SELL (Maintain)

CMP: **INR 2,287** Target Price: **INR 1,800** ▼ -21%

ICICI Securities

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24 October 2025

India | Equity Research | Results update

Colgate Palmolive

Consumer Staples & Discretionary

Same story. SELL

Colgate's Q2FY26 result reaffirms that business remains structurally fatigued, with no visible triggers for a turnaround. Revenue declined 6.2% YoY, implying a 7-8% volume decline amid GST-led destocking and continued competitive intensity. The fact remains, a category leader in daily-use essential(s) continues to lose momentum, with innovation and premiumisation failing to drive any meaningful recovery. In Q2, HUL's oral care declined marginally while Dabur's share grew in high single digit, indicating Colgate's market share loss. Despite softer input costs and disciplined spends, growth inertia persists, pointing to deeper brand and category stagnation. With no meaningful diversification beyond oral care and earnings still reliant on price and mix, the risk of continued category stagnation remains high. Valuation at ~40x Sep'27E P/E leaves little room for patience. **SELL.**

Volume momentum weak; GST-led disruption adds to sluggish demand

Colgate's Q2FY26 revenue declined 6.2% YoY, implying a ~7-8% volume drop. GST transition-related destocking at distributors and retailers compounded the already sluggish underlying demand, while the core mass portfolio (CDC, MaxFresh, Active Salt) remained subdued. Premium offerings such as Visible White Purple and Total continued to grow, though largely through higher promotional intensity rather than demand uplift. The Palmolive Moments body wash range contributed incremental gains but remained subscale. Overall, category fatigue persists - successive launches and campaigns continue to add visibility, not penetration.

Margins steady, but underlying fragility persists

Gross margin expanded 90bps YoY to 69.5%, aided by lower input costs and favourable mix. A&SP spends were lower by 7% YoY in absolute terms but largely stable at 14.8% of sales (vs. 15% YoY), reflecting continued cost discipline. EBITDA declined 6.4% YoY to INR 4.65bn with margin at 30.6% (-9bps YoY; +238bps QoQ). Sequential margin gains indicated cost discipline and mix benefit, not underlying demand strength. Net profit declined 17% YoY to INR 3.3bn led by a decline in other income (-80% YoY), offsetting the cost savings. While headline margins appear stable, they increasingly reflect tighter A&SP and operating controls rather than underlying the brand strength. With volume recovery still elusive and innovation yet to revive the core franchise, margin resilience could be tested as competition intensifies in H2FY26. Management remains cautiously optimistic on post-GST normalisation, but near-term visibility remains limited.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	60,402	60,641	65,041	70,426
EBITDA	19,581	19,385	20,941	23,030
EBITDA Margin (%)	32.4	32.0	32.2	32.7
Net Profit	14,368	13,905	15,086	16,497
EPS (Rs)	52.8	51.1	55.5	60.6
EPS % Chg YoY	7.0	(3.2)	8.5	9.4
P/E (x)	43.3	44.7	41.2	37.7
EV/EBITDA (x)	31.2	31.5	29.2	26.6
RoCE (%)	99.9	109.6	133.7	176.4
RoE (%)	81.2	87.2	106.3	139.5

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Market Data

Market Cap (INR)	622bn
Market Cap (USD)	7,080mn
Bloomberg Code	CLGT IN
Reuters Code	COLG.BO
52-week Range (INR)	3,360 /2,151
Free Float (%)	48.0
ADTV-3M (mn) (USD)	16.8

Price Performance (%)	3m	6m	12m
Absolute	0.1	(14.9)	(31.3)
Relative to Sensex	(2.1)	(20.5)	(36.9)

ESG Score	2024	2025	Change
ESG score	**72.5**	**75.6**	**3.1**
Environment	54.4	65.4	11.0
Social	71.9	75.7	3.8
Governance	87.0	83.4	(3.6)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(3.1)	(4.9)
EBITDA	(4.0)	(5.7)
EPS	(5.8)	(7.9)

Previous Reports

23-07-2025: Q1FY26 results review
22-05-2025: Q4FY25 results review

Valuation and risks

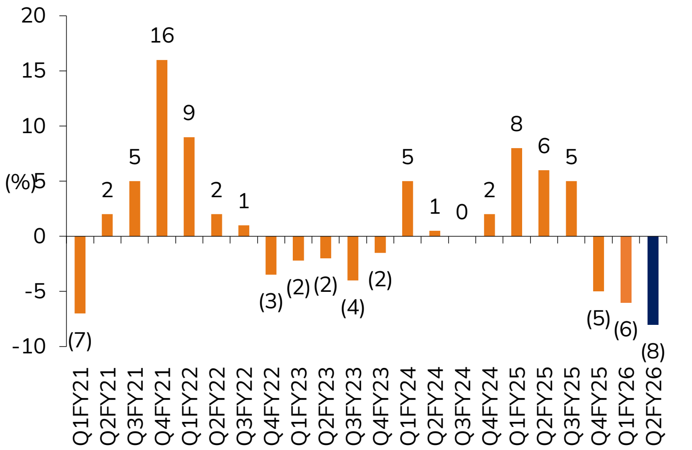
We cut our earnings estimates by ~6%/8% for FY26-27E, modelling revenue / EBITDA / PAT CAGR of 5 / 6 / 5 (%) over FY25-28E. At 40x P/E for Sep'27E, we maintain **SELL** on the stock with a DCF-based target price of INR 1,800. **Upside risks**: Lower competitive intensity and higher-than-expected market share gains.

Exhibit 1: Q2FY26 result review

INR mn	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Net Revenue	**15,195**	**16,191**	***(6.2)***	**14,341**	***6.0***	**29,536**	**31,158**	***(5.2)***
COGS	(4,642)	(5,093)	*(8.9)*	(4,456)	*4.2*	(9,098)	(9,486)	*(4.1)*
Gross profit	**10,553**	**11,098**	***(4.9)***	**9,884**	***6.8***	**20,437**	**21,672**	***(5.7)***
Staff cost	(1,181)	(1,184)	*(0.3)*	(1,182)	*(0.1)*	(2,363)	(2,307)	*2.4*
A&SP	(2,251)	(2,427)	*(7.3)*	(1,884)	*19.5*	(4,135)	(4,418)	*(6.4)*
Other opex	(2,467)	(2,514)	*(1.9)*	(2,293)	*7.6*	(4,760)	(4,890)	*(2.7)*
Total opex	**(5,899)**	**(6,125)**	***(3.7)***	**(5,359)**	***10.1***	**(11,257)**	**(11,615)**	***(3.1)***
EBITDA	**4,654**	**4,974**	***(6.4)***	**4,526**	***2.8***	**9,180**	**10,057**	***(8.7)***
Other income	150	760	*(80.2)*	179	*(16.2)*	330	994	*(66.8)*
Finance cost	(10)	(12)		(10)	*(2.9)*	(20)	(21)	
D&A	(372)	(417)	*(10.9)*	(375)	*(0.9)*	(747)	(832)	*(10.2)*
PBT	**4,423**	**5,305**	***(16.6)***	**4,320**	***2.4***	**8,742**	**10,197**	***(14.3)***
Tax	(1,148)	(1,354)	*(15.2)*	(1,113)	*3.1*	(2,261)	(2,607)	*(13.3)*
Recurring PAT	**3,275**	**3,951**	***(17.1)***	**3,206**	***2.2***	**6,481**	**7,590**	***(14.6)***
Extraordinary items	-	-		-		-	-	
Net profit (reported)	**3,275**	**3,951**	***(17.1)***	**3,206**	***2.2***	**6,481**	**7,590**	***(14.6)***
EPS	**12.0**	**14.5**	***(17.1)***	**11.8**	***2.2***	**23.8**	**27.9**	***(14.6)***
Costs as a % of sales								
COGS	30.5	31.5	-91 bps	31.1	-53 bps	30.8	30.4	35 bps
Gross margin (%)	**69.5**	**68.5**	**90 bps**	**68.9**	**52 bps**	**69.2**	**69.6**	**-36 bps**
Staff cost	7.8	7.3	45 bps	8.2	-48 bps	8.0	7.4	59 bps
A&SP	14.8	15.0	-18 bps	13.1	167 bps	14.0	14.2	-18 bps
Other opex	16.2	15.5	71 bps	16.0	25 bps	16.1	15.7	42 bps
EBITDA margin (%)	**30.6**	**30.7**	**-9 bps**	**31.6**	**-93 bps**	**31.1**	**32.3**	**-120 bps**
Income tax rate (%)	25.9	25.5	42 bps	25.8	17 bps	25.9	25.6	29 bps

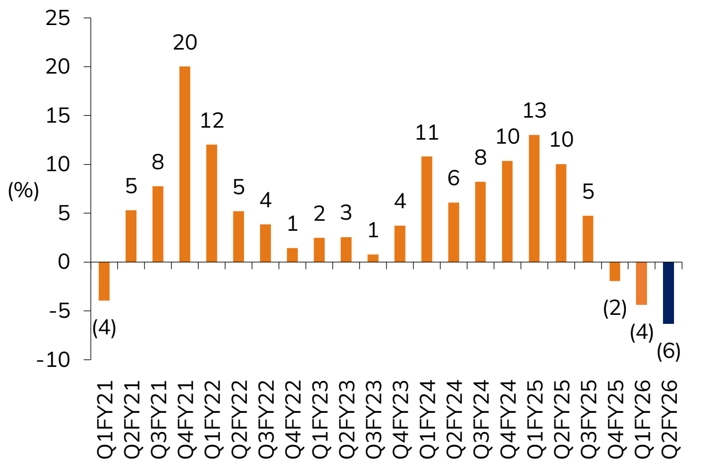
Source: Company data, I-Sec research

Exhibit 2: Volume growth – toothpaste



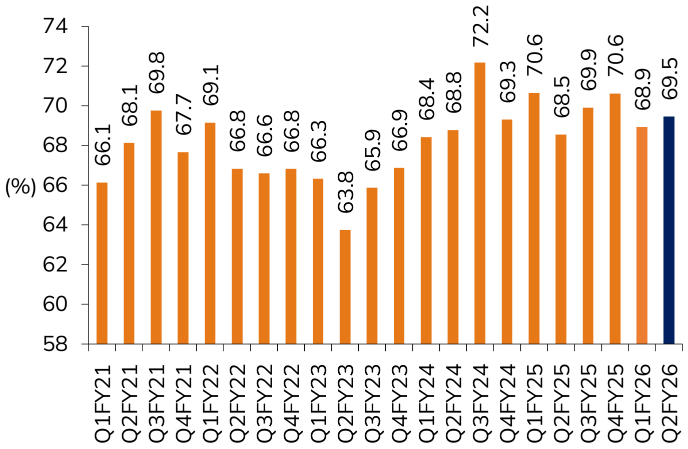
Source: Company data, I-Sec research

Exhibit 3: Revenue growth



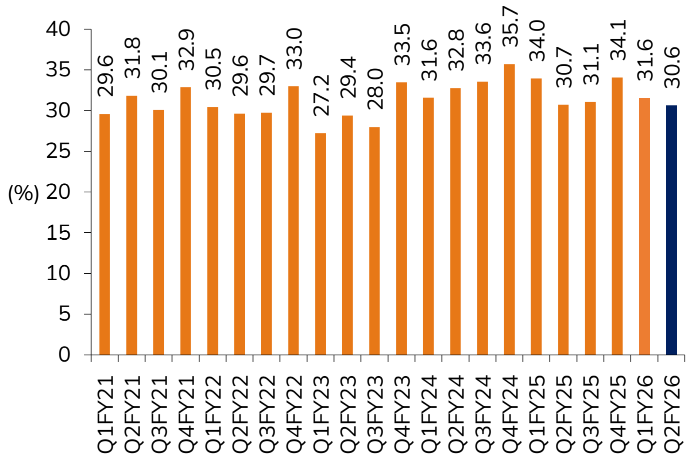
Source: Company data, I-Sec research

Exhibit 4: Gross margin



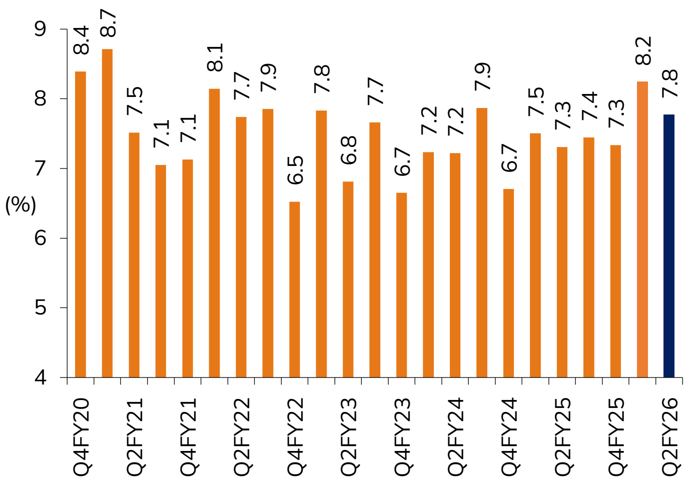
Source: Company data, I-Sec research

Exhibit 5: EBITDA margin



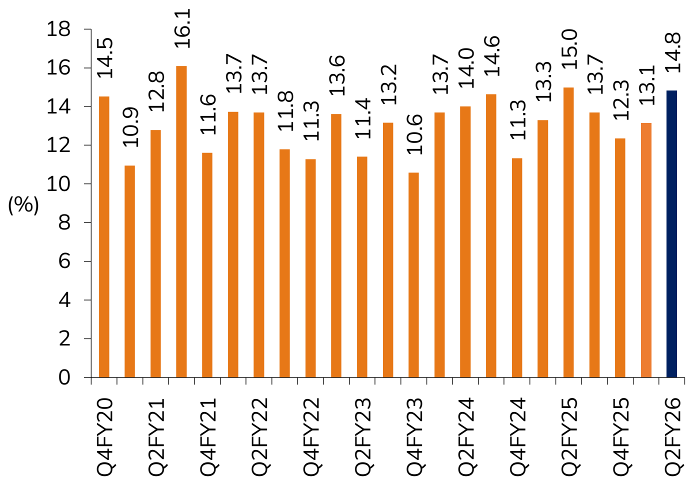
Source: Company data, I-Sec research

Exhibit 6: Staff cost as a % of sales



Source: Company data, I-Sec research

Exhibit 7: A&SP as a % of sales



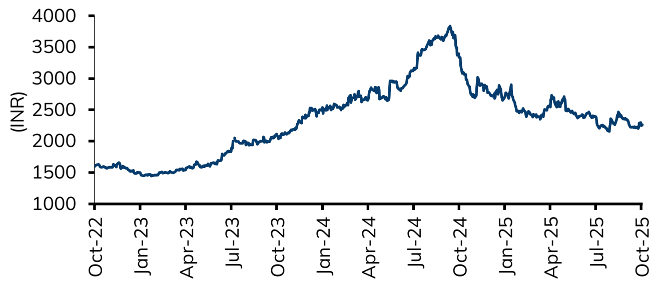
Source: Company data, I-Sec research

Exhibit 8: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	51.0	51.0	51.0
Institutional investors	30.3	30.0	29.5
MFs and others	4.7	5.2	5.5
FIs/Banks	0.5	0.5	0.7
Insurance	2.9	3.9	6.0
FIIs	22.2	20.4	17.3
Others	18.7	19.0	19.5

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**60,402**	**60,641**	**65,041**	**70,426**
Operating Expenses	40,821	41,257	44,101	47,396
EBITDA	**19,581**	**19,385**	**20,941**	**23,030**
EBITDA Margin (%)	32.4	32.0	32.2	32.7
Depreciation & Amortization	1,627	1,634	1,623	1,677
EBIT	17,953	17,751	19,318	21,353
Interest expenditure	43	45	48	50
Other Non-operating Income	1,388	971	992	854
Recurring PBT	**19,298**	**18,676**	**20,262**	**22,157**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	4,930	4,771	5,177	5,661
PAT	14,368	13,905	15,086	16,497
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**14,368**	**13,905**	**15,086**	**16,497**
Net Income (Adjusted)	**14,368**	**13,905**	**15,086**	**16,497**

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	17,627	18,539	17,738	16,346
of which cash & cash eqv.	10,951	11,891	10,661	8,742
Total Current Liabilities & Provisions	12,617	12,700	13,619	14,745
Net Current Assets	**5,010**	**5,839**	**4,119**	**1,601**
Investments	-	-	-	-
Net Fixed Assets	7,765	5,529	4,883	4,485
ROU Assets	-	-	-	-
Capital Work-in-Progress	384	384	384	384
Total Intangible Assets	-	-	-	-
Long Term Loans & Advances	3,730	3,743	4,013	4,345
Deferred Tax assets	-	-	-	-
Total Assets	**16,889**	**15,495**	**13,399**	**10,816**
Liabilities				
Borrowings	**-**	**-**	**-**	**-**
Deferred Tax Liability	**(680)**	**(680)**	**(680)**	**(680)**
Provisions	299	300	322	348
Other Liabilities	624	624	626	627
Equity Share Capital	272	272	272	272
Reserves & Surplus	16,373	14,978	12,859	10,248
Total Net Worth	**16,645**	**15,250**	**13,131**	**10,520**
Minority Interest	-	-	-	-
Total Liabilities	**16,889**	**15,495**	**13,399**	**10,816**

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending March)

	Dec 24	Mar 25	Jun 25	Sep 25
Net Sales	14,618	14,625	14,341	15,195
% growth (YOY)	4.7	(1.9)	(4.4)	(6.3)
EBITDA	4,544	4,980	4,526	4,654
Margin %	31.1	34.1	31.6	30.6
Other Income	204	191	179	150
Extraordinaries	-	-	-	-
Adjusted Net Profit	3,228	3,550	3,206	3,275

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**20,379**	**19,385**	**20,941**	**23,030**
Working Capital Changes	(815)	99	243	295
Capital Commitments	(714)	602	(977)	(1,279)
Free Cashflow	**13,230**	**15,314**	**15,030**	**16,385**
Other investing cashflow	**1,274**	**971**	**992**	**854**
Cashflow from Investing Activities	560	1,572	15	(425)
Issue of Share Capital	-	-	-	-
Interest Cost	(276)	(45)	(48)	(50)
Inc (Dec) in Borrowings	(175)	-	-	-
Dividend paid	(16,262)	(15,300)	(17,204)	(19,108)
Others	-	-	-	-
Cash flow from Financing Activities	(16,713)	(15,345)	(17,252)	(19,158)
Chg. in Cash & Bank balance	**(2,209)**	**939**	**(1,229)**	**(1,919)**
Closing cash & balance	10,951	11,891	10,661	8,742

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	52.8	51.1	55.5	60.6
Adjusted EPS (Diluted)	52.8	51.1	55.5	60.6
Cash EPS	58.8	57.1	61.4	66.8
Dividend per share (DPS)	51.0	58.0	65.0	72.0
Book Value per share (BV)	61.2	56.1	48.3	38.7
Dividend Payout (%)	96.5	113.5	117.2	118.7
Growth (%)				
Net Sales	6.3	0.3	7.2	8.3
EBITDA	3.0	(1.0)	8.0	10.0
EPS (INR)	7.0	(3.2)	8.5	9.4
Valuation Ratios (x)				
P/E	43.3	44.7	41.2	37.7
P/CEPS	38.9	40.0	37.2	34.2
P/BV	37.4	40.8	47.4	59.1
EV / EBITDA	31.2	31.5	29.2	26.6
P / Sales	10.4	10.3	9.6	8.9
Dividend Yield (%)	2.2	2.5	2.8	3.1
Operating Ratios				
Gross Profit Margins (%)	69.9	69.9	70.0	70.2
EBITDA Margins (%)	32.4	32.0	32.2	32.7
Effective Tax Rate (%)	25.5	25.5	25.5	25.5
Net Profit Margins (%)	23.8	22.9	23.2	23.4
Net Debt / Equity (x)	(0.7)	(0.8)	(0.8)	(0.8)
Net Debt / EBITDA (x)	(0.6)	(0.6)	(0.5)	(0.4)
Fixed Asset Turnover (x)	2.6	2.6	2.8	2.9
Working Capital Days	(37)	(36)	(38)	(38)
Inventory Turnover Days	23	23	23	23
Receivables Days	14	14	14	14
Payables Days	57	56	58	58
Profitability Ratios				
RoCE (%)	99.9	109.6	133.7	176.4
RoE (%)	81.2	87.2	106.3	139.5
RoIC (%)	249.9	292.0	493.5	748.6

Source Company data, I-Sec research

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