

Demand Remains Subdued; Maintain HOLD
Est. Vs. Actual for Q3FY25: Revenue – MISS; EBITDA – MISS ; PAT– MISS
Changes in Estimates post Q3FY25
FY26E/FY27E: Revenue: -1%/ -1%; EBITDA: -3%/ -3%; PAT: -3%/ -3%
Recommendation Rationale

- **Muted demand environment:** The company reported Q3FY25 revenue of Rs 1,452 Cr, up by ~5% YoY (mid-single-digit volume growth), a sharp decline from double-digit growth in H1FY25 impacted by a subdued demand environment, particularly in the urban market. However, the management emphasised that the positive momentum in their premium portfolio continues, led by science-backed innovations.
- **New launches:** CLGT launched the MaxFresh range with heart-shaped cooling crystals and 10x longer-lasting cooling effects. The product was launched exclusively on e-commerce and quick-commerce platforms.
- **Growth Drivers:** 1) Growth acceleration in the core portfolio through increased marketing spends, 2) Premiumisation through science-based innovations, 3) Driving category growth in Toothbrush and building personal care portfolio under Palmolive, and 4) Increasing usage frequency along with driving rural penetration.

Sector Outlook: Cautious

Company Outlook & Guidance: Management expects the near-term outlook to remain under pressure while continuing to focus on its core growth drivers. We have cut our FY26/FY27 estimates by 3% each to account for the weak near-term demand environment.

Current Valuation: 43x Dec'26 EPS (Earlier Valuation: 46x Dec'26 EPS).

Current TP: Rs 2,850/share (Earlier TP: Rs 3,150/share).

Recommendation With an upside 6% from the CMP, we **maintain our HOLD rating** on the stock.

Financial Performance: The company reported revenue growth of ~5% YoY (mid-single-digit volume growth), a decline from the double-digit growth seen in H1FY25, impacted by a subdued demand environment. Gross margin declined by 228 bps YoY to 69.7%, while EBITDA decreased by 3% YoY, with EBITDA margins down 250 bps to 31.3% due to higher input costs and a 15% YoY increase in other expenses. The company's Adjusted PAT stood at Rs 323 Cr, a decline of 2% YoY.

Outlook & Recommendation

We appreciate the company's overall long-term strategy, which focuses on driving top-line growth through initiatives such as 1) Launching science-based premium products to enhance overall realisations, 2) Developing the category by increasing awareness through marketing initiatives, 3) Increasing the frequency of consumption and penetration in rural markets, and 4) Expanding the personal care portfolio to mitigate risks associated with the slow-growing oral care category.

However, we believe this strategy will have a long gestation period and will require consistent investment in market development (higher marketing and ad spends). Moreover, the weak demand environment will further put pressure on the company's bottom line in the near term. Hence, we remain cautious about Colgate from a near-term perspective and **maintain our HOLD stance on the stock.**

Key Financials (Standalone)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,452	(9.8)	4.7	1,471	(1.3)
EBITDA	454	(8.6)	(3.0)	464	(2.1)
EBITDA Margin (%)	31.3	38 bps	-250 bps	31.5	-26 bps
Net Profit	323	(18.3)	(2.2)	326	(1.1)
EPS (Rs)	11.9	(18.3)	(2.2)	12.0	(1.1)

Source: Company, Axis Research

 (CMP as of 28th January 2025)

CMP (Rs)	2679
Upside /Downside (%)	6%
High/Low (Rs)	3893/2475
Market cap (Cr)	72874
Avg. daily vol.(6m) Shrs '000.	534
No. of shares (Cr)	27

Shareholding (%)

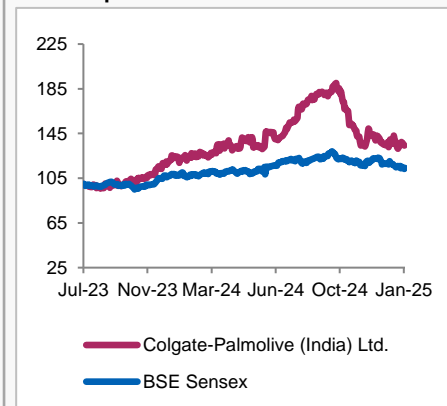
	Jun-24	Sep-24	Dec-24
Promoter	51.0	51.0	51.0
FIIs	24.4	24.9	23.7
MFs / UTI	3.2	3.6	4.2
FIs/ Banks	0.0	0.0	0.0
Others	21.3	20.5	21.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	6,160	6,855	7,630
EBITDA	2,033	2,315	2,609
Net Profit	1,482	1,646	1,860
EPS (Rs.)	54.5	60.5	68.4
PER (x)	49.2	44.3	39.2
EV/EBITDA (x)	35.2	30.9	27.3
P/BV (x)	42.9	45.4	44.4
ROE (%)	87.2	102.5	113.4

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-1%	-1%
EBITDA	-3%	-3%
PAT	-3%	-3%

Relative performance


Source: Ace Equity, Axis Securities

Preeyam Tolia

 Research Analyst
 email: preeyam.tolia@axissecurities.in

Suhanee Shome

 Research Associate
 email: suhanee.shome@axissecurities.in

Key Risks to Our Estimates and TP

- Increase in competitive intensity; Prolonged demand recovery; RM inflation

Change in Estimates

	Old		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	6,919	7,701	6,855	7,630	-1%	-1%
EBITDA	2,395	2,697	2,315	2,609	-3%	-3%
PAT	1,701	1,921	1,646	1,860	-3%	-3%
EPS	62.5	70.6	60.5	68.4	-3%	-3%

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q3FY24	Q2FY25	Axis Est.	Q3FY25	YoY growth %	QoQ growth (%)	Axis Sec Var. (%)
Net Sales	1,386	1,609	1,471	1,452	4.7	(9.8)	(1.3)
Gross Profits	998	1,100	1,029	1,012	1.4	(8.0)	(1.7)
Gross Margin (%)	72.0	68.4	70.0	69.7	-228 bps	136 bps	-29 bps
Staff costs	110	118	115	109	(0.9)	(8.0)	(5.6)
Ad spends	204	243	229	200	(2.0)	(17.6)	(12.5)
Other operating expenses	225	251	232	259	15.1	2.9	11.7
EBITDA	468	497	464	454	(3.0)	(8.6)	(2.1)
EBITDA margin (%)	33.8	30.9	31.5	31.3	-250 bps	38 bps	-26 bps
Depreciation	-41	-42	-42	-41	(0.6)	(1.4)	(2.4)
EBIT	427	456	422	413	(3.2)	(9.3)	(2.0)
Interest	-2	-1	-1	-1	(26.5)	(3.5)	(8.1)
Other Income	18	76	21	20	14.0	(73.2)	(0.8)
PBT	443	530	441	433	(2.5)	(18.5)	(2.0)
Tax rate (%)	26	26	26	25	-18 bps	-15 bps	-63 bps
Rep PAT	330	395	326	323	(2.2)	(18.3)	(1.1)
EPS	12.1	14.5	12.0	11.9	(2.2)	(18.3)	(1.1)

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	5,644	6,160	6,855	7,630
Growth, %	9	9	11	11
Other operating income	36	40	44	48
Total income	5,680	6,200	6,899	7,678
Raw material expenses	(1,723)	(1,878)	(2,056)	(2,283)
Employee expenses	(412)	(473)	(521)	(578)
Other Operating expenses	(1,645)	(1,816)	(2,006)	(2,208)
EBITDA (Core)	1,901	2,033	2,315	2,609
Growth, %	23	7	14	13
Margin, %	34	33	34	34
Depreciation	(172)	(179)	(186)	(193)
EBIT	1,729	1,854	2,129	2,416
Growth, %	26	7	15	13
Margin, %	31	30	31	32
Other Income	77	138	83	83
Non-recurring Items	-	-	-	-
Pre-tax profit	1,801	1,987	2,207	2,494
Tax provided	(458)	(505)	(561)	(634)
Profit after tax	1,343	1,482	1,646	1,860
Net Profit	1,343	1,482	1,646	1,860
Growth, %	27	10	11	13
Net Profit (adjusted)	1,338	1,482	1,646	1,860
Unadj. shares (cr)	27	27	27	27

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	1,374	1,312	1,365	1,558
Debtors	167	183	203	226
Inventory	296	338	376	418
Loans & advances	7	7	7	7
Other current assets	60	60	60	60
Total current assets	1,904	1,899	2,010	2,268
Investments	-	-	-	-
Gross fixed assets	2,219	2,309	2,399	2,489
Less: Depreciation	(1,425)	(1,604)	(1,790)	(1,983)
Add: Capital WIP	110	110	110	110
Net fixed assets	904	815	719	616
Non-current assets	26	26	26	26
Total assets	3,132	3,038	3,053	3,208
Current liabilities	1,239	1,320	1,429	1,550
Provisions	22	22	22	22
Total current liabilities	1,261	1,342	1,450	1,571
Non-current liabilities	(4)	(4)	(4)	(4)
Total liabilities	1,257	1,338	1,447	1,568
Paid-up capital	27	27	27	27
Reserves & surplus	1,847	1,673	1,580	1,614
Shareholders' equity	1,874	1,700	1,607	1,641
Total equity & liabilities	3,132	3,038	3,053	3,208

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,801	1,987	2,207	2,494
Depreciation	172	179	186	193
Chg in working capital	257	24	50	56
Total tax paid	(494)	(505)	(561)	(634)
Cash flow from operating activities	1,736	1,685	1,882	2,109
Capital expenditure	(100)	(90)	(90)	(90)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	(100)	(90)	(90)	(90)
Free cash flow	1,636	1,595	1,792	2,019
Equity raised/(repaid)	3	0	-	-
Dividend (incl. tax)	(1,578)	(1,656)	(1,739)	(1,826)
Cash flow from financing activities	(1,575)	(1,656)	(1,739)	(1,826)
Net chg in cash	61	(61)	53	193
Opening cash balance	923	1,374	1,312	1,365
Closing cash balance	1,374	1,312	1,365	1,558

Source: Company, Axis Securities

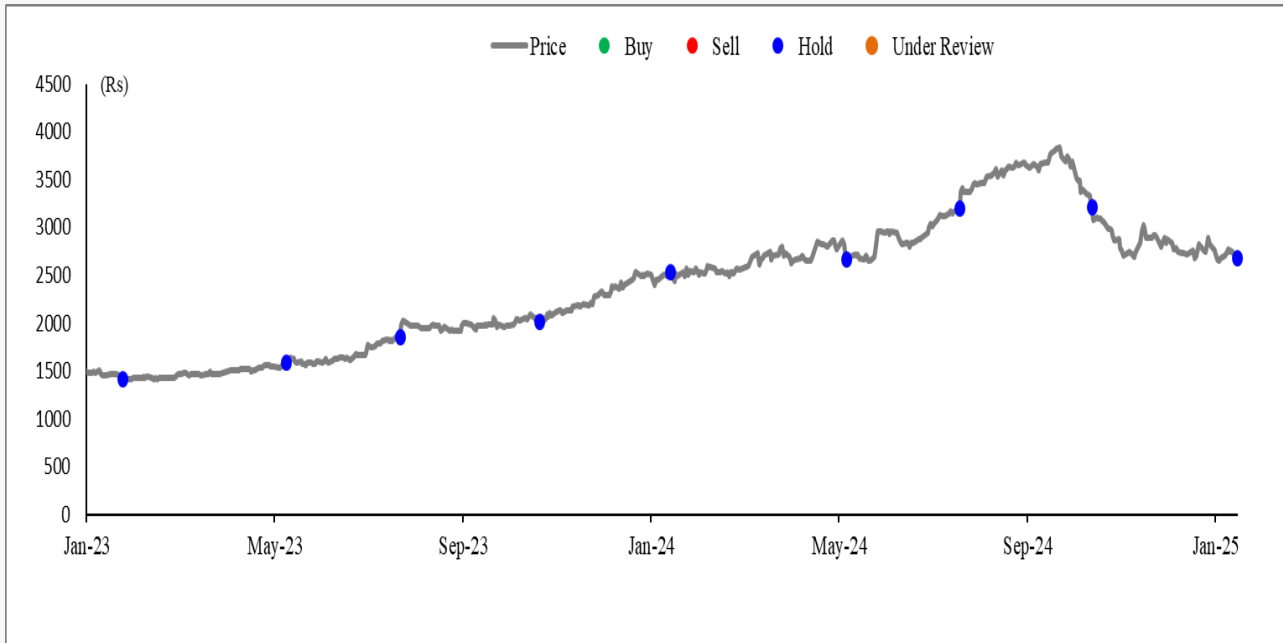
Ratio Analysis

(%)

	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	49.2	54.5	60.5	68.4
Growth, %	26.9	10.3	11.1	13.0
Book NAV/share (INR)	68.9	62.5	59.1	60.3
FDEPS (INR)	49.4	54.5	60.5	68.4
CEPS (INR)	55.7	61.1	67.4	75.5
CFPS (INR)	60.8	56.9	66.2	74.5
DPS (INR)	58.0	60.9	63.9	67.1
Return ratios				
Return on assets (%)	45.0	48.2	54.2	59.6
Return on equity (%)	71.7	87.2	102.5	113.4
Return on capital employed (%)	73.6	82.3	98.8	113.6
Turnover ratios				
Asset turnover (x)	19.1	79.7	(131.2)	(37.3)
Sales/Total assets (x)	1.9	2.0	2.3	2.4
Sales/Net FA (x)	6.0	7.2	8.9	11.4
Working capital/Sales (x)	(0.1)	(0.1)	(0.1)	(0.1)
Receivable days	10.8	10.8	10.8	10.8
Inventory days	19.2	20.0	20.0	20.0
Payable days	85.2	84.3	85.3	85.8
Working capital days	(45.9)	(43.5)	(41.7)	(40.1)
Liquidity ratios				
Current ratio (x)	1.5	1.4	1.4	1.5
Quick ratio (x)	1.3	1.2	1.1	1.2
Net debt/Equity (%)	(73.3)	(77.2)	(85.0)	(95.0)
Valuation				
PER (x)	54.2	49.2	44.3	39.2
PEG (x) - y-o-y growth	2.0	4.8	4.0	3.0
Price/Book (x)	38.9	42.9	45.4	44.4
EV/Net sales (x)	12.7	11.6	10.4	9.3
EV/EBITDA (x)	37.6	35.2	30.9	27.3
EV/EBIT (x)	41.3	38.6	33.6	29.5

Source: Company, Axis Securities

Colgate Palmolive Price Chart and Recommendation History



Date	Reco	TP	Research
25-Jan-23	HOLD	1,550	Result Update
15-May-23	HOLD	1,720	Result Update
27-Jul-23	HOLD	1,830	Result Update
27-Oct-23	HOLD	2,100	Result Update
23-Jan-24	HOLD	2,350	Result Update
16-May-24	HOLD	2,500	Result Update
30-Jul-24	HOLD	3,050	Result Update
25-Oct-24	HOLD	3,150	Result Update
29-Jan-25	HOLD	2,850	Result Update

Source: Axis Securities Research

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.