

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CLGT IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	553.3 / 6.6
52-Week Range (INR)	2129 / 1435
1, 6, 12 Rel. Per (%)	2/23/19
12M Avg Val (INR M)	735

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	52.3	56.4	61.9
Sales Gr. (%)	2.5	7.9	9.8
EBITDA	15.5	17.6	19.8
EBITDA Margin (%)	29.6	31.3	31.9
Adj. PAT	10.6	12.2	13.7
Adj. EPS (INR)	38.9	44.9	50.4
EPS Gr. (%)	1.1	15.3	12.5
BV/Sh.(INR)	63.1	63.1	63.1

Ratios

RoE (%)	61.3	71.1	79.9
RoCE (%)	62.4	72.5	81.5
Payout (%)	100.2	100.0	100.0

Valuation

P/E (x)	52.2	45.3	40.3
P/BV (x)	32.2	32.2	32.2
EV/EBITDA (x)	35.1	30.8	27.4
Div. Yield (%)	1.9	2.2	2.5

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	51.0	51.0	51.0
DII	5.9	7.8	9.3
FII	24.1	21.8	19.5
Others	19.0	19.4	20.3

FII Includes depository receipts

CMP: INR2,034 **TP: INR2,020 (-1%)** **Neutral**

Subdued volume growth trajectory will continue

- CLGT reported better-than-expected operating performance, driven by favorable pricing strategies and increased efficiencies. However, the toothpaste category volume growth has been flattish or marginally lower YoY in 2QFY24.
- CLGT gross profit margin is high in the last nine quarters, reaching 68.8% (est. 68.3%), although it is expected to decrease in 2HFY24. Furthermore, the higher ad-spends (up 260bp YoY) on re-launching campaign was offset by lower other expenses, resulting in a notable 340bp improvement in EBITDA margin.
- The company will continue to focus on innovation, productivity, and premiumization to revive growth. With a cautious near-term outlook on demand, we reiterate our Neutral rating on the stock.

In-line sales; improved operating margins led the PAT beat

- CLGT sales grew 6% YoY to INR14.7b (est. INR14.9b).
- **We believe that toothpaste volume growth has been flattish or marginally lower YoY.**
- Gross margins increased 500bp YoY at 68.8% (est. 68.5%).
- EBITDA grew 18.2% YoY to INR4.8b (est. INR4.6b).
- PBT grew 22.4% YoY to INR4.6b (est. INR4.3b).
- Adj. PAT grew 22.3% YoY to INR3.4b (est. INR3.2b).
- As a percentage of sales, lower other expenses at 14.8% (down 140bp YoY), higher advertising expenses at 14% (up 260bp YoY), and staff cost at 7.2% (up 40bp YoY) **meant EBITDA margin expanded by ~340bp YoY to 32.8%.**
- **In 1HFY24**, Net sales/EBITDA/adj. PAT growth stood at 8.3%/22.7%/27.4% YoY.
- The board has declared an interim dividend of INR22.

Key highlights from press release

- CLGT intensified its efforts on the Colgate Strong Teeth relaunch, extending its reach and enhancing product availability.
- Colgate Max Fresh also delivered excellent performance.
- Colgate Zig zag toothbrush has been revamped with an enhanced product mix, emphasizing its core attributes of deep and interdental cleaning.
- The Toothpaste segment reported high single-digit growth.
- To elevate India's dental health standards, the company released a film 'The Sweet Truth', highlighting the importance of night-time brushing.
- Colgate Bright Smiles, Bright Futures program has positively impacted the lives of over 171 million children.

Valuation and view

- We have not made any significant change to our EPS estimates for FY24E/FY25E.
- The sales/EBITDA/PAT CAGR for the 10-year period ending FY23 stood at 5.1%/8.8%/7.7%. Despite this, the overall growth seems stagnant, due to the muted volume growth going forward. Additionally, due to high oral care penetration and competition from herbal players, CLGT has struggled to achieve volume growth for several years. Moreover, premiumization in general trade and traction in personal care have been slow.
- Given the likelihood of continued weak topline and earnings growth in the future, it is unlikely that the stock will undergo a re-rating. We maintain Neutral with a **TP of INR2,020** (target multiple of 40x FY25E EPS, close to five-year average).

Quarterly Performance

Y/E March	(INR m)											
	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Toothpaste Volume Gr %	-1.0	0.0	-2.0	0.0	5.0	-1.0	3.0	4.0	-0.8	2.8	3.0	
Net Sales (inclgd. OOI)	11,968	13,875	12,913	13,506	13,237	14,711	13,962	14,465	52,262	56,375	14,851	-0.9%
YoY change (%)	2.6	2.6	0.9	3.8	10.6	6.0	8.1	7.1	2.5	7.9	7.0	
Gross Profit	7,938	8,846	8,506	9,031	9,058	10,117	9,534	9,802	34,320	38,510	10,175	-0.6%
Gross margin (%)	66.3	63.8	65.9	66.9	68.4	68.8	68.3	67.8	65.7	68.3	68.5	
EBITDA	3,257	4,080	3,615	4,519	4,181	4,821	4,269	4,358	15,470	17,629	4,640	3.9%
Margins (%)	27.2	29.4	28.0	33.5	31.6	32.8	30.6	30.1	29.6	31.3	31.2	
YoY growth (%)	-8.3	1.8	-5.0	5.2	28.4	18.2	18.1	-3.6	-1.2	14.0	13.7	
Depreciation	442	439	437	431	438	443	482	516	1,748	1,878	475	
Interest	13	13	13	11	11	11	14	16	49	51	14	
Financial other Income	115	113	104	204	150	210	107	143	536	610	130	
PBT	2,918	3,741	3,269	4,281	3,883	4,578	3,880	3,969	14,209	16,310	4,281	6.9%
Tax	727	961	837	1,100	951	1,178	989	992	3,724	4,110	1,079	
Rate (%)	24.9	25.7	25.6	25.7	24.5	25.7	25.5	25.0	26.2	25.2	25.2	
Adj PAT	2,190	2,780	2,432	3,181	2,932	3,401	2,891	2,977	10,583	12,200	3,202	6.2%
YoY change (%)	-6.1	3.3	-3.6	9.1	33.9	22.3	18.8	-6.4	1.2	15.3	15.2	

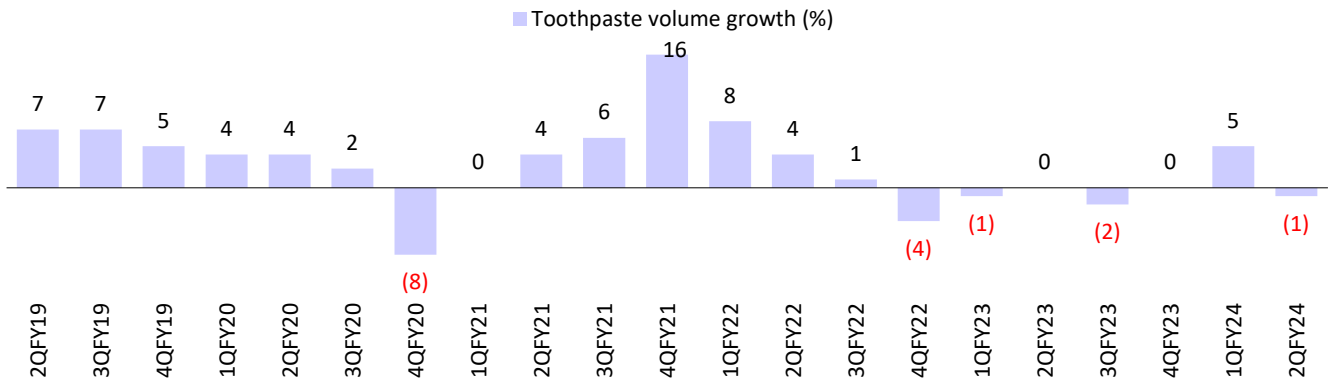
E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY23				FY24	
	1Q	2Q	3Q	4Q	1Q	2Q
Realization Gr %	3.6	2.6	2.9	3.8	5.6	7.0
2Y average growth %						
Volumes	3.5	2.0	-0.5	-2.0	2.0	-0.5
Sales	7.3	3.9	2.4	2.6	6.6	4.3
EBITDA	3.5	-0.1	-1.2	3.5	10.0	10.0
PAT	5.8	0.7	-1.0	6.0	13.9	12.8
% sales						
COGS	33.7	36.2	34.1	33.1	31.6	31.2
Others	39.1	34.3	37.9	33.4	36.8	36.0
Depreciation	3.7	3.2	3.4	3.2	3.3	3.0
YoY change %						
COGS	12.0	12.1	3.1	3.7	3.7	-8.6
Other income	121.5	73.3	83.3	129.7	29.7	86.3
EBIT	-9.3	2.3	-5.6	6.0	33.0	20.2

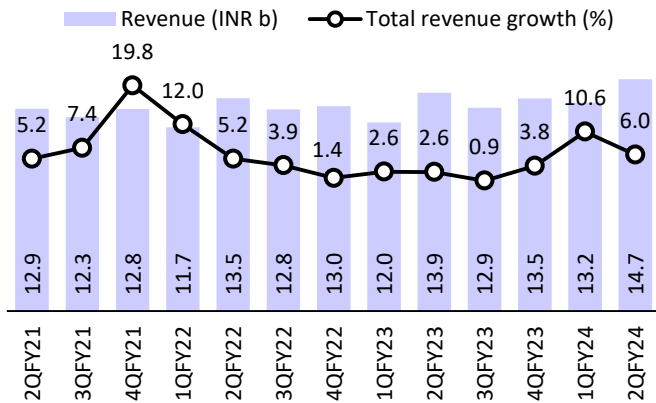
Key exhibits

Exhibit 1: Toothpaste volume marginally declined 1% YoY in 2QFY24



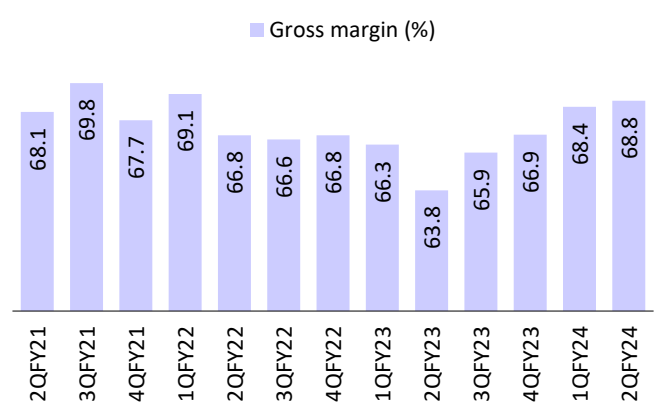
Source: MOFSL

Exhibit 2: Revenue grew 6% YoY to INR14.7b in 2QFY24



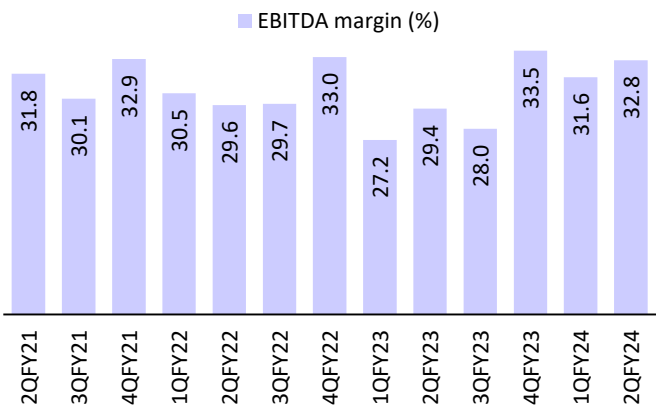
Sources: Company reports, MOFSL

Exhibit 3: Gross margin expanded 500bp YoY to 68.8%



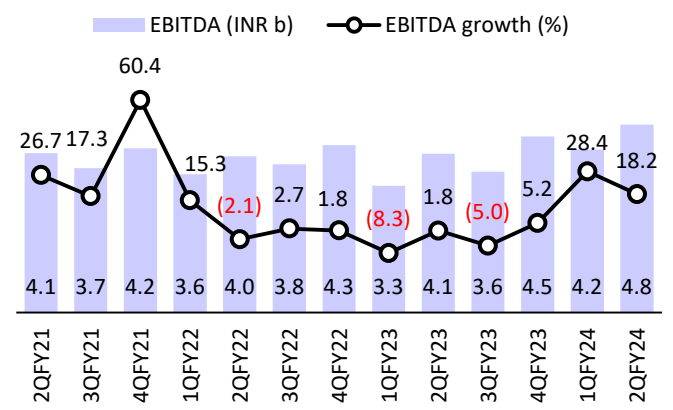
Sources: Company reports, MOFSL

Exhibit 4: EBITDA margin up 340bp YoY to 32.8% in 2QFY24



Sources: Company reports, MOFSL

Exhibit 5: EBITDA increased 18.2% YoY to INR4.8b in 2QFY24



Sources: Company reports, MOFSL

Valuation and view

What happened in the past decade?

- A sharp decline in the market share in the recent years, coupled with increased penetration in the same category, has resulted in single-digit revenue growth over the last 10 years. In recent years, premiumization has declined, adversely affecting realization growth.
- For a company with a modest base of INR31.7b in sales in FY13, a sales/EBITDA/PAT CAGR of 5%/8.8%/7.9% over the last 10 years is indicative of its weak performance.
- Due to a market share decline in the recent years, the sales CAGR has dropped to ~5% over the last five years.

Reiterate Neutral with TP of INR2,020

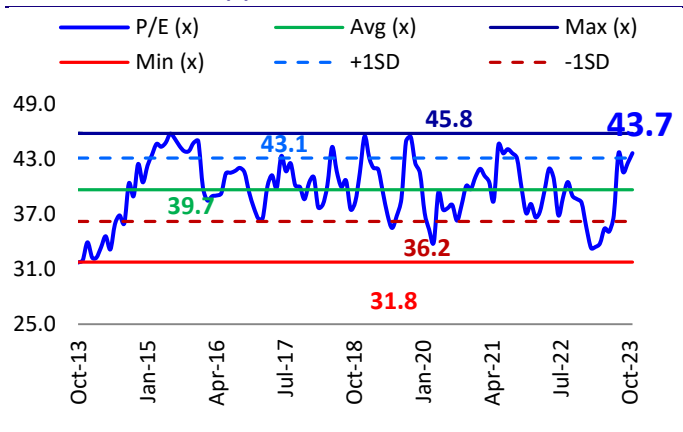
- We have not made any significant change to our EPS estimates for FY24E/FY25E.
- The sales/EBITDA/PAT CAGR for the 10-year period ending FY23 stood at 5.1%/8.8%/7.7%. Despite this, the overall growth seems stagnant, due to the muted volume growth going forward. Additionally, due to high oral care penetration and competition from herbal players, CLGT has struggled to achieve volume growth for several years. Moreover, premiumization in general trade and traction in personal care have been slow.
- Given the likelihood of continued weak topline and earnings growth in the future, it is unlikely that the stock will undergo a re-rating. We maintain Neutral with a **TP of INR2,020** (target multiple of 40x FY25E EPS, close to five-year average).

Exhibit 6: No material change in EPS estimates for FY24 and FY25

	Old		New		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	56,580	61,497	56,375	61,924	(0.4)	0.7
EBITDA	17,611	19,581	17,629	19,769	0.1	1.0
PAT	12,116	13,493	12,200	13,720	0.7	1.7

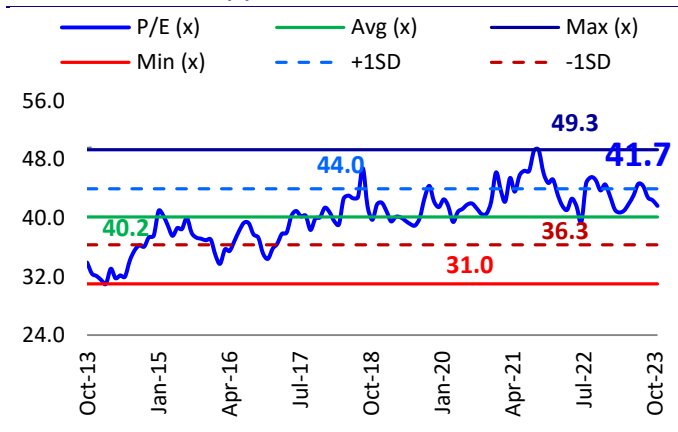
Source: MOFSL

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



Sources: Company reports, MOFSL

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



Sources: Company reports, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Net Sales	41,880	44,624	45,251	48,412	50,998	52,262	56,375	61,924
Change (%)	5.2	6.6	1.4	7.0	5.3	2.5	7.9	9.8
Gross Profit	26,992	29,039	29,522	32,918	34,323	34,320	38,510	42,748
Gross Margin (%)	64.5	65.1	65.2	68.0	67.3	65.7	68.3	69.0
Operating expenses	15,855	16,678	17,505	17,822	18,663	18,850	20,881	22,978
EBITDA	11,137	12,361	12,017	15,096	15,659	15,470	17,629	19,769
Change (%)	18.0	11.0	-2.8	25.6	3.7	-1.2	14.0	12.1
Margin (%)	26.6	27.7	26.6	31.2	30.7	29.6	31.3	31.9
Depreciation	1,565	1,592	1,979	1,825	1,773	1,748	1,878	1,976
Int. and Fin. Charges	0	25	96	73	59	49	51	52
Financial Other Income	375	377	492	304	263	536	610	626
Profit before Taxes	9,947	11,120	10,434	13,502	14,090	14,209	16,310	18,367
Change (%)	16.8	11.8	-6.2	29.4	4.4	0.8	14.8	12.6
Margin (%)	23.8	24.9	23.1	27.9	27.6	27.2	28.9	29.7
Tax	3,097	3,566	2,475	3,572	3,768	3,724	4,109	4,646
Tax Rate (%)	31.9	32.1	21.7	25.6	25.7	25.5	25.2	25.3
Adjusted PAT	6,776	7,555	8,165	10,039	10,463	10,583	12,200	13,720
Change (%)	17.3	11.5	8.1	23.0	4.2	1.1	15.3	12.5
Margin (%)	16.2	16.9	18.0	20.7	20.5	20.3	21.6	22.2
Non-rec. (Exp)/Income	-117	201	0	315	320	-112	-195	0
Reported PAT	6,659	7,756	8,165	10,354	10,783	10,471	12,005	13,720

Balance Sheet							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Share Capital	272	272	272	272	272	272	272	272
Reserves	14,974	14,196	15,670	11,387	17,075	16,892	16,892	16,892
Net Worth	15,246	14,468	15,942	11,659	17,347	17,164	17,164	17,164
Loans	0	777	0	0	0	0	0	0
Deferred Liability	355	309	50	-48	-173	-288	-288	-288
Capital Employed	15,601	15,553	15,992	11,611	17,174	16,875	16,875	16,875
Gross Block	19,077	21,077	22,182	19,831	20,504	21,214	22,214	23,214
Less: Accum. Depn.	-7,617	-9,169	-10,953	-9,184	-10,874	-12,596	-14,475	-16,451
Net Fixed Assets	11,459	11,909	11,229	10,647	9,630	8,618	7,740	6,764
Capital WIP	1,586	1,987	1,900	1,448	1,218	1,141	1,141	1,141
Investments	312	312	186	186	0	0	0	0
Curr. Assets, L&A	12,282	12,058	12,725	16,611	17,997	18,783	20,224	21,467
Inventory	2,267	2,486	2,969	3,358	3,572	3,354	3,465	3,059
Account Receivables	2,010	2,098	1,326	1,171	2,247	1,574	2,453	2,694
Cash & Bank	4,562	3,994	4,213	8,676	7,547	9,230	9,646	11,020
Others	3,443	3,481	4,217	3,405	4,631	4,625	4,660	4,694
Curr. Liab. and Prov.	10,037	10,712	10,048	17,282	11,672	11,666	12,228	12,496
Account Payables	6,203	6,132	6,125	7,604	7,714	7,611	7,810	7,890
Other Liabilities	3,040	3,757	2,830	8,555	2,978	2,914	3,220	3,348
Provisions	794	823	1,093	1,122	980	1,141	1,198	1,258
Net Current Assets	2,245	1,346	2,677	-671	6,326	7,117	7,995	8,971
Application of Funds	15,601	15,553	15,992	11,611	17,174	16,876	16,876	16,876

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Basic (INR)								
EPS	24.9	27.8	30.0	36.9	38.5	38.9	44.9	50.4
Cash EPS	30.7	33.6	37.3	43.6	45.0	45.3	51.8	57.7
BV/Share	56.1	53.2	58.6	42.9	63.8	63.1	63.1	63.1
DPS	24.0	23.0	28.0	38.0	40.0	39.0	44.9	50.4
Payout %	95.3	82.8	93.3	103.0	104.0	100.2	100.0	100.0
Valuation (x)								
P/E	81.6	73.2	67.7	55.1	52.8	52.2	45.3	40.3
Cash P/E	66.3	60.4	54.5	46.6	45.2	44.8	39.3	35.2
EV/Sales	13.1	12.3	12.1	11.2	10.7	10.4	9.6	8.7
EV/EBITDA	49.2	44.4	45.6	36.0	34.8	35.1	30.8	27.4
P/BV	36.3	38.2	34.7	47.4	31.9	32.2	32.2	32.2
Dividend Yield (%)	1.2	1.1	1.4	1.9	2.0	1.9	2.2	2.5
Return Ratios (%)								
RoE	48.4	50.9	53.7	72.7	72.1	61.3	71.1	79.9
RoCE	47.4	48.6	52.2	73.1	73.0	62.4	72.5	81.5
Working Capital Ratios								
Debtor (Days)	17	17	11	9	16	11	16	16
Asset Turnover (x)	3.1	3.4	3.3	4.9	3.2	3.3	3.6	3.9
Leverage Ratio								
Debt/Equity (x)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
(INR m)								
OP/(loss) before Tax	9,947	11,121	10,434	13,502	14,090	14,209	16,310	18,367
Depreciation	1,565	1,592	1,979	1,825	1,773	1,748	1,878	1,976
Int./Div. Received	81	85	-95	58	150	103	-610	-626
Interest Paid	-290	-317	-171	-137	-208	-399	51	52
Direct Taxes Paid	-3,474	-4,144	-3,213	-3,584	-3,699	-3,809	-4,110	-4,647
(Incr)/Decr in WC	-889	1,494	-35	-3,826	4,151	-89	-462	397
CF from Operations	6,940	9,830	8,899	7,839	16,257	11,762	13,057	15,520
(Incr)/Decr in FA	-2,087	-1,042	-604	-573	-493	-695	-1,000	-1,000
Free Cash Flow	4,853	8,788	8,295	7,265	15,765	11,067	12,057	14,520
(Pur)/Sale of Investments	0	0	133	1,060	-1,003	221	0	0
Others	564	-1,209	305	5,703	-4,985	1,262	610	626
CF from Invest.	-1,523	-2,251	-166	6,190	-6,481	788	-390	-374
Change in Equity	0	0	0	0	0	0	0	0
(Incr)/Decr in Debt	0	-121	0	0	0	0	0	0
Dividend Paid	-2,986	-6,462	-7,315	-9,211	-10,572	-10,575	-12,200	-13,720
Others	-812	-1,564	-1,199	-353	-334	-293	-51	-52
CF from Fin. Activity	-3,798	-8,147	-8,514	-9,565	-10,906	-10,867	-12,251	-13,772
Incr/Decr of Cash	1,619	-568	219	4,464	-1,129	1,683	416	1,373
Add: Opening Balance	2,943	4,562	3,994	4,213	8,676	7,547	9,230	9,646
Closing Balance	4,562	3,994	4,213	8,676	7,547	9,230	9,646	11,020

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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