INVasset Corporate Insights

COLGATE-PALMOLIVE

15th October, 2024

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India's Best Performing and Most Customer Centric PMS

Colgate-Palmolive India Ltd is a prominent player in the Indian oral and personal care market, primarily engaged in the manufacturing and trading of a wide range of products. Known for its high-quality and trusted offerings, the company has become a household name, catering to millions of Indian consumers daily. Colgate-Palmolive's product portfolio includes toothpaste, tooth powder, toothbrushes, mouthwash, and a variety of personal care products. These products are marketed under its flagship brands, Colgate and Palmolive, which enjoy widespread recognition and consumer trust.

The Colgate brand, specifically, is synonymous with oral care in India, holding a significant presence in the market. With a penetration of approximately 88% domestically, Colgate has become a preferred choice for families across the country. The brand is known for its diverse range of toothpaste and oral hygiene products, addressing various consumer needs such as cavity protection, whitening, sensitivity relief, and gum care. This commitment to innovation and quality has made Colgate a leader in the oral care segment, ensuring that it remains a vital part of Indian households.

The Palmolive brand, on the other hand, is focused on personal care products, offering a range of items designed to enhance daily grooming and skincare routines. From refreshing body washes to invigorating shampoos, Palmolive products aim to provide a luxurious and enjoyable experience for consumers.

With a strong commitment to quality and a legacy of consumer trust, Colgate-Palmolive India Ltd continues to maintain its leadership in the oral and personal care segments. The company's dedication to serving the needs of its consumers, coupled with its iconic brands, has solidified its position as a key player in the Indian market.

Brand Dominance in Oral Care: Colgate has solidified its position as a dominant force in India's oral care sector. With a market penetration rate of around 88%, the brand is recognized and trusted by Indian consumers across various demographics. This extensive reach is largely due to Colgate's consistent delivery of quality products and its innovative approach to meeting consumer needs. From basic cavity protection to specialized treatments like sensitivity relief and teeth whitening, Colgate offers products that cater to a broad range of oral health concerns. The brand's focus on effectiveness and innovation has allowed it to stay ahead in a highly competitive market. Colgate's widespread popularity can also be attributed to its targeted marketing strategies, which resonate with the Indian audience. By emphasizing health, hygiene, and consumer satisfaction, Colgate continues to maintain its position as a household name in oral care.

Palmolive's Contribution to Personal Care: While Colgate leads in oral care, Palmolive plays an integral role in expanding the company's presence in the personal care market. Palmolive's products include body washes, shampoos, and skincare items that appeal to consumers looking for quality and indulgence in their grooming routines. By tapping into the personal care sector, Colgate-Palmolive leverages Palmolive's established brand equity to attract a different segment of consumers. The company's recent campaigns for Palmolive have focused on enhancing consumer experience through improved fragrances and skin-friendly formulations. With a growing portfolio of personal care products, Colgate-Palmolive positions itself as a comprehensive provider of health and beauty solutions. This expansion into personal care not only diversifies the company's offerings but also enables it to capture a larger share of the Indian consumer market.

Stock Data	
CMP (14-10-2024)	3522.45
52 Week High/Low	3890/2005
Face Value (in Rs.)	1
Market Cap (In Crs)	95,805.58
Enterprise Value (In Crs)	95,462.49
NSE	COLPAL
BSE	500830
Bloomberg	CLGT:IN
Sector	Household & Personal Products

Shareholding Pattern (in %)		
	June 24	March 24
Promoter	51.00%	51.00%
FII	24.44%	24.51%
DII	5.72%	5.82%
Government	0.28%	0.28%
Others	18.54%	18.38%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-0.9	11.58	27.22
COLPAL	-2.82	32.33	71.90

Key Ratios	
P/E	68.6
P/S	16.6
P/B	51.1
Debt To Equity	0.04
ROE	74.5%
ROCE	96.8%
Dividend Yield	1.34%

Q1 FY 25 Result Update

Q1 FY25 Result Comparison (In Rs Cr)					
	Q1 FY25	Q4 FY24	Q1 FY24	QOQ	YOY
Sales	1520.11	1512.66	1338.64	0.49%	13.56%
EBITDA	531.74	554.82	413.59	-4.16%	28.57%
EBIT	490.23	512.72	274.75	-4.39%	78.43%
Net Profit	363.98	380.05	273.68	-4.23%	32.99%
EPS	13.38	13.96	10.06	-4.15%	33.00%

Result Highlights

Colgate-Palmolive India Ltd. reported a robust financial performance for Q1 FY25, showing significant year-over-year (YoY) growth across key financial metrics, though there was a slight decline on a quarter-over-quarter (QoQ) basis. The company achieved sales revenue of ₹1,520.11 crore, which marks a modest 0.49% increase from the ₹1,512.66 crore reported in Q4 FY24. However, on a YoY basis, sales rose by an impressive 13.56% from ₹1,338.64 crore in Q1 FY24. This YoY growth indicates strong consumer demand and highlights the company's ability to leverage its well-established brand presence in India. Despite the moderate QoQ growth, which may suggest some challenges in accelerating sales, the overall sales trajectory remains positive.

The company's EBITDA for Q1 FY25 was ₹531.74 crore, representing a decline of 4.16% from the previous quarter's ₹554.82 crore. Nevertheless, on a YoY basis, EBITDA showed a significant increase of 28.57%, rising from ₹413.59 crore. This substantial growth reflects Colgate-Palmolive's effective cost management and operational efficiencies over the past year. The QoQ decrease could be attributed to higher operational costs or strategic reinvestments aimed at sustaining long-term growth. Even with the slight dip, the impressive YoY growth in EBITDA underscores the company's ability to maintain profitability and improve its cost structures.

The EBIT for Q1 FY25 came in at ₹490.23 crore, down 4.39% from Q4 FY24, where EBIT was ₹512.72 crore. However, this figure represents a remarkable 78.43% increase compared to the ₹274.75 crore reported in Q1 FY24. The YoY growth suggests that Colgate-Palmolive India Ltd. has been successful in optimizing its operations and enhancing profitability. The QoQ decline may signal temporary cost pressures or lower operational efficiencies compared to the previous quarter, but the overall trend remains strongly positive.

Net profit for Q1 FY25 stood at ₹363.98 crore, reflecting a 4.23% decrease from ₹380.05 crore in the preceding quarter. Despite this QoQ reduction, net profit exhibited a notable 32.99% increase compared to the ₹273.68 crore recorded in Q1 FY24. This YoY rise in net profit highlights the company's ability to generate increased profitability through strategic initiatives and cost-saving measures. The QoQ decline could be linked to increased expenses or investments in growth areas. Nonetheless, the overall increase in net profit year-over-year indicates a positive growth trajectory for Colgate-Palmolive India Ltd.

The company's Earnings Per Share (EPS) for Q1 FY25 was ₹13.38, which represents a 4.15% drop from the previous quarter's EPS of ₹13.96. However, YoY, EPS saw an increase of 33.00%, rising from ₹10.06 in Q1 FY24. This growth in EPS on a YoY basis suggests that Colgate-Palmolive India Ltd. has been successful in enhancing shareholder value through improved operational efficiencies and profitability. The minor decline in EPS on a QoQ basis is in line with the broader trend observed across other financial metrics, indicating possible reinvestment strategies or increased costs during the quarter.

In summary, while Colgate-Palmolive India Ltd. experienced some QoQ declines in EBITDA, EBIT, net profit, and EPS, the company's YoY performance for Q1 FY25 was notably strong. Sales growth remains robust, and the company has demonstrated its ability to optimize operations and drive profitability. Despite the short-term QoQ fluctuations, the overall financial performance showcases Colgate-Palmolive's resilience and strong market position. With its established brand presence and commitment to innovation, Colgate-Palmolive India Ltd. is well-positioned to maintain its leadership in the oral and personal care markets, while navigating any cost pressures and competitive challenges that may arise.

Investment Rationale

Market Reach and Penetration: Colgate-Palmolive's extensive reach and high market penetration make it one of the most recognized brands in India. The company's products are available in urban centers and remote rural areas, ensuring that consumers across the country have access to quality oral and personal care products. This wide availability is facilitated by a robust distribution network that covers even the most remote locations. Colgate-Palmolive's marketing strategies, which include both traditional and digital media, help maintain brand awareness and attract new consumers. The company's focus on affordability and accessibility makes it possible for a diverse demographic to benefit from its products. By adapting its offerings and marketing approaches to suit different regions and consumer preferences, Colgate-Palmolive ensures that its brand resonates with a wide audience. This strategic approach to market penetration reinforces its position as a trusted provider of essential health and hygiene products.

Consumer Loyalty & Trust: Colgate-Palmolive has cultivated a strong foundation of consumer loyalty through years of consistent product quality and reliability. Colgate, in particular, is often synonymous with oral care in India, with many consumers relying on its products as part of their daily hygiene routines. This trust is reinforced by the company's commitment to safety and efficacy, ensuring that each product meets stringent quality standards. Palmolive, although relatively newer in the Indian market, has also earned consumer trust by delivering high-quality personal care products that provide a luxurious and rejuvenating experience. By prioritizing consumer needs and consistently meeting their expectations, Colgate-Palmolive has managed to build a loyal customer base. This loyalty is further strengthened by the company's active engagement in community and sustainability initiatives, which resonate with socially-conscious consumers and enhance the brand's reputation.

Science Led Innovation: Innovation is a core element of Colgate-Palmolive's strategy, as the company consistently invests in research and development to improve its products. This science-led approach enables the company to introduce new formulations and technologies that enhance product performance and consumer satisfaction. For example, Colgate has developed specialized toothpaste for sensitive teeth, whitening, and gum care, catering to the specific needs of different consumer segments. In the personal care segment, Palmolive's products incorporate advanced skin-care ingredients that offer added benefits beyond basic cleansing. Colgate-Palmolive's commitment to innovation not only helps it stay ahead of competitors but also allows it to adapt to changing consumer preferences and market trends. By integrating the latest scientific advancements into its product development process, the company maintains its reputation for quality and efficacy, which are key drivers of consumer trust and brand loyalty.

Expansion in Personal Care: Colgate-Palmolive is actively expanding its presence in the personal care market through Palmolive. By introducing new products and variants, the company aims to capture a larger share of this growing segment. Recent launches have included body washes with improved fragrance and formulations that enhance the user experience. Palmolive's marketing campaigns focus on creating a sensory connection with consumers, promoting themes of relaxation and rejuvenation. This expansion into personal care allows Colgate-Palmolive to diversify its product offerings and reach consumers beyond the oral care category. By positioning Palmolive as a premium brand that delivers a spa-like experience at home, the company taps into the rising demand for self-care and grooming products. This strategy not only drives revenue growth but also strengthens the company's overall market presence by appealing to a broader consumer base.

Commitment to Sustainability: Sustainability is a key focus for Colgate-Palmolive, as the company strives to minimize its environmental impact through responsible business practices. Initiatives such as recyclable packaging and water conservation reflect the company's commitment to eco-friendly operations. Colgate-Palmolive has set ambitious targets, including achieving 100% recyclable packaging by 2025 and becoming net-zero water in its India operations. These sustainability efforts not only benefit the environment but also appeal to consumers who prioritize ethical and responsible brands. By aligning its practices with global sustainability trends, Colgate-Palmolive enhances its brand image and builds trust with environmentally-conscious consumers. The company's commitment to sustainability demonstrates its long-term vision and responsibility as a corporate leader, which adds value to its brand and supports its market growth.

Bright Smiles, Bright Future Program: Colgate-Palmolive's Bright Smiles, Bright Futures initiative is a key component of its corporate social responsibility efforts. This program aims to promote oral health education, particularly among children, by providing free resources and educational materials. Since its inception, the program has reached millions of children, teaching them the importance of good oral hygiene habits. The company collaborates with schools and community organizations to maximize the program's impact, making it accessible to underserved communities. This initiative not only supports public health but also builds brand awareness and trust among consumers. By investing in community well-being, Colgate-Palmolive reinforces its role as a responsible corporate citizen. The Bright Smiles, Bright Futures program exemplifies the company's commitment to making a positive difference in society, which strengthens its reputation and aligns with its mission to improve overall health and hygiene.

Targeted Marketing & Brand Positioning: Colgate-Palmolive uses targeted marketing strategies to maintain its leadership position in the oral care market. The company tailors its campaigns to address specific consumer needs and regional preferences, which enhances its appeal across diverse demographics. For example, Colgate-Palmolive emphasizes its expertise in oral hygiene by positioning Colgate as the "oral care expert" in its advertising. This approach resonates with consumers who seek reliable and scientifically-backed products for their oral health. Palmolive, on the other hand, is marketed as a premium personal care brand that offers a spa-like experience at home. By differentiating the marketing strategies for each brand, Colgate-Palmolive effectively engages with various consumer segments. The company's use of digital marketing and influencer partnerships also helps it stay relevant among younger audiences. This targeted marketing approach strengthens brand positioning, builds consumer loyalty, and ensures that Colgate-Palmolive remains a preferred choice for oral and personal care.

Focus on Health & Well Being: Colgate-Palmolive India Ltd. prioritizes consumer health and well-being in its product development and business practices. The company's offerings are designed to improve daily hygiene routines and promote better health outcomes. In the oral care segment, Colgate products address various dental concerns, including cavities, gum health, and sensitivity, ensuring that consumers have access to comprehensive oral hygiene solutions. For personal care, Palmolive products are formulated with ingredients that cater to skin and hair health, providing a sense of relaxation and rejuvenation. Colgate-Palmolive's commitment to well-being extends beyond its products, as it actively promotes health education through initiatives like Bright Smiles, Bright Futures. This program educates children about the importance of oral hygiene, fostering healthier habits from a young age. By focusing on health and well-being, Colgate-Palmolive reinforces its reputation as a brand that genuinely cares about its consumers, which strengthens customer loyalty and trust.

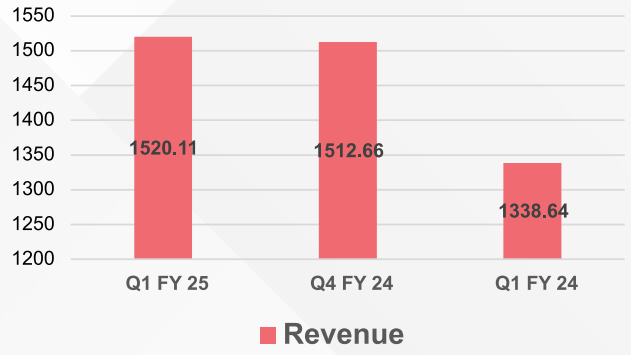
Resilience in the Face of Competition: Despite intense competition in both the oral and personal care markets, Colgate-Palmolive India Ltd. has consistently maintained its leadership position. The company's resilience can be attributed to its ability to innovate and adapt to changing consumer preferences. While competitors may offer similar products, Colgate-Palmolive distinguishes itself through a strong emphasis on quality, effectiveness, and consumer trust. The company regularly updates its product portfolio with new and improved formulations, such as toothpaste with active salt for enhanced cleaning or body washes with enriched fragrances for a more luxurious experience. Colgate-Palmolive's comprehensive marketing strategies and extensive distribution network also contribute to its resilience, ensuring that its products remain top-of-mind and widely accessible. This ability to withstand competitive pressures and continue delivering value to consumers highlights Colgate-Palmolive's strengths as a market leader in India's oral and personal care sectors.

Wide Product Accessibility: One of the key factors behind Colgate-Palmolive India Ltd.'s success is its wide product accessibility. The company's products are available across India, from metropolitan areas to remote rural regions, thanks to its extensive distribution network. Colgate-Palmolive ensures that its products are affordable and accessible, allowing consumers from various socioeconomic backgrounds to benefit from quality oral and personal care solutions. This widespread availability is supported by a strategic supply chain that optimizes product distribution to meet demand in different markets. By maintaining a strong presence in both urban and rural areas, Colgate-Palmolive caters to a diverse consumer base and strengthens its market penetration. The company also tailors its marketing strategies to resonate with local audiences, which enhances brand recognition and trust. This commitment to accessibility not only broadens Colgate-Palmolive's reach but also reinforces its reputation as a reliable and consumer-focused brand.

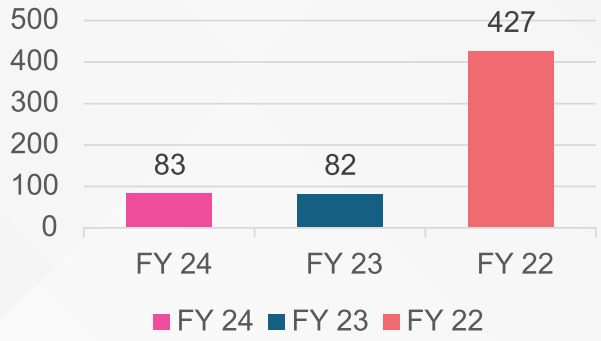
Premiumization of Oral Care Products: In recent years, Colgate-Palmolive has focused on premiumizing its oral care products to cater to consumers seeking advanced and specialized solutions. The company has introduced high-quality products with benefits such as teeth whitening, sensitivity relief, and gum health, which appeal to health-conscious consumers willing to invest in superior oral care. By offering premium products, Colgate-Palmolive not only enhances its value proposition but also differentiates itself from competitors. This focus on premiumization allows the company to capture a segment of the market that prioritizes quality and effectiveness over price. Colgate-Palmolive supports its premium products with targeted marketing campaigns that highlight the unique benefits and innovations, reinforcing the brand's position as a leader in oral care. The success of this strategy reflects the company's ability to adapt to changing consumer expectations and align its offerings with evolving market trends.

Strategic use of Consumer Insights: Colgate-Palmolive leverages consumer insights to inform its business decisions and ensure that its products align with market demands. The company uses advanced analytics to gather data on consumer preferences, purchasing behaviors, and market trends. These insights enable Colgate-Palmolive to tailor its product offerings, marketing strategies, and distribution channels to meet the evolving needs of its customers. For example, consumer insights have helped the company identify a growing demand for specialized oral care products, which has led to the introduction of new variants that address specific concerns like whitening and sensitivity. By staying attuned to consumer preferences, Colgate-Palmolive remains agile and responsive, which helps it maintain its competitive edge and strengthen its brand loyalty. This strategic approach underscores the company's commitment to customer-centricity and continuous improvement.

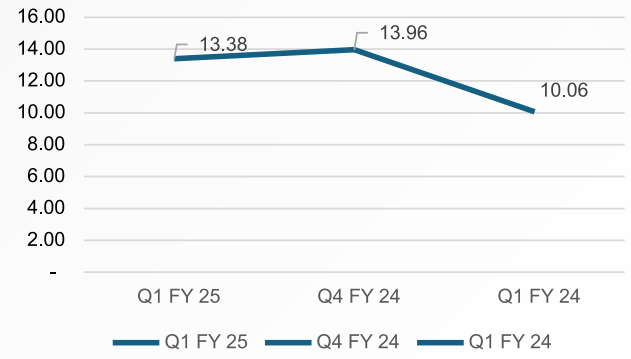
Revenue (In Cr)



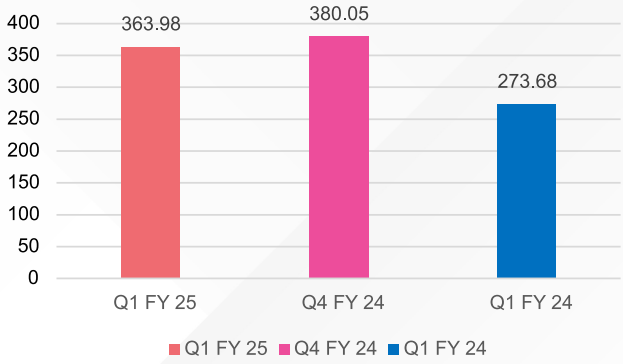
Cashflow (In Cr)



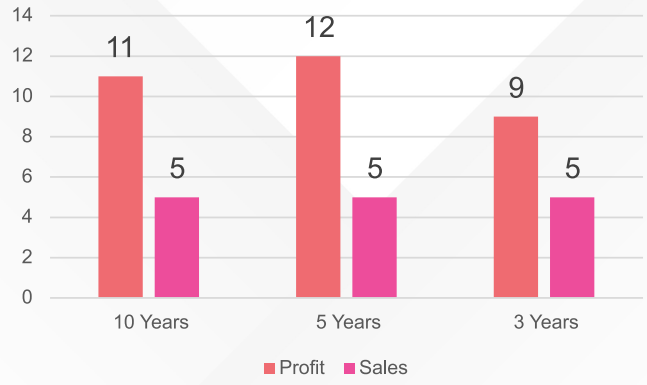
EPS



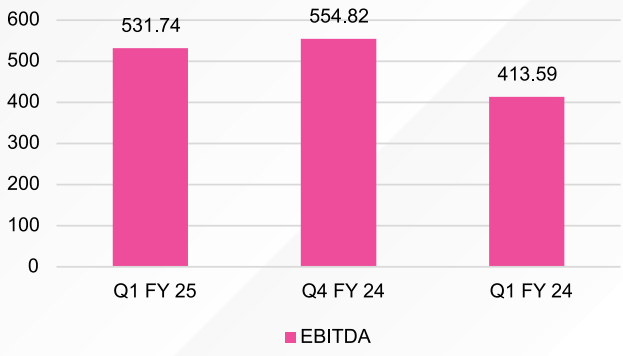
PAT (In Cr)



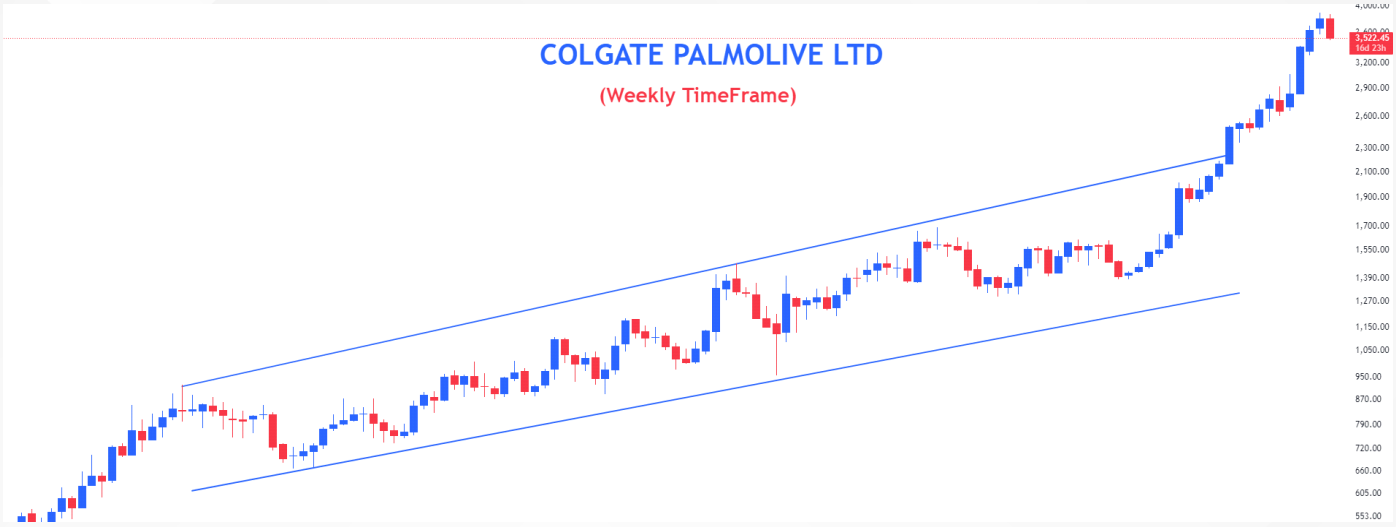
Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The weekly chart for Colgate-Palmolive Ltd. shows a strong uptrend within a well-defined ascending channel. The stock has consistently made higher highs and higher lows, indicating sustained bullish momentum.

It broke above the upper trendline, suggesting a potential breakout and continuation of the upward trend. This movement could indicate increased buying interest and positive sentiment among investors.

The price has reached around ₹3,520, highlighting significant growth. However, a pullback towards the channel's midline or lower trendline could offer support levels. Overall, the stock exhibits a positive outlook.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	3662.04	3640.23
10	3720.82	3677.16
20	3695.99	3679.50
50	3613.00	3563.43
100	3279.34	3340.61
200	2946.96	3006.48

Pivot Levels : FIBONACCI		
R1 3696.22	Pivot 3672.63	S1 3649.04
R2 3710.79		S2 3634.47
R3 3734.38		S3 3610.88

	Daily	Weekly
Relative Strength Index (RSI)	38.25	64.34

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