

Colgate-Palmolive India

Performance Update

(` cr)	4QFY20	4QFY19	% yoy	3QFY20	% qoq
Revenue	1,071	1,154	(7.1)	1,147	(6.6)
EBITDA	263	307	(14.3)	316	(16.8)
OPM (%)	24.5	26.6	(206bp)	27.6	(301bp)
Reported PAT	204	200	2.0	199	2.5

Source: Company, Angel Research

For 4QFY20, Colgate Palmolive India Ltd (CPIL) posted results that were below our expectations on both top-line and bottom-line fronts. Revenue de-grew by ~7% yoy; reported operating margins contracted by 206bps yoy. On the bottom-line front, CPIL reported adj. PAT growth of ~2% yoy to `204cr due to lower taxes.

Lockdown impacted revenue growth negatively: CPIL's top-line de-grew by ~7% yoy to `1,071cr (volume declined by ~8%). Top-line was negatively impacted mainly due COVID-19 lockdown. The company is currently operating at 75-80% capacity with focus on availability of fast-moving SKUs. In Q4, it launched hand sanitizer and new variant in toothbrush segment i.e. bamboo toothbrush and natural's variant in Colgate Zig Zag toothbrush. Further, Colgate launched new sub segment with Colgate kids' toothpaste with no artificial colors, preservatives, flavors and sweeteners in urban India and modern trade. For 2019, CPIL had stable market share however, in 2020 YTD, Colgate gained market share. In March 2020, Colgate brand's market share increased by 80bps. The company continued with its ad-spends even during the current crisis

PAT growth remains flat: On the operating front, the company reported margin contraction, down 206bps yoy on the back of higher employee and selling & administration cost. On the bottom-line front, CPIL reported adj. PAT growth of ~2% yoy to `204cr on the back of lower taxes.

Outlook and Valuation: We believe that the CPIL will ultimately be able to see sharper market share gains in toothpastes segment on the back of higher ad-spends, new product launches, strong brand and wide distribution network. **Thus, we maintain BUY on the stock with Target Price of `1,588.**

Key Financials

Y/E March (` cr)	FY2019	FY2020	FY2021E	FY2022E
Net sales	4,462	4,525	4,566	4,931
% chg	6.6	1.4	0.9	8.0
Adj. Net profit	755	816	786	900
% chg	10.8	8.1	(3.8)	14.5
EBITDA margin (%)	27.7	26.6	26.6	27.9
EPS (`)	27.8	30.0	28.9	33.1
P/E (x)	47.3	43.8	45.5	39.7
P/BV (x)	24.7	20.1	17.1	14.6
RoE (%)	52.2	46.0	37.6	36.8
RoCE (%)	70.4	54.1	46.5	45.9
EV/Sales (x)	7.9	7.8	7.7	7.1
EV/EBITDA (x)	28.6	29.4	29.1	25.6

Source: Company, Angel Research

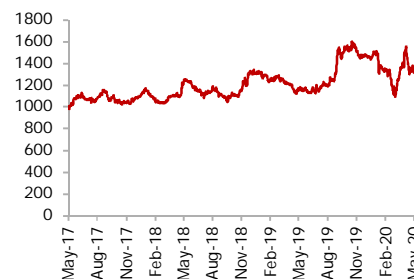
BUY

CMP	`1,314
Target Price	`1,588
Investment Period	12 months

Stock Info	
Sector	FMCG
Market Cap (` cr)	35,726
Net Debt (` cr)	(338)
Beta	0.4
52 Week High / Low	1,641/1,065
Avg. Daily Volume	29,265
Face Value (`)	1
BSE Sensex	30,673
Nifty	9,039
Reuters Code	COLG.BO
Bloomberg Code	CLGT.IN

Shareholding Pattern (%)			
Promoters	51.0		
MF / Banks / Indian	10.0		
FII / NRIs / OCBs	16.8		
Indian Public/Others	22.2		
Abs.(%)			
	3m	1yr	3yr
Sensex	(24.0)	(21.6)	0.3
CPIL	(2.3)	14.0	30.7

Historical share price chart



Source: Company, Angel Research

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4QFY20 Performance

Y/E March (₹ cr)	4QFY20	4QFY19	% yoy	3QFY20	% qoq	FY2020	FY2019	% chg
Net Sales	1071	1154	(7.1)	1,147	(6.6)	4525	4462	1.4
Consumption of RM	379	409	(7.4)	393	(3.7)	1,573	1,559	0.9
(% of Sales)	35.3	35.4		34.3		34.8	34.9	
Staff Costs	90	73	22.3	77	16.7	332	296	12.3
(% of Sales)	8.4	6.4		6.7		7.3	6.6	
Selling & Adm Expenses	156	156	(0.5)	143	8.4	626	565	10.9
(% of Sales)	14.5	13.5		12.5		13.8	12.7	
Other Expenses	184	208	(11.5)	218	(15.3)	792	807	(1.9)
(% of Sales)	17.2	18.1		19.0		17.5	18.1	
Total Expenditure	808	847	(4.5)	831	(2.7)	3,323	3,226	3.0
Operating Profit	263	307	(14.3)	316	(16.8)	1,202	1,236	(2.8)
OPM	24.5	26.6		27.6		26.6	27.7	
Interest	2	3	(20.8)	3	(32.2)	10	3	284.8
Depreciation	46	39	17.3	52	(10.3)	198	159	24.4
Other Income	20	12	64.4	6	238.6	49	68	(27.8)
PBT (excl. Ext Items)	234	277	(15.4)	267	(12.4)	1,043	1,143	(8.7)
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	234	277	(15.4)	267	(12.4)	1,043	1,143	(8.7)
(% of Sales)	21.9	24.0		23.3		23.1	25.6	
Provision for Taxation	30	79	(61.9)	68	(55.8)	227	367	(38.2)
(% of PBT)	12.9	28.6		25.6		21.7	32.1	
Reported PAT	204	198	3.3	199	2.5	816	776	5.3
PATM	19.1	17.1		17.4		18.0	17.4	
Extra-ordinary Items		(3)					21	
Adj PAT	204	200	2.0	199	2.5	816	755	8.1

Source: Company, Angel Research

Outlook and Valuation

We believe that the CPIL will ultimately be able to see sharper market share gains in toothpastes segment on the back of higher ad-spends, new product launches, strong brand and wide distribution network. **Thus, we maintain BUY on the stock with Target Price of ₹ 1,588.**

Downside risks to our estimates

Competition: Market share loss due to stiff competition could impact the company's profitability.

Company Background

Colgate Palmolive India Limited (CPIL) is India's leading provider of scientifically proven oral care products. The range includes toothpastes, toothpowder, toothbrushes and mouthwashes under the 'Colgate' brand, as well as a specialized range of dental therapies under the banner of Colgate Oral Pharmaceuticals. The company also provides a range of personal care products under the 'Palmolive' brand name. Colgate Palmolive Company, U.S.A. is the company's ultimate holding company.

Y/E March (₹ cr)	FY2018	FY2019	FY2020	FY2021E	FY2022E
Net Sales	4,188	4,462	4,525	4,566	4,931
% chg	5.2	6.6	1.4	0.9	8.0
Total Expenditure	3,086	3,226	3,323	3,351	3,555
Raw Material	1,489	1,559	1,573	1,598	1,726
Personnel	306	296	332	306	330
Others Expenses	1,291	1,372	1,418	1,447	1,499
EBITDA	1,102	1,236	1,202	1,214	1,376
% chg	16.8	12.2	(2.8)	1.1	13.3
(% of Net Sales)	26.3	27.7	26.6	26.6	27.9
Depreciation & Amortisation	157	159	198	205	214
EBIT	946	1,077	1,004	1,010	1,162
% chg	16.7	13.9	(6.8)	0.6	15.1
(% of Net Sales)	22.6	24.1	22.2	22.1	23.6
Interest & other Charges	-	3	10	10	10
Other Income	37	68	49	50	50
(% of PBT)	3.8	6.0	4.7	4.8	4.2
Recurring PBT	983	1,143	1,043	1,050	1,203
% chg	15.5	16.2	(8.7)	0.6	14.5
Tax	310	367	227	264	303
(% of PBT)	31.5	32.1	21.7	25.2	25.2
PAT (reported)	673	776	816	786	900
Extraordinary Items	(8)	21	-	-	-
ADJ. PAT	681	755	816	786	900
% chg	18.0	10.8	8.1	(3.8)	14.5
(% of Net Sales)	16.3	16.9	18.0	17.2	18.2
Basic EPS (₹)	25.0	27.8	30.0	28.9	33.1
Fully Diluted EPS (₹)	25.0	27.8	30.0	28.9	33.1
% chg	18.0	10.8	8.1	(3.8)	14.5

Balance Sheet

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
SOURCES OF FUNDS					
Equity Share Capital	27	27	27	27	27
Reserves & Surplus	1,497	1,420	1,746	2,060	2,420
Shareholders Funds	1,525	1,447	1,773	2,088	2,448
Total Loans	-	83	83	83	83
Deferred Tax Liability	36	31	31	31	31
Total Liabilities	1,560	1,561	1,887	2,202	2,562
APPLICATION OF FUNDS					
Gross Block	1,546	1,748	1,948	2,148	2,348
Less: Acc. Depreciation	400	557	755	959	1,173
Net Block	1,146	1,191	1,193	1,188	1,175
Capital Work-in-Progress	159	199	199	199	199
Investments	31	31	31	31	31
Current Assets	1,228	1,206	1,464	1,773	2,153
Inventories	227	249	310	338	405
Sundry Debtors	201	210	236	263	324
Cash	456	399	421	487	536
Loans & Advances	177	152	226	365	493
Other Assets	167	196	272	320	394
Current liabilities	1,004	1,066	999	989	996
Net Current Assets	224	140	465	784	1,157
Deferred Tax Asset	-	-	-	-	-
Mis. Exp. not written off	-	-	-	-	-
Total Assets	1,560	1,561	1,887	2,202	2,562

Cash flow Statement

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Profit before tax	995	1112	1043	1050	1203
Depreciation	157	159	198	205	214
Change in Working Capital	(89)	149	(303)	(253)	(325)
Interest / Dividend (Net)	(29)	(32)	(10)	(10)	(10)
Direct taxes paid	(347)	(414)	(227)	(264)	(303)
Others	8	8	0	0	0
Cash Flow from Operations	694	983	702	728	779
(Inc.)/ Dec. in Fixed Assets	(209)	(104)	(200)	(200)	(200)
(Inc.)/ Dec. in Investments	1	9	0	0	0
Cash Flow from Investing	(207)	(96)	(200)	(200)	(200)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	0	0	0	0	0
Dividend Paid (Incl. Tax)	(299)	(646)	(490)	(471)	(540)
Interest / Dividend (Net)	(81)	(168)	31	10	10
Cash Flow from Financing	(380)	(815)	(459)	(462)	(530)
Inc./(Dec.) in Cash	107	73	43	66	48
Opening Cash balances	199	305	378	421	487
Closing Cash balances	305	378	421	487	536

Key Ratios

Y/E March	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Valuation Ratio (x)					
P/E (on FDEPS)	52.4	47.3	43.8	45.5	39.7
P/CEPS	43.1	38.2	35.2	36.1	32.1
P/BV	23.4	24.7	20.1	17.1	14.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales	8.4	7.9	7.8	7.7	7.1
EV/EBITDA	32.0	28.6	29.4	29.1	25.6
EV / Total Assets	22.6	22.7	18.7	16.0	13.8
Per Share Data (₹)					
EPS (Basic)	25.0	27.8	30.0	28.9	33.1
EPS (fully diluted)	25.0	27.8	30.0	28.9	33.1
Cash EPS	30.5	34.4	37.3	36.4	40.9
DPS	0.0	0.0	0.0	0.0	0.0
Book Value	56.1	53.2	65.2	76.8	90.0
Returns (%)					
ROCE	62.0	70.4	54.1	46.5	45.9
Angel ROIC (Pre-tax)	91.2	98.0	71.5	61.1	59.2
ROE	44.7	52.2	46.0	37.6	36.8
Turnover ratios (x)					
Asset Turnover (Gross Block)	2.7	2.6	2.3	2.1	2.1
Inventory / Sales (days)	20	20	25	27	30
Receivables (days)	18	17	19	21	24
Payables (days)	55	50	47	44	40
Working capital cycle (ex-cash) (days)	(17)	(13)	(3)	4	14

Source: Company, Angel Research

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Disclosure of Interest Statement

Colgate-Palmolive (India)

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Returns):

Buy (> 15%)

Reduce (-5% to -15%)

Accumulate (5% to 15%)

Sell (< -15%)

Neutral (-5 to 5%)