



## “Colgate-Palmolive (India) Limited Analyst Conference Q4 & FY'24 Earnings Call”

**May 15, 2024**



**Management:**    **Ms. Prabha Narasimhan – Managing Director and Chief Executive Officer, Colgate-Palmolive (India) Limited**  
                             **Mr. M.S. Jacob – Whole-time Director & Chief Financial Officer, Colgate-Palmolive (India) Limited**  
                             **Ms. Sujata Nairi – Director, Commercial & Investor Relations, Colgate-Palmolive (India) Limited**

**Moderator:** Ladies and Gentlemen, Good Day and welcome to the Colgate-Palmolive (India) Limited Analyst Conference Call for the Financial Year 2023-2024.

Please note that this conference call will include forward-looking statements and these statements are made on the basis of the Company's views and assumptions as of this time and are not the guarantees of future performance.

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. At that time, participants on webcast may click on the "Ask a Video Question Tab," which is enabled below the media player. Alternatively, you may also post your text questions on the "Ask A Question Tab" available on your screen. Participants connected via telephone may enter "\*" and "1" on their phone to ask a question.

Today's session will Begin with a Brief Presentation by the Management of the Company, Sharing their Views on the Overall Company's Performance and Strategy, and this will be followed by a Question-and-Answer Session.

I now hand over the proceedings to Ms. Sujata Nairi – Director, Commercial and Investor Relations at Colgate-Palmolive (India) Limited. Thank you and over to you.

**Sujata Nairi:** Good morning, everyone, and welcome to the Colgate Palmolive Analyst Meet for the Financial Year '23-24. Very happy to have all of you here.

We will start this presentation with a Brief Presentation from Jacob and Prabha. This would then be followed by a Q&A Session.

Before we start, I'd just like to point out that the statements here may have some forward-looking statements and we have included the Safe Harbor about that in our presentation.

I will now hand over to Prabha for her Opening Remarks and Presentation. Thank you, Prabha and over to you.

**Prabha Narasimhan:** Thank you, Sujata. Good morning, everyone.

It's a pleasure to be here and thank you for joining us. It's been about I think since August of last year since we met at the brand days, Jacob and I are very excited to talk you through the results of this quarter.

This is the structure of what we're going to cover. Really, a Quick Update of our Performance. The important point of what is our view of oral care and the forward view of the category, what's our strategy to take on this category and lead it to the next level and then look at our financial performance.

So, diving straight in, the last time that we spoke, we had laid out the three principles on which we run our business, which is that our effort will be to grow our top line, strengthen the equity that we have, which is already exceedingly strong and to make that even better, and to take a simplification to the next level. As we go through this, we will talk through all three of these parameters.

Starting first with our performance, I'm very pleased to report that in the latest quarter, we have delivered a 10.7% domestic growth, a good double-digit growth in a good quarter for us, and this takes actually our full year performance to near double-digit, which is 9.5%, the highest performance that we've delivered in the last little while and really a testament to the strength of

this organization. This comes along with an excellent performance on margin, EBITDA margin strengthening from the 29.8% levels of FY'23 to 33.7% margin of FY'24, and in the latest quarter we have delivered the highest margins ever at 35.9%. I know that we have a lot of discussion around margin in this Company and the way we look at margin is actually to see it as the ability of this Company to drive performance, which is linked to the strong equity that we have the privilege to run and linked also to the financial discipline and the rigor that we have on managing all lines of the P&L.

And starting of course, with the strong equity that I've already mentioned a couple of times in the very first few minutes of this call, this is the strength of the Colgate brand equity. The letters that you see in brackets indicate a significance over the previous time period. So, when you see the column 61% top of mind awareness in 2022, going to 64% top of mind awareness in 2023 and you see an 'A' next to it, it says that 64% is actually significantly better than the 61%, and similarly the 67% is significantly better than the 64% and the 61%.

And top of mind, of course, being the measure that is really critical to all FMCG brands, given that most FMCG purchase is a system one purchase in the moment. When you ask a consumer, when I say toothpaste, what is the first brand that comes to your mind? 67% of them say, "Colgate or a Brand of Colgate."

Commensurate with that increase in top-of-mind awareness, we also see an increase in the brand of first choice. So, the same question of what would be your first brand of choice, a little bit more considered as the heading would suggest, a little bit more considered view of what you would buy in oral care and 61% of consumers say, that "They would buy Colgate." Again, significantly up over the previous couple of years.

And the last one, which is perhaps the most important functional measure of category performance. Oral care expertise is now at 78%, again, significantly up over the previous couple of years. And all of this culminates in a measure that we call, "North Star," it's a cumulative equity measure which measures equity on three parameters of how visible are you, how distinctive are you and what is your emotional bond and you can see that the strength of this brand is incredible, and what is really heartening to see is actually the movement even against a very, very strong start.

From a simplification lens, there have been really three areas that we focused on. One of course is the use of data to make sure that the decisions that we are taking are faster, are better, and are more in tune with what is happening in the market, and to that end, we have deployed an advanced marketing mix module that allows us to keep modifying how we spend our advertising money. Colgate is actually one of the, if not the most advertised FMCG brands in the country and making sure that we juice that expenditure to drive growth is critical to us, and this market mix modeling helps us to get better and better at doing that.

We now have an AI-led planogramming, which I've referenced before, but goes from strength-to-strength in terms of ensuring that our availability in stores, particularly self-service stores, is exactly as we believe it should be in that store in terms of share of shelf, in terms of ensuring full on shelf availability, in terms of assuring planogramming in terms of proximity of A2B, etc., And the measurement of that is really getting better and better and giving us significant insight which allows us to keep moving this forward at a rapid pace.

And, of course, simplifying supply chain is one of the reasons why we are able to continuously deliver continued margin improvement as we suck out every non-value adding cost in the system, allowing us to both invest back in product and packaging quality as well as invest back in significantly increased advertising. Advertising for the year has gone up by 20% and for the quarter has gone up by about 18%, and this is something that we're committed to doing once again linked back to the equity of this incredible brand.

Coming back to Oral Care and I want to step back for a moment and just remind you of the context of Oral Care in India. The average toothpaste consumption in India continues to be under-indexed to any comparable country and we compare to Philippines as being the nearest perhaps to our market. And with that comparison, we are at 0.6 index on a total India level broken up as 0.7 in urban and 0.5 in rural. So, significant headroom opportunity for us even if we approach the consumption levels of Philippines.

And then if you take that to the extreme of the Brazil type consumption levels, then you're saying we are at about 0.33 index in India and so we could potentially have a toothpaste market that is 3X the volume size of the market that we have currently. And why is that? It's because of the two numbers that you see below. Only 20% of urban households brush twice a day. So, anytime you visit your dentist, they would tell you that you should minimum be brushing twice a day, and of course, 55% of rural households don't brush daily. And these two opportunities, moving them is actually a fundamental pillar of our strategy, which we'll talk about shortly.

When we take a look at the toothbrush category, two, there's one fact on the slide there, which is 78% of toothbrushes are sold below Rs.40. The other fact is that, on average, a toothbrush gets replaced every nine months whereas again, the dentist would have you believe that you need to replace your tooth brush ideally, every three months. And therefore, the opportunity to both move the frequency of replacement as well as driving up the premiumization or moving people to better quality toothbrushes, becomes a huge opportunity for the Company.

And why do we believe that we are the best placed to move all of these numbers, and why are these numbers important to us? Because of numerous set of facts. And I know that I labor the point on these facts, but these are good facts and so, I am going to labor the point on the fact that we are India's #1 oral Care Brand by far, we are the India's Most Loved Oral Care Brand again by far, we are the Most Penetrated Oral Care Brand existing in Nine out of 10 Households, we are the Most Recalled Oral Care Brand, we discussed that already and the Most Considered Oral Care Brand as well.

Also, our relative strength in the category is exceedingly high and we can look at this from three parameters: Firstly, what is our relative size versus the number two player in the category. So, in the toothpaste category, we are three times the number two player in the toothpaste category and in the toothbrush category we are 1.5X or near 1.5X the number two player.

Then, if we move our attention to a portfolio play and where does Colgate plays. The top line and the red dots really indicate that we play across every benefit segment that is important to consumers, whether it is strength of teeth, fresh breath, sensitivity, pain, gums, it really doesn't matter what the segment is. We play across all toothpaste segments, and you can link that back

to the oral care expertise that we've already looked at. And every other player in this category actually plays in one, maybe two segments.

When we then double click that into, do we play across price bands? The answer is also, yes, and we're the only Company that actually plays with our portfolio starting from a Rs.10 CST all the way up to our most premium brands, the most therapeutic brands that are available through the professional oral care channel, we play across all price points. So, this combination of starting size, a portfolio that plays across all categories and across all price points sets us up beautifully to make sure that we are driving this category forward.

So, that brings me really to our strategy and I've spent a lot of time talking about oral care and this is a strategy that I hope is very familiar, because we've now been talking about it for quite a few quarters, but I'll go through it once again anyway. Our first critical job is to lead toothpaste category growth. This is both our privilege and our responsibility with all of the data that we've discussed so far, to make sure that this category is growing faster and therefore 1A of our strategy is to grow toothpaste category volume.

The second within that 1B is really for us to grow to our core, within that which is the three brands of Colgate Strong Teeth, MaxFresh and Active Salt.

Our second job is to premiumize through science-based superior innovation, all the words being really important, and we'll talk about it how this comes to life through total through visible white and through thinking on therapeutics that we are now deploying.

Our third leg is to drive growth in toothbrushes and in devices. Like I said, we're about 1.5X the second player in the toothbrush category, getting ever stronger as we deploy some very exciting plans.

And the last leg, which allows us to say that, yes, we are an oral care Company and yes, we are the oral care expert, but there is opportunity for us in diversification and to leverage the great equities that we have outside of India, and of course the Palmolive equity in India.

And for a change today, I'm actually going to start by talking about personal care before I come back into the world of oral care, because we're quite excited about the work that's happening on Palmolive. A quick background on Palmolive. Before I go there, Palmolive's equity built over 73-years in India, 60% of our target audience is aware of the brand. This is something that with the plethora of new-age brands that are coming into categories, this is the kind of awareness that would be very, very coveted, and we are very lucky to have a brand that has such latent equity. Our strategy on Palmolive is to play in cleansing, body wash and hand wash and that's really the focus of where we play. The body wash category, sub-3% penetration all India but growing rapidly as consumers look to get better and better and more premium experiences. The category grows at a CAGR of anywhere between 30% to 40%, depending on when you look at it and presents a huge opportunity for us given that we start from a relatively small position. This is a category where growth is there for the taking.

And what we have in our arsenal is really a global portfolio and technology to support superior products delivered to consumers, delivering superior experiences.

Starting with what we've done just a few weeks ago, which is the launch of three new variants on Palmolive, we exceedingly well researched variants, which deliver a supreme sensorial

experience communicated or backed now with brand new communication, which we'll just talk about in one moment.

**(Video-15:15-15:46)**

So, the reason to be for Palmolive is really to encourage our consumers that in the stress and the hurry and the number of to-do-lists that we have and fighting of traffic and stress and pollutants to just maybe take a moment in that shower or bathing moment to slow down and to enjoy the sensorial experience that is Palmolive.

Within, this is what we have in play currently. Like I've mentioned before, we have the opportunity of a global portfolio to choose from and as we go forward in subsequent quarters, we will see new things coming in from our global portfolio and we always remain in conversation on relevant inorganic growth opportunities.

So, with that, I want to pivot back to the oral care category and talk about leading toothpaste category growth and really the focus is going to be on first on the first part of driving category growth, where our efforts have been in the area of moving that 20% number of urban brush twice a day to being higher than that and we'll show the communication and then talk about it.

**Video-(16:55-17:24)**

Launched during Diwali last year, I hope most of you, if not all of you, have had a chance to see this campaign, very, very simple insight, which is that as Indians, we love our sweets. A lot of sweets get eaten after dinner. Then you go to sleep having eaten sweets without brushing your teeth, which is a surefire recipe for oral health issues and therefore, the exhortation to brush at night.

Of course, just moving consumer behavior, as we've discussed, is not easy, it takes time, and it's also not about us just putting one piece of advertising on air and assuming that it's a magic bullet. So, it is about creating awareness as we have done here, ensuring that we're contextual in the moment of purchase. So, the things that you see on the left were all the activations that were done around Diwali in and around the suite locations and continue to be done now, and then to make sure that we continue to remind topically and there's an example here from the ad.

**(Video-18:22-18:54)**

So, a contextual ad for every single match with every single combination of teams that has gone out and obviously at the appropriate moment, because this does play in the second match of IPL, which is usually about the time that dessert is being thought of. And all of this above the line activity is also supported by very strong on-ground activities, which include a strong home-to-home program.

And underpinning this and I keep coming back to this because it's really critical to the Colgate Company, is our mission of making sure that we are improving the oral health of everyone in this country and the flagship program that we have under that is really our bright smiles, bright futures program, which has been running now is in its fifth decade goes to schools at grassroots level and teaches the basics of oral care, the right way of brushing, brushing twice a day, saying no to tobacco, ensuring that you replace your toothbrush and making sure that you have the right nutrition, leads to right oral health. In its 50-plus years, it has reached 176 million children and is perhaps one of the large reasons why toothpaste and toothbrush in this country

have universal penetration. In the last year we have added about 5.2 million children who have been reached through this program, and through the coming year we have a commitment to reach another 10 million children. Currently, operational in eight states along with partnership from various state governments and other organizations, we are looking to expand this program to closer to 10-12 states in this financial year. A critical program which has long-standing and consistent commitment, and this is the kind of commitment that we intend to put behind brushing at night in terms of the above the line activity that you just saw.

So, I move from 1A to 1B and talk from our flagship program to our flagship brand, which is Colgate Strong Teeth. We relaunched Colgate Strong Teeth with the superior formulation last year. This is the only market standard toothpaste which has the benefit of Arginine technology. And just for me to repeat myself, Arginine technology works towards working with the bacteria in your mouth to ensure that you can get stronger teeth. So, a technology that actually has been patented by Colgate and has been used and clinically proven to deliver stronger teeth. We've now taken that superior product and put it in the packaging that highlights the existence of Arginine and the role of Arginine, and we are taking this particular communication further and deeper into the rest of India.

Our second brand, MaxFresh, has also been the most successful brand in our portfolio over the last couple of years, again underpinned by proprietary Ultrafreeze technology, which is a flavor delivery system that delivers freshness like no other toothpaste does, again has been revamped with new packaging graphics as well as more premium packaging, which includes a standup pack.

Strong commercial support behind the key SKU of Rs.20 and continuous activation, this is focused on young adults' toothpaste and therefore needs continuous engagement and excitement to keep it relevant and active, one example of which follows here.

**(Video-22:27-24:00)**

Always brings back happy memories and I moved from Colgate MaxFresh to Colgate Active Salt, which is really the third part of our core portfolio. Once again, I'm going to sound a little bit like a stuck record, but this is really about the underpinning that we have that superior technology, and superior products are the way to go in this category. So, we have relaunched Colgate Active Salt with a superior technology that actually is better at fighting painful dental problems or fighting the dental niggles that various consumers have. Once again back to buy a new communication that has tested in the top 15% of advertising and once again supported by a very strong commercial investment.

**(Video-24:44-25:16)**

Salt has great belief amongst consumers in terms of the efficacy of it to solve many, many oral care problems and this is salt technology that has been incorporated into our new formulation.

And all of these efforts that have been going on with these brands for a while now have led once again to consideration for every one of our sub-brands going up. You saw the numbers for the overall Colgate brand. This is now broken up by sub-brands and consideration for every one of our key sub-brands continues to rise and obviously there is opportunity for us to do even more.

I move from this to the second pillar, which is really science-led premiumization and I want to start with Colgate, globally, #1 brand, which is Colgate Total. If you talk to any Colgate employee around the world and you ask them, “Which toothpaste is, do they think is the best?” The answer will most likely be Colgate Total. This is an equity that has a lot of room in India. It used to be a larger brand and has opportunity now to restore some of that size or at least all of that size. In this brand, what we have done so far is to make sure that we are building accessibility and driving trials. We're sampling over 9 million units a year. We have launched an access pack which is 80 grams at Rs.80, which is at roughly about 45% to 50% premium to the market standard toothpaste pricing, which is really the sweet spot where we imagine that premiumization will take off, and early results on this brand have been great. So, in the channels of the future between MT and eCom, we are seeing market shares grow quite handsomely and the portfolio from an internal growth perspective grows at three times the rate of the rest of our portfolio. So, lots of things for us to be happy about as far as Colgate Total is concerned.

The second leg of our premiumization has been whitening. This is a segment that we have created and we almost entirely own, being by far the largest player in this segment. Our lead product here is a Whitening toothpaste, Colgate Visible White, a brand new media strategy on Visible White has just been rolled out, focusing really on ensuring that we use our very strong first party data, reach of influencers, high beauty affinity consumers because this is actually a product that sits in the space between oral care and beauty, because it is oral beauty. It is one of the first whitening products in the country and again doing exceedingly well. This month or well towards the back end of this month early in June, we will also launch a first to the world Whitening Booster in the Colgate franchise. This is akin to a gel that you put on your teeth, leave for a few moments, and then wash off for whiter teeth. It is in addition to adjunct to toothpaste, not a substitute to toothpaste, and therefore allows us to play in an opportunity which is beyond just the paste category and making sure that we continue to expand the portfolio of products that are available under Visible White. So, Visible White will have a premium toothpaste. It already has a device that is available in professional oral care channels. It now will have a whitening booster gel and has a toothbrush. So, a full portfolio of products to ensure that for those who are desiring whiter teeth, there is something on offer for everyone.

And I switch from oral beauty, maybe to the other end of the spectrum, which is really the Oral Therapeutic business that which your dentist recommends. 9% of Indians go to a dentist every year. The 9% number itself is quite small, but when you multiply that into the population, obviously, it's a very, very large number of people who go to dentists. Driving the professional oral care channel has actually been a strategic business pillar for us. We're extremely fortunate that in our 87-year history in this country, we've had the most tremendous relationships with the professional channel and continue to build on those relationships. We have about two and a half million plus annual touch points of contacts with dentists. We have the First Ever E-Platform of direct-to dentist which is the dentist first and have 100 plus tie-ups with dental colleges which is far in excess of any other competitor, and this continues to be an area of focus and continues to be an opportunity for us. It grows very rapidly, but the headroom on this is way more than the size that we are currently.

I move then to the Toothbrush Category. Big actions in the toothbrush category. Toothbrushes are a slightly different category from toothpaste in that it doesn't get a lot of advertising. There



are some, but it doesn't get a lot of advertising. So, the heavy lifting on this category is done by having superior products with superior packaging that calls out on shelves. And whether that shelf is a modern trade shelf or a general trade shelf, therefore ensuring that we have taken one of our largest franchises, which is Zig Zag, relaunching it to go back to its core equity of Zig Zag Bristles for interdental cleaning, has led to some very stellar results. And of course, we have an opportunity to continue to upgrade our portfolio and it is our intention to make sure that we are borrowing the regimen story of a whitening toothpaste and a whitening toothbrush, a total toothpaste, and a total toothbrush, a PerioGard Toothpaste, and a PerioGard Toothbrush and so on and so forth. So, that the regimen idea of how you use a toothpaste, and a toothbrush continues to get built.

We're exceedingly happy with the results that we are seeing on toothbrush, and I want to talk about just one geography where we were losing to our competitors over the last little while over the last 2-3-year period and with these actions that we have taken in a very, very large geography, restored market leadership, which I think is fantastic and we will only go from strength-to-strength from here.

I move now, having already covered personal care earlier, to just a few of the enablers that we've inputted. The first one, of course, starting with Shopper. One of the things about the oral care category is making it clearer to consumers, the ladder between good, better, and best. And I think there's opportunity for us to keep driving that ladder and to that end planogramming in modern trade and ensuring that there are some visible aids to help understand what is good, better, and best is something that we have now deployed in a few stores. We're doing a pilot with Reliance. Early results have been nothing short of spectacular. We're seeing a significant increase in premiumization and a significant average selling price growth on toothpaste, and this is something that we are committed to. We will learn from this test pilot, make sure that we continue to evolve those learnings into better and better planograms. And this is one more area where we see this as being both a privilege and responsibility because it is up to us to move how oral care looks on the shelf and how oral care is shopped in. Now we're taking some very concrete steps to make that happen.

And that was in the brick-and-mortar universe in the e-universe or the e-com universe. E-com continues to be a channel that is margin accretive, growth accretive, premiumization accretive for us. A critical channel in which we are very happy with our progress. And the work that's being done in terms of the content creation as well as the product portfolio that we sell on e-com is getting better and better and there are lots of plans for us to continue to make this even more premium and even better as we pull apart the consumers who shop on e-commerce versus those who shop in brick-and-mortar.

Of course, nothing is possible without making sure that we have organization and people's priorities absolutely in the right place. They are the engines that drives this wonderful organization. We are doing a lot of effort both with our own people in terms of making sure that we have the structures and the capabilities to win and take this entire business forward, also, bringing in talent from the external market in select positions so that we get the learnings from the outside world to marry with our very strong understanding within the Company. Lots of effort is also being made, which is a core part of the DNA of this organization to make people feel cared for and include it. These are two critical caring and inclusion being two of the key values of the Colgate system and something that we hold very, very dear.

And of course, it's the end of the year. And so, as a responsible corporate, we do release an ESG report. Our ESG report will go out with our annual report in about a month. But lots of significant progress made on the key measures of waste on recyclability, water usage as well as BSBF.

And I want to talk here particularly about recyclability. We are already mostly in recyclable packaging. We have the tech for recyclable toothpaste tubes, which we are deploying, and we are in the process of looking at circularity for those toothpaste tubes to ensure that recyclable is also recycled. And as we exit this year, we hope to have some very interesting news to share in this space.

With that, I'm going to hand it over to Jacob to talk a little bit about the financial performance.

**M.S. Jacob:**

Thank you, Prabha, and good morning, everybody. So, financial strategy stays consistent, driving sales volumes and if you go clockwise on that driving margin expansion, which allows us to invest behind superior products and increase in advertising, optimizing overheads, investing in brands as the advertising piece and then therefore further leading to increase in sales volume and therefore delivering operating profit increase.

We are very pleased with the results for the quarter. You saw the numbers earlier, 1,481 crores for the quarter, 10.7% domestic growth, margins continue to be very healthy ~250 bps expansion during the quarter to 35.9% and profitability up 20% for the quarter.

If you look at it a little bit longer-term, you can clearly see the momentum, 9.5% for the full year '24 with toothpaste double-digit in that 9.5%, and you can see quarter-on-quarter, we are accelerating the growth. The gross margin and EBITDA trends continue to be quite increasing.

This is one question we've always been asked is the Company so obsessed with driving margins? So, there are different ways to look at it. One way is of course there is a pricing piece of it, which we normally calibrate with the inflation and the increase in input cost. But we also have what we call a very robust funding the growth program, where everybody in the Company has got targets to deliver cost savings. And examples are savings from global synergies, packaging savings, optimizing plant allocations between our four plants, automation at the plants, favorable product mix, import substitution. These are some examples of how we drive margin. This is unrelated to the pricing piece and is a big pillar on which our margin expansion rest.

But we also use some of it to invest back in the products through product superiority. Prabha talked about that. We virtually relaunched and upgraded almost 100% of our portfolio. The packaging innovations you will continue to see. On tubes next year we will be on 100% recyclable tubes, and we are transitioning as we speak and further investing to enhance the brand experience. So, the 400-bps increase that you saw during the year is a combination of this, plus, of course, our pricing.

In terms of investing behind the brands, advertising continues to be a key pillar. We've increased the advertising 20% year-on-year, 125 bps to 13.5% levels, that's 760 crores in advertising that we spent during the year. And importantly, the split of advertising, while we continue to support our brands, but we've also spent a sizable proportion of this on the brushing at night campaign that you saw earlier in the presentation. And of course, funding the

strategy, strengthening core, driving premiumization, building personal care, these are the traditional areas where we continue to support.

Cash generation continues to be a very good story. So, 1,263 crores, going up to 1,567 adjusted for the bank balances, and our return on capital employed is almost at the three-digit numbers.

Value creation over time. Dividend, we saw yesterday, we announced the additional dividend of 10, what we call special dividend on top of the Rs.26, second interim dividend, that takes it to Rs.58 for the year.

And our share price continues on an upward trajectory, and I hope some of you have personally gained from this movement. We've gone up 87% over the last one year, reflecting the strength of our performance.

With that, I hand it back to Prabha.

**Prabha Narasimhan:**

So, in conclusion, I just want to say that we had laid out a strategy about 18, 20 months ago. We do believe that is the right strategy for this Company and we have deployed and executed that strategy quite well. We see results being delivered against that strategy and are quite happy with the progress of each of those pillars, and we can also see significant headroom of what more we can do to juice each of those pillars.

And I want to end really with a two-part thought. The first part on oral care, which is that we are the leaders of the oral care category by far. And like I've said numerous times during this presentation, that's both the privilege and the responsibility for us to take this very important category forward in this country. We believe we have tremendous headroom to accelerate growth in this category, even despite the universal penetration of the core formats of toothpaste and toothbrush.

Diversification for us is currently small and therefore represents a significant headroom opportunity for growth for the Company as we look to take on some of the other categories that we believe we have a right to win.

And we continue to be committed to the three things that really guide everything that we do, which is to drive top line growth, ahead competitive top line growth, strengthen what is already a very strong Company and a very strong brand and make sure that in this process we continue to simplify to set ourselves up for future growth. Thank you again for your attention.

**Moderator:**

Ladies and gentlemen. We will now begin the question-and-answer session. We'll take our first question from the line of Abneesh Roy from Nuvama. Please go ahead.

**Abneesh Roy:**

My first question is on personal care. So, slide #19 mentions Protex and Sanex. So, is that an indication that these two brands have been kind of shortlisted and if any timeframe? And second related question on personal care is on Palmolive. So, we have seen the three new variants being launched, we have seen mass media also. So, my specific questions are there. Are you focusing essentially on modern trade and e-commerce for Palmolive because you have mentioned that 1.2X growth in share of mind is there in modern trade. So, is modern trade and e-commerce going to be the focus in the next two years here? Second is the category seeing huge disruption. It's a very low penetration, 3% penetration, but we are also seeing one player come with powder to liquid and they have done generally quite well in powder to liquid. So, given that disruption, focusing on premium, does it make sense? And last is your domestic

sales growth was around 9.5% as a Company in FY'24. Would Palmolive have grown at least 2x, 3X of that in FY'24?

**Prabha Narasimhan:**

So, good morning, Abneesh. It's nice to hear from you again. And I'm going to take maybe the first two questions and leave the third one to Jacob. On the Palmolive brand, our focus is not only modern trade actually and I didn't touch upon this milestones algorithm that we have which tells us what kind of assortment, in what kind of stores in general trade and that is something that we will use to make sure that Palmolive is available in the right type of stores in general trade. With the 3% category penetration, we do need to be careful as to where we place the product and so our intention will be to be modern trade, e-commerce, and judicious general trade. The reason for putting the market shares in e-commerce and modern trade is obviously because they respond faster to any action and this is an action that is only about six-odd weeks old, and we're already seeing some green shoot. And we're committed to building Palmolive across all the relevant channels in the relevant stores over the next foreseeable future and we think we have tremendous opportunity over there. The second part of your question on disruption in body wash. I think the lovely thing about having a category which is sub-3% penetration is that there is enough opportunity for everybody to grow in different spaces. So, there is an opportunity of cost at the bottom of the pyramid by offering value and there is equal if not larger opportunity at the top of the pyramid, which is convincing consumers who have money dealing with Palmolive is indeed a superior experience to what they currently experience. So, I think there's enough room and enough opportunity for everybody to grow and so less worried about what other people are doing in this segment in terms of disruption. We're also very, very confident about the technology that we have on Palmolive, and therefore the ability to deliver an end experience which is truly superior. On the first question on Protex and Sanex, I should have put on the image there, "For presentation only". We have a short form in Colgate which is called FPO and that is exactly what that is. It's not an indication of us doing Protex and/or Sanex, but I can only say that watch this space and then we will have some news in terms of what we believe is the right thing for us to borrow from our global portfolio and into India. And to the question on growth, I'm going to leave it to Jacob.

**M.S. Jacob:**

So, on growth, personal care is growing at a faster clip than oral care, and we continue to expect the growth to further accelerate and widen the growth difference as we go into the following quarters.

**Abneesh Roy:**

Just one small follow up on the Palmolive mass media advertising. Would you have a benchmark in terms of what kind of share of voice, etc., you would like to target because this is an under-invested brand for almost 2-3 decades. So, upfront advertising will be needed. So, in the channels where you are focusing initially, will you have a significant kind of a number in terms of share of voice?

**Prabha Narasimhan:**

So, I think the way we measure these kind of campaigns is really what is the reach that we wish to deliver and what is the best way to deliver that reach. So, what you see as the mass media advertising is the only the tip of the iceberg in terms of what we are spending on Palmolive. A lot of it is actually going behind influencer marketing, digital campaigns and in store, which is really the bulk of our spends on Palmolive. So, what you see on mass media and multiply it by a few, that is the expenditure on Palmolive, and like I said, we are fully and

utterly committed to driving Palmolive and the joy of having a P&L shape like the kind that we do is that we have the wherewithal to be able to do this.

**Moderator:**

We'll take our next question from Amit Sachdeva.

**Amit Sachdeva:**

The question obviously an analyst asks is, how to look into the future? You know it has been a great year. So, with that, I just want to ask a couple of questions there. I assumed that last year was a lot of pricing and obviously initiative of premiumization, but also simultaneously developing the market. Could you help us understand nearly double-digit full year growth, what has been the volume mix and pricing element? And as we go into the next year, right, how do you see these elements shaping up?

**Prabha Narasimhan:**

So, I think I want to maybe break up your question into two parts in terms of do we see potential for this category to grow and for us to grow within this category and what will make that happen because that's really your question saying, how are we going to sustain this kind of 9.5% growth. And I think the answer to that actually lies in the fact that if you expand the category, the greatest gains will come to the category leader and that is really why 1A of our strategy is to focus on expanding the category, and that's one of the reasons why we are very, very optimistic that we can grow this category. And as we grow this category, we will be able to grow our volumes as well and our value as well. And of course, we haven't even begun to scratch the surface in terms of what we do on premiumization. I didn't talk about it because I've said it before, but just to remind you of some of the numbers, only 12% of this category sits above the 140 index, that number for other personal care categories is already 30%-plus, and even amongst SCCA, the penetration of a premium toothpaste and I'm calling anything above 140 index a premium toothpaste is only at 28%. So, even amongst those who have money, only one in four buy a premium toothpaste. So, the opportunity to then convince them of the superior offerings that exist in our portfolio is exceedingly high. So, very optimistic about our ability to grow this category and therefore continue to grow our volumes and our value. To the second part of your question of, "Do we want to break it up?" We tend not to break up the number just in terms of what we're looking at though is a balanced growth between price and volume as we go forward. So, price, volume, and mix, these are the three things that obviously go into it, and we'd look at roughly a balanced growth between all of them. And to the underlying question of, "Do we have the ability to take more pricing?" Actually, price is always an outcome of what is the value that you're delivering or what is the benefit that the consumer sees, and therefore, what is she willing to pay? And as long as we keep enhancing the benefit that we're delivering to consumers, I think this brand has potential to take pricing. I think actually all of the vectors, our ability to take pricing, ability to expand the market and ability to drive premiumization, I'm quite confident about all three of them.

**Amit Sachdeva:**

Obviously without any guidance I can sort of see that where you are alluding to will make our own sense of it. Just to follow up a bit, you mentioned that there's a large space in premium, but then if you map the price curve of mostly consumer categories, there's a prestige price point and premium. Oral care has not yet the prestige part of it. I'm sure there's a consumer ready for the best-in-class and nothing can be better in the world kind of pricing as well, but no brand has at least in oral care, has attempted that the prestige part of oral care. Do you think about developing that market as well or it's too early for India to sort of get into that zone? So, I was just very curious.

**Prabha Narasimhan:** Amit, I must tell you that there is nothing about oral care that we don't think about. And so, I think from a perspective of, is there opportunity and if we were to put some numbers to where prestige which fit. So, in skin care obviously the numbers are extremely high, but if we were to say 400, 500 index even that would be considered as prestige in the toothpaste category. Yes, there is most certainly an opportunity in this country, and there is an opportunity that exists already, and I think that we are in a position to start looking at these kind of opportunities, but the large bulk of premiumization will continue to come from 50% to 100% premium kind of range rather than us stretching it all the way out to 400, 500 because that then becomes a very small audience. So, opportunity exists. I think the larger opportunity exists at the more traditional definition of premiumization.

**Moderator:** We'll take our next question from Jay Doshi from Kotak Securities. Please go ahead.

**Jay Doshi:** I have a request and a one question. The request is I heard your response earlier, but if you could introduce either volume growth or UVG in your quarterly disclosures, and the reason for this request is first of all, all other FMCG share that metric, even Colgate Global does share that metric. So, I feel that is an important metric for investors and analysts to evaluate the progress in terms of volume growth and the results of the efforts that you are making this year. So, that's a request. And secondly, even if you don't disclose, the problem is that there is a lot of noise in the media and wrong numbers get circulated within the community. So, it creates more confusion. So, that's my request. Now my question is on Colgate Total. I think you mentioned that the brand was much larger earlier and you're hoping that it restores back to the earlier level. So, could you elaborate a little bit on it in terms of what was the size of the brand or what was its salience in overall Colgate sales earlier, what is it right now and some additional color if you can provide?

**Prabha Narasimhan:** Thanks, Jay. Firstly, on your request, let me just take it back and we'll come back to you, but at the moment, we tend not to provide that and so I'm going to move on from there so as to not repeat myself. On Colgate Total, this brand has existed in the country for quite a while and about a decade ago it actually used to be a double-digit share player in modern trade, albeit in a smaller modern trade category and therefore had significant salience to premium consumers. And it will be our effort to take it back into that kind of space where at least in the channels of the future and in select general trade stores, it continues to start edging towards that kind of level. So, that would really be where our planning and our thinking is. And why we believe we can do that is for me to just... since you've given me the opportunity to talk about Total to just spend a little bit of time on the technology on Total, which is this combination of Dual Zinc Plus Arginine which actually delivers best-in-class 12-hour antibacterial protection and all of us know that actually bacteria is at the root of all oral health issues. And this particular product of ours has backed by 125 patents, which is more than I think any toothpaste in the world that any Company offers and therefore very confident about the technology that this toothpaste offers, the benefit that it offers to consumers, and why it is the flagship of our premiumization strategy.

**Jay Doshi:** Where is Total today in terms of salience at the end of FY'24?

**M.S. Jacob:** As Prabha mentioned we were double-digit in modern trade when we were big on Total a few years back. But since then, modern trade is low single digit. But eCom has been a big story and

eCom is the fastest moving in terms of premiumization for us and their Total is a sizeable player already.

**Moderator:** We'll read a text question from Percy Panthaki from IIFL. Can you please break up your sales growth for Q4 into volume, mix and price same for FY'24 full year? Also, given that pricing will anniversarise soon, how should we look at your sales growth over the next few quarters?

**M.S. Jacob:** Prabha mentioned on the volume piece, we are not splitting volume and pricing and so we won't comment on that as of now. Going forward, you're right, as inflation moderates, pricing will be an important discussion, but we do expect the category growth, consumption growth activities that we have initiated along with positive macros in rural that we're seeing, rural grew faster than urban and we continue to see green shoots there. So, combination of that along with premiumization would be key for us to continue to deliver the current level of growth.

**Moderator:** We'll take a video question from Mihir Shah.

**Mihir Shah:** Prabha, my first question is on margins actually. Apart from pricing and better mix, you mentioned there is a continuous cost-saving initiative that is improving the margins both on gross and on EBITDA level. How much more juice do you think we have that we can take out from the cost side which can keep taking these margin profiles higher? I'm sure we are quite an efficient Company and I'm sure there is a lot of zero-base budgeting that you guys will do. But for us to understand where the gross margins can really stack at somewhere from 69%, 70% levels maybe in the next few years' time, where can it really settle down only from the costing side? I understand the premiumization side, but from that side maybe you can help us understand.

**Prabha Narasimhan:** So, I think firstly, I don't think it is our effort to massively expand margins as we go forward. Like I said, our focus is really on looking at our cost lines with a view to saying what is non-value adding cost and can we suck that non-value adding cost out of the system. And yes, we are an exceedingly efficient Company. But there is always room for more efficiency. Things evolve, technologies evolve, markets evolve, thinking evolve, lots of India's capability evolves, many, many things move, which allow us every year to have new opportunities to suck out non-value adding cost. So, I think this ability to generate around 4-5% of net sales as gross saving is something that I think we can continue into the foreseeable future given that things will keep moving. The question of how much of that becomes a margin expansion and how much of that we use to funnel back into driving better quality products, better packaging, I think that's really the key question for us and our effort will be to make sure that we are judiciously using the sources of funds into uses that allow us to drive our top line up. So, if you are looking for a perspective on our margins going to continue to expand at the rate that they have between last year and this year, the answer is most definitely not. I think that is more a one-off expansion that you're seeing. Our effort will be to be in and around the ballpark of where we are currently.

**Mihir Shah:** Second question, Prabha. I just want a clarification. You mentioned that 9.5% growth rate is a sustainable growth rate that we should assume on overall basis. Is that a correct understanding?

**Prabha Narasimhan:** I don't recall mentioning that. I do recall mentioning that I think there is tremendous growth opportunity in this category and that will be our focus, but I am certainly not giving a guidance on the numbers.

**Mihir Shah:** I understand you're not breaking the price and the volume, but maybe you can give some sense on the mix that we are seeing, is there a mix improvement... I'm sure there is a mix improvement that is a part of this. Would it be in low single digit, can that inch up to higher single digits later on, or do you think this mix improvement of low single digits of couple of percentage points will continue here, just a clarification on that also please?

**Prabha Narasimhan:** So, I think the way we look at it is to have a growth rate target for our premium portfolio relative to our core portfolio and at this moment, our target would be to be at least 2.5X, 3X faster with our premium portfolio than our base portfolio and at this time we're exceeding that target. And really given the plans that we have line of sight for the rest of this year, we can see that continuing to be the case. So, whether it is Colgate Total or it is Visible White with its innovations and the work that has been done on communications or it is the push into therapeutics that is gaining momentum, we do see an opportunity for this 3X growth rate at least of the rest of the portfolio to continue and that will keep adding to mix and that's really what we're focused on rather than a measure of what percentage of the mix is it.

**Moderator:** We'll take a last question from the line of Vishal Punmiya from YES SECURITIES. Please go ahead.

**Vishal Punmiya:** My only question is on rural markets. The first time that we had highlighted green shoots, so was in August last year. Now, this quarter, almost every Company is kind of calling out the improvement in rural markets. The question is, is it just because of base effect or is there any major improvement that you are seeing in consumption for your category? And with this improvement, with rural picking up, do we expect the premiumization-led growth to be slightly slower in FY'25 versus FY'24 while volume growth improves for you?

**Prabha Narasimhan:** So, thank you. That's a great question, Vishal, for us to end this session with. So, what we are seeing in this quarter is rural is outpacing urban growth by close to 200 basis points, which is great news for us, because there is so much opportunity to grow this category. The reasons behind that and we are I guess in the same boat as everybody else as we give this reason saying that there are macroeconomic indicators that rural is coming back, lots of categories are coming back as are we. From a more internal perspective of what we have done, we have doubled down on our execution and communication in rural. So, we have gone deeper and wider with the communication that we have and obviously this supported by the increase in product quality and packaging quality of our flagship brand, which is the largest brand in rural which is Colgate Strong Teeth really does help our rural growth. So, that's kind of what is happening as far as the rural market is concerned and obviously all of the indicators, the macro indicators that we are hearing in terms of what the monsoon will be like, a general feeling of optimism in the rural markets suggests to us that this is something that is sustainable along with the stabilization of inflation that this is a sustainable growth at least for the foreseeable future. On your second piece on, "Will the rural growth preclude the premiumization growth?" I don't think so, because these are actually quite independent, and therefore in the way that we look at it, it is more an "and thought" than an "or thought" that where we had already a premiumization engine as we discussed that was working and driving towards greater growth being driven largely by better off consumers in urban India. The rural growth will now become an "and" on top of it. So, we will see a combination of A+B which should certainly help growth going forward.



**Moderator:** I now have the conference back to Ms. Sujata Nairi for closing comments. Over to you.

**Sujata Nairi:** Thank you, Yashashri. Thank you, Prabha and Jacob for your thoughts and insights and thank you everyone for joining us. We are very excited for the year coming by and looking forward to hosting all of you again. Thank you once again on behalf of the entire Colgate team and let's close the analyst call now.

**Moderator:** We now conclude today's Colgate-Palmolive Analyst Conference Meet and we thank you all for your participation.

Disclaimer: This transcript has been edited to remove any grammatical inaccuracies or inconsistencies of English language that might have occurred inadvertently while speaking