# Colgate-Palmolive (India)

13 December, 2022

Reuters: COLG.NS; Bloomberg: CLGT IN

Analyst Meet Update

## Clear mandate to drive growth

**Colgate Palmolive (India) Ltd. (CLGT) hosted its Analyst Conference on 13th Dec. 2022, where the new Managing Director & CEO, Ms. Prabha Narasimhan, along with other members of the leadership team shared the company's strategy going ahead. CLGT's broader strategy largely remains unchanged and will have four key legs: (1) Drive toothpaste category volume growth, which the management believes will take some time (2) Elevate science-based innovations to drive premiumization across the portfolio (3) Build a viable business in Personal Care category with 'Palmolive' and inorganic opportunities (4) Digitize the business end-to-end. The stock now trades at ~41x/37x/35x FY23E/FY24E/FY25E EPS as we build in a subdued EPS CAGR of 6.2% over FY22-FY25E. Valuing the company at ~38x on Sept'24E EPS gives us an unchanged target price (TP) of Rs1,720. We thus maintain our ACCUMULATE rating.**

### India offers two big opportunities

- First opportunity is to drive volume as: (a) Per capita toothpaste consumption in India is still low at 1x, lower than 1.8x for the Philippines and 3.1x for Brazil. Even within India, rural per capita consumption (PCC) is 0.6x vs 1.7x in urban. This provides an opportunity to drive volume growth. (b) Increasing consumption in rural markets as ~55% of rural households do not brush daily. (c) In urban markets, ~20% of the households brush twice a day, which represents an opportunity to focus on the balance 80% households to further increase consumption.
- Second opportunity is to drive premiumization/value growth. Nearly 2/3rd of the toothpaste market is priced near 100 (ASP index to category), which provides an opportunity to offer more benefits and move consumers to higher price point products. Even when compared to a category like Toilet Soaps, spends towards toothpaste are lower across Socio Economic classes.
- Opportunities in Oral Care and Personal Care categories are huge and hence currently the focus will remain on these categories. The company will continue to look at expansion in other categories over time where Colgate is present globally e.g. - Home Care category.

### Growth pillars

- Lead toothpaste category growth through - *Strong Teeth* (biggest portfolio), *Max Fresh* (2nd biggest portfolio), Naturals (through *Vedshakti*) and *Colgate Salt* (most successful innovation yet).
- Drive premiumisation through science-led products. E.g. Whitening (*Visible White O2*), Superior Formula (*Colgate Total*) and new segment (Kids portfolio). Over the years, premium products' contribution has increased and the same now stands in double digits, but it varies across channels (high double-digit contribution in E-Commerce and Modern Trade, lower in General Trade ).
- Lead category growth in toothbrush and devices. Getting consumers to replace toothbrush at right frequency provides volume growth opportunity. Around ~90% of the market is priced at <Rs50, of which 64% is priced up to Rs30. This indicates further opportunity for value growth.
- Build Personal Care business through *Palmolive* brand and inorganic opportunities. Personal Care category represents a huge growth opportunity. The category tends to have higher gross margins, but EBITDA margins are lower due to investments that are required to be made to grow the category. The focus will be on Hand Wash, Body Wash and Face Wash within this space.

### Initiatives to drive end-to-end digitization

- CLGT has built a dedicated digital and analytics wing. All the systems are connected to each other, which allows the company to extract predictive insights.
- Creation of in-store digital & analytics through CP AMAZING – which is an AI-based image recognition tool that scans the store shelves to capture images and then provides live insights based on the image captured. Around 700k images have been analyzed through this tool with ~90% accuracy.
- CP India content lab has also been put into action, driving 3x digital content volume, 4x faster turnaround time and 87% production cost savings (now done fully internally).

### View and Valuation

- We will continue to monitor the execution and change in growth momentum as CLGT has the potential to gain market share in the toothpaste portfolio with its strong distribution set-up, focus on innovations and the power to spend higher on the category vs peers. While pricing will remain a growth lever in the near term, we believe that volume growth should remain one of the key focus areas for the new MD & CEO, Ms. Prabha Narasimhan. Volume growth would be a function of economic conditions, rural growth recovery (high saliency at ~40% vs peers remain an important driver for CLGT) and CLGT's execution. Over the medium term, increase in PCC remains a big opportunity in the toothpaste category, but it is increasing only gradually. It will require some big initiatives from the market leader to make behavioral changes in consumers to make them increase the frequency of brushing teeth. The stock now trades at ~41x/37x/35x FY23E/FY24E/FY25E EPS as we build in a subdued EPS CAGR of 6.2% over FY22-FY25E. Valuing the company at ~38x on Sept'24E EPS gives us an unchanged TP of Rs1,720. We thus maintain our ACCUMULATE rating.

## ACCUMULATE (MAINTAIN)

**Sector:** FMCG

**CMP:** Rs1,642

**Target Price:** Rs1,720

**Upside:** 4.7%

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**Key Data**

| | |
|---|---|
| Current Shares O/S (mn) | 272.0 |
| Mkt Cap (Rsbn/US$bn) | 446.6/5.4 |
| 52 Wk H / L (Rs) | 1696/1376 |
| Daily Vol. (3M NSE Avg.) | 324,402 |

**Price Performance (%)**

| | 1 M | 6 M | 1 Yr |
|---|---|---|---|
| Colgate-Palmolive (India) | 3.5 | 8.2 | 15.1 |
| Nifty Index | 1.5 | 18.3 | 7.4 |

*Source: Bloomberg*

FY22 Annual Report
Analyst Meet Presentation Dec'2022

**Exhibit 1: Financial summary**

| Y/E March (Rs mn) | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Net revenue | 48,412 | 50,998 | 54,743 | 58,275 | 61,484 |
| *YoY growth (%)* | *7.0* | *5.3* | *7.3* | *6.5* | *5.5* |
| EBITDA | 15,096 | 15,667 | 16,235 | 17,676 | 18,921 |
| *EBITDA margin (%)* | *31.2* | *30.7* | *29.7* | *30.3* | *30.8* |
| Adj. PAT | 10,354 | 10,790 | 10,962 | 12,064 | 12,938 |
| EPS | 38.1 | 39.7 | 40.3 | 44.4 | 47.6 |
| *YoY change (%)* | *26.8* | *4.2* | *1.6* | *10.1* | *7.2* |
| *ROCE (%)** | *91.9* | *92.7* | *81.7* | *89.8* | *96.3* |
| *ROE (%)* | *75.0* | *74.4* | *63.2* | *69.5* | *74.6* |
| P/E (x) | 43.1 | 41.4 | 40.7 | 37.0 | 34.5 |
| P/B (x) | 38.3 | 25.7 | 25.7 | 25.7 | 25.7 |
| EV/EBITDA (x) | 29.0 | 28.0 | 26.9 | 24.7 | 23.0 |

*Source: Company, Nirmal Bang Institutional Equities Research; *Pre-tax*

**Exhibit 2: No change in our estimates**

| Y/E March | Earlier Estimates | | | New Estimates | | | *Change (%)* | | |
|---|---|---|---|---|---|---|---|---|---|
| (Rs mn) | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | *FY23E* | *FY24E* | *FY25E* |
| Net Sales | 54,743 | 58,275 | 61,484 | 54,743 | 58,275 | 61,484 | *0.0* | *0.0* | *0.0* |
| EBITDA | 16,235 | 17,676 | 18,921 | 16,235 | 17,676 | 18,921 | *0.0* | *0.0* | *0.0* |
| *EBITDA margin (%)* | *29.7* | *30.3* | *30.8* | *29.7* | *30.3* | *30.8* | *0.0* | *0.0* | *0.0* |
| Adj PAT | 10,962 | 12,064 | 12,938 | 10,962 | 12,064 | 12,938 | *0.0* | *0.0* | *0.0* |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Takeaways from Colgate-Palmolive (India) Limited Analyst Conference Dec'2022

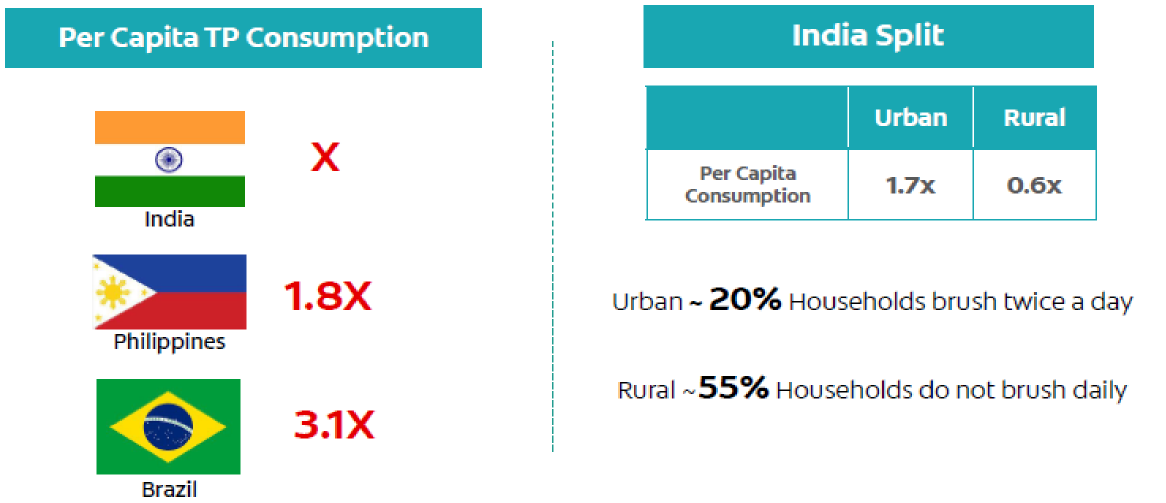
### Background

- Colgate is India's most penetrated brand at penetration levels of ~88.1%.
- The company reaches 9 of the 10 households in India and is 3x bigger than the second biggest player in the Oral Care category.
- It has over 1,500 patents per year and has direct coverage of 1.7mn stores, of which 95% are active every quarter.
- 75% business is supported by on-site merchants. Share gains in E-commerce and Modern Trade channels are therefore higher compared to traditional trade.
- Colgate is no.1 prescribed brand by dentists. The company's eB2B platform 'Dentist First' is expected go live in 2023.

### Unparallel India Opportunity

- Drive category volume
  - Per capita toothpaste consumption in India at 1x is lower than 1.8x for the Philippines and 3.1x for Brazil. This provides an opportunity to drive volume growth.
  - Increasing consumption levels in the rural markets as ~55% of rural households do not brush daily.
  - In urban markets, ~20% of the households brush twice a day, which represents an opportunity to focus on the balance 80% households to further increase consumption.

**Exhibit 3: Low per capita consumption provides strong growth opportunity**

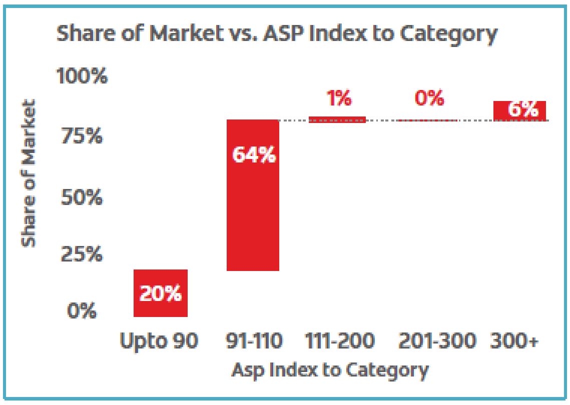



*Source: Company, Nirmal Bang Institutional Equities Research*

- Premiumisation
  - Nearly 2/3rd of the toothpaste market is price indexed between 91 and 110 (ASP index to category), which provides opportunity to start offering benefits to consumers that allow the company to convert base value consumers to higher priced products and move them up the value ladder.
  - Compared to toothpaste, toilet soaps represent a much larger potential in terms of premiumisation, where indexed spends per household by more premium consumers (Socio Economic Class A) at 4.4x are 2.2x higher than spends made on toothpaste (2x).

**Exhibit 4: Huge premiumisation potential**

| MAT Mar'22b | Toothpaste | Toilet Soaps |
|---|---|---|
| Indexed Spends/HH by Socio Economic Class | | |
| SEC A | 2x | 4.4x |
| | 1.4x | 1.7x |
| SEC C | 1.4x | 2.6x |
| SEC DE | x | 1.7x |



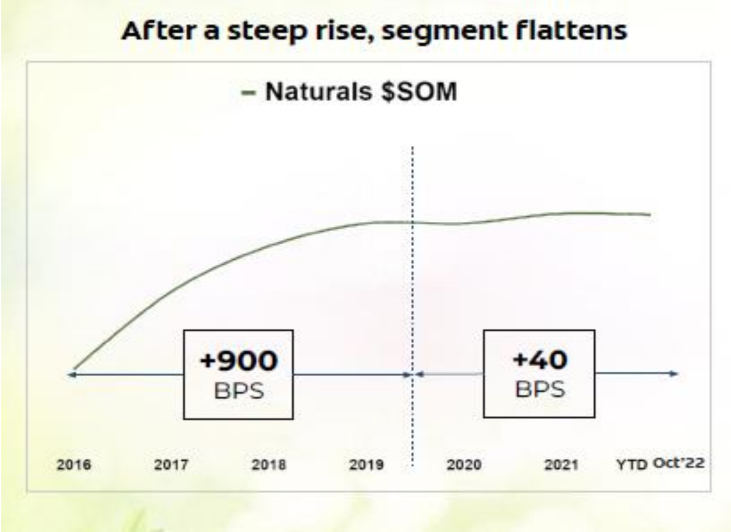

*Source: Company, Nirmal Bang Institutional Equities Research*

## Pillars of growth

### I. Lead toothpaste category growth through:

- *Colgate Strong Teeth* - Company's most penetrated toothpaste, which has patented arginine technology. 7 of 10 households use Colgate Strong Teeth toothpaste.
- *Colgate Max fresh* – Largest category driver in the Freshness category.
- Growth in Naturals segment - which saw some uptick from 2016-2019 (+900bps) is now plateauing and has seen just +40bps growth since 2020.
- Colgate Salt – Most successful innovation introduced by the company and is extremely successful in South and East India.
- Driving consumption and category development.
- Partnerships to improve oral health. The company has entered into a special partnership in Andhra Pradesh through project 'Chirunavvu' and is targeting to educate over 4mn children across the state on oral health practices.

**Exhibit 5: Naturals plateauing**




*Source: Company, Nirmal Bang Institutional Equities Research*

**II. Drive premiumisation through science led products**

- Whitening – The company entered Oral Beauty segment through *Colgate Visible White* and is seeing good traction. CLGT has ~70% share in the whitening segment.
- *Colgate Total* –This represents an opportunity to premiumise from *Colgate Strong Teeth* to *Colgate Total*.
- Kids segment – A wide range of products are available in this segment for age groups from 0-6 years.

**III. Lead category growth in toothbrush and devices**

- General view is that toothbrush should be replaced once in every three months. In India, urban users replace their toothbrush once in every six months and rural users in every 15 months. Getting consumers to replace toothbrush at right frequency provides good volume growth opportunity.
- Around 90% of the toothbrush market is priced below Rs50 and ~64% is priced below Rs30. This concentration at the lower end of the price curve provides opportunity to premiumise in this category and drive value growth.
- *Colgate Flexi* - Strong distribution and uplift in visibility will drive growth.
- *Colgate Gentle* – Most successful toothbrush range for the company. It is available at multiple price points.
- Electrical toothbrush segment:
    - The segment is at a very nascent stage in India and the company has a large play in this category.
    - The company is having a kids range as well, which is available at attractive price points.
    - It also has products and devices that can be sold using dentist connects and the same is available with the company.

**Exhibit 6: Opportunity in the Toothbrush category**

**Volume**

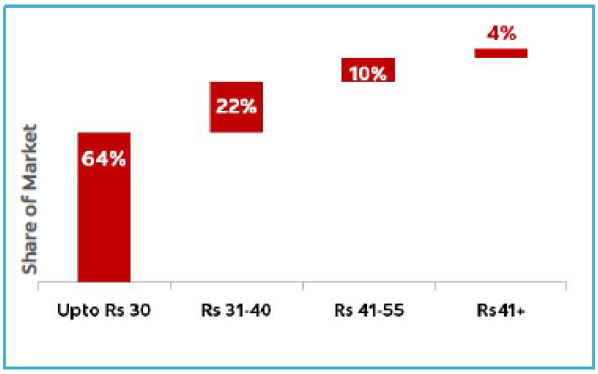
| | Urban | Rural |
|---|---|---|
| Per Capita Consumption | 1.3x | 0.5x |

**Brush Replacement**

**Urban ~** Once every 6 months

**Rural ~** Once every 15 months

**Value**




~90% market at <INR 50 price point

*Source: Company, Nirmal Bang Institutional Equities Research*

### IV. Build Personal Care business

- Through Hand and Body play via the *Palmolive* brand.
- The company has 20% market share in e-commerce channel in areas where the company is present.
- Market is at a nascent stage and therefore provides good growth opportunity.
- The company will also look at inorganic growth opportunities in the Personal Care business apart from driving growth through *Palmolive* brand.

### Growth Enablers

- Superior Science backed Products
- Driving Financial Efficiency
  - Financial metrics continue to remain industry leading. However, ratios seem to have come off in the recent past but continue to remain strong.
  - Revenue growth management - Using analytics to drive premiumsation and commercial efficiency.
  - Funding growth by taking costs out of the systems by streamlining supply chain operations and other P&L line items.
  - EBITDA margin for the company has expanded by ~900bps in the last 10 years.
- Digital at the core
  - The company has established digital analytics wing made up of data scientists.
  - All of the company's systems are connected to each other and the same allows it to extract predictive insights.
  - Smile Stores – The company provide AI-led assortment recommendations to ~1.7mn stores. It captures data points from past purchases which are then used to provide inputs to the store owner.
  - Creating in-store digital analytics through CP AMAZING – this is an AI-based image recognition tool that scans the store shelves to capture images and then provides live insights based on the image captured. Accuracy level of this tool is over 90%.
- Making the organization future fit
  - The company has a 'built, buy and borrow strategy'.
  - Build – The company is keen to provide people opportunity to develop new skills through two of their programs – LEAP and Evolve.
  - Borrow by leveraging global talent. ~90% of the current Leadership Team has global experience.
  - Buy – strategic hires from time to time with an intent to build niche capabilities.
  - Creating culture that is performance oriented.
- Environment, Social, Governance (ESG)
  - The company's purpose is to build healthier future.

- The company released its first ESG report this year.
- It will shift to recyclable tubes for 100% of the portfolio going ahead.

**Exhibit 7: Superior product portfolio**

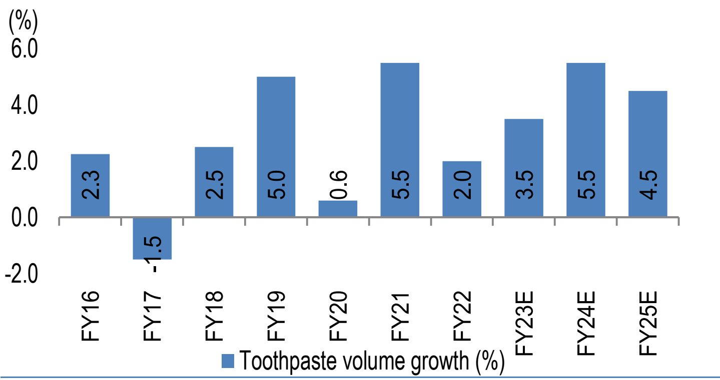

*Source: Company, Nirmal Bang Institutional Equities Research*

**Other highlights**

- The company's commitment is to drive competitive growth and to make sure that there is category growth as well alongside. Its objective is to restore growth which was seen 2-3 years ago. Its first task is to drive consumers to brush their teeth at least once a day and ideally twice a day.
- CLGT will drive Premiumisation:
  - Keeping in mind the idea of family health/protective oral care through right products and by reaching consumers who have the ability to premiumise.
  - Focusing on the Oral Beauty segment, which is very distinct from the Hygiene category and tends to be much less price elastic than the core business.
  - Leveraging partnerships via dentists and professionals.
- The Personal Care category represents a huge growth opportunity. The category tends to have higher gross margins, but EBITDA margins are lower due to investments that are required to be made to grow the category.
- While penetration is easier, building categories and growing consumption is not. The company believes that it has the right mix of products & reach and needs to ensure that it continues to invest in the brand consistently to build for the future.
- India is one of the three key countries for the parent company. The mandate given to the new MD and CEO, Ms. Prabha Narasimhan is to drive growth in India.
- The idea to drive growth in India will be to have strong margins to be able to grow the business through investments.
- Opportunities in Oral Care and Personal Care categories are huge and hence the current focus will remain on these categories. The company will continue to look at expansion in other categories over time where Colgate is present globally e.g - Home Care category.
- CLGT's strategy is to grow organically and inorganically in the Personal Care portfolio. Current focus will be on hand wash, body wash and face wash through the Palmolive range.
- Contribution from premium products is close to double digit and varies by channels. Individually, both E-commerce and Modern Trade channels contribute in high double digits in the overall sale of premium products whereas contribution from General Trade channel is lower.
- Rural market did not see volume growth in the past due to lower investments.
- In the last four years, the company has built its strength in the North, Central and Eastern parts of the country significantly through distribution expansion. Evolution of pack sizes and penetration has led to trials of core brands in these markets.
- Oral Care penetration in India 10 years ago was just above 80%, which has moved up significantly since then, led by Colgate.

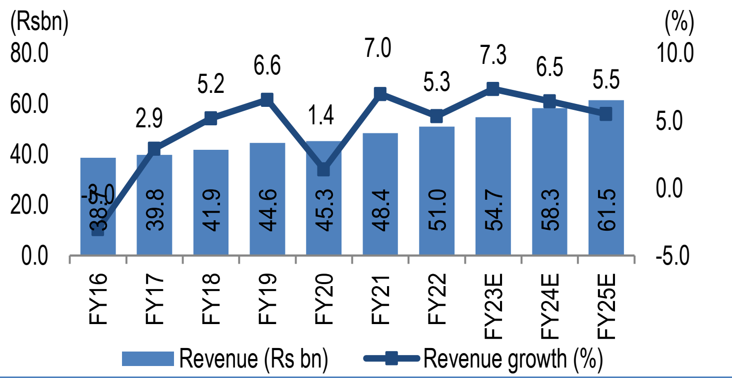
## FINANCIAL STORY IN CHARTS

**Exhibit 8: We are building in ~4.5% average toothpaste volume growth for the next three years**



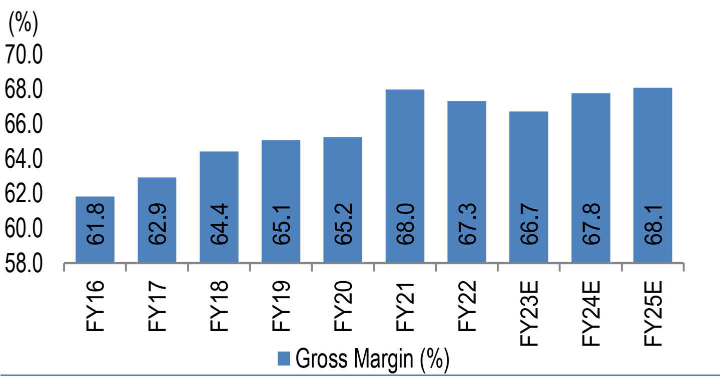

*Source: Company, Nirmal Bang Institutional Equities Research*
*Note: Volume growth in FY21 is our estimate, based on quarterly average growth*

**Exhibit 9: ….leading to ~6.5% revenue growth over FY22-25E**



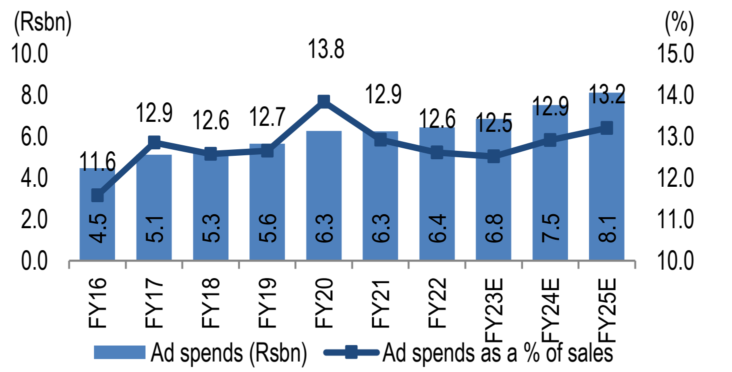

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 10: We expect gross margins to expand by ~80bps over FY22-FY25E**



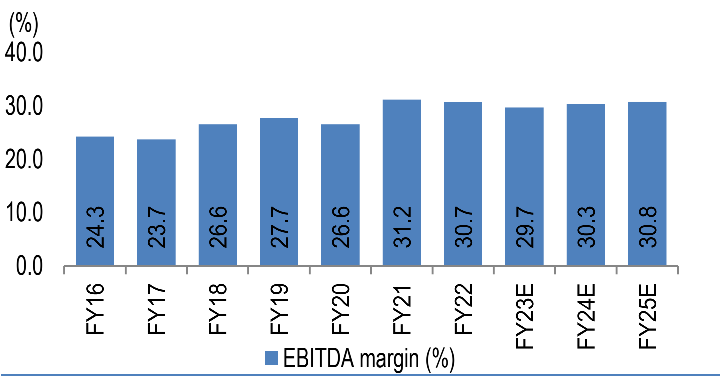

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 11: We build Ad spends to increase in FY24 & FY25 but still expect it stay in the range of 12-13%**



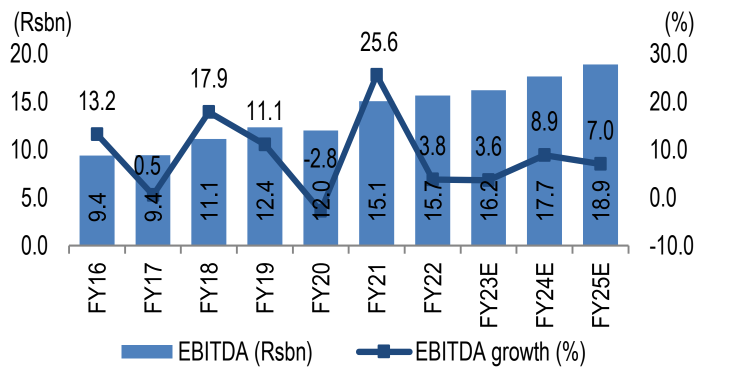

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 12: EBITDA margin is thus expected to reach 30.8% in FY25E**



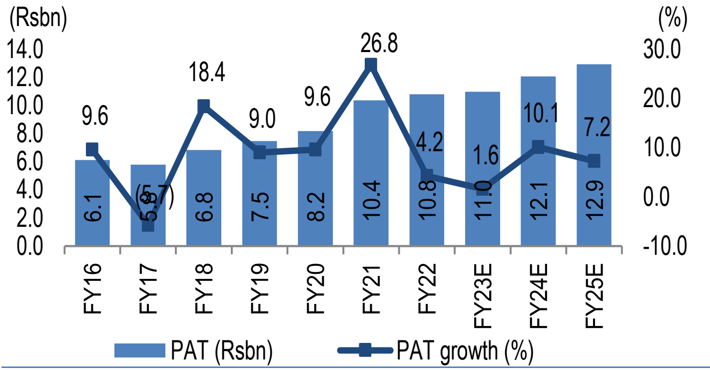

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 13: EBITDA to grow by 6.5% over FY22-25E**



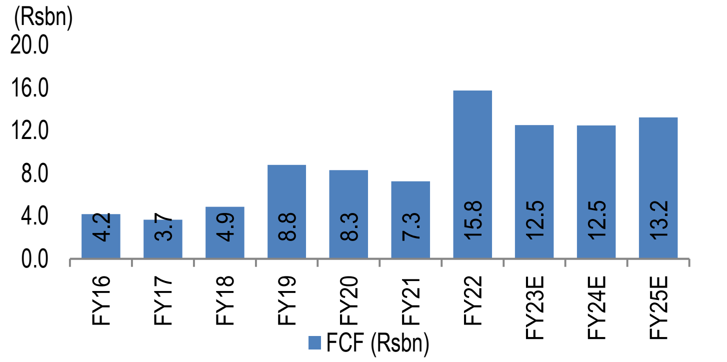

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 14: We expect Adj. PAT to grow by 6.2% over FY22-25E**



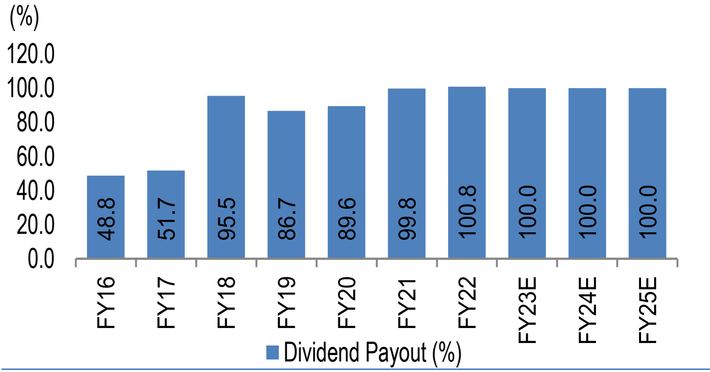

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 15: FCF is likely to decline over FY22-25E due to higher expected investments**



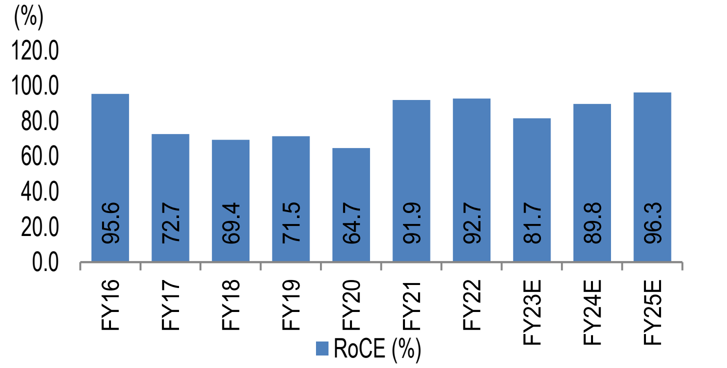

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 16: CLGT will continue to have high dividend payouts**



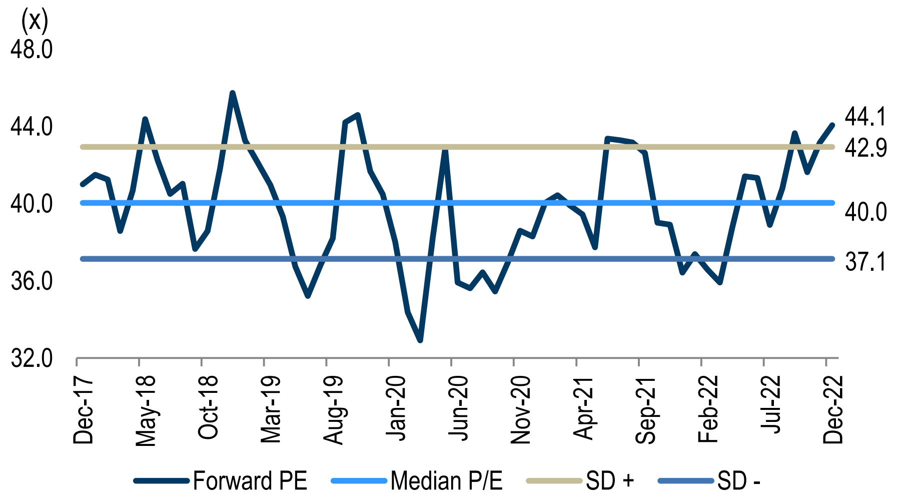

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 17: RoCE (pre-tax) is likely to remain elevated**




*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 18: One-year forward P/E**




*Source: Company, Nirmal Bang Institutional Equities Research*

## Financials

### Exhibit 19: Income statement

| Y/E March (Rsmn) | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Net Sales (incl. OOI) | 48,412 | 50,998 | 54,743 | 58,275 | 61,484 |
| ***% Growth*** | ***7.0%*** | ***5.3%*** | ***7.3%*** | ***6.5%*** | ***5.5%*** |
| COGS | 15,494 | 16,668 | 18,218 | 18,771 | 19,620 |
| Staff costs | 3,656 | 3,851 | 4,050 | 4,455 | 4,821 |
| Advertising costs | 6,255 | 6,431 | 6,849 | 7,521 | 8,117 |
| Other expenses | 7,911 | 8,381 | 9,390 | 9,852 | 10,005 |
| Total expenses | 33,316 | 35,331 | 38,507 | 40,599 | 42,563 |
| EBITDA | 15,096 | 15,667 | 16,235 | 17,676 | 18,921 |
| ***% growth*** | ***25.6%*** | ***3.8%*** | ***3.6%*** | ***8.9%*** | ***7.0%*** |
| *EBITDA margin (%)* | *31.2%* | *30.7%* | *29.7%* | *30.3%* | *30.8%* |
| Other income | 304 | 263 | 323 | 436 | 534 |
| Interest costs | 73 | 59 | 55 | 50 | 50 |
| Depreciation | 1,825 | 1,773 | 1,854 | 1,940 | 2,115 |
| Profit before tax (before exceptional items) | 13,502 | 14,097 | 14,650 | 16,122 | 17,289 |
| Tax | 3,148 | 3,307 | 3,687 | 4,058 | 4,352 |
| PAT | 10,354 | 10,790 | 10,962 | 12,064 | 12,938 |
| *PAT margin (%)* | *21.4%* | *21.2%* | *20.0%* | *20.7%* | *21.0%* |
| ***% Growth*** | ***26.8%*** | ***4.2%*** | ***1.6%*** | ***10.1%*** | ***7.2%*** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 20: Balance sheet

| Y/E March (Rsmn) | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Share capital | 272 | 272 | 272 | 272 | 272 |
| Reserves | 11,387 | 17,075 | 17,075 | 17,075 | 17,075 |
| Net worth | 11,659 | 17,347 | 17,347 | 17,347 | 17,347 |
| Others | 912 | 831 | 831 | 831 | 831 |
| **Total liabilities** | **12,570** | **18,177** | **18,177** | **18,177** | **18,177** |
| Gross block | 23,335 | 24,091 | 24,691 | 25,691 | 27,191 |
| Depreciation | 12,688 | 14,461 | 16,315 | 18,255 | 20,370 |
| Net block | 10,647 | 9,630 | 8,376 | 7,436 | 6,821 |
| Capital work-in-progress | 1448 | 1218 | 1218 | 1218 | 1218 |
| Investments | 186 | 0 | 0 | 0 | 0 |
| Inventories | 3,358 | 3,572 | 3,626 | 3,689 | 3,847 |
| Debtors | 1,171 | 2,247 | 1,489 | 1,585 | 1,672 |
| Cash | 8,676 | 7,547 | 9,368 | 10,181 | 10,970 |
| Loans & advances | 788 | 1710 | 2438 | 2699 | 2969 |
| Other current assets | 2617 | 2921 | 2925 | 2610 | 2614 |
| Total current assets | 16,611 | 17,997 | 19,846 | 20,764 | 22,072 |
| Creditors | 7,604 | 7,714 | 8,315 | 8,260 | 8,917 |
| Other current liabilities & provisions | 8,765 | 3,127 | 3,121 | 3,155 | 3,191 |
| Total current liabilities | 16,370 | 10,841 | 11,436 | 11,415 | 12,108 |
| Net current assets | 241 | 7,156 | 8,410 | 9,349 | 9,965 |
| Deferred tax asset | 48 | 173 | 173 | 173 | 173 |
| **Total assets** | **12,570** | **18,177** | **18,177** | **18,177** | **18,177** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 21: Cash flow

| Y/E March (Rsmn) | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| PAT | 9,919 | 10,391 | 10,963 | 12,065 | 12,939 |
| Depreciation | 1,825 | 1,773 | 1,854 | 1,940 | 2,115 |
| Other income | -79 | -58 | -268 | -386 | -484 |
| (Inc.)/dec. in working capital | -3,826 | 4,151 | 567 | -127 | 174 |
| **Cash flow from operations** | **7,839** | **16,257** | **13,116** | **13,492** | **14,744** |
| Capital expenditure (-) | -573 | -496 | -600 | -1,000 | -1,500 |
| **Net cash after capex** | **7,265** | **15,762** | **12,516** | **12,492** | **13,244** |
| Inc./(dec.) in investing | 1,060 | -812 | 0 | 0 | 0 |
| Others | 5,703 | -5,173 | 321 | 445 | 542 |
| **Cash from investments activities** | **6,190** | **-6,481** | **-279** | **-555** | **-958** |
| Dividends paid (-) | -9,211 | -10,572 | -10,962 | -12,064 | -12,938 |
| Others | -353 | -334 | -54 | -59 | -59 |
| **Cash from financial activities** | **-9,565** | **-10,906** | **-11,017** | **-12,124** | **-12,997** |
| Opening cash balance | 4,213 | 8,676 | 7,547 | 9,368 | 10,182 |
| Closing cash balance | 8,676 | 7,547 | 9,368 | 10,182 | 10,970 |
| Change in cash balance | 4,464 | -1,129 | 1,821 | 814 | 789 |

*Source: Company, Nirmal Bang Institutional Equities Research*

*Note: There is significant change in working capital in FY21 due to inclusion of dividend declared (but unpaid as on FY21) in financial assets*

### Exhibit 22: Key ratios

| Y/E March | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| **Per share (Rs)** | | | | | |
| EPS | 38.1 | 39.7 | 40.3 | 44.4 | 47.6 |
| Book value | 42.9 | 63.8 | 63.8 | 63.8 | 63.8 |
| DPS | 38.0 | 40.0 | 40.3 | 44.4 | 47.6 |
| **Valuation (x)** | | | | | |
| EV/sales | 9.0 | 8.6 | 8.0 | 7.5 | 7.1 |
| EV/EBITDA | 29.0 | 28.0 | 26.9 | 24.7 | 23.0 |
| P/E | 43.1 | 41.4 | 40.7 | 37.0 | 34.5 |
| P/BV | 38.3 | 25.7 | 25.7 | 25.7 | 25.7 |
| **Return ratios (%)** | | | | | |
| RoCE (Pre-tax) | 91.9 | 92.7 | 81.7 | 89.8 | 96.3 |
| RoE | 75.0 | 74.4 | 63.2 | 69.5 | 74.6 |
| **Profitability ratios (%)** | | | | | |
| Gross margin | 68.0 | 67.3 | 66.7 | 67.8 | 68.1 |
| EBITDA margin | 31.2 | 30.7 | 29.7 | 30.3 | 30.8 |
| EBIT margin | 27.4 | 27.2 | 26.3 | 27.0 | 27.3 |
| PAT margin | 21.4 | 21.2 | 20.0 | 20.7 | 21.0 |
| **Liquidity ratios (%)** | | | | | |
| Current ratio | 1.0 | 1.7 | 1.7 | 1.8 | 1.8 |
| Quick ratio | 0.8 | 1.3 | 1.4 | 1.5 | 1.5 |
| **Solvency ratio (%)** | | | | | |
| Debt to Equity ratio | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Turnover ratios** | | | | | |
| Total asset turnover ratio (x) | 4.4 | 3.0 | 3.3 | 3.5 | 3.7 |
| Fixed asset turnover ratio (x) | 4.5 | 5.3 | 6.5 | 7.8 | 9.0 |
| Debtor days | 9 | 12 | 12 | 10 | 10 |
| Inventory days | 75 | 76 | 72 | 71 | 70 |
| Creditor days | 162 | 168 | 161 | 161 | 160 |

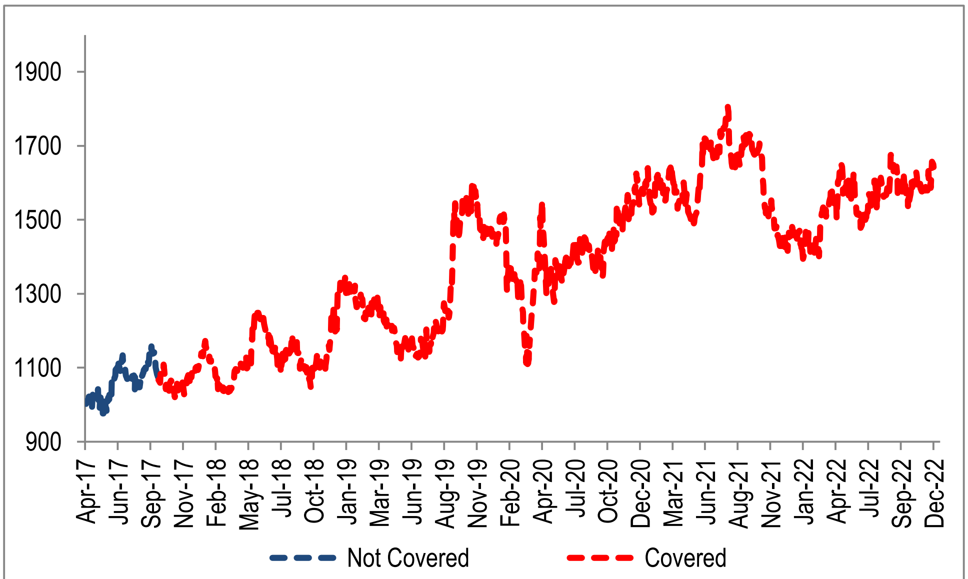
*Source: Company, Nirmal Bang Institutional Equities Research*

## Rating track

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 29 September 2017 | Accumulate | 1,055 | 1,100 |
| 17 October 2017 | Accumulate | 1,063 | 1,100 |
| 6 February 2018 | Accumulate | 1,121 | 1,200 |
| 22 May 2018 | Accumulate | 1,208 | 1,260 |
| 27 July 2018 | Accumulate | 1,085 | 1,200 |
| 30 October 2018 | Accumulate | 1,102 | 1,220 |
| 28 January 2019 | Accumulate | 1,287 | 1,300 |
| 9 April 2019 | Accumulate | 1,228 | 1,370 |
| 28 May 2019 | Accumulate | 1,180 | 1,320 |
| 19 July 2019 | Accumulate | 1,203 | 1,320 |
| 25 October 2019 | Accumulate | 1,564 | 1,500 |
| 31 January 2020 | Accumulate | 1,396 | 1,455 |
| 30 March 2020 | Buy | 1,160 | 1,470 |
| 22 May 2020 | Accumulate | 1,313 | 1,375 |
| 30 July 2020 | Accumulate | 1,448 | 1,460 |
| 23 September 2020 | Accumulate | 1,342 | 1,500 |
| 22 October 2020 | Accumulate | 1,427 | 1,520 |
| 21 December 2020 | Accumulate | 1,600 | 1,610 |
| 8 January 2021 | Accumulate | 1,610 | 1,660 |
| 29 January 2021 | Accumulate | 1,564 | 1,675 |
| 9 April 2021 | Accumulate | 1,590 | 1,675 |
| 18 May 2021 | Accumulate | 1,597 | 1,700 |
| 24 June 2021 | Accumulate | 1,686 | 1,710 |
| 29 July 2021 | Accumulate | 1,709 | 1,755 |
| 23 September 2021 | Accumulate | 1,720 | 1,855 |
| 25 October 2021 | Accumulate | 1,536 | 1,720 |
| 27 January 2022 | Accumulate | 1,395 | 1,575 |
| 21 February 2022 | Accumulate | 1,411 | 1,555 |
| 27 May 2022 | Accumulate | 1,609 | 1,580 |
| 27 July 2022 | Accumulate | 1,564 | 1,660 |
| 14 September 2022 | Accumulate | 1,626 | 1,720 |
| 20 October 2022 | Accumulate | 1,605 | 1,720 |
| 13 December 2022 | Accumulate | 1,642 | 1,720 |

*Coverage transferred to Vishal Punmiya w.e.f. 19th August 2019*

## Rating chart



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BUY > 15%

ACCUMULATE -5% to15%

SELL < -5%

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