INVasset Knowledge Bank

COLGATE-PALMOLIVE

10th December, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Colgate Palmolive Ltd. (India) Limited

- From a modest start in 1937, when hand-carts were used to distribute Colgate Dental Cream, Colgate-Palmolive (India), now in its eighth decade, has one of the widest distribution networks in India.

- Today, the company is the market leader in the country in Oral Care that seeks to deliver sustainable, profitable growth, superior shareholder returns, and provide its people with an innovative and inclusive work environment.

- The organization has adopted sustainability, diversity, equity, inclusion and social responsibility strategies that help make people's lives healthier and happier. The company manufactures and markets toothpastes, toothbrushes, toothpowder, oil pulling products and mouthwashes, under the Colgate brand, and a specialized range of personal care products under the Palmolive brand.

- They are proud that the Colgate brand is present in most homes, thus creating a healthier and more sustainable future for all. The company has grown to 4800 crore plus organization with an outstanding record of enhancing value for its strong shareholder base. Colgate is a caring, innovative growth company that's reimagining a healthier future for all people and the planet.

- Their three fundamental values—Caring, Teamwork, and Continuous Improvement are a part of everything we do. As we continue to build a future to smile about, our company values serve as guiding principles for our product development, our business practices, and our relationships among our team members, customers, and people in communities all over the country.

- As the leading oral care brand in India, Colgate has endeavoured to spread awareness and enable easier access to oral care across the country for many years, a commitment encapsulated in its Keep India Smiling Mission. Through continuous innovations and dedication, the brand strongly believes in providing consumers a future they can smile about.

- Their flagship Bright Smiles, Bright Futures™ (BSBF) program, launched in 1976 to spread awareness among children about oral health, has touched the lives of 178 million children across the rural and urban landscape to date. The program focuses on children so that the message of good oral hygiene is carried home to families and the community at large.

- In the financial year 2019-20 alone, over 7 million children benefited from this program. Colgate, along with its NGO partners, has been consistently contributing to the cause of water conservation, women empowerment, skill building, and education for children.

- The Keep India Smiling Foundational Scholarship Program launched in 2019 offers deserving candidates, who lack resources, foundational support through scholarships and mentorship in the fields of sports, academics, and community betterment programs.

- These initiatives have touched the lives of millions of people over time and continue to do so every day. Colgate has been ranked as India's #1 Most Trusted Oral Care Brand for the ninth consecutive year, from 2011 to 2019, by The Economic Times - Brand Equity - Most Trusted Brands Survey, conducted by Nielsen. Colgate has also been ranked as the Most Trusted Oral Hygiene Brand by TRA's Brand Trust India Study Report for the ninth consecutive year, from 2011 to 2019.

Stock Data	
CMP	₹ 2,888
52 Week High/Low	₹ 2892/ ₹ 2853
Face Value	₹ 1
Market Cap (In Crs)	₹ 82,050 Crs
NSE	COLPAL
BSE	500830
Bloomberg	CLGT:IN
Sector	FMCG

Shareholding Pattern (in %)		
Metrics	**Jun 2024**	**Sep 2024**
Promoters	51.00%	51.00%
FIIs	24.51%	24.94%
DIIs	5.82%	5.55%
Government	0.28%	0.28%
Public	18.38%	18.22%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	1.16%	4.34%	17.34%
Colgate Palmolive Ltd	-3.24%	7.47%	26.17%

Key Ratios	
Debtors Turnover	34.76
Inventory Turnover	5.45
Interest Coverage Ratio	346.85
Current Ratio	1.54
Debt Equity Ratio	0.04
Return on Capital Employed	99%
Operating Profit Margin (%)	31%
Net Profit Margin (%) (after tax)	23%

Investment Rationale

1. Market Leadership and Strong Brand Equity

- **Rationale:** Colgate-Palmolive enjoys a dominant position in the oral care market, particularly in India, where it is a household name. This market leadership is backed by strong brand loyalty and consumer trust, making the brand synonymous with toothpaste. This high brand equity provides Colgate with significant pricing power and helps it maintain a steady market share, even in highly competitive conditions.

2. Consistent Financial Performance and High Return on Capital Employed (ROCE)

- **Rationale:** Colgate-Palmolive has demonstrated strong financial performance with high profitability and excellent return on capital employed (ROCE). Its ROCE has consistently been above industry standards, indicating efficient capital utilization and strong returns for investors. Additionally, the company has shown consistent growth in revenue, profitability, and dividends, reflecting its stability and commitment to shareholder returns.

3. Growth Potential in Premium and Health-Oriented Segment

- **Rationale:** With increasing consumer demand for specialized and premium products, Colgate has been expanding its portfolio with premium oral care products, such as Colgate Visible White and Colgate Perio gard. These products cater to the health-conscious and higher-income segments, which are willing to pay a premium for added benefits. This focus on premiumization aligns with rising disposable incomes and a shift in consumer preferences toward health and wellness.

4. Commitment to Sustainability and Corporate Social Responsibility (CSR)

- **Rationale:** Colgate-Palmolive has made substantial progress in adopting sustainable practices, including reducing plastic usage, water conservation, and transitioning to renewable energy. Its initiatives in CSR, such as oral health awareness programs and partnerships for water conservation, enhance its brand image and align it with the growing preference for responsible brands.

Company Overview

Colgate-Palmolive (India) Limited is a caring, innovative growth company that is reimagining a healthier future for all people and the planet.

The Company has steadfastly nurtured the culture of Oral Care in India for decades, which has made it India's most preferred Oral Care brand and India's most penetrated FMCG brand, reaching nine out of ten households.

The product line of the Company comprises an Oral Care range of toothpastes, toothbrushes, mouth washes, and personal care products such as hand washes and shower gels.

The Company's products reach over 1.7 million stores, 89% of which are active every quarter.

With a firm commitment to science-driven innovation across its spectrum, the Company boasts a diverse team of experts encompassing scientists, engineers, innovators, technologists, regulatory specialists, and data scientists.

The Company recognizes India as a key part of its global Research and Development ("R&D") agenda.

With over 86 years of presence in India, the Company has established a state-of-the-art research center in Mumbai, which is one of its largest R&D facilities globally.

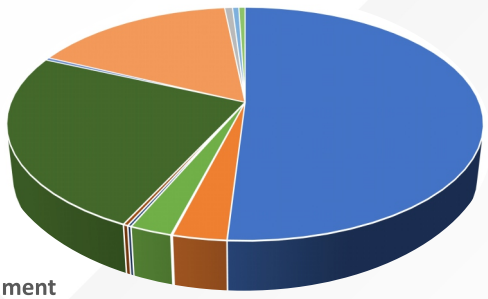
The Company has a rich experience in the Oral Care & Personal Care enabling the Company to develop some of the most effective and innovative products for the Indian market.

Some of the recent product relaunches include, Colgate Strong Teeth toothpaste with Arginine, Colgate Max Fresh toothpaste with Ultra Fresh technology, Colgate Active Salt toothpaste with superior efficacy, Colgate Zig Zag toothbrush with superior aesthetics & packaging, Colgate Super Junior Toothbrush, and Palmolive's 3 new variants (Forever Happy, Sweet Delight, Alluring Love).

Business Verticals

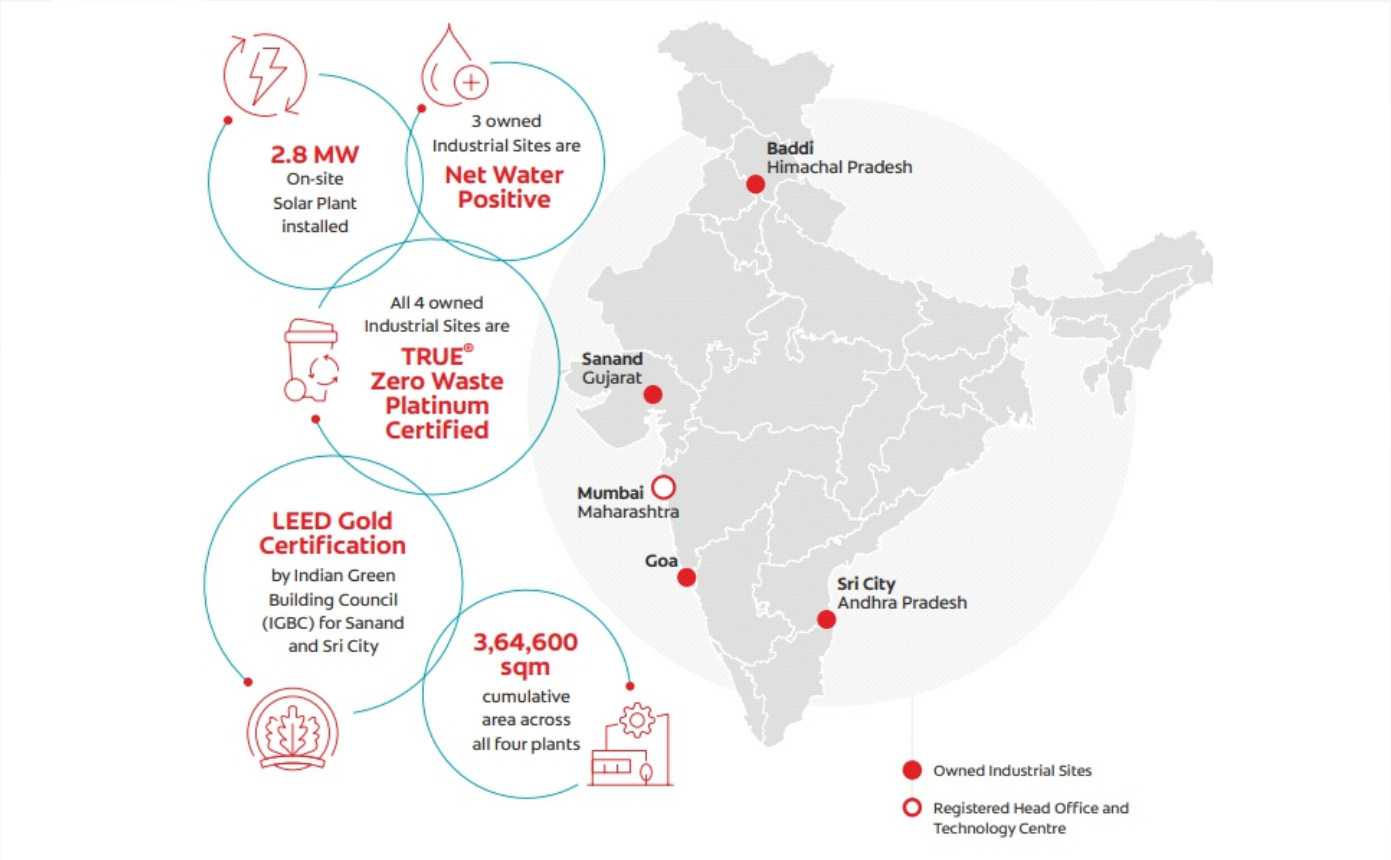
Business Verticals	Category	Product Details
1. Oral Care	Toothpastes	- Colgate Strong Teeth: Enriched with Arginine technology for a calcium boost and twice-stronger teeth.
		- Colgate Active Salt: Uses traditional salt benefits to address cavities, gum problems, and plaque.
		- Colgate Total Sensitive: Comprehensive protection with anti -sensitivity benefits.
		- Colgate Visible White: Whitening range with the Visible White Teeth Whitening Pen - Professional.
	Therapeutic Toothpaste	- Colgate Periogard Regimen: Treats gum disease through a dentist-recommended regimen.
	Toothbrushes	- Colgate Super Junior: Colorful design for children, with relatable characters and packaging.
		- Colgate Zig Zag: Flagship toothbrush focused on deep cleaning with redesigned packaging for market appeal.
2. Personal Care	Palmolive Body Wash	Aroma Range:
		- Forever Happy: Rich, natural ingredients to uplift mood.
		- Sweet Delight: Crafted for an aromatic, sensory experience.
		- Alluring Love: Unique fragrances for a refreshing bath experience.
	Hand Wash and Shower Gels	General lineup supporting daily hygiene with pleasant sensory qualities.
3. Professional and Specialty Products	Dental Professional Products	- Visible White Whitening Pen - Professional: At-home whitening solution, available through dental professionals and Dentist First B2B platform.
		- Periogard: Gum disease treatment distributed through pharmacies and dentist networks.
4. Research and Development Services	Innovation and R&D Support	Provides in-house R&D support for continuous product advancement and innovation in oral and personal care.

Shareholding Pattern



- Promoter and Promoter Group
- Alternate Investment Funds
- Central Government/State Government
- Provident Funds/Pension Funds
- NBFC registered with RBI
- Foreign Institutional Investor
- Investor Education and Protection Fund (IEPF)
- Non-Resident Indians
- Bodies Corporate
- Mutual Funds/UTI
- Banks
- Insurance Companies
- Sovereign Wealth Funds
- Foreign Banks
- Foreign Portfolio Investor
- Individuals
- Foreign Nationals
- Any Other (Trust, HUF, Clearing Member, LLP)

Geographical Presence



- At Colgate-Palmolive (India), Their mission is to produce quality products of the highest caliber that surpass consumer expectations.
- This pursuit of manufacturing excellence entails adept process management, innovative technology utilization, a highly skilled workforce, and an unwavering commitment to continuous improvement.
- The Company has its owned Industrial Sites at Goa, Baddi, Sri City & Sanand apart from third-party manufacturing locations spread across India.
- 2.8 MW on-site Solar Plant installed
- 3 owned Industrial Sites are Net Water Positive
- All 4 owned Industrial Sites are TRUE® Zero Waste Platinum Certified
- LEED Gold Certification by Indian Green Building Council (IGBC) for Sanand and Sri City
- 3,64,600 sqm cumulative area across all four plants

Global Economy

- The global economy showed more resilience than expected in 2023-24 despite the after-effects of the prolonged Russia-Ukraine conflict, though the growth outlook remained weak.

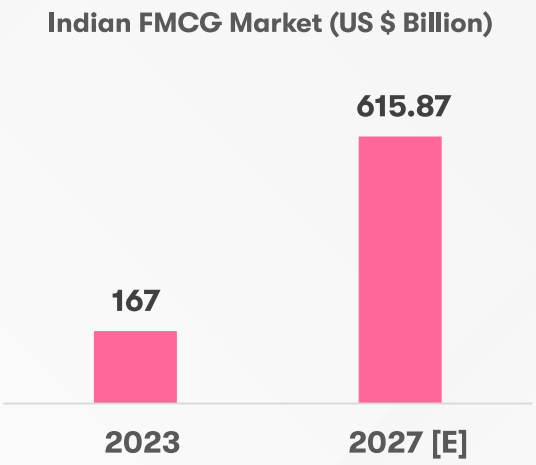
- Despite the cost-of-living crisis in several countries, sharp currency devaluations, and a spike in commodity prices driven largely by attacks on container ships in the Red Sea, the global economy grew by 3.1% in 2023.

- With deflation and steady growth, IMF stated that the likelihood of a hard landing has receded, and risks to global growth are broadly balanced.

- While faster deflation could lead to further easing of financial conditions on the one hand, new commodity price spikes from geopolitical shocks like the Red Sea conflict and resultant supply chain disruptions could prolong tight monetary conditions.

- In its World Economic Outlook released in January 2024, the IMF stated that the world's economy would match 2023's growth of 3.1% in 2024 and rise to 3.2% in 2025.

- Global headline inflation is expected to fall to 5.8% in 2024 and 4.4% in 2025



Indian Economy

- Over the medium term, the fiscal deficit and government debt in India are projected to decline, supported by robust output growth and consolidation efforts by the Central Government.

- The high visibility of structural demand and healthier corporate and bank balance sheets will likely be the galvanizing forces for growth going forward.

- This performance is especially commendable against the backdrop of geopolitical tensions, unsettled financial conditions, and stubborn inflation which is plaguing the major economies*.

- Towards this, it has launched the National Oral Health Programme to address India's varied oral health challenges.

- The program aims to enhance oral health determinants, diminish morbidity rates related to oral diseases, and seamlessly integrate oral health promotion into the existing healthcare framework.

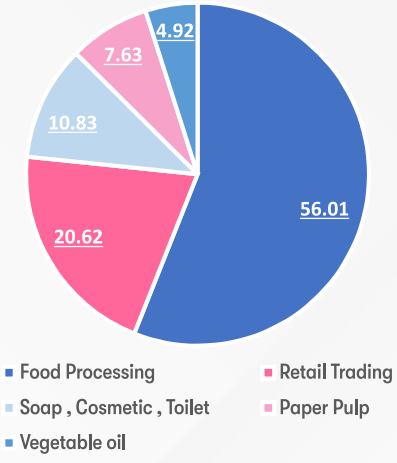
- Moreover, it encourages the adoption of Public-Private Partnerships ("PPPs") to bolster oral health outcomes*.

- To accomplish these goals, the Central Government has provided assistance to State Governments in delivering dental care alongside other existing health programs at different levels of the primary healthcare system.

Indian FMCG Sector

- Despite softening inflation and a general improvement in consumer sentiments, the domestic Fast-Moving Consumer Goods (FMCG) sector witnessed sluggish demand during the year, mainly led by a rural slowdown.
- As per Kantar, the household consumption trends suggested a reduction in bulk purchases by consumers to manage expenses, allowing for some discretionary spending which saw a pickup.
- Low wage growth in the rural economy led to down trading and weak consumption trends in FMCG categories. That said, demand is expected to progressively improve in 2024, helped by a good harvest and the expectation of an above-normal monsoon.
- While rural demand continued to lag behind urban markets for most of the year, the gap between the two narrowed progressively.
- As per Nielsen, rural growth in sales of FMCG products in villages outpaced that in cities for the first time since Covid in December 2023, an early indication of demand recovery in the hinterland.
- Rural markets grew 7.6% by volume in the quarter ending on 31st March 2024 according to Nielsen IQ data, while urban markets, in comparison, grew by 5.7% in the same period.

Cumulative FDI Inflow Share %
From April 2000 - March 2024



Industry Overview

- The toothpaste category in India is valued at ₹18,000 Crores and observed a value growth of CAGR 5.3% in the last 5 years.
- The oral care market in India is a large and rapidly growing market, driven by factors such as increasing awareness of oral hygiene, rising disposable incomes, and the growing prevalence of dental diseases.
- Per capita usage of toothpaste remains low in India and driving this represents an opportunity for category growth.
- A more detailed analysis reveals that approximately only 20% of Urban consumers brush the recommended, twice a day and around 55% of rural households do not brush daily.
- The industry is also expanding as a result of increased premiumization, customer demand for more tailored solutions, and a growing number of active practicing dentists. India adds about 25,000 qualified dentists annually*.
- In cities, there is a demand for innovative products like therapeutic toothpaste and oral beauty solutions. Plus, there is a big opportunity to introduce more people to adjuncts like floss and mouthwash. Colgate-Palmolive (India) Limited is on a mission to boost oral health across the nation.
- Outside of Oral Care, the Company sees opportunity in Personal Care products

Colgate Palmolive Ltd (India) Limited Business Overview

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Government Initiatives

The Government of India endeavors to achieve widespread access to quality oral healthcare services for its populace through various health programs and Public-Private Partnerships. The National Oral Health Program helps enhance health determinants and reduces the prevalence of oral diseases by integrating oral health into the broader healthcare framework.

Business Overview

Digital Transformation: Colgate-Palmolive (India) is advancing its digital strategy to enhance customer experience and operational efficiency. Using AI and machine learning, the company improves supply chain management, optimizes production forecasting, and strengthens marketing. These digital tools, combined with data analytics, allow Colgate to personalize consumer targeting and increase brand reach across digital platforms.
Risk Management: Colgate-Palmolive (India)'s risk management framework focuses on identifying and mitigating risks that impact stakeholder interests. The company's Enterprise Risk Management Committee oversees strategies to address regulatory, operational, and market risks by regularly assessing them and updating the board.

Opportunities

Colgate-Palmolive's strong portfolio in oral care positions it to leverage premiumization trends. Additionally, the Palmolive brand has a strong potential to grow in the under-served personal care market, where it currently holds a 60-65% brand awareness level.

Material Developments in Human Resources

The company remains committed to fostering diversity, equity, and inclusion. Colgate offers an extensive benefits package, including medical, dental, and mental health services. A recent addition to employee support includes a new well-being app with unlimited EAP (Employee Assistance Program) coverage, AI-driven mental health tools, and a personalized wellness program.

Employee Well-being and Inclusivity Policies

Colgate-Palmolive (India) promotes a balanced work-life environment with various policies aimed at inclusivity and flexibility:

Inclusive Leave Policy: Offers various leave types such as annual leave, care & compassion leave (for personal emergencies like family or pet issues), give-back leave (for volunteering), and a gender-neutral parental leave policy.

Hybrid Work Policy: Known as 'Blendin,' this policy allows employees to work remotely two days a week and from the office three days a week, with flexible working hours.

Diversity, Equity, & Inclusion (DE&I): Colgate-Palmolive emphasizes diversity and equity, providing equal opportunities regardless of race, ethnicity, gender, or other characteristics. The company includes training and initiatives to foster an inclusive culture.

Workplace Inclusivity Policies (WIN Policies): New & Expectant Parents: Provides equal parental leave and financial assistance for childcare and crèche reimbursements.

Persons with Disabilities: Supports employees with disabilities through assistive technology and special accommodations. The company reported a total workforce of 2,221 employees as of March 31, 2024.

Sustainability

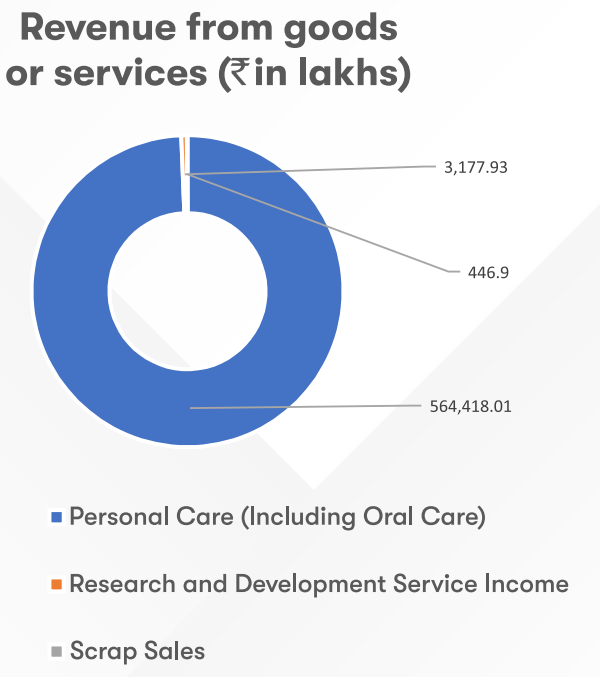
Sustainability is integral to Colgate-Palmolive (India)'s business, focusing on minimizing its ecological footprint.

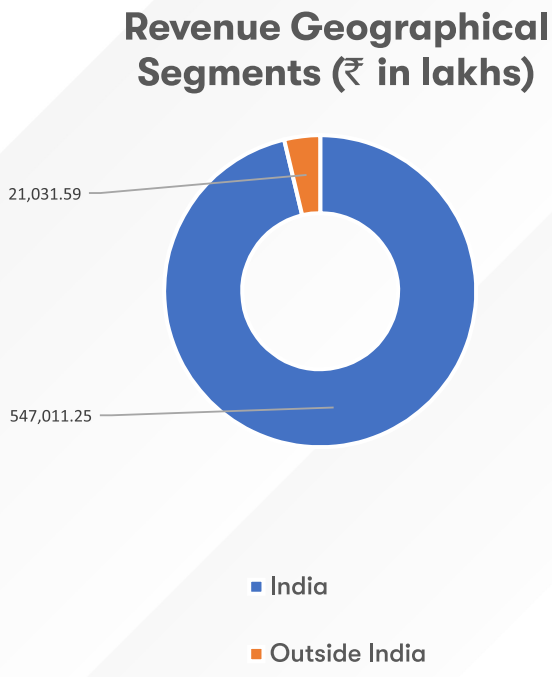
Key initiatives include reducing water consumption, optimizing energy usage, and increasing the use of renewable energy.

The company has integrated IoT technologies for predictive maintenance to reduce waste and support environmental preservation.

ESG goals for 2025 have been established, covering Environmental Stewardship, Social Impact, and Governance Excellence.

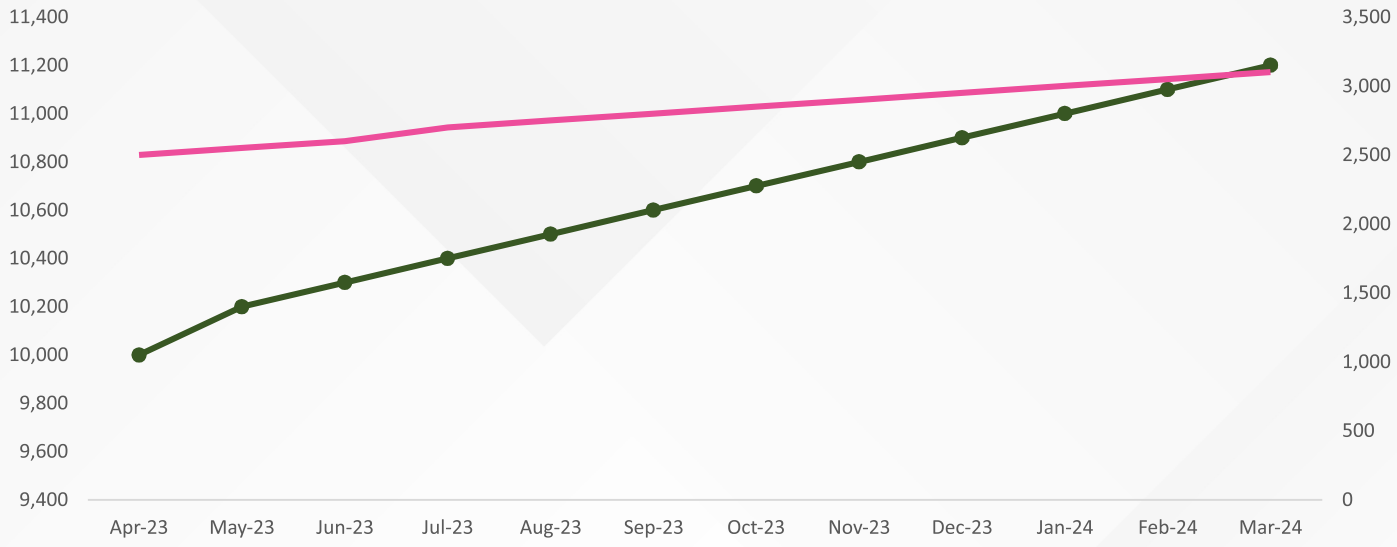
This year marks the third consecutive year of publishing BRSR (Business Responsibility and Sustainability Report) and ESG (Environmental, Social, and Governance) reports.





Industry Analysis

NIFTY 200 VS Colgate Palmolive Ltd (India)



SENSEX VS Colgate Palmolive Ltd (India)

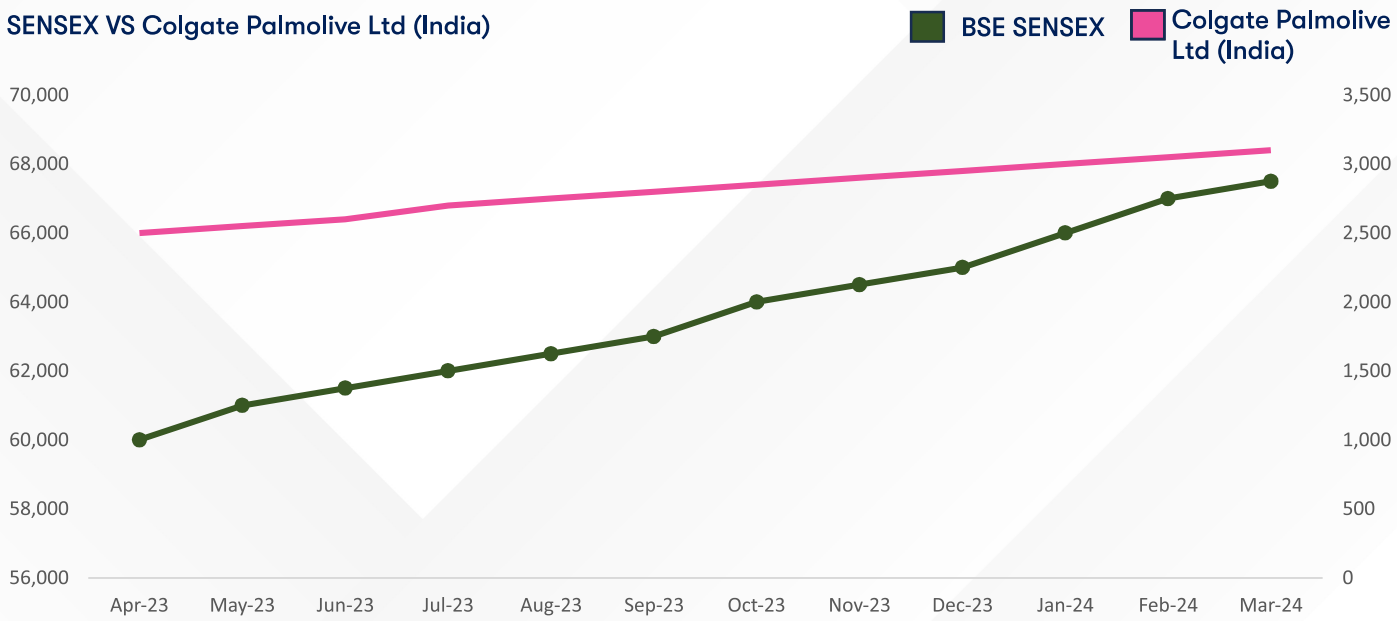


Figure in Rs.

Key Drivers and Challenges

Key Drivers

- **Strong Brand Equity and Consumer Trust**
  - Colgate-Palmolive's brand is one of the most trusted names in oral care worldwide, with its flagship Colgate toothpaste almost synonymous with toothpaste itself, particularly in India. This brand equity has been built over decades through consistent quality, effective marketing, and a focus on oral health awareness. Such brand strength allows Colgate to maintain customer loyalty, enabling it to weather competitive pressures and economic downturns better than many other FMCG companies.
  - Trust in the brand also allows Colgate to introduce new products with relative ease, as consumers are likely to accept them based on the brand's reputation. This brand power also enables Colgate to command a premium price on select offerings, enhancing profitability.

- **Extensive Distribution Network**
  - Colgate-Palmolive has one of the most expansive distribution networks in India, allowing it to penetrate deep into rural markets as well as cater to urban and metropolitan areas. This extensive network is a competitive advantage, particularly in a market like India, where rural areas represent a significant share of the consumer base for FMCG products.
  - The company's ability to reach remote areas ensures consistent demand, even from the underserved segments of the market. This reach provides Colgate with a steady stream of revenue across varying geographies, helping it maintain market share and achieve sustained growth.

- **Product Innovation and Premiumization**
  - Colgate has been focused on diversifying its product portfolio by introducing premium and health-focused products, such as Colgate Visible White, Colgate Periogard, and Colgate Sensitive. These products cater to health-conscious consumers who are willing to pay a premium for specialized care, allowing Colgate to tap into the premium segment of the market.
  - Innovation in formulations, such as incorporating ingredients like arginine for stronger teeth and zinc for sensitivity, demonstrates Colgate's commitment to science-backed product development. This focus on product innovation not only helps the company meet evolving consumer demands but also differentiates it from competitors, supporting both revenue growth and improved profit margins.

- **Growing Health and Wellness Trend**
  - With rising awareness about health and wellness, consumers are increasingly prioritizing products that offer health benefits. This trend is particularly relevant in oral care, where products that promise better oral health and hygiene are seeing strong demand.
  - Colgate-Palmolive's emphasis on oral health education, especially in emerging markets, positions it as a trusted health partner, further cementing its brand reputation. The company's campaigns and partnerships in raising awareness about dental hygiene and preventive care align with this health-focused trend, providing additional support for sustained growth in the oral care category.

- **Commitment to Sustainability and ESG Initiatives**
  - Colgate-Palmolive has demonstrated a strong commitment to environmental, social, and governance (ESG) practices, which is increasingly critical in today's business landscape. The company has made strides in reducing its environmental footprint through water conservation, waste reduction, and renewable energy initiatives. Colgate also focuses on sustainable packaging, with ongoing efforts to minimize plastic use and adopt recyclable materials.
  - In addition, Colgate's social responsibility programs, including oral health awareness initiatives, positively impact its brand image. As more investors prioritize ESG factors in their decision-making, Colgate's proactive approach in this area enhances its appeal to ESG-focused investors, positioning the company for long-term value creation.

Key Challenges

- **Intense Competition in the FMCG Market**
    - The FMCG industry is highly competitive, with numerous global and local brands competing for market share. In the oral care segment alone, Colgate faces competition from both multinational players (like Procter & Gamble, GlaxoSmithKline, and Unilever) and domestic brands (like Dabur and Patanjali in India).
    - Competitors are continuously introducing new products, investing in marketing, and adopting aggressive pricing strategies, which puts pressure on Colgate to keep innovating, maintain high marketing spends, and offer competitive pricing. This competition can erode market share and place downward pressure on margins.
- **Dependence on Oral Care Segment**
    - Despite efforts to diversify into personal care with the Palmolive brand, Colgate-Palmolive remains highly dependent on its oral care business for revenue. This reliance on a single category makes the company vulnerable to any downturns or disruptions in the oral care market.
    - Additionally, changes in consumer behavior, such as preferences shifting toward natural or herbal products, could impact demand for traditional toothpaste. Although Colgate has introduced products to address these preferences, any significant decline in the oral care segment could affect overall revenue growth.
- **Raw Material Price Volatility**
    - Colgate-Palmolive's manufacturing process relies on various raw materials, including chemicals, packaging materials, and plastic. Price volatility in these materials, driven by factors like inflation, supply chain disruptions, or currency fluctuations, can impact production costs.
    - Given that Colgate operates in a highly competitive market, it may not always be able to pass on increased costs to consumers without affecting demand. This cost sensitivity can lead to fluctuations in profit margins, especially during periods of significant raw material price inflation.
- **Currency and Economic Risks in Emerging Markets**
    - While emerging markets offer significant growth potential, they also come with inherent economic and currency risks. Colgate's exposure to markets like India and Latin America makes it susceptible to currency fluctuations, political instability, and economic downturns, which can affect both revenue and profitability.
    - Currency depreciation in these markets can reduce the value of repatriated earnings, impacting Colgate's financial results. Additionally, economic instability in these regions can dampen consumer spending, particularly on premium products, making revenue growth challenging during adverse economic conditions.
- **Regulatory and Compliance Risks**
    - Colgate operates in a highly regulated industry, with strict guidelines governing product safety, labeling, and advertising. Failure to comply with these regulations can result in product recalls, legal penalties, and reputational damage. Additionally, new regulations, particularly around environmental sustainability (such as plastic usage restrictions), could require costly changes in packaging or sourcing.
    - The FMCG industry is also subject to advertising regulations. If Colgate's advertising claims do not meet regulatory standards or are deemed misleading, it could face legal consequences. This regulatory risk is particularly pronounced in emerging markets where regulations are evolving and enforcement is strengthening.
- **Challenges in Premiumization and Urban Markets**
    - While Colgate has made significant efforts to capture the premium segment, it faces challenges in positioning itself as a premium brand in certain urban markets where consumers may prefer niche or specialized brands for premium products. Competing in the premium segment requires significant investment in branding and product differentiation, which Colgate has to carefully balance with its traditionally mass-market positioning.
    - Additionally, premiumization efforts can be challenging in a market like India, where price sensitivity remains high. Educating consumers about the benefits of premium products and justifying higher price points require sustained marketing efforts, which can be costly.

Comprehensive Investment Rationale

1.Market Leadership and Brand Trust

Colgate-Palmolive holds a dominant position in the global oral care market and is the market leader in India, where it has become almost synonymous with toothpaste. Its flagship product, Colgate toothpaste, has deep-rooted brand equity that spans generations, making it a household staple in India and globally.

This brand trust is not easily replicable, as it has been built over decades of consistent quality, reliable efficacy, and strong marketing efforts. The brand has also successfully connected with consumers emotionally through campaigns focused on family health, oral hygiene awareness, and affordability, enhancing loyalty across socioeconomic groups.

Colgate's strong market position provides it with pricing power, allowing it to maintain profitability even in a competitive market. The company's vast distribution network in India, reaching deep into rural and urban areas alike, ensures high availability and accessibility of its products.

This reach, combined with a trusted reputation, creates a high barrier to entry for competitors. This market leadership not only insulates Colgate from competitive pressures but also provides a steady stream of revenue, ensuring resilience against market downturns and economic cycles.

Investment Appeal: For investors, a company with established market dominance and trusted brand equity is highly attractive. Colgate's ability to retain market share while maintaining pricing power underscores its stability.

Its entrenched position in consumer households makes it a low-risk, high-value investment, particularly for long-term investors seeking a dependable stock that can withstand economic shifts and competitive threats.

2. Consistent Financial Performance and High Return on Capital Employed (ROCE)

Colgate-Palmolive has demonstrated strong, consistent financial performance, with high profit margins and robust return on capital employed (ROCE), making it an efficient capital allocator in the FMCG industry.

ROCE is a critical metric as it shows how well the company utilizes its capital to generate returns for shareholders, and Colgate's ROCE has consistently been higher than the industry average. This highlights the company's efficiency in using its assets and capital to generate profits, contributing to long-term value for shareholders.

Over the years, Colgate has managed to sustain high operating profit margins through cost control, efficient production processes, and prudent capital allocation.

The company's operational efficiencies, combined with strong cash flow generation, allow it to fund R&D, marketing, and dividend payouts without compromising its financial health.

Its ability to generate strong cash flows has also enabled the company to maintain a steady dividend policy, providing consistent returns to investors. This financial stability is further supported by minimal debt, which reduces financial risk and interest expenses, thereby improving profitability.

Investment Appeal: Consistent financial performance and a high ROCE reflect Colgate's ability to generate value for investors, even in a competitive landscape. For investors seeking companies with high efficiency and stability, Colgate-Palmolive stands out as a solid choice.

Its steady cash flows and strong balance sheet ensure that it can weather economic downturns, fund growth initiatives, and provide shareholder returns through dividends, making it an appealing option for both conservative and income-focused investors.

3. Growth Potential in Premium and Health-Oriented Segments

As consumer preferences evolve, there is an increasing demand for premium and health-oriented products in the personal care market. Recognizing this trend, Colgate has strategically expanded its portfolio to include higher-margin products targeted at health-conscious consumers.

For example, products like Colgate Visible White, which focuses on teeth whitening, and Colgate Periogard, designed for gum health, cater to consumers who are willing to pay a premium for added benefits. These products not only meet the rising demand for specialized care but also align with the shift towards preventive healthcare, positioning Colgate as a trusted provider of health-focused products.

In India, rising disposable incomes and greater health awareness are driving the growth of premium oral care. Colgate's move to offer premium and therapeutic products allows it to tap into a segment that has higher profit margins, contributing to revenue growth and improved profitability.

The company's focus on innovation, including ingredients like arginine and zinc for added oral health benefits, allows it to capture a larger share of consumers looking for advanced, scientifically-backed products.

Investment Appeal: By capitalizing on the trend toward premiumization and health-oriented products, Colgate can grow revenue through higher-margin offerings.

This shift helps diversify its product portfolio beyond traditional categories, making it less vulnerable to competition in the mass market.

For investors, the company's strategy to cater to premium segments aligns well with long-term growth prospects, providing an opportunity for capital appreciation as Colgate captures a larger share of the growing middle- and upper-income consumer segments.

4. Commitment to Sustainability and Corporate Social Responsibility (CSR)

Colgate-Palmolive has placed a strong emphasis on environmental sustainability and corporate social responsibility, making it a pioneer in sustainability within the FMCG industry. The company has made significant strides in reducing its environmental footprint, including initiatives to decrease water usage, transition to renewable energy, and achieve zero waste in its manufacturing processes.

Additionally, Colgate has committed to using eco-friendly packaging, and it continuously explores ways to reduce plastic waste, which resonates with today's environmentally conscious consumers.

Beyond environmental efforts, Colgate actively engages in CSR initiatives aimed at promoting oral health, water conservation, and community development. Its oral health awareness programs, particularly those targeting rural and underserved areas, align with its brand purpose of enhancing oral health.

Programs like the "Bright Smiles, Bright Futures" initiative reach millions of children, strengthening the brand's social impact and building goodwill within communities. This focus on sustainability and community support not only reinforces brand loyalty but also helps Colgate align with global and national regulations on environmental protection.

Investment Appeal: As environmental, social, and governance (ESG) factors become more central to investment decisions, companies that prioritize sustainability and CSR are increasingly attractive to ESG-focused investors.

Colgate's proactive approach in these areas reduces regulatory risks and positions it as a forward-thinking, responsible company. For investors, this commitment to sustainability enhances brand reputation, attracts environmentally conscious consumers, and positions Colgate to comply with future regulatory standards, making it a viable choice for those seeking investments aligned with sustainable and ethical practices.

Quarter-wise Performance

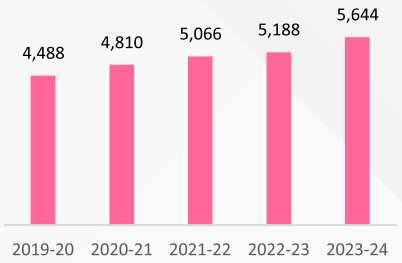
Quarter	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024
Sales (₹ Cr.)	1,352	1,280	1,301	1,197	1,387	1,291	1,351	1,324	1,471	1,396	1,490	1,497
Expenses (₹ Cr.)	952	900	872	871	979	930	899	906	989	927	958	988
Operating Profit (₹ Cr.)	401	381	429	326	408	361	452	418	482	468	532	508
OPM (%)	30	30	33	27	29	28	33	32	33	34	36	34
Other Income (? Cr.)	7	6	9	2	11	10	18	-5	21	18	23	23
Interest (₹ Cr.)	2	2	1	1	1	1	1	1	1	1	1	1
Depreciation (₹ Cr.)	45	44	44	44	44	44	43	44	44	41	42	42
Profit before Tax (₹ Cr.)	361	341	393	282	374	327	426	369	458	443	511	489
Tax (%)	25	26	18	26	26	26	26	26	26	26	26	26
Net Profit (₹ Cr.)	269	252	324	210	278	243	316	274	340	330	380	364
EPS (₹)	9.9	9.28	11.9	7.71	10.22	8.94	11.63	10.06	12.5	12.14	13.96	13.38

Annual Cashflow Performance

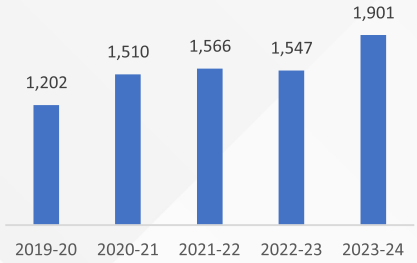
Category	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Cash from Operating Activity (₹ Cr.)	694	983	930	784	1,626	1,176	1,199
Cash from Investing Activity (₹ Cr.)	-207	-96	-19	71	-108	-8	79
Cash from Financing Activity (₹ Cr.)	-380	-815	-891	-956	-1,091	-1,087	-1,195
Net Cash Flow (₹ Cr.)	107	73	20	-101	427	82	83

Company Performance

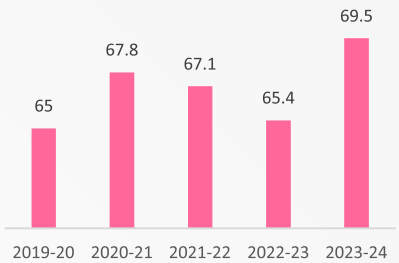
Net Sales (₹ in crores)



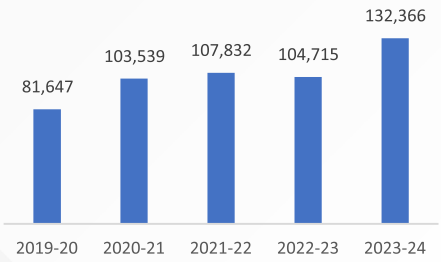
EBITDA (₹ in crores)



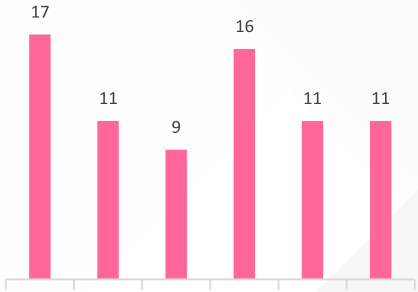
Gross Margin (%)



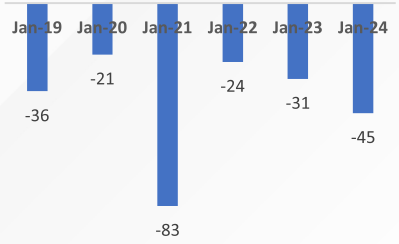
Net Profit After Tax (₹ in lacs)



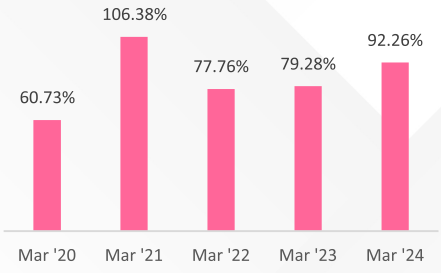
Debtor Days



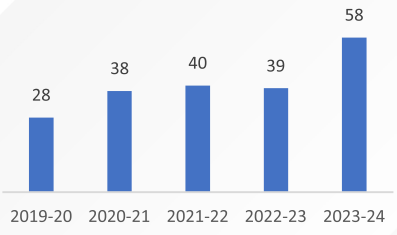
Working Capital Days



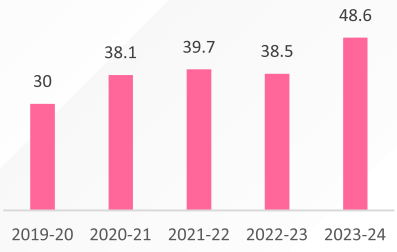
ROCE %



Dividend Per Share (₹)



Earnings Per Share (₹)



Strengths

• Market Leadership in Oral Care

Colgate-Palmolive enjoys a dominant position in the global oral care market, with a particularly strong presence in India where it is the leading brand. With its flagship products such as Colgate toothpaste, the company has become a household name and enjoys high levels of consumer trust and loyalty. This market dominance allows it to exert pricing power and retain a significant share in a highly competitive market.

• Brand Equity and Trust

Colgate-Palmolive has established itself as one of the most trusted brands in personal and oral care over its 86-year history in India. Through consistent quality, widespread distribution, and effective marketing, the brand has achieved significant recognition and loyalty, which is an invaluable asset in a crowded market. The Colgate brand is nearly synonymous with toothpaste, giving it a unique advantage over competitors.

S

Weaknesses

• High Dependence on Oral Care Products

Although Colgate-Palmolive has expanded into personal care through its Palmolive brand, it still heavily relies on oral care products, particularly toothpaste, for the majority of its revenue. This heavy dependence on a single product category makes the company vulnerable to fluctuations in the oral care market and limits its growth potential in other segments.

• Limited Product Diversification Compared to Competitors

In comparison to diversified players like Hindustan Unilever and Procter & Gamble, Colgate-Palmolive has a narrower product portfolio. Its limited presence in other fast-growing segments, such as skincare, haircare, and home care, constrains its ability to tap into diverse revenue streams and achieve the scale that its competitors enjoy.

W

Opportunities

O

• Growth in Emerging Markets

The growing middle class in emerging markets, especially in India, provides Colgate with a significant growth opportunity. Rising disposable incomes and awareness about oral health offer a larger consumer base, which Colgate can capitalize on through targeted marketing and affordable product offerings tailored to these markets.

• Expanding Personal and Health Care Segments

Colgate-Palmolive can expand its presence in the personal and healthcare segments. With an increasing demand for health-oriented and sustainable products, Colgate has the opportunity to introduce new products in skincare, haircare, and other hygiene-related categories. Additionally, leveraging its expertise in oral care to develop other health-focused products can open new revenue streams.

T

Threats

• Intense Competition in the FMCG Sector

The FMCG market is highly competitive, with both established players and new entrants continuously vying for market share. Competitors like Hindustan Unilever, Procter & Gamble, and ITC invest heavily in marketing, product innovation, and distribution, which can erode Colgate's market share and put pressure on its profit margins.

• Changing Consumer Preferences

With rising health awareness, consumers are increasingly seeking natural and organic products. If Colgate fails to adapt quickly to these changing preferences, it risks losing market share to brands that are perceived as more health-focused or environmentally friendly. This trend is particularly pronounced among younger consumers who are more likely to choose brands that align with their values.

Financial Snapshot

Indicator	Mar '19	Mar '20	Mar '21	Mar '22	Mar '23	Mar '24
Book Value Per Share	53.2	58.6	42.9	63.8	63.1	68.9
RoA %	29.52%	31.35%	35.77%	37.15%	36.32%	41.40%
ROE %	53.60%	51.21%	88.80%	62.16%	61.00%	70.61%
ROCE %	70.74%	60.73%	106.38%	77.76%	79.28%	92.26%
Profitability Ratio						
EBDIT Margin %	28.54%	27.64%	31.80%	31.22%	30.62%	34.80%
EBIT Margin %	24.97%	23.26%	28.04%	27.74%	27.28%	31.79%
PBT Margin %	25.60%	23.05%	27.89%	27.62%	26.97%	31.35%
Net Profit Margin %	17.37%	18.04%	21.38%	21.14%	20.03%	23.30%
Asset Turnover	1.7	1.7	1.8	1.8	1.8	1.9
Liquidity Ratio						
Current Ratio	1	1.2	0.9	1.4	1.4	1.5
Quick Ratio	0.7	0.8	0.6	1	1.1	1.3
Dividend Payout to NP	0.7	0.9	1.4	0.5	1	0.9
Earning Retention %	8.83%	33.38%	-41.85%	52.08%	-1.29%	11.65%
Cash Earning Retention %	24.35%	46.38%	-20.59%	58.85%	13.20%	21.78%
Valuation Ratio						
Enterprise Value	33,906.40	33,657.20	41,551.30	41,171.90	40,063.90	72,358.90
EV Per Net Sales	7.6	7.4	8.6	8.1	7.7	12.7
EV Per EBITDA	26.6	26.9	27	25.9	25	36.6
Market Cap Per Sales	7.7	7.5	8.8	8.2	7.8	13
Retention Ratio %	8.82%	33.37%	-41.85%	52.07%	-1.29%	11.64%

Metric	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
A. Operating Results										
Sales	4,21,120	4,31,898	4,48,985	4,29,989	4,43,244	4,48,757	4,81,086	5,06,646	5,18,786	5,64,418
Other Income	6,034	6,964	7,147	6,606	6,765	8,676	6,109	5,199	5,191	11,277
Net Profit After Tax	55,898	58,117	57,743	67,337	77,557	81,647	1,03,539	1,07,832	1,04,715	1,32,366
Total Comprehensive Income	-	57,998	57,226	67,445	77,567	80,943	1,03,863	1,08,299	1,04,226	1,32,389
Cash Profits	63,400	69,139	70,550	83,096	93,483	99,888	1,22,113	1,26,029	1,21,706	1,49,540
B. Financial Position										
Net Fixed Assets	94,366	1,09,225	1,30,570	1,33,274	1,40,065	1,20,664	1,21,224	1,08,739	90,182	90,479
Investments	3,713	3,116	3,116	3,116	3,116	1,862	1,861	1,861	1,861	-
Other Assets/ (Liabilities) (Net)	-21,047	-9,237	-6,306	-16,075	-11,495	25,316	-6,499	64,738	7,356	96,940
Total Assets	77,032	1,03,104	1,27,380	1,52,461	1,44,675	1,59,416	1,16,586	1,73,467	1,71,638	1,87,436
Share Capital	1,360	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720
Reserves and Surplus	75,672	1,00,384	1,24,660	1,49,741	1,41,955	1,56,696	1,13,866	1,68,719	1,66,193	1,84,716
Shareholders' Funds	77,032	1,03,104	1,27,380	1,52,461	1,44,675	1,59,416	1,16,586	1,73,467	1,71,638	1,87,436
Total Capital Employed	77,032	1,03,104	1,27,380	1,52,461	1,44,675	1,59,416	1,16,586	1,73,467	1,71,638	1,87,436
C. Equity Share Data										
Earnings Per Share (₹)	41.1	21.37	23.46	28.52	30.26	30	38.1	39.7	38.5	48.6
Dividend Per Share (₹)	24	10	23	27	33	28	38	40	39	58
Number of Shares (in Lakhs)	1,360	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720
Number of Shareholders (in '000s)	135	181	176	169	169	214	229	238	267	239

Peer Comparison

S.No.	1	2	3
Name	Hind. Unilever	Colgate-Palmolive	P & G Hygiene
CMP (₹)	2498.65	2880.45	15750.95
Sales (₹ Cr.)	62410	6001.48	4202.51
Mkt Cap (₹ Cr.)	587080.64	78344.13	51128.77
P/E	57.12	53.33	75.62
CMP/BV	11.47	47.39	65.98
ROCE (%)	27.24	96.8	112.44
ROA (12M %)	13.56	44.01	33.99
ROE (%)	20.43	74.28	78.56
Div Yield (%)	1.7	1.67	1.24
EPS (12M ₹)	43.7	54.01	208.32
Earnings Yield (%)	2.5	2.54	1.95
Profit Growth %	-0.51	23.58	7.92
CMP/Sales	9.41	13.05	12.17
CMP/FCF	56.84	61.75	88.67
EV/EBITDA	37.07	35.91	49.51
Enterprise Value (₹ Cr.)	580088.64	77075.95	50543.65
Current Ratio	1.64	1.31	1.22
Int Coverage	35.96	395.89	36.01
PEG Ratio	5.38	4.4	7.68
3M Return (%)	-9.89	-15.65	-9.18
6M Return (%)	4.78	3.99	-1.57
Graham Price (₹)	460.97	271.74	1057.77
Altman Z Score	14.01	43.31	48.72
Dividend Payout (%)	96.04	119.18	122.62
QoQ Profits (%)	-0.65	8.54	161.41
QoQ Sales (%)	1.39	8.18	21.83

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