

COLGATE PALMOLIVE (INDIA) LTD

Market Cap.

Rs. 42,108 Cr.

52 Week H/L

1,810/1,376

CMP

Rs. 1,548

Target Price

Rs.1,793

FMCG

STOCK DATA

BUY

Reuters Code	COLG.BO
Bloomberg Code	CLGT IN
BSE Code	500830
NSE Symbol	COLPAL

Face Value	1.0
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Shares Outstanding	27.20 Cr.
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Avg. Daily Volume (6m)	3,38,468
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Price Performance (%)		
1M	3M	6M
4	(4)	12
200 days EMA Rs.1,542		

SHARE HOLDING (%)

Promoters	51.0
FII	18.7
FI/Bank	8.4
Bodies Corporate	0.7
Public & Others	21.2

RESEARCH ANALYST

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Colgate Palmolive (India) Ltd. has reported numbers for the quarter ended June'22. Following are the highlights of the result.

Particulars	Amt in Rs. cr.				
	Q1FY23	Q4FY22	QoQ	Q1FY22	YoY
Net Sales	1,196.8	1,301.3	(8.03%)	1,166.0	2.65%
EBITDA	325.7	429.4	(24.16%)	355.2	(8.32%)
EBITDA Margin (%)	27.21%	33.00%	(579) Bps	30.47%	(325) Bps
PBT	282.4	393.1	(28.16%)	314.2	(10.11%)
PAT	209.7	323.6	(35.20%)	233.2	(10.10%)
PAT Margin (%)	17.52%	24.87%	(735) Bps	20.00%	(248) Bps
EPS (Rs.)	7.71	11.90	(35.21%)	8.58	(10.14%)

HIGHLIGHTS OF THE QUARTER:

- Colgate-Palmolive (India) Limited reported Net Sales growth of 2.7% over the same quarter of previous year aggregating to Rs. 1,196.8 cr for the quarter ended June 30, 2022.
- EBITDA for the quarter was Rs. 325.7 cr as against the EBITDA of Rs. 355.2 for the same quarter of the previous year.
- Net profit after tax for the quarter was Rs. 209.7 cr as against the Net Profit of Rs. 233.2 crore for the same quarter of the previous year.
- The current quarter was impacted by overall rural slowdown and inflationary pressures. The company's overall pricing strategy and strong funding the growth programs delivered consistent margins while they continue to maintain their strong investment in innovation and brand building activities.
- Recent launch of Visible White O2 with patented innovative technology has been very well appreciated by the consumers. Also new category launches such as Palmolive Face care range and extensions in the oral care segment with Advanced Electric Toothbrushes and Water Flossers have recorded encouraging response. Moreover, relaunches of Colgate Strong Teeth and Colgate Vedshakti toothpaste have also been very well received, reinforcing the company's commitment to bring to market superior products that enhance consumer experiences.

OUTLOOK AND VALUATION

We have forecasted annual sales growth of 8% in FY23E that calculates to a revenue of Rs. 5,506.4 cr for FY23E. We expect the PAT margins to be 21.9% in FY23E and EPS of Rs. 44.3. As we assign a P/E multiple of ~40X we arrive at a price target of Rs. 1,793 which gives us an upside of ~16% over an investment horizon of 8-10 months from CMP.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	EPS (Rs.)	P/E (x)	P/S (x)	EV/EBITDA (x)
FY20	4,525.1	1,201.7	816.5	18.0%	30.0	51.3	9.3	34.5
FY21	4,841.2	1,509.6	1,035.4	21.4%	38.1	40.4	8.6	27.2
FY22	5,099.8	1,565.9	1,078.3	21.1%	39.7	48.8	8.2	26.2
FY23E	5,506.4	1,734.5	1,207.1	21.9%	44.4	34.7	7.6	23.6



Profit & Loss Statement

(Rs. Cr)

Particulars	FY20	FY21	FY22	FY23E
Revenue from Operations	4,525.1	4,841.2	5,099.8	5,506.4
Cost of material consumed	1,572.9	1,549.4	1,667.5	1,789.6
Employee Benefit Expenses	332.3	365.6	385.1	402.0
Advertisement Expenses	626.0	625.5	643.1	682.8
Other Expenses	792.2	791.1	838.1	897.5
EBITDA	1,201.7	1,509.6	1,565.9	1,734.5
EBITDA %	26.6%	31.2%	30.7%	31.5%
Other Income	49.2	30.4	26.3	15.3
Depreciation	197.9	182.5	177.3	166.9
Finance Cost	9.6	7.3	5.9	5.1
PBT After Exceptional item	1,043.4	1,350.2	1,409.0	1,577.9
Tax Expenses	226.9	314.8	330.7	370.8
PAT	816.5	1,035.4	1,078.3	1,207.1
PAT %	18.0%	21.4%	21.1%	21.9%
EPS	30.0	38.1	39.7	44.4

Balance Sheet

(Rs. Cr)

Particulars	FY20	FY21	FY22	FY23E
PP&E (incl. CWIP)	1,312.9	1,209.6	1,084.8	973.0
Other Non-Current	279.0	311.9	334.2	334.9
Inventories	296.9	335.8	357.2	419.2
Trade Receivables	132.6	117.1	224.7	237.5
Cash and Bank Balances	421.3	867.6	754.7	947.0
Other Current Assets	161.3	52.0	146.3	147.7
Total Assets	2,604.0	2,894.0	2,901.8	3,059.4
Equity Share Capital	27.2	27.2	27.2	27.2
Reserves & Surplus	1,567.0	1,138.7	1,707.5	1,813.3
Borrowings	0.0	0.0	0.0	0.0
Other Non-Current Liabilities	139.5	110.2	84.7	99.7
Trade Payables	612.5	760.4	771.4	838.3
Other Current Liabilities	257.8	857.5	311.1	280.9
Total Liabilities	2,604.0	2,894.0	2,901.8	3,059.4

Financial Ratio Statement

Y/E Mar.	FY20	FY21	FY22	FY23E
<u>Growth (%)</u>				
Revenue	1.4%	7.0%	5.3%	8.0%
EBITDA	(2.8%)	25.6%	3.7%	10.8%
PAT	5.3%	26.8%	4.1%	11.9%
<u>Profitability (%)</u>				
EBITDA Margin	26.6%	31.2%	30.7%	31.5%
PAT Margin	18.0%	21.4%	21.1%	21.9%
ROCE	66.1%	116.4%	81.6%	86.0%
ROE	51.2%	88.8%	62.2%	65.6%
<u>Per Share Data</u>				
EPS	30.0	38.1	39.7	44.4
BVPS	58.6	42.9	63.8	67.7
Sales per share	166.4	178.0	187.5	202.5
<u>Gearing Ratio</u>				
Debt/Equity	-	-	-	-
<u>Valuations (x)</u>				
P/E	51.3	40.4	38.8	34.7
P/BV	26.3	35.9	24.1	22.7
P/Sales	9.3	8.6	8.2	7.6
EV / EBITDA	34.5	27.2	26.2	23.6
<u>Other Ratios (x)</u>				
Current Ratio	1.2	0.8	1.4	1.6
Quick Ratio	0.8	0.6	1.0	1.2
<u>Turnover Days</u>				
Debtors Days	10.7	8.8	16.1	17.0
Inventory Days	24.3	27.5	29.2	30.0
Creditors Days	50.1	62.2	63.1	60.0

Source: Company, Sushil Finance Research

Cash Flow Statement
(Rs. Cr)

Particulars	FY20	FY21	FY22	FY23E
Profit before Tax	1,043.4	1,350.2	1,409.0	1,577.9
Depreciation & Amortization	197.9	182.5	177.3	166.9
Finance Cost	9.6	7.3	5.9	5.1
Taxes Paid	(226.9)	(314.8)	(330.7)	(370.8)
Change in Trade Receivables	77.2	15.5	(107.6)	(12.8)
Change in Inventory	(48.3)	(38.9)	(21.4)	(62.0)
Change in Other Current Assets	(8.8)	109.2	(94.2)	(1.5)
Change in Trade Payables	(0.7)	147.9	10.9	66.9
Change in Other Current Liab.	(180.1)	599.7	(546.4)	(30.2)
Other Adjustments	66.3	(1,274.8)	1,122.9	-
I) Cash Flow from Operating Activities	929.6	783.9	1,625.7	1,339.5
(Capex)/Sales of PP&E incl. CWIP	(121.3)	(79.2)	(52.5)	(55.1)
Change in Other Non Current Assets	102.6	150.5	(55.1)	(0.8)
II) Cash Flow from Investing Activities	(18.7)	71.4	(107.6)	(55.8)
Change in Borrowings	(77.7)	-	-	-
Finance Cost Paid	(9.6)	(7.3)	(5.9)	(5.1)
Dividend paid (incl. DDT)	(921.1)	(843.3)	(1,057.2)	(1,101.3)
Change in Other Non Current Liabilities	117.3	(105.9)	(27.5)	15.0
III) Cash Flow from Investing Activities	(891.1)	(956.5)	(1,090.6)	(1,091.4)
Changes in Cash Balances (I + II+ III)	19.8	(101.2)	427.5	192.3
Opening Cash Balance	378.0	397.8	296.6	724.1
Closing Cash Balance	397.8	296.6	724.1	916.4
Bank Balance	23.5	571.1	30.7	30.7
Cash & Cash Equivalents	421.3	867.6	754.7	947.0

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
12-Jan-22	Re-Instating Coverage	Buy	1,448	1,793
30-May-22	Q4FY22 Update	Hold	1,615	1,793

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 12%	HOLD : -12% to 12%	SELL : Below -12%
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Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No