

India

HOLD (no change)

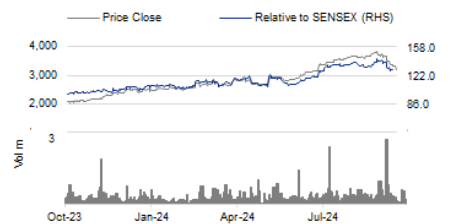
Consensus ratings*: Buy 7 Hold 15 Sell 13

Current price:	Rs3,213
Target price:	Rs3,320
Previous target:	Rs3,380
Up/downside:	3.3%
InCred Research / Consensus:	2.8%
Reuters:	CL.MN
Bloomberg:	CLGT IN
Market cap:	US\$10,393m Rs873,808m
Average daily turnover:	US\$18.7m Rs1568.0m
Current shares o/s:	272.0m
Free float:	49.0%

*Source: Bloomberg

Key changes in this note

- Lower target price to Rs3,320 from Rs3,380.
- Lower FY26F/27F EPS by 3.5%/4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(12.7)	2.3	55.3
Relative (%)	(7.2)	2.2	24.3

Major shareholders	% held
Promoter	51.0
Vanguard Group	2.0
BlackRock	1.9

Colgate Palmolive India

Good delivery on the volume growth front

- Domestic sales grew by 10.1% yoy in 2QFY25, led by all-round growth across segments. Toothpaste volume grew by 7-8% yoy during the quarter.
- The management commentary alluded towards demand weakness persisting in the near term. A&P expenses are likely to remain elevated to drive growth.
- Colgate-Palmolive India's focus will remain on premiumization and a recovery in core offerings. We retain HOLD rating with a lower target price of Rs3,320.

Healthy delivery on volume considering overall demand weakness

Colgate-Palmolive India or CLGT's standalone net revenue in 2QFY25 was up 10.1% yoy. Domestic sales grew by 10.5% yoy, led by high single-digit volume growth (7-8%) in the toothpaste segment, which was supported by the relaunch of some flagship brands in the last one year, backed by media campaigns. Toothbrush sales grew in double digits. CLGT had taken corrective steps in key markets a few quarters ago, which seems to have aided in driving strong growth for the segment. CLGT continues to drive competitive growth, considering HUL posted 5-6% sales growth in its oral care segment this quarter.

Premiumization to remain a key lever for continued growth

CLGT has been stepping up its premiumization agenda via a heightened play in the oral beauty space as well as expanding its play in therapeutics/diabetics. CLGT is also focusing on improving the market share of Colgate Total in alternate channels. The company launched Visible White Purple toothpaste during the quarter and is expected to continue to push its NPD lever in the near term (possibility of some launches from the global portfolio) to drive growth. Some new launches under the personal care segment (under Palmolive) are also expected in the near term. CLGT has seen healthy growth on alternate channels like quick commerce and modern trade and will continue to push its premiumization lever.

Margins are expected to remain range-bound in the near term

Gross margin contracted by 23bp yoy (-210bp qoq) to 68.5% in 2QFY25. The EBITDA margin contracted by 206bp yoy (down 325bp qoq) to 30.7% due to higher advertising expenses (15% of sales, up 100bp yoy) and other expenses (15.5% of sales, +75bp yoy). While the focus will remain on driving volume, management commentary alluded to demand weakness persisting in the near term, which will keep A&P spending elevated.

Retain HOLD rating with a target price of Rs3,320

CLGT's focus remains on premiumization of its portfolio and recovering volume market share at the bottom of the pyramid (core portfolio). We revise our FY26F/27F EPS downwards by 3.5%-4% on account of elevated ad spends and retain our HOLD rating on CLGT with a new target price of Rs3,320 (52x Sep 2026F EPS), from Rs3,380 earlier. Upside risk: Faster-than-expected sales growth, improvement in sales mix. Downside risk: Lower-than-expected EBITDA growth.

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Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	52,262	56,804	62,792	67,275	73,747
Operating EBITDA (Rsm)	15,470	19,008	21,132	22,663	25,099
Net Profit (Rsm)	10,583	13,432	15,126	16,465	18,263
Core EPS (Rs)	38.9	49.4	55.6	60.5	67.1
Core EPS Growth	(1.9%)	26.9%	12.6%	8.8%	10.9%
FD Core P/E (x)	82.57	65.06	57.77	53.07	47.85
DPS (Rs)	37.0	46.9	52.8	57.5	63.8
Dividend Yield	1.21%	1.34%	1.64%	1.79%	1.99%
EV/EBITDA (x)	55.93	45.29	40.83	38.04	34.34
P/FCFE (x)	69.55	52.27	70.50	53.33	49.82
Net Gearing	(49.8%)	(69.5%)	(56.6%)	(58.0%)	(56.4%)
P/BV (x)	50.91	46.62	44.81	43.00	41.15
ROE	61.3%	74.8%	79.1%	82.7%	87.9%
% Change In Core EPS Estimates			(2.18%)	(3.49%)	(4.00%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Good delivery on the volume growth front

Figure 1: Quarterly summary - standalone

Y/E Mar (Rs m)	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
Revenue	14,711	14,967	16,191	10.1	8.2	27,948	31,158	11.5
Expenditure	9,890	9,884	11,218	13.4	13.5	18,945	21,101	11.4
Cost of goods sold	4,594	4,393	5,093	10.9	15.9	8,773	9,486	8.1
as % of sales	31.2	29.4	31.5			31.4	30.4	
Employee costs	1,062	1,123	1,184	11.4	5.4	2,020	2,307	14.2
as % of sales	7.2	7.5	7.3			7.2	7.4	
Advertising exp.	2,060	1,991	2,427	17.8	21.9	3,873	4,418	14.1
as % of sales	14.0	13.3	15.0			13.9	14.2	
Other expenditure	2,173	2,376	2,514	15.7	5.8	4,279	4,890	14.3
as % of sales	14.8	15.9	15.5			15.3	15.7	
EBITDA	4,821	5,083	4,974	3.2	-2.2	9,003	10,057	11.7
Depreciation	443	415	417	-5.8	0.5	880	832	-5.5
EBIT	4,379	4,668	4,556	4.1	-2.4	8,122	9,225	13.6
Other income	210	234	760	261.6	224.7	360	994	176.2
Interest	11	10	12			21	21	
PBT	4,578	4,893	5,305	15.9	8.4	8,461	10,197	20.5
Total tax	1,178	1,253	1,354	15.0	8.1	2,128	2,607	22.5
Net profit (before extraordinary items)	3,401	3,640	3,951	16.2	8.5	6,332	7,590	19.9
Extraordinary items	0	0	0	NA	NA	-93	0	NA
Reported net profit	3,401	3,640	3,951	16.2	8.5	6,239	7,590	21.7
Adjusted EPS	12.5	13.4	14.5	16.2	8.5	23.3	27.9	19.9
Margins (%)				(bp)	(bp)			(bp)
Gross margin	68.8	70.6	68.5	-23	-210	68.6	69.6	95
EBITDA	32.8	34.0	30.7	-206	-325	32.2	32.3	6
EBIT	29.8	31.2	28.1	-162	-305	29.1	29.6	54
EBT	31.1	32.7	32.8	164	7	30.3	32.7	245
Net profit	23.1	24.3	24.4	128	8	22.7	24.4	170
Effective tax rate	25.7	25.6	25.5	-20	-8	25.2	25.6	41

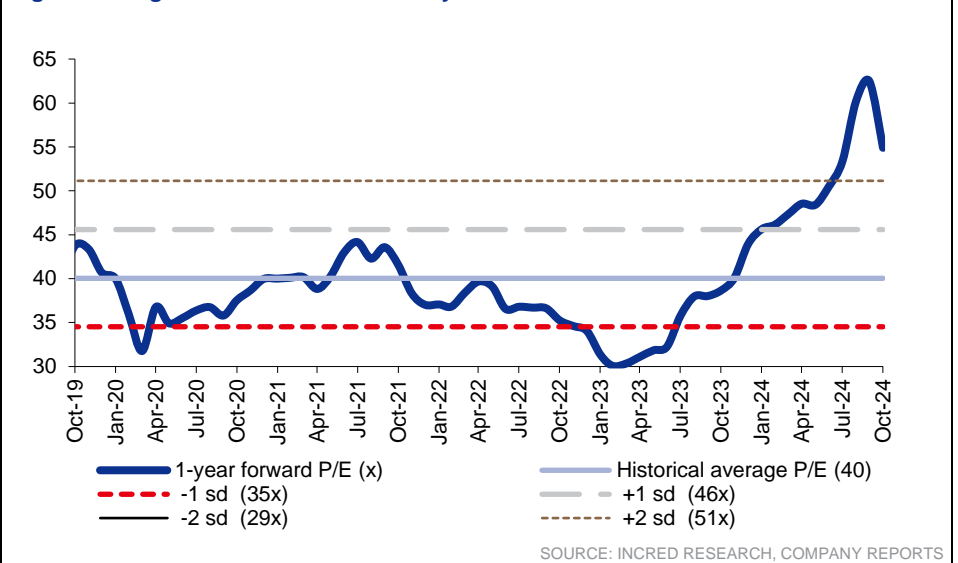
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Y/E Mar (Rs. m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	62,792	62,792	-	67,275	67,275	-	73,747	73,747	-
EBITDA	21,698	21,132	(2.6)	23,672	22,663	(4.3)	26,352	25,099	(4.8)
EBITDA margin (%)	34.6	33.7	-90bp	35.2	33.7	-150bp	35.7	34.0	-170bp
Net profit	15,463	15,126	(2.2)	17,060	16,465	(3.5)	19,024	18,263	(4.0)
EPS	56.8	55.6	(2.2)	62.7	60.5	(3.5)	69.9	67.1	(4.0)

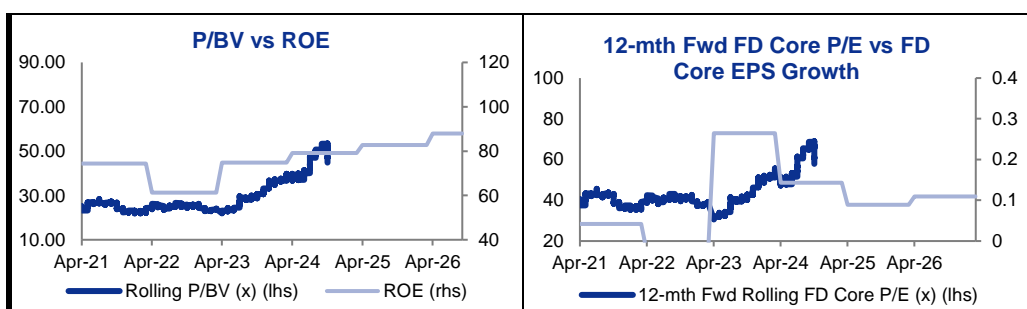
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Colgate-Palmolive India's one-year forward P/E trades above +2SD



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	52,262	56,804	62,792	67,275	73,747
Gross Profit	34,320	39,575	43,935	47,273	52,042
Operating EBITDA	15,470	19,008	21,132	22,663	25,099
Depreciation And Amortisation	(1,748)	(1,715)	(1,754)	(1,724)	(1,809)
Operating EBIT	13,722	17,293	19,379	20,939	23,289
Financial Income/(Expense)	462	680	861	1,093	1,150
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	25	35	37	39	41
Profit Before Tax (pre-EI)	14,209	18,008	20,277	22,071	24,481
Exceptional Items					
Pre-tax Profit	14,209	18,008	20,277	22,071	24,481
Taxation	(3,625)	(4,577)	(5,150)	(5,606)	(6,218)
Exceptional Income - post-tax					
Profit After Tax	10,583	13,432	15,126	16,465	18,263
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	10,583	13,432	15,126	16,465	18,263
Recurring Net Profit	10,583	13,432	15,126	16,465	18,263
Fully Diluted Recurring Net Profit	10,583	13,432	15,126	16,465	18,263

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	15,470	19,008	21,132	22,663	25,099
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,033	2,544	(2,985)	(304)	(531)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	536	765	938	1,162	1,231
Net Interest (Paid)/Received	(49)	(50)	(40)	(30)	(40)
Tax Paid	(3,625)	(4,577)	(5,150)	(5,606)	(6,218)
Cashflow From Operations	13,364	17,691	13,895	17,885	19,541
Capex	(659)	(1,000)	(1,500)	(1,500)	(2,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(659)	(1,000)	(1,500)	(1,500)	(2,000)
Debt Raised/(repaid)	(141)	28			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(10,575)	(11,670)	(14,370)	(15,642)	(17,349)
Preferred Dividends					
Other Financing Cashflow	(356)	(591)	(40)	(30)	(40)
Cash Flow From Financing	(11,072)	(12,233)	(14,410)	(15,672)	(17,389)
Total Cash Generated	1,634	4,458	(2,015)	714	152
Free Cashflow To Equity	12,565	16,719	12,395	16,385	17,541
Free Cashflow To Firm	12,755	16,741	12,435	16,415	17,581

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	9,230	13,738	11,763	12,506	12,698
Total Debtors	1,574	1,674	1,032	1,290	1,414
Inventories	3,355	2,964	2,236	2,580	2,829
Total Other Current Assets	4,625	3,898	6,021	6,451	7,072
Total Current Assets	18,783	22,274	21,052	22,828	24,012
Fixed Assets	9,759	9,043	8,790	8,566	8,756
Total Investments					
Intangible Assets					
Total Other Non-Current Assets	288	648	648	648	648
Total Non-current Assets	10,047	9,691	9,437	9,213	9,404
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	9,835	11,302	9,131	9,778	10,129
Total Current Liabilities	9,835	11,302	9,131	9,778	10,129
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	690	718	718	718	718
Total Non-current Liabilities	690	718	718	718	718
Total Provisions	1,141	1,202	1,141	1,222	1,333
Total Liabilities	11,666	13,222	10,990	11,718	12,180
Shareholders Equity	17,164	18,744	19,500	20,323	21,236
Minority Interests					
Total Equity	17,164	18,744	19,500	20,323	21,236

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	2.5%	8.7%	10.5%	7.1%	9.6%
Operating EBITDA Growth	(1.2%)	22.9%	11.2%	7.2%	10.7%
Operating EBITDA Margin	29.6%	33.5%	33.7%	33.7%	34.0%
Net Cash Per Share (Rs)	31.40	47.87	40.61	43.34	44.05
BVPS (Rs)	63.10	68.91	71.69	74.72	78.07
Gross Interest Cover	279.47	345.86	484.47	697.96	582.23
Effective Tax Rate	25.5%	25.4%	25.4%	25.4%	25.4%
Net Dividend Payout Ratio	99.9%	86.9%	95.0%	95.0%	95.0%
Accounts Receivables Days	13.34	10.43	7.87	6.30	6.69
Inventory Days	70.45	66.93	50.33	43.95	45.48
Accounts Payables Days					
ROIC (%)	140.5%	249.7%	201.9%	214.6%	219.9%
ROCE (%)	78.4%	95.8%	101.5%	106.2%	113.2%
Return On Average Assets	35.0%	41.9%	45.7%	49.2%	52.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
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Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.