

January 23, 2024

## Q3FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	REDUCE		REDUCE	
Target Price	2,170		2,140	
Sales (Rs.m)	56,440	60,750	56,231	60,077
% Chng.	0.4	1.1		
EBITDA (Rs.m)	18,153	19,537	18,083	19,523
% Chng.	0.4	0.1		
EPS (Rs.)	46.7	50.8	46.5	50.8
% Chng.	0.4	0.1		

### Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	52,262	56,440	60,750	65,511
EBITDA (Rs. m)	15,470	18,153	19,537	20,876
Margin (%)	29.6	32.2	32.2	31.9
PAT (Rs. m)	10,584	12,714	13,828	14,801
EPS (Rs.)	38.9	46.7	50.8	54.4
Gr. (%)	(1.9)	20.1	8.8	7.0
DPS (Rs.)	39.0	40.0	43.0	47.0
Yield (%)	1.5	1.6	1.7	1.9
RoE (%)	61.3	70.2	68.6	66.5
RoCE (%)	79.5	90.5	88.0	85.3
EV/Sales (x)	13.0	12.0	11.1	10.2
EV/EBITDA (x)	44.0	37.3	34.5	32.1
PE (x)	65.2	54.3	49.9	46.6
P/BV (x)	40.2	36.2	32.5	29.6

### Key Data

COLG.BO | CLGT IN

52-W High / Low	Rs.2,550 / Rs.1,435
Sensex / Nifty	71,424 / 21,572
Market Cap	Rs.690bn/ \$ 8,304m
Shares Outstanding	272m
3M Avg. Daily Value	Rs.961.42m

### Shareholding Pattern (%)

Promoter's	51.00
Foreign	24.62
Domestic Institution	5.88
Public & Others	18.50
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	7.0	38.0	69.1
Relative	6.6	28.8	43.5

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## Positive volumes, all time high margins

### Quick Pointers:

- Domestic sales grew 8.8% led by double digit growth in toothpaste sales & positive volume expansion
- Premium segment doing well along with support of core segments

**CLGT's 3Q results show positive volume growth, 72% gross margins and 33.6% EBITDA margins resulting in a beat at PAT level. CLGT re-launched Max Fresh gel and also launched campaign to promote twice a day brushing. 3Q ad-spend at 14.6% are all time high. We estimate that 3Q volumes are 2% lower than 3QFY22 levels and just 1% higher than 3QFY21 levels.**

**CLGT continues to focus on 1) driving toothpaste category penetration and twice a day usage 2) premiumisation through science-based innovations with Total and Colgate strong teeth and 3) build personal care portfolio in body/hand wash. CLGT has launched premium products (Total Sensitive Toothpaste, CLGT water flosser, Visible white O2 TP & Whitening Pen and Colgate Periogard Toothpaste), their contribution remains limited.**

**Although toothpaste volumes have turned positive, volume growth for FY25/26 is unlikely to beat our estimates of 4-5%. Gross margin at 72% are at a new high led by higher prices and low RM, sustaining margins at current levels looks challenge in the long term. We estimate 7.7/7.8% CAGR in sales and PAT over FY24-26 as we increase FY24 EPS by 0.5% but cut EPS by 0.2% and 0.6% for FY25-26. We value CLGT at 40x FY26 EPS and assign a target of Rs2170 (Rs2140 based on 40x Dec25 earlier). Retain reduce.**

**Sales grew 8.2%, EBITDA Margins expand by 557bps YoY:** Revenues grew by 8.1% YoY to Rs14bn (PL: Rs13.6bn) Gross margins expanded by 631bps YoY to 72.2% (PL: 68.5%) EBITDA grew by 29.6% YoY to Rs4.7bn (PL:Rs4.3bn); Margins expanded by 557bps YoY to 33.6% (PL:32%). A&P spends expanded by 148bps YoY to 14.6% Adj. PAT grew by 35.7% YoY to Rs3.3bn (PL:Rs3.0bn)

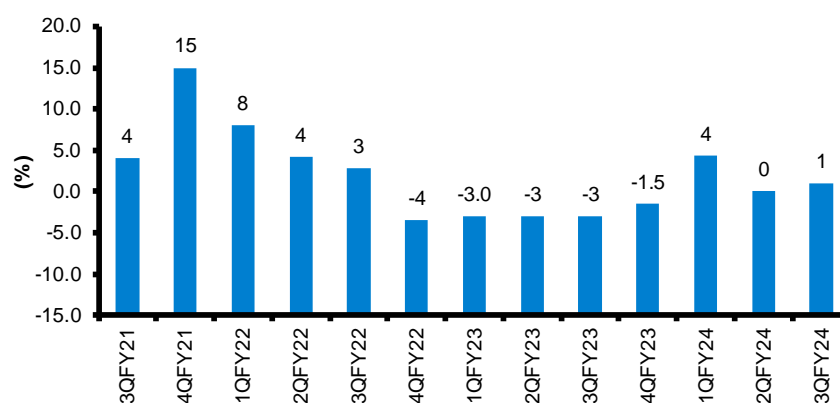
### Key Highlights:

- 8.8% sales growth led by pricing and premiumisation.
- Focus on building Oral Health in the country through "Brush at night" campaign
- Domestic growth remains strong with toothpaste segment witnessing double-digit growth, overall growth at 8.8%.
- Relaunched Colgate Max Fresh with a new-to-world proprietary formula
- CLGT continues to enhance investment support behind brands with A&P at all-time high of 14.6% of sales
- Premium segments continue to do well with both Total and Colgate max fresh growing ahead of the market.

**Exhibit 1: 3QFY24: Net sales up 8.2%, EBITDA margins expand by 57bps YoY to 33.6%**

Particulars	3Q FY24	3Q FY23	YoY gr. (%)	2Q FY24	9M FY24	9M FY23	YoY gr. (%)
<b>Net Sales</b>	<b>13,957</b>	<b>12,913</b>	<b>8.1</b>	<b>14,711</b>	<b>41,904</b>	<b>38,756</b>	<b>8.1</b>
Gross Profit	10,073	8,506	18.4	10,117	29,248	25,289	15.7
<i>Margin %</i>	<i>72.2</i>	<i>65.9</i>	<i>6.3</i>	<i>68.8</i>	<i>69.8</i>	<i>65.3</i>	<i>4.5</i>
Other Exp	5389	4891	10.2	5295	15561	14338	8.5
<i>% of Net sales</i>	<i>38.6</i>	<i>37.9</i>		<i>36.0</i>	<i>37.1</i>	<i>37.0</i>	
<b>EBITDA</b>	<b>4,684</b>	<b>3,615</b>	<b>29.6</b>	<b>4,821</b>	<b>13,686</b>	<b>10,951</b>	<b>25.0</b>
<i>Margin %</i>	<i>33.6</i>	<i>28.0</i>	<i>5.6</i>	<i>32.8</i>	<i>32.7</i>	<i>28.3</i>	<i>4.4</i>
Depreciation	414	437	(5.3)	443	1294	1317	(1.7)
Interest	15	13		11	36	38	
<b>PBT from operations</b>	<b>4255</b>	<b>3165</b>	<b>34.4</b>	<b>4368</b>	<b>12356</b>	<b>9596</b>	<b>28.8</b>
Other Income	179	104	71.9	210	539	332	62.1
<b>PBT</b>	<b>4,434</b>	<b>3,269</b>	<b>35.6</b>	<b>4,578</b>	<b>12,895</b>	<b>9,928</b>	<b>29.9</b>
Tax	1133	837	35.4	1178	3261	2526	29.1
<i>Tax rate %</i>	<i>25.6</i>	<i>25.6</i>		<i>25.7</i>	<i>25.3</i>	<i>25.4</i>	
<b>Adj. PAT</b>	<b>3,301</b>	<b>2,432</b>	<b>35.7</b>	<b>3,401</b>	<b>9,633</b>	<b>7,403</b>	<b>30.1</b>

Source: Company, PL

**Exhibit 2: Toothpaste volumes grow 1% in 3Q24**

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>52,262</b>	<b>56,440</b>	<b>60,750</b>	<b>65,511</b>
YoY gr. (%)	2.5	8.0	7.6	7.8
Cost of Goods Sold	17,942	17,053	18,751	20,485
Gross Profit	34,320	39,387	41,999	45,026
Margin (%)	65.7	69.8	69.1	68.7
Employee Cost	3,770	4,119	4,374	4,685
Other Expenses	4,096	4,477	4,850	5,231
<b>EBITDA</b>	<b>15,470</b>	<b>18,153</b>	<b>19,537</b>	<b>20,876</b>
YoY gr. (%)	(1.2)	17.3	7.6	6.9
Margin (%)	29.6	32.2	32.2	31.9
Depreciation and Amortization	1,748	1,761	1,805	1,889
<b>EBIT</b>	<b>13,722</b>	<b>16,391</b>	<b>17,732</b>	<b>18,987</b>
Margin (%)	26.3	29.0	29.2	29.0
Net Interest	49	62	54	52
Other Income	536	668	809	853
<b>Profit Before Tax</b>	<b>14,209</b>	<b>16,997</b>	<b>18,487</b>	<b>19,788</b>
Margin (%)	27.2	30.1	30.4	30.2
Total Tax	3,625	4,283	4,659	4,987
Effective tax rate (%)	25.5	25.2	25.2	25.2
<b>Profit after tax</b>	<b>10,584</b>	<b>12,714</b>	<b>13,828</b>	<b>14,801</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>10,584</b>	<b>12,714</b>	<b>13,828</b>	<b>14,801</b>
YoY gr. (%)	(1.9)	20.1	8.8	7.0
Margin (%)	20.3	22.5	22.8	22.6
Extra Ord. Income / (Exp)	(112)	-	-	-
<b>Reported PAT</b>	<b>10,471</b>	<b>12,714</b>	<b>13,828</b>	<b>14,801</b>
YoY gr. (%)	(2.9)	21.4	8.8	7.0
Margin (%)	20.0	22.5	22.8	22.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,471	12,714	13,828	14,801
<b>Equity Shares O/s (m)</b>	<b>272</b>	<b>272</b>	<b>272</b>	<b>272</b>
<b>EPS (Rs)</b>	<b>38.9</b>	<b>46.7</b>	<b>50.8</b>	<b>54.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>18,885</b>	<b>18,885</b>	<b>19,547</b>	<b>20,719</b>
Tangibles	18,885	18,885	19,547	20,719
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>11,679</b>	<b>13,228</b>	<b>14,811</b>	<b>16,468</b>
Tangibles	11,679	13,228	14,811	16,468
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>7,205</b>	<b>5,657</b>	<b>4,736</b>	<b>4,250</b>
Tangibles	7,205	5,657	4,736	4,250
Intangibles	-	-	-	-
Capital Work In Progress	1,141	1,250	1,300	1,400
Goodwill	-	-	-	-
Non-Current Investments	195	204	214	224
Net Deferred tax assets	288	-	-	-
Other Non-Current Assets	4,522	4,499	4,511	4,530
<b>Current Assets</b>				
Investments	7,964	8,967	9,653	10,412
Inventories	3,354	3,722	4,015	4,376
Trade receivables	1,574	1,842	1,984	2,139
Cash & Bank Balance	1,266	3,986	6,583	8,491
Other Current Assets	381	420	452	488
<b>Total Assets</b>	<b>28,830</b>	<b>31,539</b>	<b>34,488</b>	<b>37,403</b>
<b>Equity</b>				
Equity Share Capital	272	272	272	272
Other Equity	16,892	18,802	20,972	23,027
<b>Total Networkth</b>	<b>17,164</b>	<b>19,074</b>	<b>21,244</b>	<b>23,299</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	236	247	262	281
Other non current liabilities	571	454	362	297
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	7,611	8,444	9,091	9,806
Other current liabilities	3,235	3,306	3,516	3,707
<b>Total Equity &amp; Liabilities</b>	<b>28,830</b>	<b>31,539</b>	<b>34,488</b>	<b>37,403</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	14,209	16,997	18,487	19,788
Add. Depreciation	1,748	1,761	1,805	1,889
Add. Interest	49	62	54	52
Less Financial Other Income	536	668	809	853
Add. Other	(112)	-	-	-
Op. profit before WC changes	15,894	18,820	20,346	21,729
Net Changes-WC	(106)	(668)	(477)	(562)
Direct tax	(3,625)	(4,283)	(4,702)	(5,033)
<b>Net cash from Op. activities</b>	<b>12,163</b>	<b>13,869</b>	<b>15,166</b>	<b>16,134</b>
Capital expenditures	(659)	(284)	(900)	(1,474)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(659)</b>	<b>(284)</b>	<b>(900)</b>	<b>(1,474)</b>
Issue of share cap. / premium	(47)	76	80	84
Debt changes	-	-	-	-
Dividend paid	(10,607)	(10,879)	(11,695)	(12,783)
Interest paid	(49)	(62)	(54)	(52)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(10,704)</b>	<b>(10,865)</b>	<b>(11,669)</b>	<b>(12,752)</b>
<b>Net change in cash</b>	<b>801</b>	<b>2,720</b>	<b>2,597</b>	<b>1,908</b>
Free Cash Flow	11,504	13,585	14,266	14,660

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	38.9	46.7	50.8	54.4
CEPS	45.3	53.2	57.5	61.4
BVPS	63.1	70.1	78.1	85.7
FCF	42.3	49.9	52.5	53.9
DPS	39.0	40.0	43.0	47.0
<b>Return Ratio(%)</b>				
RoCE	79.5	90.5	88.0	85.3
ROIC	127.4	237.3	338.1	421.7
RoE	61.3	70.2	68.6	66.5
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.7)	(0.8)	(0.8)
Net Working Capital (Days)	(19)	(19)	(19)	(18)
<b>Valuation(x)</b>				
PER	65.2	54.3	49.9	46.6
P/B	40.2	36.2	32.5	29.6
P/CEPS	55.9	47.7	44.1	41.3
EV/EBITDA	44.0	37.3	34.5	32.1
EV/Sales	13.0	12.0	11.1	10.2
Dividend Yield (%)	1.5	1.6	1.7	1.9

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
<b>Net Revenue</b>	<b>13,506</b>	<b>13,237</b>	<b>14,711</b>	<b>13,957</b>
YoY gr. (%)	3.8	10.6	6.0	8.1
Raw Material Expenses	4,475	4,179	4,594	3,883
Gross Profit	9,031	9,058	10,117	10,073
Margin (%)	66.9	68.4	68.8	72.2
<b>EBITDA</b>	<b>4,519</b>	<b>4,181</b>	<b>4,821</b>	<b>4,684</b>
YoY gr. (%)	5.2	28.4	18.2	29.6
Margin (%)	33.5	31.6	32.8	33.6
Depreciation / Depletion	431	438	443	414
<b>EBIT</b>	<b>4,088</b>	<b>3,744</b>	<b>4,379</b>	<b>4,270</b>
Margin (%)	30.3	28.3	29.8	30.6
Net Interest	11	11	11	15
Other Income	204	150	210	179
<b>Profit before Tax</b>	<b>4,281</b>	<b>3,883</b>	<b>4,578</b>	<b>4,434</b>
Margin (%)	31.7	29.3	31.1	31.8
Total Tax	1,100	951	1,178	1,133
Effective tax rate (%)	25.7	24.5	25.7	25.6
<b>Profit after Tax</b>	<b>3,181</b>	<b>2,932</b>	<b>3,401</b>	<b>3,301</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>3,181</b>	<b>2,932</b>	<b>3,401</b>	<b>3,301</b>
YoY gr. (%)	9.1	33.9	22.3	35.7
Margin (%)	23.6	22.1	23.1	23.7
Extra Ord. Income / (Exp)	(19)	(195)	-	-
<b>Reported PAT</b>	<b>3,162</b>	<b>2,737</b>	<b>3,401</b>	<b>3,301</b>
YoY gr. (%)	(2.3)	30.5	22.3	35.7
Margin (%)	23.4	20.7	23.1	23.7
Other Comprehensive Income	(49)	-	-	-
<b>Total Comprehensive Income</b>	<b>3,113</b>	<b>2,737</b>	<b>3,401</b>	<b>3,301</b>
Avg. Shares O/s (m)	272	272	272	272
<b>EPS (Rs)</b>	<b>11.7</b>	<b>10.8</b>	<b>12.5</b>	<b>12.1</b>

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Reduce	2,140	2,501
2	26-Oct-23	Hold	1,948	2,034
3	07-Oct-23	Hold	1,869	1,993
4	22-Aug-23	Hold	1,869	1,940
5	26-Jul-23	Hold	1,869	1,898
6	06-Jul-23	Hold	1,636	1,780
7	12-May-23	Hold	1,636	1,628
8	11-Apr-23	Hold	1,565	1,537
9	24-Jan-23	Hold	1,578	1,459

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,159	3,242
2	Avenue Supermarts	BUY	4,484	3,841
3	Britannia Industries	Hold	5,130	5,177
4	Colgate Palmolive	Reduce	2,140	2,501
5	Dabur India	Accumulate	617	553
6	Emami	Accumulate	565	555
7	Hindustan Unilever	Hold	2,724	2,565
8	ITC	Accumulate	487	466
9	Jubilant FoodWorks	Hold	526	534
10	Kansai Nerolac Paints	Accumulate	346	337
11	Marico	Hold	556	524
12	Metro Brands	Hold	1,109	1,166
13	Mold-tek Packaging	Hold	918	876
14	Nestle India	Accumulate	2,679	2,619
15	Pidilite Industries	Hold	2,704	2,720
16	Restaurant Brands Asia	Accumulate	145	116
17	Titan Company	Accumulate	3,640	3,706
18	Westlife Foodworld	Hold	839	828

## PL's Recommendation Nomenclature (Absolute Performance)

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



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