

# Colgate Palmolive (India) Ltd.

## Accumulate

Sector: FMCG

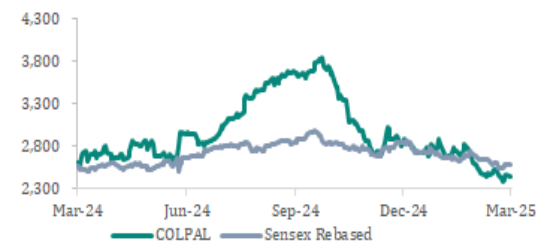
11th March, 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 2,730
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	CLGT:IN	74,102	COLPAL	500830	12 Months
				<b>CMP</b>	<b>Rs. 2,465</b>
				<b>Return</b>	<b>+11%</b>

Data as of: 11-03-2025

Company Data			
Market Cap (Rs.cr)	67,273		
52 Week High — Low (Rs.)	3,893 - 2,361		
Enterprise Value (Rs. cr)	64,655		
Outstanding Shares (cr)	27.2		
Free Float (%)	48.0		
Dividend Yield (%)	2.5		
6m average volume	522,803		
Beta	0.7		
Face value (Rs. )	1.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	51.0	51.0	51.0
FII's	24.4	24.9	23.7
MFs/Institutions	6.0	5.8	6.8
Public	18.0	17.7	18.0
Others	0.5	0.5	0.4
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-14.4%	-33.6%	-5.4%
Absolute Sensex	-9.1%	-9.5%	0.0%
Relative Return	-5.3%	-24.0%	-5.4%

\*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	6,147	6,681	7,279
Growth (%)	8.9	8.7	8.9
EBITDA	1,978	2,172	2,351
EBITDA Margin (%)	32.2	32.5	32.3
PAT Adjusted	1,451	1,595	1,727
Growth (%)	8.0	9.9	8.3
Adjusted EPS	53.3	58.7	63.5
Growth (%)	8.0	9.9	8.3
P/E	45.7	41.6	38.4
P/B	28.7	23.8	20.1
EV/EBITDA	32.7	29.5	27.0
ROE (%)	62.8	57.2	52.2
D/E	0.0	0.0	0.0

## Defying Headwinds with Sustained Growth

**Colgate-Palmolive (India) Ltd (Colgate) makes oral and body care consumer products such as soaps, cosmetics, toilet preparations, toothpastes, toothbrushes, shaving brushes, and glycerin.**

- In Q3FY25, consolidated revenue increased 4.7% YoY to Rs. 1,452cr, primarily driven by volume growth in the toothpaste segment, despite the relatively soft demand in the urban market.
- Toothpaste segment reported mid-single-digit intrinsic volume growth, while toothbrushes showed competitive growth, driven by science-backed innovations in the premium portfolio. The company remains committed to delivering sustainable and profitable growth, with a focus on oral and personal care in the Indian market.
- The company's EBITDA for Q3FY25 stood at Rs. 454cr, down 3.0% YoY, while EBITDA margin decreased 250bps to 31.3%, primarily due to an increase in the cost of sales of 11.6% YoY.
- The company's profit after tax (PAT) for Q3FY25 stood at Rs. 323cr, as against Rs. 330cr in Q3FY24.

## Outlook & Valuation

Colgate delivered a resilient performance in Q3FY25, with decent sales growth led by volume growth in the toothpaste segment. The company is committed to delivering sustainable and profitable growth, driven by science-backed innovations. Its premium portfolio has shown positive momentum, contributing to its resilient performance in a challenging environment with soft demand and increased competition. With a strong innovation pipeline, including new product launches and investments in artificial intelligence (AI)-generated dental screening reports and advertising, the company is well-positioned for long-term growth. Therefore, **we upgrade our rating to ACCUMULATE from REDUCE on the stock, with a rolled forward target of Rs. 2,730, based on 43x FY27E adjusted EPS.**

## Quarterly Financials Consol.

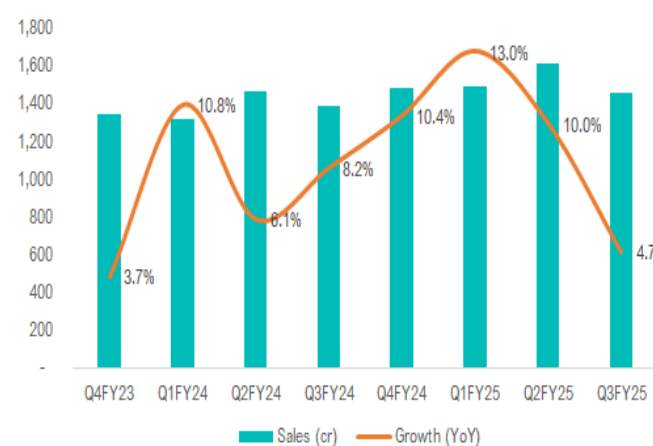
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	1,452	1,386	4.7	1,609	-9.8	4,547	4,164	9.2
EBITDA	454	468	-3.0	497	-8.6	1,460	1,369	6.7
Margin (%)	31.3	33.8	-250bps	30.9	40bps	32.1	32.9	-80bps
EBIT	413	427	-3.2	456	-9.3	1,336	1,239	7.8
PBT	433	443	-2.5	530	-18.5	1,452	1,270	14.4
Rep. PAT	323	330	-2.2	395	-18.3	1,082	944	14.6
Adj PAT	323	330	-2.2	395	-18.3	1,082	963	12.3
Adj. EPS (Rs)	12	12	-2.2	15	-18.3	40	35	12.3



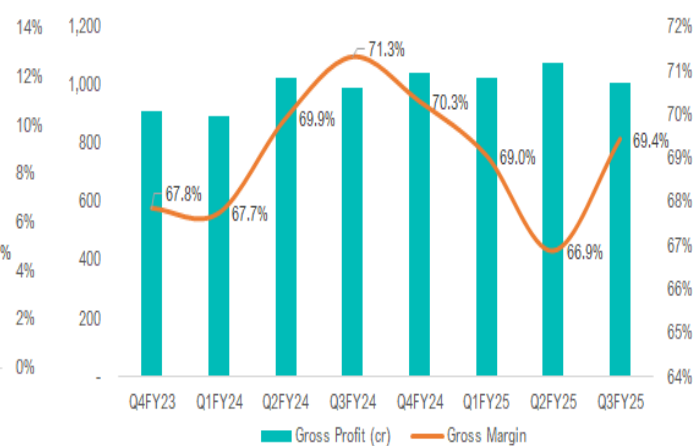
## Key concall highlights

- Colgate launched a new offering under its scientifically-backed MaxFresh range in Q3FY25, following the launch of Visible White Purple toothpaste in the previous quarter, and is expected to continue leveraging its new product development pipeline in the near term to drive growth.
- Colgate is expected to continue to invest in its AI-generated dental screening reports for consumers, along with increasing its advertising spending, which may boost long-term growth.
- The company's innovation pipeline has been bolstered by the MaxFresh Sensorial range on e-commerce. This launch has garnered a promising initial response, leveraging its proprietary technology platform with 10 times longer cooling effect.
- The company's premium portfolio has shown positive momentum, driven by science-backed innovation. This has contributed to the company's resilient performance, particularly in a challenging environment with soft demand and heightened competition.

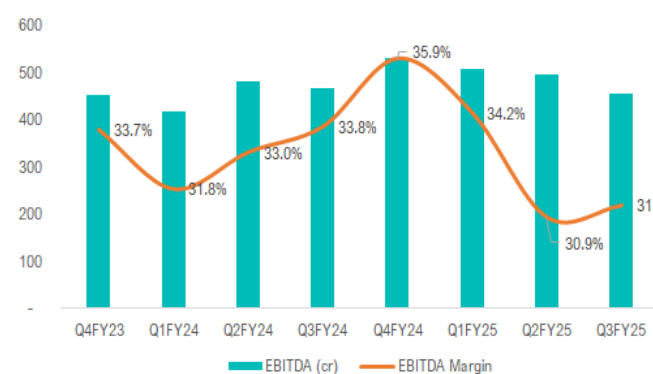
## Revenue



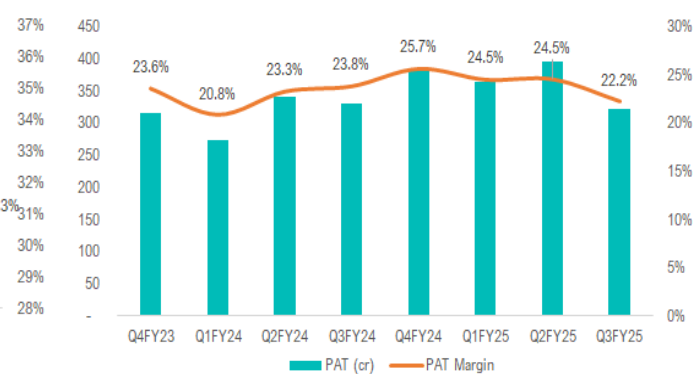
## Gross Profit



## EBITDA



## PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change -%	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	6,209	6,845	6,147	6,681	7,279	-1.0	-2.4
EBITDA	2,148	2,368	1,978	2,172	2,351	-7.9	-8.3
Margins (%)	34.6	34.6	32.2	32.5	32.3	-240bps	-210bps
Adj. PAT	1,534	1,698	1,451	1,595	1,727	-5.4	-6.1
EPS	56.4	62.4	53.3	58.7	63.5	-5.4	-6.1



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales</b>	<b>5,188</b>	<b>5,644</b>	<b>6,147</b>	<b>6,681</b>	<b>7,279</b>
% change	2.4	8.8	8.9	8.7	8.9
<b>EBITDA</b>	<b>1,547</b>	<b>1,901</b>	<b>1,978</b>	<b>2,172</b>	<b>2,351</b>
% change	-1.2	22.9	4.1	9.8	8.3
Depreciation	175	172	176	181	188
<b>EBIT</b>	<b>1,372</b>	<b>1,729</b>	<b>1,802</b>	<b>1,991</b>	<b>2,163</b>
Interest	5	5	5	8	12
Other Income	-	-	-	-	-
<b>PBT</b>	<b>1,410</b>	<b>1,781</b>	<b>1,935</b>	<b>2,127</b>	<b>2,303</b>
% change	0.0	26.4	8.6	9.9	8.3
Tax	363	458	484	532	576
Tax Rate (%)	25.7	25.7	25.0	25.0	25.0
<b>Reported PAT</b>	<b>1,047</b>	<b>1,324</b>	<b>1,451</b>	<b>1,595</b>	<b>1,727</b>
<b>PAT att. to common shareholders</b>	<b>1,047</b>	<b>1,324</b>	<b>1,451</b>	<b>1,595</b>	<b>1,727</b>
Adj.*	11	20	-	-	-
<b>Adj. PAT</b>	<b>1,058</b>	<b>1,343</b>	<b>1,451</b>	<b>1,595</b>	<b>1,727</b>
% change	-1.9	26.9	8.0	9.9	8.3
No. of shares (cr)	27.2	27.2	27.2	27.2	27.2
<b>Adj EPS (Rs.)</b>	<b>38.9</b>	<b>49.4</b>	<b>53.3</b>	<b>58.7</b>	<b>63.5</b>
% change	-1.9	26.9	8.0	9.9	8.3
DPS (Rs.)	39.0	36.0	37.3	41.1	44.4

### Cashflow

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Net inc. + Depn.</b>	<b>1,222</b>	<b>1,495</b>	<b>1,627</b>	<b>1,776</b>	<b>1,915</b>
Non-cash adj.	-67	-335	-144	32	60
Other adjustments					
Changes in W.C	22	39	-40	-28	-35
<b>C.F. Operation</b>	<b>1,176</b>	<b>1,199</b>	<b>1,443</b>	<b>1,780</b>	<b>1,941</b>
Capital exp.	-69	-76	-114	-124	-135
Change in inv.	22	83	-	-	-
Other invest.CF	40	72	-5	-8	-12
<b>C.F - Investment</b>	<b>-8</b>	<b>79</b>	<b>-119</b>	<b>-132</b>	<b>-148</b>
Issue of equity	-10	-9	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	-1,057	-1,167	-1,016	-1,117	-1,209
Other finance.CF	-19	-19	-	-	-
<b>C.F - Finance</b>	<b>-1,087</b>	<b>-1,195</b>	<b>-1,016</b>	<b>-1,117</b>	<b>-1,209</b>
Chg. in cash	82	83	309	531	585
<b>Closing Cash</b>	<b>923</b>	<b>1,374</b>	<b>1,683</b>	<b>2,214</b>	<b>2,799</b>

### Balance Sheet

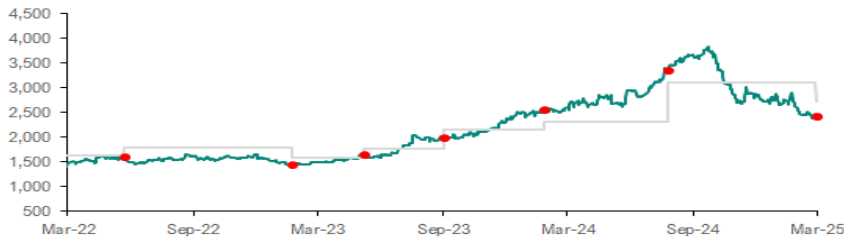
Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	923	1,374	1,683	2,214	2,799
Accts. Receivable	157	167	200	220	241
Inventories	335	296	337	364	399
Other Cur. Assets	132	66	152	161	170
Investments	-	-	-	-	-
Gross Fixed As-sets	<b>2,121</b>	<b>2,197</b>	<b>2,311</b>	<b>2,434</b>	<b>2,570</b>
Net Fixed Assets	862	799	745	696	650
CWIP	114	105	97	89	82
Intangible Assets	-	-	-	-	-
Def. Tax -Net	29	65	68	75	81
Other Assets	330	324	338	353	369
<b>Total Assets</b>	<b>2,883</b>	<b>3,197</b>	<b>3,620</b>	<b>4,173</b>	<b>4,791</b>
Current Liabilities	1,085	1,239	1,223	1,293	1,389
Provisions	24	22	23	24	25
Debt Funds	-	-	-	-	-
Other Liabilities	58	61	64	67	71
Equity Capital	27	27	27	27	27
Res. & Surplus	1,689	1,847	2,282	2,761	3,279
Shareholder Funds	<b>1,716</b>	<b>1,874</b>	<b>2,310</b>	<b>2,788</b>	<b>3,306</b>
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,883</b>	<b>3,197</b>	<b>3,620</b>	<b>4,173</b>	<b>4,791</b>
<b>BVPS</b>	<b>63</b>	<b>69</b>	<b>85</b>	<b>103</b>	<b>122</b>

### Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	29.8	33.7	32.2	32.5	32.3
EBIT margin (%)	26.5	30.6	29.3	29.8	29.7
Net profit mgn.(%)	20.2	23.5	23.6	23.9	23.7
ROE (%)	61.0	70.6	62.8	57.2	52.2
ROCE (%)	79.9	92.3	78.0	71.4	65.4
<b>W.C &amp; Liquidity</b>					
Receivables (days)	11.1	10.8	11.9	12.0	12.1
Inventory (days)	68.4	63.5	63.0	62.4	62.1
Payables (days)	155.2	189.1	158.5	154.8	153.0
Current ratio (x)	1.4	1.5	1.9	2.3	2.6
Quick ratio (x)	1.0	1.2	1.5	1.9	2.2
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	2.5	2.6	2.7	2.8	2.9
Total asset T.O (x)	1.8	1.9	1.8	1.7	1.6
Int. covge. ratio (x)	279.5	345.9	374.7	236.6	177.6
Adj. debt/equity (x)	-	-	-	-	-
<b>Valuation</b>					
EV/Sales (x)	7.7	12.8	10.5	9.6	8.7
EV/EBITDA (x)	25.9	38.1	32.7	29.5	27.0
P/E (x)	38.7	54.9	45.7	41.6	38.4
P/BV (x)	23.9	39.3	28.7	23.8	20.1



## Recommendation Summary - (last 3 years)



Dates	Rating	Target
31-Jan-22	BUY	1,640
01-Jun-22	ACCUMULATE	1,800
02-Feb-23	HOLD	1,580
18-May-23	HOLD	1,780
12-Sep-23	HOLD	2,150
06-Feb-24	REDUCE	2,320
05-Aug-24	REDUCE	3,120
11-Mar-25	ACCUMULATE	2,730

## Investment Rating Criteria

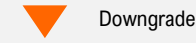
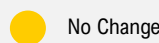
Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:



To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to ratings. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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