

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CLGT IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	442.3 / 5.4
52-Week Range (INR)	1695 / 1435
1, 6, 12 Rel. Per (%)	2/3/-12
12M Avg Val (INR M)	494

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	52.3	56.3	60.9
Sales Gr. (%)	2.5	7.7	8.3
EBITDA	15.5	17.2	18.9
EBITDA Margin (%)	29.6	30.6	31.0
Adj. PAT	10.6	11.8	13.0
Adj. EPS (INR)	38.9	43.3	47.7
EPS Gr. (%)	1.1	11.3	10.1
BV/Sh.(INR)	63.1	63.1	63.1

Ratios

RoE (%)	61.3	68.6	75.5
RoCE (%)	62.4	70.0	77.0
Payout (%)	100.2	100.0	100.0

Valuation

P/E (x)	41.8	37.6	34.1
P/BV (x)	25.8	25.8	25.8
EV/EBITDA (x)	28.0	25.1	22.8
Div. Yield (%)	2.4	2.7	2.9

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	51.0	51.0	51.0
DII	7.6	7.8	8.4
FII	21.5	21.1	18.6
Others	19.9	20.1	22.0

FII Includes depository receipts

CMP: INR1,626 TP: INR1,575 (-3%) Neutral

Volume trajectory continues to remain subdued

- CLGT's gross margin returned to normative levels in 4QFY23 and EBITDA margin improved ~550bp sequentially (500bp beat).
- Ad spends are expected to remain high in the coming quarters. CLGT has passed on some benefits of lower RM prices to consumers. Growth next year would be led by volume rather than value.
- The company will continue to focus on innovation, productivity and premiumization to revive growth. With a cautious near-term outlook on demand, we reiterate our Neutral rating on the stock.

In-line sales; margin better than expectation

- CLGT reported flat sales YoY at INR13.5b (est. INR13.8b).
- We believe that domestic volume remained flat YoY.
- EBITDA grew 5% YoY to INR4.5b (est. INR3.9b).
- PBT grew 8.9% YoY to INR4.3b (est. INR3.6b).
- Adj. PAT grew 9.1% YoY to INR3.2b (est. INR2.7b).
- Gross margin was flat YoY at 66.9% (est. 66.4%).
- As a percentage of sales, stable staff costs at 6.7% (+10bp YoY), stable other expenses at 16.2% (+20bp YoY) and lower ad-spends at 10.6% (-70bp YoY) led to **EBITDA margin expansion by ~50bp YoY to 33.5%**.
- FY23 sales/EBITDA/Adj. PAT remained flat YoY at INR52.3b/INR15.5b/INR10.6b.

Key highlights from management commentary

- The company has four strategic pillars: 1) lead in the toothpaste category in terms of volume and grow the core, 2) premiumization, 3) lead the toothbrush & devices category, and 4) build personal care.
- Only 20% urban households brush twice a day, having scope for expansion.
- EBITDA margin may be affected in 1QFY24 by higher Ad spends due to new product launches.
- CLGT re-launched Colgate strong teeth in May'23 as it gives both value and volume growth. It is patented with arginine technique and offers the best in cavity protection. The product has 1.2x penetration in rural areas. In addition to cleaning, it nourishes teeth.
- The company has reached 170mn children through 'Bright smiles Bright Future program' and targets to add 10m more by 2030.

Valuation and view

- There are no material changes to our FY24/FY25 EPS estimates.
- The sales/EBITDA/PAT CAGR for the five-year period ending in FY23 stood at 4.5%/6.8%/9.2%. There seems to be no revival in overall growth.
- As we pointed out in our [analyst meet note](#) in Dec'22, with high oral care penetration as well as a loss of market share to herbal players, volume growth has been elusive for CLGT for several years now. Premiumization in general trade, as well as traction in personal care, has been quite slow. While growth initiatives under the new CEO are welcome, we do not see any material change in business prospects over the near to medium term.
- With weak revenue and earnings growth likely to sustain going forward, any re-rating of the stock is unlikely, with a two-year earnings CAGR of ~12% (ending FY25). Our target multiple of 33x FY25E EPS leads to a TP of INR1,575. We reiterate our **Neutral** rating on the stock.

Quarterly Performance

(INR m)

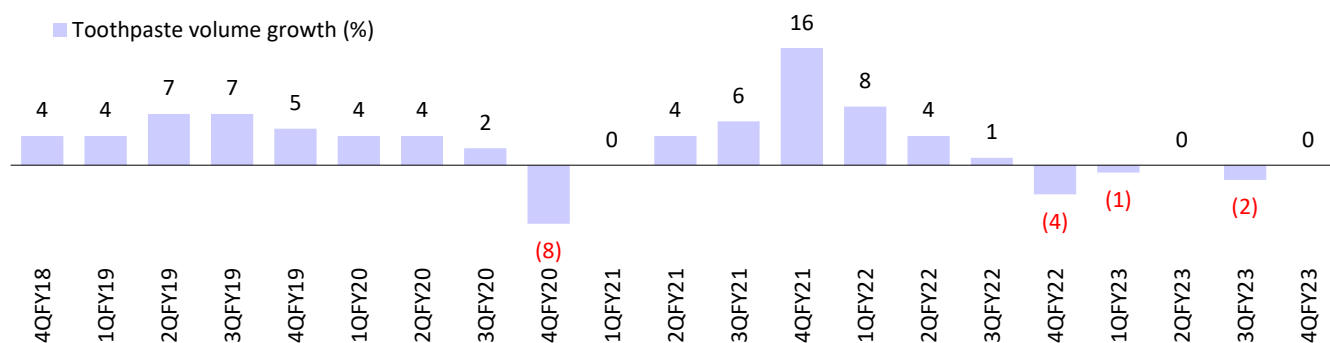
Y/E March	FY22				FY23				FY22		FY23		Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
Toothpaste Volume Gr %	8.0	4.0	1.0	-4.0	-1.0	0.0	-2.0	0.0				3.0	
Net Sales (inclgd. OOI)	11,660	13,524	12,801	13,013	11,968	13,875	12,913	13,506	50,998	52,262	13,808		-2.2
YoY change (%)	12.0	5.2	3.9	1.4	2.6	2.6	0.9	3.8	5.3	2.5	6.1		
Gross Profit	8,062	9,038	8,526	8,696	7,938	8,846	8,506	9,031	34,323	34,320	9,174		-1.6
Gross margin (%)	69.1	66.8	66.6	66.8	66.3	63.8	65.9	66.9	67.3	65.7	66.4		
EBITDA	3,552	4,008	3,806	4,294	3,257	4,080	3,615	4,519	15,660	15,470	3,931		15.0
Margins (%)	30.5	29.6	29.7	33.0	27.2	29.4	28.0	33.5	30.7	29.6	28.5		
YoY growth (%)	15.3	-2.1	2.7	1.8	-8.3	1.8	-5.0	5.2	3.7	-1.2	-8.5		
Depreciation	447	449	439	438	442	439	437	431	1,773	1,748	475		
Interest	15	15	15	14	13	13	13	11	59	49	17		
Financial other Income	52	65	57	89	115	113	104	204	263	536	117		
PBT	3,142	3,609	3,408	3,931	2,918	3,741	3,269	4,281	14,090	14,209	3,556		20.4
Tax	810	917	885	1,015	727	961	837	1,100	3,627	3,724	872		
Rate (%)	25.8	25.4	26.0	25.8	24.9	25.7	25.6	25.7	25.7	26.2	24.5		
Adj PAT	2,332	2,692	2,523	2,916	2,190	2,780	2,432	3,181	10,463	10,583	2,685		18.5
YoY change (%)	17.7	-1.8	1.6	3.0	-6.1	3.3	-3.6	9.1	4.2	1.2	-7.9		

Key Performance Indicators

Y/E March	FY22				FY23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Realization Gr %	4.0	1.2	2.9	5.4	3.6	2.6	2.9	2.8
2Y average growth %								
Volumes	4.0	4.0	3.5	6.0	3.5	2.0	-0.5	-2.0
Sales	4.0	5.2	5.7	10.6	7.3	3.9	2.4	2.6
EBITDA	9.0	12.3	10.0	31.1	3.5	-0.1	-1.2	3.5
PAT	17.4	5.2	13.2	20.8	5.8	0.7	-1.0	6.0
% sales								
COGS	30.9	33.2	33.4	33.2	33.7	36.2	34.1	33.1
Others	38.7	37.2	36.9	33.8	39.1	34.3	37.9	33.4
Depreciation	3.8	3.3	3.4	3.4	3.7	3.2	3.4	3.2
YoY change %								
COGS	2.1	9.5	14.8	4.0	12.0	12.1	3.1	3.7
Other income	-17.0	-14.0	-42.5	33.8	121.5	73.3	83.3	129.7
EBIT	18.2	-2.0	3.6	2.5	-9.3	2.3	-5.6	6.0

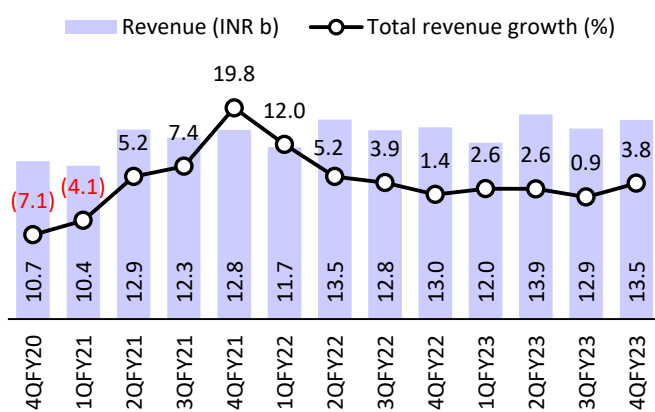
Key exhibits

Exhibit 1: Toothpaste volumes likely to remain flat in 4QFY23



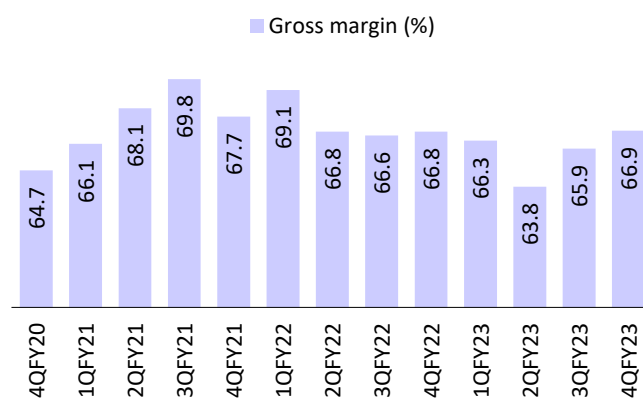
Source: MOFSL

Exhibit 2: Revenue remains flat YoY at INR13.5b in 4QFY23



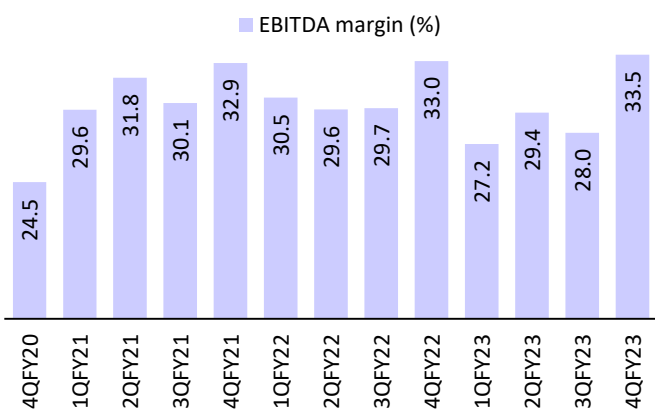
Sources: Company reports, MOFSL

Exhibit 3: Gross margin flat YoY at 66.9% in 4QFY23



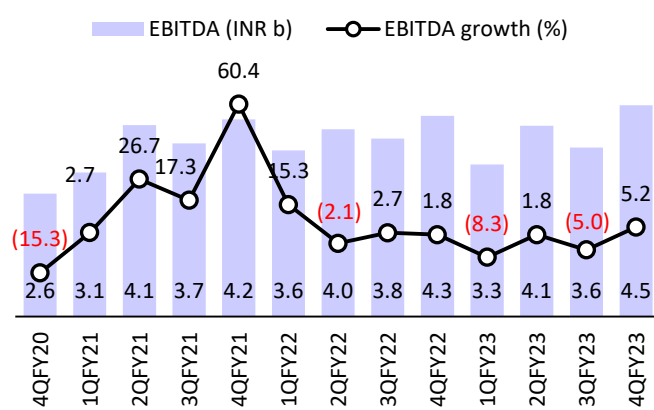
Sources: Company reports, MOFSL

Exhibit 4: EBITDA margin up 50bp YoY to 33.5% in 4QFY23



Sources: Company reports, MOFSL

Exhibit 5: EBITDA increases 5.2% YoY to INR4.5b in 4QFY23



Sources: Company reports, MOFSL

Highlights from the management commentary

Performance and Outlook

- The company has given the strategy of Growth, Strengthen and Simplify for FY24.
- It has four Strategic pillars: 1) lead in the toothpaste category in terms of volume and grow the core, 2) premiumization, 3) lead in the toothbrush & devices category, and 4) build personal care.
- CLGT increased the prices of toothpaste from INR63-69 in the last 7-8 months.
- In rural area, toothpaste of INR20 is doing well. About 55% rural households do not brush daily.
- Only 20% urban Households brush twice a day, having scope of expansion.
- The Toothpaste category continues to face volume pressure, falling to low single digits in FY23. Urban areas showed growth but rural declined by mid-single digits.
- The Toothbrush category also sees volume pressure and has not seen any price benefits.

Cost and Margins

- EBITDA margin may be affected in 1QFY24 by higher Ad spends due to new product launches.
- The management commented that EBITDA will grow on the full year basis.
- CLGT has controlled overhead expenses.

Segmental Data

- In Colgate max fresh, 21mn consumer homes added in FY23, HH penetration increases by 580bp, and it grows 5x faster than the market.
- Naturals were down 30bp from the pre-Covid level.
- Colgate Active salt reach increases by 700bp and it is the first company salt category to have shown growth.
- In Whitening category, Visible White o2 has 30x faster growth than the market.
- Colgate Gentle grew 4x faster than the category and its market share is 1.8x of 2020.
- Non-oral care has a low single-digit share in total sales. Its sales are down in Q4.

New Launches- Re-launches

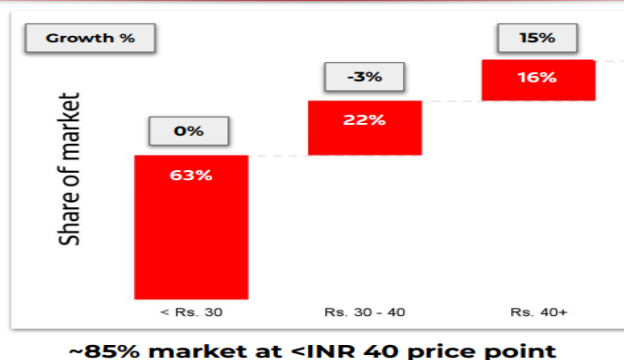
- CLGT has re-launched Colgate strong teeth in May'23 as it gives both value and Volume growth. It is patented with arginine technique and offers the best in cavity protection. The product has 1.2 x penetration in rural areas. In addition to cleaning, it nourishes teeth.

Others

- New Commerce saw an 18% CAGR in FY18-22. It allows more premiumization as it has 460bp more premium contribution than Non-new commerce.
- The company has reached 1through70m children by 'Bright smiles Bright Future program' and targets to add 10m more by 2030.
- Total distribution points increased by 30% YoY.
- Toothbrush market is shifting toward softer and premium products.

Exhibit 6: Toothbrush 85% market at below INR40

DRIVE CATEGORY PREMIUMIZATION



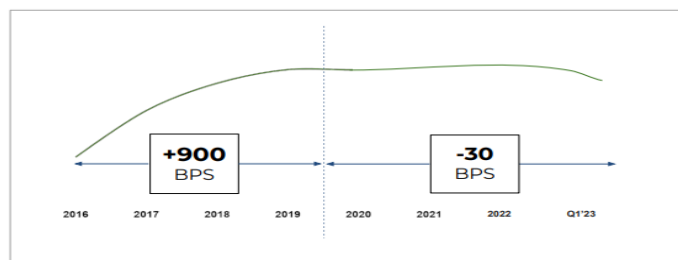
Source: Company

Exhibit 7: Naturals Segment down 30bp

ACCELERATE THE CORE - NATURALS

After a steep rise, segment flattens

Share of Market - Naturals Segment



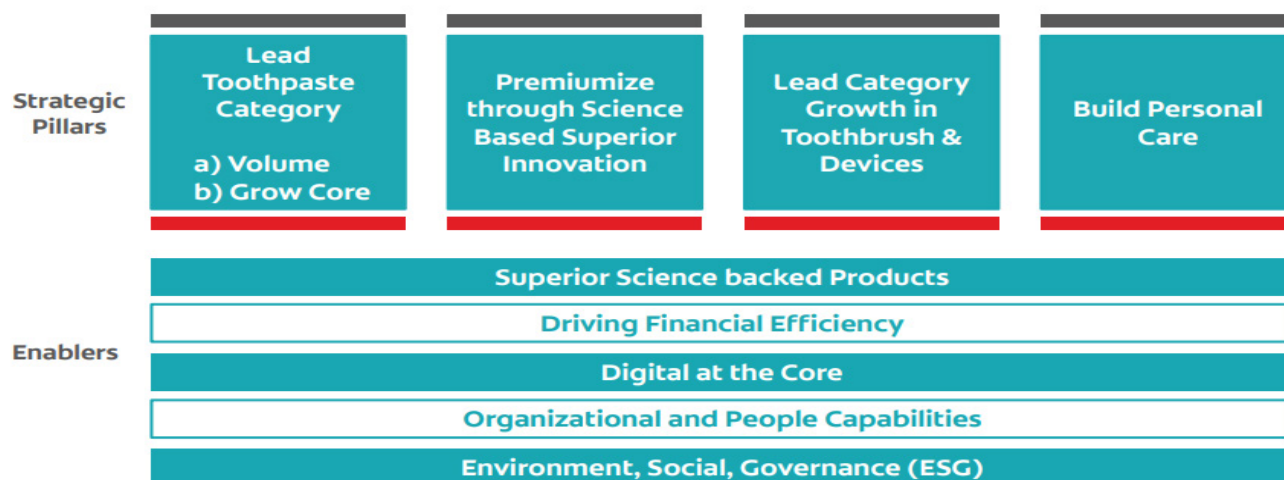
Source: Company

Exhibit 8: Company ESG efforts

Waste Management	Reusable, recyclable or compostable plastic packaging	Water Usage	Sustainable Sourcing
Maintain TRUE® Zero Waste certification for owned plants	100% by 2025 (Usage, Collection)	Net Zero water at India level by 2025	Allocate 80% of Material Spends inline with responsible sourcing guidelines by 2025
Certification maintained for all CP plants	80% recyclable packaging by FY 2022-2023 120% collection of post consumer plastic in FY 2022-2023	50% of our factories are water positive (Goa & SriCity)	65% spends allocated by FY 2022-2023

Source: Company

Exhibit 9: CLGT FY24 Growth Pillars



Source: Company

Valuation and view

What happened in the past decade?

- A sharp decline in the market share in the recent years, coupled with increased penetration in the same category, has resulted in single-digit revenue growth over the last 10 years. In recent years, premiumization has declined, adversely affecting realization growth.
- For a company with a modest base of INR27.1b in sales in FY12, a sales/EBITDA/PAT CAGR of 6-10% over the last 10 years is indicative of its weak performance.
- Due to a market share decline in the recent years, the sales CAGR has dropped to ~5% over the last five years.

Reiterate Neutral with TP of INR1,575

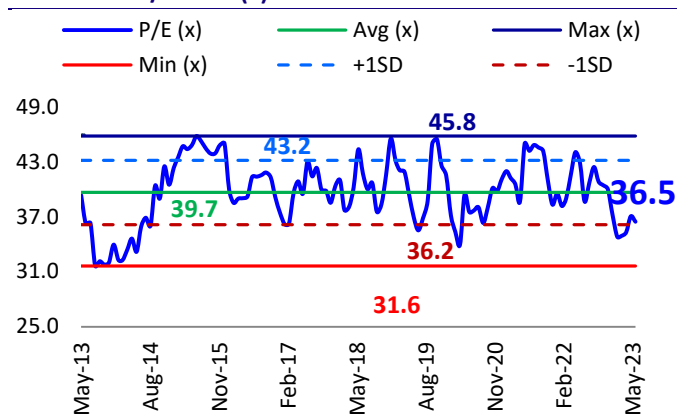
- There are no material changes to our FY24/FY25 EPS estimates.
- The sales/EBITDA/PAT CAGR for the five-year period ended in FY23 stood at 4.5%/6.8%/9.2%. There seems to be no revival in overall growth.
- As we pointed out in our [analyst meet note](#) in Dec'22, with high oral care penetration, as well as a loss of market share to herbal players, volume growth has been elusive for CLGT for several years now. Premiumization in general trade, as well as traction in personal care, has been quite slow. While growth initiatives under the new CEO are welcome, we do not see any material change in business prospects over the near to medium term.
- With weak revenue and earnings growth likely to sustain going forward, any re-rating of the stock is unlikely, with a two-year earnings CAGR of ~12% (ending FY25). Our target multiple of 33x FY25EPS leads to a TP of INR1,575. We reiterate our **Neutral** rating on the stock.

Exhibit 10: No material changes to our model

	Old		New		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	55,957	60,143	56,284	60,940	0.6	1.3
EBITDA	16,964	18,549	17,220	18,893	1.5	1.9
PAT	11,610	12,760	11,776	12,963	1.4	1.6

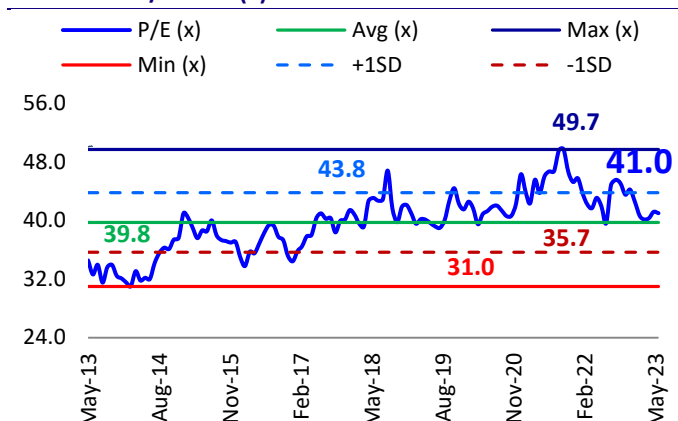
Source: MOFSL

Exhibit 11: P/E ratio (x) for CLGT



Sources: Company reports, MOFSL

Exhibit 12: P/E ratio (x) for the Consumer sector



Sources: Company reports, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Net Sales	41,880	44,624	45,251	48,412	50,998	52,262	56,284	60,940
Change (%)	5.2	6.6	1.4	7.0	5.3	2.5	7.7	8.3
COGS	14,887	15,586	15,729	15,494	16,675	17,942	18,812	20,123
Gross Profit	26,992	29,039	29,522	32,918	34,323	34,320	37,472	40,817
Gross Margin (%)	64.5	65.1	65.2	68.0	67.3	65.7	66.6	67.0
Operating expenses	15,855	16,678	17,505	17,822	18,663	18,850	20,252	21,924
EBITDA	11,137	12,361	12,017	15,096	15,659	15,470	17,220	18,893
Change (%)	18.0	11.0	-2.8	25.6	3.7	-1.2	11.3	9.7
Margin (%)	26.6	27.7	26.6	31.2	30.7	29.6	30.6	31.0
Depreciation	1,565	1,592	1,979	1,825	1,773	1,748	1,913	2,001
Int. and Fin. Charges	0	25	96	73	59	49	49	49
Financial Other Income	375	377	492	304	263	536	552	560
Profit before Taxes	9,947	11,120	10,434	13,502	14,090	14,209	15,809	17,403
Change (%)	16.8	11.8	-6.2	29.4	4.4	0.8	11.3	10.1
Margin (%)	23.8	24.9	23.1	27.9	27.6	27.2	28.1	28.6
Tax	3,022	3,566	2,475	3,572	3,768	3,724	4,033	4,439
Tax Rate (%)	31.1	32.1	21.7	25.6	25.7	25.5	25.5	25.5
Adjusted PAT	6,850	7,555	8,165	10,039	10,463	10,583	11,776	12,963
Change (%)	18.6	10.3	8.1	23.0	4.2	1.1	11.3	10.1
Margin (%)	16.4	16.9	18.0	20.7	20.5	20.3	20.9	21.3
Non-rec. (Exp)/Income	-117	201	0	315	320	-112	0	0
Reported PAT	6,734	7,756	8,165	10,354	10,783	10,471	11,776	12,963

Balance Sheet							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Share Capital	272	272	272	272	272	272	272	272
Reserves	14,974	14,196	15,670	11,387	17,075	16,892	16,892	16,892
Net Worth	15,246	14,468	15,942	11,659	17,347	17,164	17,164	17,164
Loans	0	777	0	0	0	0	0	0
Deferred Liability	355	309	50	-48	-173	-288	-288	-288
Capital Employed	15,601	15,553	15,992	11,611	17,174	16,876	16,876	16,876
Gross Block	19,077	21,077	22,182	19,831	20,504	21,240	22,240	23,240
Less: Accum. Depn.	-7,617	-9,169	-10,953	-9,184	-10,874	-12,622	-14,535	-16,536
Net Fixed Assets	11,459	11,909	11,229	10,647	9,630	8,618	7,705	6,704
Capital WIP	1,586	1,987	1,900	1,448	1,218	1,141	1,141	1,141
Investments	312	312	186	186	0	0	0	0
Curr. Assets, L&A	12,282	12,058	12,725	16,611	17,997	18,783	20,710	21,917
Inventory	2,267	2,486	2,969	3,358	3,572	3,355	3,656	3,210
Account Receivables	2,010	2,098	1,326	1,171	2,247	1,574	2,449	2,651
Cash & Bank	4,562	3,994	4,213	8,676	7,547	9,230	9,946	11,357
Others	3,443	3,481	4,217	3,405	4,631	4,625	4,660	4,698
Curr. Liab. and Prov.	10,037	10,712	10,048	17,282	11,672	11,666	12,680	12,886
Account Payables	6,203	6,132	6,125	7,604	7,714	7,611	8,261	8,276
Other Liabilities	3,040	3,757	2,830	8,555	2,978	2,914	3,221	3,352
Provisions	794	823	1,093	1,122	980	1,141	1,198	1,258
Net Current Assets	2,245	1,346	2,677	-671	6,326	7,117	8,030	9,031
Application of Funds	15,601	15,553	15,992	11,611	17,174	16,876	16,876	16,876

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Basic (INR)								
EPS	25.2	27.8	30.0	36.9	38.5	38.9	43.3	47.7
Cash EPS	30.9	33.6	37.3	43.6	45.0	45.3	50.3	55.0
BV/Share	56.1	53.2	58.6	42.9	63.8	63.1	63.1	63.1
DPS	24.0	23.0	28.0	38.0	40.0	39.0	43.3	47.7
Payout %	95.3	82.8	93.3	103.0	104.0	100.2	100.0	100.0
Valuation (x)								
P/E	64.6	58.6	54.2	44.1	42.3	41.8	37.6	34.1
Cash P/E	52.6	48.4	43.6	37.3	36.2	35.9	32.3	29.6
EV/Sales	10.4	9.8	9.7	9.0	8.5	8.3	7.7	7.1
EV/EBITDA	39.3	35.5	36.4	28.7	27.8	28.0	25.1	22.8
P/BV	29.0	30.6	27.7	37.9	25.5	25.8	25.8	25.8
Dividend Yield (%)	1.5	1.4	1.7	2.3	2.5	2.4	2.7	2.9
Return Ratios (%)								
RoE	49.0	50.9	53.7	72.7	72.1	61.3	68.6	75.5
RoCE	47.9	48.6	52.2	73.1	73.0	62.4	70.0	77.0
Working Capital Ratios								
Debtor (Days)	17	17	11	9	16	11	16	16
Asset Turnover (x)	3.1	3.4	3.3	4.9	3.2	3.3	3.6	3.9
Leverage Ratio								
Debt/Equity (x)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR m)

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
OP/(loss) before Tax	9,947	11,121	10,434	13,502	14,090	14,209	15,809	17,403
Depreciation	1,565	1,592	1,979	1,825	1,773	1,748	1,913	2,001
Int./Div. Received	81	85	-95	58	150	103	-552	-560
Interest Paid	-290	-317	-171	-137	-208	-399	49	49
Direct Taxes Paid	-3,474	-4,144	-3,213	-3,584	-3,699	-3,809	-4,034	-4,440
(Incr)/Decr in WC	-889	1,494	-35	-3,826	4,151	-89	-197	411
CF from Operations	6,940	9,830	8,899	7,839	16,257	11,762	12,989	14,864
(Incr)/Decr in FA	-2,087	-1,042	-604	-573	-493	-695	-1,000	-1,000
Free Cash Flow	4,853	8,788	8,295	7,265	15,765	11,067	11,989	13,864
(Pur)/Sale of Investments	0	0	133	1,060	-1,003	221	0	0
Others	564	-1,209	305	5,703	-4,985	1,262	552	560
CF from Invest.	-1,523	-2,251	-166	6,190	-6,481	788	-448	-440
Change in Equity	0	0	0	0	0	0	0	0
(Incr)/Decr in Debt	0	-121	0	0	0	0	0	0
Dividend Paid	-2,986	-6,462	-7,315	-9,211	-10,572	-10,575	-11,776	-12,963
Others	-812	-1,564	-1,199	-353	-334	-293	-49	-49
CF from Fin. Activity	-3,798	-8,147	-8,514	-9,565	-10,906	-10,867	-11,825	-13,012
Incr/Decr of Cash	1,619	-568	219	4,464	-1,129	1,683	716	1,412
Add: Opening Balance	2,943	4,562	3,994	4,213	8,676	7,547	9,230	9,946
Closing Balance	4,562	3,994	4,213	8,676	7,547	9,230	9,946	11,357

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

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