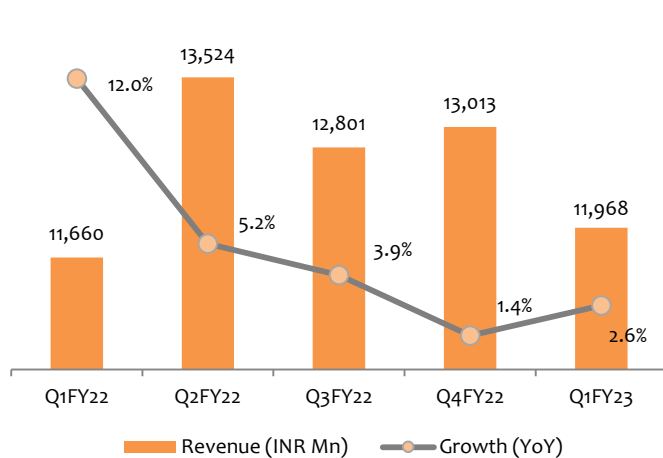
## Valuation & view:

CLGT’s commitment to launch superior products and enhance customer experience continues. CLGT is receiving good response for new category launches and brand extensions.

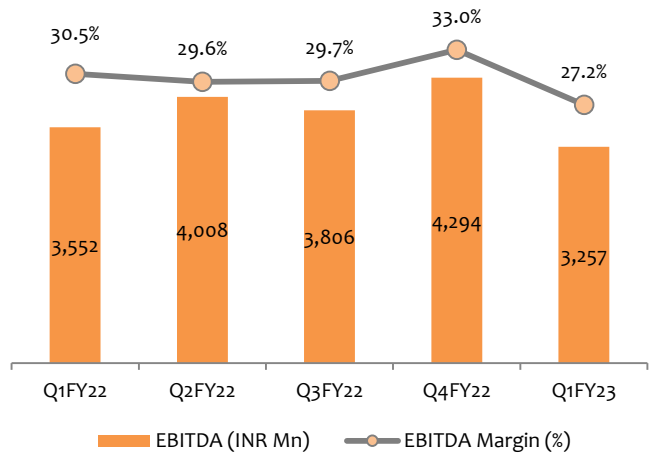
Management is cautiously optimistic that performance trends will improve in the coming quarters. However, CLGT has reported low single digit YoY growth in each quarter since Q3FY22. We wait to see how the demand trends shape up going forward as some of the demand side issues, especially in the rural market, ease with the overall softening of inflation and the expected normal monsoon led revival. We estimate CLGT’s Revenue/EBITDA/PAT to grow at a CAGR of 7.5% / 7.9% / 7.9% over FY22-FY24E.

We apply P/E multiple of 38x on FY24E EPS of INR 46.1 and arrive at a target price of INR 1,753 per share (previous target price of INR 1,802), an upside potential of 13.2% from CMP. Accordingly, we maintain our rating at “Accumulate” on the shares of Colgate Palmolive India.

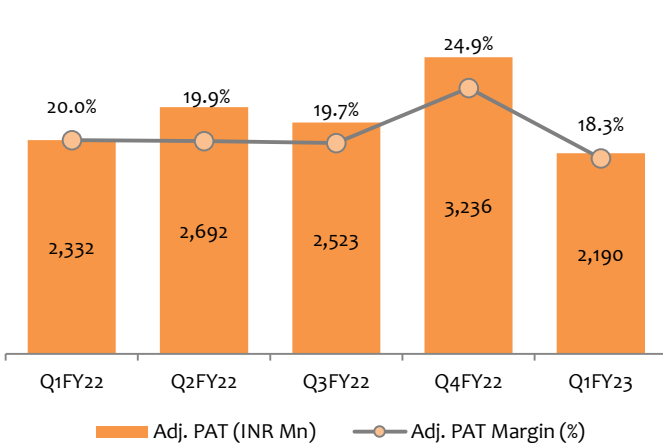
YoY Revenue growth continues to be tepid in Q1FY23



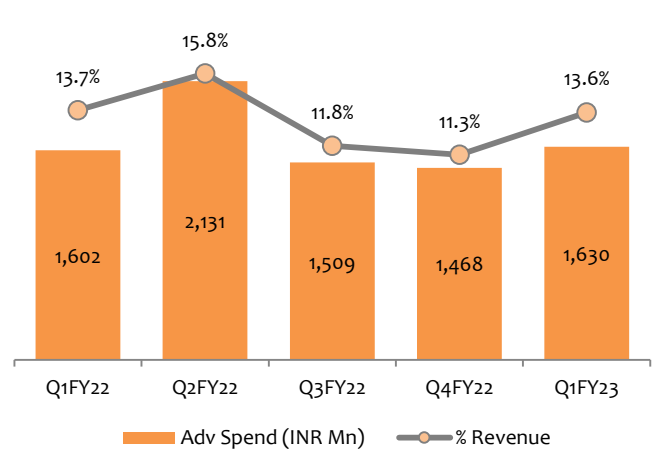
EBITDA margins saw a significant dip in Q1FY23



Sharp QoQ decline in Adj. PAT Margin



Uptick in advertisement spend after 2 quarters



Source: Company, KRChoksey Research

# Colgate Palmolive (India) Ltd.

## KEY FINANCIALS

Quarterly Income Statement (INR Mn)	Q1FY23	Q4FY22	Q1FY22	QoQ	YoY
<b>Revenue</b>	<b>11,968</b>	<b>13,013</b>	<b>11,660</b>	<b>-8.0%</b>	<b>2.6%</b>
<b>Total Expenditure</b>	<b>8,711</b>	<b>8,719</b>	<b>8,108</b>	<b>-0.1%</b>	<b>7.4%</b>
Cost of Raw Materials	3,559	3,667	3,107	-2.9%	14.5%
Purchase of Stock	662	622	811	6.4%	-18.5%
Changes in Inv	-190	28	-321	-775.1%	-41.0%
Employee Cost	937	849	950	10.4%	-1.3%
Other Expenses	3,744	3,553	3,560	5.4%	5.2%
<b>EBITDA</b>	<b>3,257</b>	<b>4,294</b>	<b>3,552</b>	<b>-24.2%</b>	<b>-8.3%</b>
<b>EBITDA Margin (%)</b>	<b>27.2%</b>	<b>33.0%</b>	<b>30.5%</b>	<b>-579 bps</b>	<b>-325 bps</b>
Depreciation	442	438	447	0.8%	-1.2%
<b>EBIT</b>	<b>2,815</b>	<b>3,856</b>	<b>3,105</b>	<b>-27.0%</b>	<b>-9.3%</b>
Other Income	115	89	52	30.2%	121.5%
Interest Expense	13	14	15	-3.7%	-15.6%
Exceptional items	93	0	0	-	-
<b>PBT</b>	<b>2,824</b>	<b>3,931</b>	<b>3,142</b>	<b>-28.2%</b>	<b>-10.1%</b>
Tax	727	696	810	4.6%	-10.2%
<b>PAT</b>	<b>2,097</b>	<b>3,236</b>	<b>2,332</b>	<b>-35.2%</b>	<b>-10.1%</b>
<b>PAT Margin</b>	<b>17.5%</b>	<b>24.9%</b>	<b>20.0%</b>	<b>-735 bps</b>	<b>-248 bps</b>
<b>Adj. PAT</b>	<b>2,190</b>	<b>3,236</b>	<b>2,332</b>	<b>-32.3%</b>	<b>-6.1%</b>
<b>Adj. PAT Margin</b>	<b>18.3%</b>	<b>24.9%</b>	<b>20.0%</b>	<b>-657 bps</b>	<b>-170 bps</b>
<b>EPS</b>	<b>7.7</b>	<b>11.9</b>	<b>8.6</b>	<b>-35.2%</b>	<b>-10.1%</b>
<b>Adj. EPS</b>	<b>8.1</b>	<b>11.9</b>	<b>8.6</b>	<b>-32.3%</b>	<b>-6.1%</b>

Source: Company, KRChoksey Research

## Colgate Palmolive (India) Ltd.

Income Statement (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
<b>Revenues</b>	<b>45,251</b>	<b>48,412</b>	<b>50,998</b>	<b>54,313</b>	<b>58,929</b>
COGS	15,729	15,494	16,675	18,200	19,123
<b>Gross profit</b>	<b>29,522</b>	<b>32,919</b>	<b>34,323</b>	<b>36,112</b>	<b>39,807</b>
Employee cost	3,323	3,656	3,851	4,073	4,302
Other expenses	14,182	14,166	14,812	16,294	17,266
<b>EBITDA</b>	<b>12,017</b>	<b>15,096</b>	<b>15,659</b>	<b>15,745</b>	<b>18,239</b>
<b>EBITDA Margin</b>	<b>26.6%</b>	<b>31.2%</b>	<b>30.7%</b>	<b>29.0%</b>	<b>31.0%</b>
Depreciation & amortization	1,979	1,825	1,773	1,901	2,063
<b>EBIT</b>	<b>10,038</b>	<b>13,271</b>	<b>13,886</b>	<b>13,844</b>	<b>16,176</b>
Interest expense	96	73	59	53	48
Other income	492	304	263	267	271
<b>PBT</b>	<b>10,434</b>	<b>13,502</b>	<b>14,090</b>	<b>13,965</b>	<b>16,399</b>
Tax	2,269	3,148	3,307	3,277	3,849
<b>PAT</b>	<b>8,165</b>	<b>10,354</b>	<b>10,783</b>	<b>10,687</b>	<b>12,550</b>
<b>Adj. PAT</b>	<b>8,165</b>	<b>10,354</b>	<b>10,783</b>	<b>10,781</b>	<b>12,550</b>
<b>EPS (INR)</b>	<b>30.02</b>	<b>38.07</b>	<b>39.65</b>	<b>39.29</b>	<b>46.14</b>
<b>Adj. EPS</b>	<b>30.02</b>	<b>38.07</b>	<b>39.65</b>	<b>39.64</b>	<b>46.14</b>

Cash Flow Statement (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Net Cash Generated From Operations	8,899	7,839	16,257	12,420	14,556
Net Cash Flow from/(used in) Investing Activities	(187)	714	(1,077)	(2,118)	(2,365)
Net Cash Flow from Financing Activities	(8,514)	(9,565)	(10,906)	(7,648)	(7,639)
Net Inc/Dec in cash equivalents	198	(1,013)	4,275	2,654	4,551
Opening Balance	3,780	3,978	2,966	7,240	9,895
Closing Balance Cash and Cash Equivalents	3,978	2,966	7,240	9,895	14,446

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin (%)	26.6%	31.2%	30.7%	29.0%	31.0%
Tax rate (%)	21.7%	23.3%	23.5%	23.5%	23.5%
Net Profit Margin (%)	18.0%	21.4%	21.1%	19.7%	21.3%
RoE (%)	51.2%	88.8%	62.2%	52.3%	49.5%
RoCE (%)	66.1%	116.3%	81.5%	69.1%	64.8%
EPS (INR)	30.0	38.1	39.6	39.3	46.1

# Colgate Palmolive (India) Ltd.

Balance Sheet (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Property, plant and equipment	11,229	10,647	9,630	9,630	9,630
Capital work-in-progress	1,900	1,449	1,218	1,218	1,218
Investments	186	186	0	0	0
Loans	20	14	13	14	15
Other financial assets	177	186	170	181	197
Current tax assets (Net)	2,247	2,583	2,888	3,075	3,337
Other non-current assets	160	102	97	104	112
<b>Total non-current assets</b>	<b>15,919</b>	<b>15,214</b>	<b>14,190</b>	<b>14,407</b>	<b>14,709</b>
<b>Current assets</b>					
Inventories	2,969	3,358	3,572	3,804	4,127
Financial assets					
Trade receivables	1,326	1,171	2,247	2,393	2,596
Cash and cash equivalents	3,978	2,966	7,241	9,895	14,446
Bank balances other than (iii) above	235	5,711	307	307	307
Loans	1,135	69	1,073	1,073	1,073
Other financial assets	73	51	70	84	91
Other current assets	405	400	320	998	1,083
<b>Total current assets</b>	<b>10,120</b>	<b>13,726</b>	<b>14,829</b>	<b>18,554</b>	<b>23,724</b>
<b>TOTAL ASSETS</b>	<b>26,040</b>	<b>28,940</b>	<b>29,018</b>	<b>32,960</b>	<b>38,433</b>
<b>EQUITY AND LIABILITIES</b>					
Equity share capital	272	272	272	272	272
Other equity	15,670	11,387	17,075	20,146	25,081
Equity attributable to the equity shareholders	15,942	11,659	17,347	20,418	25,353
Non-controlling interests	0	0	0	0	0
<b>Total equity</b>	<b>15,942</b>	<b>11,659</b>	<b>17,347</b>	<b>20,418</b>	<b>25,353</b>
<b>Non-current liabilities</b>					
Borrowings	0	12	12	12	12
Lease liabilities	840	774	690	690	690
Provisions	488	311	140	161	185
Deferred tax liabilities (Net)	50	0	0	0	0
Other non-current liabilities	17	5	5	5	5
<b>Total non-current liabilities</b>	<b>1,395</b>	<b>1,102</b>	<b>847</b>	<b>868</b>	<b>892</b>
<b>Current liabilities</b>					
Lease liabilities	175	138	140	140	140
Trade payables	6,125	7,604	7,714	8,419	8,846
Other financial liabilities	255	5,811	352	384	404
Other current liabilities	1,034	1,307	1,227	1,339	1,407
Provisions	605	811	840	840	840
Current tax liabilities (Net)	508	508	552	552	552
<b>Total current liabilities</b>	<b>8,703</b>	<b>16,180</b>	<b>10,825</b>	<b>11,675</b>	<b>12,189</b>
<b>Total liabilities</b>	<b>10,098</b>	<b>17,282</b>	<b>11,672</b>	<b>12,542</b>	<b>13,080</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>26,040</b>	<b>28,940</b>	<b>29,018</b>	<b>32,961</b>	<b>38,433</b>

Source: Company, KRChoksey Research



# Colgate Palmolive (India) Ltd.

Colgate Palmolive (India) Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
29-07-22	1,549	1,753	ACCUMULATE	Buy	More than 15%
27-05-22	1,592	1,802	ACCUMULATE		
29-01-22	1,400	1,802	BUY	Accumulate	5% – 15%
01-11-21	1,542	1,850	BUY		
03-08-21	1,674	1,850	ACCUMULATE	Hold	0 – 5%
30-06-21	1,670	1,721	HOLD		
20-05-21	1,606	1,721	ACCUMULATE	Reduce	-5% – 0
17-03-21	1,613	1,721	ACCUMULATE		
15-12-20	1,574	1,622	HOLD	Sell	Less than – 5%
23-10-20	1,465	1,622	ACCUMULATE		
13-08-20	1,446	1,507	ACCUMULATE		

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