

Estimate change



TP change



Rating change



Bloomberg	CLGT IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	873.1 / 10.4
52-Week Range (INR)	3272 / 1902
1, 6, 12 Rel. Per (%)	9/13/30
12M Avg Val (INR M)	1066

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	56.8	63.0	68.4
Sales Gr. (%)	8.7	10.9	8.6
EBITDA	19.0	21.9	23.6
EBITDA Margin (%)	33.5	34.7	34.5
Adj. PAT	13.4	15.7	16.9
Adj. EPS (INR)	49.2	57.7	62.2
EPS Gr. (%)	26.8	17.4	7.8
BV/Sh.(INR)	68.9	81.7	93.9

Ratios

RoE (%)	74.5	76.7	70.9
RoCE (%)	73.6	76.2	70.6
Payout (%)	81.3	77.9	80.3

Valuation

P/E (x)	65.2	55.6	51.6
P/BV (x)	46.6	39.3	34.2
EV/EBITDA (x)	45.2	39.2	36.2
Div. Yield (%)	1.2	1.4	1.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.0	51.0	51.0
DII	6.0	6.1	7.8
FII	24.4	24.5	21.8
Others	18.6	18.4	19.4

FII Includes depository receipts

CMP: INR3,210

TP: INR3,150 (-2%)

Neutral

Volume print improves; margin and valuations peak

- Colgate (CLGT) delivered a 13% YoY revenue growth to INR15b (est. INR14.4b) in 1QFY25. Volume growth spiked at a high-single digit (flattish in the previous four quarters). The rural market continued to display positive signs of demand recovery, and it is growing ahead of urban. HUVIR reported mid-single digit revenue growth in oral care in 1QFY25.
- Gross margin continued to expand, up 220bp YoY to 70.6%, aided by moderating RM prices, cost savings, and price-led growth. In line with the industry trend, A&P spending was high at 10% YoY. Despite this, EBITDA margin expanded 240bp YoY to 34%. EBITDA jumped 22% YoY to INR5.1b.
- Product innovations and marketing efforts have enabled CLGT to achieve volume growth in 1QFY25. While price hikes have contributed to overall growth in FY24, the positive volume trend indicates a promising outlook. It will be important to monitor if this momentum sustains throughout FY25.
- The personal care portfolio is under-indexed; we would like to see if CLGT can boost this portfolio. We believe it will be challenging for CLGT to expand its operating margin level. The current valuations at 56x/52x P/E on FY25E/FY26E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR3,150 (based on 50x Jun'26E EPS).**

Volume-led beat; positive trends for rural demand

- Volume grew in high-single digit:** CLGT's sales grew 13% YoY to INR15.0b (est. INR14.4b); the last four-quarters clocked 9% YoY average growth. Rural markets continued to exhibit positive signs of demand pickup, growing ahead of urban. Toothpaste delivered a high-single digit volume growth (est. 2.5%), the last four-quarters clocked around flat YoY volume growth. The toothbrush portfolio witnessed a competitive growth trajectory, with strong double-digit revenue growth.
- Margin at an all-time high:** Gross margin improved 220bp YoY to 70.6% (est. 69.0%). As a percentage of sales, staff costs rose 30bp YoY to 7.5%, ad-spends dipped 40bp YoY to 13.3%, and other expenses were flat at 16.0%. EBITDA margin expanded ~240bp YoY to 34.0%.
- Double-digit growth:** EBITDA grew 22% YoY to INR5.1b (est. INR4.7b). PBT rose 26% YoY to INR4.9b (est. INR4.5b). Adj. PAT grew 26% YoY to INR3.6b (est. INR3.3b).

Valuation and view

- We raise our EPS estimates for FY25 and FY26 by 6-7% on the back of improving volume performance, aggressive pricing strategy, and consistent operating margin expansion.
- CLGT's sales growth lagged staples peers from a 5-/10- year CAGR prospective. Overall growth also appears stagnant. Additionally, due to high oral care penetration (99%) and competition from herbal players, CLGT has struggled to outperform. Premiumization in general trade and traction in the personal care portfolio have been slow.

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- FY25 will be a testing period for CLGT in terms of margin trajectory and volume expansion. It seems both gross margin and EBITDA margin have reached peak levels. The dilemma about prioritizing growth vs. maintaining margins will persist, and to accelerate growth, margins may contract.
- The current valuations at 56x/52x P/E on FY25E/ FY26E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR3,150 (premised on 50x Jun'26E EPS, earlier 45x P/E).**

Quarterly Performance

Y/E March	FY24				FY25E				FY24	FY25E	(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			FY25 1QE	Var. (%)
Volume Gr %	3.0	-1.0	-1.0	1.0	7.0	6.5	7.0	6.5	0.5	6.8	2.5	
Net Sales (inclgd. OOI)	13,237	14,711	13,957	14,900	14,967	16,328	15,352	16,371	56,804	63,019	14,433	3.7%
YoY change (%)	10.6	6.0	8.1	10.3	13.1	11.0	10.0	9.9	8.7	10.9	9.0	
Gross Profit	9,058	10,117	10,073	10,327	10,574	11,511	11,054	11,478	39,574	44,617	9,959	6.2%
Gross margin (%)	68.4	68.8	72.2	69.3	70.6	70.5	72.0	70.1	69.7	70.8	69.0	
EBITDA	4,181	4,821	4,684	5,322	5,083	5,611	5,275	5,930	19,008	21,899	4,698	8.2%
Margins (%)	31.6	32.8	33.6	35.7	34.0	34.4	34.4	36.2	33.5	34.7	32.6	
YoY growth (%)	28.4	18.2	29.6	17.8	21.6	16.4	12.6	11.4	22.9	15.2	12.4	
Depreciation	438	443	414	421	415	435	445	465	1,715	1,760	445	
Interest	11	11	15	14	10	14	14	17	50	55	14	
Financial other Income	150	210	179	227	234	225	225	224	765	908	215	
PBT	3,883	4,578	4,434	5,114	4,893	5,387	5,041	5,672	18,008	20,992	4,454	9.8%
Tax	951	1,178	1,133	1,315	1,253	1,352	1,265	1,414	4,577	5,284	1,118	
Rate (%)	24.5	25.7	25.6	25.7	25.6	25.1	25.1	24.9	25.4	25.2	25.1	
Adj PAT	2,883	3,401	3,301	3,798	3,640	4,035	3,775	4,258	13,383	15,708	3,336	9.1%
YoY change (%)	33.1	22.3	35.7	19.6	26.2	18.6	14.4	12.1	26.8	17.4	15.7	

E: MOFSL Estimates

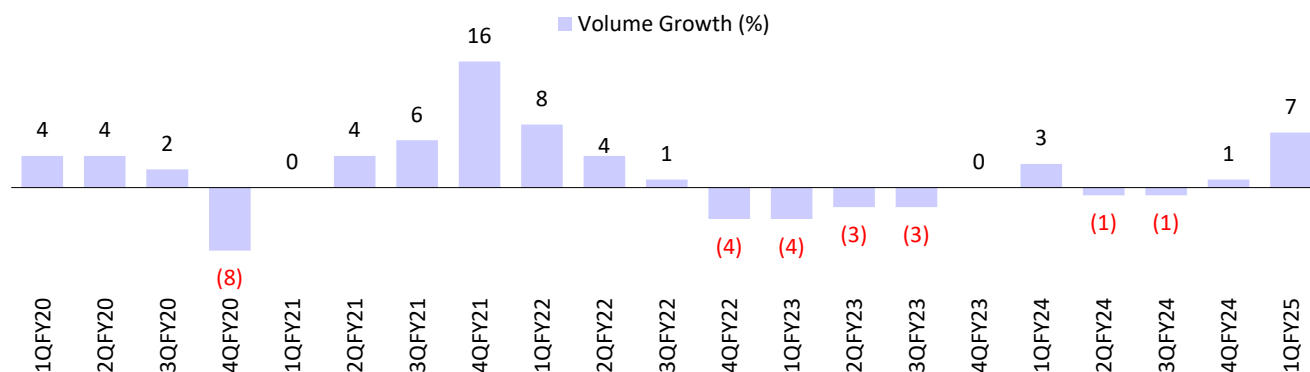
Key Performance Indicators

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

E: MOFSL Estimates

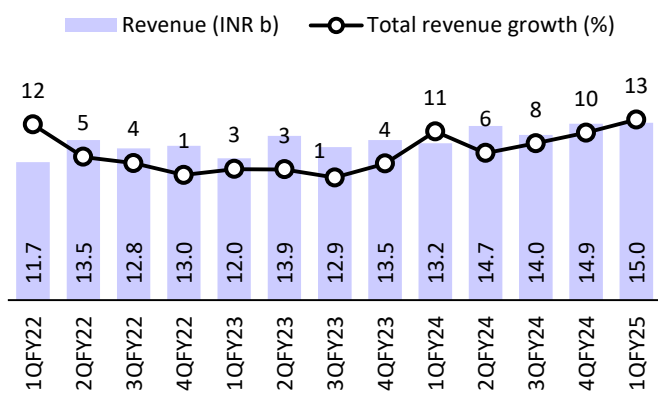
Key exhibits

Exhibit 1: Overall volume growth at 7% in 1QFY25



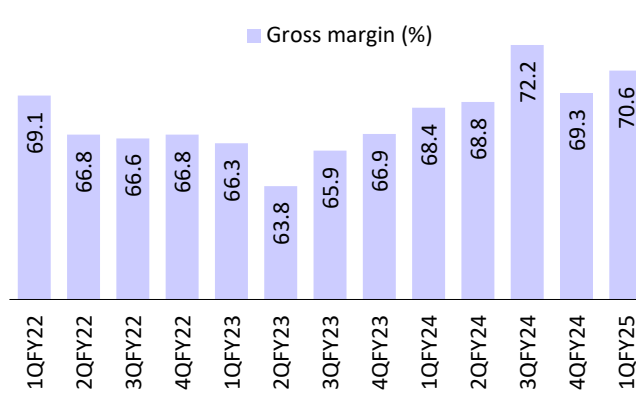
Source: MOFSL

Exhibit 2: Revenue grew 13% YoY to INR15b in 1QFY25



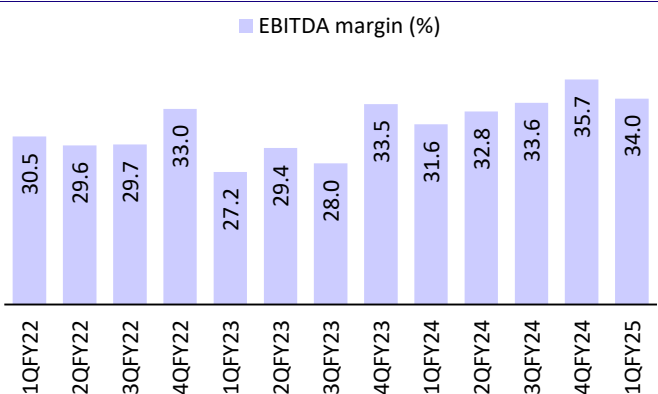
Sources: Company reports, MOFSL

Exhibit 3: Gross margin expanded 220bp YoY to 70.6%



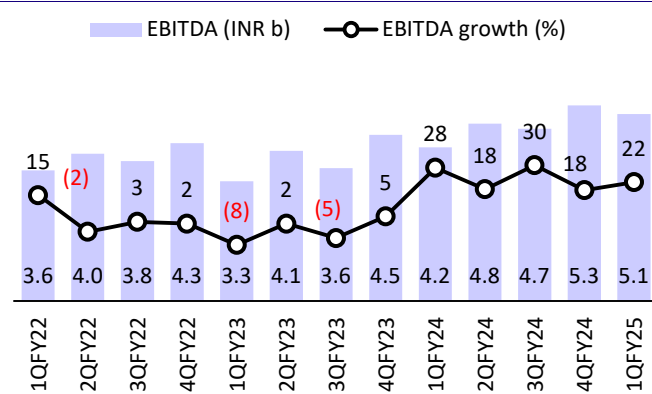
Sources: Company reports, MOFSL

Exhibit 4: EBITDA margin up 240bp YoY to 34% in 1QFY25



Sources: Company reports, MOFSL

Exhibit 5: EBITDA increased 22% YoY to INR5.1b in 1QFY25



Sources: Company reports, MOFSL

Valuation and view

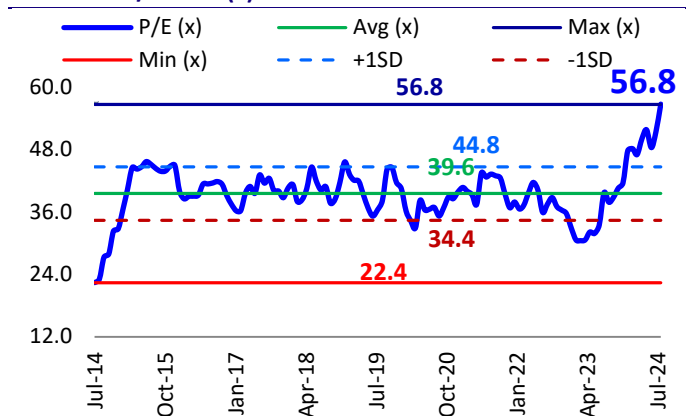
- We raise our EPS estimates for FY25 and FY26 by 6-7% on the back of improving volume performance, aggressive pricing strategy, and consistent operating margin expansion.
- CLGT's sales growth lagged staples peers from a 5-/10- year CAGR prospective. Overall growth also appears stagnant. Additionally, due to high oral care penetration (99%) and competition from herbal players, CLGT has struggled to outperform. Premiumization in general trade and traction in the personal care portfolio have been slow.
- FY25 will be a testing period for CLGT in terms of margin trajectory and volume expansion. It seems both gross margin and EBITDA margin have reached peak levels. The dilemma about prioritizing growth vs. maintaining margins will persist, and to accelerate growth, margins may contract.
- The current valuations at 56x/52x P/E on FY25E/ FY26E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR3,150 (premised on 50x Jun'26E EPS, earlier 45x P/E).**

Exhibit 6: We raise our FY25/FY26 EPS estimates by 6.7%/6.6%

	Old		New		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	61,755	66,375	63,019	68,410	2.0	3.1
EBITDA	20,718	22,334	21,899	23,628	5.7	5.8
PAT	14,723	15,883	15,708	16,931	6.7	6.6

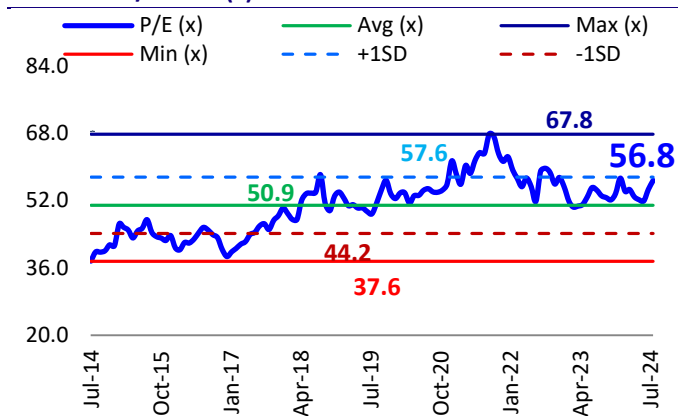
Source: MOFSL

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	63,019	68,410	73,835
Change (%)	6.6	1.4	7.0	5.3	2.5	8.7	10.9	8.6	7.9
COGS	15,586	15,729	15,494	16,675	17,942	17,230	18,401	20,311	21,831
Gross Profit	29,039	29,522	32,919	34,323	34,320	39,574	44,617	48,099	52,005
Gross Margin (%)	65.1	65.2	68.0	67.3	65.7	69.7	70.8	70.3	70.4
EBITDA	12,361	12,017	15,096	15,660	15,470	19,008	21,899	23,628	25,575
Change (%)	11.1	-2.8	25.6	3.7	-1.2	22.9	15.2	7.9	8.2
Margin (%)	27.7	26.6	31.2	30.7	29.6	33.5	34.7	34.5	34.6
Depreciation	1,592	1,979	1,825	1,773	1,748	1,715	1,760	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	20,992	22,625	24,528
Change (%)	11.8	-6.2	29.4	4.4	0.8	26.7	16.6	7.8	8.4
Margin (%)	24.9	23.1	27.9	27.6	27.2	31.7	33.3	33.1	33.2
Tax	3,670	2,269	3,257	3,448	3,724	4,937	5,284	5,695	6,174
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	25.2	25.2	25.2
Adjusted PAT	7,502	8,165	10,354	10,783	10,555	13,383	15,708	16,931	18,354
Change (%)	9.5	8.8	26.8	4.1	-2.1	26.8	17.4	7.8	8.4
Margin (%)	16.8	18.0	21.4	21.1	20.2	23.6	24.9	24.7	24.9
Non-rec. (Exp)/Income	254	0	0	0	-83	-146	0	0	0
Reported PAT	7,756	8,165	10,354	10,783	10,472	13,237	15,708	16,931	18,354

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	21,940	25,270	28,665
Net Worth	14,468	15,942	11,659	17,347	17,164	18,744	22,212	25,542	28,937
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	22,392	25,723	29,117
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	-16,097	-18,025	-20,092
Net Fixed Assets	11,909	11,229	10,647	9,630	8,618	7,941	7,930	7,753	7,436
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	25,588	30,202	34,988
Inventory	2,486	2,969	3,358	3,572	3,355	2,964	4,046	4,396	4,752
Account Receivables	2,098	1,326	1,171	2,247	1,574	1,674	1,898	2,060	2,223
Cash & Bank	3,994	4,213	8,676	7,547	9,230	13,738	14,933	18,620	22,464
Others	3,481	4,217	3,405	4,631	4,625	3,898	4,712	5,126	5,549
Curr. Liab. and Prov.	10,511	8,528	16,179	10,825	10,846	12,394	12,229	13,335	14,409
Account Payables	6,132	6,125	7,604	7,714	7,611	8,819	8,507	9,264	9,984
Other Liabilities	3,740	1,798	7,765	2,271	1,953	2,174	2,182	2,377	2,561
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	13,359	16,867	20,579
Application of Funds	15,754	17,512	12,713	18,021	17,695	18,924	22,392	25,723	29,117

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	57.7	62.2	67.5
Cash EPS	33.4	37.3	44.8	46.2	45.2	55.5	64.2	69.3	75.1
BV/Share	53.2	58.6	42.9	63.8	63.1	68.9	81.7	93.9	106.4
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	77.9	80.3	81.5
Valuation (x)									
P/E	116.4	107.0	84.3	80.9	82.7	65.2	55.6	51.6	47.6
Cash P/E	96.1	86.1	71.7	69.5	70.9	57.8	50.0	46.3	42.7
EV/Sales	19.5	19.2	17.9	17.0	16.5	15.1	13.6	12.5	11.5
EV/EBITDA	70.4	72.4	57.3	55.3	55.9	45.2	39.2	36.2	33.3
P/BV	60.4	54.8	74.9	50.3	50.9	46.6	39.3	34.2	30.2
Dividend Yield (%)	0.5	0.9	1.2	1.2	1.2	1.2	1.4	1.6	1.7
Return Ratios (%)									
RoE	50.5	53.7	75.0	74.4	61.2	74.5	76.7	70.9	67.4
RoCE	47.3	49.7	68.9	70.5	59.5	73.6	76.2	70.6	67.1
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	2.8	2.6
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	20,992	22,625	24,528
Depreciation	1,592	1,979	1,825	1,773	1,748	1,715	1,760	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	-5,284	-5,695	-6,174
(Incr)/Decr in WC	1,494	-35	-3,826	4,151	-89	-2,272	-1,536	520	475
CF from Operations	9,842	8,911	7,823	16,261	11,763	11,990	15,987	19,439	20,963
(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	14,237	17,689	19,213
(Pur)/Sale of Investments	0	7	1,060	-812	221	828	0	0	0
Others	-1,221	419	5,954	-5,178	1,262	4,398	-743	-338	-340
CF from Invest.	-2,263	-177	6,440	-6,485	788	4,471	-2,493	-2,088	-2,090
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	1,196	3,687	3,843
Add: Opening Balance	4,562	3,994	3,978	8,676	7,547	9,230	13,738	14,933	18,620
Closing Balance	3,994	4,213	8,676	7,547	9,230	13,738	14,933	18,620	22,464

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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