

October 23, 2025

RESULT REPORT Q2 FY26 | Sector: Consumer Staples

Colgate-Palmolive (India)

Minor miss on revenue and margins as well as

Operating growth to better from 3QFY26 supported by low base

Minor miss on topline and on margins: Colgate-Palmolive (India) Ltd. (CLGT) 2QFY26 overall topline performance saw a minor miss on our expectations. There was a large decline in revenue due to the transitory disruption at distributors and retailers across channels caused by GST rate revision but compression on margins was higher than we had anticipated.

Management still expects a gradual recovery in 2H: Premium portfolio continued strong momentum led by Colgate Visible White Purple. Management has maintained their expectation of demand to recover gradually in 2HFY26. This, along with some pricing component, is expected to contribute to growth starting 3QFY26.

Low base to support better operating performance: Margins remain resilient driven by Funding the Growth program despite prioritizing brand investments. Negative base in the second half will lead to double-digit EBITDA growth in 2HFY26.

Valuation & View: There is 2.2%/1.5% cut in our FY26E/FY27E EPS largely to bake in near-term topline and margin pressure as CLGT is prioritizing investments, leveraging its healthy profit margins to remain competitive. We assign ~42x (close to its 5-year average) on Sep'27E EPS, giving us a revised target price (TP) of Rs2,580 (Rs2,555 earlier). We thus upgrade our rating to ADD from NEUTRAL. 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 2QFY26 revenue (including other operating income) was down 6.2% YoY to Rs15.2bn (vs est. Rs15.5bn). EBITDA was down by 6.4% YoY to Rs4.7bn (vs est. Rs4.8bn). Adjusted PAT (APAT) was down 7% YoY to Rs3.3bn (vs est. 3.5bn).
- **Gross margin** improved QoQ by 50bps to 69.5% in 2QFY26 (up 90bps YoY; vs est. 69.2%). Increase in staff cost (up 50bps YoY) and other overheads (up 70bps YoY) was partially offset by Ad-spends (down 20bps YoY to 14.8%; absolute ad spends down by 7.3% YoY). This meant that **EBITDA margin was flattish YoY at 30.6%** (vs. est. 31.3%).
- **1HFY26:** Revenue, EBITDA and APAT are down by 5.2%, 8.7% and 8.9% YoY, respectively. Gross and EBITDA margin stands at 69.2% and 31.1% (down 40bps/120bps YoY) respectively. Ad-spends are down by 20bps YoY to 14% as absolute spends are down by 6.4% YoY.

Excerpts from Press Release: (1) Second quarter performance reflects the transitory disruption at distributors and retailers across channels caused by GST rate revision; (2) The first half performance cycles a high base of double-digit net sales growth in the base period and management expects a gradual recovery in performance in the second half; (3) In Q2, CLGT introduced Palmolive's newest Moments body wash range, curated for distinct bathing moments during the day; (4) During the quarter, CLGT also launched its latest campaign "CAVITY-PROOF" under the flagship Colgate Strong Teeth (CST) brand.

Exhibit 1: Actual vs estimates

Parameter	Q2FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	15,195	6.0	(6.2)	Inline	Miss
EBITDA	4,654	2.8	(6.4)	Miss	Miss
EBITDA Margin (%)	30.6	(0.9)	(0.1)	Miss	Miss
PAT / EPS	3,275	2.1	(7.0)	Miss	Miss

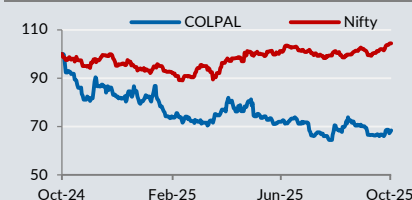
Source: Bloomberg, YES SEC

RECO	: ADD
CMP	: Rs 2,287
Target Price	: Rs 2,580
Potential Return	: +12.8%

Stock data (as on Oct 23, 2025)

Nifty	25,891
52 Week h/l (Rs)	3415 / 2151
Market cap (Rs/USD mn)	614851 / 7004
Outstanding Shares (mn)	272
6m Avg t/o (Rs mn):	1,328
Div yield (%):	2.2
Bloomberg code:	CLGT IN
NSE code:	COLPAL

Stock performance



	1M	3M	1Y
Absolute return	-1.6%	0.1%	-31.3%

Shareholding pattern (As of June'25 end)

Promoter	51.0%
FII+DII	30.0%
Others	19.0%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	2,580	2,555

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	52.1	58.1
EPS (Old)	53.2	59.4
% change	-2.2%	-1.5%

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Revenue	60,402	61,751	67,103
YoY Growth (%)	6.3	2.2	8.7
EBIDTA	19,581	19,909	22,147
Margins (%)	32.4	32.2	33.0
APAT	14,368	14,161	15,920
EPS	52.8	52.1	58.5
YoY Growth (%)	7.4	-1.4	12.4
ROCE (%)	109.3	114.9	128.6
ROE (%)	81.2	85.1	95.6
P/E (x)	43.3	43.9	39.1
EV/EBITDA (x)	31.2	30.6	27.5

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Exhibit 2: Quarterly Snapshot

Particulars (Rs. Mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	1HFY25	1HFY26	YoY (%)
Revenue	16,191	14,341	15,195	-6.2	6.0	31,158	29,536	-5.2
COGS	5,093	4,456	4,642	-8.9	4.2	9,486	9,098	-4.1
Gross margin %	68.5	68.9	69.5	0.9	0.5	69.6	69.2	-0.4
Employee costs	1,184	1,182	1,181	-0.2	-0.1	2,307	2,363	2.4
% of sales	7.3	8.2	7.8	0.5	-0.5	7.4	8.0	0.6
Advertising costs	2,427	1,884	2,251	-7.3	19.5	4,418	4,135	-6.4
% of sales	15.0	13.1	14.8	-0.2	1.7	14.2	14.0	-0.2
Other expenses	2,514	2,293	2,467	-1.9	7.6	4,890	4,760	-2.7
% of sales	15.5	16.0	16.2	0.7	0.3	15.7	16.1	0.4
EBITDA	4,974	4,526	4,654	-6.4	2.8	10,057	9,180	-8.7
EBITDA margin %	30.7	31.6	30.6	-0.1	-0.9	32.3	31.1	-1.2
Depreciation	417	375	372	-10.9	-0.9	832	747	-10.2
EBIT	4,556	4,150	4,282	-6.0	3.2	9,225	8,433	-8.6
Interest expense	12	10	10	-1.6	-0.3	21	20	-5.6
Other income	195	179	150	-23.0	-16.2	385	330	-14.3
PBT	4,740	4,320	4,423	-6.7	2.4	9,588	8,742	-8.8
Tax	1,218	1,113	1,148	-5.8	3.1	2,471	2,261	-8.5
Effective tax rate %	25.7	25.8	25.9	0.3	0.2	25.8	25.9	0.1
APAT	3,522	3,206	3,275	-7.0	2.1	7,117	6,481	-8.9
PAT margin %	21.8	22.4	21.6	-0.2	-0.8	22.8	21.9	-0.9
EPS	12.9	11.8	12.0	-7.0	2.1	26.2	23.8	-8.9

Source: Company, YES Sec

ANALYST VIEW & INVESTMENT THESIS

1-Year View

There is 2.2%/1.5 cut in our FY26E/FY27E EPS largely to bake in near-term revenue and margin pressure as CLGT is prioritizing investments, leveraging its healthy profit margins to remain competitive.

We now build ~5.4% revenue CAGR over FY25-FY27E (lower 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 6.4% 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 ~44x/39x on our FY26E/FY27E EPS as we build a modest 5.3% 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 ~42x on our Sep'27E EPS (close to 5-year average), giving us a revised TP of Rs2,580 (Rs2,555 earlier). We thus upgrade our rating to ADD from NEUTRAL earlier.

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

3-Year View

Colgate-Palmolive (India)

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

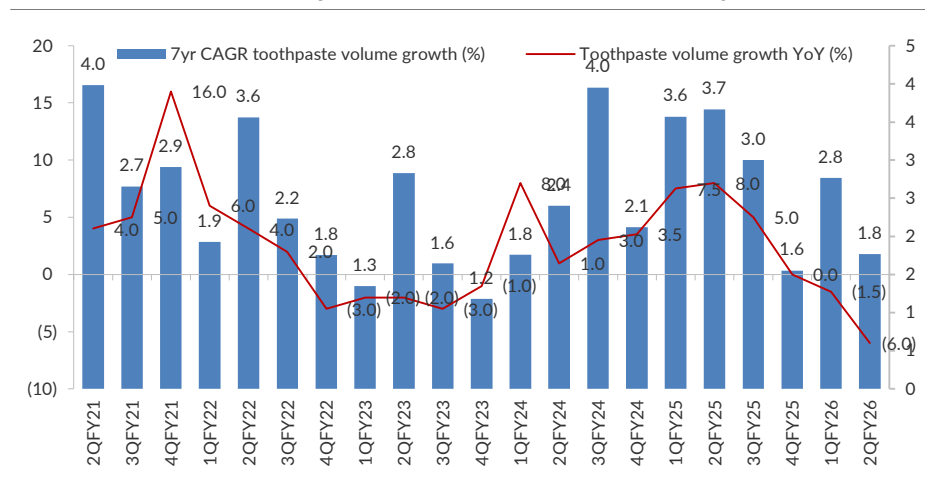
What to Watch	Why it Matters	Timeline
Urban demand recovery	Much needed to drive volume growth especially when realization growth is under pressure due to market environment	Very near term
Update on personal care portfolio addition	Important for diversification of portfolio and rerating	Near to medium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

Exhibit 4: Estimate Revisions

Metric	Old Est (FY27E)	New Est	% Change	Reason
Revenue	68,227	67,103	(1.6)	Largely to bake in near-term revenue and margin pressure
EBITDA	22,561	22,147	(1.8)	
APAT	16,162	15,920	(1.5)	

Source: Company, YES Sec

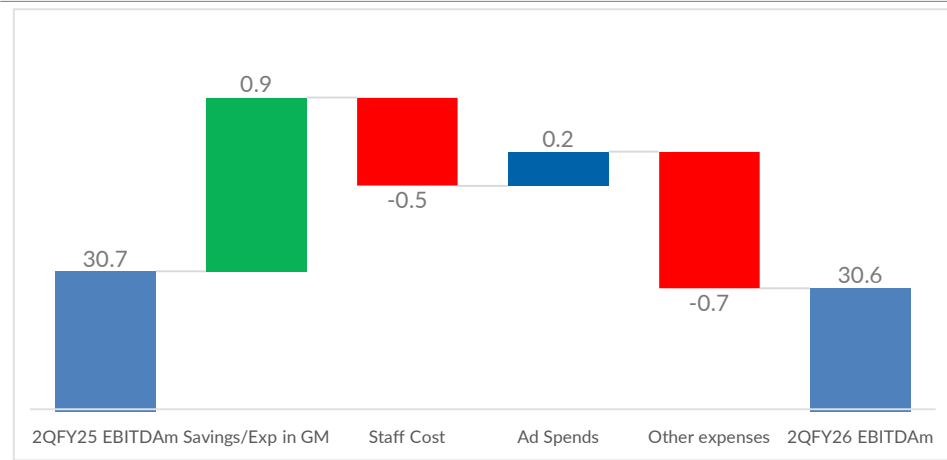
Exhibit 5: We believe toothpaste volumes to have been down by 6% in 2QFY26



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

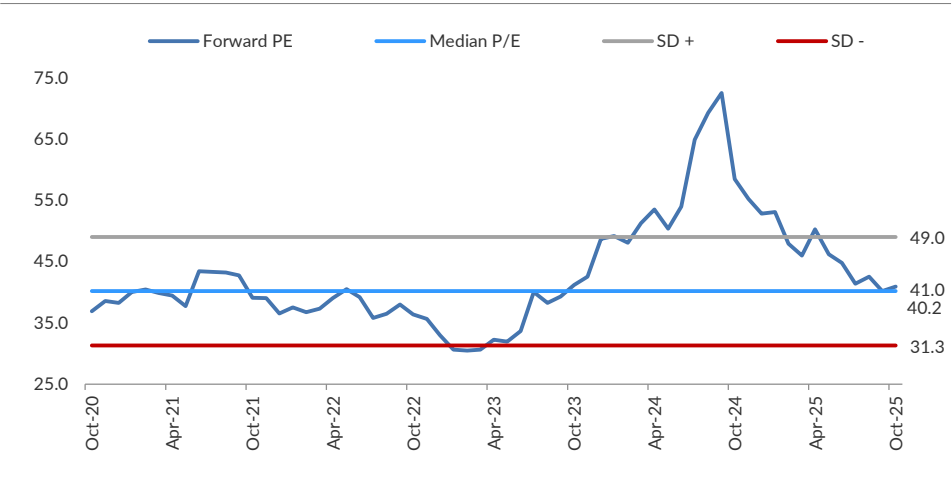
Colgate-Palmolive (India)

Exhibit 6: EBITDA margin stood flat with gross margin increase but partially offset by staff costs and other overheads



Source: Company, YES Sec

Exhibit 7: Currently trading at ~41x 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	24,121	24,821
Depreciation	12,596	14,247	15,857	17,432	19,047
Capital work-in-progress	1,141	1,103	384	384	384
Investments	0	0	0	0	0
Inventories	3,354	2,964	3,773	3,555	4,134
Debtors	1,574	1,674	2,263	2,184	2,191
Cash	9,230	13,738	10,951	12,209	12,700
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	22,411	23,590
Creditors	7,611	8,819	9,208	9,138	9,351
Other current liabilities & provisions	3,365	4,935	3,725	3,772	3,823
Total current liabilities	10,976	13,754	12,933	12,910	13,174
Net current assets	7,806	9,770	8,425	9,500	10,416
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	61,751	67,103
Revenue growth	2.5%	8.7%	6.3%	2.2%	8.7%
COGS	17,942	17,230	18,183	18,495	19,765
Staff costs	3,770	4,117	4,468	4,722	5,065
Advertising costs	6,341	7,604	8,225	8,585	9,363
Other expenses	8,739	8,844	9,946	10,041	10,764
Total expenses	36,792	37,796	40,821	41,842	44,956
EBITDA	15,470	19,008	19,581	19,909	22,147
EBITDA growth	-1.3%	22.9%	3.0%	1.7%	11.2%
EBITDA margin	29.6%	33.5%	32.4%	32.2%	33.0%
Other income	536	765	1,388	718	785
Interest costs	49	50	43	43	43
Depreciation	1,748	1,715	1,627	1,575	1,615

Colgate-Palmolive (India)

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Profit before tax (before exceptional)	14,209	18,009	19,299	19,008	21,275
Exceptional items	(85)	(145)	(471)	0	0
Tax	3,652	4,627	4,930	4,847	5,355
PAT	10,557	13,382	14,368	14,161	15,920
PAT margin	20.2%	23.6%	23.8%	22.9%	23.7%
PAT growth	-2.2%	26.8%	7.4%	-1.4%	12.4%

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	14,162	15,921
Depreciation	1,748	1,715	1,627	1,575	1,615
Other income	(296)	(580)	(547)	(674)	(742)
(Inc.)/dec. in working capital	(89)	(2,272)	(815)	182	(423)
Cash flow from operations	11,763	11,990	13,945	15,245	16,370
Capital expenditure (-)	(695)	(755)	(714)	(500)	(700)
Net cash after capex	11,068	11,234	13,230	14,745	15,670
Inc./(dec.) in investments	221	828	549	0	0
Others	1,262	4,398	148	907	974
Cash from investing activities	787	4,471	(18)	407	274
Dividends paid (-)	(10,575)	(11,670)	(16,262)	(14,161)	(15,920)
Others	(293)	(282)	(451)	(233)	(233)
Cash from financial activities	(10,867)	(11,953)	(16,713)	(14,394)	(16,153)
Opening cash balance	7,547	9,230	13,738	10,951	12,209
Closing cash balance	9,230	13,738	10,951	12,209	12,701
Change in cash balance	1,683	4,508	(2,787)	1,257	492

Source: Company, YES Sec

Exhibit 11: Ratios

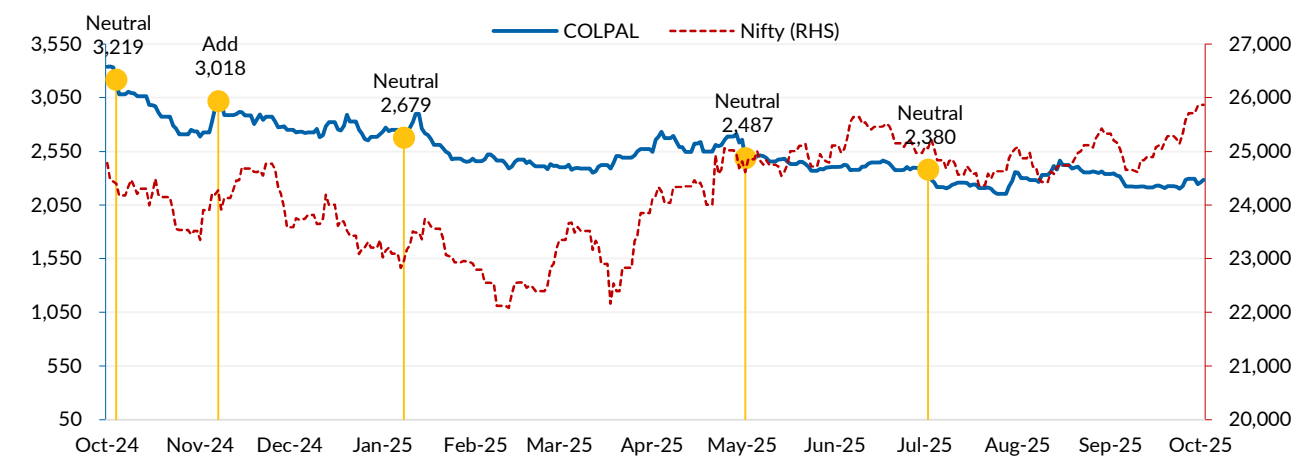
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
EPS	38.8	49.2	52.8	52.1	58.5
Book value	63.1	68.9	61.2	61.2	61.2
DPS	39.0	58.0	51.0	52.1	58.5
Valuation (x)					
EV/sales	11.7	10.7	10.1	9.9	9.1
EV/EBITDA	39.6	32.0	31.2	30.6	27.5
P/E	58.9	46.5	43.3	43.9	39.1
P/BV	36.2	33.2	37.4	37.4	37.4
Return ratios (%)					
RoCE *	80.2	99.3	109.3	114.9	128.6
RoE	61.2	74.5	81.2	85.1	95.6
Profitability ratios (%)					

Colgate-Palmolive (India)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Gross margin	65.7	69.7	69.9	70.0	70.5
EBITDA margin	29.6	33.5	32.4	32.2	33.0
EBIT margin	26.3	30.4	29.7	29.7	30.6
PAT margin	20.2	23.6	23.8	22.9	23.7
Liquidity ratios (%)					
Current ratio	1.7	1.7	1.7	1.7	1.8
Quick ratio	1.4	1.5	1.4	1.5	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	3.8	4.1
Fixed asset turnover ratio (x)	6.1	7.2	7.8	9.2	11.6
Debtor days	13	10	12	13	12
Inventory days	70	67	68	72	71
Creditor days	156	174	181	181	171

Source: Company, YES Sec; * Pre-tax

Recommendation Tracker



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Name of the Research Analyst: Vishal Punmiya, Manas Rastogi

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Analyst signature

Analyst signature

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