

India

**HOLD** (no change)

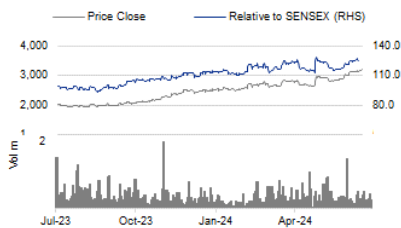
Consensus ratings\*: Buy 7 Hold 12 Sell 16

Current price:	Rs3,210
Target price: ▲	Rs3,380
Previous target:	Rs2,755
Up/downside:	5.3%
InCred Research / Consensus:	29.0%
Reuters:	CL.MN
Bloomberg:	CLGT IN
Market cap:	US\$10,426m Rs873,074m
Average daily turnover:	US\$12.6m Rs1052.4m
Current shares o/s:	272.0m
Free float:	49.0%

\*Source: Bloomberg

**Key changes in this note**

- Raise FY25F/26F EPS by 2.3%/2.5%
- Raise target price to Rs3,380 from Rs2,755.
- Introduce FY27F estimates.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	12.9	14.1	57.2
Relative (%)	9.7	4.5	27.9

<b>Major shareholders</b>	% held
Promoter	51.0
BlackRock Inc	2.1
Vanguard Group	2.0

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# Colgate Palmolive India

## Superior execution drives all-round beat

- Domestic sales grew by 12.8% yoy in 1QFY25, led by all-round growth across segments. Rural markets continued to outperform their urban counterparts.
- Gross margin expanded by 222bp yoy to 70.6%. Controlled other expenses/advertising expenses drove a 238bp yoy EBITDA margin expansion.
- Strong execution & premiumization focus led to a strong start in FY25F. Valuation at 56x/51x FY25F/26F EPS remains elevated. Retain HOLD rating.

### Strong delivery led by double-digit growth in toothpaste category

Colgate-Palmolive India or CLGT's standalone net revenue in 1QFY25 was up 13.1% yoy. Domestic sales grew by 12.8% yoy led by double-digit growth in the toothpaste segment, which was supported by the relaunch of some flagship brands in the last one year, backed by media campaigns. Toothpaste volume grew in high single digits. Rural markets continued to grow faster than urban markets for the second consecutive quarter. CLGT had taken corrective steps in Uttar Pradesh in the toothbrush segment a few quarters ago, which seems to have aided in driving double-digit growth for the segment.

### Market share gains and premiumization focus ramped up

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. The renewed focus on nascent categories like body wash, which has below 3% penetration level in India, also aided growth in the personal care segment (under the Palmolive brand). CLGT is also focusing on improving the market share of Colgate Total in modern trade channels back to the historical level from low single digits currently. CLGT launched Visible White Booster Gel 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). 50% of CLGT's toothpaste portfolio (by volume) has transitioned to recyclable tubes (targeting 100% recyclability by FY25F-end). We expect more new launches under the personal care category in the near term.

### Margins likely to remain range-bound in near term

Gross margin expanded by 222bp yoy (+134bp qoq) to 70.6% in 1QFY25. The EBITDA margin expanded by 238bp yoy (down 175bp qoq) to 34% led by tight control on advertising expenses (13.3% of sales, down 40bp yoy) and other expenses (15.9% of sales, flat yoy). While the focus will remain on driving volume, we believe that benign raw material prices and continued execution can lead to 100bp/60bp EBITDA margin growth over FY25F/26F.

### Retain HOLD rating with a higher target price of Rs3,380

CLGT's focus remains on premiumization of its portfolio and recovering volume market share at the bottom of the pyramid (core portfolio). Owing to a healthy start to the year, we revise our FY25F/26F EPS upwards by 2.3%-2.5% and raise the target price to Rs3,380 (51x Sep 2026F EPS) from Rs2,755 earlier, while retaining our HOLD rating. Upside risk: Faster-than expected sales growth. Downside risk: Lower-than-expected EBITDA growth.

**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	21,698	23,672	26,352
Net Profit (Rsm)	10,583	13,432	15,463	17,060	19,024
Core EPS (Rs)	38.9	49.4	56.8	62.7	69.9
Core EPS Growth	(1.9%)	26.9%	15.1%	10.3%	11.5%
FD Core P/E (x)	82.50	65.01	56.47	51.18	45.90
DPS (Rs)	37.0	46.9	54.0	59.6	66.4
Dividend Yield	1.21%	1.34%	1.68%	1.86%	2.07%
EV/EBITDA (x)	55.89	45.25	39.74	36.39	32.69
P/FCFE (x)	69.49	52.22	69.34	51.75	47.83
Net Gearing	(49.8%)	(69.5%)	(56.0%)	(56.9%)	(55.2%)
P/BV (x)	50.87	46.58	44.74	42.86	40.95
ROE	61.3%	74.8%	80.8%	85.5%	91.3%
% Change In Core EPS Estimates			2.32%	2.51%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Superior execution drives all-round beat

**Figure 1: Quarterly results summary - standalone**

Y/E Mar (Rs m)	1QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY23	FY24	Gr (%)
<b>Revenue</b>	<b>13,237</b>	<b>14,900</b>	<b>14,967</b>	<b>13.1</b>	<b>0.4</b>	<b>52,262</b>	<b>56,804</b>	<b>8.7</b>
<b>Expenditure</b>	<b>9,056</b>	<b>9,578</b>	<b>9,884</b>	<b>9.1</b>	<b>3.2</b>	<b>36,792</b>	<b>37,796</b>	<b>2.7</b>
Cost of goods sold	4,179	4,573	4,393	5.1	-3.9	17,942	17,230	-4.0
as % of sales	31.6	30.7	29.4			34.3	30.3	
Employee cost	958	999	1,123	17.3	12.4	3,770	4,117	9.2
as % of sales	7.2	6.7	7.5			7.2	7.2	
Advertising expenses	1,813	1,689	1,991	9.8	17.9	6,341	7,604	19.9
as % of sales	13.7	11.3	13.3			12.1	13.4	
Other expenditure	2,106	2,317	2,376	12.9	2.6	8,740	8,845	1.2
as % of sales	15.9	15.6	15.9			16.7	15.6	
<b>EBITDA</b>	<b>4,181</b>	<b>5,322</b>	<b>5,083</b>	<b>21.6</b>	<b>-4.5</b>	<b>15,470</b>	<b>19,008</b>	<b>22.9</b>
Depreciation	438	421	415	-5.1	-1.4	1,748	1,715	-1.9
<b>EBIT</b>	<b>3,744</b>	<b>4,901</b>	<b>4,668</b>	<b>24.7</b>	<b>-4.7</b>	<b>13,722</b>	<b>17,293</b>	<b>26.0</b>
Other Income	150	227	234	56.3	3.3	536	765	42.8
Interest	11	14	10			49	50	
<b>PBT</b>	<b>3,883</b>	<b>5,114</b>	<b>4,893</b>	<b>26.0</b>	<b>-4.3</b>	<b>14,209</b>	<b>18,009</b>	<b>26.7</b>
Total tax	951	1,315	1,253	31.8	-4.8	3,625	4,577	26.2
<b>Net profit (before extraordinary items)</b>	<b>2,932</b>	<b>3,798</b>	<b>3,640</b>	<b>24.1</b>	<b>-4.2</b>	<b>10,584</b>	<b>13,432</b>	<b>26.9</b>
Extraordinary items	-195	0	0	NA	NA	-93	-195	NA
<b>Reported net profit</b>	<b>2,737</b>	<b>3,798</b>	<b>3,640</b>	<b>33.0</b>	<b>-4.2</b>	<b>10,490</b>	<b>13,237</b>	<b>26.2</b>
<b>Adjusted EPS</b>	<b>10.8</b>	<b>14.0</b>	<b>13.4</b>	<b>24.1</b>	<b>-4.2</b>	<b>38.9</b>	<b>49.4</b>	<b>26.9</b>
<b>Margins (%)</b>								
				(bp)	(bp)			(bp)
Gross margin	68.4	69.3	70.6	222	134	65.7	69.7	400
EBITDA	31.6	35.7	34.0	238	-175	29.6	33.5	386
EBIT	28.3	32.9	31.2	291	-170	26.3	30.4	419
EBT	29.3	34.3	32.7	336	-163	27.2	31.7	452
Net profit	22.1	25.5	24.3	217	-117	20.3	23.6	339
Effective tax rate	24.5	25.7	25.6	112	-12	25.5	25.4	-10

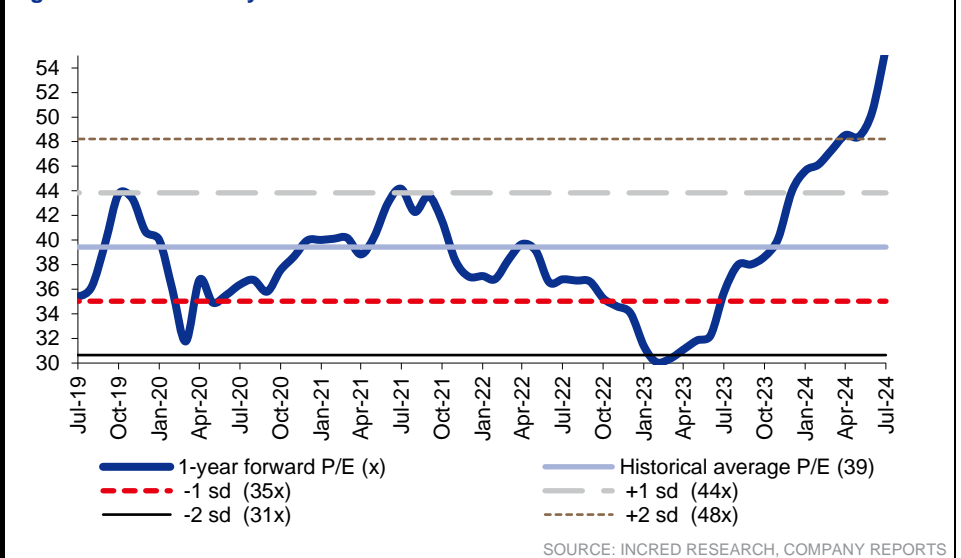
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**

Y/E Mar (Rs. m)	FY25F			FY26F			FY27F
	Earlier	Revised	% Change	Earlier	Revised	% Change	Introduced
Revenue	61,595	62,792	1.9	66,556	67,275	1.1	73,747
EBITDA	21,229	21,698	2.2	23,261	23,672	1.8	26,352
EBITDA margin (%)	34.5	34.6	10 bps	34.9	35.2	20 bps	35.7
Net profit	15,112	15,463	2.3	16,642	17,060	2.5	19,024
EPS	55.6	56.8	2.3	61.2	62.7	2.5	69.9

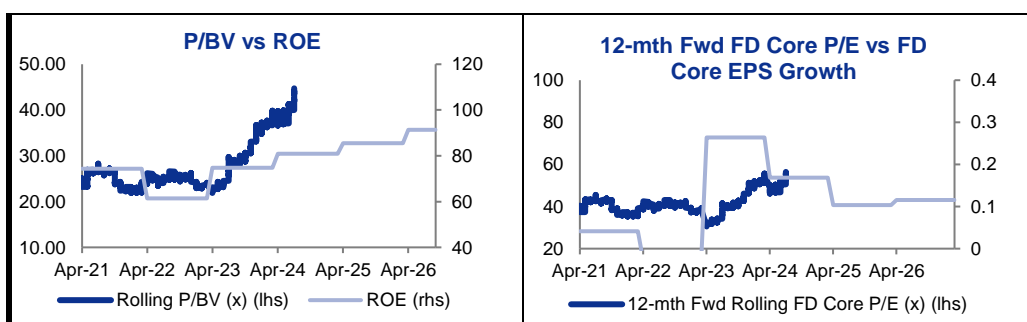
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: CLGT'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
<b>Total Net Revenues</b>	<b>52,262</b>	<b>56,804</b>	<b>62,792</b>	<b>67,275</b>	<b>73,747</b>
<b>Gross Profit</b>	<b>34,320</b>	<b>39,575</b>	<b>43,935</b>	<b>47,273</b>	<b>52,042</b>
<b>Operating EBITDA</b>	<b>15,470</b>	<b>19,008</b>	<b>21,698</b>	<b>23,672</b>	<b>26,352</b>
Depreciation And Amortisation	(1,748)	(1,715)	(1,754)	(1,724)	(1,809)
<b>Operating EBIT</b>	<b>13,722</b>	<b>17,293</b>	<b>19,944</b>	<b>21,948</b>	<b>24,543</b>
Financial Income/(Expense)	462	680	747	882	917
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	25	35	37	39	41
<b>Profit Before Tax (pre-EI)</b>	<b>14,209</b>	<b>18,008</b>	<b>20,728</b>	<b>22,869</b>	<b>25,501</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>14,209</b>	<b>18,008</b>	<b>20,728</b>	<b>22,869</b>	<b>25,501</b>
Taxation	(3,625)	(4,577)	(5,265)	(5,809)	(6,477)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>10,583</b>	<b>13,432</b>	<b>15,463</b>	<b>17,060</b>	<b>19,024</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>10,583</b>	<b>13,432</b>	<b>15,463</b>	<b>17,060</b>	<b>19,024</b>
Recurring Net Profit	10,583	13,432	15,463	17,060	19,024
<b>Fully Diluted Recurring Net Profit</b>	<b>10,583</b>	<b>13,432</b>	<b>15,463</b>	<b>17,060</b>	<b>19,024</b>

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>15,470</b>	<b>19,008</b>	<b>21,698</b>	<b>23,672</b>	<b>26,352</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,033	2,544	(3,125)	(413)	(577)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	536	765	824	951	998
Net Interest (Paid)/Received	(49)	(50)	(40)	(30)	(40)
Tax Paid	(3,625)	(4,577)	(5,265)	(5,809)	(6,477)
<b>Cashflow From Operations</b>	<b>13,364</b>	<b>17,691</b>	<b>14,092</b>	<b>18,371</b>	<b>20,256</b>
Capex	(659)	(1,000)	(1,500)	(1,500)	(2,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(659)</b>	<b>(1,000)</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>(2,000)</b>
Debt Raised/(repaid)	(141)	28			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(10,575)	(11,670)	(14,690)	(16,207)	(18,073)
Preferred Dividends					
Other Financing Cashflow	(356)	(591)	(40)	(30)	(40)
<b>Cash Flow From Financing</b>	<b>(11,072)</b>	<b>(12,233)</b>	<b>(14,730)</b>	<b>(16,237)</b>	<b>(18,113)</b>
Total Cash Generated	1,634	4,458	(2,138)	634	143
<b>Free Cashflow To Equity</b>	<b>12,565</b>	<b>16,719</b>	<b>12,592</b>	<b>16,871</b>	<b>18,256</b>
<b>Free Cashflow To Firm</b>	<b>12,755</b>	<b>16,741</b>	<b>12,632</b>	<b>16,901</b>	<b>18,296</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	9,230	13,738	11,640	12,304	12,487
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
<b>Total Current Assets</b>	<b>18,783</b>	<b>22,274</b>	<b>20,930</b>	<b>22,626</b>	<b>23,802</b>
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
<b>Total Non-current Assets</b>	<b>10,047</b>	<b>9,691</b>	<b>9,437</b>	<b>9,213</b>	<b>9,404</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	9,835	11,302	9,007	9,557	9,868
<b>Total Current Liabilities</b>	<b>9,835</b>	<b>11,302</b>	<b>9,007</b>	<b>9,557</b>	<b>9,868</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	690	718	718	718	718
<b>Total Non-current Liabilities</b>	<b>690</b>	<b>718</b>	<b>718</b>	<b>718</b>	<b>718</b>
Total Provisions	1,141	1,202	1,126	1,195	1,298
<b>Total Liabilities</b>	<b>11,666</b>	<b>13,222</b>	<b>10,850</b>	<b>11,469</b>	<b>11,884</b>
Shareholders Equity	17,164	18,744	19,517	20,370	21,321
Minority Interests					
<b>Total Equity</b>	<b>17,164</b>	<b>18,744</b>	<b>19,517</b>	<b>20,370</b>	<b>21,321</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	2.5%	8.7%	10.5%	7.1%	9.6%
Operating EBITDA Growth	(1.2%)	22.9%	14.1%	9.1%	11.3%
Operating EBITDA Margin	29.6%	33.5%	34.6%	35.2%	35.7%
Net Cash Per Share (Rs)	31.40	47.87	40.16	42.60	43.27
BVPS (Rs)	63.10	68.91	71.75	74.89	78.39
Gross Interest Cover	279.47	345.86	498.60	731.60	613.57
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%	205.2%	220.0%	226.2%
ROCE (%)	78.4%	95.8%	103.7%	109.9%	117.6%
Return On Average Assets	35.0%	41.9%	47.2%	52.0%	55.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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been engaged in market making activity for the subject company	NO	NO

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