

Industry  
Bloomberg  
BSE CODE

Cons. Staples  
CLGT IN  
50830

RATING	BUY
CMP	1307
Price Target	1553
Potential Upside	19%

Rating Change	↑
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	1641/1104
Mkt Capital (Rs Cr)	35536
Free float (%)	49%
Avg. Vol 1M (,000)	530
No. of Shares (Cr.)	27
Promoters Pledged %	NA

## Subdued volume growth led by moderation in demand

### 3QFY20 Result Update

- COLPAL posted numbers inline with our estimates, sales grew by 4% YoY to Rs 1147 cr(vs our expectation of Rs 1132 cr) led by volume growth of 2.3% impacted by general demand slowdown. Realization growth in this quarter remained~2% (vs decline of a percent in 3QFY19).
- Gross margin for the quarter improved by 59 bps YoY to 65.7% while EBITDA margin contracted by 105 bps YoY to 27.6% on the back of higher employee, advertisement and other expenses by 25,104and 36 bps YoY to 6.7%,12.5% and 19% respectively.
- The company's innovations are getting good traction. The company's relaunch of flagship brand, Colgate Strong Teeth continues to get penetration while new Charcoal variant is showing early traction.
- COLPAL's PAT for the quarter grew by 4% to Rs 199 cr( vs our expectation of Rs 196 cr) on the back of lower provisioning of taxes(as percentage of PBT) by 6.27% to 25.6%.

### View and Valuation

COLPAL has reported numbers inline with our expectations, tapering of category growth on the back of sluggish general demand condition impacted the volume growth which grew by 2.3% in this quarter. Going forward, we expect volumes to remain in pressure due to unfavorable macroeconomic scenario for at least one more quarter. But new management initiatives like new product launches, distribution expansion and reviving its Palmolive brand is expected to boost growth in times to come. We remain positive on COLPAL, considering strong brand it has. We kept our sales & PAT estimates for FY21 largely unchanged, but considering recent correction in prices we have changes our rating from HOLD to BUY with the previous target price of Rs 1553.

### Key Risks to our rating and target

- Delayed revival in rural growth.
- Higher Ad & Promotion expense due to higher competitive intensity.

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Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	3982	4188	4462	4655	5029
EBITDA	944	1112	1236	1266	1396
EBIT	810	956	1077	1063	1205
PAT	577	673	776	831	939
EPS (Rs)	21	25	29	31	35
EPS growth (%)	-1%	17%	15%	7%	13%
ROE (%)	45%	44%	54%	54%	58%
ROCE (%)	64%	63%	71%	66%	71%
BV	47	56	53	56	60
P/B (X)	20	19	22	23	22
P/E (x)	43	43	41	43	38

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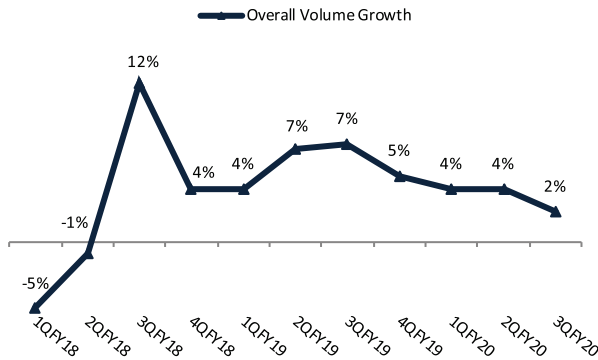
## 3QFY19 Results Inline with our expectations

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	1,099	1,154	1,085	1,222	1,147	4.3%	-6.1%	4,188	4,462	6.6%
Other Income	8	12	15	9	6	-26.7%	-32.8%	39	38	-3.0%
COGS	383	409	370	431	393	2.6%	-8.7%	1,490	1,559	4.6%
Gross Margin	65%	65%	66%	65%	66%	0.6%	1.0%	64%	65%	0.7%
Emp. Cost	71	73	83	82	77	8.4%	-5.9%	306	296	-3.3%
Other Exp.	205	205	180	210	218	6.4%	3.4%	1,280	1,372	7.2%
EBITDA	314	310	300	323	316	0.5%	-2.1%	1,112	1,236	11.1%
EBITDA Mar.	29%	27%	28%	26%	28%	-1.1%	1.1%	27%	28%	1.1%
Depreciation	41	39	50	50	52	26.8%	2.1%	157	159	1.7%
EBIT	274	271	250	273	265	-3.4%	-2.9%	956	1,077	12.7%
Interest	-	3	2	2	3	-	21.2%	-	3	-
PBT	282	281	263	279	267	-5.1%	-4.1%	995	1,112	12%
Exceptional Item	-	4	-	-	-	-	-	12	(31)	-362%
Tax	90	79	94	35	68	-23.8%	97.1%	310	367	19%
PAT	192	198	169	244	199	3.6%	-18.4%	673	776	15%
PAT Margin	17%	17%	16%	20%	17%	-0.1%	-2.6%	16%	17%	1.3%

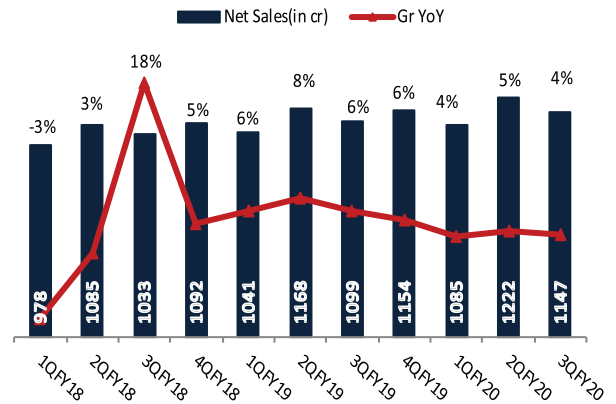
## Exhibit: Domestic Volume Growth

Sluggish demand environment and moderation in demand impacted the volume growth.



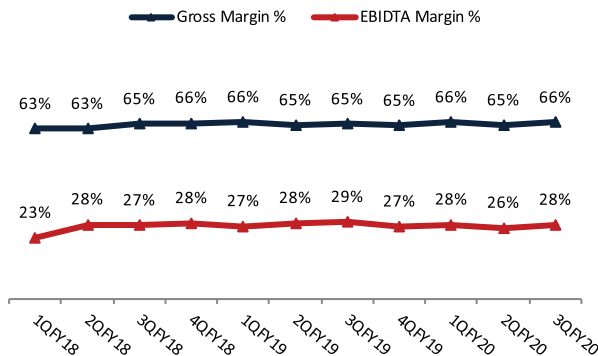
## Exhibit: Sales and Sales Growth

Volume growth of 2.3% and realization improvement helped in sales growth of 4%.



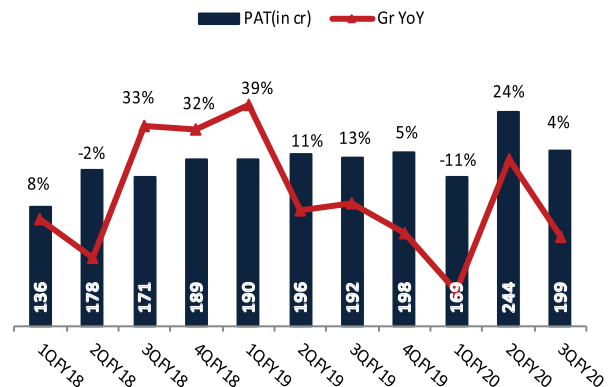
## Exhibit: Gross and EBITDA Margin

EBITDA margin contracted by 105 bps YoY to 27.6% on the back of higher employee, advertisement and other expenses.



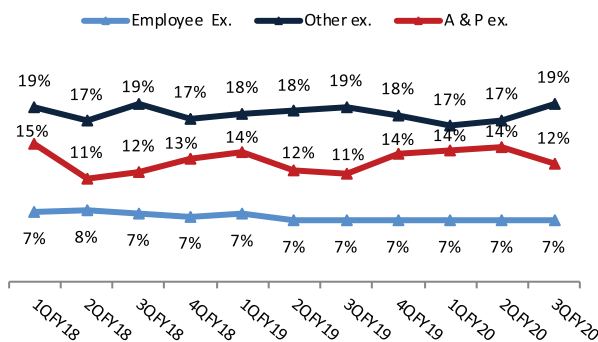
## Exhibit: PAT and PAT Growth

Lower provisioning of taxes (as percentage of PBT) by 6.27% to 25.6% helped in PAT growth of 4%.



## Exhibit: Ad, Employee and other expenses

Employee, advertisement and other expenses were up by 25, 104 and 36 bps YoY to 6.7%, 12.5% and 19% respectively.



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	14	14	27	27	27	27	27	27
Reserves	586	757	1,004	1,247	1,497	1,420	1,503	1,597
<b>Networth</b>	<b>600</b>	<b>770</b>	<b>1,031</b>	<b>1,274</b>	<b>1,525</b>	<b>1,447</b>	<b>1,530</b>	<b>1,624</b>
Debt	-	-	-	-	-	78	78	78
Other Non Current Liab	52	65	28	53	55	50	50	50
<b>Total Capital Employed</b>	<b>600</b>	<b>770</b>	<b>1,031</b>	<b>1,274</b>	<b>1,525</b>	<b>1,524</b>	<b>1,608</b>	<b>1,701</b>
Net Fixed Assets (incl CWIP)	697	923	1,087	1,275	1,304	1,390	1,322	1,266
Non Current Investments	37	30	31	31	31	31	31	31
Other Non Current Assets	89	59	25	54	39	28	28	28
<b>Non Current Assets</b>	<b>823</b>	<b>1,012</b>	<b>1,228</b>	<b>1,468</b>	<b>1,503</b>	<b>1,616</b>	<b>1,549</b>	<b>1,493</b>
Inventory	226	252	292	293	227	249	259	280
Debtors	55	70	102	130	201	210	219	236
Cash & Bank	285	254	193	199	305	378	567	750
Other Current Assets	104	113	77	69	80	31	32	35
<b>Current Assets</b>	<b>670</b>	<b>690</b>	<b>775</b>	<b>856</b>	<b>1,061</b>	<b>1,010</b>	<b>1,204</b>	<b>1,438</b>
Creditors	498	514	552	601	614	613	640	691
Provisions	70	66	49	56	60	64	67	72
Other Current Liabilities	273	286	136	136	102	103	108	117
<b>Curr Liabilities</b>	<b>842</b>	<b>867</b>	<b>943</b>	<b>995</b>	<b>983</b>	<b>1,051</b>	<b>1,094</b>	<b>1,178</b>
<b>Net Current Assets</b>	<b>(172)</b>	<b>(177)</b>	<b>(168)</b>	<b>(140)</b>	<b>78</b>	<b>(41)</b>	<b>110</b>	<b>259</b>
<b>Total Assets</b>	<b>1,493</b>	<b>1,702</b>	<b>2,003</b>	<b>2,323</b>	<b>2,564</b>	<b>2,626</b>	<b>2,753</b>	<b>2,931</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue from Operation</b>	<b>3,579</b>	<b>3,982</b>	<b>3,868</b>	<b>3,982</b>	<b>4,188</b>	<b>4,462</b>	<b>4,655</b>	<b>5,029</b>
Change (%)	13%	11%	-3%	3%	5%	7%	4%	8%
Other Income	50	33	40	41	39	38	44	57
<b>EBITDA</b>	<b>664</b>	<b>822</b>	<b>939</b>	<b>944</b>	<b>1,112</b>	<b>1,236</b>	<b>1,266</b>	<b>1,396</b>
Change (%)	1%	24%	14%	1%	18%	11%	2%	10%
Margin (%)	19%	21%	24%	24%	27%	28%	27%	28%
Depr & Amor.	51	75	111	133	157	159	202	191
<b>EBIT</b>	<b>613</b>	<b>747</b>	<b>827</b>	<b>810</b>	<b>956</b>	<b>1,077</b>	<b>1,063</b>	<b>1,205</b>
Int. & other fin. Cost	-	-	-	-	-	3	7	7
<b>EBT</b>	<b>664</b>	<b>780</b>	<b>867</b>	<b>851</b>	<b>995</b>	<b>1,112</b>	<b>1,101</b>	<b>1,255</b>
Exp Item	64	-	(31)	-	(12)	31	-	-
Tax	188	221	254	274	310	367	270	316
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	540	559	581	577	673	776	831	939
<b>Adjusted PAT</b>	<b>494</b>	<b>559</b>	<b>603</b>	<b>577</b>	<b>681</b>	<b>755</b>	<b>831</b>	<b>939</b>
Change (%)	-1%	13%	8%	-4%	18%	11%	10%	13%
Margin(%)	14%	14%	16%	15%	16%	17%	18%	19%

## Financial Details

### Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	90%	73%	56%	45%	44%	54%	54%	58%
ROCE	102%	97%	80%	64%	63%	71%	66%	71%
Asset Turnover	2	2	2	2	2	2	2	2
Debtor Days	6	6	10	12	18	17	17	17
Inv Days	23	23	28	27	20	20	20	20
Payable Days	51	47	52	55	54	50	50	50
P/E	17	21	47	43	43	41	43	38
Price / Book Value	15	15	26	20	19	22	23	22
EV/EBITDA	13	14	29	26	26	26	28	25
FCF per Share	10	25	15	13	18	31	34	38
Div Yield	4%	3%	1%	1%	1%	3%	2%	2%

### Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	664	780	867	851	995	1,112	1,101	1,255
(inc)/Dec in Working Capital	(37)	5	16	31	(89)	149	17	33
Non Cash Op Exp	44	85	107	130	157	162	202	191
Int Paid (+)	-	-	-	-	-	(2)	7	7
Tax Paid	(178)	(206)	(252)	(301)	(347)	(414)	(270)	(316)
others	(35)	(27)	(17)	(23)	(21)	3	-	-
<b>CF from Op. Activities</b>	<b>457</b>	<b>638</b>	<b>689</b>	<b>688</b>	<b>694</b>	<b>983</b>	<b>1,057</b>	<b>1,170</b>
(inc)/Dec in FA & CWIP	(324)	(300)	(273)	(321)	(209)	(139)	(135)	(135)
Free Cashflow	134	338	416	367	485	844	922	1,035
(Pur)/Sale of Inv	10	-	7	-	-	0	-	-
others	133	28	29	(21)	2	43	-	-
<b>CF from Inv. Activities</b>	<b>(180)</b>	<b>(272)</b>	<b>(237)</b>	<b>(342)</b>	<b>(207)</b>	<b>(96)</b>	<b>(135)</b>	<b>(135)</b>
inc/(dec) in NW	-	-	(16)	(14)	(9)	(11)	-	-
Int. Paid	-	-	-	-	-	-	(7)	(7)
Div Paid (inc tax)	(422)	(385)	(376)	(327)	(371)	(792)	(748)	(845)
others	-	-	-	-	-	-	(7)	(7)
<b>CF from Fin. Activities</b>	<b>(422)</b>	<b>(385)</b>	<b>(391)</b>	<b>(341)</b>	<b>(380)</b>	<b>(815)</b>	<b>(755)</b>	<b>(852)</b>
Inc(Dec) in Cash	(145)	(18)	61	5	107	73	168	183
<b>Add: Opening Balance</b>	<b>296</b>	<b>151</b>	<b>133</b>	<b>193</b>	<b>199</b>	<b>305</b>	<b>399</b>	<b>567</b>
Closing Balance	151	132	193	199	305	378	567	750

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