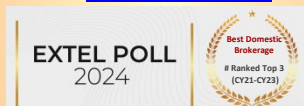


BSE SENSEX  
80,234

S&P CNX  
24,275



Motilal Oswal values your support in the  
EXTEL POLL 2024 for India Research, Sales,  
Corporate Access and Trading team.  
We [request your ballot](#).



|                       |             |
|-----------------------|-------------|
| Bloomberg             | CLGT IN     |
| Equity Shares (m)     | 272         |
| M.Cap.(INRb)/(USDb)   | 820.7 / 9.7 |
| 52-Week Range (INR)   | 3893 / 2139 |
| 1, 6, 12 Rel. Per (%) | -2/7/15     |
| 12M Avg Val (INR M)   | 1329        |
| Free float (%)        | 49.0        |

#### Financials & Valuations (INR b)

| Y/E March         | 2025E | 2026E | 2027E |
|-------------------|-------|-------|-------|
| Sales             | 62.7  | 68.3  | 74.0  |
| Sales Gr. (%)     | 10.4  | 8.9   | 8.3   |
| EBITDA            | 21.0  | 23.3  | 25.3  |
| EBITDAM (%)       | 33.6  | 34.1  | 34.3  |
| Adj. PAT          | 15.1  | 16.6  | 18.2  |
| Adj. EPS (INR)    | 55.6  | 61.2  | 66.8  |
| EPS Gr. (%)       | 13.0  | 10.1  | 9.2   |
| BV/Sh.(INR)       | 79.5  | 90.7  | 102.5 |
| <b>Ratios</b>     |       |       |       |
| RoE (%)           | 74.9  | 71.9  | 69.2  |
| RoCE (%)          | 73.6  | 71.6  | 68.9  |
| Payout (%)        | 81.0  | 81.7  | 82.3  |
| <b>Valuations</b> |       |       |       |
| P/E (x)           | 54.2  | 49.2  | 45.1  |
| P/BV (x)          | 37.9  | 33.2  | 29.4  |
| EV/EBITDA (x)     | 38.3  | 34.5  | 31.5  |
| Div. Yield (%)    | 1.5   | 1.7   | 1.8   |

**CMP: INR3,018 TP: INR3,250 (+8%)**

**Neutral**

## Focusing on balanced growth

Colgate (CLGT) held an analyst meet on 27th Nov'24 to discuss its strategic growth initiatives and demand outlook. Here are the key takeaways:

- CLGT's strategic pillars that drive volume and value growth in oral care are intact. The company continues to expand its personal care portfolio and sees significant potential in preimmunizing the toothpaste and toothbrush categories. Rapid advancements in digital initiatives have enhanced CLGT's distribution, improving the product assortment in its directly serviced outlets (1.7m outlets).
- Management highlighted that in urban areas, toothpaste volume growth has continued to decelerate (since Mar'24), while growth was stable for toothbrush. Rural growth has been picking up well for both categories, in line with the trends observed across the FMCG sector. Notably, 2QFY25 marked the first quarter when urban toothpaste volume growth trailed rural growth, and urban toothbrush volumes were on par with rural. While urban markets face persistent challenges, rural areas are showing growth momentum.
- In FY24 and 1HFY25, CLGT achieved revenue growth of 9% and 11%, outperforming FMCG peers (refer to Exhibits 1/2). Volume growth remained flat in FY24 but improved to 7% in 1HFY25. This performance reflects a strategic focus on premiumization and portfolio optimization, with growth driven more by product mix enhancements than significant price hikes. Management focuses on delivering balanced growth across volumes, pricing, and product mix. CLGT's gross profit margin recovered to 69.7% in FY24, supported by favorable raw material costs, and expanded by 100bp YoY to 69.6% in 1HFY25. Management projects stable margins in the 69-70% range. EBITDA margin remained steady YoY at 32.3% in 1HFY25, as the company continued to invest in brand-building initiatives, with advertising spends increasing by 15% YoY during the period to bolster consumer awareness. We expect CLGT to deliver a CAGR of 9%/10%/11% in sales/EBITDA/adj. PAT over FY24-27E. We reiterate our Neutral rating on the stock with a TP of INR3,250.

## Consistent commitment to boosting volume growth

The company remains focused on driving balanced growth through various strategies for volume, pricing, and product mix. Despite near-universal penetration in India, significant headroom exists for consumption growth. Only 20% of urban households brush twice daily, while 55% of rural households do not brush every day. Furthermore, urban and rural households replace toothbrushes every six and 15 months, respectively, compared to the recommended three-month cycle. To address these gaps, the company is actively working to influence consumer behavior through oral health awareness programs and above-the-line (ATL) communication campaigns. However, changing consumer behavior is difficult and time-consuming, and, thus, acceleration in volume growth of the oral care category will only be gradual.

**Naveen Trivedi – Research Analyst** (Naveen.Trivedi@motilaloswal.com)

**Tanu Jindal – Research Analyst** (Tanu.Jindal@MotilalOswal.com)

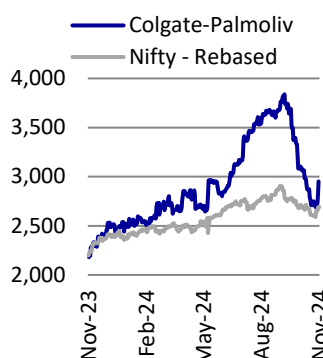
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Shareholding pattern (%)**

| As On    | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 51.0   | 51.0   | 51.0   |
| DII      | 5.8    | 6.0    | 5.9    |
| FII      | 24.9   | 24.4   | 24.1   |
| Others   | 18.2   | 18.6   | 19.0   |

FII Includes depository receipts

**Stock's Performance (one-year)****Headroom for premiumization**

The premium toothpaste segment continues to witness robust double-digit growth, reflecting the effectiveness of the company's premiumization strategy. Despite this success, the oral care category offers significant headroom for further premiumization, as penetration remains relatively low. For instance, only 22% of toothbrushes sold in India are priced above INR40, indicating substantial untapped potential.

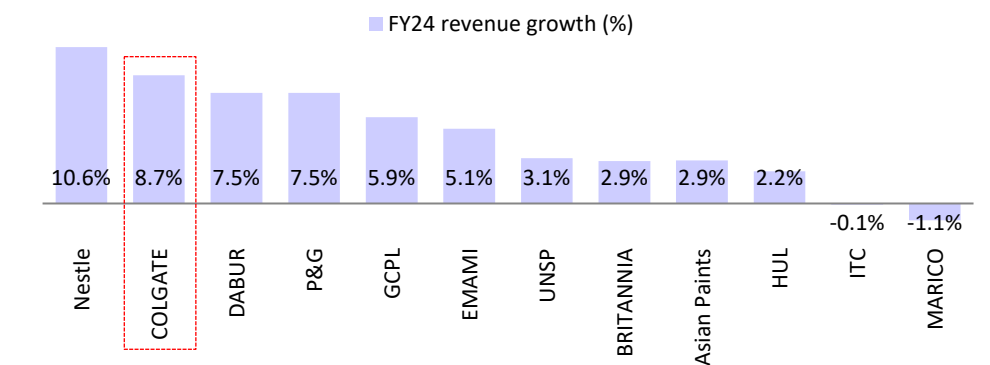
Management is confident that initiatives focused on product assortment, consumer awareness, and channel strategies can drive premiumization. This is evidenced by the outperformance of Colgate Total, which is growing at 3x the category rate, and Visible White, which is delivering strong double-digit growth. To encourage consumer trials while maintaining affordability, the company has adopted a calibrated premium pricing strategy, currently pricing at 0.77x of Dec'23 levels. Additionally, the company has significantly expanded the availability of premium products by ramping up distribution coverage from 30,000 stores to 300,000 stores, ensuring deeper market penetration and accessibility.

**Impressive progress on digital initiatives**

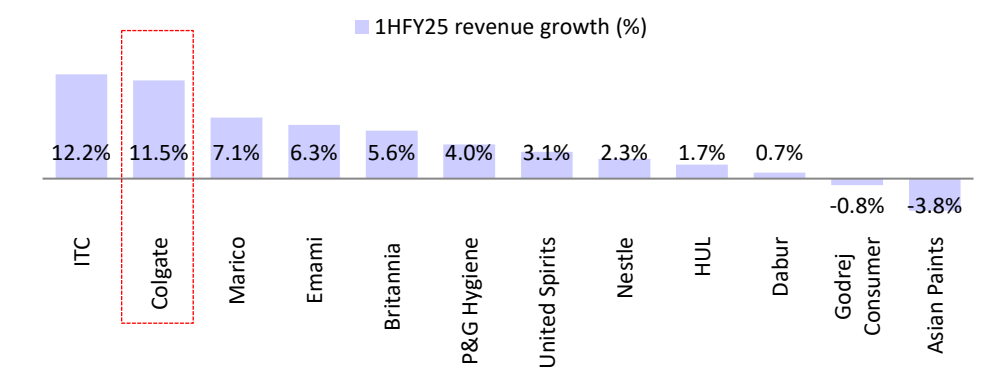
CLGT has been effectively leveraging AI-driven tools to deliver personalized consumer interactions on e-commerce platforms, resulting in 1.5x growth in engagement and content performance. Additionally, the company leverages AI and machine learning (ML) models to optimize product assortment across 1.7m stores, ensuring better availability of premium offerings while enhancing overall operational efficiency. The company has also refined its supply chain operations, focusing on inventory management to lower stock levels while driving higher distributor sales. Meanwhile, the quick commerce channel has become a significant growth engine, outperforming the broader business with 8x growth. This channel has proven to be growth-accretive and also helped to expand margin and gain market share.

**Valuation and View**

- In 1HFY25, CLGT has achieved volume expansion while maintaining its margin trajectory. However, historically, CLGT's volume growth has lagged behind that of its peers. Hence, tracking its volume performance in the upcoming quarters is important, especially given the current softness in urban demand.
- Both gross and EBITDA margins have reached their peak levels, and it will be crucial to monitor the sustainability of these margins going forward. We model ~34% EBITDA margin for FY25 and FY26.
- We expect CLGT to clock a CAGR of 9%/10%/11% in sales/EBITDA/adj. PAT over FY24-27. We reiterate our Neutral rating on the stock with a TP of INR3,250 (based on 50x Sep'26E EPS).

**Exhibit 1: CLGT outperforms peers in revenue growth in FY24**

Source: Company, MOFSL

**Exhibit 2: In 1HFY25 as well, CLGT outperforms peers in revenue growth**

Source: Company, MOFSL

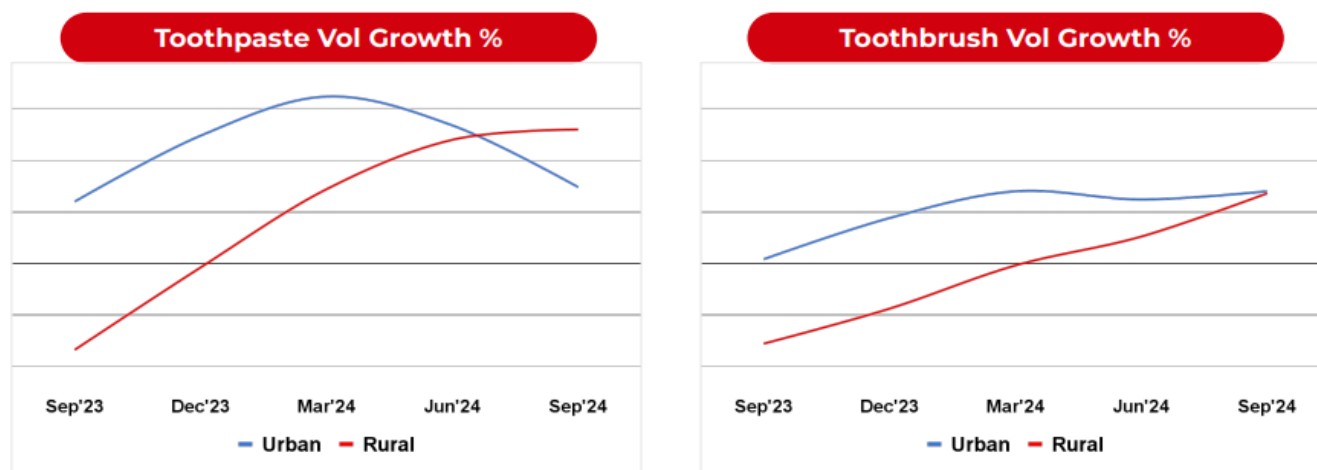
**Highlights from the analyst meet****Business environment**

- Management highlighted that urban toothpaste volume growth has seen deceleration (since Mar'24 onward), while growth was stable for toothbrush. Rural growth has been picking up well for both toothpaste and toothbrush.
- Premium products continue to outperform, but general consumption patterns are under pressure due to inflation.
- Rural markets present significant potential, with low penetration and awareness levels. Around 55% of rural consumers do not brush daily.
- While rural markets are showing encouraging growth momentum, urban consumption continues to face challenges. Efforts are underway to address urban demand softness through targeted campaigns and premium product offerings.
- India lags behind global standards in oral hygiene habits (e.g., per capita toothpaste and toothbrush usage is below the global average).
- AI-led assortment recommendations based on past purchases, purchases of stores in vicinity, and economic indicators of the neighborhood are live in 1.7m outlets (out of direct/total reach of 1.7m/7.0m outlets).
- Over the past year, average selling price (ASP) has grown by 13%, primarily driven by a favorable product mix rather than significant price hikes. This reflects the company's focus on premiumization and portfolio optimization.
- The quick commerce channel has emerged as a key growth driver, delivering 8x growth compared to the rest of the business. It is growth-accretive, margin-

accretive, and market share-accretive, leveraging CLGT's leadership position. By ensuring the right assortment is consistently available at the right locations, the company capitalizes on its competitive advantage in quick commerce platforms.

- Colgate's 'Bright Smiles, Bright Futures' program reached 10m children in 23,000+ schools across 200+ cities.

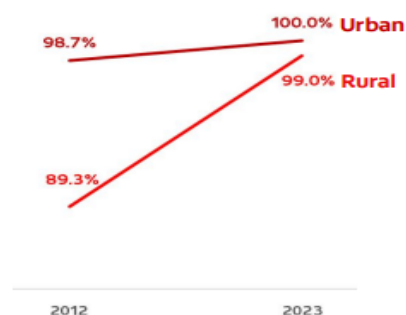
**Exhibit 3: Softening category growth in urban areas**



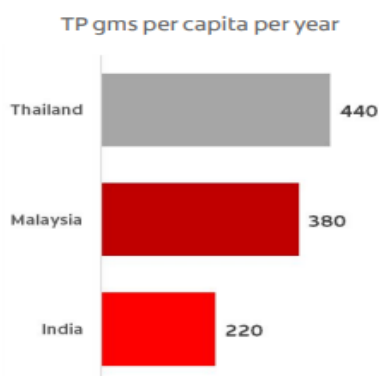
Source: CLGT PPT, Company

**Exhibit 4: India lags behind other emerging countries in toothpaste/toothbrush consumption**

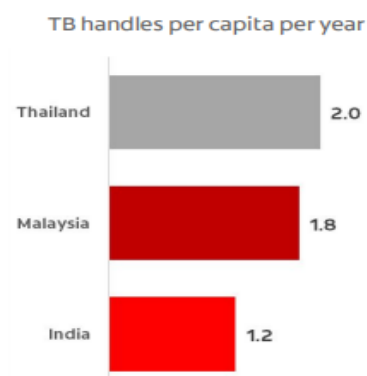
#### Universal TP Penetration



#### TP Consumption



#### TB Consumption



Source: CLGT PPT, Company

#### Strategic pillars remain intact

- Drive growth in toothpaste category by growing volumes: Management reiterated that changing consumer behavior is a slow and difficult process; hence, volume growth is unlikely to accelerate suddenly.
- Achieve premiumization through science-backed superior innovation: Its higher focus on premium segments has resulted in growth acceleration for premium products, such as Colgate Total (3x growth).
- It has strategic drivers for category growth in toothbrushes and devices (whitening pen).
- CLGT is building a personal care range under Palmolive.

Exhibit 5: CLGT's strategic pillars

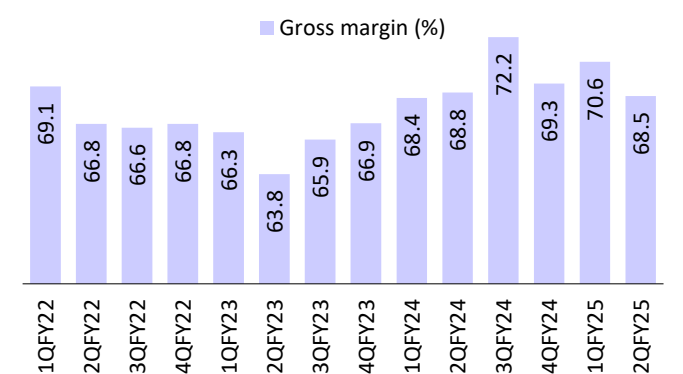


Source: Company presentation, MOFSL

**Cost and margins**

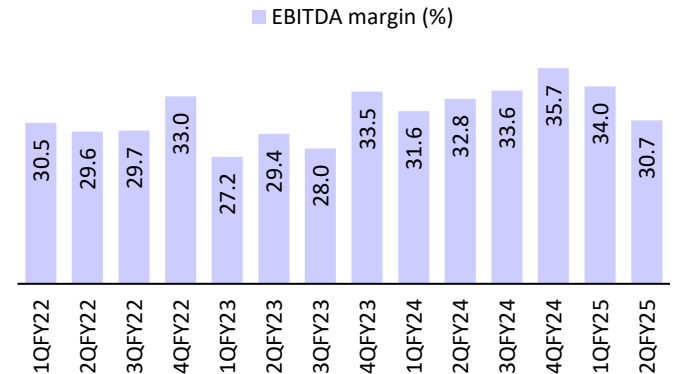
- CLGT saw a strong margin expansion during the year, aided by its cost-saving initiatives, such as global supply synergies, packaging savings, optimized plant allocations, automation, a favorable product mix, and import substitution.
- Localized sourcing and automation initiatives have reduced material costs.
- Gross margin improved by 100bp YoY to 69.6% in 1HFY25, supported by premiumization and cost-saving initiatives.
- Management expects gross margin to remain steady (with an upward bias) going forward, led by its revenue growth management (pricing and promo efficiencies).
- EBITDA margin was stable YoY at 32.3% as the company continued to reinvest in brand building. Ad spends increased by 14% YoY in 1HFY25.

Exhibit 6: GM expanded 100bp YoY in 1HFY25



Source: MOFSL, Company

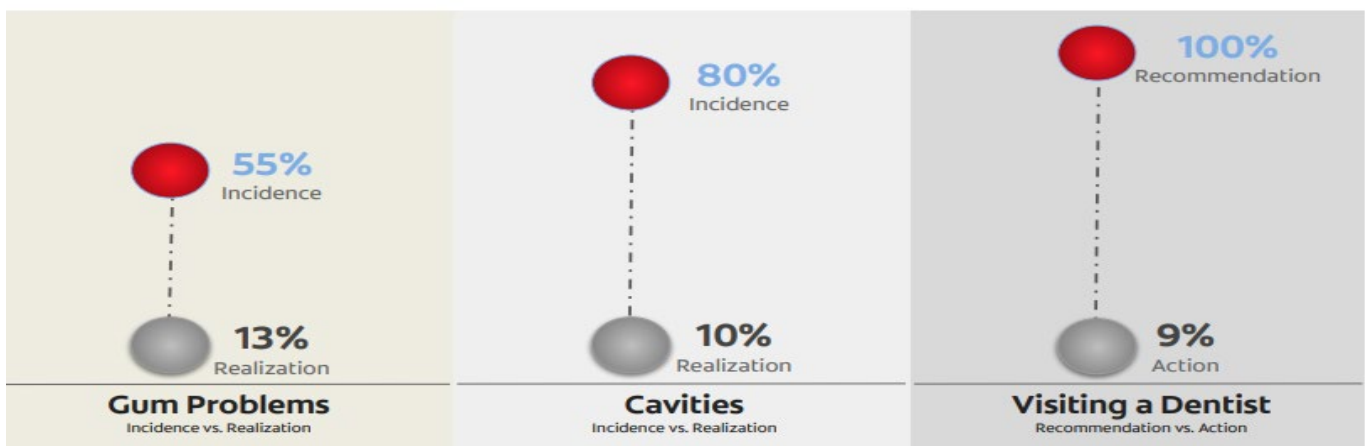
Exhibit 7: EBITDA margin stable YoY in 1HFY25 (fell in 2Q)



Source: MOFSL, Company

**Headroom for growth in toothpaste and toothbrush**

- Toothpastes have near universal penetration, yet only 20% of urban households brush twice a day and 55% rural households do not brush daily. Only 10% of Indians believe that they have cavities even as 80% of them actual do.
- Management reiterated that Ayurvedic/naturals market is plateauing as consumers buy benefits (such as strong teeth and no cavities) irrespective of the mode of delivery (through science or Ayurveda). CLGT believes that it can gain share from the Ayurvedic/naturals segment as it doubles down on its science-backed superior efficacy products.
- CLGT reiterated that urban/rural households in India replace brush once every 6/15 months versus 3 months as recommended by the dentists. Further, only 22% of toothbrushes sold in India are premium (priced above INR40). Toothbrushes have higher sensitivity to inflation as the postponement is easier than toothpastes.

**Exhibit 8: Gap in oral health awareness in India**

Source: CLGT PPT, Company

**Premiumization strategy:**

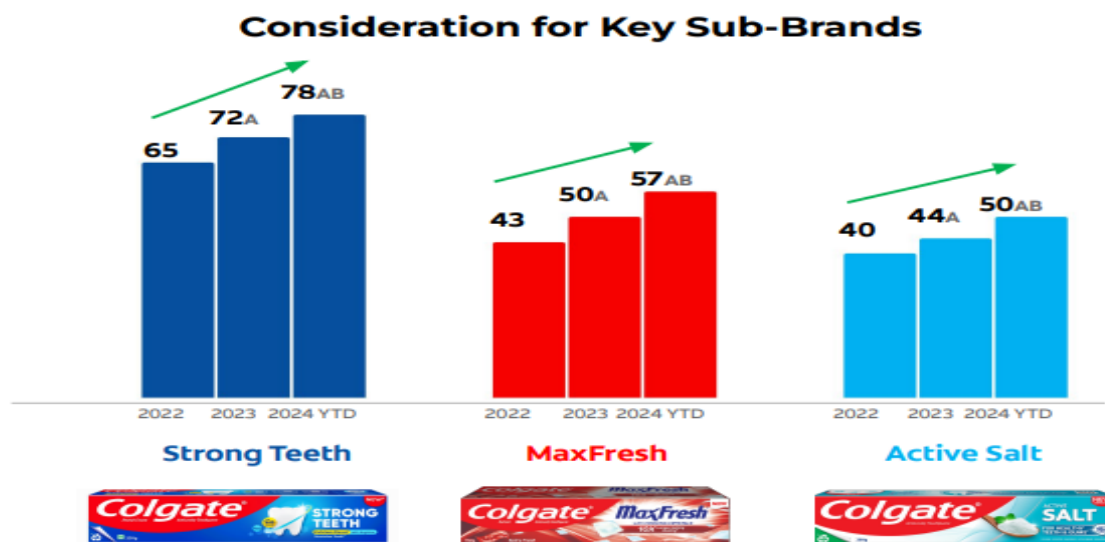
- CLGT saw strong double-digit growth in the premium toothpaste segment, which demonstrates effectiveness.
- Premium products like Colgate Total Anti-Tartar and whitening solutions are gaining traction. Proprietary technologies such as Active Oxygen Tech cater to discerning consumers.
- The company has implemented premium pricing strategies (e.g., priced at 0.77x of Dec'23 levels) to encourage trial while maintaining affordability.
- Expanded availability through distribution ramp-up (coverage increased from 30k to 300k stores).
- Influencer campaigns and digital-first approaches position premium offerings as aspirational.

**Personal Care portfolio expansion**

- CLGT introduced three new variants of the Aroma Range with improved fragrance in Palmolive body wash.
- "Savour The Feeling" campaign enhances product visibility and consumer connection.
- Personal Care delivered double-digit growth, driven by urban and premium-oriented consumers.
- The segment contributes to portfolio diversification, reducing dependency on oral care.

**Toothpaste category is core strength**

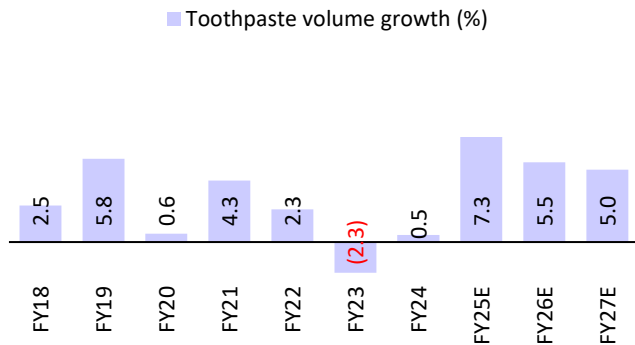
- CLGT has maintained its dominance through brands like Colgate Strong Teeth and MaxFresh.
- Strategic campaigns reinforce brand recall and first-choice preference.
- The company drives volume growth by addressing consumption frequency (e.g., "Brush Twice a Day" initiatives).
- Innovation in value and premium segments ensures holistic coverage by catering to all consumers across the price points.
- Enhanced product packaging and on-shelf visibility should attract consumers.
- High distribution efficiency ensures availability across urban and rural markets.

**Exhibit 9: Accelerating growth in core business via superiority**

Source: CLGT PPT, Company

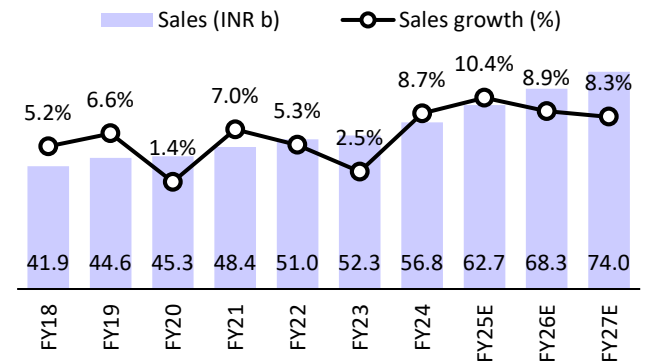
## Story in charts

Exhibit 10: Toothpaste volume growth



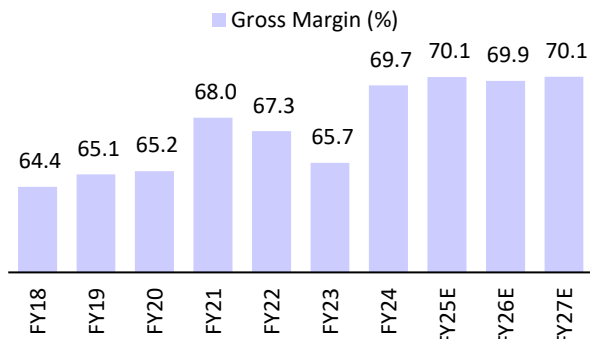
Source: MOFSL, Company

Exhibit 11: Sales likely to see 9% CAGR over FY24-27E



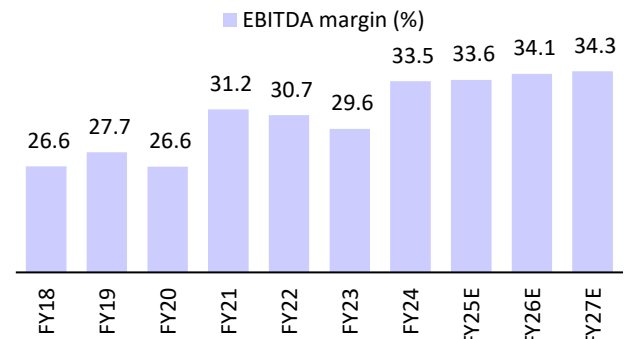
Source: MOFSL, Company

Exhibit 12: GP margin expected to be steady over FY24-27E...



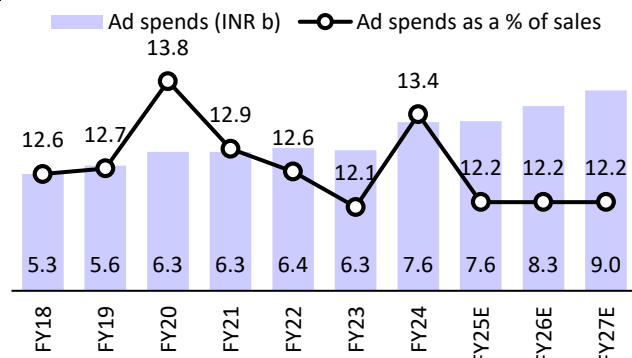
Source: MOFSL, Company

Exhibit 13: ..along with EBITDA margin



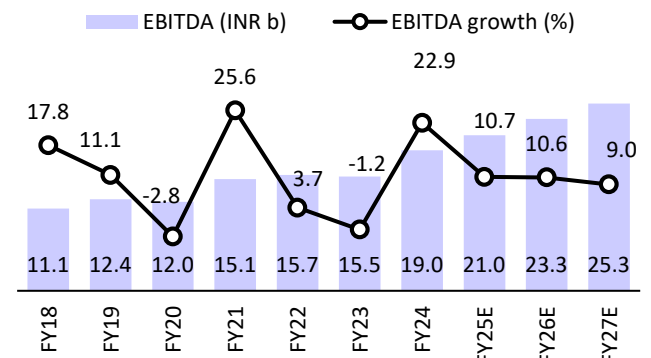
Source: MOFSL, Company

Exhibit 14: CLGT continues to invest in brands



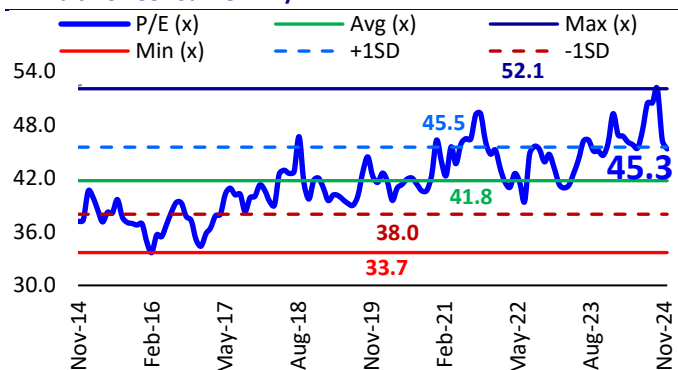
Source: MOFSL, Company

Exhibit 15: EBITDA to clock 10% CAGR over FY24-27E



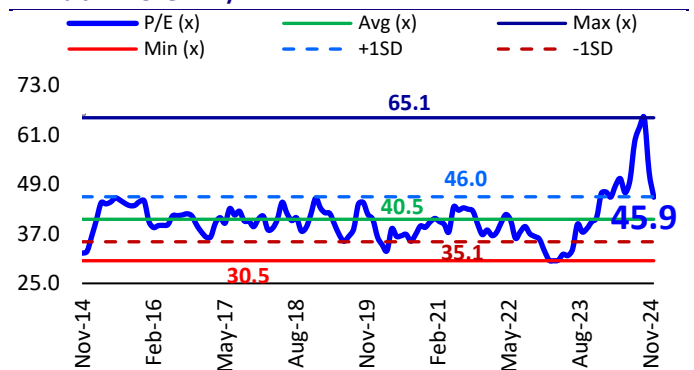
Source: MOFSL, Company

Exhibit 16: Consumer – P/E



Source: MOFSL, Company

Exhibit 17: CLGT - P/E



Source: MOFSL, Company

## Financials and valuations

| Income Statement             |               |               |               |               |               |               | (INR m)       |               |               |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                    | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          | 2025E         | 2026E         | 2027E         |
| <b>Net Sales</b>             | <b>44,624</b> | <b>45,251</b> | <b>48,412</b> | <b>50,998</b> | <b>52,262</b> | <b>56,804</b> | <b>62,691</b> | <b>68,289</b> | <b>73,978</b> |
| Change (%)                   | 6.6           | 1.4           | 7.0           | 5.3           | 2.5           | 8.7           | 10.4          | 8.9           | 8.3           |
| COGS                         | 15,586        | 15,729        | 15,494        | 16,675        | 17,942        | 17,230        | 18,744        | 20,555        | 22,102        |
| <b>Gross Profit</b>          | <b>29,039</b> | <b>29,522</b> | <b>32,919</b> | <b>34,323</b> | <b>34,320</b> | <b>39,574</b> | <b>43,946</b> | <b>47,734</b> | <b>51,876</b> |
| Gross Margin (%)             | 65.1          | 65.2          | 68.0          | 67.3          | 65.7          | 69.7          | 70.1          | 69.9          | 70.1          |
| <b>EBITDA</b>                | <b>12,361</b> | <b>12,017</b> | <b>15,096</b> | <b>15,660</b> | <b>15,470</b> | <b>19,008</b> | <b>21,033</b> | <b>23,252</b> | <b>25,338</b> |
| Change (%)                   | 11.1          | -2.8          | 25.6          | 3.7           | -1.2          | 22.9          | 10.7          | 10.6          | 9.0           |
| Margin (%)                   | 27.7          | 26.6          | 31.2          | 30.7          | 29.6          | 33.5          | 33.6          | 34.1          | 34.3          |
| Depreciation                 | 1,592         | 1,979         | 1,825         | 1,773         | 1,748         | 1,715         | 1,717         | 1,927         | 2,067         |
| Int. and Fin. Charges        | 25            | 96            | 73            | 59            | 49            | 50            | 55            | 60            | 66            |
| Financial Other Income       | 377           | 492           | 304           | 263           | 536           | 765           | 908           | 985           | 1,088         |
| <b>Profit before Taxes</b>   | <b>11,121</b> | <b>10,434</b> | <b>13,502</b> | <b>14,090</b> | <b>14,209</b> | <b>18,008</b> | <b>20,168</b> | <b>22,250</b> | <b>24,291</b> |
| Change (%)                   | 11.8          | -6.2          | 29.4          | 4.4           | 0.8           | 26.7          | 12.0          | 10.3          | 9.2           |
| Margin (%)                   | 24.9          | 23.1          | 27.9          | 27.6          | 27.2          | 31.7          | 32.2          | 32.6          | 32.8          |
| Tax                          | 3,670         | 2,269         | 3,257         | 3,448         | 3,724         | 4,937         | 5,218         | 5,600         | 6,114         |
| Deferred Tax                 | 0             | -31           | -109          | -141          | -99           | -360          | 0             | 0             | 0             |
| Tax Rate (%)                 | 33.0          | 21.5          | 23.3          | 23.5          | 25.5          | 25.4          | 25.9          | 25.2          | 25.2          |
| <b>Adjusted PAT</b>          | <b>7,502</b>  | <b>8,165</b>  | <b>10,354</b> | <b>10,783</b> | <b>10,555</b> | <b>13,383</b> | <b>15,119</b> | <b>16,649</b> | <b>18,177</b> |
| Change (%)                   | 9.5           | 8.8           | 26.8          | 4.1           | -2.1          | 26.8          | 13.0          | 10.1          | 9.2           |
| Margin (%)                   | 16.8          | 18.0          | 21.4          | 21.1          | 20.2          | 23.6          | 24.1          | 24.4          | 24.6          |
| Non-rec. (Exp)/Income        | 254           | 0             | 0             | 0             | -83           | -146          | 422           | 0             | 0             |
| <b>Reported PAT</b>          | <b>7,756</b>  | <b>8,165</b>  | <b>10,354</b> | <b>10,783</b> | <b>10,472</b> | <b>13,237</b> | <b>15,514</b> | <b>16,649</b> | <b>18,177</b> |
| Balance Sheet                |               |               |               |               |               |               | (INR m)       |               |               |
| Y/E March                    | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          | 2025E         | 2026E         | 2027E         |
| Share Capital                | 272           | 272           | 272           | 272           | 272           | 272           | 272           | 272           | 272           |
| Reserves                     | 14,196        | 15,670        | 11,387        | 17,075        | 16,892        | 18,472        | 21,351        | 24,400        | 27,617        |
| <b>Net Worth</b>             | <b>14,468</b> | <b>15,942</b> | <b>11,659</b> | <b>17,347</b> | <b>17,164</b> | <b>18,744</b> | <b>21,623</b> | <b>24,672</b> | <b>27,889</b> |
| Loans                        | 978           | 1,520         | 1,102         | 847           | 820           | 828           | 828           | 828           | 828           |
| Deferred Liability           | 309           | 50            | -48           | -173          | -288          | -648          | -648          | -648          | -648          |
| <b>Capital Employed</b>      | <b>15,754</b> | <b>17,512</b> | <b>12,713</b> | <b>18,021</b> | <b>17,695</b> | <b>18,924</b> | <b>21,803</b> | <b>24,853</b> | <b>28,070</b> |
| Gross Block                  | 21,077        | 22,182        | 19,831        | 20,504        | 21,240        | 22,278        | 24,028        | 25,778        | 27,528        |
| Less: Accum. Depn.           | -9,169        | -10,953       | -9,184        | -10,874       | -12,622       | -14,337       | -16,054       | -17,982       | -20,049       |
| <b>Net Fixed Assets</b>      | <b>11,909</b> | <b>11,229</b> | <b>10,647</b> | <b>9,630</b>  | <b>8,618</b>  | <b>7,941</b>  | <b>7,973</b>  | <b>7,796</b>  | <b>7,479</b>  |
| Capital WIP                  | 1,987         | 1,900         | 1,449         | 1,218         | 1,141         | 1,103         | 1,103         | 1,103         | 1,103         |
| Investments                  | 312           | 186           | 186           | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Curr. Assets, L&amp;A</b> | <b>12,058</b> | <b>12,725</b> | <b>16,611</b> | <b>17,997</b> | <b>18,783</b> | <b>22,274</b> | <b>25,097</b> | <b>29,356</b> | <b>33,997</b> |
| Inventory                    | 2,486         | 2,969         | 3,358         | 3,572         | 3,355         | 2,964         | 4,026         | 4,389         | 4,760         |
| Account Receivables          | 2,098         | 1,326         | 1,171         | 2,247         | 1,574         | 1,674         | 1,888         | 2,056         | 2,228         |
| Cash & Bank                  | 3,994         | 4,213         | 8,676         | 7,547         | 9,230         | 13,738        | 14,491        | 17,792        | 21,451        |
| Others                       | 3,481         | 4,217         | 3,405         | 4,631         | 4,625         | 3,898         | 4,691         | 5,118         | 5,558         |
| <b>Curr. Liab. and Prov.</b> | <b>10,511</b> | <b>8,528</b>  | <b>16,179</b> | <b>10,825</b> | <b>10,846</b> | <b>12,394</b> | <b>12,369</b> | <b>13,402</b> | <b>14,508</b> |
| Account Payables             | 6,132         | 6,125         | 7,604         | 7,714         | 7,611         | 8,819         | 8,618         | 9,317         | 10,062        |
| Other Liabilities            | 3,740         | 1,798         | 7,765         | 2,271         | 1,953         | 2,174         | 2,211         | 2,390         | 2,582         |
| Provisions                   | 639           | 605           | 810           | 840           | 1,282         | 1,401         | 1,541         | 1,695         | 1,864         |
| <b>Net Current Assets</b>    | <b>1,547</b>  | <b>4,197</b>  | <b>431</b>    | <b>7,173</b>  | <b>7,936</b>  | <b>9,881</b>  | <b>12,727</b> | <b>15,954</b> | <b>19,489</b> |
| <b>Application of Funds</b>  | <b>15,754</b> | <b>17,512</b> | <b>12,713</b> | <b>18,021</b> | <b>17,695</b> | <b>18,924</b> | <b>21,803</b> | <b>24,853</b> | <b>28,070</b> |

E: MOFSL Estimates

## Financials and valuations

## Ratios

| Y/E March                     | 2019        | 2020        | 2021        | 2022        | 2023        | 2024        | 2025E       | 2026E       | 2027E       |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |             |             |             |             |             |             |             |             |             |
| <b>EPS</b>                    | <b>27.6</b> | <b>30.0</b> | <b>38.1</b> | <b>39.6</b> | <b>38.8</b> | <b>49.2</b> | <b>55.6</b> | <b>61.2</b> | <b>66.8</b> |
| Cash EPS                      | 33.4        | 37.3        | 44.8        | 46.2        | 45.2        | 55.5        | 61.9        | 68.3        | 74.4        |
| BV/Share                      | 53.2        | 58.6        | 42.9        | 63.8        | 63.1        | 68.9        | 79.5        | 90.7        | 102.5       |
| DPS                           | 16.0        | 28.0        | 38.0        | 40.0        | 39.0        | 40.0        | 45.0        | 50.0        | 55.0        |
| Payout %                      | 58.1        | 93.3        | 99.8        | 100.9       | 100.5       | 81.3        | 81.0        | 81.7        | 82.3        |
| <b>Valuation (x)</b>          |             |             |             |             |             |             |             |             |             |
| P/E                           | 109.3       | 100.4       | 79.1        | 75.9        | 77.6        | 61.2        | 54.2        | 49.2        | 45.1        |
| Cash P/E                      | 90.1        | 80.8        | 67.2        | 65.2        | 66.6        | 54.2        | 48.6        | 44.1        | 40.5        |
| EV/Sales                      | 18.3        | 18.0        | 16.8        | 15.9        | 15.5        | 14.2        | 12.8        | 11.7        | 10.8        |
| EV/EBITDA                     | 66.0        | 68.0        | 53.7        | 51.9        | 52.4        | 42.4        | 38.3        | 34.5        | 31.5        |
| P/BV                          | 56.6        | 51.4        | 70.2        | 47.2        | 47.7        | 43.7        | 37.9        | 33.2        | 29.4        |
| Dividend Yield (%)            | 0.5         | 0.9         | 1.3         | 1.3         | 1.3         | 1.3         | 1.5         | 1.7         | 1.8         |
| <b>Return Ratios (%)</b>      |             |             |             |             |             |             |             |             |             |
| RoE                           | 50.5        | 53.7        | 75.0        | 74.4        | 61.2        | 74.5        | 74.9        | 71.9        | 69.2        |
| RoCE                          | 47.3        | 49.7        | 68.9        | 70.5        | 59.5        | 73.6        | 73.6        | 71.6        | 68.9        |
| <b>Working Capital Ratios</b> |             |             |             |             |             |             |             |             |             |
| Debtor (Days)                 | 17          | 11          | 9           | 16          | 11          | 16          | 16          | 16          | 0           |
| Asset Turnover (x)            | 3.3         | 2.9         | 4.4         | 3.0         | 3.2         | 3.2         | 3.0         | 2.9         | 2.7         |
| <b>Leverage Ratio</b>         |             |             |             |             |             |             |             |             |             |
| Debt/Equity (x)               | 0.1         | 0.1         | 0.1         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |

## Cash Flow Statement

| Y/E March                    | 2019          | 2020          | 2021          | 2022           | 2023           | 2024           | 2025E          | 2026E          | 2027E          |
|------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                              |               |               |               |                |                |                | <b>(INR m)</b> |                |                |
| OP/(loss) before Tax         | 11,120        | 10,434        | 13,502        | 14,090         | 14,209         | 17,813         | 20,733         | 22,250         | 24,291         |
| Depreciation                 | 1,592         | 1,979         | 1,825         | 1,773          | 1,748          | 1,715          | 1,717          | 1,927          | 2,067          |
| Int./Div. Received           | 53            | -96           | 35            | 105            | 68             | -630           | 0              | 0              | 0              |
| Interest Paid                | -273          | -158          | -131          | -158           | -364           | 50             | 55             | 60             | 66             |
| Direct Taxes Paid            | -4,144        | -3,213        | -3,584        | -3,699         | -3,809         | -4,686         | -5,218         | -5,600         | -6,114         |
| (Incr)/Decr in WC            | 1,494         | -35           | -3,826        | 4,151          | -89            | -2,272         | -1,367         | 428            | 484            |
| <b>CF from Operations</b>    | <b>9,842</b>  | <b>8,911</b>  | <b>7,823</b>  | <b>16,261</b>  | <b>11,763</b>  | <b>11,990</b>  | <b>15,920</b>  | <b>19,065</b>  | <b>20,795</b>  |
| (Incr)/Decr in FA            | -1,042        | -604          | -573          | -495           | -695           | -755           | -1,750         | -1,750         | -1,750         |
| <b>Free Cash Flow</b>        | <b>8,800</b>  | <b>8,307</b>  | <b>7,249</b>  | <b>15,766</b>  | <b>11,068</b>  | <b>11,234</b>  | <b>14,170</b>  | <b>17,315</b>  | <b>19,045</b>  |
| (Pur)/Sale of Investments    | 0             | 7             | 1,060         | -812           | 221            | 828            | 0              | 0              | 0              |
| Others                       | -1,221        | 419           | 5,954         | -5,178         | 1,262          | 4,398          | -1,118         | -351           | -357           |
| <b>CF from Invest.</b>       | <b>-2,263</b> | <b>-177</b>   | <b>6,440</b>  | <b>-6,485</b>  | <b>788</b>     | <b>4,471</b>   | <b>-2,868</b>  | <b>-2,101</b>  | <b>-2,107</b>  |
| Change in Equity             | 0             | 0             | 0             | 0              | 0              | 0              | 0              | 0              | 0              |
| (Incr)/Decr in Debt          | 0             | 0             | 0             | 0              | 0              | 0              | 0              | 0              | 0              |
| Dividend Paid                | -7,916        | -8,433        | -9,211        | -10,572        | -10,575        | -11,670        | -12,240        | -13,600        | -14,960        |
| Others                       | -231          | -81           | -353          | -334           | -293           | -282           | -58            | -64            | -70            |
| <b>CF from Fin. Activity</b> | <b>-8,147</b> | <b>-8,514</b> | <b>-9,565</b> | <b>-10,906</b> | <b>-10,867</b> | <b>-11,953</b> | <b>-12,298</b> | <b>-13,664</b> | <b>-15,030</b> |
| <b>Incr/Decr of Cash</b>     | <b>-568</b>   | <b>219</b>    | <b>4,698</b>  | <b>-1,129</b>  | <b>1,683</b>   | <b>4,508</b>   | <b>753</b>     | <b>3,301</b>   | <b>3,658</b>   |
| Add: Opening Balance         | 4,562         | 3,994         | 3,978         | 8,676          | 7,547          | 9,230          | 13,738         | 14,491         | 17,792         |
| <b>Closing Balance</b>       | <b>3,994</b>  | <b>4,213</b>  | <b>8,676</b>  | <b>7,547</b>   | <b>9,230</b>   | <b>13,738</b>  | <b>14,491</b>  | <b>17,792</b>  | <b>21,450</b>  |

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

#### Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

MOFSL, its associates, Research Analyst or their relatives may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst or their relatives may have actual beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may have any other potential conflict of interests at the time of publication of the research report or at the time of public appearance, however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

In the past 12 months, MOFSL or any of its associates may have:

- received any compensation/other benefits from the subject company of this report
- managed or co-managed public offering of securities from subject company of this research report,
- received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.

- MOFSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
- Subject Company may have been a client of MOFSL or its associates during twelve months preceding the date of distribution of the research report.
- Research Analyst may have served as director/officer/employee in the subject company.
- MOFSL and research analyst may engage in market making activity for the subject company.

MOFSL and its associate company(ies), and Research Analyst and their relatives from time to time may have:

- a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.
- (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

|                                         |                |
|-----------------------------------------|----------------|
| <b>Disclosure of Interest Statement</b> | <b>Colgate</b> |
| Analyst ownership of the stock          | No             |

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

MOTILAL Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and

interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act of Singapore. Accordingly, if a Singapore person is not, or ceases to be, such an investor, they must immediately discontinue any use of this Report and inform MOCMSPL.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

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

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

#### Grievance Redressal Cell:

| Contact Person     | Contact No.                 | Email ID                     |
|--------------------|-----------------------------|------------------------------|
| Ms. Hemangi Date   | 022 40548000 / 022 67490600 | query@motilaloswal.com       |
| Ms. Kumud Upadhyay | 022 40548082                | servicehead@motilaloswal.com |
| Mr. Ajay Menon     | 022 40548083                | am@motilaloswal.com          |

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp@grievances@motilaloswal.com.