

Colgate's volume woes need to be brushed off

Q3 domestic sales were led by double-digit growth in toothpaste vertical

RAM PRASAD SAHU
Mumbai, 23 January

The stock of Colgate-Palmolive, India's largest oral care company, slipped 3.8 per cent on Tuesday amid the lack of traction on the volume front and downgrades over valuation concerns after the recent rally.

Colgate-Palmolive (India) has been one of the top gainers in the consumer space since June 2023, enriching investors by 53 per cent in this period.

While revenue growth for the company in the quarter at 8 per cent was led by pricing, the volume trend continues to be uninspiring. Overall, the volumes were down as compared to the expectations of a 2 per cent growth.

On the domestic front, sales growth of 8.8 per cent included a slight improvement in volumes as compared to the year-ago period. The domestic sales growth was led by a double-digit improvement in toothpaste, which was offset by the decline in toothbrushes in this period.

Analysts led by Mehul Desai of JM Financial Research believe that there is no material acceleration in sales performance. Normalised sales growth over the last four years stood at 5.1 per cent during the December quarter and this is in the same 4-5 per cent ballpark as seen in recent quarters.

Volume growth, too, has been sluggish. Kotak Research says while Colgate's revenue growth in Q3 is likely among the best in the staples pack, we note that its volume growth continues to lag peers — Hindustan Unilever, Godrej Consumer Products, and Dabur.

Similarly, Motilal Oswal Research points out that toothpaste volumes in the quarter were flat to positive. Despite numerous product innovations and marketing efforts, the rebound in volume remains uninspiring, it adds.

Analysts led by Naveen Trivedi of the brokerage point out that sales, operating profit, and net profit for the 10 years ending FY23 stood at 9 per cent and 8 per cent respectively.



GROWTH TREND

Figures in %

	Volume growth	Net sales growth	Gross margin	Operating profit margin
Q4FY22	-4.0	1.4	66.8	33.0
Q1	-4.0	2.6	66.3	27.2
Q2	-2.5	2.6	63.8	29.4
Q3	-2.5	0.9	65.9	28.0
Q4FY23	0.0	3.8	66.9	33.5
Q1	3.0	10.6	68.4	31.6
Q2	-1.0	6.0	68.8	32.8
Q3FY24	-1.0	8.1	72.2	33.6

Source: Motilal Oswal Research

The overall growth seems stagnant with anticipated volume growth expected to be muted in the future.

Additionally, due to the high oral care penetration and competition from herbal players, the company has struggled to achieve volume growth for several years.

Moreover, the premiumisation in general trade and traction in personal care has been slow, they add.

Though the volume growth was not impressive, the company registered strong profit growth and margins in the quarter.

Its gross margins expanded by 639 basis points year-on-year (Y-o-Y) and 341 basis points sequentially to all-time high levels of 72 per cent.

This was over 300 basis points better than what brokerages were working

with. The gains came on the back of soft input costs and price hikes taken by the company on the premium portfolio during the quarter.

While advertising expenses were up by 150 basis points at 14.6 per cent of sales, other expenses were down 90 basis points at 16.1 per cent. This has helped the company retain the bulk of the margins at the operating level. Operating profit margins expanded by 550 basis points to 33.6 per cent. While operating profit was up 30 per cent Y-o-Y, the margin base is expected to catch up from the March quarter onwards.

We expect profit growth momentum to slow to high single-digit or at best low double-digit, which, in our view, could start to cap stock performance from here on, says JM Financial Research.

Most brokerages have a cautious view of the stock given the 24 per cent gains on the stock post the September quarter results and valuations, which are higher than its five-year average.

Most brokerages have a cautious view of the stock, given the 24% gains after Q3 results and high valuations

PARTIAL WITHDRAWAL FROM NPS

Ambit of reasons for withdrawal expanded; use facility cautiously

Withdrawal made during tenure for other goals will erode retirement corpus

BINDISHA SARANG

The Pension Fund Regulatory and Development Authority (PFRDA) came out with a master circular on January 12 regarding the new rules that will govern partial withdrawal from the National Pension System (NPS). These rules will come into force on February 1.

Current rules

A subscriber can withdraw a part of their NPS corpus before retirement. Up to 25 per cent of the amount accumulated can be withdrawn. Here the amount accumulated refers to the employee's contribution. Withdrawal cannot be made from the portion of the corpus contributed by the employer.

Subscribers can only make a partial withdrawal after having completed three years in NPS. Altogether, they can make only three partial withdrawals throughout their entire tenure in NPS.

According to Amit Kumar Nag, partner, AQUILAW, "The permitted reasons for withdrawal include children's higher education, children's marriage, purchase or construction of a residential house, and treatment of critical illnesses."

What will change

Housing: If a subscriber makes a partial withdrawal for the purchase or construction of a residential house or flat, then money can be withdrawn from NPS for the purchase of the first house only. An inherited house will not count for this purpose. "An ancestral property is not considered a house or flat purchased or constructed by the subscriber," says Suma R V, partner, King Stubb and Kasiva.

Children: A subscriber can make a partial withdrawal for their children's education or marriage. PFRDA has clarified that children include legally adopted children.

Reskilling and startup: The regulator has widened the ambit of purposes for which partial withdrawal can be done.

LUMP SUM WITHDRAWAL: PROS AND CONS

■ A recently introduced facility subscribers can opt for is Systematic Lump Sum Withdrawal (SLW), which allows periodic withdrawal of up to 60 per cent of their corpus at retirement

PROS

● Withdrawals can be made monthly, quarterly, half-yearly, or annually, giving subscribers flexibility

in receiving their pension funds

● The facility can be used until the age of 75, providing an extended period for regular withdrawals

● Subscribers can automate periodic withdrawals, eliminating the need to repeatedly apply and get approvals for periodic withdrawals

CONS

● During the SLW period, subscribers are restricted from contributing to their Tier-I account

● Partial withdrawals are also not permitted during the SLW period

ADVICE

● Avoid excess withdrawal and early depletion of the lump sum corpus

These now include skill development or reskilling, and also to establish one's venture or startup.

Use withdrawal facility with caution

NPS is meant to be a retirement savings tool. The purpose of providing the partial withdrawal facility is to allow some flexibility. Says Suma: "Partial withdrawal helps members meet specific financial exigencies."

However, using this facility runs the risk of eroding the final retirement corpus.

Therefore, it should be utilised with utmost caution. As Vanshika Ahlawat, associate, PSL Advocates & Solicitors, says: "Ensure withdrawals do not compromise the primary goal of building a robust retirement corpus."

Partial withdrawal of up to 25 per cent is tax-free and hence does not carry any tax implication.

Should you opt for NPS?

NPS is a cost-efficient investment mechanism that allows investors flexibility in choosing their asset allocation (allocation to equities and debt) based on their risk appetite. As it

offers equity exposure, returns over the long term are likely to be higher than from other long-term, fixed-income alternatives like Public Provident Fund.

Through NPS, subscribers can also get an additional tax deduction of ₹50,000 under Section 80CCD(B). This deduction is exclusive to NPS. It is over and above the Section 80C deduction of ₹1.5 lakh. Upon retirement, subscribers can withdraw 60 per cent of the corpus as a lump sum. This amount is tax-free.

On the downside, NPS has a long lock-in period until retirement. If a subscriber withdraws from NPS prior to retirement, 80 per cent of the money must be invested in an annuity and only 20 per cent is received as a lump sum.

Upon retirement, subscribers must use 40 per cent of the corpus to buy an annuity. The interest payouts by annuity plans can sometimes be low and are taxable at slab rate. NPS is well suited for higher-income people who are unlikely to need the money invested in NPS before retirement. It may not be ideal for someone who may need the money for emergencies before retirement.

Those who want equity exposure, tax benefits (under Section 80C) and anytime liquidity may consider equity-linked savings schemes.



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"To be the most valuable company in the recycling space globally."

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Revenue
-4%

Q3 FY23 789
Q3 FY24 758

EBITDA
+26%

Q3 FY23 71
Q3 FY24 90

PAT
+20%

Q3 FY23 50
Q3 FY24 60

S.no	Particulars	Quarter Ended	Quarter Ended	Quarter Ended	Nine Months	Nine Months	Year Ended
		31.12.2023	30.09.2023	31.12.2022	Ended 31.12.2023	Ended 31.12.2022	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Total Income from operations (Net)	773.21	850.31	784.06	2,350.26	2,121.62	2893.68
2	Net Profit/(Loss) for the period (Before Tax, Exceptional and/or Extraordinary Items, Share of Loss of Associate)	73.77	67.00	57.67	201.93	157.82	227.59
3	Net Profit/(Loss) for the period before Tax (After Exceptional Items and/or Extraordinary Items)	73.77	67.00	57.67	201.93	157.82	227.59
4	Net Profit/(Loss) for the period After Tax (After Exceptional and/or Extraordinary Items)	61.47	58.84	50.47	172.86	140.10	204.09
5	Total Comprehensive Income for the period	61.88	53.63	68.33	165.70	151.20	203.75
6	Equity Share Capital (Face value per share Rs 2/-)	13.81	13.81	13.81	13.81	13.81	13.81
7	Reserves (excluding Revaluation Reserve)						575.12
8	Earnings Per Share (After Tax & minority interest) (of Rs 2/- each)						
	(a) Basic:	8.74	8.52	7.42	24.96	20.29	29.72
	(b) Diluted:	8.74	8.52	7.42	24.96	20.29	29.72

	2023	2022	2021	2020	2019
1 Turnover (Net Sales)	599.03	705.31	706.76	1,958.21	1,828.03
2 Profit Before Tax	59.82	50.63	22.41	158.39	63.41
3 Profit After Tax	50.46	43.51	17.32	132.69	50.08

NOTES:

a) The above is an extract of the detailed format of quarter / 9 Months ended results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing and other Disclosure Requirements) Regulations, 2015. The full format of the quarter / 9 Months ended results are available on the websites of the Stock Exchanges viz. www.bseindia.com and www.nseindia.com. The same is also available on the website of the company viz. www.gravitaindia.com

b) Exception and/or Extraordinary Items adjusted in the Statement of Profit and Loss in accordance with Ind-AS Rules.

c) The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 23rd January, 2024

Place : Jaipur
Date : 23rd January, 2024

Gravita India Limited
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For Gravita India Limited
Sd/-
Yogesh Malhotra
Whole-time Director & CEO
DIN : 05332393

the line pipe people

CIN : - L99999MH1988PLC047408
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Website: www.mangroup.com, Email: cs@manindia.org

STANDALONE

35%

Revenue from Operations
Rs. 830.28 Crores (YoY)

19%

EBITDA
Rs. 85.27 Crores (YoY)

Rs. 37.15 Crores

PAT

CONSOLIDATED

27%

Revenue from Operations
Rs. 833.02 Crores (YoY)

9%

EBITDA
Rs. 79.07 Crores (YoY)

Rs. 30.60 Crores

PAT

EXTRACT OF STATEMENT OF STANDALONE AND CONSOLIDATED UNAUDITED RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER 2023

Sr. No	Particulars	(Rs. In Lakhs)					
		STANDALONE			CONSOLIDATED		
		Quarter Ended	Nine Month Ended	Quarter Ended	Quarter Ended	Nine Month Ended	Quarter Ended
		31.12.2023	31.12.2023	31.12.2022	31.12.2023	31.12.2023	31.12.2022
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
1	Total Income from Operations	83,028	2,30,201	61,276	83,302	2,33,150	65,811
2	Net Profit / (Loss) for the period (before Tax, Exceptional and/or Extraordinary items#)	4,978	12,323	4,848	4,323	11,186	4,934
3	Net Profit / (Loss) for the period before Tax (after Exceptional and/or Extraordinary items#)	4,978	12,323	4,848	4,323	11,186	4,934
4	Net Profit / (Loss) for the period after Tax (after Exceptional and/or Extraordinary items#)	3,715	9,250	3,634	3,060	8,101	3,720
5	Total Comprehensive Income for the period (Comprising Profit / (Loss) for the period (after tax) and other Comprehensive Income (after Tax))	3,741	9,358	3,768	3,098	8,209	3,854
6	Paid up Equity Share Capital	3,005	3,005	3,005	3,005	3,005	3,005
7	Earning Per Share (of Rs. 5/- each)						
	Basic (Rs.)	6.18	15.39	6.06	5.09	18.61	6.20
	Diluted (Rs.)	5.93	14.78	6.06	4.89	17.87	6.20

Notes

1 The above is an extract of the detailed format of the Quarter ended results filed with the Stock Exchanges under Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of Quarter & Nine Month ended Unaudited Financial Results as reviewed by the Audit Committee on January 23, 2024, and subsequently approved by the Board of Directors on same date are available on the Company's website i.e. http://www.mangroup.com and also available on the websites of Stock Exchanges websites viz BSE Limited (www.bseindia.com) and National Stock Exchange of India Limited (www.nseindia.com).

2 The above results are in accordance with the Indian Accounting Standards (Ind AS) as prescribed under section 133 of the Companies Act, 2013, read with the relevant Rules issued there under and other accounting principles generally accepted in India. Accordingly, previous period's figures have been reclassified / regrouped/ restated, whenever necessary.

3 The outstanding order book position as on date is approx. Rs. 1300/- crs to be executed in 5 to 6 months.

4 The company has filed settlement application with Securities Exchange Board of India (SEBI) and in accordance with discussion with SEBI, Company has consolidated financial statement of Merino Shelters Private Limited (wholly owned subsidiary) with financial statement of Holding Company and has given the necessary effects in financial year 2022-23. The Previous periods figures are not comparable due to the necessary effects of consolidation has been since quarter ended 30th September 2023.

For Man Industries (India) Limited
Sd/-
R C Mansukhani
Chairman
DIN - 00012033

THE MAN GROUP
Globally Committed

Place : Mumbai
Date : January 23, 2024

Opinion, Insight Out

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