



Gillette India Limited

Annual Report 2024-25



HISTORY & OVERVIEW

Gillette India Limited was initially established in February 1984 as Indian Shaving Products Limited. The corporate identity evolved, adopting the name Gillette India Limited in November 2000. The company's business model was fundamentally reshaped by the global acquisition of its ultimate parent, The Gillette Company (TGC), by The Procter & Gamble Company (P&G), USA, in 2005. This acquisition was globally underpinned by the attractive, high-margin nature of the razor business, which historically delivered 25% to 30% returns. This high-margin



feature has become a structural advantage inherited by the Indian subsidiary, allowing GILLETTE to consistently generate superior profitability compared to many diversified FMCG peers. This favorable segment dynamic is critical for understanding the company's superior financial metrics.

Gillette India Limited, which was incorporated in 1984 , became part of the P&G global structure through acquisition in 2005. Since then, it maintained the July-June cycle to match P&G's global fiscal calendar.

The company's journey began in February 1984 when it was originally incorporated in India under the name Indian Shaving Products Limited. This establishment set the stage for manufacturing and marketing grooming products tailored for the Indian subcontinent. The company operated under this name for over 16 years until its corporate identity evolved. The name was formally changed to

Gillette India Limited in November 2000.

During this early period, the company demonstrated a strong focus on high-quality product innovation that defined the Indian shaving experience. A notable milestone was the launch of the Gillette Mach3 razor in 1993, which quickly grew the company's market share. This momentum propelled Gillette to capture approximately

70% of the Indian razor market by 2002.

The P&G Acquisition Era

The most significant shift in the company's structure and strategy occurred in 2005, when its ultimate parent, The Gillette Company (founded globally by King C. Gillette in 1901), was acquired by

The Procter & Gamble Company (P&G). This global merger was a monumental transaction, valued at \$57 billion.

The strategic rationale for P&G acquiring Gillette globally was underpinned by the highly attractive nature of the razor business, which historically delivered superior financial returns, often generating 25% to 30% profits. By acquiring The Gillette Company, P&G instantly gained world-leading brands, advanced technology, and access to the high-margin Grooming sector, a structural advantage inherited by the Indian subsidiary.

COMPANY PROFILE

Following its integration into the P&G ecosystem, Gillette India continued to expand its market leadership through strategic product development tailored to India's diverse consumer base:

Value Segment Focus: To successfully penetrate the vast, value-conscious markets across India, the company introduced the Gillette Guard razor. This product proved highly effective in deep market penetration and accounted for around 20% of the company's total sales as of 2023.

Core Portfolio: Gillette India manages a portfolio that spans both male and female grooming (Gillette, Venus, Braun) and Oral Care (Oral-B). The company leverages continuous technological advancements and continuous research provided by the P&G global network to maintain "irresistible superiority" in its product offerings.

Today, Gillette India operates under a unified Integrated Growth Strategy inherited from P&G, centered on providing branded products and services of superior quality and value. This philosophy guides the company's actions, emphasizing:

Continuous Innovation and commitment to product quality.

Enhancing the customer experience through superior service.

Upholding social responsibility and sustainability initiatives as integral parts of its long-term strategy.

Gillette India: Annual Sales Growth (FY2016-2024)
Strong Recovery in Recent Years



Note: FY2016-2024 are 12-month periods. FY225 (9-month period) not included for comparable analysis.

PRODUCTS AND REVENUE SEGMENTATION

GILLETTE operates in two segments: Grooming (Blades, Razors, Toiletries, and Appliances) and Oral Care (Toothbrushes and Oral Care Products). The former is the overwhelming driver of revenue and profitability.

Metric (? Lakhs)	FY 2023	FY 2024	9M FY 2025
Grooming Revenue	196,062	211,907	186,411
Oral Care Revenue	51,643.00	51,401.00	37,073.00
Total Revenue	247,705	263,308	223,484
Grooming % of Revenue	0.79	0.8	0.83
Oral Care % of Revenue	0.21	0.2	0.17
Total Segment Profit	45,716.00	54,738.00	53,378.00

The company's reliance on its Grooming segment has intensified, increasing its contribution to 83.41% of the total turnover in 9M FY25, up from 80.48% in FY24. Correspondingly, the Grooming segment profit margin expanded significantly from 19.27% in FY23 to 22.69% in FY24, and further to 24.49% in 9M FY25. This trend underscores that the overall company margin expansion is directly linked to the accelerating growth and profitability of this core division.

Grooming Segment: Product Lines

The Grooming division is dedicated to maximizing returns from its market-leading position.

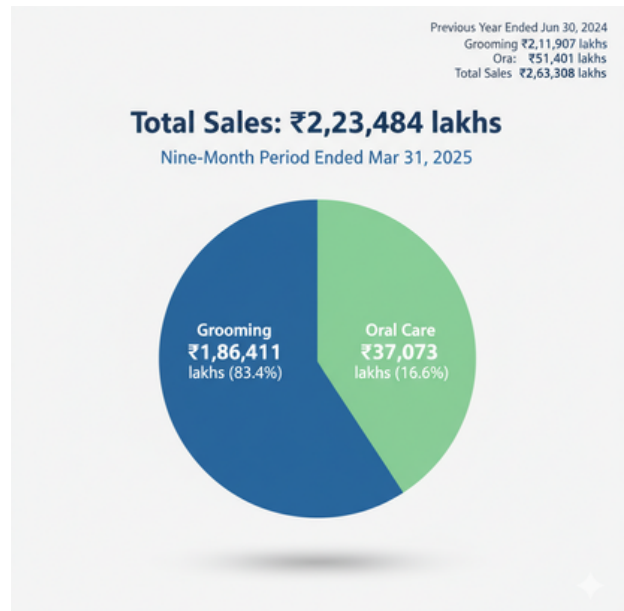
Premiumization Strategy: The company continuously introduces sophisticated, high-margin products. This includes the recent launch of Gillette Labs, a super-premium razor that combines shaving with gentle exfoliation and includes a lifetime handle warranty, targeting the affluent, high-spending consumer base.

Core Portfolio: The mainstream Mach 3 and Fusion 5 razors are consistently upgraded with technological improvements and revamped packaging, supporting a perception of sustained superiority.

Value Segment: To protect its market share against rivals, the Gillette Guard portfolio has been continually enhanced, including the introduction of Guard Platinum, specifically focused on adding new users in both urban and rural India with a superior, cut-free shaving experience.

Diversification and Appliances: The Grooming segment also aggressively pushes into adjacent categories. This includes strong growth from the Braun electronic grooming business (electric shavers, trimmers) and successful expansion in female grooming via the Gillette Venus line (e.g., Venus Swirl and the Venus Bikini Sensitive razor).

The Oral Care segment, based around the Oral-B brand, acts as a high-potential category builder, shifting consumers toward advanced dental hygiene practices. While contributing 16.59% to revenue in 9M FY25, its segment margin showed a dramatic rebound to 20.85% in 9M FY25 after a temporary dip in FY24, suggesting that recent investments in new offerings are now yielding positive financial leverage.



FINANCIAL PERFORMANCE ANALYSIS

Report Date	Jun-21	Jun-22	Jun-23	Jun-24	Mar-25
Sales	1981.89	2256.16	2477.05	2633.08	2234.84
Raw Material Cost	899.22	1030.92	1178.36	1151.82	936.99
Change in Inventory	18.49	-18.54	-9.77	50.52	21.61
Power and Fuel	14.32	16.52	17.38	18.15	13.94
Other Mfr. Exp	65.08	59.98	69.56	87.12	60.33
Employee Cost	144.03	150.86	170.56	188.73	133.43
Selling and admin	362.65	435.48	439.82	528.83	456.43
Other Expenses	55.35	61	51.9	71.04	55.01
Other Income	32.5	7.36	21.66	19.59	26.62
Depreciation	57.52	68.36	80.69	82.64	64.28
Interest	5.25	10.53	7.77	12.61	8.51
Profit before tax	429.46	411.33	472.9	562.25	554.15
Tax	119.08	122	117.22	150.55	136.49
Net profit	310.38	289.33	355.68	411.7	417.66
Dividend Amount	387.82	224.87	277.02	423.67	365.01
Effective Tax Rate	28%	30%	25%	27%	25%
EBITDA	492.23	490.22	561.36	657.50	626.94

In the Financial Year 2024, revenue grew by 6% year-on-year (YoY), a relative softening compared to the 10% growth witnessed in FY23, attributed partly to tepid consumer demand influenced by macroeconomic factors like inflation. However, Profit After Tax (PAT) growth significantly outpaced revenue growth, rising by 16% in FY24.

This trend became decisively pronounced in 9M FY25, where the reported PAT of ₹418 Crores already exceeded the full-year PAT of ₹412 Crores reported for FY24. This phenomenon—where profitability dramatically outstrips sales growth—indicates that the company's improved performance is largely driven by a combination of successful premium product sales (favorable price/mix) and effective operational cost management, rather than merely volume expansion. This resilience confirms the company's ability to manage commodity inflation and macroeconomic headwinds by leveraging strong brand equity and pricing power.

1. Measurement of Net Revenue: Gillette India reports Revenue from Operations primarily derived from the sale of its Grooming and Oral Care products. A key aspect of its accounting policy is that revenue is measured based on the contracted price only after significant adjustments are made.

Deductions and Rebates: Revenue is recognized net of trade discounts, volume rebates, incentives, and promotions (collectively termed 'discounts and promotions' or 'variable consideration').

Estimation and Judgment: Given the high volume of promotions and incentives in the Fast-Moving Consumer Goods (FMCG) sector, management must apply significant judgment and utilize accumulated experience to estimate and accrue for these discounts and rebates at the period end. This accurate estimation is crucial as it directly impacts the final revenue reported and is considered a key audit matter due to the material amounts involved.

2. Top-Line Performance Trend: Between FY2023 and FY2024, Revenue from Operations grew by approximately 6.3% (from ₹2,47,705 Lakhs to ₹2,63,308 Lakhs). The strong absolute revenue reported for the transitional 9-month period (₹2,23,484 Lakhs in 9M FY25) indicates that the company maintained a high rate of sales growth, confirming that the strategic focus on product superiority continues to drive strong market performance.

III. Expense Structure and Operational Leverage

The management of operating costs is central to the company's improved profitability. The total expense line item includes:

Cost of Raw and Packing Materials Consumed: This is a major expense for any manufacturing business, covering the cost of inputs used to produce the blades, razors, and oral care items.

Purchases of Stock-in-Trade: This reflects the cost of finished goods purchased for resale, particularly significant in businesses dealing with both manufactured and imported/traded products (e.g., electronic grooming items).

Changes in Inventories: This line item records the net change (increase or decrease) in the value of finished goods, work-in-progress, and stock-in-trade held by the company.

Employee Benefits Expense: This covers salaries, retirement plans, and other benefits.

Other Expenses: This large category includes critical business investments like selling, distribution, advertising, and marketing costs necessary to sustain brand equity and market share.

3. Profit Before Tax (PBT) and Profit After Tax (PAT): The PBT figures show a clear increase in profitability: rising from ₹47,290 Lakhs in FY23 to ₹56,225 Lakhs in FY24. Notably, the Profit After Tax of ₹41,766 Lakhs reported for the first nine months of FY25 already exceeds the full-year PAT of FY24 (₹41,170 Lakhs), illustrating a sharp acceleration in profitability momentum driven by favorable product mix and operational efficiencies.

BALANCE SHEET ANALYSIS

Metric (₹ in Lakhs)	FY 2023	FY 2024	9M FY 2025
Total Current Assets	124,987	118,661	128,248
Total Current Liabilities	81,829.00	75,904.00	78,185
Current Ratio (x)	1.53	1.56	1.64
Cash & Equivalents	45,344.00	47,343.00	41,545.00
Inventories	41,235.00	39,584.00	45,347
Trade Receivables (Net)	32,016.00	27,433.00	37,903

- The company maintains an impeccably clean balance sheet, characterized by a Debt/Equity ratio of 0.00 and negligible financial borrowings. This conservative capital structure effectively eliminates financial risk. Net Worth has continuously strengthened, rising to ₹1,023.11 Crores by 9M FY25.
- Liquidity remains robust, with the Current Ratio standing at 1.56 in FY24, an improvement over 1.53 in FY23. This ratio confirms the company maintains sufficient readily available current assets to meet its short-term obligations comfortably.
- Net Worth Growth: Total Equity has steadily increased, standing at ₹1,02,311 Lakhs (approx. ₹1,023.11 Crores) as of March 31, 2025. This represents a growth of over 5% compared to the previous year (₹97,127 Lakhs in FY2024) , funded exclusively by strong internal accruals and retained earnings.
- The company's asset deployment strategy is geared toward maximizing output from existing operational assets rather than aggressive asset expansion.
- Total Assets: Total assets stood at ₹1,91,770 Lakhs (approx. ₹1,917.70 Crores) at the close of the 9M FY25 period , primarily funded by equity and managed liabilities.
- Property, Plant, and Equipment (PPE): Net Fixed Assets (PPE) recorded ₹34,211 Lakhs in 9M FY25. The slight reduction observed year-on-year (from ₹38,947 Lakhs in FY2023 to ₹34,692 Lakhs in FY2024) is characteristic of a mature, efficiently managed manufacturing business where investments are focused on high-return capacity upgrades.

RATIO ANALYSIS

The return metrics are exceptional. Return on Capital Employed (ROCE) increased by over 20% in FY24, rising to 56.1% recently. Similarly, the Return on Equity (ROE) has accelerated to 55.64%. This high return profile is a direct consequence of the company's capital-light

Metric	FY 2023	FY 2024	LTM (Latest)	Change FY23-FY24
Operating Profit Margin (OPM)	0.19	0.22	N.A.	0.12
Net Profit Margin (NPM)	0.14	0.16	N.A.	0.09
Return on Capital Employed (ROCE)	0.44	0.53	0.56	0.2
Return on Net Worth (ROE)	0.38	0.42	0.56	0.09

model and the structural, high-margin characteristics of its premium Grooming products.

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Efficiency and Liquidity Ratios

The company's focus on "Productivity" translated into enhanced operational efficiency and resource allocation. While improvements in Debtors' Turnover (+5% to 8.86) and Inventory Turnover (+3% to 6.52) were moderate, the overall Net Capital Turnover saw a significant increase of 7% (from 5.71 to 6.16). This suggests that the primary source of efficiency gains stems from superior utilization of existing manufacturing and capital assets, rather than merely incremental improvements in working capital cycles.

Furthermore, capital expenditure for the Grooming segment decreased from ₹78.73 Crores in FY23 to ₹67.24 Crores in FY24, indicating that the company is effectively leveraging its existing fixed asset base (Bhiwadi and Baddi plants) to extract higher revenue and profit, aligning perfectly with the core tenet of operating leverage in a mature, superiorly managed business.

STRENGTHS AND WEAKNESSES

- **Strengths**

- **Unrivalled Market Dominance:** The company holds its highest-ever market share in the Blades and Razors category, the undisputed core driver of its business, which accounted for 83.41% of 9M FY25 revenue.
- **Technological Moat:** Access to P&G's global R&D capabilities ensures a consistent pipeline of "superior" innovations like Gillette Labs, maintaining product differentiation and minimizing internal R&D cost overheads.
- **Exceptional Financial Quality:** The company boasts a pristine, virtually debt-free balance sheet (Debt/Equity 0.00) and maintains elite capital efficiency metrics (ROE 55.64%, ROCE 56.1%).
- **Demonstrated Pricing Power:** Successful execution of the "Superiority" and "Productivity" strategies has enabled significant margin expansion (OPM increased 11.73% in FY24) through favorable price/mix shifts, effectively countering macroeconomic cost inflation.

- **Weaknesses**

- **Revenue Concentration Risk:** The heavy reliance on the Grooming segment introduces significant concentration risk, making the company susceptible to volume shifts or technological disruptions specific to the shaving market.
- **Perceived High Pricing:** Historically, the global premium pricing strategy has struggled in India's highly value-conscious market segments, limiting mass appeal despite the successful launch of the Gillette Guard line.
- **Limited Export Footprint:** Exports contribute modestly (5.52% of turnover in FY24). While this stabilizes currency risk, it indicates an opportunity loss for broader international diversification of sales volumes.

- **Opportunities**
- **Premiumization Trend Exploitation:** Growing disposable income in urban markets is successfully targeted through super-premium launches like Gillette Labs and expanded electronic grooming offerings from the Braun business, offering significant average selling price (ASP) upside.
- **Strategic Category Expansion:** Aggressive penetration into niche, high-growth areas, such as the female grooming market via the Venus Bikini Sensitive line, diversifies the customer base and captures evolving lifestyle needs.
- **Oral Care Market Development:** Continued efforts to drive adoption of high-tech devices like the Oral-B iO3 electric toothbrush and specialized manual brushes help build the category and leverage future growth potential, supported by the recent margin recovery in the segment.
- **Favorable Economic Outlook:** Softening inflation and high domestic GDP growth forecasts (RBI projected 7.2% for FY25) are anticipated to revitalize consumer spending, particularly in the key consumption categories that GILLETTE serves.
- **Threats**
- **Intense Competitive Pressure and D2C Disruption:** The shaving market faces persistent challenges from aggressive pricing strategies by established rivals and the rise of agile, digitally-native direct-to-consumer (D2C) brands. The high valuation of D2C players like Honasa Consumer (125x P/E) reflects the threat posed by this disruptive model.
- **Commodity and Currency Volatility:** Despite internal mitigation strategies (hedging, long-term contracts), sustained volatility in raw material prices and the Indian Rupee's foreign exchange rate poses a continuous risk to maintaining hard-won margins and productivity gains.
- **Regulatory and Compliance Costs:** Changes in government policy regarding consumer goods, such as new environmental regulations (e.g., plastic waste management), could necessitate unbudgeted capital expenditure and compliance costs.

CONCLUSION AND INVESTMENT RECOMMENDATION

GILLETTE India Limited presents a compelling case for investment. The core business model, supported by the P&G ecosystem, is characterized by low financial risk and elite capital efficiency, making it a powerful long-term compounder.

Final Investment Call and Justification

FINAL CALL: STRONG BUY

The primary justification for this rating lies in the company's proven capacity to generate accelerating bottom-line growth through premiumization and operational leverage, even as volume growth faces temporary market hurdles.

- **Evidence of Operational Excellence:** The sharp spike in profitability in 9M FY25, where PAT already exceeded the previous full year's total, validates the execution of the integrated growth strategy. This acceleration confirms that operational productivity and strategic price increases are successfully translating market share dominance into shareholder value.
- **Sustainable Quality of Earnings:** With an ROE of 55.64% and a nearly debt-free structure, the quality of earnings is structurally superior. The valuation premium assigned by the market is fundamentally warranted by this high-quality, low-risk capital deployment profile, which is difficult for most diversified peers to match.
- **Favorable Forward Valuation:** While the trailing P/E of 63.69 may seem high, calculating the implied forward P/E using the annualized 9M FY25 EPS (₹170.89) reveals that the stock is likely trading at a lower, more attractive multiple. The market has yet to fully discount the current upward trajectory of profitability.
- **Technological Protection:** Continuous access to P&G's superior global product technology shields the premium segment from low-cost competition, maintaining the core revenue and profit engine.