MIRAE ASSET Sharekhan

Colgate-Palmolive (India) Ltd

Soft Q4; recovery to be gradual

Stock Update

Result Update

Consumer Goods	Sharekhan code: COLPAL
Reco/View: Buy ↔	CMP: Rs. 2,514
	Price Target: Rs. 2,829 ↓

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

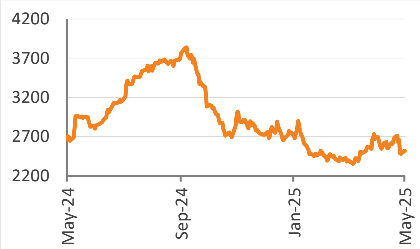
Company details

Market cap:	Rs. 68,384 cr
52-week high/low:	Rs.3,893 / 2,324
NSE volume: (No of shares)	5.0 lakh
BSE code:	500830
NSE code:	COLPAL
Free float: (No of shares)	13.3 cr

Shareholding (%)

Promoters	51.0
FII	22.9
DII	8.1
Others	17.9

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-6.6	0.8	-16.6	-5.6
Relative to Sensex	-8.2	-8.5	-18.2	-13.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Colgate-Palmolive (India)'s (Colgate's) Q4FY25 numbers were soft, with revenues falling 1.8% y-o-y (volumes flat y-o-y), OPM down 166 bps y-o-y and PAT lower by 6.5% y-o-y.
- Soft urban demand and high competitive intensity hit performance and management expects a gradual recovery during H2FY26. As competitive intensity stabilizes and macros improve; management expects to deliver balanced volume/price growth.
- Management retained its OPM guidance in the low 30s range with continued reinvestment on brands to drive consumption and growth.
- Stock has corrected 13% from recent highs and trades at 45x/40x its FY26E/FY27E EPS, respectively. We maintain Buy with a revised PT of Rs. 2,829.

Colgate's Q4FY25 performance was muted owing to soft demand in urban markets and heightened competitive intensity. Standalone revenues declined by 1.8% y-o-y to Rs. 1,463 crore, missing our expectation of Rs. 1,520 crore, with toothpaste volumes flat y-o-y. Gross margins rose by 131 bps y-o-y to 70.6% as the company's 'Funding the Growth' program generated savings by optimising inventory, reducing expenses and improving efficiency in distribution and logistics. OPM fell by 166 bps y-o-y to 34.1%, largely due to negative operating leverage. OPM came in better than our expectations of 32.7%. Operating profit and PAT fell by 6.4% and 6.5% y-o-y to Rs. 498 crore and Rs. 355 crore, respectively. PAT came in line with our expectation of Rs. 356 crore. FY25 revenues grew by 6.3% y-o-y to Rs. 6,040 crore, OPM fell by 105 bps y-o-y to 32.4% and adjusted PAT rose by 4.2% y-o-y to Rs. 1,395 crore. The board declared second interim dividend of Rs. 27 per share for FY25.

Key positives

- Gross margin rose by 131 bps y-o-y to 70.6% aided by cost-saving initiatives.

Key negatives

- Urban slowdown and heightened competitive intensity hit volume growth leading to ~2% y-o-y fall in revenues.

Management Commentary

- In the domestic business, rural growth outperformed urban for the third consecutive quarter.
- The management highlighted that top 30% of the urban market is performing well, with strong traction observed in the premium portfolio, including Colgate Total, Visible White, and Max Fresh Sensorial. However, bottom 70% of the market continues to face pressure.
- During FY25, most new launches were part of premium oral care and personal care category. In Q4FY25, Colgate relaunched Colgate Strong Teeth and introduced Colgate Total Plaque Release, strengthening its core and therapeutic portfolio.
- E-commerce currently contributes 5%–6% to the company's overall sales. Colgate is managing channel conflicts by aligning product portfolios with appropriate channels—premium products are being prioritised on e-commerce and quick commerce platforms, while the core portfolio is being pushed through general trade.
- Colgate's strategic priorities include accelerating growth in the core portfolio, leveraging science-led innovation to drive premiumization, expanding the toothbrush and oral care devices segment, and building the personal care portfolio.

Revision in earnings estimates – We have reduced our revenue estimates by 3-4% for FY26E and FY27E as H1FY26 is expected to be subdued owing to weak macros and high competitive intensity, while lowered margin estimates by 20-40 bps as higher investments on brands will continue to put pressure on margins. This leads to a 4-6% cut in our FY26E and FY27E EPS.

Our Call

View – Maintain Buy with a revised PT of Rs. 2,829: Colgate delivered soft numbers in Q4 in a challenging environment, owing to subdued urban demand and heightened competitive landscape. Management is confident to achieve consistent growth in the medium to long term led by a large focus on strengthening the core business and additional levers such as leading growth in the toothbrush segment and expanding the personal care portfolio. The stock has corrected by 13% from its recent high and trades at 45x/40x its FY26E/FY27E EPS, respectively. We maintain a Buy rating with a revised PT of Rs. 2,829.

Key Risks

Any significant increase in competition or slowdown in the category's growth would act as a key risk to our earnings estimates.

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	5,226	5,680	6,040	6,549	7,158
OPM (%)	29.6	33.5	32.4	33.2	33.6
Adjusted PAT	1,056	1,338	1,395	1,538	1,710
% YoY growth	-2.1	26.8	4.2	10.2	11.2
Adjusted EPS (Rs.)	38.8	49.2	51.3	56.5	62.9
P/E (x)	64.8	51.1	49.0	44.5	40.0
P/B (x)	39.8	36.5	41.1	37.1	32.0
EV/EBIDTA (x)	43.7	35.3	34.4	31.0	27.8
RoNW (%)	61.2	74.5	78.8	87.7	85.9
RoCE (%)	77.5	94.7	99.8	111.2	109.4

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone) | **Rs cr**

Particulars	Q4FY25	Q4FY24	Y-o-Y (%)	Q3FY25	Q-o-Q (%)
Net revenue	**1,462.5**	**1,490.0**	**-1.8**	**1,461.8**	**0.0**
Raw materials	429.8	457.3	-6.0	439.9	-2.3
Employee costs	107.3	99.9	7.4	108.8	-1.4
Advertising	180.6	168.9	6.9	200.1	-9.8
Other expenditure	246.9	231.7	6.5	258.7	-4.6
Total expenditure	964.5	957.8	0.7	1,007.5	-4.3
Operating profit	**498.0**	**532.2**	**-6.4**	**454.4**	**9.6**
Other income	19.1	22.7	-15.8	20.4	-6.6
Interest expenses	1.1	1.4	-20.6	1.1	-2.7
Depreciation	38.4	42.1	-8.9	41.1	-6.7
Profit Before Tax	**477.6**	**511.4**	**-6.6**	**432.5**	**10.4**
Tax	122.6	131.5	-6.8	109.7	11.7
Reported PAT	**355.0**	**379.8**	**-6.5**	**322.8**	**10.0**
Adjusted EPS	13.1	14.0	-6.5	11.9	10.0
			bps		**bps**
GPM (%)	70.6	69.3	131	69.9	70
OPM (%)	34.1	35.7	-166	31.1	297
NPM (%)	32.7	34.3	-166	29.6	307
Tax rate (%)	24.3	25.5	-122	22.1	219

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

Sector Outlook – Toothpaste category gaining momentum

The toothpaste category is one of the most highly penetrated categories in India with a 100% penetration. Per capita consumption of toothpaste is lower in India as compared to some developing economies. Increasing awareness of better dental habits and low usage in rural markets provides an opportunity for toothpaste makers to achieve sustained growth momentum in the medium term. Further, companies are adding more premium variants to provide large options to consumers in urban markets for better dental habits.

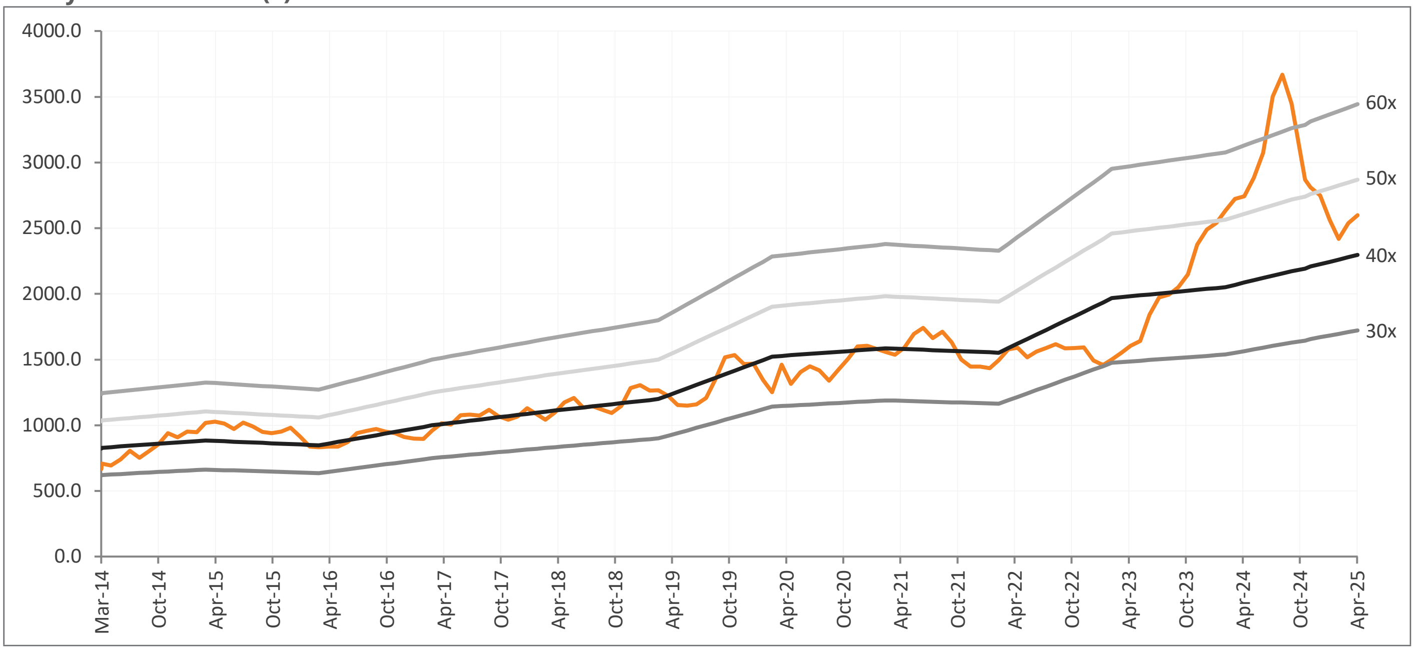
Company Outlook – On the recovery path

FY25 revenues grew by 6.3% y-o-y, OPM fell by 105 bps y-o-y and adjusted PAT increased by 4.2% y-o-y. To enhance its revenue growth trajectory in 3-4 years, the company is focusing on category development, launching innovative products, superior brand communication and better penetration of premium products. Further, the company is focusing on building the Palmolive portfolio with relevant launches to scale up brand salience in the long run. We expect revenue/PAT to grow by 9%/11% respectively, over FY25-FY27E.

Valuation – Maintain Buy with a revised PT of Rs. 2,829

Colgate delivered soft numbers in Q4 in a challenging environment, owing to subdued urban demand and heightened competitive landscape. Management is confident to achieve consistent growth in the medium to long term led by a large focus on strengthening the core business and additional levers such as leading growth in the toothbrush segment and expanding the personal care portfolio. The stock has corrected by 13% from its recent high and trades at 45x/40x its FY26E/FY27E EPS, respectively. We maintain a Buy rating with a revised PT of Rs. 2,829.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Dabur India	49.3	44.0	39.1	37.4	33.5	30.0	19.5	20.7	22.0
Hindustan Unilever	54.6	51.7	46.9	38.5	36.2	32.9	26.9	29.0	32.8
Colgate-Palmolive	49.0	44.5	40.0	34.4	31.0	27.8	99.8	111.2	109.4

Source: Company; Mirae Asset Sharekhan Research

About company

Colgate is a leading multi-national consumer products company focused on the production and distribution of oral care and personal care products. Oral care contributes ~95% to the company's turnover. The company is the market leader in oral care in the country and has a wide product portfolio comprising toothpastes, toothpowder, toothbrushes, oil-pulling products, and mouthwashes under the Colgate brand. The company has a leadership position in both the toothbrush and toothpaste categories. In personal care products, the company has a specialised range of personal care products, including hand wash and facial bars under the Palmolive brand.

Investment theme

Colgate is among the most trusted brands in Indian households, with a market share of ~50% in the domestic toothpaste market. In the past few quarters, the company has launched several new products under its core toothpaste/toothbrush category, focusing on digitalisation and consumer needs, and has entered various categories (including oral hygiene and skin/face cleansing). The company expects urban demand to gradually improve in H2FY26 and remains optimistic about consistent improvement in the coming quarters. We shall keenly monitor the performance in the quarters ahead.

Key Risks

- Incremental competition from top players would continue to put pressure on the company's market share in the near to medium term.
- Slowdown in domestic demand would affect volume growth in the near to medium term.

Additional Data

Key management personnel

Name	Designation
Mukul Deoras	Chairman
Prabha Narasimhan	Managing Director and Chief Executive Officer
M.S. Jacob	Chief Financial Officer
Surender Sharma	Whole-time Director-Legal and Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Vanguard Group Inc.	2.06
2	SBI Funds Management Ltd.	2.02
3	Blackrock Inc.	1.90
4	Life Insurance Corp. of India	1.68
5	Mitsubishi UFJ Financial group Inc.	1.51
6	Goldman Sachs Group Inc.	0.70
7	St. Jame's Place PLC	0.67
8	HDFC AMC Ltd.	0.61
9	Norges Bank	0.54
10	La Caisse de depot et placement du Quebec	0.53

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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