COLGATE-PALMOLIVE(INDIA) LTD.

Industry	Con. Staples
Bloomberg	CLGT IN
BSE Code	500830
NSE Code	COLPAL

27 July 2018

RATING	ACCUMULATE
CMP	1084
Price Target	1210
Previous Target	1266
Potential Upside	12%

Stock Info

52wk Range H/L	1285/1017
Mkt Capital (Rs Cr)	29481
Free float (%)	49%
Avg. Vol 1M (,000)	278
No. of Shares (Crore)	27
Promoters Pledged %	NA

Margin expansion continues backed by company's cost efficiency measures

Key Highlights

- ☑ COLPAL's numbers for Q1FY19 remained better than our estimates, overall revenue, which is in line to our estimates, grew by 6% YoY to Rs 1041 cr while PAT growth remain 39% YoY on the back of Rs 34 cr of exceptional gain.
- ☑ The company has reported slightly lower volume growth for Q1FY19. Overall volume grew by 4%(vs our expectation of 6%.) on account of better performance of its natural product portfolio led by Colgate Swarna Vedshakti and Max Fresh.
- ☑ Gross margin for the company has been improving for last 8 quarters while EBITDA margin improved for last four quarters. The company has maintained its streak, EBITDA margin for Q1FY19 improved by 436 bps YoY on the back of cost efficiency measure and rationalization of A&P expenses.

1Q FY19 Result:

Colpal's sales for the quarter, grew by 6% YoY to Rs 1041 cr led by volume growth of 4%(our expectation of 6%). Volume growth remained slightly lower considering weaker base of -5%in Q1FY18.Gross margin improved by 255 bps YoY. EBITDA for this quarter grew by 27% YoY while EBITDA margin improved by 436 bps YoY to 27% on the back of lower COGS , employee ex., other ex. and A&P ex. by 255,24,70 and 87 bps respectively. PAT for this quarter grew by 39% YoY to Rs 190 cr led by exceptional items of Rs 34 cr on account of sale of company's former factory land and building at Aurangabad, Maharashtra.

View and Valuation:

COLPAL's result for Q1FY19 remained better than our expectation. Key positive for this quarter was EBITDA margin improvement, which was expanded by 436 bps YoY. Volume growth for this quarter was 4%which was slightly lower than our expectation of 6%. Going forward, we expect better volume growth for COLPAL considering revival in rural demand (contributes ~40% of sales), better traction from naturals portfolio and increased direct coverage (looking to expand its direct coverage by 25%in FY19). Pricing action and better product mix will ensure stable margin for the company going ahead. Lower capex for coming year will improve company's cash position further which may translate into better dividend payout for shareholders. We value COLPAL at 37 times of FY20e expected EPS and recommend ACCUMULATE with the target price of 1210. We have lowered our EPS estimate for FY20e by 4% considering slightly lower volume growth in Q1FY19.

Key Risks to our rating and target

- ♦ Lower volume growth, considering high competitive intensity.
- ♦ Volume market share in Toothpaste segment.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	3868	3982	4188	4473	4931
EBITDA	939	944	1112	1276	1390
EBIT	827	810	956	1115	1233
PAT	581	577	673	812	889
EPS (Rs)	21	21	25	30	33
EPS growth (%)	4%	-1%	17%	21%	9%
ROE (%)	56%	45%	44%	52%	54%
ROCE (%)	80%	64%	63%	72%	75%
BV	38	47	56	57	60
P/B (X)	26	20	19	21	19
P/E (x)	47	43	43	39	36

Research Analyst
RAJEEV ANAND
rajeev.anand@narnolia.com

Exhibit: COLPAL's Vol. growth

Volume growth for this quarter was 4%which was slightly lower than our expectation of 6%.

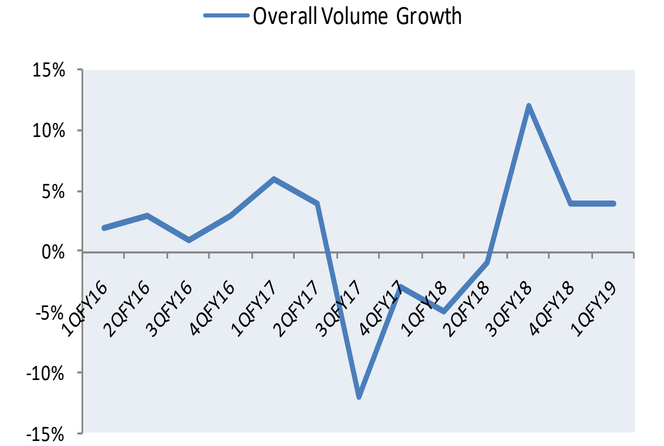


Exhibit: COLPAL's sales and growth

Overall revenue, which is in line to our estimates , grew by 6% YoY to Rs 1041 cr.

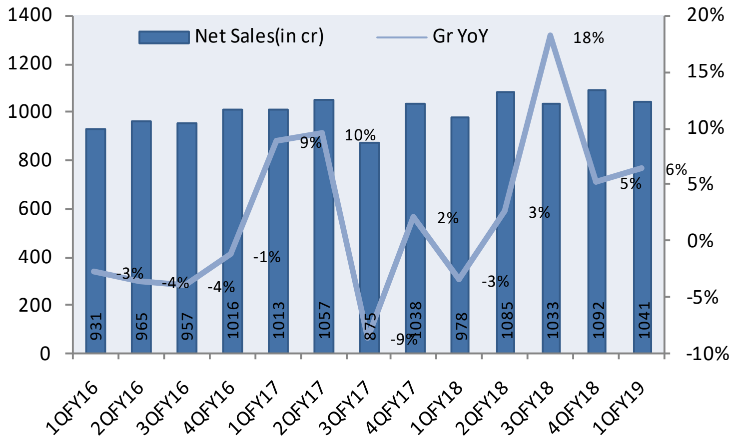


Exhibit: Gross and EBITDA Margin

Gross margin improved by 255 bps YoY while EBITDA margin improved by 436 bps YoY to 27%.

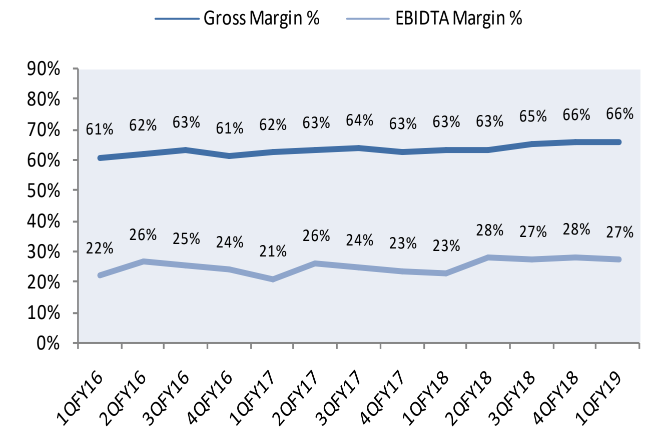


Exhibit: PAT and PAT growth

PAT for this quarter grew by 39% YoY to Rs 190 cr led by exceptional items of Rs 34 cr.

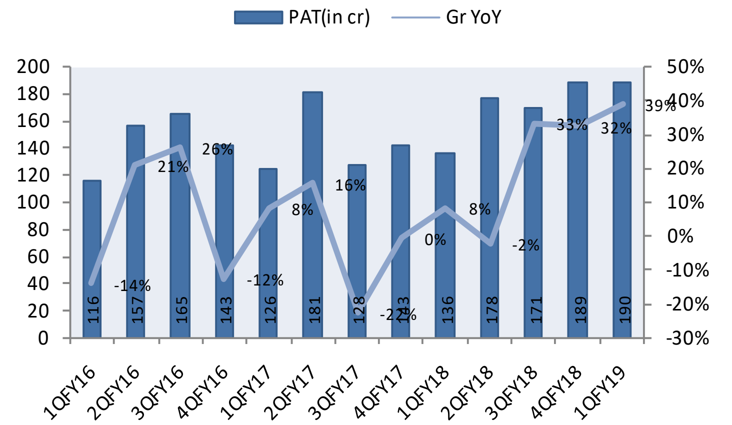
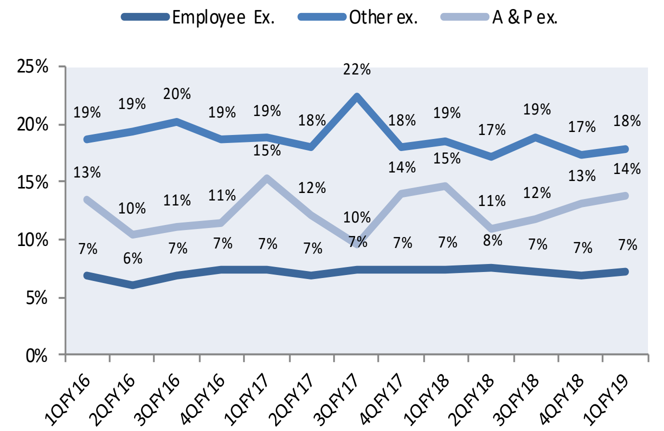


Exhibit:Expenses details

EBITDA mar. improved due to lower COGS , employee , other and A&P ex. by 255,24,70 and 87 bps respectively.



Financial Details

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	14	14	14	27	27	27	27	27
Reserves	476	586	757	1,004	1,247	1,497	1,530	1,620
Networth	490	600	770	1,031	1,274	1,525	1,557	1,647
Debt	-	-	-	-	-	-	-	-
Other Non Current Liab	36	52	65	28	53	55	55	55
Total Capital Employed	490	600	770	1,031	1,274	1,525	1,557	1,647
Net Fixed Assets (incl CWIP)	383	697	923	1,087	1,275	1,304	1,279	1,257
Non Current Investments	37	37	30	31	31	31	31	31
Other Non Current Assets	94	89	59	25	54	39	39	39
Non Current Assets	514	823	1,012	1,228	1,468	1,503	1,478	1,456
Inventory	185	226	252	292	293	227	242	267
Debtors	81	55	70	102	130	201	215	237
Cash & Bank	429	285	254	193	199	305	537	685
Other Current Assets	98	104	113	77	69	80	85	94
Current Assets	793	670	690	775	856	1,061	1,182	1,396
Creditors	467	498	514	552	601	614	656	724
Provisions	65	70	66	49	56	60	64	71
Other Current Liabilities	250	273	286	136	136	102	109	121
Curr Liabilities	781	842	867	943	995	983	1,047	1,149
Net Current Assets	12	(172)	(177)	(168)	(140)	78	135	247
Total Assets	1,307	1,493	1,702	2,003	2,323	2,564	2,660	2,852

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	**3,164**	**3,579**	**3,982**	**3,868**	**3,982**	**4,188**	**4,473**	**4,931**
Change (%)		13%	11%	-3%	3%	5%	7%	10%
Other Income	50	50	33	40	41	39	42	58
EBITDA	**657**	**664**	**822**	**939**	**944**	**1,112**	**1,276**	**1,390**
Change (%)		1%	24%	14%	1%	18%	15%	9%
Margin (%)	21%	19%	21%	24%	24%	27%	29%	28%
Depr & Amor.	44	51	75	111	133	157	160	157
EBIT	**613**	**613**	**747**	**827**	**810**	**956**	**1,115**	**1,233**
Int. & other fin. Cost	-	-	-	-	-	-	-	-
EBT	**663**	**664**	**780**	**867**	**851**	**995**	**1,158**	**1,291**
Exp Item	-	64	-	(31)	-	(12)	34	-
Tax	166	188	221	254	274	310	380	403
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	497	540	559	581	577	673	812	889
Adjusted PAT	**497**	**494**	**559**	**603**	**577**	**681**	**789**	**889**
Change (%)		-1%	13%	8%	-4%	18%	16%	13%
Margin(%)	16%	14%	14%	16%	15%	16%	18%	18%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	101%	90%	73%	56%	45%	44%	52%	54%
ROCE	125%	102%	97%	80%	64%	63%	72%	75%
Asset Turnover	2.4	2.4	2.3	1.9	1.7	1.6	1.7	1.7
Debtor Days	9.4	5.6	6.4	9.6	11.9	17.5	17.5	17.5
Inv Days	21.4	23.0	23.1	27.5	26.8	19.8	19.8	19.8
Payable Days	53.8	50.8	47.2	52.1	55.1	53.6	53.6	53.6
Int Coverage								
P/E	17	17	21	47	43	43	39	36
Price / Book Value	18	15	15	26	20	19	21	19
EV/EBITDA	12	13	14	29	26	26	25	23
FCF per Share	33.8	9.8	24.9	15.3	13.5	17.8	31.6	34.9
Div Yield	4%	4%	3%	1%	1%	1%	2%	2%

Cash Flow Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	663	664	780	867	851	995	1,192	1,291
(inc)/Dec in Working Capital	138	(37)	5	16	31	(89)	23	37
Non Cash Op Exp	42	44	85	107	130	157	160	158
Int Paid (+)	-	-	-	-	-	-	-	-
Tax Paid	(190)	(178)	(206)	(252)	(301)	(347)	(380)	(403)
others	(38)	(35)	(27)	(17)	(23)	6	-	-
CF from Op. Activities	**615**	**457**	**638**	**689**	**688**	**694**	**995**	**1,084**
(inc)/Dec in FA & CWIP	(155)	(324)	(300)	(273)	(321)	(209)	(135)	(135)
Free Cashflow	460	134	338	416	367	485	860	949
(Pur)/Sale of Inv	-	10	-	7	-	-	-	-
others	107	133	28	29	(21)	2	-	-
CF from Inv. Activities	**(47)**	**(180)**	**(272)**	**(237)**	**(342)**	**(207)**	**(135)**	**(135)**
inc/(dec) in NW	-	-	-	(16)	(14)	(9)	-	-
inc/(dec) in Debt								
Int. Paid	-	-	-	-	-	-	-	-
Div Paid (inc tax)	(428)	(422)	(385)	(376)	(327)	(371)	(779)	(800)
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	**(428)**	**(422)**	**(385)**	**(391)**	**(341)**	**(380)**	**(779)**	**(800)**
Inc(Dec) in Cash	140	(145)	(18)	61	5	107	81	149
Add: Opening Balance	**156**	**296**	**151**	**133**	**193**	**199**	**456**	**537**
Closing Balance	296	151	132	193	199	305	537	685

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