

Q2FY25

Colgate-Palmolive (India) Ltd.



Colgate-Palmolive (India) Ltd.

Rural growth and targeted initiatives drive the performance

CMP* INR 3,082	Target INR 3,067	Potential Upside (0.5%)	Market Cap (INR Mn) 8,39,429	Recommendation REDUCE	Sector Consumer
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Result highlights

- For Q2FY25, the revenue increased 10.1% YoY (+8.2% QoQ) to INR 16,191 Mn, which is in line with our estimates of 0.8%. The YoY growth was led by high single-digit volume.
- EBITDA increased 3.2% YoY (-2.2% QoQ) to INR 4,974 Mn, missing our estimate, mainly due to higher than estimated operating expenses. EBITDA margin decreased by 206 bps YoY (-325 bps QoQ) to 30.7%.
- Net profit increased 16.2% YoY (+8.5% QoQ) to INR 3,951 Mn which is largely in line with our estimate.
- The Board declared a first interim Dividend of INR.24/ share for the FY24-25E.
- We lower our FY25E/FY26E Adj. EPS estimate by 3.0%/6.0%, respectively, due to subdued demand, elevated ad spending, and a challenging environment. We maintain a P/E multiple of 51.0x, resulting in a target price of INR 3,067 per share (previously: INR 3,265). We maintain our “REDUCE” rating for Colgate-Palmolive Ltd shares.**

MARKET DATA

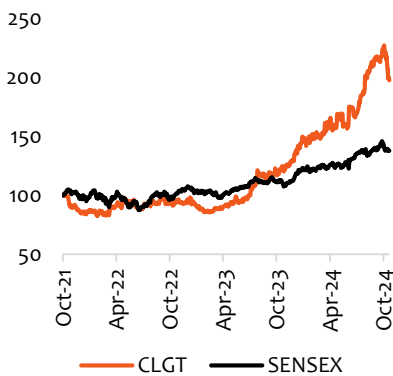
Shares O/S (Mn)	272
Mkt Cap (INR Mn)	8,39,429
52 Wk H/L (INR)	3,890/ 2,005
Volume Avg (3m K)	584
Face Value (INR)	1
Bloomberg Code	CLGT IN

KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales	50,998	52,262	56,804	62,769	68,559	75,765
EBITDA	15,659	15,470	19,008	20,527	22,868	25,697
PAT	10,783	10,471	13,237	14,953	16,351	18,344
Adj. PAT	10,783	10,584	13,432	14,953	16,351	18,344
EPS	39.6	38.5	48.7	55.0	60.1	67.4
Adj. EPS	39.6	38.9	49.4	55.0	60.1	67.4
EBITDA Margin (%)	30.7%	29.6%	33.5%	32.7%	33.4%	33.9%
Adj. PAT Margin (%)	21.1%	20.3%	23.6%	23.8%	23.9%	24.2%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	79,402
NIFTY	24,181

Strong domestic growth enhances the company's financial stability

- In Q2FY25, the revenue increased 10.1% YoY (+8.2% QoQ) to INR 16,191 Mn. The performance was driven by high single-digit volume growth in the toothpaste portfolio, supported by core brands 1) Colgate Maxfresh and 2) Colgate Strong Teeth.
- Gross margin declined by 23bps YoY to 68.5% due to inflation in key raw material prices.
- EBITDA for the quarter was INR 4,974 Mn, up 3.2% YoY (-2.2% QoQ). EBITDA margin declined by 206bps YoY to 30.7%, affected by a 17.8% YoY increase in advertising expenses partially offset by increased price actions in premium portfolios.

Colgate drives growth with Innovative products and targeted marketing strategies

- Innovation Launch:** Colgate introduced 'Colgate Visible White Purple,' leveraging color theory to enhance its whitening business, with excellent early consumer response.
- Colgate Total Promotion:** New communications emphasized Colgate Total, featuring patented Dual Zinc and Arginine Technology, which provides superior everyday protection and supports the premiumisation strategy.
- Targeted Advertising:** Colgate Strong Teeth launched new advertising, addressing the modern challenge of increased snacking and its impact on calcium loss. The product's arginine + calcium boost helps restore lost calcium.

SHARE HOLDING PATTERN (%)

Particulars	Sep-24	Jun-24	Mar-24
Promoters	51.0	51.0	51.0
FIIIs	24.9	24.4	24.5
DIIIs	5.5	6.0	5.8
Others	18.6	18.6	18.7
Total	100	100	100

*Based on the previous closing

*Note: All the market data is as of previous closing.

10.1%

Revenue CAGR between FY24
and FY26E

10.9%

Adj. PAT CAGR between FY24
and FY26E

Colgate-Palmolive (India) Ltd.

Key Highlights

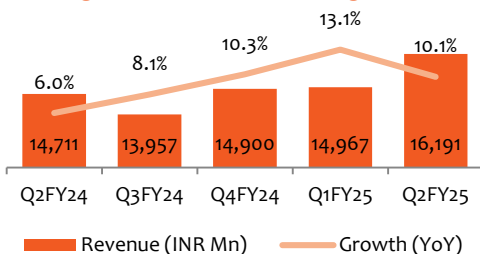
- The company is pleased with its robust and consistent topline performance despite a challenging operating environment, driven by broad-based growth across its portfolios.
- Toothpaste achieved high-single digit volume growth, led by core brands Colgate Maxfresh and Colgate Strong Teeth.
- Toothbrush sales continued to grow at double digits, benefiting from rapid premiumization.
- Despite expected ongoing market challenges, the company remains committed to leveraging its strong P&L to invest in superior products and advertising, focusing on improving oral health in India.
- This quarter marked significant innovations, including the launch of Colgate Visible White Purple, which utilizes color theory to enhance the whitening product line. Early responses have been positive. The company also promoted Colgate Total, featuring patented Dual Zinc and Arginine Technology for optimal everyday protection, central to its premiumization strategy.
- New advertising for Colgate Strong Teeth highlighted the relevance of increased snacking and its calcium loss implications, emphasizing its arginine + calcium boost.
- Additionally, Colgate's Bright Smiles, Bright Futures® program made notable progress by partnering with the governments of Uttar Pradesh and Goa, aiming to improve oral health awareness among over 20 Mn children in Uttar Pradesh and over 0.2 Mn in Goa.
- The Board declared a First Interim Dividend of INR. 24 per equity share for FY 2024-25, totaling a payout of INR 6,530 Mn to shareholders.

Valuation and view

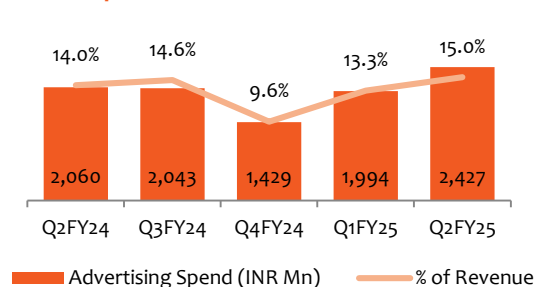
Colgate's robust Q2FY25 performance highlights strong domestic revenue growth, fueled by innovation and strategic marketing. Despite facing rising raw material costs and higher advertising expenses, the company remains optimistic about premiumization and enhancing oral health in India. Management noted ongoing demand weakness, which will result in continued elevated A&P spending in the near term.

We lower our FY25E/ FY26E Adj. EPS estimate by 3.0%/ 6.0%, respectively, due to subdued demand, intense competition and a challenging environment. We expect Revenue/EBITDA/Adj. PAT to grow by 10.1%/ 10.6%/ 10.9% CAGR over FY24-26E. Colgate India's share price is currently trading at 56.1x/51.3x its FY25E/FY26E EPS. We maintain a P/E multiple of 51.0x on FY26E EPS of INR 60.1 (previously: INR 64) to arrive at a target price of INR 3,067 per share (INR 3,265 per share earlier), implying a downside of 0.5% from the CMP. We maintain our "REDUCE" rating on Colgate-Palmolive Ltd shares.

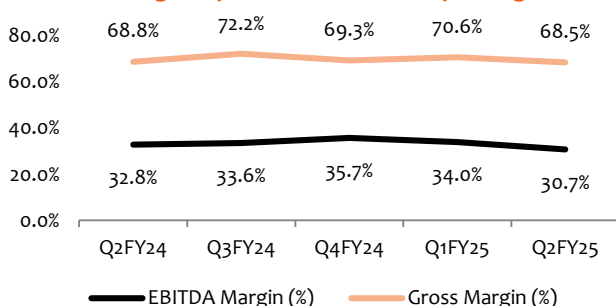
Revenue improvement YoY is attributed to the growth in the domestic segment



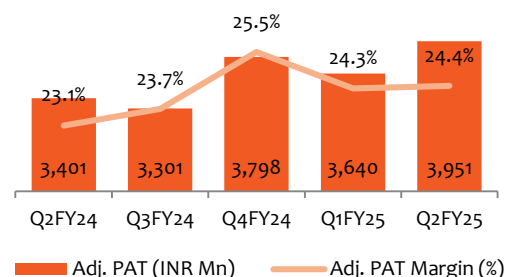
Ad spends as % of sales increased further



Margin in pressure due to A&P spending



Strong % of PAT margin aided by high other income



Source: Company, KRChoksey Research

Colgate-Palmolive (India) Ltd.

RESULT SNAPSHOT

Particulars (INR Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
Revenue from Operations	16,191	14,967	14,711	8.2%	10.1%
Total Expenditure	11,218	9,884	9,890	13.5%	13.4%
Cost of Raw Materials	4,457	4,016	3,699	11.0%	20.5%
Purchase of Stock	876	583	704	50.2%	24.5%
Changes in Inventories	(239)	(206)	191	16.4%	(225.1%)
Employee Cost	1,184	1,123	1,062	5.4%	11.4%
Other Expenses	4,941	4,367	4,233	13.1%	16.7%
EBITDA	4,974	5,083	4,821	(2.2%)	3.2%
EBITDA Margin (%)	30.7%	34.0%	32.8%	(325 bps)	(206 bps)
Depreciation	417	415	443	0.5%	(5.8%)
EBIT	4,556	4,668	4,379	(2.4%)	4.1%
Interest Expense	12	10	11	17.3%	8.5%
Other Income	760	234	210	224.7%	261.6%
PBT	5,305	4,893	4,578	8.4%	15.9%
Tax	1,354	1,253	1,178	8.1%	15.0%
PAT	3,951	3,640	3,401	8.5%	16.2%
PAT Margin	24.4%	24.3%	23.1%	8 bps	128 bps
Adj PAT	3,951	3,640	3,401	8.5%	16.2%
Adj PAT Margin	24.4%	24.3%	23.1%	8 bps	128 bps
EPS	14.5	13.4	12.5	8.5%	16.2%
Adj EPS	14.5	13.4	12.5	8.5%	16.2%

Source: Company, KRChoksey Research

Colgate-Palmolive (India) Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	52,262	56,804	62,769	68,559	75,765
COGS	17,942	17,230	19,079	20,289	21,995
Gross profit	34,320	39,575	43,690	48,270	53,770
Employee cost	3,770	4,117	4,688	5,109	5,646
Other expenses	15,080	16,449	18,475	20,293	22,426
EBITDA	15,470	19,008	20,527	22,868	25,697
EBITDA Margin	29.6%	33.5%	32.7%	33.4%	33.9%
D&A	1,748	1,715	1,786	1,901	2,027
EBIT	13,722	17,293	18,741	20,966	23,670
Interest expense	49	50	59	74	93
Other income	536	765	1,458	1,204	1,212
PBT	14,097	17,813	20,140	22,096	24,789
Tax	3,625	4,577	5,187	5,745	6,445
PAT	10,471	13,237	14,953	16,351	18,344
Adj. PAT	10,584	13,432	14,953	16,351	18,344
EPS (INR)	38.5	48.7	55.0	60.1	67.4
Adj. EPS	38.9	49.4	55.0	60.1	67.4

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	11,763	11,990	16,782	18,475	20,771
CFFI	(75)	792	(2,354)	(2,453)	(2,766)
CFFF	(10,867)	(11,953)	(10,906)	(10,917)	(10,931)
Net Inc/Dec in cash	820	829	3,522	5,106	7,075
Opening Cash	7,241	8,061	8,890	12,412	17,518
Closing Cash	8,061	8,890	12,412	17,518	24,593

Exhibit 4: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	29.6%	33.5%	32.7%	33.4%	33.9%
Tax rate (%)	25.7%	25.7%	25.8%	26.0%	26.0%
Net Profit Margin (%)	20.0%	23.3%	23.8%	23.9%	24.2%
RoE (%)	61.0%	70.6%	65.5%	57.8%	51.3%
RoCE (%)	83.0%	96.3%	88.5%	78.3%	69.6%
EPS (INR)	38.5	48.7	55.0	60.1	67.4
PE	79.2x	62.4x	56.1x	51.3x	45.7x

Source: Company, KRChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	272	272	272	272	272
Other Equity	16,892	18,472	22,545	28,016	35,480
Total Equity	17,164	18,744	22,817	28,288	35,752
Non-Current Liabilities					
Borrowings	12	13	13	13	13
Other Current Liabilities	240	220	252	289	332
Total Non-Current Liabilities	820	828	861	898	941
Current Liabilities					
Provisions	905	986	986	986	986
Lease Liabilities	122	122	122	122	122
Trade Payables	7,611	8,819	9,766	10,385	11,258
Other current liabilities	2,208	2,466	2,646	2,763	2,929
Total Current Liabilities	10,846	12,394	13,520	14,256	15,295
Total Liabilities	11,666	13,222	14,380	15,154	16,236
Non-Current Assets					
PPE	8,618	7,941	8,101	8,256	8,502
Capital WIP	1,141	1,103	1,103	1,103	1,103
Other current assets	3,592	3,884	4,291	4,687	5,180
Total Non-Current Assets	13,351	12,927	13,495	14,046	14,785
Current Assets					
Inventories	3,355	2,964	3,275	3,577	3,953
Trade Receivables	1,574	1,674	1,850	2,020	2,233
Loans	876	67	67	67	67
Cash and Bank	8,061	8,890	12,412	17,518	24,593
Other current assets	1,614	5,444	6,098	6,214	6,357
Total Current Assets	15,479	19,038	23,702	29,396	37,203
Total Assets	28,830	31,965	37,197	43,443	51,988

Colgate-Palmolive (India) Ltd.

Colgate-Palmolive (India) Ltd.			
Date	CMP (INR)	TP(INR)	Recommendation
28-Oct-24	3,082	3,067	REDUCE
30-July-24	3,367	3,265	REDUCE
22-May-24	2,712	2,647	REDUCE
23-Jan-24	2,536	2,548	HOLD
30-Oct-23	2,081	2,124	HOLD
01-Aug-23	2,003	2,034	HOLD

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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KRChoksey Shares and Securities Pvt. Ltd.

CIN-U67120MH1997PTC108958

Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: 91-22-6633 5000; Fax: 91-22-6633 8060

Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058

Phone: 91-22-66355000

Compliance Officer: Varsha Shinde

Email: varsha.shinde@krchoksey.com