

July 29, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	REDUCE		REDUCE	
Target Price	2,743		2,414	
Sales (Rs. m)	62,962	68,146	61,826	66,671
% Chng.	1.8	2.2		
EBITDA (Rs. m)	21,329	22,962	20,441	22,285
% Chng.	4.3	3.0		
EPS (Rs.)	56.1	60.0	53.2	57.7
% Chng.	5.5	4.0		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	52,262	56,805	62,962	68,146
EBITDA (Rs. m)	15,470	18,985	21,329	22,962
Margin (%)	29.6	33.4	33.9	33.7
PAT (Rs. m)	10,584	13,410	15,272	16,318
EPS (Rs.)	38.9	49.3	56.1	60.0
Gr. (%)	(1.9)	26.7	13.9	6.8
DPS (Rs.)	39.0	58.0	50.0	51.0
Yield (%)	1.2	1.8	1.6	1.6
RoE (%)	61.3	74.7	82.5	83.5
RoCE (%)	79.5	96.2	105.4	107.8
EV/Sales (x)	16.5	15.1	13.6	12.6
EV/EBITDA (x)	55.8	45.3	40.3	37.3
PE (x)	82.5	65.1	57.2	53.5
P/BV (x)	50.9	46.6	47.7	42.0

Key Data

COLG.BO | CLGT IN

52-W High / Low	Rs.3,272 / Rs.1,902
Sensex / Nifty	81,356 / 24,836
Market Cap	Rs.873bn/ \$ 10,426m
Shares Outstanding	272m
3M Avg. Daily Value	Rs.1227.66m

Shareholding Pattern (%)

Promoter's	51.00
Foreign	24.44
Domestic Institution	6.01
Public & Others	18.55
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	12.9	27.5	57.2
Relative	9.7	12.8	27.9

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Colgate Palmolive (CLGT IN)

Rating: REDUCE | CMP: Rs3,210 | TP: Rs2,743

Volumes complement margin expansion

Quick Pointers:

- 8% toothpaste volume growth aided by strong rural demand in core portfolio
- Double digit sales growth in Toothpaste, toothbrush & personal care

CLGT delivered yet another strong quarter with pick up in volumes resulting in ~8% toothpaste volume growth and double-digit sales growth across all segments. 220bps expansion in Gross margins and 40bps decline in Ad spends resulted in 240bps expansion in EBITDA margins to 34%. Core portfolio led by Colgate strong teeth, Active salt and total reported strong growth supplemented by double-digit sales growth in toothbrush after several quarters. Incremental pricing actions remained limited in view of benign pricing which helped improve consumer value.

We increase our FY25/26/27 estimates by 5.5%/4%/4.6% on pick up in volumes led by rural demand revival, low volume base and benefit of benign raw materials. CLGT continues to focus on 1) driving toothpaste category penetration and twice a day usage in urban India 2) science-based innovations with Total and Colgate strong teeth 3) build personal care portfolio in body/hand/face wash and 4) increasing usage of toothbrush by reducing the replacement cycle. We expect margin expansion to slow down in coming quarters given base of 32.8, 33.6 and 35.7 in 2Q/3Q/4Q versus 31.6% in 1Q25. We estimate 10.2% EPS CAGR over FY24-26. We value CLGT at 45x FY26 EPS (42x earlier) and assign a target of Rs2743 (Rs2414 earlier). CLGT trades at 52.7x Jun-26 EPS. Retain Reduce

Sales grew 13.1%, EBITDA Margins expand by 237bps YoY: Revenues grew by 13.1% YoY to Rs15bn (PLe: Rs14.5bn) Gross margins expanded by 222bps YoY to 70.6% (PLe: 69.5%) EBITDA grew by 21.6% YoY to Rs5.1bn (PLe:Rs4.6bn); Margins expanded by 238bps YoY to 34% (PLe:32.1%) A&P spends contracted by 40bps YoY to 13.3% Adj. PAT grew by 24.1% YoY to Rs3.6bn (PLe:Rs3.2bn)

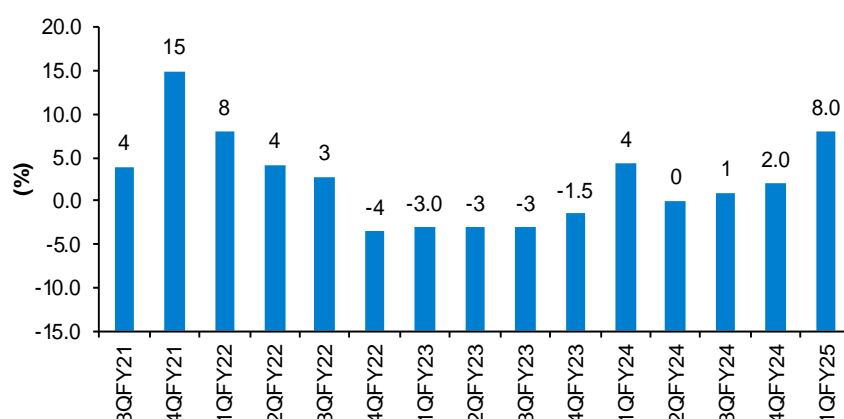
Key Highlights

- We estimate ~8% volume growth for 1Q with balance growth led by pricing & premiumisation, pricing growth has peaked out.
- Both Toothpaste and Toothbrush reported double-digit revenue growth. Core portfolio led by Colgate Strong teeth drove growth in toothpaste segment.
- Rural recovery continues with demand in rural markets outpacing urban markets for the second consecutive quarter.
- CLGT launched Whitening booster gel as a one of a kind product in its Whitening segment.
- CLGT continues its focus on category growth through "Brush at Night" campaign & sustained investment on superior communication which is responsible for its strong growth trajectory leading to its highest historic levels.

Exhibit 1: 1QFY25: Net sales up 13.1%, EBITDA margins expand by 237bps YoY to 34%

Particulars	1Q FY25	1Q FY24	YoY gr. (%)	4Q FY24	FY24	FY23	YoY gr. (%)
Net Sales	14,967	13,237	13.1	14,900	56,804	52,262	8.7
Gross Profit	10,574	9,058	16.7	10,327	39,574	34,320	15.3
<i>Margin %</i>	<i>70.6</i>	<i>68.4</i>	<i>2.2</i>	<i>69.3</i>	<i>69.7</i>	<i>65.7</i>	<i>4.0</i>
Other Exp	5490	4877	12.6	5005	20566	18850	9.1
<i>% of Net sales</i>	<i>36.7</i>	<i>36.8</i>	<i>(0.4)</i>	<i>33.6</i>	<i>36.2</i>	<i>36.1</i>	<i>0.1</i>
EBITDA	5,083	4,181	21.6	5,322	19,008	15,470	22.9
<i>Margin %</i>	<i>34.0</i>	<i>31.6</i>	<i>2.4</i>	<i>35.7</i>	<i>33.5</i>	<i>29.6</i>	<i>3.9</i>
Depreciation	415	438	(5.1)	421	1715	1748	(1.9)
Interest	10	11	(8.4)	14	50	49	1.8
PBT from operations	4659	3733	24.8	4887	17243	13673	26.1
Other Income	234	150	56.3	227	765	536	42.8
PBT	4,893	3,883	26.0	5,114	18,008	14,209	26.7
Tax	1253	951	31.8	1315	4577	3625	26.2
<i>Tax rate %</i>	<i>25.6</i>	<i>24.5</i>	<i>4.6</i>	<i>25.7</i>	<i>25.4</i>	<i>25.5</i>	<i>(0.1)</i>
Adj. PAT	3,640	2,932	24.1	3,798	13,432	10,584	26.9

Source: Company, PL

Exhibit 2: Toothpaste volumes grow ~8% in 1Q25


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	52,262	56,805	62,962	68,146
YoY gr. (%)	2.5	8.7	10.8	8.2
Cost of Goods Sold	17,942	17,230	18,574	20,209
Gross Profit	34,320	39,575	44,388	47,937
Margin (%)	65.7	69.7	70.5	70.3
Employee Cost	3,770	4,117	4,506	4,878
Other Expenses	4,096	3,869	4,937	5,344
EBITDA	15,470	18,985	21,329	22,962
YoY gr. (%)	(1.2)	22.7	12.3	7.7
Margin (%)	29.6	33.4	33.9	33.7
Depreciation and Amortization	1,748	1,715	1,819	1,915
EBIT	13,722	17,270	19,510	21,048
Margin (%)	26.3	30.4	31.0	30.9
Net Interest	49	50	54	53
Other Income	536	767	960	820
Profit Before Tax	14,209	17,987	20,417	21,815
Margin (%)	27.2	31.7	32.4	32.0
Total Tax	3,625	4,577	5,145	5,497
Effective tax rate (%)	25.5	25.4	25.2	25.2
Profit after tax	10,584	13,410	15,272	16,318
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	10,584	13,410	15,272	16,318
YoY gr. (%)	(1.9)	26.7	13.9	6.8
Margin (%)	20.3	23.6	24.3	23.9
Extra Ord. Income / (Exp)	(112)	(195)	-	-
Reported PAT	10,471	13,215	15,272	16,318
YoY gr. (%)	(2.9)	26.2	15.6	6.8
Margin (%)	20.0	23.3	24.3	23.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,471	13,215	15,272	16,318
Equity Shares O/s (m)	272	272	272	272
EPS (Rs)	38.9	49.3	56.1	60.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	18,885	19,748	20,557	21,582
Tangibles	18,885	19,748	20,557	21,582
Intangibles	-	-	-	-
Acc: Dep / Amortization	11,679	13,181	14,784	16,468
Tangibles	11,679	13,181	14,784	16,468
Intangibles	-	-	-	-
Net fixed assets	7,205	6,567	5,773	5,114
Tangibles	7,205	6,567	5,773	5,114
Intangibles	-	-	-	-
Capital Work In Progress	1,141	1,103	1,100	1,200
Goodwill	-	-	-	-
Non-Current Investments	195	178	187	196
Net Deferred tax assets	288	648	-	-
Other Non-Current Assets	4,522	4,432	4,491	4,516
Current Assets				
Investments	7,964	8,783	10,013	10,840
Inventories	3,354	2,964	4,011	4,359
Trade receivables	1,574	1,674	2,058	2,227
Cash & Bank Balance	1,266	4,955	3,950	6,526
Other Current Assets	381	535	469	508
Total Assets	28,830	31,965	32,191	35,630
Equity				
Equity Share Capital	272	272	272	272
Other Equity	16,892	18,472	18,020	20,502
Total Network	17,164	18,744	18,292	20,774
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	236	216	270	293
Other non current liabilities	571	599	376	312
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	7,611	8,819	9,430	10,208
Other current liabilities	3,235	3,574	3,809	4,030
Total Equity & Liabilities	28,830	31,965	32,191	35,630

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	14,209	17,985	20,417	21,815
Add. Depreciation	1,748	1,715	1,819	1,915
Add. Interest	49	50	54	53
Less Financial Other Income	536	767	960	820
Add. Other	(112)	(195)	-	-
Op. profit before WC changes	15,894	19,555	22,289	23,783
Net Changes-WC	(106)	1,393	(1,377)	(495)
Direct tax	(3,625)	(4,577)	(5,190)	(5,546)
Net cash from Op. activities	12,163	16,372	15,723	17,742
Capital expenditures	(659)	(1,000)	(995)	(1,326)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(659)	(1,000)	(995)	(1,326)
Issue of share cap. / premium	(47)	4,141	(2,079)	84
Debt changes	-	-	-	-
Dividend paid	(10,607)	(15,775)	(13,599)	(13,871)
Interest paid	(49)	(50)	(54)	(53)
Others	-	-	-	-
Net cash from Fin. activities	(10,704)	(11,684)	(15,732)	(13,840)
Net change in cash	801	3,688	(1,004)	2,575
Free Cash Flow	11,504	15,372	14,728	16,415

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	38.9	49.3	56.1	60.0
CEPS	45.3	55.6	62.8	67.0
BVPS	63.1	68.9	67.3	76.4
FCF	42.3	56.5	54.1	60.4
DPS	39.0	58.0	50.0	51.0
Return Ratio(%)				
RoCE	79.5	96.2	105.4	107.8
ROIC	127.4	305.4	320.4	726.4
RoE	61.3	74.7	82.5	83.5
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.7)	(0.8)	(0.8)
Net Working Capital (Days)	(19)	(27)	(19)	(19)
Valuation(x)				
PER	82.5	65.1	57.2	53.5
P/B	50.9	46.6	47.7	42.0
P/CEPS	70.8	57.7	51.1	47.9
EV/EBITDA	55.8	45.3	40.3	37.3
EV/Sales	16.5	15.1	13.6	12.6
Dividend Yield (%)	1.2	1.8	1.6	1.6

Source: Company Data, PL Research

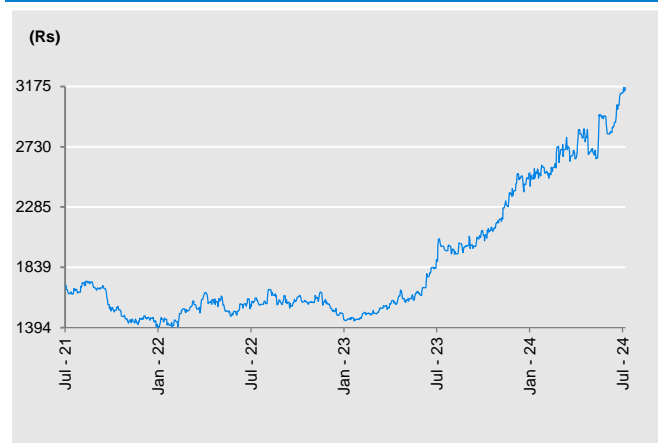
Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	14,711	13,957	14,900	14,967
YoY gr. (%)	6.0	8.1	10.3	13.1
Raw Material Expenses	4,594	3,883	4,573	4,393
Gross Profit	10,117	10,073	10,327	10,574
Margin (%)	68.8	72.2	69.3	70.6
EBITDA	4,821	4,684	5,322	5,083
YoY gr. (%)	18.2	29.6	17.8	21.6
Margin (%)	32.8	33.6	35.7	34.0
Depreciation / Depletion	443	414	421	415
EBIT	4,379	4,270	4,901	4,668
Margin (%)	29.8	30.6	32.9	31.2
Net Interest	11	15	14	10
Other Income	210	179	227	234
Profit before Tax	4,578	4,434	5,114	4,893
Margin (%)	31.1	31.8	34.3	32.7
Total Tax	1,178	1,133	1,315	1,253
Effective tax rate (%)	25.7	25.6	25.7	25.6
Profit after Tax	3,401	3,301	3,798	3,640
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,401	3,301	3,798	3,640
YoY gr. (%)	22.3	35.7	19.4	24.1
Margin (%)	23.1	23.7	25.5	24.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,401	3,301	3,798	3,640
YoY gr. (%)	22.3	35.7	20.1	33.0
Margin (%)	23.1	23.7	25.5	24.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,401	3,301	3,798	3,640
Av g. Shares O/s (m)	272	272	-	272
EPS (Rs)	12.5	12.1	-	13.4

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-24	Reduce	2,414	2,910
2	15-May-24	Reduce	2,373	2,673
3	09-Apr-24	Reduce	2,174	2,622
4	23-Jan-24	Reduce	2,170	2,536
5	08-Jan-24	Reduce	2,140	2,501
6	26-Oct-23	Hold	1,948	2,034
7	07-Oct-23	Hold	1,869	1,993
8	22-Aug-23	Hold	1,869	1,940

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	2,974
2	Avenue Supermarts	Accumulate	5,104	4,944
3	Britannia Industries	Hold	5,315	5,547
4	Colgate Palmolive	Reduce	2,414	2,910
5	Dabur India	UR	-	606
6	Emami	UR	-	725
7	Hindustan Unilever	Hold	2,698	2,766
8	ITC	Accumulate	491	434
9	Jubilant FoodWorks	UR	-	570
10	Kansai Nerolac Paints	Reduce	266	267
11	Marico	Accumulate	621	615
12	Metro Brands	Hold	1,190	1,218
13	Mold-tek Packaging	Accumulate	843	796
14	Nestle India	Accumulate	2,746	2,481
15	Pdillite Industries	Accumulate	3,141	3,100
16	Restaurant Brands Asia	Accumulate	134	114
17	Titan Company	Accumulate	3,545	3,269
18	Westlife Foodworld	Hold	791	833

PL's Recommendation Nomenclature (Absolute Performance)

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

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