



August 25, 2023

The Secretary  
BSE Limited  
P.J. Towers, 25<sup>th</sup> floor  
Dalal Street  
Mumbai-400001

Scrip Code: 500830

The Manager - Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, C-1, Block - G  
Bandra - Kurla Complex  
Bandra (East), Mumbai 400 051

Symbol: COLPAL  
Series: EQ

Dear Sir(s),

**Sub: Analyst Conference Call- Transcript**

This is further to our letter dated August 22, 2023, regarding an Investor/Analyst meet, please find enclosed herewith the transcript of the said investor/analyst meet held on August 22, 2023.

The aforesaid transcript is also available on the website of the Company at the link mentioned below:

Link-<https://www.colgateinvestors.co.in/presentation-to-analyst/presentation-details-2023>

Kindly take the same on record.

Thanking you,  
Yours Sincerely,  
**For Colgate-Palmolive (India) Limited**

Surender Sharma  
Whole-time Director - Legal &  
Company Secretary  
DIN: 02731373

Encl: a/a

# “Colgate-Palmolive Brand Days Analyst Meet”

August 22, 2023

## **Management:**

Ms. Prabha Narasimhan – Managing Director & Chief Executive Officer

Mr. M.S Jacob – Whole-Time Director & Chief Financial Officer

Mr. Surender Sharma – Whole-Time Director Legal & Company Secretary

Ms. Sarala Menon – Executive Vice-President - End to End Supply Chain

Mr. Balaji Sreenivasan – Executive Vice-President, Human Resources

Mr. Gunjit Jain – Executive Vice-President, Marketing

Mr. Ruchir Bhatnagar – Executive Vice President, Customer Development

Ms. Swati Agarwal – Executive Vice President, IGTC

Ms. Sujata Nairi – Director, Commercial Finance & Investor Relations

**Sujata Nairi:**

Hello, everyone. Good morning and welcome to the Colgate-Palmolive Brand Days Analyst Meet. I, Sujata along with the entire leadership team, would like to extend a warm welcome to all of you present here physically as well as those who have joined us virtually.

Happy to meet all of you in person again, and I hope you had a lovely time in the last one and a half hour on the walk around of our products, innovations and the technology behind it. The session today will be approximately 45 minutes with a brief presentation from Prabha and Jacob post that will have a Q&A session of 20 minutes in all.

So for those participants who have joined us physically, can raise their hands and those who have joined us virtually can please put their questions in the chat box and we'll be happy to answer as much as we can. I would now request Prabha to share her views. Prabha over to you, thank you.

**Prabha Narasimhan:**

Good morning, everybody. Let me add my welcome to Sujata's and thank all of you for having made the trip to Powai, all of you who are in the room and to welcome everybody who's online. It's absolutely the LT and my privilege to be here this morning and take you through the entire Colgate-Palmolive story as part of our brand days event. And to start with the statement that all of you know, the Safe Harbour statement. So I am not going to dwell on it too much and crack straight on.

This is really what we're going to cover in the deck today, for those of you who are wondering that, apart from the walk around, what we're going to add, what we're going to talk about is really a recap of the opportunity that we see in the spaces in which we play, our current state of our business, what are our key growth pillars, and of course, the financial results for which I will hand it over to Jacob.

Starting with the opportunity, I'm sure you've heard this downstairs already, but it's certainly worth reiterating that the headroom opportunity in oral care, despite the fact that it is a category that's been around for a very, very long time and despite the fact that it is a category that has near-universal penetration on both toothpaste and toothbrush, remains immense. Only 20% of urban households brush twice a day, which is the recommended level of brushing by your dentist and 55% of rural households don't brush daily. So the simple math will tell you that if we are able to move some of these numbers into either daily brushing in rural or twice daily brushing in urban, the volume opportunity that sits within the world of toothpaste. And then, of course, when you look at the premiumization opportunity, a lot of the story which you would have heard downstairs, 86% of the category sits below the 110 average price index.

So if you average out all the brands that sit in the category, 86% of the value of the category sits below 110 index. And so again, if you see competitive categories in personal care, like hair or personal wash our skin for that matter, this number is in excess of 25%. So against a 14 odd percent for oral care, the number is in excess of 25 for comparable categories and therefore an opportunity for us to bridge that as well.

And if you take a look at toothbrushes in the similar way, replacement in urban is once every 6 months on average. Of course, the frequency distribution of that varies and replacement in rural is once every 15 months. Again, your dentist would recommend that you replace your toothbrush once every 3 to 4 months. There is data that a new toothbrush actually cleans 95% better than an old toothbrush and therefore, you know, an exhortation to get people to move their toothbrush purchase more often. 78% of the category sits below the 40 rupees price point, where again, the more premium offerings in the range and we will talk about them offer significant benefits as you go up the price ladder. So, we are truly in a space where there is opportunity for the category to grow and as market leaders in both toothpaste and toothbrush, we do see it as our primary task to grow the entire category.

From an oral care awareness perspective, 75% of India's urban population believes that they have great teeth, which is great. However, 89% actually suffer from some form of oral health issues and this doesn't mean that they are in pain or this doesn't mean their teeth are going to fall out, it just means that better dental care would take care of these oral health issues. And therefore, as they get more aware of these oral health issues and as they act upon these oral health issues, we also see an opportunity in terms of category growth. 9% of India visits a dentist at least annually, usually for pain, not because this is a recurring visit. That population tends to be small and there is, of course, an opportunity to build the habit of going to the dentist and driving better oral hygiene. Over the last two slides, you probably heard me use the word opportunity I think must be half a dozen times. But I think if I could sum up what we think of this category, that would be the one word, which is there is tremendous headroom to grow despite the fact that penetration is near universal.

So let's then switch from the category to the state of our business. What we are seeing from an external lens, which is great and I think we are hearing this across FMCG companies, is really a revival in category volumes. We are seeing this across urban and rural and I'll take you through some data in just shortly. And we are seeing green shoots in rural consumption, which is great because immediately after the impact of COVID, we saw it come back a little bit and then dip quite sharply. But we are now seeing a resurgence in that and hopefully this will continue.

From an internal perspective, you would have heard a lot about it, but our focus is really to ensure that we deliver superior science backed products, put out best in class communication to get the benefit of these science backed products to our consumers and make sure that our availability through robust customer development fundamentals remains absolutely best in class. I'm sure you've heard that we reach 1.7 million outlets directly and managing these 1.7 million outlets in the right assortment into those outlets is a large part of our strategy. Doing these three things well is leading to momentum that you're seeing in our results.

Margins, which has always been a strength of this company. I think over as far back as we have looked at data continues to be very strong, helped by very tight governance of our internal processes and of course the external factor of the softening of all of the commodity prices and various other prices that we are getting the benefit of.

And we continue to stay focused on digitization as well as ESG, which are the other two core pillars on which this organization rests.

So coming to the category volume, on the left you see toothpaste volume growth. You will see that huge peak in Q2 21 was obviously off the base of our Q2 20 COVID base. So that is an aberration. It was because of the base rather than, you know, the volume of that Q2 21 being particularly high. But all through 2022, you will see that volumes in this category have been fairly depressed. These volumes are now coming back and coming back quite sharply in both urban as well as rural, which augurs very well for a company like Colgate and anybody who operates in the toothpaste category. And toothbrush volume growth, a similar pattern, sharper dip, shorter dip, but coming back and we have realized that the toothbrush category is actually quite sensitive to inflation and as inflation continues to drop, consumers come back into buying habits because otherwise the postponement of a purchase of a toothbrush is actually quite easy.

So that brings me really to our growth pillar, and for any of you who have been here before in this room or on the call, this will be a slide that's not unfamiliar. I want to reiterate our strategy in Colgate-Palmolive. Our first leg, as I've already mentioned, is really to lead category growth and toothpaste category consumption led growth, and that is to drive the volume of the category. And secondly, for us to double down on our three core brands, which is Colgate Strong Teeth, Max Fresh and Colgate Active Salt to make them the best in class for the benefit that they offer.

The second leg of our strategy is to drive premiumization. You saw our 14% number that's above the 110 index. It is our intention to move that number further and further up and we have a whole host of portfolio, which you would have seen, and I will anyway reiterate for the benefit of those on the call and drive that constantly up.

The third leg is to lead category growth in toothbrushes, both in terms of premiumization as well as the replacement rate of toothbrushes. And then we have opportunities in terms of whitening devices, one of which you would have seen downstairs.

And the last one, we have talked about it before, but diversification beyond oral care and building a strong second leg in personal care through the Palmolive brand is the fourth leg of our strategy. All of this underpinned by what we think is fundamental to making these four pillars happen, the first of which is superior science backed products. A lot of the work that you would have seen in the demonstrations showed that technology leads to superior benefit delivery. And that's really what our focus is on.

The second, and we've discussed this, driving financial efficiency because as we are efficient, we unlock more money which allows us to invest to drive brand growth.

Digital at the core, no company can survive without being digital at the core. And I think we are making some rapid strides in this space and we will talk, you have heard about some of it already. Smile stores, amazing digital twins in factories, lots of the work that's being done in the supply chain outside of that. But we will recap it again.

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And then of course, people, we are who we are and people are absolutely critical to our success. And the entire idea of how we manage talent and culture is really critical to us. And that becomes then the fourth enabler. And the last one is ESG. I hope all of you have had a chance to see the second ESG report that we just released along with our annual report this year. This is just a reaffirmation of our commitment to doing all the right things as far as environment and social impact is concerned and continuing the very, very strong work that we do on governance.

So with that, I'm going to move to talking just a little bit on a recap about our brands. Those of you who did the walk around this morning who are in this room will have heard all of this before, but there's never too many times that we feel we can say this or we're going to say it again, starting with Colgate Strong Teeth, the thing that is really to be noted about Colgate Strong Teeth is that it does have the best in class science on what is a market standard product. So the arginine technology is actually clinically proven best in class science for strong teeth and this is what we've put in our market standard product. And I say this because it just reaffirms our commitment to building oral health in this country.

And this technology allows us to say, 2X remineralization of teeth or in consumer parlance, 2X stronger teeth. And I'm sure you saw it downstairs. Since we relaunched this product with a superior formulation, new communication, we have actually seen a tremendous uptake in this brand, which continues to grow now at double digits this year. And the great work on CD Fundamentals has meant that we've added about 200,000 total distribution points. For those of you who don't know what a distribution point is, 1 SKU in the store is one distribution point. So 200,000 distribution points is 200,000 incremental touchpoints of some CST SKU into a store.

This is a new campaign. I hope you've seen it, which has very, very high reach. It has been the highest decibel level campaign that Colgate has ever done, I think, in its entire history, really well received. We have got lots of positive feedback from both practitioners as well as consumers on the advertising which does go back to the roots of Colgate, of Colgate Strong Teeth, of being a family led brand that is warm and is really all about an elder or a mother's advice for how she builds strong teeth in her children. We have also taken this to rural, 7000 plus villages, and have seen wall paintings where it's difficult for us to reach them through television. The exact same message of driving strong teeth is delivered in these wall paintings.

We then come to our second brand, which is Max Fresh, superior freshness technology. If there's one thing to remember about Max Fresh, that would be it. Our technology that delivers 10X cooling or 10X freshness has been our most successful brand over the last little while with a 470 basis point increase in household penetration.

So household penetration is measured by 100. If there are 100 households, what percentage of them use it? We've added 470 BPS to that penetration. The brand grows two times as fast as the market and we're making sure that we are doubling down on the success to ensure that we get more and more money behind what is a truly winning mix.

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And then we come to the first leg of premiumization in the proactive health space, Colgate Total. It is the world's number one germ fighting toothpaste, world's number one which has actually been for quite a while, which just talks to the quality and the efficacy of this particular brand. In India, it used to be available in the advanced health and charcoal deep clean variants. We are very, very shortly, I think a week away from launching Colgate Total Sensitive as well. So that completes the portfolio of Colgate Total. It is I think our most patent awarded toothpaste with 125 patents, just as Colgate Total. This year as it did the last couple of years, growing at double digit and we are spending a lot of money behind driving Colgate Total as one of the faces of our effort to premiumize.

I then come to what is a critical leg for us for a very, very long time or since its inception in this country actually, the Dentist profession and Colgate has had a symbiotic relationship. And what we are doing is to double down on this symbiotic relationship, to make sure that there is win-win. We have a portfolio that is designed specifically for dentists, for them to prescribe and for them to sell through their practices. This portfolio includes therapeutics as well as the space of oral beauty.

So within therapeutics, gum disease is actually one of the most prevalent causes of oral health issues in this country. And therefore the Periogard range, which is currently a mouthwash and toothpaste and will also have a toothbrush, is squarely targeted at taking on gum disease. And that's the range that was launched exclusively with dentists earlier this year. We also have a set of products for orthodontics and many of you who have children in this room, they probably have braces. I know even mine do. So you need a separate set of products for children with braces or even adults with braces. And there's a separate set of products for orthodontics. And then, of course, there is this entire world of oral beauty.

So oral beauty for us is a part of our premiumization strategy through the At Home, what we do and what we sell, which you have seen, which is the range of visible white toothpaste and Visible White O2 toothpaste. It is also an in-clinic or a dentist assisted whitening, the first part of which you have seen launch, which is the Visible White overnight whitening pen

More will come in this space as we double down on bridging the gap between our whatever 1% penetration and the U.S. is at 43% penetration. We see tremendous opportunity to drive oral beauty and we see tremendous opportunity for partnership with dentists in driving this oral beauty.

And one of the things that we have done for the very first time actually, to bring the idea of oral beauty to more dentists and to talk to them is our very first metaverse class for dentists. So a class that was run in the metaverse, I've never attended one. This was my first where a dentist then takes a session on the idea of oral beauty in the metaverse being able for us to reach many, many more practitioners than what a room would allow us to do, really well received and something that we intend to do more of.

I then come to the pillar on devices or toothbrushes. I want to reiterate that Colgate is the number one toothbrush in this country. We are also the only company that has a portfolio that straddles the entry level brush, including kids all the way up to your orthodontic brush,



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when you have braces and everything in between. And as with toothpaste, it is this portfolio that gives us strength to say we have the right to win in toothbrushes.

And what we are doing is to make sure that we are spreading our toothbrushes and making the benefit delivery of each of these toothbrushes sharply positioned against what consumer eyes are looking for. So if you look at the middle brush, which is really our flagship brush, the ZigZag, it is about inter dental deep cleaning. That's the core benefit for which to buy the ZigZag brush. And the new relaunch just doubles down and calls out that benefit.

We then have a Gentle range of brushes, which, as the name suggests, and as you get more premium and want a softer brush does the job, but in a manner that is softer and more gentle. And then we have to do as we do with toothpaste testing to make sure that our brushes on a like for like basis are superior to eyeball competition.

The fourth pillar is building personal care. I hope you were excited by the world of Palmolive downstairs. Truly an amazing brand, to have a brand that has 67% awareness is quite something in this country where you have so many brands and so many that are getting launched every day, sits in a category where the penetration of body wash is somewhere around the range of 3%. Our intention is to double down our efforts in the body wash and hand wash category, to grow this brand significantly faster than the rest of the company grows. And in the world we actually have a lot to choose from in terms of what we can do with this Palmolive brand. And the idea will be to bring the best of the globe into India as far as Palmolive is concerned.

I now move from the strategic pillars to just pointing out a couple of things about the enablers. We have covered it downstairs but a good idea is just to see some data against what was demonstrated. The first of course, is smile stores. Smile stores as a recap is our assortment algorithm that uses machine learning to tell us the right assortment in the right store basis where the store is, what the store does, what type of store it is, what is the surrounding environment of that store, and therefore what is the correct portfolio.

We started off with an assortment of X in 2021 and we've now been able to take that in just about what, a year and a half to 1.3X and more than the 30% increase in the assortment. It's actually the quality of the assortment that goes into the store, which is what drives this algorithm and makes it so very valuable to this company. And then once you've got the right assortment in store in the stores where visible availability becomes an advantage, you need to make sure that you're visibly available in the right way, which is where the amazing app comes in. Allows us to see planogram right, you know, right SKUs on the shelf, right SKU next to the right SKU in the right quantity, allows us to measure secondary asset compliance and allows us to measure pricing as well. So again, a tech based solution that does something that's fairly fundamental to our business, which is the right product on the right shelf, in the right store.

I then come to doubling down on our ESG strategy, this has always been a company that has been committed to Environmental, Social and Governance long before I think the ESG framework even came in.



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But the ESG framework is a great way for us to demonstrate our commitment against this very, very important space. Just a few highlights, to call out from a DEI perspective. We are ahead of our peer FMCG companies in women representation. Our board actually has more women than men, which I think is utterly unusual for most companies. We have a true waste zero certification for all of our plants.

We are water positive already in two of our plants and working on the rest, 80% of our packaging is recyclable. And the reason why we are quite proud of that is because toothpaste tube being recyclable is actually quite difficult, and that's a tech that Colgate has created, which I'm sure you've heard already, but we are quite proud of that tech and a tech that's been made available now to all other companies and we intend to get to 100% very quickly. We have energy efficiency and we are committed, like I said, to get to 100% recyclable tubes by the exit of 2024.

So that and that's really all that I had to say. As more of a recap of what you would have heard downstairs and what you've heard us say before, I'll hand it over to Jacob to talk about the financial results. Thanks for your attention.

**M.S. Jacob:**

Thank you, Prabha. So I'll take you through the financials. This is the latest quarter financials. I am sure you know many of you have memorized it already, so we reported 12.3% growth, which was really good. Profit continues to be on a good trend or profitability growth 30% after tax with a ratio of to sales of 20.8%. Gross margins, you would remember we had two years of decline and we have started building that back again, we reported 68.2% gross margin. Advertising investment, in the past we've cued that we will be upping spending as we get the quality of our communication right, there's more news to talk about the brand. So versus last year, we saw a steep increase compared to the last quarter of the previous year and we reported 13.8% to sales and overall overheads continue to be tightly controlled.

We have been quite pleased with the trajectory of our sales. So you would see coming on top of the 5.4% of the last quarter of the previous year, we reported 12.3% domestic sales growth this quarter. This is the trend on margins. Prabha mentioned that as a company, we have done an excellent job in this area of help by funding the growth program, which looks to take calls out of the system and what we call our revenue growth management program, which is a combination of pricing and promo efficiencies.

So the latest quarter margin, 68.2 you can see it's trending higher than the prior two years and we expect it'll stay at current levels. EBITDA is a bit more variable, depending on the advertising spending. We expect this to move up and down.

In terms of balance sheet, one of the best balance sheets in the industry. Our working capital at -32 days is really the best in class in industry. We continue to convert the entire profit in the P&L to cash with tight control over working capital and return on capital employed again at 84% is industry leading. So the last point there on shareholder value. If one had invested in the Colgate shares when we went public in 1978, they would have reported 23% CAGR from 1978 to current prices. That's all I had on the financials and back to Prabha.

**Prabha Narasimhan:**

Thank you, Jacob. And I want to end just really as a recap summary of everything that we've said so far and what we believe powers this business. At the heart of our business are three things, there is Brand, which is, what we are really, really fortunate to be the stewards of. Then there is Technology or the Science that goes into our products and our formulations where the effort is to make sure I'm sure you heard already, but I'm going to repeat it anyway. We are the highest investors in oral care tech in the world, and this tech is brought to bear on all of our products. We are digitizing at a very, very rapid pace.

This is really the heart of our model. What this gives us is really a right to win, which allows us to invest to grow and have the confidence to invest to grow, which then makes sure that we are taking advantage of what is a huge opportunity in the oral care space, which then funnels back into, you know, increasing our right to win and so on and so forth, making that hopefully a virtuous cycle and underpinning all of this are really the four pillars of People, Sustainability, Governance and Values.

And that's really the model and that's how we look at our entire business and that's the focus of this entire team and the entire team in this building and beyond. So with that, we really come to the end of what we wanted to say. We're going to open it up for questions and I'm going to hand it over to Sujata to take us through it.

Thank You very much for your attention. Thank you for your presence either here or online.

**Sujata Nairi:**

So, I'll request Jacob and Prabha to be on the dais. We will start with the Q&A. We will first begin with the questions in the room, and I would request the participants to raise their hand and someone in the team will pass on the mic, request you to please state your name and organization and for people who are joining virtually, please type your questions in the chat box. I'll first give it to Abneesh, Abneesh Roy.

Abneesh if you can stand up, it would be easier for them to locate you.

**Abneesh Roy:**

Yeah thanks, I have two quick questions. First is that Palmolive body wash and hand wash as a category in India has been there for many years and Palmolive also has been present. Wanted to understand what you will be doing differently now when you said that the growth rate will be much faster than the company average, plus the global R&D also has been present. So what will be different? Will mass media come into play? Will kirana come into play? That's the first question.

Second one is on the premium part of the toothpaste. It is at 14% versus 25% for the other personal care. Again, here, what is the issue, because you come from a company which was very large, obviously India's largest personal care company and which also had oral care. So what is the issue with oral care, why the differentiation or the premiumization hasn't happened? And here again, what can take it from 14 to 25 or 14 to 20? Thanks.

**Prabha Narasimhan:**

So thank you very much for both those questions. I'm going to take the oral care one first and then come to the one on Palmolive. I think what is going to be different is really the focus that we put on the segments that are premium. To give you an example, we have started investing significantly in whitening with the launch of O2 whitening and we are seeing the results of the growth that's giving us in terms of how fast the whitening category is growing.

And we firmly believe that with a brand like Total or with Periogard or with all of the other things that we are doing in the premium segment, as we do the fundamental blocks of getting the right product, building the awareness, making it available in the right channels, we will drive growth. And the reason I guess the difference will be just the quantum of effort that goes behind these mixes.

Similarly, on Palmolive, you are absolutely right that the body wash category has existed for a while in India. There are some reasons for which the body wash category per say is relatively small and relatively underpenetrated in the country. But as far as Palmolive is concerned, I think we've had a little bit of a journey in terms of where we should invest and what is really the true heart of this brand.

Some recent work that's been done suggests to us that the heart of this brand sits in cleansing, whether it be body cleansing or hand cleansing and that's why we are doubling down on this piece and the effort that you will see, or more importantly, consumers will see, will be what makes the difference between our current growth rate and a future growth trajectory. Once again, you know, every time I talk about this, you have to assume that it is underpinned by best in class products.

**Abneesh Roy:**

So one last very quick follow up question on Palmolive, so when you say 67% awareness for the Palmolive brand in terms of body wash and hand wash in terms of the retail presence which India has. Currently, how much will be Palmolive in those subset only, I'm not asking about the 10 million kirana.

And second is in India because it's a value market. Powder to liquid has been pioneered by other players. Would you also need to do that or you want to be essentially in the more premium part of the segment?

So I'm going to let Ruchir maybe talk about the availability of Palmolive in just a minute, but on the second part, we see Palmolive as a premium high fragrance, high sensorial brand. And so our effort will be to stay in that space rather than in the space of making it, you know, per ml cheaper.

**Abneesh Roy:**

Thanks.

**Ruchir Bhatnagar:**

Yeah, and for the availability, I would just say that, you know, it's really about identifying the right set of stores and going to them with the right opportunity mix. As I explained to you earlier, we are really pushing the stores' boundaries in terms of the affluence levels in the localities, the kind of stuff that people are buying and then upgrading them slowly and steadily.

That's where Palmolive really comes into the picture. What we've realized is that a lot of these products, which are traditionally considered to be modern trade centric products, are not really true. They have penetrated well into the general stores, medical stores and even the larger kirana stores. So we are really trying to identify those stores, cross ruff with our other categories that they buy, the kind of toothbrushes and the kind of toothpaste that they buy and the kind of neighbourhood affinity stores and then trying to push it in that direction. So certainly not going to the 1.6 million, but making rapid progress through this milestone algorithm.

**Sujata Nairi:**

Thank you Abneesh, the second question from Vivek.

**Vivek Maheshwari:**

Hi Good morning, this is Vivek from Jefferies. You know, when we look at the stats, firstly impressive analysts' meet, particularly what we saw downstairs. So thank you for that. When we look at, more than half of rural India doesn't brush on a regular basis, 20% or so of urban Indians don't brush twice a day. And when we look at the growth numbers for this industry, for you as a market leader, why is it taking so long for you, will there be an inflection point over here? Why is let's say toothpaste volume growth somewhat lacklustre, over the past few years? And what will lead to that inflection point at some point?

**Prabha Narasimhan:**

Thanks for the question, Vivek. And I know that you follow a lot of FMCG, So I'm going to tell you something that I'm sure you know already, but moving consumer behaviour is actually a slow and difficult process. It's not something that we're able to put out a piece of communication or take an action that then suddenly flips from being this kind of behaviour to that kind of behaviour.

The difference that we want to bring about is actually a consistent commitment to moving this behaviour and what we will do through the BSBF program, which is the Bright smiles, Bright Future program that runs in rural schools. We will do above the line communication that is targeted at both urban and rural consumers and just watch this space for a little while and you'll see some of the actions that emerge from there.

But having said all of this, I think the understanding that we have and the one that I certainly want to communicate is that none of this is going to be a magic bullet for it to suddenly accelerate toothpaste consumption, to being really, really rapid, it will be slow, incremental progress, but it is progress that we are committed to.

And once you start getting that progress, then you obviously keep that progress because built habits tend to stay. So that's really our commitment in that space.

**Vivek Maheshwari:**

Okay. And just a thought, you know, when so your last slide, what you mentioned about, in a way of virtuous cycle of growth and getting savings, ploughing it back in the form of investments. But, you know, that doesn't get corroborated with the kind of margin expansions that we have seen, right? So let's say, I think if I recall correctly, between 2014 and 2023, what you showed there is 800 basis points on gross margin expansion and I think 1200-1300 basis points on EBITDA margins.

Do you not think Prabha that if you invest more, probably the growth accelerates rather than having, let's say, 30% plus kind of margins? If you said, maybe, 27 is the right number, 26 is the right number, I don't know.

But is there a potential to accelerate also because you are sitting on -30 days of working capital, your rights are best in class. So, I mean, ultimately margin doesn't mean anything, right? What matters is, the return on capital ultimately, right? Because telecom has brilliant EBITDA margins, but it doesn't have return on capital. What are your thoughts on that?

**Prabha Narasimhan:**

So I am going to take one part of the question, then I'm going to hand it over to Jacob for the other part. I think if I can rephrase your question of is investment posture coming in the way of our growth, the answer is actually no. We are fully committed to driving growth. Growth is the fundamental of this business, and that's why everything that we talk about starts from there.

And we will put in the money that is required, whether it's in formulation terms, therefore impacting gross margin or it is in terms of the money that we spend above the line or below the line to advertise our products to drive growth. So that's a commitment and that's something that you will see as we progress down the line that any mix that we think deserves investment will get investment that is then growth driving.

On the second part, maybe I will let Jacob take that question.

**M.S Jacob:**

Yeah, on margin, I mean, we are extremely proud of what we accomplished in that area. And, high margins by itself is not an issue, as you will realize, right. We haven't taken price increases ahead of inflation or any of that stuff. We have done stuff very sensibly, we have taken costs out of the system. And as I mentioned we are just funding the growth program where we scour the world for the lower suppliers, the lower spec of packaging material, looking at formulation changes. So there are ways to get cost out of the system, which is, not visible and it's agnostic to the consumer.

So gross margin, we continue to expect that we will build on this as we go along, maybe a little bit more in a modest way than the recent few years trend. But for us, the important

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piece is, getting the right category, right products in, making sure that it is supported by the advertising levels. So those you will see continue to be something that will ramp up as we go ahead so the EBITDA may go up and down, but gross margins on its own, we expect to continue to modestly move up.

**Prabha Narasimhan:**

And thank you for the comment on downstairs. We are very proud of our products and what we showed you.

**Vivek Maheshwari:**

Thank you, one last question, if I may.

**Sujata Nairi:**

We'll take it back again.

**Vivek Maheshwari:**

Sure, thank you very much. All the best.

**Sujata Nairi:**

The next one from Manoj.

**Manoj Menon:**

Hi Prabha, Jacob, Sujata and team. Brilliant setup and thanks for all the insights. This is Manoj Menon, from ICICI Securities. I have a few questions, but it is building on the margin question, which Vivek asked. I look at margins by adding back royalty also. So if you actually do that, you're actually in the mid to late thirties, right? That's one.

The second aspect is that, have you done the research which actually tells you what is the price elasticity in the category?

**M.S Jacob:**

Yeah, I mean that's a fact. The margins are tied to royalties at a high level. But, I'll just have to repeat what I said. Gross margin on itself is not something that you should feel bad about, if you're doing well without consumers saying that we are paying way more for toothpaste than we should, I think we have done a good job of that.

So, the thing would be to keep EBITDA up and make sure there's a good balance between growth and as we presented, India has a huge top line opportunity, and that would be the single big focus for the company going forward also. And we need to make sure the right level of investments are there to support that objective and that will be an endeavour going forward also.

**Prabha Narasimhan:**

Just to answer your question on elasticity, I think the way we look at it is to say what is the benefit and then what is the price and therefore what's the value that's given to consumers.

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And the best way of judging that is are we growing and are more consumers buying our products? And that's really the best assessment. And we think we are in a pretty good spot.

But on the flip side of this, how do we drive affordability is through the price point packs so the Rs. 10 and the Rs. 20 packs, which form a reasonable proportion of our business, stay at 10 and 20, they don't move as inflation moves, which makes sure that whatever be the benefit that we are offering is accessible even to consumers who perhaps don't have the extent of affordability that some other consumers have. So that's how we manage the two things

**Manoj Menon:**

Understood, thanks. When I look at the last, let's say 20 or 30 years of Colgate's performance itself, being the category leader now up lets say 20 odd years back, you had this toothbrush bundling which kind of, propelled the growth of the category into, let's say, double digits in volume terms.

Second, also by the price point rate and we should probably not date 30 or 40 years back. And these are actually affordability aspects at one level. The second is the habit aspect, right. The toothbrush bundling, I am sure it was an extra cost for the consumer. Is it that interventions are feasible, let's say to drive volumes, at this point? I heard about deep habit change which you're working on, but are there any other interventions, let's say with a 3-5 year top process, which is feasible at this point?

**Prabha Narasimhan:**

So I think if we were to bundle and sell or actually all we end up doing is just diluting the value of the category, because when you are asking the consumer to buy A + B, she's expecting that it will be a discount over A + B, and therefore diluting the value of the category is not, in our view, a great idea, which is why actually we are stepping out from a lot of these bundling activities that used to happen in the past.

The second thing that it does is, it devalues the toothbrush because the minute you start getting something free really often then you are thinking, Why should I ever pay for that something free? And what we want to do is to make sure, actually I've learned this over the last year, is that the toothbrush is a critical component of good oral care hygiene and allowing your toothbrush to flower or to have to be used for many, many months actually decreases its cleaning potential and decreases its efficacy.

So our effort will actually be to do the opposite, which is to build back this sense of a good toothbrush and a good toothpaste are both essential to good oral hygiene, and that will be the effort in terms of answering to how we build volume and build habit.

**Manoj Menon:**

Secondly, when I look at Colgate Global portfolio, it's far bigger than, let's say, what you present in the oral care and Palmolive.

You kind of have aspirations and execution happening there. How are you thinking about the rest of the portfolio of the parent in terms of relevance for India, in terms of let's say, I am sure that you have the right to win because, I still remember Axion and you had those products, you know, 20 or 30 years back.



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So let's take a 5-10 year view, how are you prioritizing knowing those aspects? Let's say including pet care, etc.?

**Prabha Narasimhan:**

So our current focus is oral care and Palmolive. But having said that, we are always on the watch for what of the global portfolio has relevance to India and there's always work happening in terms of what of that we could bring in. Of course, I'm not at liberty to say what in specific we're considering, but very much on our radar.

**Sujata Nairi:**

I'll give it to Percy.

**Percy Panthaki:**

Yeah. Hi, Prabha. So I'm just building a mental model of what can be the volume growth over the next decade for the toothpaste industry in general. So if you look at rural, half of the consumers are brushing daily. Supposing, as you say, it takes time to build habits. So supposing over the next ten years that number goes to 80% brushing daily. That's 3% per year for 70% of the population.

But that's about a 2.1% volume growth contribution from that. If you look at urban, the number of people brushing twice daily, when I started looking at Colgate as an analyst about 15-16 years ago, that number was 7%. Today it is 20%, so it's roughly moving at about 100 basis points per year. Suppose if you take that kind of an advancement, it goes to 30% over a ten year period on a 30% of the population. So that's about another 0.3% per year. So you get about a 2.5% volume growth from these two factors.

So is this the potential of the toothpaste industry with about a 2.5% to 3% kind of volume growth a year for the next decade? Or am I missing something in the equation?

**Prabha Narasimhan:**

I think you could do any amount of math on this Percy honestly and all of those numbers could be right. And I'm not sure that necessarily we do a model that says it in this kind of structure. Our effort is to do what we said, which is firstly do it because it's the right thing and I think we lose track of that sometimes in these meetings, which is that oral health is critical. It has a connection to various other types of disease, which I will not bore you with at this moment, but Swati and team would be happy to talk to you about.

And therefore it's the right thing for us to do to move this behaviour. How quickly this behaviour moves is something that we will have to wait and see as we drive this behaviour. So it could be at the rate you're saying it may be slower, it may be faster. So I'm not sure that I'm in a position to comment, actually.

**Percy Panthaki:**

Okay. Second question for Jacob basically, Q1 numbers as you say have gone up to 12%, which is a very, very sharp jump from what we have done in the past few quarters. Now, this is a very mature category, relatively in the context of India, very well penetrated, mature

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category, such kind of violent swings generally we have not seen in any other category. So how should we look at this number? Is there anything company specific or is there any pipeline aspect? Or if there isn't, then is the conclusion that this is the kind of growth that we can expect over the next few quarters?

**M.S Jacob:**

Yeah. So there are two pieces to that. One is, how we are doing as a company and you know, with all the launch activities that have happened, a few in the last few quarters, quality of communication, etc., We've seen that build up. But I must also call out that, there is a comparative period advantage. The Q1 of last year was a soft quarter. So there is, you know I wouldn't exactly call out how much it was, but that was also a chunk of. The reason why we reflected that kind of numbers. So there is a combination of these two. And I won't just say just purely performance that driving as part of 12%

**Percy Panthaki:**

And is your market share stable or have you actually gained market share?

**M.S Jacob:**

I mean, it's stable, I would say

**Percy Panthaki:**

Okay,

**Sujata Nairi:**

I will give it to Arnab.

**Arnab:**

Yeah hi, my question was on premiumization. We saw a lot of the products, technologically superior products. In your opinion, is affordability an issue here? Because the price jump that a consumer needs to take to move from Strong Teeth to Total. Is that gap just too large where even despite communication and efforts, it's just too large a gap to bridge?

And that's where I, a little bit, drill it back to the gross margin. Is there a case to be made that, you know, those gaps could be lower, it could affect gross margins, but could accelerate premiumization from a long term perspective? Any thoughts on affordability being an impediment to premiumization here?

**Prabha Narasimhan:**

I have a two part answer to this. One part is really, if you see the data of the consumer pyramid in India, you will see that now fully 52% of total India sits within the SEC AB part of the pyramid. So that's one in every two consumers that either SEC A or B, and this, according to Kantar, is both urban plus rural, and therefore in sheer number terms, that's like what, 700 million individuals and whatever 120 million households or thereabouts.

So in terms of the audience for premiumization, there is enough and more audience that has the capacity to be. So that's, I think, one piece of data. I think the second piece of data is that we deliver value to that price that we are charging, which then allows us to drive the

premiumization. And that's why we were showcasing the tech and what the product does, etc. Our belief is, Yes.

And then the third thing is when I look at it in comparison to other personal care categories and their 140 above index, or even if you take the 200 index, that total is, for example, the percentage contribution in those categories is significantly higher than toothpaste. And therefore that's already a demonstration that there are enough consumers who have both the ability and the propensity to pay. It's just up to us now to convince them that it's worth paying for.

**Arnab Mitra:**

Just a follow on question on this. In other categories, we have seen companies use access price points to premiumize. Is it difficult in a category like Oral, given the nature of the category that people at the premium end would not want a small pack or would probably go for the family pack? And how do you solve for that lack of access point in a sense, for these premium things?

**Prabha Narasimhan:**

Actually the learning over the last few decades in terms of when you introduce access in premium is when you have a certain scal., So when you've already tapped a reasonable proportion of the people who have the ability to outlay the absolute money for a mid-size pack and then you're looking to expand it beyond is when you can start looking at access packs because if you do access pack too early, then it doesn't really sit with the premiumization story and you have to build the idea of premiumization.

So our belief at the moment in the nascent stage at which we are with the 14% sitting above 140, is that it's perhaps too early for access. But could we do access? Of course we could. I mean, we have a ₹10 CST, so you can have a ₹20 Total. There's no issue at all. And so it's not an inability to do access, just think it's a little bit early to do access.

**Arnab Mitra:**

And just one last thing, like in consumption, you said it's a long haul, there's no silver bullet. Premiumization, can it be a much faster journey, in your view, with all the measures you're taking in terms of getting that number up from 14%?

**Prabha Narasimhan:**

Someone answered that question, really by looking at what we've seen already as far as whitening is concerned, so as we have invested in whitening, we are seeing it grow significantly faster near triple digit actually last year. And so we do expect that as we get these mixes right and we take these mixes out to consumers, their rate of growth will be far faster than what we imagine it will be. So there's certainly an opportunity there.

**Sujata Nairi:**

We will take the last question from Mihir.

**Mihir Shah:**

Hi Prabha, Thank you very much. This is Mihir Shah from Nomura. And thank you for the wonderful presentation below. You know, my question again is on premiumization. When we see, you know, the category and I mean a large part of the category is still getting consumed at the mass market pricing. We have the best in class technology Arginine into a market standard product.

Why not charge a premium given that the volume growth in the category is going to be slow and gradual? And as Percy calculated, you know, it can be very different as well. Why not have a premium premium pricing given that there is a lot of scope for affordability and affordability is not the hindrance for the category. You know, there's a perception that something is charged at a premium, it is supposed to be good, but when you're giving it the same price point, maybe the adoption is taking a backseat. Any thoughts on why not charge a premium to best in class superior technology and charge at the market price? That's my question.

**Prabha Narasimhan:**

So I think a two part answer to your question really. I think the first part is that I want to go back to what is the absolute commitment of this company, which is that we are here to improve the oral health of this country. And we believe that arginine and therefore the stronger teeth and the remineralization is critical to the oral health of this country.

And that's why we put that tech in our market standard product. And I think that philosophy is something that actually is quite critical to all of us. And therefore it is something that we don't consider is the wrong thing to do and in fact is the right thing to do.

Having said that, what we've done then is to say that if we've raised the floor and the floor technology has become this, what can we do to make sure that the premiumization technology is even better than that of the floor technology? And that's why we have the confidence that Total as a tech product is actually the best in the world.

And the reason to pay a premium for it exists completely in terms of the formulation reason to pay. Forget about the experiential reason to pay. So we do think that we can do both, which is to make sure that we are giving best in class tech for helping the oral health of this country and making sure that we have a premiumization offering that allows us to be significantly superior to the bundled net market standard price.

**Mihir Shah:**

Thank you. And my final question is on ayurvedic toothpaste. You know, that has been absent completely in the presentations. There is no talk about it, we are not even talking about it any longer. I know you've highlighted in the past that it is on a decline. However, the other brands that we speak to, they are contesting that argument basically.

So what is the stand on ayurvedic toothpaste? I believe that, you know, we have already done Vedshakti and you know, with all the new innovative products that you have brought about, whether it is Visible Whitening or Gum Care or any of those, there is a strategy of chipping away, share from the ayurvedic toothpaste, which anyway is holding strong with

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the other strong ayurvedic players, and you may not have the very serious right to win in that category. So the strategy that you are doing is probably chipping away shares by introducing a lot of new niche offerings. Any comment on the ayurvedic toothpaste category?

**Prabha Narasimhan:**

Okay. I have three comments actually, most of which I've said before, so forgive me for the repetition. I think firstly, consumers buy benefits. Ayurveda is a reason to believe a given benefit. So consumers buy strong teeth, no cavities, fresh breath, whiter teeth, you know, freedom from gum disease, etc., etc. and therefore, those benefits can be offered through whatever technological platform that you use, whether it be ayurveda or it be science. There are different ways to get to that benefit. So that's our first belief.

So when we say that the ayurvedic and natural market is plateauing, what we're seeing is that consumers who are buying a benefit which is delivered through this mechanism is plateauing, or the number of consumers who are doing that is plateauing. And that's really what the data is showing. And we firmly believe that as we talk about the efficacy of either arginine technology or the dual zinc technology that helps us to deliver these benefits, we do believe that we can continue to gain share with our core variants. So it's not a niche strategy of chipping away. So I think that's the first comment.

I think the second comment is that while we offer the core benefits of strong teeth, freshness and so on, there is also an opportunity for us to expand our repertoire of benefits to talk to more consumers who are seeing a need for different benefits, gum disease whitening. And that then becomes the strategy for the other products that you've seen. So that's really our thinking and that's why you don't see as much of ayurveda, because our effort here is to double down on science backed, technologically superior efficacy products.

**Mihir Shah:**

That's all for my side.

**Sujata Nairi:**

Sorry. So in the interest of time, we'll have to conclude the meeting now. Thanks again for your interactions and thank you to the leadership team as well as everyone in the room. Very, very happy to host all of you here, and hoping for more such interactions in the future.

Thank you once again, when you guys leave from this room there is a smile hamper which is there for each one of you and would request you to give your feedback in the memory wall which is down there. Thank you once again and goodbye.

**M.S Jacob:**

Thank you.

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