



**Colgate-Palmolive (India) Limited**  
Analyst Meet - 22 May 2025

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**Moderator:** Ladies and gentlemen, good day and welcome to the Colgate-Palmolive India Limited Analysts Conference Call for the Financial Year 2024-'25.

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, which will be enabled below the media player. Alternatively, you may also post your questions on the Ask a Question tab available on your screen. Participants connected via telephone may enter "\*" and "1" on their phone to ask their question.

I now hand over the proceedings to Ms. Neethi Nair – Director (Commercial, Finance & Investor Relations) at Colgate-Palmolive India Limited. Thank you, and over to you, ma'am.

**Neethi Nair:**

Thank you, Michelle. Good morning, everyone. And welcome to the Colgate-Palmolive analysts meet for the year ended 31st March, 2025. We will start the session with a brief presentation from Prabha and Jacob. This would take approximately 45 minutes. And then we can open up for Q&A. Before we start, I would like to point out that some of the statements made in today's meeting may be forward-looking and a disclaimer to this effect has been included in the presentation. I would now request Prabha to share her thoughts. Thank you and over to you, Prabha.

**Prabha Narasimhan:**

Good morning, and thank you everyone for joining us this Thursday morning. What we are going to cover, Jacob and I, over the next 45 minutes is a look at our performance, a re-look at our strategy, which will be familiar to most, if not all of you, and finally rounding it off with some details about our financial performance.

Diving straight in with our performance, we ended the Year 2024-25 with a top-line of Rs. 5,999 crores, which represented a 6.3% growth over the previous year, with mid to high-single-digit volume growths driven by the toothpaste categories. Margins continued to be strong at 69.7%, leading to an EBITDA margin of 32.6%. Notable was through the year a significant step up in brand investments with Rs. 822 crores being spent on the Colgate brand. And with this, it would be among, if not the largest advertised FMCG brand in the country. And net, that ended us with an NPAT of 24%.

Diving once more into the margin profile, you can see that over the last four years our margins stepped up in the Financial Year '24, and it's held at that level. And our EBITDA margins also hover around the 32% to 34% range, and that is kind of the range at which we will operate. And you can see most of our quarters operate at that level as well. This is despite, as we have already discussed, a step up in brand investments.

Underpinning all of this is the single thing that we value the most in this organization after our mission of developing oral health in the country, which is the strength of the brand Colgate. And as you can see, this brand continues to take strides forward. Our top of mind now at 69% for 2024 continues to hold through Q1 of 2025. It continues to be the brand of first choice for 62% of the people surveyed.

And what's really heartening for us, given that we always talk about science-backed expertise, is the rating on oral care expertise, which continues to rise, starting at 73% in 2022, and climbing all the way in Q1 '25 to 83%. Just to put this in context, this means that



as we go out and survey people, for every 100 people, when asked who is the oral care expert in the country, 83% of the people return Colgate as an answer.

This financial year has also been a year where we have stepped up the amount of launches that we have done. And most of these launches sit in the premium category or in personal care, two very critical pillars of our strategic growth impetus.

Starting with Whitening, we launched Purple which has been a runaway success. It is actually our most successful innovation in the last decade. We have also premiumized freshness, adding a second tier to a benefit that is hugely sought after in the category, with both the Max Fresh Sensorials range as well as the revamped Lemon Fresh. Colgate Total brand has got an uplift and a full relaunch and recently a new variant, which we will talk about shortly. And the toothbrush portfolio continues to drive into the premium and super premium categories. And we are seeing movement both in the average price paid per handle as well as in the replacement rate of toothbrushes. And our Palmolive brand in personal care continues to innovate in body washes.

But the big news last year and the big change that we made doubling down on our mission to improve the oral health of everybody in this country was really the oral health movement. Launched in November of last year, this went out across the whole country. And in terms of results, which we will start with and then look at the input that went into those results, has led to 4.5 million consumers screening their dental health, either through the AI-powered app or through an oral care questionnaire. With this 4.5 million data points, we actually have the largest repository of oral care understanding in this country.

Let's take a quick look at what all happened through the oral health movement. *Colgate Oral Health Movement video.*

We are indeed just getting started. And what's important is what have we learnt so far? I think the first thing that we have learnt is that India has an oral care score of 2.5 out of 5. I am sure a lot of you on the call are parents and if your child returned a score of 50% in their exams you would be concerned as we are with this oral health score. And why is this score at 2.5 and what is the dispersion of this score?

24% of India's population actually has a score of 1 out of 5 which suggests that they have fairly severe oral health issues. A full third or almost 30% of the population actually has the warning signs of oral health issues. And then it gets progressively better from there. In terms of what are the issues - 46% have gum issues, 42% have the existence or the risk of cavities and 17% have the risk or have stains.

But what does it take on the flip end to actually have a good oral health score? And as we have been suggesting and as dentists have been telling us for many, many years, there are a couple of key habits that truly help you to have a good oral health score and many of you would now have read the link between oral health and systemic health making this much larger than just having nice teeth and a nice smile.

The two big indicators that we are finding is:

- First, the propensity to brush twice a day.
- The second is to avoid all tobacco and tobacco-related products.



The combination of these two coupled with the idea of replacing your toothbrush every three months which we did not put into the scorecard, but we know also helps for better cleaning is really the answer to getting people to 5 on 5. And our commitment, as it has always been, is to continue to drive this score upwards.

Moving now from what's happening to the oral health movement to what's happening to category growth and coming closer to the business. What we are seeing is a significant softening of category growth in urban India. And even within urban India, there is a two part story where premiumization continues and continues at great speed, whereas the rest of the category has seen a significant slowdown. Rural continues to be resilient and we are seeing that our rural growth continues now for the 3rd Quarter in a row to outpace urban growth.

Coming to the Q4 Results, Rs. 1,452 crores represents a minus 1.9% degrowth over year-on-year. Margins continue to be resilient, not because of price increase, but actually because of extensive and very sharp cost management. And this gross margin increase comes on the back of significant investment that we have made into formulation and product quality, which we will talk about in just a second. Advertising continues to be about 7% higher than last year, actually reinforcing our faith in the strength of this brand and the need for this brand to actually drive growth and communicate the message of science-backed superiority.

Moving to our Strategy, this is a slide that I am sure is familiar to all of you, but I am going to spend 30 seconds to just go over it once again. We have a four-pronged strategy. The first one is our largest pillar, which is really our job to lead toothpaste category growth and drive volume and actions like brushing at night and the oral health movement all sit under this pillar. We then have three exceptionally strong core brands, which are Colgate Strong Teeth, Max Fresh, and Colgate Active Salt, and driving their growth is the first pillar. The second one is premiumization through science-based superior innovation. The third one, to continue for us to win in toothbrushes and devices. And of course, we have a relatively small personal care business, which represents a tremendous opportunity to grow with the Palmolive brand.

Starting with the first one, what we have done in the 1st Quarter of the calendar year, Q4 of the financial year, is to relaunch Colgate Strong Teeth. This is our flagship brand. It has a technology that is best-in-class, which includes arginine that works along with the formulation to improve and strengthen your teeth. We have relaunched this now with a product that is superior to competition and superior to ourselves. And really the advertising then talking about the fact that it also has a fresher and more refreshing taste that is preferred by consumers.

And this brand obviously has a very significant rural footprint, and as such, for us to drive rural reach and reach the consumers who are not reachable through television becomes really important. And we have doubled down on the actions to get to 2x the number of villages that we got to last year.

From the early results that we have, we relaunched this in February, sending it into market, and we have done some early testing in the months of April and May from consumers who have bought the product versus the ones who were buying the earlier CST. And we are very, very heartened to see that at a significant level on whether it's overall or its taste or its



freshness, which are the key measures of in-mouth impact of the product, we are seeing significant superiority, both in urban as well as in rural. *Colgate Strong Teeth Film.*

I move from Colgate Strong Teeth to our second biggest franchise, which is the Colgate Max Fresh franchise. You will recall that in the past we have talked about how this is the franchise that has been driving growth over the last couple of years. It is our fastest growing brand, and continues to be a source of tremendous focus for us. Again, on the vectors of creating and driving a superior mix. And its competitive growth continues in Q4 of this year as well. What we have also realized is that we have a jewel, an under leveraged perhaps jewel in the crown, which is Max Fresh Blue. Blue instinctively very, very close to the freshness category. And in internal testing, we find that our red is superior to competition red gels, and the blue is superior to red. And therefore, a significant opportunity for us to drive blue, which is exactly what we have done. *Colgate Maxfresh Film.*

Starting from the South, we are seeing a lot of growth that is coming to us incrementally on the back of Max Fresh Blue. And if we take a look at what happens to the sub-brand equities, we can see, as with master brand, and of course, the master brand is an agglomeration of the sub-brands, we can see that consideration for all our core sub-brands continues to be on the increase.

Moving now to our second pillar, which is driving science-led premiumization. This, as always, is driven by us premiumizing across all benefit segments. I will start with what's the newest buzz in town, which is Max Fresh Sensorials. For the first time, we have taken a premium position on the freshness platform. These are two new variants, Watermelon and Rainbow, they are interesting, they are different, they are very Gen Z. And it's not something that you have seen in the toothpaste category. Currently launched in e-commerce, we are seeing great results. And these two brands come at a 40% premium versus the Max Fresh base, which itself is at a premium to the overall freshness category. So a tremendous opportunity for us to continue to drive people up the price ladder.

I move from Max Fresh to a more familiar slide on premiumization, which is Colgate Total. This is our flagship product to drive premiumization. It is the family health product that we expect most consumers to move to because it is simply superior. We are seeing tremendous growth in Colgate Total. It grows at about over 4x market growth. And we are committed to driving both access and availability. In Q4 of the calendar year last year, so in November last year, we had corrected the pricing of Colgate Total relative to the base of the market, reducing its price to make it much more accessible and much more affordable. And that action is giving us tremendous results as we see volume growth far ahead of this 4x category value growth that we are driving. We also have a large consistent direct-to-home or direct contact program that's leading to significant conversions and a significant increase in overall household penetration in this brand.

And the big news that came again in Q4 of last year which I briefly referenced is Colgate Visible White Purple. We have talked about the Whitening segment in India. We have talked about the fact that the whitening segment in India has very low penetration, sub-2% penetration, a rapidly growing segment. In other countries of the world the contribution of whitening to the category tends to be in excess of 20%, so we have a huge headroom opportunity for this brand to grow. We had an exceptionally strong Visible White portfolio that was growing in strong double-digits. To that portfolio, we have added Visible White



Purple. Simple, simple premise of color theory that says a purple toothpaste when used cancels the yellow, giving you teeth that appear whiter and brighter. Again, we have seen tremendous traction on this from both modern trade and e-commerce. It's adding almost about 25%, 30% delta to our existing Visible White business. Continues to have very, very strong digital investment through to this time. And this year, our intention is to take it much larger, much wider and put purple actually on TV. *Colgate Visible White Purple Film.*

So that's Visible White Purple. We are very excited by both Visible White Purple as well as Max Fresh Sensorials because I am sure, as you can see, they are fundamentally different from what you know and understand of the toothpaste category. And the feedback that we are getting, particularly from Gen Z consumers, is that they are excited by this, this is fun, and this makes oral care more interesting, which is great.

And at the other end of the spectrum, of course, you have seen the 2.5 out of 5 oral care score in the country. Oral health in this country is not great. And therefore, making sure that we build a strong problem-solution therapeutic credentials portfolio is critical to us. Our focus is on driving the entire gums portfolio. It continues to, on a very small base, do exceptionally well. And for the 87 years that we have been in this country, we have had the privilege of partnering with the dentist fraternity.

We continue to do that. They have been unstinting in their support and the time that they give us, including over 50,000 of them offering their time free as part of the oral health movement to drive dental checkups. And we leverage this partnership and relationship that we have to ensure that we are giving the right range of these therapeutic and problem solution products, driving them through our professional oral health channel. And of course, all of this eventually needs to come together in terms of what the shopper sees in the market. This is not an AI generated image, this is a real store in India. It is the Lulu store in Kollam. And this is really the future of oral care. Strong shelves which have an entire range beautifully presented. And of course, aided by our outstanding promoters who can help you to choose exactly what you need to drive up your oral health score.

I move now from toothpaste into the toothbrush, which is the third pillar of the category. You will recall that when we have presented these slides before, we have said that on average, people buy 1.2 handles per year. That number has now moved to 1.3 handles per year. And you will recall that the number of the category below Rs. 40 was 78%. That has now moved to 76%. And while these numbers in and of themselves might seem small, you have to remember that we are averaging these over a very, very large base. So what we are definitely seeing is the increase in volume growth of the toothbrush category, our increase in our growth in the toothbrush category as well. And a significant and rapid premiumization is happening as people realize that the toothbrush is not just something that you use to put the toothpaste on but is actually critical to your overall oral health.

What we have done here is to do some tremendous work in modern trade, ensuring that we have the full range visibly available with the guidance of good, better, best so that the navigation of the category that otherwise was a little bit difficult has become much easier. We have done a series of new launches and relaunches. You can see a couple of them on the screen. And we are realizing that consumers are now understanding the benefit of a regime. So a visible white toothpaste with a visible white toothbrush. And therefore, driving on that learning, we are now launching or have just launched the Colgate Total Toothbrush, which



will obviously sit as the regime with Colgate Total Toothpaste. Over the last year, we have now taken leadership in the super premium segment where we were not the leaders and driven that category to strong double-digit growth. The headroom opportunity here continues to be really, really large.

And I come to the last pillar, which is personal care, driven by our brand, Palmolive. You will recall that we had said that Palmolive would focus on the body and hand-cleansing categories. That's our right-to-win category, and that's where we continue to play. We have, over the last year, launched a range of new products that have done exceptionally well and added incremental, particularly in e-commerce. And we have now new channels which are targeting the high-intent audiences, and we are finding that our conversion improves quite dramatically.

You have seen this slide before. Work continues apace on us getting into categories outside of the ones that we sit in currently, as has been pointed out many times and is being reiterated here. Our global company has an enormous portfolio from which we can choose, and a lot of expertise there as well. We are looking at this portfolio very actively to see what we will bring into India, and if it's more a question of when.

I then hand it over now to Jacob to talk us through the financial performance.

**M.S. Jacob:**

Thank you, Prabha. And good morning, everybody.

In terms of our financial strategy, it remains unchanged, delivering sustainable, profitable growth. The key objective is driving revenue, sales, and volumes, and finding the right level of investment to support the growth through leveraging our margin profile and optimizing our overheads.

You saw the results, Rs. 1,452 crores top-line, 1.9% decline versus last quarter, and full year close to Rs. 6,000 crores, 6.3%. Margins continue to be a good story, both at the quarter level and the full year level, it's up. Advertising at healthy levels, 13.7% for the full year. And profit after tax, while down for the quarter, full year is up a healthy 8.5%.

In terms of margins, they continue to be very strong. Full year, we finished at 69.7%, 20 bps higher than the prior year, and on a quarter basis, 70.4%. And what was different this year was that most of this margin, almost all of it was driven by efficiencies we found in our cost structure, no pricing driven margin here. Part of it was what we call a funding the growth program, which is about finding efficiencies in every cost line in the P&L, along with the cost inflation, which was modest.

What we have also done is, we have reinvested a big chunk of it back into delivering superior products. Over the last little while, we have upgraded virtually our entire portfolio. And you heard about Strong Teeth just now and you have heard about Max Fresh in the past, and we continue to enhance the efficacy of our products.

What we have also done is increased our trade and consumer spends to be more competitive with what's happening in the market. And all this has been funded through our cost savings. So, while we have done this, we have also delivered the improvement in the margins.



In terms of investment behind brands, advertising continues to be at very healthy levels. We have taken it up to Rs. 822 crores as a 13.8% increase and what are we spending behind? A good chunk goes into driving consumption. As the category leader, we take responsibility for this piece. You heard about the oral health movement, driving awareness on oral health, and this followed the brushing twice a day, brushing at night campaign that you have seen in the past and that continues. This process of driving consumption through driving higher investment continues.

At the same time, we are accelerating core, the relaunch of Strong Teeth continues to get the right level of investment. On the right, premiumization is one of our key pillars and we continue to invest disproportionately behind that. And personal care continues to grow as we build our second leg to our business.

EBITDA margin, best-in-class in the industry, full year at 32.6% and the latest quarter at 34.3%. While the P&L continues to be quite healthy, we are definitely focusing on the balance sheet as well. So, we continue to convert all our profits into cash. So, our cash from operations has gone up from Rs. 1,085 crores in Financial Year 2022 to close to Rs. 1,400 crores, and return on capital employed is now at the 121% levels.

In terms of enhancing shareholder value, EPS continues to go up. So we were at Rs. 40 per share Financial Year '22, we are at Rs. 53 right now. And we are kind of giving it back in the form of dividends. So after the Rs. 58 per share dividend last year, which included the Rs. 10 per share special dividend, this year we have gone to Rs. 41. So effectively, we have gone from Rs. 48 to Rs. 51 this year.

In terms of ESG, in terms of plastic recyclability, our internal goal is to be at 100%. So FY '25 we finished at 80%, but we are pleased to report that as of this month we are 100% on recyclable tubes on a full portfolio of toothpaste.

Product packaging, our goal is to be 100% reusable, recyclable, compostable packaging by the end of 2025. We are at 91% levels currently and we continue to work towards our goal.

Waste management, our goal is to maintain true certification for zero waste for all Colgate plants. We have done that. On top of it, as part of our CSR program, we have disposed of 134 tonnes of dry waste in different communities around the country.

Water stewardship, our goal is to achieve net zero water at our water stress sites. So 75% of the Colgate plants, that's three out of four are water-positive. At an aggregate level, at all the four plants we exceed 100%. And on top of this, as part of our CSR commitment, we have replenished 430 million liters of water.

And the **"Bright Smiles, Bright Future"**, as part of that, we targeted 10 million children additionally between 2020 and 2025. We have already exceeded that number. And on top of it, we have now got tie-ups with the governments of UP, Goa, AP and Assam to further push this program in schools and drive oral health awareness.

With that, I hand it over back to Prabha.

**Prabha Narasimhan:**

Thank you, Jacob. So in summary, I think the messages we would like to leave you with are - Firstly, we believe that the strategy that we have, which is to drive category consumption, grow our core, build through science-backed premiumization, drive growth in the



toothbrush category and build the Palmolive brand by way of diversification is the right strategy. It's working for us and we will continue to execute against this strategy. Execution has always been our strength and we will continue to double down to make sure that the in-market execution continues to be absolutely best-in-class.

Our brand equity remains strong. This is the critical part of our portfolio to ensure that the exceptionally strong brand that all of us have had the privilege to inherit only goes from strength-to-strength. We will continue to make it strong on the pillar of making sure that we have adequate science behind our portfolio to make sure that our products truly deliver against the promise that we make, to ensure that we have innovation that keeps up with what consumers are looking for from the oral care category and often leading consumers in the direction that we think that they need to travel. And making sure that we will keep investment behind this brand really strong so that we continue to build on both the imagery measures as well as our top-of-mind awareness and consideration.

From a demand perspective, like we have said, over the last couple of quarters we have seen soft demand in urban India, particularly the bottom half or the bottom 70% of urban India, while premiumization continues to be very robust and very strong. We do see this continuing in the near-term future and recovering towards the back half of this financial year. And that's our projection as we look to market and macro-dynamics as we see it in oral health.

The one big change that we have driven over last year or the big step up that we have driven over last year is to use new innovation as opposed to renovation only to drive growth. We have seen tremendous success with this. Like I already told you, Visible White is all purple, and is already about 25% of the overall Visible White franchise. We have seen a tremendous response to Max Fresh Sensorials, which currently is only available in e-commerce but will now travel across different channels. And we have a slew of innovation that has already gone into market in the 1st Quarter and first four months of this year.

And I want to leave you with what's been done on innovation, starting with plaque release. Plaque Release is the gold standard variant of Colgate Total. It is superior even to Colgate Total in terms of its delivery on reducing dental plaque, which is actually the original source of most of your dental problems. We have also diversified into things like whitening pens, which give a heightened and immediate whitening. This is done, again, in partnership with dentists and the professionals.

We see tremendous opportunity in kids. We already have two ranges of kids' products. At the base, we have Batman and Barbie. We also have a 0% range. And now we have this innovative new format, which is the kids squeezy in a couple of flavors. We see an opportunity for on-the-go freshness, which Max Fresh is now tapping through the stick format mouthwash tubes, mouthwash sachets, which have just gone into the market. And we think that there is much more to come, or at least we can see much more to come.

And that's the last that I wanted to leave you with. I am going to now hand it over to all of you for any questions that you may have. Thank you and over to you.

**Moderator:** Thank you very much, ma'am. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first video question from Abneesh. Kindly accept the prompt on your screen, introduce yourself, unmute your audio/video, and proceed with your question.



**Abneesh Roy:**

Thank you. Good morning. My two questions. First question is on the sensitive segment. So we have seen another company, another brand being the leader for many years, and you said that you have become the market leader here. So if you could tell us, was there some promotion-led intensity which has helped? So is this sustainable?

Second, the other leader was very strong in the chemist channel, and they had a very strong relationship with the doctors and the decision makers. So because you are ramped up on the oral campaign in terms of dentists, has that helped? And last sub-question to this first question is, because you have launched so many products and the competitor in sensitive does not have so many products is that helping you in some way that you are able to capture the overall mindshare in terms of being a more effective toothpaste? That is the first question.

**Prabha Narasimhan:** Do you want to tell me your second question as well, Abneesh, or do you want to --?

**Abneesh Roy:** Yes, second question, I think everyone will be having that at the top of the mind. Competitive intensity in toothpaste is very high, you have taken the MRP price hikes, but still at the net pricing that is almost going away. And we have seen other company's also comment in Q4 call that promotional intensity is very high. With promotional intensity being so high, the only winner is the customer, while all our companies are losing out in terms of volumes, pricing, and even margins. Who will blink first and when does it happen? You being the market leader have had that kind of a burden on the shoulders, so when do you see the promotional intensity coming back to normal levels?

**Prabha Narasimhan:** Okay. Maybe I will take the first one and I will let Jacob handle the second one. So on the first one, I think my comment was really in the space of, given that the oral health of this country is a little bit challenged, there is opportunity for us to build a therapeutic segment, actually. So it was more than sensitivity, it was more about all the various oral care problems that people could have and the solutions that are being built for them. Our focus in this area is actually to drive gum health. And it goes back to the fact that of the people who have oral health issues, 46% of them are actually led by gum health issues. And our effort here will be to have a full portfolio that is across toothpaste, mouthwash, toothbrush, and any other adjuncts that may be relevant at a slightly future point in time that will allow us to have a full portfolio to address this concern.

From a partnership with the profession perspective, we have been in this country for 87 years. They have been staunchly our partners for 87 years. I sincerely hope that it will continue for the next 87 years. I think initiatives like the oral health movement only go further in cementing that partnership. We are exceptionally grateful to them for giving their time so unstintingly across 50,000-plus dentists to do these oral health checkups.

We also have a very strong partnership with the IDA, that has been a longstanding partnership. And they continue to partner with us as far as this whole oral health movement and our company is concerned. And we have a very strong professional oral health team that actually goes out into the market every day to ensure that we once again keep building on this relationship. So my confidence in our ability to maintain, sustain, and build this partnership actually is exceptionally high regardless of what other brands and other companies are doing in the market.



**Abneesh Roy:**

Yes, a very quick follow-up on what Prabha said. So in terms of the oral health campaign, this is something which Colgate has been doing for many years, this time we saw a much more aggressive avatar of that. Given the numbers are muted, how do we measure that it has worked? Because you have done this earlier many years, but this time the Dentist Connect and QR code, all those were there. As an analyst, how do we judge it has worked?

**Prabha Narasimhan:**

So, I think you need to take a look at what is the intent of the company, because we could be here for the immediate short-term gain of some of these actions and perhaps we would drive them differently. I think the difference for us is that when we say our mission is to improve the oral health of the country, we genuinely mean it. And that is for us a much longer-term, much more consistent, and much more committed effort than the in-between a quarter here or there kind of activity. So the way I judge success of this activity, and I then leave it to you how you judge the success of the activity, is for us to see what's the level of traction that we are getting from consumers in terms of are they interested in knowing about their oral health? What are the follow-up questions that we are getting? What's the engagement that we are getting? And we have been actually very positively surprised by the interest. I mean, 4.5 million is the number. Behind that 4.5 million is an awful lot of interest that sits under it.

And then the second judge is, for me, are they willing to take action to help themselves to get to better oral health? And again, we are seeing green shoots there. Do I expect that the oral health movement will move quarterly numbers in the short run? The answer is no. But equally, is it the right thing for us to do to deliver our mission? 100% yes.

**Abneesh Roy:**

Thanks. We can move to the second question in terms of promotional intensity.

**M.S. Jacob:**

Yes. So we did increase our promotional spending during the last FY. We do have specific objectives when we increase our promotional spending, it could be tied to driving distribution, it could be sales gain, and that's net incremental net of cannibalization. So, we do track all this closely. We believe, temporarily, there could be a bit of up and down. But in the longer run, this would be about the brand. The consumer needs to come to a store, ask for your specific brands. And it's for us to make sure we are offering the innovation they are looking for, our communication is superior, our product is superior. So as you heard in the last little while, we are investing behind all this and driving that brand superiority messaging through the system. And as this builds up, the trade piece is going to be a temporary piece, we would think. And it will finally default to people, their preference for the brand, because they really like it at the right price point, it offers the efficacy they are looking for.

**Moderator:**

Thank you. We will take the next audio question from Amit from UBS. Please go ahead.

**Amit Sachdeva:**

Yes. Hi. Thank you so much for taking my question. Prabha, I just wanted to ask on the competition bit. Clearly, the premium side has done very well. The Colgate relaunch is



growing 4x of the category growth. And sensitivity and other things have also done exceptionally well, which means that the mass end is the problem. And when you allude to competition, can I sort of infer from it that the mass end or Colgate Strong Teeth variant is where you see significant decline, actually, in the portfolio? And that's where the competition concern is coming from, and if this understanding is correct? Because I see other numbers of other companies are not impressive at all. And so when the competition is rising and impacting you, how do we sort of read this? To which segment? And when we see outlook of it, how do you sort of see it in the coming quarters as well? That's one bit.

**Prabha Narasimhan:**

I think you are absolutely right. And maybe I can break up the India market for you into the three parts that we are seeing and how the three parts are behaving quite differently. So first, there is of course the urban and rural. And I think most companies, us included, over the last little while have called out the fact that there is buoyancy in rural, it continues to do well, it continues to outpace urban. And if you recall, I think a year, year-and-a-half ago this was not the case. And so this is a change that has happened over the last little while, where rural continues to be resilient, we see volume and value growth in rural, and it is driven by our core brands, because those are really the large brands that play in rural India. We are also lucky to have an over-indexed competitive position in rural India versus urban India. So there is an opportunity there for us and an opportunity that we are leveraging.

Second, if I come to urban India, at an aggregate level, urban India is slowing. And you saw the data on the slides in terms of market growth and the trajectory of market growth, which has been on the decline. But if I break up urban India into two parts, which is maybe the top 30% and the bottom 70%, the top 30% continues to be exceptionally resilient as far as FMCG is concerned. And I think as far as Colgate is concerned, the portfolio of premium products that we have, whether it is Colgate Total, whether it is Visible White, whether it is Visible White Purple, or the newly launched Max Fresh Sensorial or the therapeutic range, all of these have tremendous traction with this audience. And as a result of which, I talked about the growth of Colgate Total, where actually our entire premium portfolio grows very rapidly. And therefore, the traction that we are seeing with this top 30% is very heartening, very good for us from the medium-term. And of course, very good for consumers who are choosing the right science-backed products to help them with their oral health.

Where the problem actually sits in the last little while, and it's not a phenomenon that is unique to this quarter, has been the bottom 70% of urban India. We are seeing that they are under pressure. And that pressure is leading to an impact on oral health volumes as much as it is leading to impact on various other category FMCG volumes. So, between these three, that's where our growth sits. Two of them continue to do very well. One of them has had a bit of a wobble in the last little while.

But again, if you see structurally, and you see all of the macro indicators and the interventions that are coming in, I think this is something that is quite temporary. And so to your question of what is our perspective of the outlook going forward, I think the outlook going forward is that this 70% of urban will also pick up. The 30% of urban anyway is resilient. Rural continues to look like a real bright spot. So we see this getting sequentially better, and particularly towards the back half of this year.



**Amit Sachdeva:**

Sure. That's very helpful, Prabha, for breaking this up. I just wanted to ask about the competition bit. I think what you alluded to is largely macro on the urban mass, which continues to be very weak. How do we sort of relate it back to the competition comment that you made, that competition has also impacted performance this quarter? When you call it out specifically. And I am sort of curious at which part of the segment, and is the competition receding, intensifying? And how do we make sense of it? And relating back to what should be the outlook for, say, next two quarters? You said the first half could be still weak and the second half could be better. It would be great to have some guidance around how, and especially related back to margins as well. Margin this quarter was very high, should we expect this margin to continue? And/or just kindly help us understand how investors should actually look at these two dynamics playing out.

**Prabha Narasimhan:**

I think, firstly, if I take a look at our comment on competitive intensity, it links to the comments that Jacob was making in terms of how much money competition is spending, largely driven by trade. And that's what we mean by competitive intensity and our need to be competitive. And that is actually slightly newer than the stuff earlier. But otherwise, when you think about it, has competitive intensity always been high? Yes, in terms of advertising, in terms of the work that they do, that continues. We are not seeing a big change in that kind of competitive intensity. What we are seeing or what we did see to which we have responded, which is why the comment, is the competitive intensity in trade. I think two things will happen. One, everybody will titrate to a level that makes sense for their business and allows them to optimize obviously between being competitive and their top-line growth. And the second is, some of this will anniversary very soon. And therefore, the impact on the P&L diminishes over a period of time. So between these two, I am less worried about it. It was called out because it is an aberration from the baseline progress.

I am going to make one very quick high level comment on margins and then I am going to hand it over to Jacob to give you maybe a little bit more detail. We continue to be a very high margin, high EBITDA company. We have always suggested that our range of EBITDA would be in the low 30s, and that's really where we think we will operate, plus/minus a little bit here or there depending on the quarter. We think the intrinsic strength of the brand allows us to operate there and allows us to make sure that we are doing this while we support the brand at optimum levels. And so that's really our construct.

We have outstanding funding the growth program, which looks at every non-value adding cost that we have. And on average, in any given year we get about 5% of our net sales being taken out of the system as non-value adding, which is really helpful and which is what actually helps us to keep the margins at the level that we are at. In fact, Jacob will speak about this. Our price growth over the last little while has actually been quite muted. It's not pricing that's driving this margin, it's actually efficiency that's driving this margin.

**M.S. Jacob:**

Yes. To add to that, we will continue to invest behind our products. As you heard earlier, we have enhanced the quality and efficacy of our products. We just relaunched our Strong Teeth, which is a flagship sub-brand. And we have upgraded the other products over the last couple of years. And we will continue to look for opportunities to take it to the next level. So,



those are all going to be cost-accretive, but we will look to cover it through the efficiencies that Prabha mentioned. And at the same time, there would be some level of pricing that will be coming through. But net of it, we expect to be in the range of what you are seeing over the last year or so.

**Amit Sachdeva:**

Great. Thank you so much, Jacob. But just one last bit on, since you mentioned that comparative spends and the trade, is it specific to a particular channel, like quick commerce or something? Or is it pervasive across DT as well? And given that, I was just hearing a news flow, I do not know how relevant or how significant that is, but there was some sort of random news flow on Maharashtra Distributor Union, kind of making some noise about price discrimination in the various channels and they are unhappy about it. And is there some resolution to it or is it just a sort of random news flow that comes in and there's no truth to it? So if you can comment on that situation as well. Maybe I am just relating back two and two together, maybe they are not, but if you can just sort of clarify that bit?

**Prabha Narasimhan:**

To the first question on where the trade investment is going, actually the trade investment is going more in general trade. General trade continues to be about three quarters of this market; and without general trade, there is actually no business. So if you see any number move at a company level, it will be driven by general trade as it is for us. Just because you mentioned e-commerce and quick commerce and all of this, I think we need to keep in perspective that while the channel grows, it is still a very small percentage of our business. E-commerce is about 5% to 6% of our business. We continue to look to drive a portfolio in e-commerce that is new, different, and premium. Max Fresh Sensorials being the comment.

And to your specific question on the distributors, we are really fortunate as Colgate, we have a 2,000 strong distributor network, many of whom have been with us for many, many years. And actually similar to the relationship with dentists, we pride ourselves on the quality of the relationship that we have with these distributors across the country. And there is always dialogue in terms of how we can ensure that we grow their business as much as we grow our business. And it's an utterly symbiotic relationship, and that continues to be the case.

**Moderator:**

Thank you. We will take the next text question from Arnab Mitra from Goldman Sachs. And the question is, what is the outlook for gross and EBITDA margins for FY '26? Do you benefit from lower input cost? Or will the high competitive intensity lead to some headwinds? As a company, do you want to further enhance EBITDA margins from the current 32% to 33% plus levels?

**M.S. Jacob:**

Yes. Arnab, I think we did touch on this question in the last little while. So as we mentioned, our priority would be doing the right things to deliver top-line growth, both as a category level and also for us as a company. We will do all the right things required, making sure we are competitive in trade, our products are superior, our communication is superior and it's at the right level. So all those things are going to be critical. So we are not targeting any particular level of gross margin or EBITDA increase. It will be a result of doing all the right



things. And our objective would be to drive that top-line, both volume and value, and what is required to deliver that. So, I wouldn't give guidance on any particular level at this point.

**Moderator:**

Thank you. The next question is from Jai Doshi from Kotak. And the questions are, we have witnessed significant discounts on MT or e-commerce platforms, how are you managing channel conflicts between GT and emerging channels? And the second one is, what was the contribution of premiumization mix to value growth in FY 2025? And what could be the contribution of premiumization of your revenue CAGR over the next two years to three years?

**Prabha Narasimhan:** So on the first one, on MT and e-comm pricing, actually there are two or three things that we are looking to do or we continuously do. Firstly, to ensure that there is a degree of parity pricing across all of the channels, because it's important for us that all of the channels grow, and wherever the consumer goes she gets the right price for the right product. The second thing I think is that there is a significant opportunity for us in modern trade and e-commerce to move consumers to the more premium products and the more premium part of our portfolio, and we have started making a significant difference over there. Over half our portfolio now in e-commerce is the entire premium range, as opposed to our core business, which is the bulk of our general trade business. So the combination of these two things, which is the right portfolio in the right channel, and then of course the right pricing across the channels, is how we intend to manage this, because genuinely there is an opportunity for every single channel to drive growth. And only when every single channel drives growth, we as a company get the maximum benefit of driving overall growth.

I think to the second question, we tend not to comment on the share of premiumization, but more what we expect that premium would grow at. You would recall that in previous conversations I have talked about how premium should be at least 2x faster than the rest of our portfolio. That was at a time where market growth was looking really positive and quite high. Now that the market growth is slowing, actually we continue to hold our premium growths and therefore the target is for it to be 4x, which is really what we are currently delivering, and we expect that we will only accelerate this more and more as we go through the year. Jacob, you want to build on this?

**Moderator:**

Thank you. The next text question is from Priyank Chheda from Vallum Capital. And the question is, pricing mix growth for FY '25 was missing despite premiumization focus for the full year. What is the mix improvement on total price growth expected ahead?

**M.S. Jacob:**

So on price growth, as we mentioned, we have been investing in trade for the last year or so, so that has impacted the pricing growth. Going forward, as I mentioned, we will continue to invest behind brand superiority, superior communication. And we do expect it will continue to be quite intense out there, but we expect it will kind of stabilize a bit. We cannot call out a number, but we do expect going forward pricing will be a component of the sales growth.

**Moderator:**

There are multiple questions around this area, the question is to understand volume growth for the recent quarter?



**M.S. Jacob:**

In terms of volume growth, as we mentioned, our pricing did not contribute to it. So we actually had slightly negative pricing, so volume was flat in the last quarter.

**Moderator:**

Thank you. We will take the next audio question which will be the last question for today from Disha Seth from Anvil. Please go ahead.

**Disha Seth:**

Good morning, sir. Sir, we wanted to check that in the press release you mentioned that there is lower urban demand, does that mean that the customers have down-traded themselves like from a Colgate Total to a normal Colgate? Has that impacted our sales? And yes, we can go ahead with that question and then I will add the second question.

**Prabha Narasimhan:**

I think we are not actually seeing down-trading in the market. And the reason for the slowing volume growth, our understanding is, actually consumers titrate the amount of toothpaste that they use. So it's neither that consumers drop out of the category. So the overall penetration of the toothpaste category remains at its near universal level, it does not wobble. Consumers do not stop buying toothpaste. Consumers do not stop using toothpaste.

And maybe I can remind you of some of the stats that we have in this country, which is that 80% of urban India brushes their teeth only once a day and 50% of rural India brushes daily. And therefore, the way to adjust how much you spend on this category is actually by adjusting how much toothpaste you put on your tube. And therefore, the titration downwards of that usage is what leads to a decline in volume. It's not consumers either stepping down brands or in terms of stepping out of the category. Neither of those are we seeing. And certainly, stepping out of the category usually does not happen either.

**Disha Seth:**

So you are saying that, so what I understand is, you are saying that people are using less paste on the brush rather than anything else, correct?

**Prabha Narasimhan:**

Yes, they just titrate their usage in a given period of time and make a given SKU last a little bit longer.

**Disha Seth:**

Longer, okay. And second, in terms of competition, when you said the other competitors are giving more trade or more dealer margin and everything, but we have a higher mind recall. So why would a customer go to any other brand than a Colgate when we have a higher mind recall? The dealer pushing shouldn't affect the brand sales, when we are investing so much on a brand. Or correct me if my understanding is wrong, please?

**Prabha Narasimhan:**

So, I think nothing is ever about the black and white, right? Colgate is by far the single strongest brand in the oral health category, for sure. However, when consumers go to buy



products, not all 100% of them are asking for the brand by name. So to give you an example, when a Rs. 10 consumer or a consumer who wants to buy a Rs. 10 SKU goes to a store and asks, 85% of the time they will tell you the brand that they want to buy. So give me a Colgate Strong Teeth, Rs. 10. So they know the brand, the Colgate Strong Teeth Rs.10 then gets handed over. In the remaining 15% of the time, the consumer says, give me a Rs. 10 toothpaste. And therefore, for you to be the most attractive Rs. 10 toothpaste at that moment is actually quite important. And attractiveness is a combination of both your rate as well as the velocity of your product. And that's the combination that gets managed to make sure that we hold the kind of levels of distribution that we are lucky to enjoy given the strength of our brand. So it's a little bit a combination of having a strong brand and driving the branded purchase, which we do a really good job of. And making sure that in the minority cases where the brand is not mentioned, that it is as advantageous for trade to give your brand as any other.

**Moderator:**

Thank you. Ladies and gentlemen, we will now conclude the question-and-answer session. I now hand the conference back to Ms. Prabha Narasimha for closing comments. Thank you, and over to you, ma'am.

**Prabha Narasimhan:**

Thank you all for joining us this morning. We look forward to seeing you six months from now. Thank you again for your time.

**Moderator:**

Thank you, members of the management. We now conclude today's Colgate-Palmolive analysts conference meeting. And we thank you all for your participation. Thank you.