

July 22, 2025

RESULT REPORT Q1 FY26 | Sector: Consumer Staples

Colgate-Palmolive (India)

Low base to support earnings in 2HFY26

Revenues in-line with our expectation but misses street; Margin slips

- Colgate-Palmolive (India) Ltd. (CLGT) 1QFY26 overall operating performance was below our expectations. While the pressure on topline was on expected lines due to subdued urban demand and high competition intensity but compression on margins was higher than we had anticipated.
- Premium portfolio continues to grow at a healthy rate, but management has maintained their expectation of demand to recover gradually, mostly in 2HFY26. This along with some pricing component is expected to contribute to growth starting 3QFY26.
- As base normalizes, we expect YoY operating performance to be better next quarter. Negative base in the second half will lead to double-digit EBITDA growth in 2HFY26.
- There is 3.6% cut in our FY26E/FY27E EPS largely to bake in margin pressure as CLGT is prioritizing investments, leveraging its healthy profit margins to remain competitive. We assign ~43x (close to its 5-year average) on FY27E EPS, giving us a revised target price (TP) of Rs2,555 (Rs2,740 earlier). We thus maintain our NEUTRAL rating. Category recovery and update on diversification being explored in personal care will aid in building a constructive view on the stock.

Result Highlights

- Headline:** CLGT's 1QFY26 revenue (including other operating income) was down 4.2% YoY to Rs14.3bn (vs est. Rs14.4bn). EBITDA was down by 11% YoY to Rs4.5bn (vs est. Rs4.8bn). Adjusted PAT (APAT) was down 10.8% YoY to Rs3.2bn (vs est. 3.4bn).
- Gross margin** contracted QoQ by 170bps to 68.9% in 1QFY26 (down 170bps YoY; vs est. 70.5%). Increase in staff cost (up 70bps YoY; up 5.2% YoY on absolute basis) was partially offset by Ad-spends which was down 20bps YoY. Other overheads were flat YoY. This meant that EBITDA margin was down by 240bps YoY to 31.6% (vs. est. 33%).

Excerpts from Press Release:

- 1QFY26 results reflect persistent headwinds from tough operating conditions on account of subdued urban demand and elevated competition intensity.
- Current quarter performance is also influenced by cycling a high base from the previous year.
- Premium portfolio delivered strong revenue growth.
- CLGT anticipates a gradual recovery in the back half of the year.

Exhibit 1: Actual vs estimates

Parameter	Q1FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	14,341	(1.9)	(4.2)	Inline	Miss
EBITDA	4,526	(9.1)	(11.0)	Miss	Miss
EBITDA Margin (%)	31.6	(2.5)	(2.4)	Miss	Miss
PAT / EPS	3,206	(9.7)	(10.8)	Miss	Miss

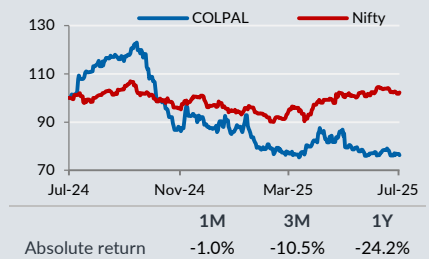
Source: Bloomberg, YES SEC

Reco	: NEUTRAL
CMP	: Rs 2,380
Target Price	: Rs 2,555
Potential Return	: +7.4%

Stock data (as on July 22, 2025)

Nifty	25,055
52 Week h/l (Rs)	3890 / 2312
Market cap (Rs/USD mn)	650590 / 7532
Outstanding Shares (mn)	272
6m Avg t/o (Rs mn):	1,230
Div yield (%):	2.1
Bloomberg code:	CLGT IN
NSE code:	COLPAL

Stock performance



Shareholding pattern (As of Mar'25 end)

Promoter	51.0%
FII+DII	30.4%
Others	18.7%

Δ in stance

(1-Yr) Rating	New	Old
	NEUTRAL	NEUTRAL
Target Price	2,555	2,740

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	53.2	59.4
EPS (Old)	55.2	61.7
% change	-3.6%	-3.6%

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Revenue	60,402	62,790	68,227
YoY Growth (%)	6.3	4.0	8.7
EBIDTA	19,581	20,388	22,561
Margins (%)	32.4	32.5	33.1
APAT	14,368	14,472	16,162
EPS	52.8	53.2	59.4
YoY Growth (%)	7.4	0.7	11.7
ROCE (%)	109.3	117.5	130.6
ROE (%)	81.2	86.9	97.1
P/E (x)	45.3	45.0	40.3
EV/EBITDA (x)	32.7	31.3	28.3

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Exhibit 2: Quarterly snapshot

Particulars (Rs. Mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Revenue	14,967	14,625	14,341	-4.2	-1.9
COGS	4,393	4,298	4,456	1.4	3.7
Gross margin %	70.6	70.6	68.9	-1.7	-1.7
Employee costs	1,123	1,073	1,182	5.2	10.2
% of sales	7.5	7.3	8.2	0.7	0.9
Advertising costs	1,991	1,806	1,884	-5.4	4.3
% of sales	13.3	12.3	13.1	-0.2	0.8
Other expenses	2,376	2,469	2,293	-3.5	-7.1
% of sales	15.9	16.9	16.0	0.1	-0.9
EBITDA	5,083	4,980	4,526	-11.0	-9.1
EBITDA margin %	34.0	34.1	31.6	-2.4	-2.5
Depreciation	415	384	375	-9.6	-2.2
EBIT	4,668	4,596	4,150	-11.1	-9.7
Interest expense	10	11	10	0.4	-0.6
Other income	190	191	179	-5.4	-5.9
PBT	4,848	4,776	4,320	-10.9	-9.6
Tax	1,253	1,226	1,113	-11.2	-9.2
Effective tax rate %	25.8	25.7	25.8	-0.1	0.1
APAT	3,595	3,550	3,206	-10.8	-9.7
PAT margin %	24.0	24.3	22.4	-1.7	-1.9
EPS	13.2	13.1	11.8	-10.8	-9.7

Source: Company, YES Sec

ANALYST VIEW & INVESTMENT THESIS

1-Year View

There is 3.6% cut in our FY26E/FY27E EPS largely to bake in margin pressure as CLGT is prioritizing investments, leveraging its healthy profit margins to remain competitive.

We now build ~6.3% revenue CAGR over FY25-FY27E (still higher than the ~5.9% CAGR delivered over the last five years) led by (a) Mid- single volume growth over FY25-FY27E, (b) Momentum in premium portfolio with support from innovation, packaging upgrade, accessible sku's and high decibel campaign, (c) Continues improvement in Average Selling Price (ASP) led by premiumization and pricing.

Assuming current margin profile stays and sees further modest improvement in FY26 & FY27, we see 7.3% EBITDA CAGR over FY25-FY27E (~60bps EBITDA margin expansion largely led by modest inflation, premiumization and funding-the-growth savings initiatives).

CLGT is currently trading at ~45x/40x on our FY26E/FY27E EPS as we build a modest 6.1% earnings CAGR. Significantly improved margin profile & working capital, better cash generation, enhanced return ratios and diversification in personal care space merits better target multiple, but market conditions and near-term pain restrict us. We assign ~43x on our FY27E EPS (similar to 5-year average), giving us a revised TP of Rs2,555 (Rs2,740 earlier). We maintain our NEUTRAL rating.

Category recovery and update on diversification being explored in personal care will aid in building a constructive view on the stock.

Colgate-Palmolive (India)

3-Year View

Over the medium term, CLGT continues to lead toothpaste category growth as consumption is still low in India at ~220gms per year vs 440gms in Thailand and 380gms in Malaysia even while toothpaste penetration has reached almost 100%. CLGT also aims to continue its investment on brushing twice a day through partnerships and activations as still 80% urban Indians do not brush twice a day and 55% rural Indians don't brush daily.

Premiumization should continue to support improvement in realizations as premium flagships are 1.5x in pricing versus the company average. New launches are also at higher price levels.

Upping of pricing and driving replacement of toothbrush is another opportunity for CLGT.

Management iterated they have aggressive plans and an interesting innovation pipeline in personal care where it is currently focusing just on body wash and handwash. It is also looking at other parent brands to launch in India which has a point of difference.

Since the margin profile in recent times have already strengthened above normative levels, we don't see much scope for improvement. Hence, over the next 2-3 years we believe CLGT earnings will grow at a subdued rate as it will choose to invest behind brands & innovation leverage current margin profile.

Exhibit 3: Key Monitorable Triggers

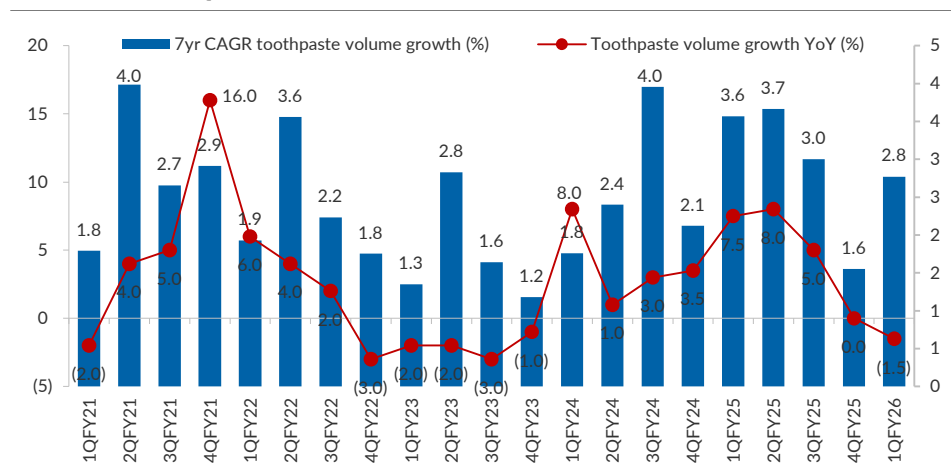
What to Watch	Why it Matters	Timeline
Urban demand recovery	Much needed to drive volume growth especially when realization growth is under pressure due to market environment	Very near term
Update on personal care portfolio addition	Important for diversification of portfolio and rerating	Near to medium term

Exhibit 4: Estimate Revisions

Metric	Old Est (FY27E)	New Est	% Change	Reason
Revenue	69,685	68,227	(2.1)	Largely to bake in margin pressure as CLGT is prioritizing investments, leveraging its healthy profit margins to remain competitive
EBITDA	23,363	22,561	(3.4)	
APAT	16,774	16,162	(3.6)	

Source: Company, YES Sec

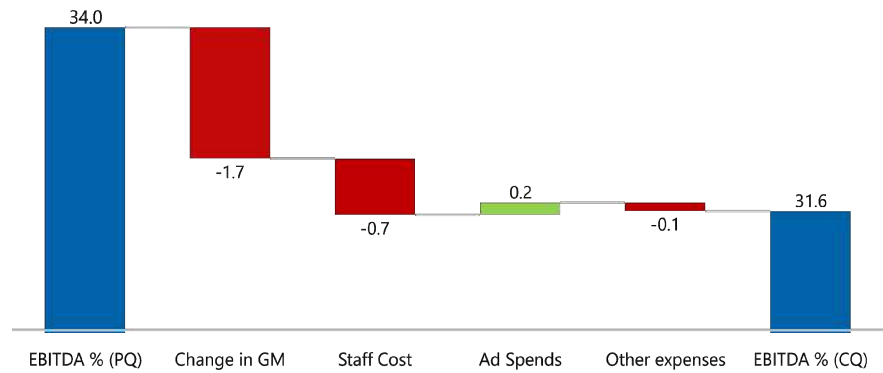
Exhibit 5: We believe toothpaste volumes to have been down by low-single digit or at best flattish in 1QFY26



Source: Company, YES Sec; Note: Volume growth pre-1QFY25 & in recent quarter are our internal estimate

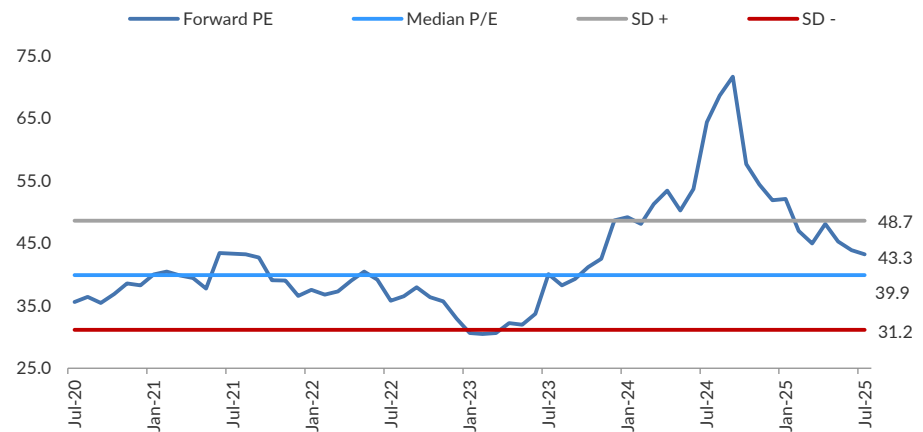
Colgate-Palmolive (India)

Exhibit 6: EBITDA margin down by 240bps is primarily led by gross margin contraction (170bps) and increase in staff costs (70bps YoY)



Source: Company, YES Sec

Exhibit 7: Currently trading at ~43x on one-year forward basis



Source: Company, YES Sec

FINANCIALS

Exhibit 8: Balance Sheet

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	272	272	272	272	272
Reserves	16,892	18,472	16,373	16,373	16,373
Net worth	17,164	18,744	16,645	16,645	16,645
Total debt	0	0	0	0	0
Others	690	718	608	608	608
Total liabilities	17,853	19,461	17,253	17,253	17,253
Gross block	21,214	22,188	23,621	24,321	25,021
Depreciation	12,596	14,247	15,857	17,534	19,261
Capital work-in-progress	1,141	1,103	384	384	384
Investments	0	0	0	0	0
Inventories	3,354	2,964	3,773	3,619	4,207
Debtors	1,574	1,674	2,263	2,221	2,228
Cash	9,230	13,738	10,951	12,191	12,748
Loans & advances	1,646	2,169	921	1013	1114
Other current assets	2,979	2,979	3,450	3450	3450
Total current assets	18,783	23,524	21,357	22,494	23,747
Creditors	7,611	8,819	9,208	9,319	9,495
Other current liabilities & provisions	3,365	4,935	3,725	3,772	3,823
Total current liabilities	10,976	13,754	12,933	13,091	13,317
Net current assets	7,806	9,770	8,425	9,403	10,430
Deferred tax asset	288	648	680	680	680
Total assets	17,854	19,461	17,253	17,253	17,253

Source: Company, YES Sec

Exhibit 9: Income statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Revenue	52,262	56,804	60,402	62,790	68,227
Revenue growth	2.5%	8.7%	6.3%	4.0%	8.7%
COGS	17,942	17,230	18,183	18,825	20,069
Staff costs	3,770	4,117	4,468	4,739	5,150
Advertising costs	6,341	7,604	8,225	8,668	9,521
Other expenses	8,739	8,844	9,946	10,169	10,926
Total expenses	36,792	37,796	40,821	42,402	45,666
EBITDA	15,470	19,008	19,581	20,388	22,561
EBITDA growth	-1.3%	22.9%	3.0%	4.1%	10.7%
EBITDA margin	29.6%	33.5%	32.4%	32.5%	33.1%
Other income	536	765	1,388	759	808
Interest costs	49	50	43	43	43
Depreciation	1,748	1,715	1,627	1,678	1,727

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Profit before tax (before exceptional)	14,209	18,009	19,299	19,426	21,599
Exceptional items	(85)	(145)	(471)	0	0
Tax	3,652	4,627	4,930	4,954	5,436
PAT	10,557	13,382	14,368	14,472	16,162
PAT margin	20.2%	23.6%	23.8%	23.0%	23.7%
PAT growth	-2.2%	26.8%	7.4%	0.7%	11.7%

Source: Company, YES Sec

Exhibit 10: Cash flow statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PAT	10,400	13,127	13,679	14,473	16,163
Depreciation	1,748	1,715	1,627	1,678	1,727
Other income	(296)	(580)	(547)	(716)	(765)
(Inc.)/dec. in working capital	(89)	(2,272)	(815)	261	(470)
Cash flow from operations	11,763	11,990	13,945	15,697	16,655
Capital expenditure (-)	(695)	(755)	(714)	(700)	(700)
Net cash after capex	11,068	11,234	13,230	14,997	15,955
Inc./(dec.) in investments	221	828	549	0	0
Others	1,262	4,398	148	948	997
Cash from investing activities	787	4,471	(18)	248	297
Dividends paid (-)	(10,575)	(11,670)	(16,262)	(14,472)	(16,162)
Others	(293)	(282)	(451)	(233)	(233)
Cash from financial activities	(10,867)	(11,953)	(16,713)	(14,705)	(16,395)
Opening cash balance	7,547	9,230	13,738	10,951	12,191
Closing cash balance	9,230	13,738	10,951	12,191	12,748
Change in cash balance	1,683	4,508	(2,787)	1,240	557

Source: Company, YES Sec

Exhibit 11: Ratios

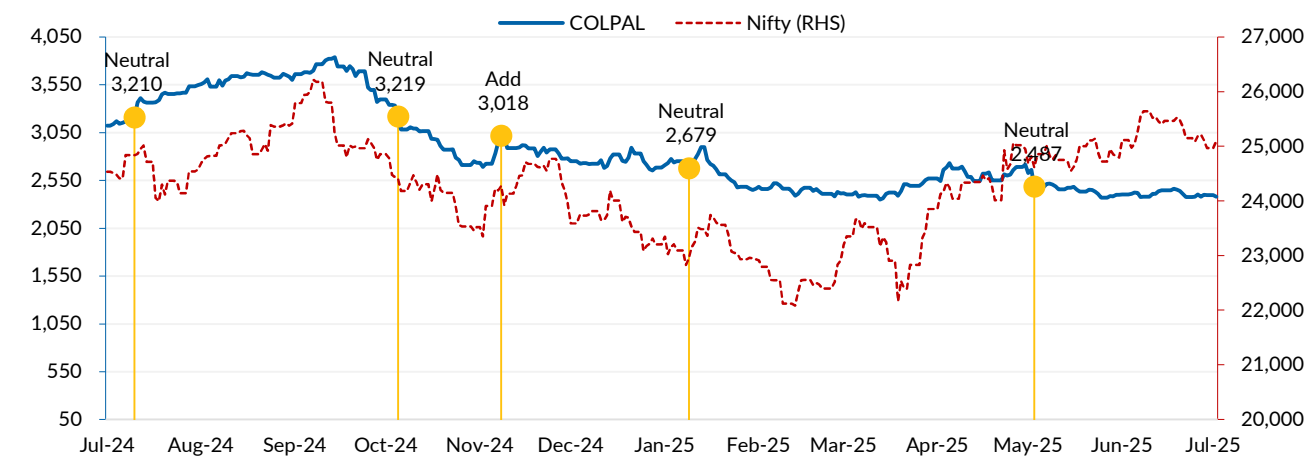
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
EPS	38.8	49.2	52.8	53.2	59.4
Book value	63.1	68.9	61.2	61.2	61.2
DPS	39.0	58.0	51.0	53.2	59.4
Valuation (x)					
EV/sales	12.3	11.2	10.6	10.2	9.3
EV/EBITDA	41.5	33.5	32.7	31.3	28.3
P/E	61.6	48.6	45.3	45.0	40.3
P/BV	37.9	34.7	39.1	39.1	39.1
Return ratios (%)					
RoCE *	80.2	99.3	109.3	117.5	130.6
RoE	61.2	74.5	81.2	86.9	97.1
Profitability ratios (%)					

Colgate-Palmolive (India)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Gross margin	65.7	69.7	69.9	70.0	70.6
EBITDA margin	29.6	33.5	32.4	32.5	33.1
EBIT margin	26.3	30.4	29.7	29.8	30.5
PAT margin	20.2	23.6	23.8	23.0	23.7
Liquidity ratios (%)					
Current ratio	1.7	1.7	1.7	1.7	1.8
Quick ratio	1.4	1.5	1.4	1.4	1.5
Solvency ratio (%)					
Debt to Equity ratio	0.0	0.0	0.0	0.0	0.0
Turnover ratios					
Total asset turnover ratio (x)	3.2	3.2	3.7	3.9	4.2
Fixed asset turnover ratio (x)	6.1	7.2	7.8	9.3	11.8
Debtor days	13	10	12	13	12
Inventory days	70	67	68	72	71
Creditor days	156	174	181	180	171

Source: Company, YES Sec; * Pre-tax

Recommendation Tracker



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In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

DISCLOSURE OF INTEREST

Name of the Research Analyst: Vishal Punmiya, Manas Rastogi

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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1	Research Analyst or his/her relative's or YSIL's financial interest in the subject company(ies)	No
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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Analyst signature

Analyst signature

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