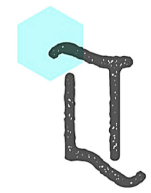




COLGATE-PALMOLIVE



LIQUID TALK

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# COLGATE-PALMOLIVE INDIA LTD

JUNE 12, 2021

CURRENT PRICE : 1701 | TARGET PRICE : 2050 | TARGET PERIOD : 12 MONTHS

Launched in India : 1937

Sector : Personal / Oral Care

Dividend Yield : 2.23%

52W High / Low : 1795 / 1319

Face Value : 1

PE Ratio / Industry PE : 44.78 / 58.5

Colgate-Palmolive Company is an American multinational consumer products company headquartered on Park Avenue in Midtown Manhattan, New York City. It specializes in the production, distribution and provision of household, health care, personal care and veterinary products. Today, Colgate has numerous subsidiary organizations spanning 200 countries, but it is publicly listed in three, the United States, India and Pakistan. Colgate-Palmolive has long been in competition with Procter & Gamble (P&G), the world's largest soap and detergent maker. P&G introduced its Tide laundry detergent shortly after World War II, and thousands of consumers turned from Colgate's soaps to the new product. Colgate lost its number one place in the toothpaste market when P&G added fluoride to its toothpaste (Colgate has since re-claimed the #1 sales position).

## Recent News

The second surge is different. India Inc's profits won't survive the costs, variants - 21 May, 2021

FMCG companies step up sales staff incentives amid outbreak - 18 May, 2021

Colgate-Palmolive Q4 results: Net profit jumps 54% to Rs 314.6 crore - 17 May, 2021

Source : *The Economic Times*



## Business Overview

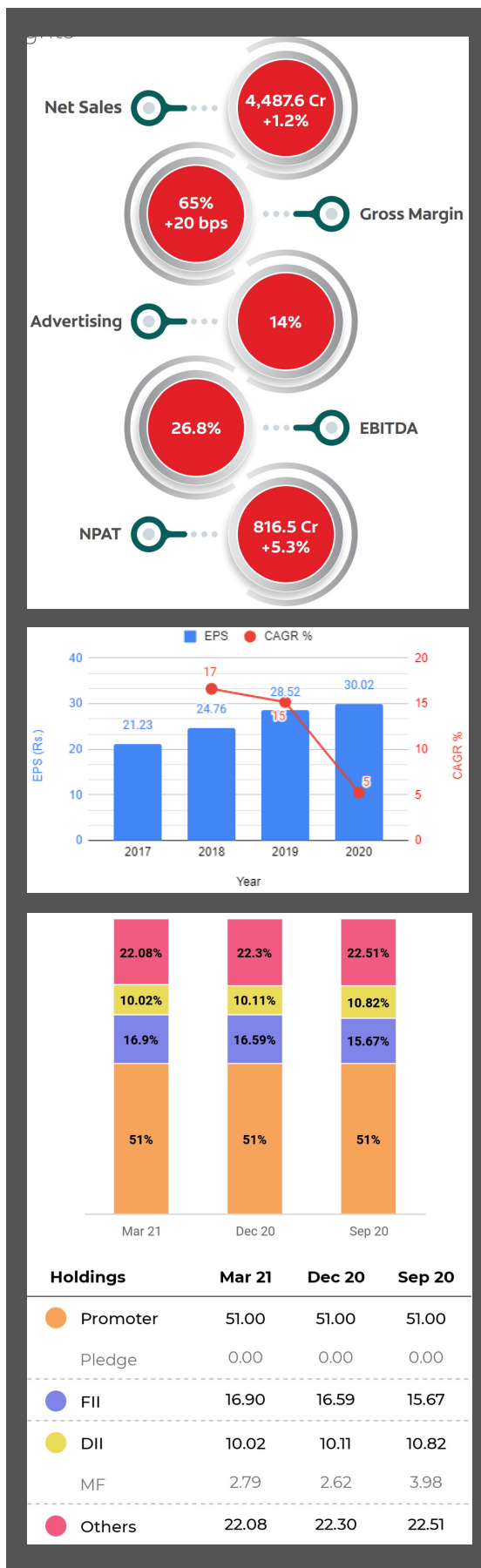
Colgate-Palmolive (India) Ltd., incorporated in the year 1937, is a Large Cap company (having a market cap of Rs 46,355.87 Crore) operating in FMCG sector. For the quarter ended 31-03-2021, the company has reported a Standalone Total Income of Rs 1,289.81 Crore, up 3.87 % from last quarter Total Income of Rs 1,241.81 Crore and up 18.23 % from last year same quarter Total Income of Rs 1,090.90 Crore. Company has reported net profit after tax of Rs 314.66 Crore in latest quarter.

Colgate-Palmolive (India) Ltd., 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. Colgate-Palmolive (India) Ltd was incorporated in the year 1937. In the year 1983 the company introduced their successful product Colgate Plus toothbrush in the market. In the year 1988 CPIL received a licence for producing 24000 tonnes per annum of fatty acids.

## Corporate Leadership

Ram Raghavan - CEO

The company's top management includes Mr. Mukul Deoras, Mr. Sekhar Natarajan, Ms. Sukanya Kripalu, Mr. Vikram Mehta, Ms. Shyamala Gopinath, Dr. (Ms.) Indu Shahani, Mr. M S Jacob, Mr. M Chandrasekar, Mr. Surender Sharma, Mr. Ram Raghavan, Ms. Gopika Pant. Company has SRBC & Co LLP as its auditors. As on 31-03-2021, the company has a total of 27.20 Crore shares outstanding.



## Financial Performance

Measure	2017	2018	2019	2020
ROE (%)	45.33	44.16	53.6	51.21
Interest Coverage Ratio	-	-	446.66	109.51
EBITDA Margin (%)	24.72	27.48	14.28	13.24
Net Profit Margin (%)	14.5	16.7	17.37	18.04
Current Ratio	0.87	1.08	0.96	1.16
Debt to Equity	0	0	0.05	0
Basic EPS (Rs.)	21.23	24.76	28.52	30.02

Most Key Financial Indicators reflect a fairly good performance through the last 4 financial years.

While operating indicator EBITDA Margin has fallen sharply in 2019, & Net Profit Margin has risen considerably in the same year, due to the profits not being hit as hard as the Expenses rose. The Net Profit Margins have considerably risen over the years. While the Current Ratio has been maintained safely, the Debt Equity Ratio has been consistently very low.

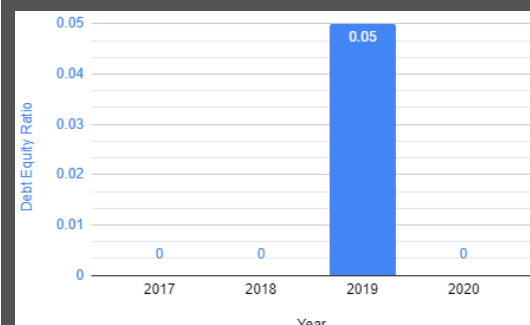
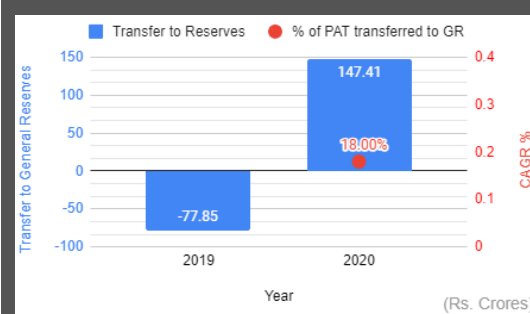
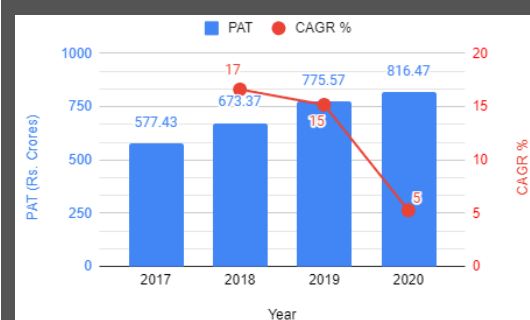
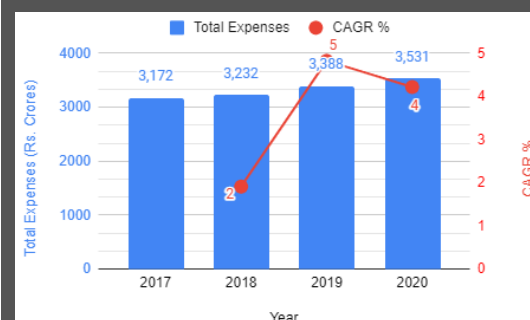
The Return on Equity - a measure of Net Income divided by Shareholders' Equity - has consistently shown an upward trend.

The company has spent less than 1% of its operating revenues towards interest expenses and 7.34% towards employee cost in the year ending Mar 31 2020. The Stock gave 3 year return of 38.09% as compared to Nifty100 which gave a return of 43.87%. Stock generated 98.09% returns compared to Nifty FMCG which gave investors 22.66% return over 3 year time period.

In Rs. Crores	ACTUAL			FORECASTED	
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	4,226.80	4,500.09	4,574.33	4,803.05	5,379.41
Net Profit	673.37	775.57	816.47	857.29	960.17
Basic EPS (₹)	24.76	28.52	30.02	31.52	35.30

YoY Revenue rise of 5% in 2021 & 12% rise in 2022\*

\*Forecasted using weighted average growth rates and significantly conservative approach to 2020-21 growth rates considering the Covid-19 setbacks and economic slowdown.



## Peer Analysis

Name	CMP Rs.	P/E	Div Yld %	NP Qtr Rs.Cr.	ROE %	EPS	Current Ratio	Debt / Eq	Sales growth %
Hind. Unilever	2,366.50	68.04	1.31	2186	34.03	1.04	0	18.21	29.23
Colgate-Palmoliv	1,701.15	44.69	2.23	314.66	38.07	0.85	0.08	6.99	75.03
P & G Hygiene	13,090.35	63.23	0.8	98.33	207.03	2.13	0	13.88	42.09
Gillette India	5,847.00	58.13	0.84	105.66	100.6	1.72	0	7.39	27.31

Among Peers, Colgate-Palmolive India Ltd's PE Ratio is one of the lowest, suggesting a highly attractive investment avenue - with a reasonable price and high earnings. Colgate India's Sales Growth % is also one of the highest, almost being unmatched in its league. The recent quarter's Net Profit is one of the highest considering the exclusive personal care segment (Hindustan Unilever includes a far more wide FMCG product base) . Comparatively, with a decently high ROE, Colgate-Palmolive India Ltd's currently seems to be a relatively consistent performer.

## Recommendation

Colgate-Palmolive India Ltd according to a thorough fundamental and technical analysis is an investment option that should easily fetch around 20% growth in share price within the next one year.

As of **June 12, 2021**, at a price of **Rs. 1701**, the recommendation is to **buy** the shares until a **target price of Rs. 2050** for the target duration of **12 months** from date, ending **June 11, 2022**, yielding a **return of 20+%**.

