

Colgate-Palmolive (India)

29 January 2026

Growth turns positive; consistency, margins to be watched

RESULT UPDATE

Sector: FMCG	Rating: HOLD
CMP: Rs 2,111	Target Price: Rs 2,355

Stock Info

Sensex/Nifty	82,566 / 25,419
Bloomberg	CLGT IN
Equity shares (mn)	272
52-wk High/Low	Rs 2,975 / 2,033
Face value	Rs 1
M-Cap	Rs 573bn/US\$ 6.2bn
3-m Avg turnover	US\$ 8.6mn

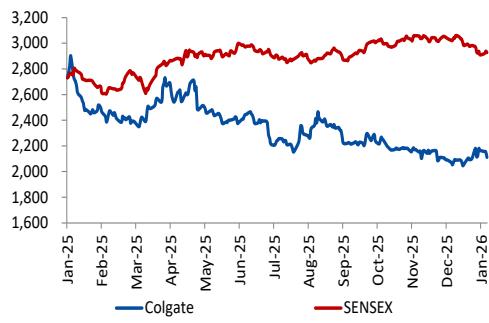
Financial Snapshot (Rs mn)

Y/E Mar	FY26E	FY27E	FY28E
Sales	59,849	64,152	68,448
PAT	13,141	14,389	15,562
EPS (Rs)	48.3	52.9	57.2
PE (x)	43.7	39.9	36.9
EV/EBITDA (x)	30.0	27.6	25.5
P/BV (x)	33.2	31.9	30.5
EV/Sales	9.4	8.7	8.2
RoE (%)	77.4	81.5	84.5
RoCE (%)	105.2	110.4	114.5
NWC (days)	(35)	(29)	(24)
Net gearing (x)	-	-	-

Shareholding pattern (%)

	Dec 25	Sep 25	Jun 25
Promoter	51.0	51.0	51.0
-Pledged	-	-	-
FII	15.2	17.2	20.4
DII	13.5	12.0	9.3
Others	20.3	19.9	19.3

Stock Performance (1-year)



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Growth turns positive, in-line earnings: Colgate-Palmolive India (CLGT) delivered 3QFY26 results in-line with our estimates but below consensus expectations. Topline growth turned the corner after 3 straight quarters of decline, logging a gain of 2% YoY (on a base of +5%) with flattish volumes. While **growth lagged peer Dabur** (toothpaste sales +10% YoY there), CLGT **management highlighted early positive signs seen in its core portfolio, even as premium segment growth in double-digits** maintained its strong momentum (led by recent science-backed product innovations such as *Visible White Purple*). CLGT **noted improving momentum across urban (c.60% of sales) and rural trade channels**, emerging from GST-related disruption. We believe **competitive intensity remains elevated in oral care** (also echoed by Dabur's commentary), likely keeping trade investments/ promotions at high levels. However, CLGT management **expects the growth momentum to accelerate** hereon with an improving demand environment.

Margins below 30% - lowest in 12 quarters: While gross margins (GPM) expanded 10bps YoY/ 50bps QoQ to 70%, operating margins (OPM) declined 135bps YoY/ 90bps QoQ to 29.7%, leading to EBITDA/ PAT declines of 3%/ 4% YoY respectively (6th successive quarter of PAT decline). Colgate continues to spend c.14% of its revenues in A&P, maintaining a high tempo of brand investments – an imperative in the current scenario of intense competition. Management had earlier guided for OPMs to be range-bound in the low-thirties (with sustained investments in category development and brand-building to drive higher product usage). Continuing with its regular slate of science-backed premium product launches, Colgate launched the *Visible White Purple Serum*, a whitening booster with color-correction technology to neutralize yellow tones.

Views: As we had noted during Colgate's 2Q26 results, we believe volume growth is now stabilizing, and should pick up over 4Q26/ FY27E with GST-related disruptions phasing out and the base normalizing. However, we expect realizations to remain pressured as CLGT maintains aggression in trade investments/ consumer promotions in the backdrop of elevated competitive intensity. Premium product launches backed by science/technology-based innovations should drive moderate mix improvement medium-term; however, we believe OPMs will inch up only marginally over FY27E-FY28E – absorbing reinvestment in elevated A&P spending, category development campaigns and trade spends on one hand, while benefiting from CLGT's high pricing power, mix improvement and cost savings on the other hand.

Valuation: We lower our FY26E-FY28E revenue/ PAT estimates by c.1%/ 3% to factor in a drawn-out demand recovery and moderate margin outlook; we build FY25-FY28E revenue/EPS CAGR of 4%. We maintain our HOLD rating on the stock; we roll over valuation to December-2027E (from September-2027E) and value the stock at P/E of 42x, in-line with its long-period average, leading to a revised TP of Rs 2,355 (vs Rs 2,500 earlier). We acknowledge CLGT's (1) strong brand equity, (2) potential for mix enrichment, (3) best-in-industry margins, and (4) strong pricing power, but await consistent growth revival and lower competitive intensity before turning more positive on the name.

Exhibit 1: Quarterly performance

YE March (Rs mn)	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Net Revenues	14,861	14,618	15,195	1.7	(2.2)
Cost of materials	3,722	3,454	3,937	7.8	(5.4)
(% of sales)	25.0	23.6	25.9		
Purchase of stock in trade	741	944	705	(21.6)	5.0
(% of sales)	5.0	6.5	4.6		
Gross Profit	10,398	10,220	10,553	1.7	(1.5)
Gross margin (%)	70.0%	69.9%	69.5%	6 bps	
Employee cost	1,178	1,088	1,181	8.3	(0.2)
(% of sales)	7.9	7.4	7.8		
Selling & admin	2,068	2,001	2,251	3.4	(8.1)
(% of sales)	13.9	13.7	14.8		
Others	2,731	2,587	2,467	5.6	10.7
(% of sales)	18.4	17.7	16.2		
EBITDA	4,420	4,544	4,654	(2.7)	(5.0)
EBITDA margin (%)	29.7	31.1	30.6	-134 bps	
Other income	175	204	150	(14.2)	16.4
PBIT	4,595	4,748	4,805	(3.2)	(4.4)
Depreciation	363	411	372	(11.9)	(2.5)
Finance cost	10	11	10	(12.6)	(2.0)
PBT	4,223	4,325	4,423	(2.4)	(4.5)
Tax	1,118	1,097	1,148	1.9	(2.6)
ETR (%)	26.5	25.4	25.9		
Adjusted PAT	3,105	3,228	3,275	(3.8)	(5.2)
PATAMI margin	20.9	22.1	21.6	-119 bps	
Exceptional item	(134)	0	0		
Reported PAT	3,239	3,228	3,275	0.3	(1.1)
No. of shares (mn)	272.0	272.0	272.0		
Adj EPS (Rs)	11.4	11.9	12.0		

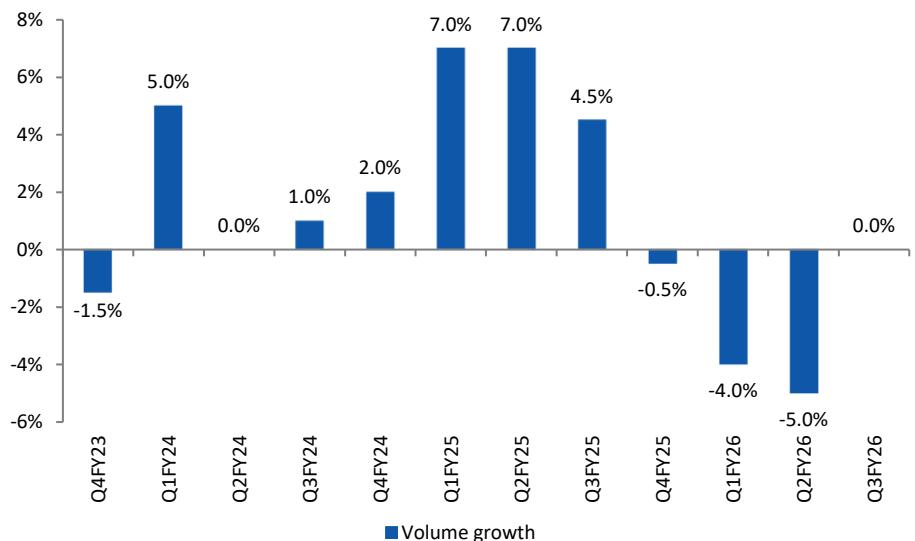
Source: Company, Systematix Research

Exhibit 2: Change in estimates

(Rs mn)	New estimates			Old estimates			Variance		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	59,849	64,152	68,448	60,384	64,725	69,059	-0.9%	-0.9%	-0.9%
EBITDA	18,673	20,304	21,869	19,293	20,874	22,479	-3.2%	-2.7%	-2.7%
Margins	31.2%	31.7%	32.0%	32.0%	32.3%	32.6%	-75 bps	-60 bps	-60 bps
EPS	48.3	52.9	57.2	50.1	54.6	59.0	-3.5%	-3.1%	-3.0%

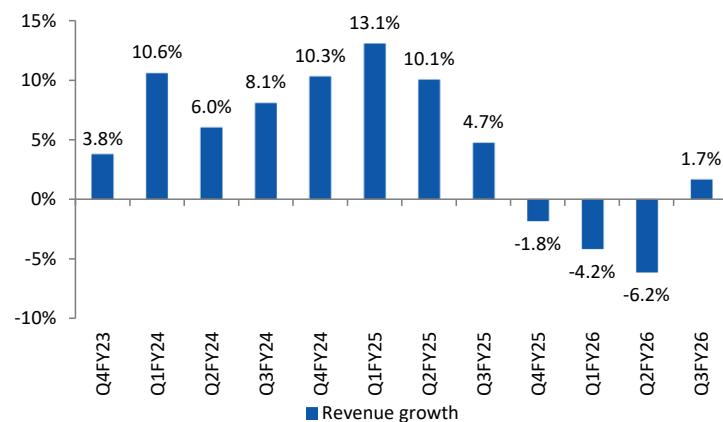
Source: Company, Systematix Research

Exhibit 3: Volumes remained flattish YoY (our est.)



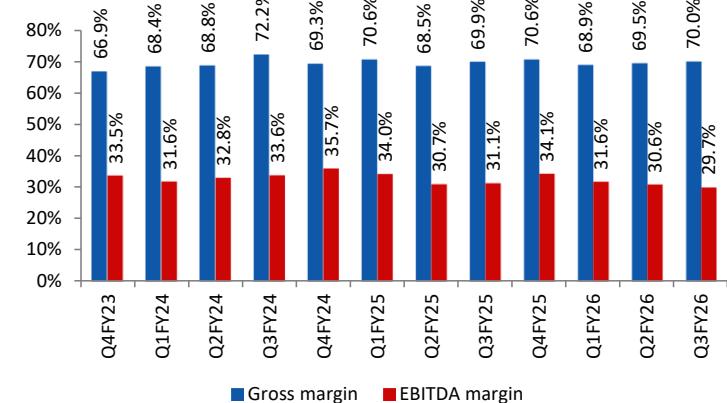
Source: Company, Systematix Research

Exhibit 4: Topline grew by 1.7% YoY



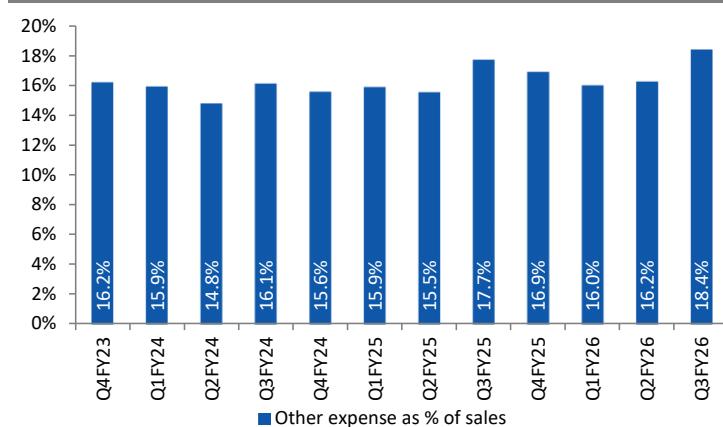
Source: Company, Systematix Research

Exhibit 5: Gross/EBITDA margins changed +6/ -134bps YoY



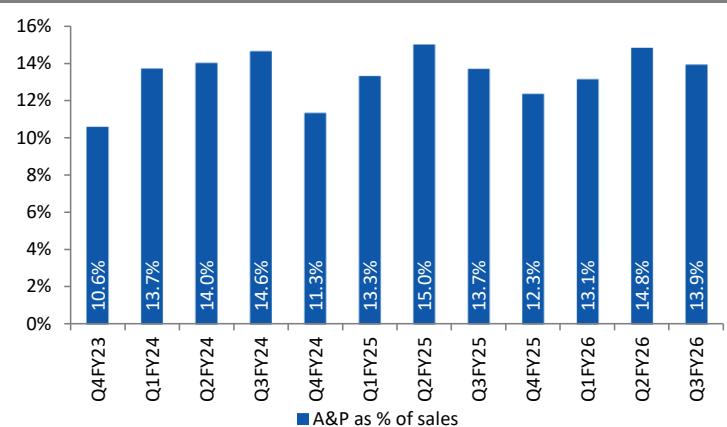
Source: Company, Systematix Research

Exhibit 6: Other expenses increased 70bps YoY to 16.2% of sales

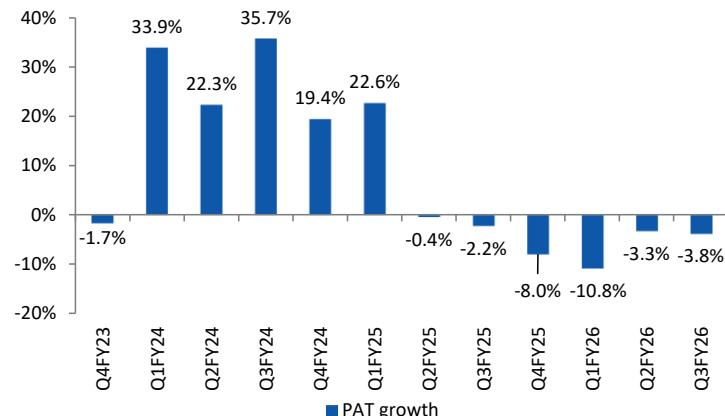


Source: Company, Systematix Research

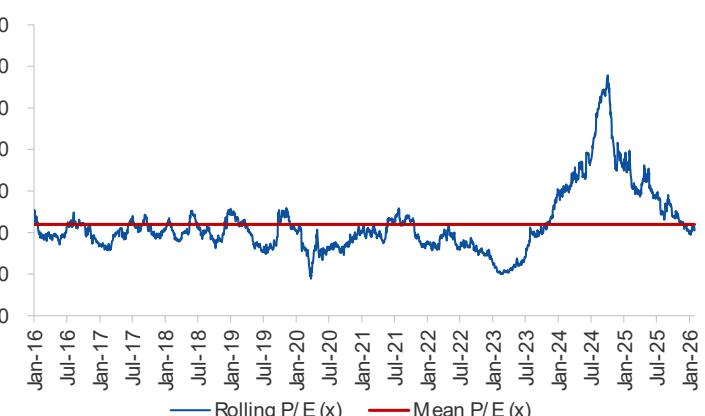
Exhibit 7: A&P spends contracted 20bps YoY to 14.8% of sales



Source: Company, Systematix Research

Exhibit 8: Adjusted PAT declined 3.8% YoY

Source: Company, Systematix Research

Exhibit 9: Trades at 41x 1-year forward P/E**Exhibit 10: New launch in 3QFY26 – Colgate Visible White Purple Serum**

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	56,804	60,402	59,849	64,152	68,448
Gross profit	39,574	42,219	41,655	44,906	48,119
GP margin (%)	69.7%	69.9%	69.6%	70.0%	70.3%
Operating profit	19,008	19,581	18,673	20,304	21,869
OP margin (%)	33.5%	32.4%	31.2%	31.7%	32.0%
Depreciation	1,715	1,627	1,480	1,534	1,576
Interest expense	50	43	45	50	50
Other income	765	741	655	721	793
Profit before tax	18,008	18,651	17,803	19,441	21,036
Taxes	4,577	4,946	4,662	5,052	5,475
Minorities	-	-	-	-	-
Tax rate (%)	25.4%	26.5%	26.2%	26.0%	26.0%
Adj. PAT	13,432	13,704	13,141	14,389	15,562
Exceptional loss	195	664	-	-	-
Net profit	13,237	14,368	13,141	14,389	15,562
EPS	49.4	50.4	48.3	52.9	57.2

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	272	272	272	272	272
Reserves	18,472	16,373	17,029	17,748	18,525
Debt	-	-	-	-	-
Deferred tax liab (net)	-	-	-	-	-
Other non current liabilities	828	769	819	769	719
Total liabilities	19,572	17,414	18,121	18,789	19,517
Fixed Asset	9,043	8,149	7,919	7,085	6,208
Investments	-	-	-	-	-
Other Non-current Assets	3,884	4,410	4,783	5,193	5,644
Inventories	2,964	3,773	3,443	3,867	4,126
Sundry debtors	1,674	2,262	2,296	2,461	2,625
Loans and Advances	662	641	688	726	765
Cash & equivalents	13,738	10,951	13,945	14,636	15,441
Sundry creditors	8,819	9,208	11,478	11,424	11,252
Other current liabilities	3,574	3,564	3,475	3,753	4,042
Total Assets	19,572	17,414	18,120	18,789	19,517

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBIT	18,058	18,694	17,848	19,491	21,086
Depreciation	1,715	1,627	1,480	1,534	1,576
Tax paid	(4,686)	(5,620)	(4,662)	(5,052)	(5,475)
Working capital Δ	(2,272)	(815)	2,430	(402)	(347)
Other operating items	(630)	(590)	-	-	-
Operating cashflow	11,990	13,945	17,097	15,572	16,840
Capital expenditure	(755)	(714)	(1,250)	(700)	(700)
Free cash flow	11,234	13,231	15,847	14,872	16,140
Equity raised	-	-	-	-	-
Investments	828	548	-	-	-
Debt financing/disposal	-	-	-	-	-
Interest Paid	-	-	(45)	(50)	(50)
Dividends paid	(11,670)	(16,262)	(12,485)	(13,670)	(14,784)
Other items	(282)	(451)	(323)	(460)	(501)
Net Δ in cash	829	(2,209)	2,994	691	805

Source: Company, Systematix Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Revenue growth (%)	8.7	6.3	-0.9	7.2	6.7
Op profit growth (%)	22.9	3.0	-4.6	8.7	7.7
Net profit growth (%)	26.9	2.0	-4.1	9.5	8.1
OPM (%)	33.5	32.4	31.2	31.7	32.0
Net profit margin (%)	23.6	22.7	22.0	22.4	22.7
RoCE (%)	100.6	105.6	105.2	110.4	114.5
RoNW (%)	74.8	77.5	77.4	81.5	84.5
EPS (Rs)	49.4	50.4	48.3	52.9	57.2
DPS (Rs)	58.0	51.0	45.9	50.3	54.4
BVPS (Rs)	68.9	61.2	63.6	66.3	69.1
Debtor days	11	14	14	14	14
Inventory days	19	23	21	22	22
Creditor days	57	56	70	65	60
P/E (x)	42.7	41.9	43.7	39.9	36.9
P/B (x)	30.6	34.5	33.2	31.9	30.5
EV/EBITDA (x)	29.5	28.8	30.0	27.6	25.5

Source: Company, Systematix Research

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