

# Colgate-Palmolive (India) Ltd.



**Colgate Palmolive (India) Ltd.**
**Revenue growth moderates; EBITDA performance remains strong**

CMP INR 2,081	Target INR 2,124	Potential Upside 2.1%	Market Cap (INR Mn) 5,65,716	Recommendation <b>HOLD</b>	Sector <b>Consumer</b>
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**Result highlights**

- For Q2FY24, CLGT reported revenue of INR 14,711 Mn, a growth of 6.0% YoY/ 11.1% QoQ. Domestic growth was at 6.6% YoY with the toothpaste segment witnessing higher single-digit growth. Revenue for H1FY24 rose 8.1% YoY to INR 27,948 Mn.
- EBITDA for the quarter expanded by 18.2% YoY/ 15.3% QoQ to INR 4,821 Mn. EBITDA margin expanded by 337 bps YoY/ 119 bps QoQ to 32.8%, driven by pricing and efficiencies. For H1FY24, EBITDA grew by 22.7% YoY to INR 9,003 Mn while EBITDA margin expanded by 382 bps YoY to 32.2%.
- PAT for the quarter went up by 22.3% YoY/ 24.3% QoQ to INR 3,401 Mn. PAT margin expanded by 308 bps YoY/ 244 bps QoQ.
- PAT for H1FY24 expanded by 25.8% YoY to INR 6,137 Mn while PAT margin expanded by 309 bps YoY.
- Adj. PAT for the quarter grew by 22.3% YoY/ 16.0% QoQ while for H1FY24 it grew by 27.4% YoY.
- The Board declared a First Interim Dividend of INR 22/- per equity share of face value of INR 1/- each for FY24E.

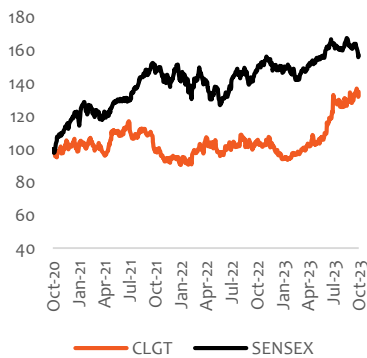
**MARKET DATA**

Shares O/S (Mn)	272
Mkt Cap (INR Mn)	5,65,716
52 Wk H/L (INR)	2,129/ 1,435
Volume Avg (3m K)	519
Face Value (INR)	1
Bloomberg Code	CLGT IN

**KEY FINANCIALS**

Particulars (INR Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	45,251	48,412	50,998	52,262	56,065	60,525
EBITDA	12,017	15,096	15,659	15,470	17,920	19,378
PAT	8,165	10,354	10,783	10,471	12,531	13,754
Adj. PAT	8,165	10,354	10,783	10,584	12,726	13,754
EPS	30.0	38.1	39.6	38.5	46.1	50.6
Adj. EPS	30.0	38.1	39.6	38.9	46.8	50.6
EBITDA Margin (%)	26.6%	31.2%	30.7%	29.6%	32.0%	32.0%
Adj. PAT Margin (%)	18.0%	21.4%	21.1%	20.3%	22.7%	22.7%

Source: Company, KRChoksey Research

**SHARE PRICE PERFORMANCE**

**Revenue growth in mid-single digits, moderates from the previous quarter**

For Q2FY24, CLGT reported revenue of INR 14,711 Mn, a growth of 6.0% YoY/ 11.1% QoQ. This growth was against the previously reported YoY growth of 10.6%/ 3.8%/ 0.9%/ 2.6% YoY for Q1FY24/ Q4FY23/ Q3FY23/ Q2F23, respectively. The YoY growth rate moderated from the strong growth of 10.6% YoY seen in Q1FY24, which had a favourable base benefit. Domestic growth was at 6.6% YoY with the toothpaste segment witnessing higher single-digit growth. Revenue for H1FY24 rose 8.1% YoY to INR 27,948 Mn.

**Strong margin expansion led by pricing actions and operating efficiencies**

Gross margin for the quarter expanded by 502 bps YoY/ 34 bps QoQ. EBITDA for the quarter increased by 18.2% YoY/ 15.3% QoQ to INR 4,821 Mn. EBITDA margin expanded by 337 bps YoY/ 119 bps QoQ to 32.8%, driven by pricing and efficiencies. Advertising expenses as % of sales went up to 14.0% in the quarter, vs. 13.7% in Q1FY24 and 11.4% in Q2FY23. CLGT doubled down on the Colgate Strong Teeth relaunch, expanding reach & availability. In addition to this, CLGT restaged the Colgate Zig Zag toothbrush, which could have contributed to the higher advertising expenses. While there was an uptick in advertising expenses by 31 bps QoQ, other expenses as a % of sales reduced by 114 bps QoQ, which along with the uptick in gross margins, contributed to the QoQ EBITDA margin improvement. For H1FY24, EBITDA grew by 22.7% YoY to INR 9,003 Mn while EBITDA margin expanded by 382 bps YoY to 32.2%.

**Other updates**

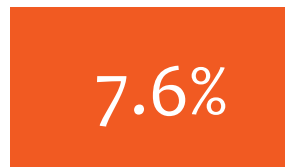
- CLGT continues to be focused on strengthening its brand portfolio & delivering superior products to consumers.
- Colgate Max Fresh, which has been relaunched with the best, proprietary freshness technology has seen excellent performance.
- The Board declared a First Interim Dividend of INR 22/- per equity share of face value INR 1/- each for FY24E.
- In CLGT's pursuit to elevate India's dental health standards, the Company has released a film this festive season called 'The Sweet Truth' and it hopes that this educational message will help in driving the important action of brushing at night and thereby preventing cavities.

**MARKET INFO**

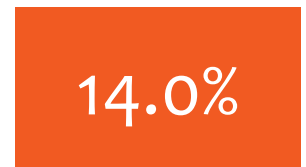
SENSEX	63,783
NIFTY	19,047

**SHARE HOLDING PATTERN (%)**

Particulars	Sep-23	Jun-23	Mar-23
Promoters	51.0	51.0	51.0
FIs	24.1	21.8	21.5
DIs	5.9	7.8	7.6
Others	19.0	19.4	19.9
Total	100.0	100.0	100.0



Revenue CAGR between FY23 and FY25E



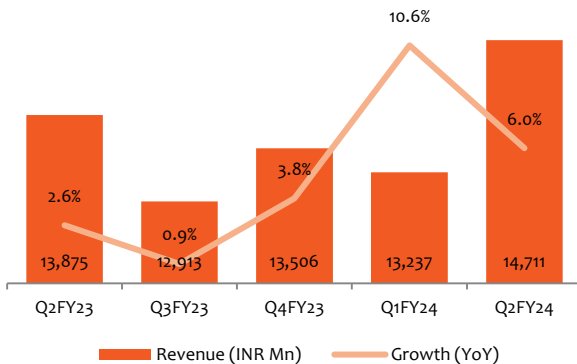
Adj. PAT CAGR between FY23 and FY25E

## Colgate Palmolive (India) Ltd.

### Valuation and view

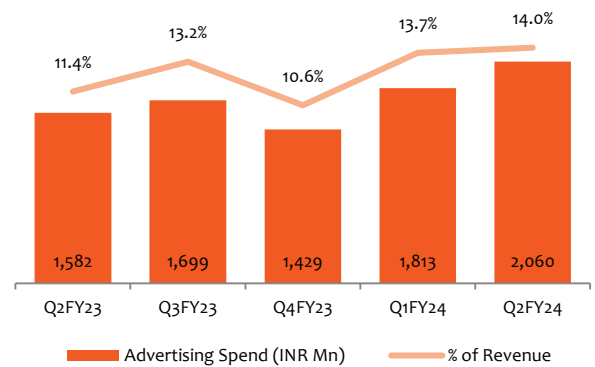
After a double-digit topline growth in Q1FY24, CLGT's growth in the latest quarter has moderated to the mid-single digits. Healthy growth rate delivery on a sustainable basis remains a key monitorable as CLGT focuses on habit-building in consumers to promote growth in oral care, which is likely to take a long time to materialize. CLGT is seeing strong margin performance aided by lowering of input costs, pricing actions and operating efficiencies, despite higher advertising spends. While modest improvement is likely to continue in gross margins, it will be offset by higher advertising spending, which may lead to stable EBITDA margins going ahead. **We revise our FY24E/FY25E EPS by +2.2%/ +4.4%, respectively to factor in margin stabilization around H1FY24 levels going ahead. We estimate CLGT's Revenue/ EBITDA/ Adj. PAT to grow at a CAGR of 7.6%/ 11.9%/ 14.0% over FY23-FY25E. CLGT's share price is currently trading at 44.5x/ 41.1x it's FY24E/ FY25E Adj. EPS. We assign a P/E multiple of 42x (unchanged) on FY25E EPS of INR 50.4 and arrive at a target price of INR 2,124 per share (INR 2,034 earlier), implying an upside potential of 2.1% from CMP. We maintain our "Hold" rating on the shares of Colgate Palmolive India.**

Revenue growth moderates QoQ



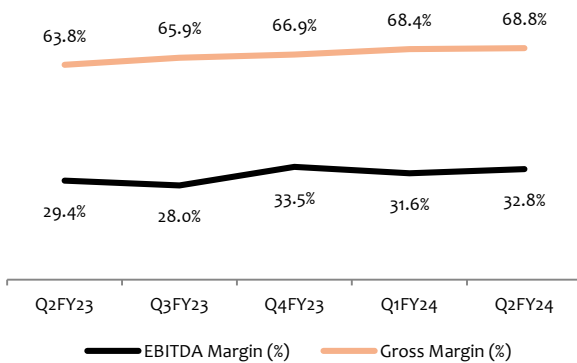
Source: Company, KRChoksey Research

Ad spends increase further



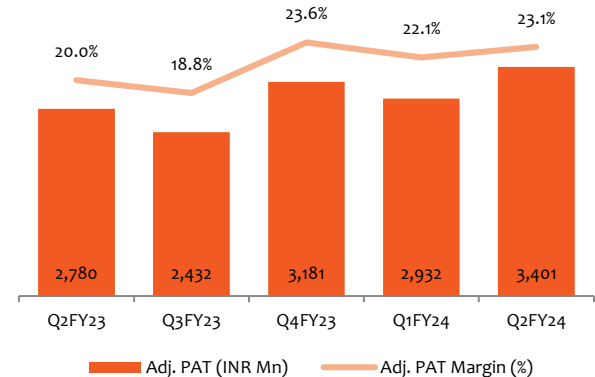
Source: Company, KRChoksey Research

Margins remain strong



Source: Company, KRChoksey Research

Adj. PAT Margin strengthens



Source: Company, KRChoksey Research

## Colgate Palmolive (India) Ltd.

### KEY FINANCIALS

Particulars (INR Mn)	Q2FY24	Q1FY24	Q2FY23	QoQ	YoY	H1FY24	H1FY23	YoY
<b>Revenue from Operations</b>	<b>14,711</b>	<b>13,237</b>	<b>13,875</b>	<b>11.1%</b>	<b>6.0%</b>	<b>27,948</b>	<b>25,843</b>	<b>8.1%</b>
<b>Total Expenditure</b>	<b>9,890</b>	<b>9,056</b>	<b>9,795</b>	<b>9.2%</b>	<b>1.0%</b>	<b>18,945</b>	<b>18,506</b>	<b>2.4%</b>
Cost of Raw Materials	3,699	3,656	4,062	1.2%	-8.9%	7,355	7,621	-3.5%
Purchase of Stock	704	588	854	19.7%	-17.6%	1,291	1,516	-14.8%
Changes in Inventories	191	-65	113	396.6%	69.4%	127	-77	265.1%
Employee Cost	1,062	958	945	10.9%	12.4%	2,020	1,882	7.3%
Other Expenses	4,233	3,919	3,820	8.0%	10.8%	8,152	7,564	7.8%
<b>EBITDA</b>	<b>4,821</b>	<b>4,181</b>	<b>4,080</b>	<b>15.3%</b>	<b>18.2%</b>	<b>9,003</b>	<b>7,337</b>	<b>22.7%</b>
<b>EBITDA Margin (%)</b>	<b>32.8%</b>	<b>31.6%</b>	<b>29.4%</b>	<b>119 bps</b>	<b>337 bps</b>	<b>32.2%</b>	<b>28.4%</b>	<b>382 bps</b>
Depreciation	443	438	439	1.2%	1.0%	880	880	0.0%
<b>EBIT</b>	<b>4,379</b>	<b>3,744</b>	<b>3,641</b>	<b>17.0%</b>	<b>20.2%</b>	<b>8,122</b>	<b>6,456</b>	<b>25.8%</b>
Interest Expense	11	11	13	-1.9%	-17.3%	21	26	-17.5%
Other Income	210	150	113	40.3%	86.3%	360	228	57.7%
<b>PBT</b>	<b>4,578</b>	<b>3,883</b>	<b>3,741</b>	<b>17.9%</b>	<b>22.4%</b>	<b>8,461</b>	<b>6,659</b>	<b>27.1%</b>
Exceptional items	0	195	0	-100.0%	NA	195	93	108.8%
Tax	1,178	951	961	23.9%	22.5%	2,128	1,689	26.0%
Share of Associates/ minorities	0	0	0	NA	NA	0	0	NA
<b>PAT</b>	<b>3,401</b>	<b>2,737</b>	<b>2,780</b>	<b>24.3%</b>	<b>22.3%</b>	<b>6,137</b>	<b>4,877</b>	<b>25.8%</b>
<b>PAT Margin</b>	<b>23.1%</b>	<b>20.7%</b>	<b>20.0%</b>	<b>244 bps</b>	<b>308 bps</b>	<b>22.0%</b>	<b>18.9%</b>	<b>309 bps</b>
<b>Adj PAT</b>	<b>3,401</b>	<b>2,932</b>	<b>2,780</b>	<b>16.0%</b>	<b>22.3%</b>	<b>6,332</b>	<b>4,970</b>	<b>27.4%</b>
<b>Adj PAT Margin</b>	<b>23.1%</b>	<b>22.1%</b>	<b>20.0%</b>	<b>97 bps</b>	<b>308 bps</b>	<b>22.7%</b>	<b>19.2%</b>	<b>343 bps</b>
<b>EPS</b>	<b>12.5</b>	<b>10.1</b>	<b>10.2</b>	<b>24.3%</b>	<b>22.3%</b>	<b>22.6</b>	<b>17.9</b>	<b>25.8%</b>
<b>Adj EPS</b>	<b>12.5</b>	<b>10.8</b>	<b>10.2</b>	<b>16.0%</b>	<b>22.3%</b>	<b>23.3</b>	<b>18.3</b>	<b>27.4%</b>

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E
<b>Revenues</b>	<b>50,998</b>	<b>52,262</b>	<b>56,065</b>	<b>60,525</b>
COGS	16,675	17,942	17,513	18,692
<b>Gross profit</b>	<b>34,323</b>	<b>34,320</b>	<b>38,552</b>	<b>41,833</b>
Employee cost	3,851	3,770	4,044	4,358
Other expenses	14,812	15,080	16,587	18,097
<b>EBITDA</b>	<b>15,659</b>	<b>15,470</b>	<b>17,920</b>	<b>19,378</b>
<b>EBITDA Margin</b>	<b>30.7%</b>	<b>29.6%</b>	<b>32.0%</b>	<b>32.0%</b>
Depreciation & amortization	1,773	1,748	1,817	1,892
<b>EBIT</b>	<b>13,886</b>	<b>13,722</b>	<b>16,103</b>	<b>17,486</b>
Interest expense	59	49	44	40
Other income	263	536	544	550
<b>PBT</b>	<b>14,090</b>	<b>14,097</b>	<b>16,408</b>	<b>17,996</b>
Tax	3,307	3,625	3,877	4,243
<b>PAT</b>	<b>10,783</b>	<b>10,472</b>	<b>12,531</b>	<b>13,754</b>
<b>Adj. PAT</b>	<b>10,783</b>	<b>10,584</b>	<b>12,726</b>	<b>13,754</b>
<b>EPS (INR)</b>	<b>39.6</b>	<b>38.5</b>	<b>46.1</b>	<b>50.6</b>
<b>Adj. EPS</b>	<b>39.6</b>	<b>38.9</b>	<b>46.8</b>	<b>50.6</b>

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E
Net Cash Generated From Operations	16,257	11,763	13,140	15,785
Net Cash Flow from/(used in) Investing Activities	(1,076)	(75)	(1,102)	(1,214)
Net Cash Flow from Financing Activities	(10,906)	(10,867)	(10,889)	(10,879)
Net Inc/Dec in cash equivalents	4,275	820	1,149	3,691
Opening Balance	2,966	7,241	8,061	9,210
Closing Balance Cash and Cash Equivalents	7,241	8,061	9,210	12,901

Source: Company, KRChoksey Research

**Colgate Palmolive (India) Ltd.**

Balance Sheet (INR Mn)	FY22	FY23	FY24E	FY25E
Property, plant and equipment	9,630	8,618	7,642	6,658
Capital work-in-progress	1,218	1,141	1,141	1,141
Loans	13	9	10	11
Other financial assets	170	185	199	215
Current tax assets (Net)	2,888	2,979	3,196	3,450
Other non-current assets	97	130	140	151
<b>Total non-current assets</b>	<b>14,190</b>	<b>13,351</b>	<b>12,636</b>	<b>11,959</b>
Inventories				
Trade receivables	2,247	1,574	1,688	1,823
Cash and cash equivalents	7,241	8,061	9,210	12,901
Bank balances other than (iii) above	307	1,169	1,169	1,169
Loans	1,073	876	876	876
Other financial assets	70	64	87	94
Other current assets	320	381	1,030	1,112
<b>Total current assets</b>	<b>14,829</b>	<b>15,479</b>	<b>17,659</b>	<b>21,860</b>
<b>TOTAL ASSETS</b>	<b>29,018</b>	<b>28,830</b>	<b>30,295</b>	<b>33,818</b>
Equity share capital	272	272	272	272
Other equity	17,075	16,892	18,543	21,417
<b>Total Equity</b>	<b>17,347</b>	<b>17,164</b>	<b>18,815</b>	<b>21,689</b>
Borrowings	12	12	12	12
Lease liabilities	690	567	567	567
Provisions	140	236	271	312
Other non-current liabilities	5	4	4	4
<b>Total non-current liabilities</b>	<b>847</b>	<b>820</b>	<b>855</b>	<b>896</b>
Lease liabilities	140	122	122	122
Trade payables	7,714	7,611	7,429	7,929
Other financial liabilities	352	377	368	393
Other current liabilities	1,227	1,279	1,248	1,332
Provisions	840	905	905	905
Current tax liabilities (Net)	552	552	552	552
<b>Total current liabilities</b>	<b>10,825</b>	<b>10,846</b>	<b>10,625</b>	<b>11,234</b>
<b>Total liabilities</b>	<b>11,672</b>	<b>11,666</b>	<b>11,480</b>	<b>12,130</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,018</b>	<b>28,830</b>	<b>30,295</b>	<b>33,818</b>

Key Ratio	FY22	FY23	FY24E	FY25E
EBITDA Margin (%)	30.7%	29.6%	32.0%	32.0%
Tax rate (%)	23.5%	25.7%	23.6%	23.6%
Net Profit Margin (%)	21.1%	20.0%	22.4%	22.7%
RoE (%)	62.2%	61.0%	66.6%	63.4%
RoCE (%)	81.5%	83.0%	88.4%	83.1%
EPS (INR)	39.6	38.5	46.1	50.6
PE	52.5X	53.5X	44.5X	41.1X

Source: Company, KRChoksey Research

## Colgate Palmolive (India) Ltd.

Colgate-Palmolive (India) Ltd.			
Date	CMP (INR)	TP(INR)	Recommendation
30-Oct-23	2,081	2,124	HOLD
01-Aug-23	2,003	2,034	HOLD
15-May 23	1,670	1,702	HOLD
24-Jan 23	1,464	1,638	ACCUMULATE
21-Oct 22	1,607	1,753	ACCUMULATE
29-Jul 22	1,549	1,753	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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