

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	CLGT IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	873.8 / 10.4
52-Week Range (INR)	3893 / 1996
1, 6, 12 Rel. Per (%)	-7/8/28
12M Avg Val (INR M)	1240

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	62.7	68.3	74.0
Sales Gr. (%)	10.4	8.9	8.3
EBITDA	21.0	23.3	25.3
EBITDA Margin (%)	33.6	34.1	34.3
Adj. PAT	15.1	16.6	18.2
Adj. EPS (INR)	55.6	61.2	66.8
EPS Gr. (%)	13.0	10.1	9.2
BV/Sh.(INR)	79.5	90.7	102.5

Ratios

RoE (%)	74.9	71.9	69.2
RoCE (%)	73.6	71.6	68.9
Payout (%)	81.0	81.7	82.3

Valuation

P/E (x)	58.2	52.8	48.4
P/BV (x)	40.7	35.6	31.5
EV/EBITDA (x)	41.2	37.1	33.9
Div. Yield (%)	1.4	1.5	1.7

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	51.0	51.0	51.0
DII	5.8	6.0	5.9
FII	24.9	24.4	24.1
Others	18.2	18.6	19.0

FII includes depository receipts

CMP: INR3,213 TP: INR3,250 (+1%) Neutral

Sustains volume trajectory; miss on margin

- Colgate (CLGT) delivered a 10% YoY revenue growth to INR16.1b (est. INR16.6b), sustaining strong growth in 1HFY25 (13% in 1Q). Volume growth reached a high single digit (in-line), reflecting strong performance in 1HFY25 vs. muted in FY24 (flattish). HUL clocked a high single-digit value growth in Q2. The Toothbrush division delivered double-digit growth, driven by premiumization. CLGT has witnessed healthy growth across markets, with Ecomm/QC demonstrating sustained outperformance.
- Gross margin contracted 25bp YoY and 200bp QoQ to 68.5% (est. 69.8%), led by higher promotion and incentives. A&P spending was high at 18% YoY (up 100bp), leading to EBITDA growth of only 3% YoY to INR5.0b (est. INR 5.6). EBITDA margin contracted 200bp YoY to 31%. In 1HFY25, CLGT delivered double-digit growth across Sales, EBITDA, and APAT, achieving 12%, 12%, and 15% growth, respectively.
- Product innovations and marketing efforts have enabled CLGT to achieve volume acceleration in 1HFY25. While price hikes have contributed to overall growth in FY24, the positive volume trend indicates better execution in recent performance. In the urban slowdown, it will be noteworthy to track the premiumization trend.
- CLGT was laggard on the volume front in FY24/FY23, which the company has addressed through various initiatives in the last 6-9 months. We model sustaining healthy revenue growth for FY25/FY26. EBITDA margin is already at an elevated level; however, sustaining it may be challenging, especially with increased marketing spending. The current valuations at 58x/53x P/E on FY25E/ FY26E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR3,250 (based on 50x Sep'26E EPS).**

Healthy but in-line volume growth; high adv spends impact margin

- Volumes grew at a high single digit:** CLGT's sales grew 10% YoY to INR16.2b (est. INR16.6b), with the last four quarters clocking 10% YoY average growth. The Toothpaste division delivered a high single-digit volume growth (est. 8%), with the last four quarters clocking around 2% YoY volume growth. The Toothbrush portfolio experienced a double-digit growth due to accelerated premiumization.
- Miss on EBITDA margin:** Gross margins contracted 25bp YoY and 200bp QoQ at 68.5% (est. 69.8%). Gross profit was up 10%. Higher adv spend (up 18% YoY) impacted the EBITDA performance. EBITDA margin contracted ~200bp YoY to 30.7%.
- Low single-digit growth:** EBITDA grew only 3% YoY to INR5.0b (est. INR5.6), a sharp deceleration compared to the 22% average growth in the previous four quarters. Other income was up +250% YoY to INR760m, which includes INR565m of income tax refunds for earlier years. PBT grew 4% YoY to INR4.7b (est. INR5.4b). APAT grew 5% YoY to INR3.6b (est. INR4.0b).

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MotilalOswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **1HFY25 Sales/EBITDA/PAT** grew 12%/12%/15% to INR31.1b/10.0b/7.2b, respectively. In 2HFY25, we expect net revenue/EBITDA/APAT to grow 9%/10%/12%.
- **The board** has declared an interim dividend of INR24 per share.

Valuation and view

- We broadly retain our FY25/FY26 EPS estimates.
- 2HFY25 will be a testing period for CLGT in terms of margin trajectory and sustaining volume expansion. Historically, CLGT's volume growth has been weaker than that of its peers. Hence, tracking the volume trajectory will be critical in the upcoming quarters given the weak urban demand. The stock has witnessed a sharp re-rating during the last 12-15 months. Similar to the margin miss in 2Q, there is a risk associated with maintaining a high operating margin in the coming quarters.
- The current valuations at 58x/53x P/E on FY25E/ FY26E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR3,250 (based on 50x Sep'26E EPS).**

Quarterly Performance

Quarterly Performance												(INR m)
Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Volume Gr %	3.0	-1.0	-1.0	1.0	7.0	8.0	7.0	7.0	0.5	7.3	8.0	
Net Sales (inclgd. OOI)	13,237	14,711	13,957	14,900	14,967	16,191	15,214	16,319	56,804	62,691	16,621	-2.6%
YoY change (%)	10.6	6.0	8.1	10.3	13.1	10.1	9.0	9.5	8.7	10.4	13.0	
Gross Profit	9,058	10,117	10,073	10,327	10,574	11,098	10,847	11,427	39,574	43,946	11,601	-4.3%
Gross margin (%)	68.4	68.8	72.2	69.3	70.6	68.5	71.3	70.0	69.7	70.1	69.8	
EBITDA	4,181	4,821	4,684	5,322	5,083	4,974	5,029	5,946	19,008	21,033	5,635	-11.7%
Margins (%)	31.6	32.8	33.6	35.7	34.0	30.7	33.1	36.4	33.5	33.6	33.9	
YoY growth (%)	28.4	18.2	29.6	17.8	21.6	3.2	7.4	11.7	22.9	10.7	16.9	
Depreciation	438	443	414	421	415	417	435	450	1,715	1,717	435	
Interest	11	11	15	14	10	12	14	20	50	55	14	
Financial other Income	150	210	179	227	234	195	240	239	765	908	225	
PBT	3,883	4,578	4,434	5,114	4,893	4,740	4,820	5,715	18,008	20,168	5,411	-12.4%
Tax	951	1,178	1,133	1,315	1,253	1,354	1,205	1,407	4,577	5,218	1,358	
Rate (%)	24.5	25.7	25.6	25.7	25.6	28.6	25.0	24.6	25.4	25.9	25.1	
Adj PAT	2,883	3,401	3,301	3,798	3,640	3,555	3,615	4,309	13,383	15,119	4,053	-12.3%
YoY change (%)	33.1	22.3	35.7	19.6	26.2	4.6	9.5	13.4	26.8	13.0	19.2	
Reported PAT	2,737	3,401	3,301	3,798	3,640	3,951	3,615	4,309	13,237	15,514	4,053	

E: MOSL Estimates

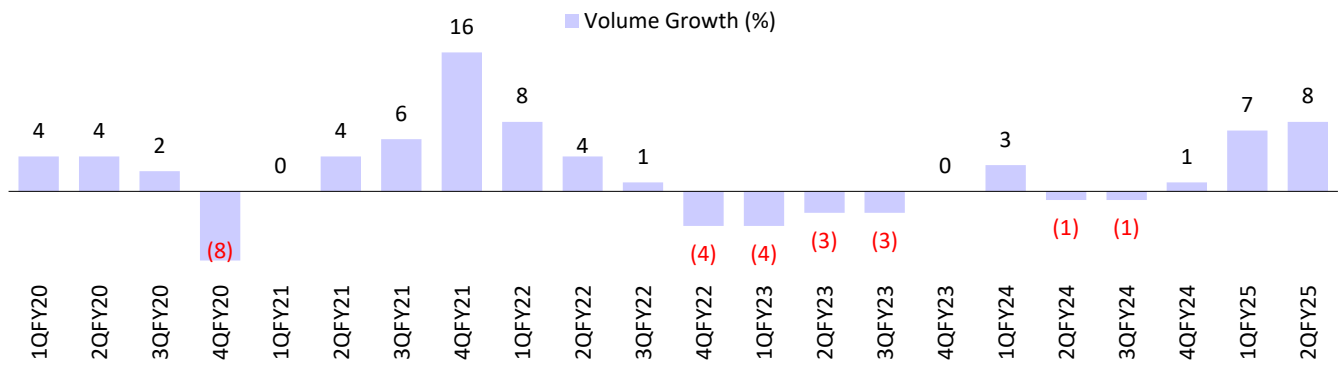
Key Performance Indicators

Y/E March	FY24				FY25	
	1Q	2Q	3Q	4Q	1Q	2Q
Realization Gr %	7.6	7.0	9.1	9.3	6.1	2.1
2Y average growth %						
Volumes	-0.5	-1.8	-1.8	-1.8	5.0	3.5
Sales	3.9	7.1	9.4	5.1	11.8	8.0
EBITDA	8.1	7.5	15.7	15.3	25.0	10.7
PAT	10.2	5.3	20.0	18.8	29.7	13.4
% sales						
COGS	31.6	31.2	27.8	30.7	29.4	31.5
Others	36.8	36.0	38.6	33.6	36.7	37.8
Depreciation	3.3	3.0	3.0	2.8	2.8	2.6
YoY change %						
COGS	3.7	-8.6	-11.9	2.2	5.1	10.9
Other income	29.7	86.3	71.9	11.3	56.3	-7.1
EBIT	33.0	20.2	34.4	19.9	24.7	4.1

E: MOFSL Estimates

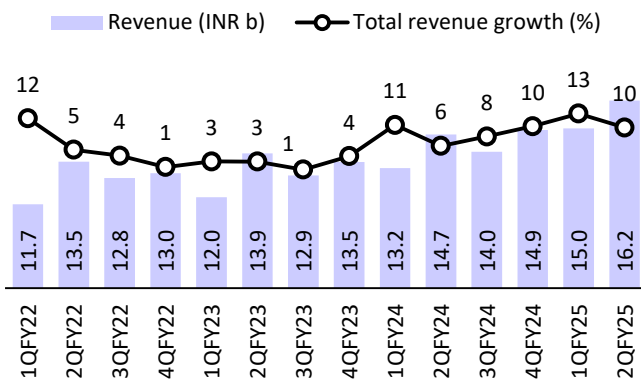
Key exhibits

Exhibit 1: Overall volume growth at 8% in 2QFY25



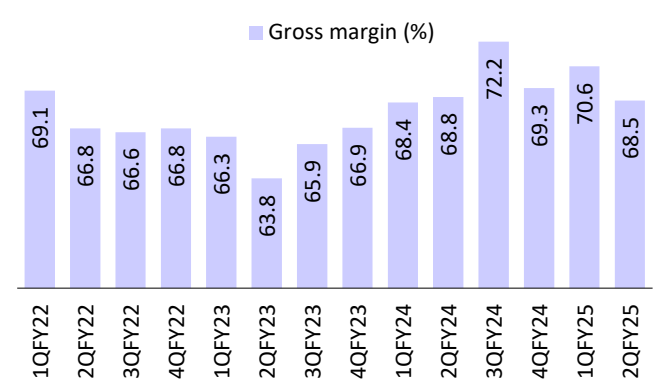
Source: MOFSL

Exhibit 2: Revenue grew 10% YoY to INR16b in 2QFY25



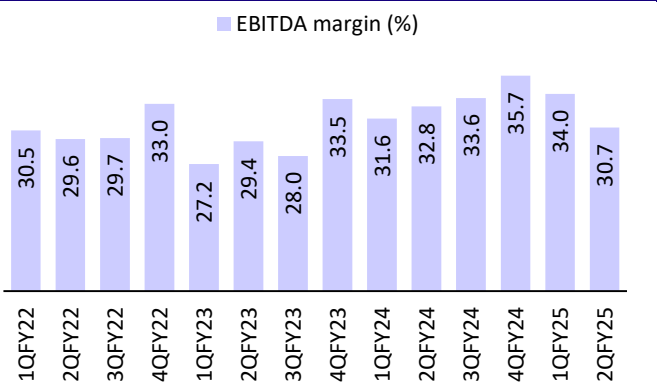
Sources: Company reports, MOFSL

Exhibit 3: Gross margin contracted 25bp YoY to 68.5%



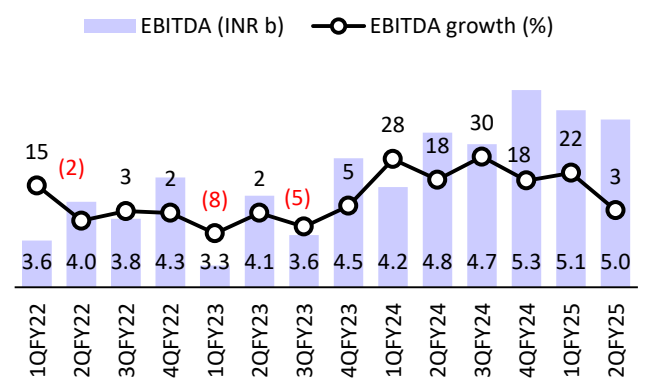
Sources: Company reports, MOFSL

Exhibit 4: EBITDA margin contracted 200bp YoY to 30.7% in 2QFY25



Sources: Company reports, MOFSL

Exhibit 5: EBITDA increased 3% YoY to INR5b in 2QFY25



Sources: Company reports, MOFSL

Valuation and view

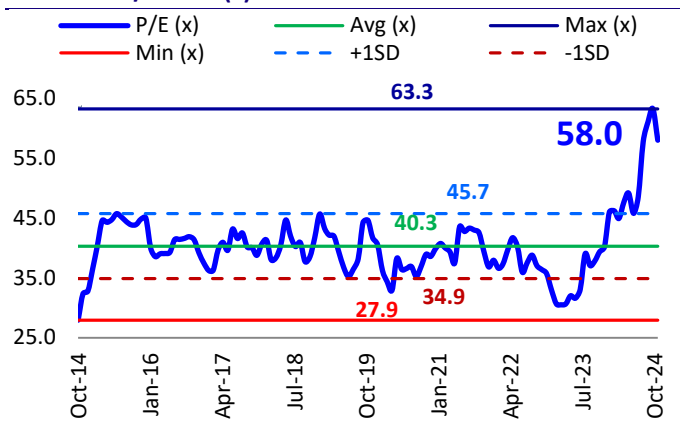
- We broadly retain our FY24/FY25 EPS estimates.
- 2HFY25 will be a testing period for CLGT in terms of margin trajectory and sustaining volume expansion. Historically, CLGT's volume growth has been weaker than that of its peers. Hence, tracking the volume trajectory will be critical in the upcoming quarters, given the weak urban demand. The stock has witnessed a sharp re-rating during the last 12-15 months. Similar to the margin miss in 2Q, there is a risk associated with maintaining a high operating margin in the upcoming quarters.
- The current valuations at 58x/53x P/E on FY25E/ FY26E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR3,250 (based on 50x Sep'26E EPS).**

Exhibit 6: We have maintained our FY25/FY26 EPS estimates

	Old		New		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	63,252	69,156	62,691	68,289	(0.9)	(1.3)
EBITDA	21,600	24,032	21,033	23,252	(2.6)	(3.2)
PAT	15,485	17,232	15,119	16,649	(2.4)	(3.4)

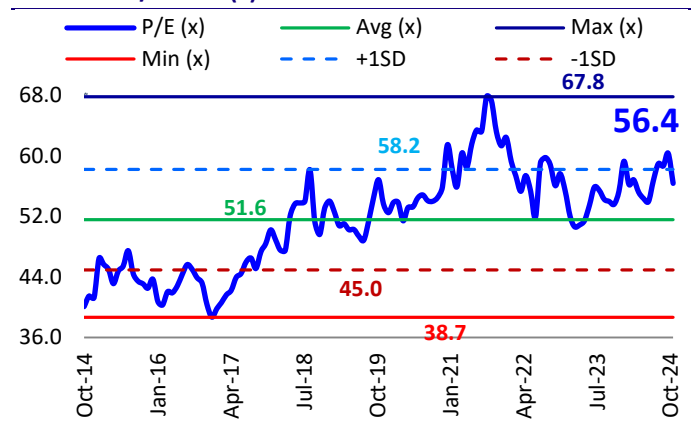
Source: MOFSL

Exhibit 7: P/E ratio (x) for CLGT



Sources: Company reports, MOFSL

Exhibit 8: P/E ratio (x) for the Consumer sector



Sources: Company reports, MOFSL

Financials and valuations

Income Statement							(INR m)		
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Net Sales	44,624	45,251	48,412	50,998	52,262	56,804	62,691	68,289	73,978
Change (%)	6.6	1.4	7.0	5.3	2.5	8.7	10.4	8.9	8.3
COGS	15,586	15,729	15,494	16,675	17,942	17,230	18,744	20,555	22,102
Gross Profit	29,039	29,522	32,919	34,323	34,320	39,574	43,946	47,734	51,876
Gross Margin (%)	65.1	65.2	68.0	67.3	65.7	69.7	70.1	69.9	70.1
EBITDA	12,361	12,017	15,096	15,660	15,470	19,008	21,033	23,252	25,338
Change (%)	11.1	-2.8	25.6	3.7	-1.2	22.9	10.7	10.6	9.0
Margin (%)	27.7	26.6	31.2	30.7	29.6	33.5	33.6	34.1	34.3
Depreciation	1,592	1,979	1,825	1,773	1,748	1,715	1,717	1,927	2,067
Int. and Fin. Charges	25	96	73	59	49	50	55	60	66
Financial Other Income	377	492	304	263	536	765	908	985	1,088
Profit before Taxes	11,121	10,434	13,502	14,090	14,209	18,008	20,168	22,250	24,291
Change (%)	11.8	-6.2	29.4	4.4	0.8	26.7	12.0	10.3	9.2
Margin (%)	24.9	23.1	27.9	27.6	27.2	31.7	32.2	32.6	32.8
Tax	3,670	2,269	3,257	3,448	3,724	4,937	5,218	5,600	6,114
Deferred Tax	0	-31	-109	-141	-99	-360	0	0	0
Tax Rate (%)	33.0	21.5	23.3	23.5	25.5	25.4	25.9	25.2	25.2
Adjusted PAT	7,502	8,165	10,354	10,783	10,555	13,383	15,119	16,649	18,177
Change (%)	9.5	8.8	26.8	4.1	-2.1	26.8	13.0	10.1	9.2
Margin (%)	16.8	18.0	21.4	21.1	20.2	23.6	24.1	24.4	24.6
Non-rec. (Exp)/Income	254	0	0	0	-83	-146	422	0	0
Reported PAT	7,756	8,165	10,354	10,783	10,472	13,237	15,514	16,649	18,177

Balance Sheet							(INR m)		
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Share Capital	272	272	272	272	272	272	272	272	272
Reserves	14,196	15,670	11,387	17,075	16,892	18,472	21,351	24,400	27,617
Net Worth	14,468	15,942	11,659	17,347	17,164	18,744	21,623	24,672	27,889
Loans	978	1,520	1,102	847	820	828	828	828	828
Deferred Liability	309	50	-48	-173	-288	-648	-648	-648	-648
Capital Employed	15,754	17,512	12,713	18,021	17,695	18,924	21,803	24,853	28,070
Gross Block	21,077	22,182	19,831	20,504	21,240	22,278	24,028	25,778	27,528
Less: Accum. Depn.	-9,169	-10,953	-9,184	-10,874	-12,622	-14,337	-16,054	-17,982	-20,049
Net Fixed Assets	11,909	11,229	10,647	9,630	8,618	7,941	7,973	7,796	7,479
Capital WIP	1,987	1,900	1,449	1,218	1,141	1,103	1,103	1,103	1,103
Investments	312	186	186	0	0	0	0	0	0
Curr. Assets, L&A	12,058	12,725	16,611	17,997	18,783	22,274	25,097	29,356	33,997
Inventory	2,486	2,969	3,358	3,572	3,355	2,964	4,026	4,389	4,760
Account Receivables	2,098	1,326	1,171	2,247	1,574	1,674	1,888	2,056	2,228
Cash & Bank	3,994	4,213	8,676	7,547	9,230	13,738	14,491	17,792	21,451
Others	3,481	4,217	3,405	4,631	4,625	3,898	4,691	5,118	5,558
Curr. Liab. and Prov.	10,511	8,528	16,179	10,825	10,846	12,394	12,369	13,402	14,508
Account Payables	6,132	6,125	7,604	7,714	7,611	8,819	8,618	9,317	10,062
Other Liabilities	3,740	1,798	7,765	2,271	1,953	2,174	2,211	2,390	2,582
Provisions	639	605	810	840	1,282	1,401	1,541	1,695	1,864
Net Current Assets	1,547	4,197	431	7,173	7,936	9,881	12,727	15,954	19,489
Application of Funds	15,754	17,512	12,713	18,021	17,695	18,924	21,803	24,853	28,070

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Basic (INR)									
EPS	27.6	30.0	38.1	39.6	38.8	49.2	55.6	61.2	66.8
Cash EPS	33.4	37.3	44.8	46.2	45.2	55.5	61.9	68.3	74.4
BV/Share	53.2	58.6	42.9	63.8	63.1	68.9	79.5	90.7	102.5
DPS	16.0	28.0	38.0	40.0	39.0	40.0	45.0	50.0	55.0
Payout %	58.1	93.3	99.8	100.9	100.5	81.3	81.0	81.7	82.3
Valuation (x)									
P/E	117.3	107.8	84.9	81.5	83.3	65.7	58.2	52.8	48.4
Cash P/E	96.8	86.8	72.2	70.0	71.5	58.2	52.2	47.3	43.4
EV/Sales	19.6	19.4	18.0	17.1	16.7	15.3	13.8	12.6	11.6
EV/EBITDA	70.9	73.0	57.7	55.7	56.3	45.6	41.2	37.1	33.9
P/BV	60.8	55.2	75.4	50.7	51.2	46.9	40.7	35.6	31.5
Dividend Yield (%)	0.5	0.9	1.2	1.2	1.2	1.2	1.4	1.5	1.7
Return Ratios (%)									
RoE	50.5	53.7	75.0	74.4	61.2	74.5	74.9	71.9	69.2
RoCE	47.3	49.7	68.9	70.5	59.5	73.6	73.6	71.6	68.9
Working Capital Ratios									
Debtor (Days)	17	11	9	16	11	16	16	16	0
Asset Turnover (x)	3.3	2.9	4.4	3.0	3.2	3.2	3.0	2.9	2.7
Leverage Ratio									
Debt/Equity (x)	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR m)

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
OP/(loss) before Tax	11,120	10,434	13,502	14,090	14,209	17,813	20,733	22,250	24,291
Depreciation	1,592	1,979	1,825	1,773	1,748	1,715	1,717	1,927	2,067
Int./Div. Received	53	-96	35	105	68	-630	0	0	0
Interest Paid	-273	-158	-131	-158	-364	50	55	60	66
Direct Taxes Paid	-4,144	-3,213	-3,584	-3,699	-3,809	-4,686	-5,218	-5,600	-6,114
(Incr)/Decr in WC	1,494	-35	-3,826	4,151	-89	-2,272	-1,367	428	484
CF from Operations	9,842	8,911	7,823	16,261	11,763	11,990	15,920	19,065	20,795
(Incr)/Decr in FA	-1,042	-604	-573	-495	-695	-755	-1,750	-1,750	-1,750
Free Cash Flow	8,800	8,307	7,249	15,766	11,068	11,234	14,170	17,315	19,045
(Pur)/Sale of Investments		7	1,060	-812	221	828	0	0	0
Others	-1,221	419	5,954	-5,178	1,262	4,398	-723	-351	-357
CF from Invest.	-2,263	-177	6,440	-6,485	788	4,471	-2,473	-2,101	-2,107
Change in Equity	0	0	0	0	0	0	0	0	0
(Incr)/Decr in Debt	0	0	0	0	0	0	0	0	0
Dividend Paid	-7,916	-8,433	-9,211	-10,572	-10,575	-11,670	-12,240	-13,600	-14,960
Others	-231	-81	-353	-334	-293	-282	-58	-64	-70
CF from Fin. Activity	-8,147	-8,514	-9,565	-10,906	-10,867	-11,953	-12,298	-13,664	-15,030
Incr/Decr of Cash	-568	219	4,698	-1,129	1,683	4,508	1,149	3,301	3,658
Add: Opening Balance	4,562	3,994	3,978	8,676	7,547	9,230	13,738	14,491	17,792
Closing Balance	3,994	4,213	8,676	7,547	9,230	13,738	14,887	17,792	21,450

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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