

With a Smile at the Heart of Colgate



“Colgate-Palmolive India Limited Q4 FY-20 Earnings Conference Call”

May 22, 2020

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COLGATE-PALMOLIVE INDIA LIMITED**



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Moderator: Ladies and gentlemen, good day, and welcome to the Colgate-Palmolive India Limited Earning Conference Call for the quarter and year ended March 2020. This will be an audio webcast. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note this conference is being recorded.

We have with us today Mr. Ram Raghavan – Managing Director of Colgate-Palmolive India Limited and Mr. M.S. Jacob – Chief Financial Officer. Today’s session will be for 60 minutes. We will start with a brief presentation by Mr. Ram and Mr. Jacob sharing their perspectives regarding the company’s performance for the quarter and the year FY 2019-20 . This will be followed by a Q&A session. The dial in numbers are in the link that can be seen below the webcast. Thank you and over to you, sir.

Ram Raghavan: Thank you. Good morning and a very warm and healthy welcome to Colgate’s First Virtual Analysts Call. To begin with, I hope you, your near and dear ones are all safe and healthy. Let me begin by stating as of this morning, all Colgate India employees and their families are also safe and healthy.

First, I want to begin by thanking our consumers for their continued trust and faith they put in our brand every single day. I also want to give a shout out to all our customers, distributors and suppliers for their enduring partnership and their support during this unprecedented time. Last, but certainly not the least, I want to take a moment to thank each and every one of our employees and their families. Their resilience, passion, commitment has been an absolute source of inspiration for me personally, and one can only help feel proud of being part of the Colgate India family.

Moving on to today’s agenda, Jacob and I will go through a prepared presentation and subsequently open up for a Q & A session as highlighted at the end. Under normal circumstances, this would have been a lot more interactive and audio visual, given the nature of the content. But given the nature of the call, I will do my very best to make it as engaging as possible to do justice to the brilliant and phenomenal work that has been accomplished by the entire organization.

If you recall when we met about seven or eight months ago, we spoke about a sharpened focus on three core aspects to make sure that we continue to help, drive, sustainable, profitable long-term growth and value for all our stakeholders. While the COVID-19 pandemic has required us to look to take the right course corrective action, we remain committed to these



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fundamental building blocks around driving sales growth, maximizing earnings, and of course, thought leadership to continue doing.

Let me kick it off with the first one, which is about driving sales growth:

In the context of driving sales growth, we spoke about four critical pillars of success and success being defined as making sure we excel with every single stakeholder of ours across each and every one of these pillars. It starts with building a brand. Strong brands, as we've already seen in the most recent period as well, stand the true test of any and every crisis that is thrown at it. Because when people are anxious, when people are nervous, when people are concerned, they often resort, more often than not, they will go back to brands that they've known for years and years on it. They go back to brands they trust, they go back to brands that they put their hands on and their families, and they've known it for not just a year or two, but have known it for many, many years and have grown up with most of these brands. In the context of that, we start our first pillar as well with making sure that we continue to drive superior brand engagement. At Colgate, we genuinely believe our purpose is about making sure every single person has a future that they can smile about. In essence, we champion optimism. And we believe that that optimism is brought to life through the power of a smile, or very simply as we say, "Smile Karo Aur Shuru Ho Jao". I'm sure you've seen a lot of material in multiple mediums over the past six to nine months on this front.

We typically take stories that represent the evolving conversations in our country, and make sure that the brand represents the power of a smile. But even if you take a task of adoption, which perhaps is amongst the most planned and thought through exercise any family undertakes. Despite that planning, despite that preparation, when it comes down to that moment of truth, there is still that degree of hesitation, that little bit of anxiousness, those butterflies in the stomach and we arm our consumer, by giving them the positivity, the optimism that a smile can help overcome. In addition to this, we're now looking to make sure that the smile is amplified across multiple touch points including reality shows, thereby making it a part of the natural lexicon. In effect, every time you think about a smile, you're going to think about us or our brand. The third pillar of making sure the equity continues to become stronger and stronger, is about championing causes and people. Ultimately it is people who make a difference. And time and again, we've seen our wonderful country has some absolutely stunning stories of resilience, perseverance and overcoming all kinds of hardships, whether it's Anand Arnold, whether it's Sindhu Tai or whether it's Divyanshu, each one of them has had a different aspect or a different challenge to deal with. And it's been their optimistic smile that has given them the courage to come out shining. We also make sure that these stories are brought to life across multitude of mediums, whether it's Yashasvi stories on



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Facebook, whether it's a story on Instagram, we make sure that every one of every Indian consumer has an opportunity to interact and actually see these stories being brought to life.

We don't limit ourselves, just bigger conversations. We also are a brand that is light-hearted. We are also a brand that is useful, in the same point in time while we talk about the bigger context and the societal change that we ultimately want to drive, we also are about having fun, we're also about making sure there are moments that matter, and people enjoy themselves in those moments. A recent example is the work that we've done with Tik-Tok, in an attempt to engage with far younger generations of this country. As you can see by owning the smile again, a simple Smile Day challenge garnered almost 2.5 billion eyeballs, a fantastic performance.

Another recent accomplishment and I know each and every one of you is wondering what this picture actually is, and no, it is not a photoshopped picture. This is live and I can tell you this because I happened to be there when this event actually happened. It was an absolutely proud moment for us when 26,000 children came together at one venue, which was the Kalinga Institute of Social Sciences and actually brushed their teeth breaking a world record. Certainly a proud moment for India, and of course all of us at Colgate India.

I also want to again call out the trust and faith put in our brand by our consumers. A great big thank you to every one of them for the ninth consecutive years, we are India's most trusted oral care brand.

Now that's on the core Colgate equity. Given how all of this has delivered in terms of the results, very simply put, as of March 2020, we've had a more than 300 basis points increase in the number of buying households for brand Colgate. Not only are we in more homes today than we were, we are also strengthening the resilience in terms of the love our consumers have for the brand with the 60 basis points increased on the strength brand love as well during the same period of time. So we're winning hearts, we're winning minds and most importantly, we're winning at the home where ultimately the product is put to the final test.

While we go about building the equity, we also want to make sure that every single person, no matter who you are, and what part of our portfolio you buy, we have something that is meaningful to offer you. In effect, we have a portfolio that caters to just about any and every single person in this country. And we do so with the right aspects and with the right communication and the right experience that one would get from that product. Let me start off by MaxFresh, which is our youthful, our freshness bundle, which is all about energy, how we've translated a simple task of a morning brushing routine and that's burst of freshness it



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gives you is about talking in the context of how it helps give “Har Subha De Aap Ko Ek Nayi Shuruwat”. No matter what your previous day has been, no matter how many hits, how many misses you had the previous day, every morning gives you the opportunity for a fantastic new start and who better than Ranveer Singh to bring this aspect of an energetic start to every morning, given his natural charisma, his natural bursting of energy, we find him the best ambassador for our brand, and constantly look to amplify his experience across multiple vehicles and mediums, including a rap battle, where we were awarded the biggest digital award, “The Golden Digital Award” for “Best Use of Instagram”.

The second aspect we spoke about if you remember, and I couldn’t talk much at that point, when the questions asked us on what we are doing about Vedshakti. And if you recall I spoke to you about the fact that there is something new and different brewing. And it’s about a bigger take on the core of the consumer opportunity versus yet another Ayurvedic product. I am pleased to say that as of Jan, Feb, we’ve gone live with a more proactive approach that structurally helps to resolve bigger problems for consumer, by truly adding value in an area of expertise that we are extremely familiar with, which is the mouth for a consumer and very, very simply put, it is all about “Mooh Swachh Toh Aap Healthy”, making a connection between keeping the overall health of your mouth and thereby improving your overall health so the mouth and the body connection. We’ve launched this campaign interestingly enough; this was done proactively way before COVID. And as only heightened and has actually amplified and had seen consumer traction even more, given the nature of the pandemic that set up. This was done again, across multiple touch points making sure that we brought it to life across every single opportunity where the consumer had the chance to interact with our brand across the entire buying process.

Before I jump into results we also had a mega sampling program going across the (+400) towns across the country and a massive 70 million samples in order to maximize trial opportunity. I think the results speak for themselves, we’ve seen excellent positive attraction (+15%) in terms of awareness, almost 10x new trials and a 2x increase in household penetration for Vedshakti.

The second pillar of growth is innovation:

Again, when we spoke to you earlier, we said you will see an amplified series of initiatives from us, we continue to stay true to that intent. And it begins with the re-launch of our flagship variant, which is Colgate Strong Teeth, again an innovation that was born in India, for India, first in India, and has now actually been taken all over the world. It’s absolutely revolutionary in terms of how it works because the research has been going on for a bit with over 18,000



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people participating in what we've been able to build for our flagship presence. The power of the solution lies in the structure of the formula. It literally is like a smart formula where it feeds the good bacteria in your mouth while killing the bad ones and ultimately giving you four times, sensing power for your teeth. I can confidently tell you; no other toothpaste can strengthen your teeth more than Colgate Strong Teeth. We brought this to life again, through a multitude of mediums, making sure that whether you were in the smallest villages of rural India, and could only spend Rs.10 on toothpaste, we still made sure that the best formula was in the Rs.10 product as well, not compromising a single opportunity to improve overall oral health of our consumers in this country.

The flip side to it, completely very different, largely urban, largely metro, largely modern trade driven, is maximizing on the charcoal opportunity. We launched this product about four months ago and it's doing some phenomenal attraction, despite even the COVID pandemic that's hit us. Again, largely urban and modern trade-oriented, the focus here is about amplifying a current rage and trend around charcoal ingredients. Believe it or not, it's actually a black toothpaste and it is the first black toothpaste not just in India, but anywhere in the world.

We make sure that different facets and different consumer groups also build meaningful businesses, kids and most recently the concern that mothers have with all the kinds of additives that are typically found in a lot of children's products, our new line of Colgate kids products at a premium price make sure that we have zero artificial color, zero artificial preservatives, zero flavors and zero sweetener. Again, this is largely focused on modern trade and urban India. We don't stop just on the toothpaste front, from a toothbrushes side we're looking to amplify not just the charcoal phenomenon, but the broader natural ingredient trend with the launch of Colgate Zigzag Neem along with Super Flexi Charcoal, and Zigzag Charcoal brushes as well. I am also extremely excited to launch our first ever Colgate bamboo brush. Again, this comes with a bamboo handle completely recyclable, zero plastic packaging and the bristles themselves once again infused with bamboo charcoal.

On the electric or the power side – we continue to amplify our portfolio slowly but surely by powering up the brushing experience with the launch of our battery brushes which allow for very meaningful and powerful brushing experience at an affordable price as well. So, for those consumers who want to make their transition from a manual brush into the world of battery and electrical, this offers the first stepping stone into that new and different world.

Our innovation efforts have not stopped in oral care. We've broadened our entire Palmolive franchise with the launch of numerous oils originally began with just shower gels we have now



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extended that from body wash, into shampoos and more importantly, into liquid hand washes as well. The newest addition to our family Palmolive Sanitizers literally conceptualized, built, and shipped in a record time of less than two weeks, all done in April. It's already in the market, hopefully when the markets do open up and you have an opportunity to step out, you will go up and pick this up. I've been using it and I can guarantee you it's a fantastic product, not just in terms of how it works in terms of its 99% germ kill but more importantly, it brings the Palmolive brand to life by caring for your hands and giving you a very pleasant fragrance experience as well.

Third pillar is about Winning in Emerging RE:

There's always been conversation on how we are seeing growth opportunities across the RE and whether RE to wholesale focused or not. Let me reassure you that we believe in fishing as a shark, and make sure that our go-to-market strategies are representative of where growth and where the consumers are actually shopping. I'll kick it off with e-commerce. I'm pleased to say that we've got a dedicated e-commerce team in place within just 60 days. In the last couple of months of 2019 we kicked off a young dynamic team as a separate business unit, dedicated exclusively to our e-com business. We've got a great portfolio made for e-com, and our customer engagement platforms and partnerships are well underway. I think the results speak for themselves not just in terms of three, four years of history, but even if I take a closer look at the first quarter, you can see our market shares, performances in E-com are already up 200 bps versus our history, not only that, despite the COVID situation in many platforms being challenged on labor and delivery issues, we've continued to see strong double-digit growth in the YTD period so far this year in the calendar year.

The second emerging RE is Modern Trade:

Again, we've sharpened our focus in terms of our portfolio. So, our portfolio and you've seen some of these products, very distinctive, very different, and very meaningful for a consumer who's looking for different things. Obviously priced differently, obviously packaged differently and even sized differently, because our learning's continue to indicate that shoppers in this area are looking for very different things from what they would classically purchase in their own kirana stores. Second demand generation models are to be different, it is about in-store visibility, it is about becoming irresistible as a brand and making sure that the entire experience is brought to life at that point of purchase. Again, here the results speak for themselves more than a 2x growth is overall business over the years but again, more



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importantly, even if we take a nearer term outlook to it, our market shares are up 160 basis points in overall modern trade India as of the first quarter this year itself.

The fourth pillar is about our Continuing Our Strength:

We've all spoken about this many, many times, while we continue to make sure that we've remained in the emerging REs, we can never forget the core of our business, which is the distributor, they remain the backbone of our operation, they remain the key as to how we are able to cover the phenomenal number of stores that we do cover and make sure that Colgate is amongst the most well distributed brands in the country. In the last survey that was done amongst distributors, Colgate as an organization did exceedingly well, not just coming in as the most preferred partner to work by a sizable disadvantage, but also when you put it up against some of our other peer group companies who have a much wider range of categories. This certainly is a moment of pride for every one of us. In the context of making sure that we are protecting the core of our business, we've also introduced multiple mechanisms, multiple vehicles and solutions that cater to the wholesale channel again, once again, with an amplified focus on building the brand, if loyalty both not just with the final consumer, but also with the retailer themselves.

The third aspect of our go-to-market is a continued effort to digitize and amplify our transformation on this front, whether it's technology simplification and handheld devices to our salesmen, whether it's communication between our distributors and our organization, and whether it's simple analytical dashboards that allow people on the ground to make the right decisions every single day, real time. All our efforts on the technological front are amplified towards getting our productivity right and making sure that they're empowering our people to take the right decisions based on what data is applicable to them.

Interestingly enough, COVID also gave us an opportunity to try new things. So over the last couple of months, we've had multiple partnerships with so-called last milers or even other delivery partners. Where despite sometimes our distributors have been challenged in terms of labor, we've been able to work with links, load shared, Dunzo, Swiggy, Ubers and Zomato to help with deliveries, whether it's from our distributors to the store, or in some cases, even from our distributors directly to our consumer. Last but certainly not the least, we're also looking at contactless distribution solutions, whether these are through apps or through leveraging the power of WhatsApp, making sure that again, in a post-COVID era, we come out first and ready for what could be a very new and different distribution model.



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With that, I now hand over to Jacob to take you through the next part of the presentation.

M.S. Jacob:

Thank you, Ram and good morning, everybody. So our financial strategy, no change to that, drive top line, drive gross margins, take non variable overheads down, invest beyond advertising and drive operating profit up. So the Q4 results you had a look at last year. We were tracking quite well till the last couple of weeks into March. So net sales was down 7.4% gross margin at a healthy 64.4%, advertising 14.6% a steep increase versus prior year trends, EBITDA closer to 25 and profit after tax up 3.3%.

If you look at the full year basis net sales was up 1.2%, gross margin at 65 which was 20 bps up. Advertising at 14% is the highest we have ever been, and we've been upping our brand engagement and communicating the innovation that Ram talked about. EBITDA at healthy levels 26.8 and profit after tax up 5.3%. Net sales, CAGR of 9% over the last 10 years while gross margin continues to be a good story, despite the fact that we do get a good part of our business from the smaller packs, the LUP packs mainly sold in the rural.

We've also been upgrading our formulation Ram mentioned, Amino Shakti re-launch. So that's been a cost on margins and we've done a couple of other big upgrades and formulations over the last couple of years. So we are focused on bringing the best oral care products to this country.

Moving on advertising as I mentioned at record levels, we have the level of engagement and communicate all the innovation that's going into the products. EBITDA continues to be healthy around 27 levels. Profit after tax CAGR of 7% over 10 years, 816 crore more recent period. EPS up to Rs.30 per share again CAGR line with a profit.

So, dividend per share again our commitment to returning money to shareholders that we don't need to keep in cash form. So also signifies the level of confidence we have in the company that during this period also we upped our dividend as per the trend of the last few years.

So, during this period, things that we normally focus on but even more focus in this period, so receivables we have been very sharp on monitoring it and blocking customers if there is any delinquency, suppliers will continue to pay on time because we understand a lot of them need the cash to keep the business running during this time. And we also have an active vendor finance program at very competitive rates if they want to be paid in advance.

Inventory coverage, it's a dynamic situation, we are conscious of the possibilities that one warehouse may need to shut down sometimes or one area will be contained. So we're just



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trying to have that flexibility while maintaining working capital levels. And of course, the cost focus will continue to be a big thing across lines.

So, that's all I had on the financial piece. I'll now hand it over back to Ram.

Ram Raghavan:

Let me kick off the last and equally important section in terms of our ability on how we lead to win. We focus around three key critical things, our impact on people, our impact in terms of our own performance, and of course our overall contributions towards the sustainable and healthy planet in the future.

In terms of our people, it's only obvious that I kick off with what's probably top of mind for just about everybody right now, what has been our response plan on COVID.

First and foremost, as we state that we made sizable contributions to make sure that we've given ration kits, oral health packs focused towards all the underprivileged or challenged communities during the last 6 to 8 weeks.

In addition to that, I'm sure you have already read the news that included our name as part of one of the key players working with the government on the entire Suraksha Store initiative, which is all about making sure that hygiene and social distancing standards are followed not just in modern trade environments, but across every single store in this country.

Third, a project that we are very, very excited about. As you can imagine the dentist community, or the dental professionals are amongst the highest risk communities and almost all dental practitioners have been forced to shut their respective practices over the last eight weeks or so. Working with them, what Colgate has been able to do, is actually introduced the dentist from a virtual initiative that allows that's absolutely free of costs to any consumer, anywhere in this country who can simply reach out and can get a virtual, or whether it's a visual or an audio conversation or even a chat with a dental professional, and give you advice on how you can immediately deal with some of your oral care concerns or issues that you may have. We tied up with more than 250 dentists and within an extremely short period we've had quite a stellar response with more than (+5000) people already reaching out to these dentists itself.

In addition to this, we're extremely mindful of making sure that we are maintaining the highest hygiene, sanitation and social distancing norms across every single one of our own facilities, whether it's our factories including the way they work, the way they pick up, or our warehouse teams wear full PPE gear that they actually used when working in any one of our warehouses,



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and including our own sales team. But when they're interacting, whether it's a distributor, or whether it's a store owner, or a customer of ours, they themselves are practicing all required hygiene and social distancing norms.

In terms of our continued efforts on the broader side of improving oral health and defining an oral health strategy and a shift towards an improved oral health approach in this country, we are proud of our flagship BSBF program, I'm pleased to say since its inception we are now at almost about 170 million children reach through this program.

In addition to that, making sure that we remain sustainable in our approach to all our production capabilities, whether it's the utilization of water in our plants, whether it's self-generated power, whether it's lead certification, we are making sure that we remain at a cutting edge of all sustainability efforts. And ahead of the curve, both in terms of the norm, as well as what industry standards require us to be met.

From a planet point of view, water remains a critical priority as you can well imagine, there's a large part of India that still struggles with basic drinking water. We partnered with organizations such as "Water for People", this is an initiative that we have undertaken in Maharashtra and looking to supply water in the region of Amravati District. We are also partnering with likes of Pratham, likes of Shiksha Daan and Seva Mandir with women's self-help groups and also our continuing efforts to empower children with education across different aspects.

So with that, Jacob and I come to the conclusion of our prepared remarks. He will now hand over to the operator once again to have with any Q&A's that you may have for us.

Before I end, let me once again say to every one of you, wish you and your respective families a safe and healthy week, day, month ahead "Smile Karo Aur Shuru Ho Jao".

Moderator: Thank you very much. We will now begin the question and answer session. We take the first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: My first question is on the Palmolive part of the business. So, historically Colgate India has been quite cautious on this with very little mass media spend till now. You are already a dominant leader in toothpaste and now competition will go further with the HUL handling the GSK Sensodyne part of the business also. So, in the chemist channel clearly competition will increase. Plus because of the COVID clearly you have also launched new products in Palmolive and hygiene will become that much more important for the customer. So, in that



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context because of the new leadership, which Ram has provided, and because of all the reasons which I mentioned, would Palmolive see higher ad spends and higher focus than earlier?

Ram Raghavan:

Hi, Abneesh Roy, thank you for the question. I would say, we were cautiously optimistic about our efforts on Palmolive. The advantage we have is, Palmolive has a wonderful residual, positive residual memory in India which is advantageous to us. If you recall when we last met as well, we spoke about a strategy that will slowly but surely see us bring the right portfolios in the right categories on the Palmolive brand. We don't want to end up being just yet another player in the segment, but we want to make sure that one, the brand has a meaningful presence in terms of its distinctiveness, second in terms of its choices of categories and products and three in terms of the overall brand experience. With that in mind, yes we will continue to make sure that the investments are placed correctly against the consumer audiences that we are going up against. So, if it requires us to be metro focused, it would be metro focused but there are opportunities that are broader based, we will accordingly make sure that we engage with the right touch points and invest accordingly.

Abneesh Roy:

Thanks. My second question is on the broader strategy. When we had met Ram, six months back and today's presentation also, you have said volume growth and margin expansion both are important. Now, when I see FY20, the gross margins are fairly stable, which is not bad. But if you see EBITDA margin has a dip of 90 bps and ad spend has gone up by 130 bps. So, why in FY20 this broader strategy in terms of margin expansion and volume growth also has been fairly limited in FY20. Yes, COVID impacted the last two weeks, but the entire year should have been okay. So, in FY21 seeing the current scenario, do you see volume growth and the margin expansion both possible?

Ram Raghavan:

Quite a few questions in there Abneesh, but let me try and tackle a couple of them and I will let Jacob jump in on the margin and EBITDA ones specifically. Let's talk about growth, I think even when we met last time, we spoke about a balance between volume and pricing, very difficult to gauge and predict what's going to be the consumer pull layout of COVID as you can imagine. We were already starting to see certain categories or categories defined specifically in rural, even the last three quarters. So, COVID just accelerated that. So, the full impact of COVID will genuinely be felt only in the perhaps, next two quarters with Q2 and Q3 calendar year Q2 and Q3. Having said that, I think our portfolio and you'll see choices we continue to make, we'll look to make sure that we bring a portfolio of products that very simply put, will offer different people different things. So irrespective of who you are, and where you are, and what your purchase capacity is, we will fundamentally look to have a solution for you. I think that structurally, it will give us an advantage in terms of striking the



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right balance between volume and pricing to it. Jacob, you want to tackle the question of margin and EBITDA?

M.S. Jacob: Yes. So on margin, Abneesh, our focus would be to drive gross margins, gross profit up. So that will continue to be a focus. The EBITDA margin to the extent is because of changes in advertising, that would be something, we will really need to calibrate the advertising required to put all the communication through and then some of the other stuff that's doing. So gross margin yes, it needs to go up, EBITDA to the extent it's impacted by advertising changes, we would be a bit more flexible.

Abneesh Roy: And last question and in fact it's a follow up only. On the new products launched in the last six, seven months, could you give us some clarity on the performance and the numbers and on natural versus last one year, how much has the percentage moved up?

Ram Raghavan: Let me take this. So, three big, let me start toothpaste first, then I can jump for the other categories. So toothpaste's biggest re-launch has been on the flagship Strong Teeth. So strong performance kicks through going into the back half of last year, we continue to see that trend and frankly speaking, given the preference and given the sheer distribution and availability that CDC has, we think there's just going to be an organic advantage of being India's single largest toothpaste. And we're already seeing it, if you look at our recent data as well, there's just been a natural tendency from a consumer point of view, to go back to CDC. Even if I look at some of our structural very, very core structural indicators of performance, which is household penetration, health of a brand. Again, on both sides, we're seeing good momentum on CDC. And, I think that's always a good indicator. The second one is on charcoal. Charcoal has been a very interesting journey. Hopefully you've tried it by now and I remember giving it to you as well. And hopefully you're enjoying it, and I've become a loyal user to it. But, it was launched literally December, Jan, with a very aggressive modern trade strategy and a metro focus and obviously a very digitally oriented advertising platform. Was off to a flying start, and despite COVID, despite all the challenges of COVID, it's actually on a national urban basis hit a one share in modern trade within just three months. To us that's very encouraging. Not only in terms of its uniqueness as a bundle but given the fact that it is an Rs.100 toothpaste and despite all of this, it's doing well. The third one on Palmolive again, luminous oil doing well in the market and in the stores that we have it in, on liquid hand wash and on sanitizers, we've literally just launched them in the markets, hand sanitizers it's not even been about five weeks, I guess, five and a half weeks or so. And handwash has been about a month and a half to nearly two months. And obviously these are seeing good demand simply because of the condition. So



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it's hard to gauge if it's the absoluteness of the performance, independent of the circumstances. That's all.

Moderator: Thank you. Next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: If you could just walk us through your growth profile, how we changed between Jan, Feb then to March and what you're recently noticing post March. And in that context, what is the current scale up that you've seen across your manufacturing and distribution channels?

Ram Raghavan: I'll kick it off and Jacob, if you feel I missed something, please add any additional color that you think would be necessary. Let me start the growth profile. I think Jacob touched upon it a little bit. Heading, pre COVID we were having a stellar quarter. We were tracking extremely well on just about every internal metric that we enlighten to. Unfortunately, the last 10 days of March impacted the entire quarter, it's simply because not because the brand isn't in demand, it was a simple function of a consumer physical ability to go and buy a product. And similarly, our challenge in terms of making sure that the product was available. So, let me start off with that gives you a sense of where we were in the quarter prior to COVID, hitting us. Subsequently, once COVID hit, I'll break it down into three periods of time, which is, let's say from the lockdown around March 23rd, give or take about April 10th, then the back half of April and then how May is looking. And the reason I'm breaking this down is because each of you probably know way better than I do. In each of these phases, there were different, larger macroeconomic factors that play, including all the practical challenges one has in dealing with any crisis of this sort. So during the lockdown, I think the first, I would say the first week was particularly challenging simply because there was a lot of, there was not enough clarity on what essentials were, were not, how would people shop, who can operate, who cannot operate, so on and so forth. So it was pretty much a period of settling in. Once that got clarified, things started to improve in the back half of April. Simply put, in the back half of April, the problem shifted to something a little different which was more operational in nature, which is a number one, labor coming back to work, whether it was at our plant, whether it was at our warehouses, or whether it was even our distributor operation, or even our customer operation. So even a lot of our direct customers had a lot of their stores shut. As a result, the opportunity for the physical number of stores in which one can supply products was quite dramatically reduced. So, that was the context leading into the back half of April as well. A labor challenge, and the labor challenge that got amplified specifically at our factory, not because of the labor desire to come or not come, which was one part of the problem. But beyond that, as you can well imagine, even if you have a plant, accessories plants for example, technically isn't AP, but our associates come from not just the district of AP where the plant is but the neighboring district and as well as some of them also come across from Tamil Nadu. You can well imagine the



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challenges we faced in terms of not just the interstate but also the intra district movements that were allowed or not. So, the back half of April really was more operational in nature. But again, I would say that we saw things coming back and we were able to get our operation kicked off quite successfully. The third part of it is, which is from April 20th, onwards all the way to sort of May, our single minded focus really has been on stock availability at store. The encouraging piece of news for us at least is the resilience the strength of the brand has come through in shining colors. We've seen a continued demand for brand Colgate, which is fantastic and a great again a shout out to our consumers for their continued trust in us. We've seen that demand continue to exist. So our real focus has been about stock availability. We are managing this list on a very, very granular basis. This is done in the context of literally 730 critical districts of the country defined by their zonal colors, and then how our particular operations are geared towards making sure we have products available. Our plants are up and running, we are somewhere between 70 to 80% capacity output over the last in recent periods that you can imagine that was significantly lower in April, a call out to our customer service logistics team actually our warehouses went into effect way earlier than anybody else's did. And despite having tremendous challenges, whether it was limited working hours, availability of trucks, availability of labor, what we were able to manage to do and I think Jacob touched upon it is, we intelligently managed to hold the right inventory of the right SKU at the right location. That helped us tremendously in continuing to cater to demand that existed. Jacob is there anything else you want to add?

M.S. Jacob: Yes. So the other piece also on the manufacturing side, we focused on the few really fast moving SKUs, so the total prioritization going on in terms of manufacturing side. So, that's been another big focus for us.

Latika Chopra: Thanks, Ram and Jacob. Just a second question was, how are you thinking about the disruption on the wholesale channel, your salience in that channel is on the higher side, so how are you thinking about that. Does it get disrupted for long, how could you mitigate that, particularly feeding into the rural areas?

Ram Raghavan: Honestly, we see it as an opportunity and as a strength Latika, the reason I say it is on two fronts, let me step back and talk about the bigger picture, then I'll come back specifically to how we think we will fair. So, on the bigger picture like I said, there's been a demand for the product and our brand. As a result of that, just like water, ultimately even our products will find their way. So what we were able to intelligently do, was make sure that we channeled our capabilities from a go-to-market point of view, whether it was through direct coverage, whether it was through leveraging of cash and carry or whether it was even about talking through some of our what we call our best wholesaler versus the wholesale mandi. I think



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channeling our distribution towards those allowed us to make sure that the products are available across the supply chain, that's the macro piece of it. From a specific area focus on wholesale, the good thing about the wholesale channel is that they're resilient number one, the second good thing is at least from our point of view is that typically a wholesaler will only stock products that has tremendously high velocity, because even they are equally uncertain and do not want to lock up their liquidity on something that couldn't be stuck with that. So, when it comes to that, simply said quite a few of our SKUs are cash, because the speed at which or the velocity with which they can flow through the system allows the wholesaler to accept a little bit more of risk with us. The second part of it, which is perhaps the more challenging one even for us because it's a little bit of unknown, is when will the entire mandi or a wholesale mandi function at 100% operational level. And like I said, while we remain conscious and keep a close monitoring and an outlook as to when that is going to happen, we are compensating that with all our other goal market efforts, whether it's a direct coverage, whether it's a best wholesaler, or whether it's cash and carry.

Moderator: Thank you. We take the next question from the line of Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: Very interesting presentation, I must compliment you for that. But, I was hoping to see some market share slides, something that you usually present. So, can you just talk about overall market share as well as market share in the natural segment and how it has trended, let's say leave aside 2020. But let's say until 2019, what was the trend that you were seeing. That's question number one.

Ram Raghavan: Okay. So market shares remain stable in 2019, slightly down, volume was healthy and comfortable. 2020 of the first three, four months that we are seeing so far has seen a pickup share consecutively for most depending on which retail environment, we continue to be heading in the right direction. And we're monitoring, we are obviously, there's going to be a delay even in Nielsen data coming in to us. But having said that, we are closely monitoring our scan shares as well, which is the data that we directly get from our customers. And I can tell you that pretty much three, four months consecutively on a run, we've been seeing share growth and momentum. So, that's good news heading on that front. Even March despite all the noise and news that happened everywhere. Our overall shares were up 80 bps on a natural basis, for a brand like us to grow 80 bps in a month on a national basis is commendable. So, I think that hopefully talks to the point on broader market shares. On natural early days, but very, very encouraging from an overall share point of view, we are up about 20 or 30 bps, bringing the overall to close to three share points from the overall Vedshakti franchise. Our new platform and the new positioning that we've undertaken has literally kicked off only about



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three months ago. So, I don't have broader national numbers as yet, or enough data points, to have a sense of how successful it's been so far. What we do have are again early indicators from some of our modern trade customers. And I can't reveal those numbers because India unfortunately confidential but I can tell you this much that that momentum has been significant and if that's an indicator of what could be national performance, I think we're on the right track, obviously we'll have to continue to make sure that we keep the pedal to the metal. Because you can imagine we're going to have competitors who will be coming after us on that front.

Vivek Maheshwari:

Sure. And the second thing is, slightly long term so not, I know 2020 is going to be a tough one. And this is a question I have asked, the past CEOs of Colgate as well. So, one of the worries that investment world is about the higher penetration level, both in urban as well as rural, which is where per capita becomes more important so, but as an urban consumer, I haven't come across any social media ads, be it YouTube, Facebook, Twitter where you are urging your consumers to actually brush twice a day given such a low penetration of a night brushing. So, what are your thoughts on that piece, because historically I've never got a clear answer from the management to be honest.

Ram Raghavan:

I think you have answered the question as well. First and foremost, are we aligned with you that per capita consumption is a big opportunity? Absolutely, no question about that. Are we doing something about it? If you remember, that's why I started off with the BSBF program, if I take a historical outlook to it, BSBF, yes you're absolutely right, was largely rural oriented. And even there, we focused our efforts mainly in those states where per capita consumption and even penetration was significantly lower than national averages. So, it's like comparing PM, Maharashtra against UP, Bihar and obviously we were channeling our efforts there. What we've done now is, we've repurposed our visits and we ran two pilots actually, in Delhi and Mumbai. So doing exactly to your point, these two were put into place in the back half of last year, specifically going after an urban India initiative. If I remember my numbers correctly, I think we had about 4.5 of 5 billion contacts just in these two cities. Early results were again positive from an early indications point of view, we're now framing those two pilots into a more sustainable strategy. We're very close to doing a few things and signing a couple of deals. I can't talk about them right now. But we're very aligned with the thinking that per capita consumption remains a massive opportunity for us and the category itself. Now, having said that, the unpredictability for us and for anyone I guess, is where will the fallout of the pandemic end up? Will it impact rural consumption? Will it hurt liquidity? We don't know that as yet. But we do believe that the urban shift or the urban amplification more than the shift, I shouldn't say shift because they're going to continue with our rural BSBF as well. So, the



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urban amplification is the right thing to do and perhaps the lower hanging fruit if I take a longer term perspective to it.

Moderator: Thank you. We take the next question from the line of Richard Liu from JM Financial. Please go ahead.

Richard: I just wanted your view on your distribution strategy. If you look back at the last few disruptions that we've had in the country going back to the demonetization, I know, you were not there that time, but I guess you would have looked at the data. So, what I was talking about was, with regards to how you typically end up in a disruptive environment, if you go back to demonetization in November 2016 and I know you were not there that time. But, I'm sure you would have looked at the data and also how things panned out for Colgate in this current disruption. Do you think, your distribution strategy vis-à-vis the wholesale dependence, which I guess is higher relative to some of your peers. Do you think that is something that needs a revisit and in light of what has been happening, do you think that you would want to go for a revamp of the whole distribution strategy, direct distribution, wholesale dependence or such stuff?

Ram Raghavan: Great question Richard. So, let me start by saying, a couple of things, you are spot on what we looked at as a team, as COVID was looming around the corner, we did look at all the learnings that we had, as a group and as an organization and despite my not being there, we've got an unbelievable team that took us through that point in time, right. So they're learning did exist. So two things that we learned, the first learning was brand salience Richard. Jacob can correct me if I'm wrong, but one of the things we had done during demon was we actually pulled the brand off air. And one of our biggest learning's was that it was a mistake, it took us almost about three months to regain that failure. This time we learnt that lesson and we did not so we continued to advertise and if you, I don't know if you happen to be watching any or all you should be hopefully seeing a hell of a lot of advertising from us. I think that's the first thing on the brand because ultimately, everything comes down to demand, only if a consumer is going to create the demand for us are we going to be able to fulfill it through a go-to-market system. So, that was the first learning to make sure the brand remains a salient one and talking about specific solutions towards today's needs. And we hit the right chord on both fronts. The second front, the second learning which we had, we knew about the dependence on the wholesale that we've had in the past. So what we've already done structurally going into quarter one, irrespective of a COVID was, as we had put the growth pillars into place, we were literally looking at each retail environment as a standalone, identifying what would be its growth trajectory, who would be the shoppers, where would that source of business come from and therefore what should be our portfolio, our plans and our efforts on that front. So, I spoke



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about a few of them so we structurally broke the market down into modern trade, e-com and of course, even in the general store, you've got what we've defined now as an indirect modern trade. So a lot of kirana stores specifically if you go to the south, you will see a lot of classic kirana stores who in some form or manner converted them into an environment where a consumer can walk in and interact with the product. So what we are calling, indirect modern trade. And then of course you have your classic kiranas, your general stores, which are all serviced to the wholesaler. So, exercise number one in the learning process, which was more a proactive approach to a strategic thing on how we're going to grow the business and the portfolios across these respective, it happened before even COVID even hit and frankly, speaking from the numbers you saw that we put up, whether it was e-com, whether it was on modern trade, is a result of that. So we repurposed ourselves both from an organization point of view, I spoke a little bit about it, we literally dramatically ramped up our e-com organization, I can tell you, we went up three, four times in terms of number of people, in 60 days between November and December, thank god we did that. Despite whatever happened to some of the platforms, we have very, very strong and stellar, double digit growth on that platform. Similarly, on modern trade, again, we've got feedback from most of our customers saying, we manage the crisis well, and we've been able to put the right things in place at the right time. On the wholesale front the other part of the comment I will leave you with is that remember, why our wholesale dependence on a national average, maybe slightly higher and it's not that much of a delta more than others, by the way it's not like we are at a 100 index and the other at a 50. It's not that dramatically different, where it varies early is in the North and the East of the country. Now, in the North and the East of the country, that's where the wholesale dependence is a little greater than the national average. And there's where the bigger and longer term opportunities lie for us. Now, North is a little easier than the East simply because of geography, how the markets are set up, and frankly speaking, logistics and availability of quality distributors and distribution mechanisms that exist there. So, that's how we're looking to constantly evolve both our strategy in terms of defining where growth will come from, how will that growth come and then making sure that we have the right portfolio and the right organizational structures in place to go out and adjust that.

Moderator: Thank you. We take the next question from the line of Manoj Menon from ICICI Securities. Please go ahead Mr. Menon. As there is no response from the current participant we take the next question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Just two fundamental questions, first I must Congratulate Ram from bringing in the new thinking that BSBF program which was driven towards rural at least there is a change in thinking so I'm sure you will see the good result going forward. So, congratulations for that.



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The second part which is there is that traditionally we are seeing that in the last five, six odd quarters the toothpaste category growth is under pressure. So fundamentally, if I understand correctly, the category drivers which has happened three years before with the natural segment taking a lead, freshness is growing, why the whole category is struggling to come back. I do understand, twice a day brushing and the frequency of consumption is the challenge but somewhere category growth is not growing. So any insights on that?

Ram Raghavan:

Let me just clarify one thing. I think I'll go back and say on BSBF, we are making sure we're doing both Shirish, we do not want to give up on the longer term and all the hard work we put into rural India, at the same point in time we're making sure that we are starting the efforts with the two pilots, I spoke about. So it's more about making sure we strike the right balance between urban and rural India, because there per capita consumption opportunities on both ends of the spectrum on category growth, it's been a tale of two, I guess tale of two cities, right. Rural consumption was the one that actually had started seeing the slowdown and that pretty much had kicked in from, I would say Q3, calendar Q3 of 2019 itself and largely driven by liquidity challenges, so it's not a unique thing that was seen on toothpaste alone. I know we were seeing around multiple categories, so it was a broader macro issue more than anything else. Urban consumption actually had not seen that badly of a decline. So it was largely a rural phenomenon affecting the entire broader market. I'm saying this before Q1, Q1 obviously has changed things. And I think Q2 will only continue to change because Q1 only has March and March only for the last 10 days or so. So, the bigger drivers for urban India growth or why urban India growth continues to sustain, at least from our perspective, and our hypotheses were a couple of things. One is a radical shift or big shift that happened in the context of retail environments. That change and that structural where consumers shop change had a positive impact on the category simply because when somebody entered a modern trade environment to shop the expectations were very different from that of walking into a kirana store, and therefore the same consumer was often willing to pay a higher price or buy a more premium product at a modern trade environment. So one witnessed a lot of that value growth coming on to it. Second, the customers or the big guys themselves put in a lot of effort to drive traffic, whether it's the big days, whether it's the big events, whether it's their own loyalty programs, you saw a lot of effort being put in on part of the customers themselves. And I think that was, gave the second impetus so to speak, to see better category growth in urban. Now, where and how life plays out in the next two quarters. Good question, Shirish I don't think any one of us will be able to predict what that's going to be like.

Shirish Pardeshi:

And just follow up on that. What is the CY19 category growth for oral care? I mean, what is the toothpaste category growth for CY19 and maybe if you can say Jan, Feb?



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Ram Raghavan: So full year value growth for Nielsen, full year value growth was about 4%. And quarter one, if I take quarter one, about 2%. Volume was flat for 2019 and quarter one is about negative 3%.

Shirish Pardeshi: Okay. Thank you for that and my last question is on the toothbrush, recently we have seen that there are a lot of challenges and we see the regional competition even Delhi player have become suddenly active in toothbrush. So would you be able to elaborate what's happening in the toothbrush category, because we are saying that, we also had the winning proposition in toothbrush, but even the sales are not meeting up the expectations?

Ram Raghavan: So, on toothbrush, I would start off by saying it's still work in progress for us Shirish. We've identified it as a bigger challenge for us. We missed the boat on innovation frankly speaking. You're now seeing from us, an accelerated effort to catch up and then ultimately step up to a place to lead that entire process. If you recall back India invented Super Flex, India invented Zigzag, India invented a lot of these things and we just have to keep the momentum back on it. So, all the good work that we've done on toothpaste, or we've started to do on toothpaste we have to replicate that on toothbrushes as well. And we've got a toothbrush that has two aspects to it. Like I said, one is obviously the innovation side and second, it got a very big trade play. From a trade point of view, we've got to remain competitive. We've got to make sure that if our brushes have a higher stock weight, then you know you are going to end up winning, because quite often a consumer specifically in smaller stores and smaller markets may not be as, may not remember what brand he or she bought last. So, I think innovation and more competitive posture in terms of our trade out.

Moderator: Thank you. We take the last question from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: My first question was on the natural segment. If you could give an update on what's happened last year, has this segment still grown faster than the market and within the segment, I know Vedshakti you have taken a lot of actions but do you think what is enough do you need to expand the portfolio more here, given that there are some taste profiles and product profiles, which you still don't have in your portfolio?

Ram Raghavan: Great question. So, naturals have grown and yes, it's certainly grown faster than the rest of the category given what I just stated on the category numbers, and our business has grown extremely well as well. So, like I said when we met last Arnab we spoke about the fact that when we launch the product, I think we've got a fantastic product. Our challenge was a proposition that was uniquely or distinctively product, in all our consumer work that we've



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done. The product remains something that consumers actually like and enjoy, and more importantly, family like it and enjoy and children like it and they find it as advice level of what one in our world would call spice level. So it has that level of spice that a child or children in a family can manage while still having that required after taste so that after mouth feel that one expects from a natural abundance. So, I think from the product side, we always felt good about what we had. Our biggest issue was a proposition that was uniquely Colgate. We were very clear that we cannot try to be someone else and honestly, we don't want to be someone else. There is value in who we are and our focus has really been about how one translates our strength, our skill, our credibility into the world of Ayurveda. And that's what you're seeing when it talks about, when you talk about our new campaign and we talk about Mooh Swachh Toh Aap Healthy, which is we are actually fundamentally building the connectivity between having a healthy mouth and the impact it has, ultimately on the overall health of your body. Let me start by saying, we believe we've hit the right consumer chord when it comes to the platform that we've gone after, that's the first part. Now to your second question, there is more. All I would say is, the movie is still on, watch the space and I am sure we are in it to win it. So, let me put it that way.

Arnab Mitra:

Okay. And just my last question was on the value added toothpaste segments things like Total Sensitive, Visible White wish I had taken a bit of a beating in the last two, three year, have you seen any kind of comeback there any effort from your side, which are seen results there?

Ram Raghavan:

I think Charcoal was the first effort on that front and like I said, if I take a bigger broader step back from a growth opportunity point of view, or our overall growth posture is about balancing what we call the core of the business along with the new innovations on the new platforms of the business, we have to strike that right balance and are constantly tweaking the right hand side, which is the new platform, looking for opportunities that are meaningful enough, scalable and where we have a genuine advantage. Charcoal is a great example on that front and the second natural play out of this is as e-com, as modern trade continues to grow in size scale and overall salience to the market you will see us introduce more and more parts of the portfolio as like we would internally say horses for courses.

Moderator:

Thank you. Well, ladies and gentlemen, that was the last question for today. On behalf of Colgate-Palmolive India Limited that concludes this conference. Thank you all for joining us, you may now disconnect your lines. Thank you.