

Colgate-Palmolive (India) Ltd. Q3FY25



Colgate-Palmolive (India) Ltd.

Intense competition and subdued demand constrained growth

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 2,732	INR 2,721	(0.4%)	7,43,077	REDUCE	Consumer

Result highlights

- For Q3FY25, the revenue increased to 4.7% YoY (-9.7% QoQ) to INR 14,618 Mn, which missed our estimate by 3.9%. The company YoY growth, driven by toothpaste sales which showed mid-single digit volume growth.
- EBITDA decreased by 3.0% YoY (-8.6% QoQ) to INR 4,544 Mn, missing our estimate, mainly due to higher than estimated cost of goods sold. EBITDA margin decreased by 248bps YoY (+36bps QoQ) to 31.1%, underperforming our estimate by -231 bps.
- Net profit decreased by 2.2% YoY (-18.3% QoQ) to INR 3,228 Mn, which missed our estimate.
- We lower our FY26E/FY27E Adj. EPS estimates by 6.5%/7.0%, factoring in weaker-than-expected Q3FY25 results, a challenging operating environment, and intensified competition. We expect Revenue/EBITDA/Adj. PAT to grow by 9.6%/ 7.8%/ 8.3% CAGR over FY24-27E. Colgate India's share price is currently trading at 54.9x/49.2x its FY26E/FY27E EPS. We roll over our valuation to FY27E, assigning a P/E multiple of 43x on FY27E EPS of INR 62.7 (previously INR 67.4), resulting in a target price of INR 2,721 (previously INR 3,067). Subsequently, maintain our "REDUCE" rating on Colgate-Palmolive Ltd shares.**

MARKET DATA

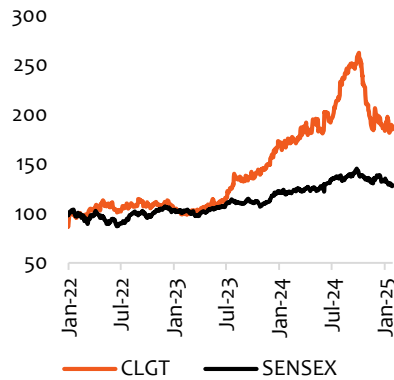
Shares O/S (Mn)	272
Mkt Cap (INR Mn)	7,43,077
52 Wk H/L (INR)	3,890/ 2,476
Volume Avg (3m K)	497
Face Value (INR)	1
Bloomberg Code	CLGT IN

KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Sales	52,262	56,804	61,875	67,593	74,693
EBITDA	15,470	19,008	19,542	21,256	23,790
PAT	10,471	13,237	14,247	15,277	17,053
Adj. PAT	10,584	13,432	14,247	15,277	17,053
EPS	38.5	48.7	52.4	56.2	62.7
Adj. EPS	38.9	49.4	52.4	56.2	62.7
EBITDA Margin (%)	29.6%	33.5%	31.6%	31.4%	31.9%
Adj. PAT Margin (%)	20.3%	23.6%	23.0%	22.6%	22.8%

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

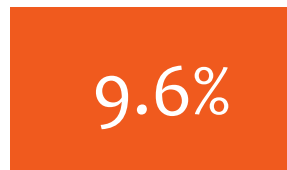
SENSEX	76,533
NIFTY	23,163

Soft demand in the urban market limited revenue growth

- In Q3FY25, the company reported a 4.7% YoY revenue increase to INR 14,618 Mn, though it saw a 9.7% QoQ decline.
- The company's YoY growth was driven by toothpaste sales, which recorded mid-single-digit volume growth, supported by product innovation and marketing efforts.
- The MaxFresh Sensorial range and Visible White Purple performed well in e-commerce channels.
- No price hikes were implemented in the quarter, and the impact of last year's price increases had fully dissipated, offering no pricing contribution to revenue.
- The company pointed to a weakening demand environment, especially in urban markets, suggesting a potential deceleration in consumer activity or a shift in purchasing patterns.
- Gross margin fell by 226bps YoY to 69.9%, driven by inflationary pressures on key raw materials and a surge in promotional activities.
- However, the company's proactive pricing actions are expected to cushion the impact of rising input costs and support margin stability.
- EBITDA for the quarter was INR 4,544 Mn, reflecting a decline of 3.0% YoY and 8.6% QoQ. The EBITDA margin contracted sharply by 248bps YoY to 31.1%, impacted by a 17.7% YoY surge in other expenses, though partially mitigated by reductions in advertising (-2.0% YoY) and employee costs (-0.9% YoY).

SHARE HOLDING PATTERN (%)

Particulars	Dec-24	Sep-24	Jun-24
Promoters	51.0	51.0	51.0
FIIIs	23.7	24.9	24.4
DIIIs	6.6	5.6	5.7
Others	18.7	18.5	18.8
Total	100	100	100



Revenue CAGR between FY24 and FY27E



Adj. PAT CAGR between FY24 and FY27E

*Based on the previous closing

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

Colgate-Palmolive (India) Ltd.

Key Highlights

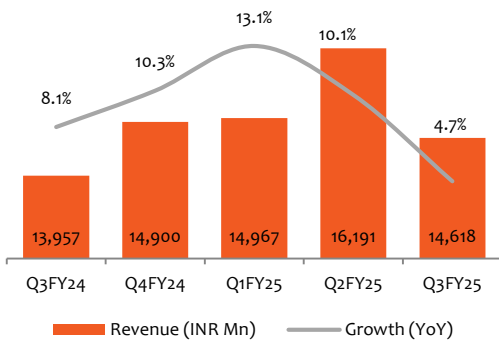
- Starting in mid-September, the company began facing weaker demand, particularly in urban markets, which was largely attributed to high inflation.
- While rural markets are outpacing urban growth, the overall growth in both segments remains gradual.
- Volume growth is positive across both urban and rural areas, although urban growth has been relatively moderate.
- This softness persisted into January, with no significant improvement in demand. To address this, the company has ramped up promotional activities, particularly offering more freebies in urban markets.
- The company did not implement any price cuts during the quarter, as raw material costs remained stable, with no notable inflationary pressures. Pricing actions from last year have fully cycled through, eliminating their impact on revenue growth.
- The premium product portfolio is performing well, aided by new launches, though its overall contribution to sales remains in the single digits.
- The reported volume growth is attributed to increased grammage, excluding the value of the freebies offered.
- Margins contracted YoY due to a high base, and the company expects these margin trends to persist moving forward.

Valuation and view

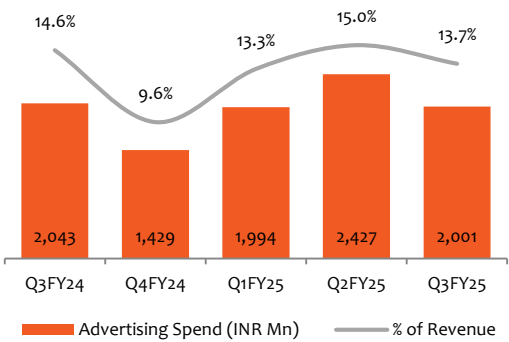
Q3FY25 performance reflected modest revenue growth despite a sequential decline, driven by volume expansion in the toothpaste segment. Urban demand remained weak amid inflationary pressures, while rural growth outpaced but remained gradual. Increased promotions and a strong premium portfolio supported sales, though margins contracted due to a high base. The company expects similar trends to continue.

We lower our FY26E/FY27E Adj. EPS estimates by 6.5%/7.0%, factoring in weaker-than-expected Q3FY25 results, a challenging operating environment, and intensified competition. We expect Revenue/EBITDA/Adj. PAT to grow by 9.6%/ 7.8%/ 8.3% CAGR over FY24-27E. Colgate India's share price is currently trading at 54.9x/49.2x its FY26E/FY27E EPS. We roll over our valuation to FY27E, assigning a P/E multiple of 43x on FY27E EPS of INR 62.7 (previously INR 67.4), resulting in a target price of INR 2,721 (previously INR 3,067). Subsequently, maintain our "REDUCE" rating on Colgate-Palmolive Ltd shares.

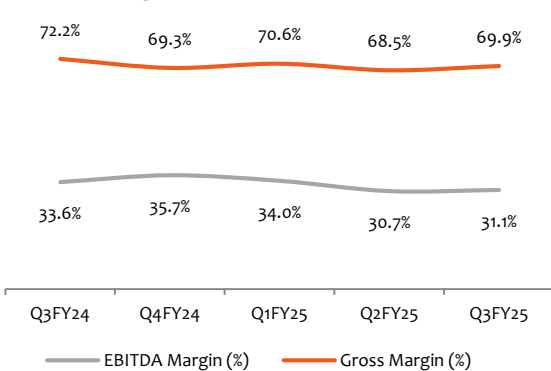
Subdued urban demand impacted revenue growth



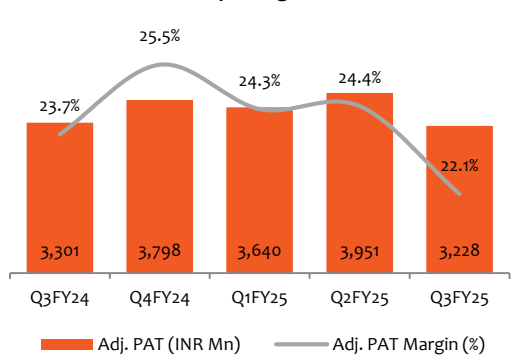
Ad spends as a % of sales decrease sequentially



YoY Margin pressure due to RM inflation



Strong % of PAT margin due to the cascading effects of top-line growth



Source: Company, DevenChoksey Research

Colgate-Palmolive (India) Ltd.

RESULT SNAPSHOT

Particulars (INR Mn)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY	9MFY25	9MFY24	YoY
Revenue from Operations	14,618	16,191	13,957	(9.7%)	4.7%	45,777	41,904	9.2%
Total Expenditure	10,075	11,218	9,273	(10.2%)	8.7%	31,176	28,218	10.5%
Cost of Raw Materials	3,454	4,457	3,344	(22.5%)	3.3%	11,926	10,699	11.5%
Purchase of Stock	986	876	635	12.6%	55.3%	2,446	1,926	26.9%
Changes in Inventories	(42)	(239)	(95)	(82.5%)	(56.1%)	(487)	31	(1650.6%)
Employee Cost	1,088	1,184	1,098	(8.0%)	(0.9%)	3,395	3,118	8.9%
Other Expenses	4,588	4,941	4,291	(7.1%)	6.9%	13,896	12,443	11.7%
EBITDA	4,544	4,974	4,684	(8.6%)	(3.0%)	14,601	13,687	6.7%
EBITDA Margin (%)	31.1%	30.7%	33.6%	36 bps	(248 bps)	31.9%	32.7%	(77 bps)
Depreciation	411	417	414	(1.4%)	(0.6%)	1,244	1,294	(3.9%)
EBIT	4,132	4,556	4,270	(9.3%)	(3.2%)	13,357	12,392	7.8%
Interest Expense	11	12	15	(3.5%)	(26.5%)	32	36	(11.0%)
Other Income	204	760	179	(73.2%)	14.0%	1,198	539	122.4%
PBT	4,325	5,305	4,434	(18.5%)	(2.5%)	14,522	12,895	12.6%
Tax	1,097	1,354	1,133	(19.0%)	(3.1%)	3,704	3,261	13.6%
PAT	3,228	3,951	3,301	(18.3%)	(2.2%)	10,818	9,438	14.6%
PAT Margin	22.1%	24.4%	23.7%	(232 bps)	(157 bps)	23.6%	22.5%	111 bps
Adj PAT	3,228	3,951	3,301	(18.3%)	(2.2%)	10,818	9,633	12.3%
Adj PAT Margin	22.1%	24.4%	23.7%	(232 bps)	(157 bps)	23.6%	23.0%	64 bps
EPS	11.9	14.5	12.1	(18.3%)	(2.2%)	39.8	34.7	14.6%
Adj EPS	11.9	14.5	12.1	(18.3%)	(2.2%)	39.8	35.4	12.3%

Source: Company, DevenChoksey Research

Colgate-Palmolive (India) Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	52,262	56,804	61,875	67,593	74,693
COGS	17,942	17,230	19,151	21,293	23,228
Gross profit	34,320	39,575	42,724	46,300	51,465
Employee cost	3,770	4,117	4,618	5,037	5,566
Other expenses	15,080	16,449	18,565	20,008	22,109
EBITDA	15,470	19,008	19,542	21,256	23,790
EBITDA Margin	29.6%	33.5%	31.6%	31.4%	31.9%
D&A	1,748	1,715	1,784	1,897	2,021
EBIT	13,722	17,293	17,758	19,358	21,769
Interest expense	49	50	59	74	93
Other income	536	765	1,457	1,360	1,369
PBT	14,097	17,813	19,156	20,644	23,044
Tax	3,625	4,577	4,909	5,368	5,992
PAT	10,471	13,237	14,247	15,277	17,053
Adj. PAT	10,584	13,432	14,247	15,277	17,053
EPS (INR)	38.5	48.7	52.4	56.2	62.7
Adj. EPS	38.9	49.4	52.4	56.2	62.7

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	11,763	11,990	16,209	17,972	19,624
CFFI	(75)	792	(2,265)	(2,419)	(2,726)
CFFF	(10,867)	(11,953)	(10,906)	(10,917)	(10,931)
Net Inc/Dec in cash	820	829	3,038	4,636	5,967
Opening Cash	7,241	8,061	8,890	11,928	16,564
Closing Cash	8,061	8,890	11,928	16,564	22,531

Exhibit 4: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	29.6%	33.5%	31.6%	31.4%	31.9%
Tax rate (%)	25.7%	25.7%	25.6%	26.0%	26.0%
Net Profit Margin (%)	20.0%	23.3%	23.0%	22.6%	22.8%
RoE (%)	61.0%	70.6%	64.4%	57.6%	52.2%
RoCE (%)	83.0%	96.3%	86.9%	78.1%	70.8%
EPS (INR)	38.5	48.7	52.4	56.2	62.7
PE	79.2x	62.4x	58.8x	54.9x	49.2x

Source: Company, DevenChoksey 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	21,839	26,236	32,409
Total Equity	17,164	18,744	22,111	26,508	32,681
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	9,803	10,899	11,889
Other current liabilities	2,208	2,466	2,653	2,861	3,048
Total Current Liabilities	10,846	12,394	13,564	14,868	16,046
Total Liabilities	11,666	13,222	14,424	15,766	16,987
Non-Current Assets					
PPE	8,618	7,941	8,075	8,206	8,426
Capital WIP	1,141	1,103	1,103	1,103	1,103
Other current assets	3,592	3,884	4,230	4,621	5,107
Total Non-Current Assets	13,351	12,927	13,408	13,930	14,635
Current Assets					
Inventories	3,355	2,964	3,229	3,527	3,898
Trade Receivables	1,574	1,674	1,823	1,992	2,201
Loans	876	67	67	67	67
Cash and Bank	8,061	8,890	11,928	16,564	22,531
Other current assets	1,614	5,444	6,081	6,195	6,336
Total Current Assets	15,479	19,038	23,127	28,344	35,032
Total Assets	28,830	31,965	36,535	42,274	49,668

Colgate-Palmolive (India) Ltd.

Colgate-Palmolive (India) Ltd.			
Date	CMP (INR)	TP(INR)	Recommendation
30-Jan-25	2,732	2,721	REDUCE
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

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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