

November 23, 2012

**COLGATE-PAMOLIVE (INDIA) LTD.**

BSE Code: 500830 NSE Code: COLPAL Reuters Code: COLG.NS Bloomberg Code: CLGT:IN

Colgate-Palmolive (India) Ltd. (COLPAL) is India's leading provider of oral care products, established in 1806 is engaged in the production, distribution and provision of household and health care. It possesses a huge range that 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. Further, it is involved in maintaining its rank as India's 1 Most Trusted Brand across all categories.

### Investor's Rationale

**Revenue grew by 17.7% YoY on aggressive sales promotions across the product portfolio**

COLPAL witnessed 19th consecutive quarter of double-digit volume growth in its core toothpaste category, with standalone sales up by 17.7% YoY to ₹7.7 billion driven by aggressive sales promotions across the product portfolio such as 'Colgate Dental Cream', 'Colgate Active Salt', 'Colgate Total' and 'Colgate Max Fresh', gaining a 11% share. The sales growth was further supported by the consistent price hike along with new launches such as Colgate Max Fresh Ice toothpaste, Colgate Optic White mouthwash, Colgate Optic White enamel white toothpaste. Moreover, on regional front, the organic sales in Latin America and Greater Asia/Africa grew by 15.0% and 12.0% respectively which has boosted the sales figure.

**Bottom-line rose by 44.8% YoY on higher operating income**

Despite of a rise in tax rates by 19.5% YoY to ₹0.3 billion, COLPAL posted a 44.8% YoY increase in its bottom-line at ₹1.5 billion in Q2FY'13 on account of robust growth in operating income by 17.5% YoY to ₹7.9 billion. The rise in other income by 37.4% to ₹0.2 billion has again pushed the bottom line. Consequently, NPM grew by 334bps to 18.0% in Q2FY'13 against 14.6% in Q2FY'12.

**EBITDA margin expanded by 302bps YoY on lower employee expenses**

COLPAL EBITDA grew by 36.0% YoY to ₹1.8 billion, consequently, OPM grew by 334bps to 22.2% as against 19.2% mainly due to a decrease in employee expenses (as a percentage of sales) by 121bps YoY to 7.0%. Further, the drop in other expenses and stock in trade by 87bps and 17bps to 19.3% and 7.3% respectively also assisted the growth.

**COLPAL rolled out various products to foster growth**

Recently the Company has launched a new toothpaste variant – Colgate Total Advance Whitening and also unveiled Colgate Max Fresh Ice toothpaste that will further boost revenue ahead.

### Market Data

CMP (₹)	1,330.0	
Target Price	1,460	
Stop Loss	1,290	
Duration	Short-term	
52-week High-Low (₹)	1,349.9/932.0	
Rise from 52WL (%)	42.7	
Correction from 52WH (%)	1.5	
Beta	0.3	
1 year Average Volume (mn)	7.1	
	3M	12.9
Stock Return (%)	6M-	9.9
	9M-	31.9
Market Cap (₹bn)	180.9	
Book value per share	32.0	

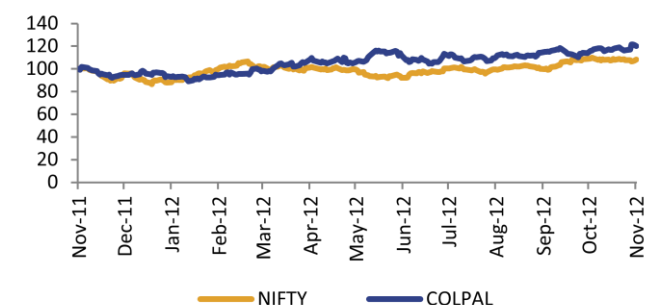
### Shareholding Pattern

	Sep'12	Jun'12	Chg
Promoters (%)	51.0	51.0	-
FII (%)	20.9	20.9	-
DII (%)	6.0	6.0	-
Public & Others (%)	22.1	22.1	-

### Quarterly Performance (Standalone)

(₹bn)	Q2 FY'13	Q2 FY'12	Q1 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	7.7	6.6	7.4	17.7	5.1
Op. exp	6.2	5.5	5.9	13.1	3.9
EBITDA	1.8	1.3	1.6	36.0	8.2
OPM (%)	22.2	19.2	21.5	302bps	70bps
Net profit	1.5	1.0	1.2	44.8	24.1
NPM (%)	18.0	14.6	15.2	334bps	274bps
EPS (₹)	10.7	7.3	8.6	0.5	0.2

### One Year Price Chart





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