

Colgate Palmolive (India) Ltd.CMP Rs. 701.30
HOLDResult Update
Q3FY10

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Colgate Palmolive (India) Ltd reported a good set of numbers for the quarter ended December 2009. The company's topline continued to grow well while increasing its market share in toothpastes and toothbrushes.

On a Y-o-Y basis, the company's topline grew by 17%, to Rs.4,906.1 Mn from Rs.4,192.2 Mn. This was on the back of a strong 13% volume growth. Operating Profits shot up to Rs.1,008.3 Mn from Rs.745.7 Mn in Q3FY09, a jump of 35.22%. Apart from the growth in topline, the rise in OPM was primarily due to a cutdown in Other Expenditure. A&SP was increased by 59% y-o-y and stands at 15.3% of Sales which we feel is healthy. Consequently, Total Expenditure increased by only 13% and OPM improved by a strong 276 bps to 20.55%. Reported PAT stood at Rs.1,163.9 Mn as against Rs.777.4 Mn for the same period, the year before, an increase of 49.72% while EPS grew to Rs.8.6 from Rs.5.7.

As compared to the previous quarter, Q2FY10, Net Revenues were almost flat at Rs.4,906.1 Mn while PAT was up 29.75% from Rs.897 Mn to Rs.1,163.9 Mn. This was predominantly due to Taxes that went down from Rs.216.2 Mn to Rs.61.2 Mn. This happened due to some earlier year provisions being written back with favorable judgments received for the Company.

In the toothpaste category, the company increased its leadership position to 52.4% market share (volume, Jan 09 – Dec 09). Volume growth registered for the quarter stood at 15%(y-o-y). In the toothbrush category, market share increased to 39.5% while that in the toothpowder category, was at 48.4% (volume, Jan 09 - Dec 09).

The Company also declared a second interim dividend of Rs.7 during the quarter. At a CMP of Rs.701.30, it is trading at a PE(TTM) of 24.6. While the business fundamentals for the company remain strong, looking at the high valuations, we recommend a Hold.

Colgate: Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(%)	Q3FY09	Y-Y(%)	9 mth FY10	9 mth FY09	Y-Y(%)
Net Revenues	4,906.1	4,872.6	0.69%	4,192.2	17.03%	14,458.6	12,393.5	16.66%
Cost of Materials	2,099.8	2,075.8	1.16%	1,849.4	13.54%	6,225.2	5,407.9	15.11%
Gross Profit	2,806.3	2,796.8	0.34%	2,342.8	19.78%	8,233.4	6,985.6	17.86%
Staff Costs	406.2	372.8	8.96%	346.8	17.13%	1,169.7	996.4	17.39%
Advertising and Sales Promotion	752.8	825.1	-8.76%	472.3	59.39%	2,160.7	2,015.1	7.23%
Other Expenses	639.0	648.7	-1.50%	778.0	-17.87%	1,892.9	2,028.2	-6.67%
Total Expenditure	3,897.8	3,922.4	-0.63%	3,446.5	13.09%	11,448.5	10,447.6	9.58%
Operating Profit	1,008.3	950.2	6.11%	745.7	35.22%	3,010.1	1,945.9	54.69%
OPM (%)	20.55%	19.50%		17.79%		20.82%	15.70%	
Other Income	277.8	221.9	25.19%	228.4	21.63%	759.6	781.8	-2.84%
EBITDA	1,286.1	1,172.1	9.73%	974.1	32.03%	3,769.7	2,727.7	38.20%
Depreciation	55.8	57.6	-3.13%	55.3	0.90%	169.7	166.0	2.23%
EBIT	1,230.3	1,114.5	10.39%	918.8	33.90%	3,600.0	2,561.7	40.53%
Interest	5.2	1.3	300.00%	1.1	372.73%	11.0	9.9	11.11%
PBT	1,225.1	1,113.2	10.05%	917.7	33.50%	3,589.0	2,551.8	40.65%
Tax	61.2	216.2		140.3		500.3	420.3	
PAT	1,163.9	897.0	29.75%	777.4	49.72%	3,088.7	2,131.5	44.91%
Equity Capital (FV Re1)	136.0	136.0		136.0		136.0	136.0	
EPS	8.6	6.6	29.75%	5.7	49.72%	22.7	15.7	44.91%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q1FY10	Q4FY09	Q-Q(bps)	Q1FY09	Y-Y(bps)	9 mth FY10	9 mth FY09	Y-Y(bps)
OPM (%)	20.55%	19.50%	105.1	17.79%	276.4	20.82%	15.70%	511.8
EBITDA (%)	26.21%	24.05%	215.9	23.24%	297.8	26.07%	22.01%	406.3
EBIT (%)	25.08%	22.87%	220.4	21.92%	316.0	24.90%	20.67%	422.9
PAT (%)	23.72%	18.41%	531.4	18.54%	518.0	21.36%	17.20%	416.4
Operational Parameters								
YE March (Rs. Mn.)	Q110	Q409	Q-Q(bps)	Q109	Y-Y(bps)	9 mth FY10	9 mth FY09	Y-Y(bps)
RM Consumed	42.80%	42.60%	19.8	44.12%	(131.5)	43.06%	43.63%	(58.0)
Advertising and Sales Promotion	15.34%	16.93%	(158.9)	11.27%	407.8	14.94%	16.26%	(131.5)
Staff Cost	8.28%	7.65%	62.9	8.27%	0.7	8.09%	8.04%	5.0
Other Expenditure	13.02%	13.31%	(28.9)	18.56%	(553.4)	13.09%	16.37%	(327.3)
Effective Tax Rate	5.00%	19.42%	(1442.6)	15.29%	(1029.3)	13.94%	16.47%	(253.1)

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Colgate

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