REDUCE Colgate-Palmolive

Inline 1Q; weak outlook on growth and margins

Emkay — Your success is our success

Consumer Goods ▸ Result Update ▸ **July 29, 2026**

CMP (Rs): 2,166 | TP (Rs): 2,050

Colgate's 1QFY27 revenue was 2% above consensus' estimates while EBITDA and PAT were in-line. Revenue grew in double digits (+12% yoy) – the strongest growth in the last 8 quarters, albeit on a low base. Volume grew in a high single digit (-4%) on a low base. On 2Y CAGR basis, volume growth was still weak, at 1.4%. Gross margin expanded by 100bps yoy, led by better mix and cost efficiencies. Colgate re-invested the gross margin improvement, aimed at driving growth – which is encouraging. EBITDA margin declined by 140bps yoy due to sharp rise in A&P spends (+34% yoy) and impact from the inverted duty structure (IDS). We expect revenue growth to be strong in 2Q on a favorable base; however, it is likely to decline sequentially to a mid-to-high single digit in 2HFY27 amid elevated competitive intensity (from larger FMCG players as well as D2C brands) and log more in line with category growth. The company is focusing on driving growth in the premium portfolio which should aid gross margin. However, EBITDA margin is likely to remain under pressure mainly due to higher A&P spends toward driving growth (IDS impact will come in the base from 3Q, though). We marginally change our estimates and forecast sales/earnings CAGR of ~8% over FY26-29E. We maintain REDUCE and TP of Rs2,050 (35x Jun-28E EPS) due to weak outlook on both growth and margins.

1QFY27 result summary

Revenue grew ~12% yoy on a low base (-4% in 1QFY26), coming 2-3% above our and consensus' estimates. Volume growth was strong at a high single digit, albeit on a low base. Gross margin expanded by 100bps yoy (up by 10bps qoq) to ~70%, likely aided by better mix, cost efficiency, and calibrated pricing actions. However, EBITDA margin declined by 140bps yoy to ~30.1% on account of higher A&P spends (+34% yoy) and impact from the inverted duty structure (~60bps, per our calculation). Adj PAT grew 8% yoy (in line with consensus), led by higher other income and lower depreciation expense.

Other details

1) Premium toothpaste portfolio witnessed strong growth during the quarter, alongside sustained growth in the core portfolio. 2) Gross margin expansion was on the back of better mix (higher growth in premium) and cost-saving initiatives. Gross margin improvement was ploughed back for brand-building and driving category premiumization, per the management. 3) Commodity prices have turned more volatile due to geopolitical uncertainties, and the company plans to manage its margin profile through cost efficiencies and calibrated pricing actions. 4) New launches: In toothpaste, the company launched 'Colgate MaxFresh Berry Blast' with its proprietary Ultrafreeze technology. In toothbrush, the company launched 'Colgate Total Active Prevention Foaming Clean Toothbrush', which is priced at the premium-end.

Target Price – 12M	Jun-27
Change in TP (%)	-
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(5.4)

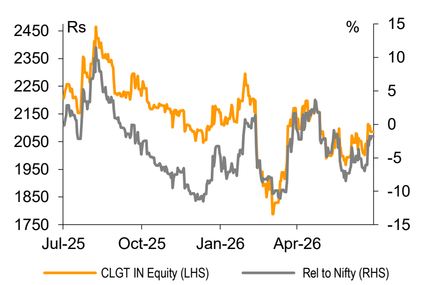
Stock Data	**CLGT IN**
52-week High (Rs)	2,505
52-week Low (Rs)	1,782
Shares outstanding (mn)	272.0
Market-cap (Rs bn)	589
Market-cap (USD mn)	6,161
Net-debt, FY27E (Rs mn)	(12,003.5)
ADTV-3M (mn shares)	0.4
ADTV-3M (Rs mn)	853.3
ADTV-3M (USD mn)	8.9
Free float (%)	49.0
Nifty-50	24,250.2
INR/USD	95.6

Shareholding,Jun-26	
Promoters (%)	51.0
FPIs/MFs (%)	13.6/15.8

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	8.4	1.6	(2.2)
Rel. to Nifty	7.0	1.3	0.1

1-Year share price trend (Rs)



Colgate-Palmolive: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	60,402	60,350	65,169	70,103	75,885
EBITDA	19,581	18,697	20,140	21,822	24,089
Adj. PAT	14,352	13,432	14,489	15,788	16,997
Adj. EPS (Rs)	52.8	49.4	53.3	58.0	62.5
EBITDA margin (%)	32.4	31.0	30.9	31.1	31.7
EBITDA growth (%)	3.0	(4.5)	7.7	8.4	10.4
Adj. EPS growth (%)	6.9	(6.4)	7.9	9.0	7.7
RoE (%)	81.1	82.7	89.7	92.1	93.5
RoIC (%)	281.7	431.0	602.1	448.4	742.8
P/E (x)	41.0	44.5	40.7	37.3	34.7
EV/EBITDA (x)	29.5	30.7	28.7	26.3	23.8
P/B (x)	35.4	37.2	35.8	33.0	31.8
FCFF yield (%)	2.3	3.0	1.8	2.8	3.1

Source: Company, Emkay Research

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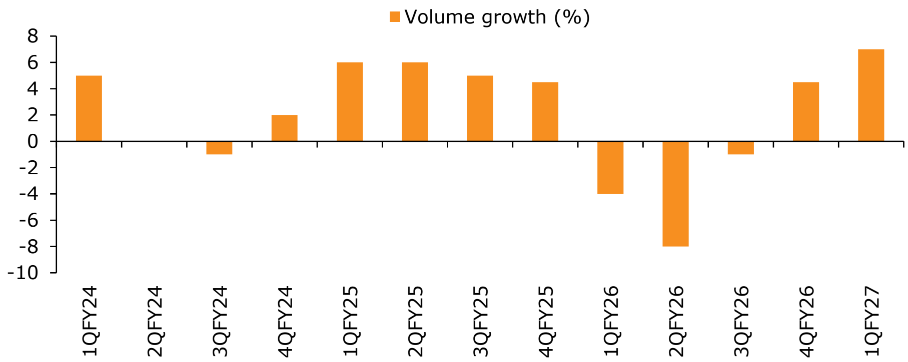
Exhibit 1: Quarterly trend in key financials

(Rs mn)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)
Revenue	**14,341**	**15,195**	**14,861**	**15,954**	**16,033**	**11.8**	**0.5**
Cost of goods	4,456	4,642	4,463	4,809	4,815	8.1	0.1
Gross profit	**9,884**	**10,553**	**10,398**	**11,144**	**11,218**	**13.5**	**0.7**
Gross margin (%)	**68.9**	**69.5**	**70.0**	**69.9**	**70.0**	**100bps**	**10bps**
Employee expenses	1,182	1,181	1,178	1,208	1,293	9.4	7.0
Advertising expenses	1,884	2,251	2,068	1,991	2,519	33.7	26.5
Other expenses	2,293	2,467	2,731	2,849	2,577	12.4	-9.6
EBITDA	**4,526**	**4,654**	**4,420**	**5,096**	**4,830**	**6.7**	**-5.2**
EBITDA margin	**31.6**	**30.6**	**29.7**	**31.9**	**30.1**	**-140bps**	**-180bps**
Depreciation	375	372	363	351	392	4.4	11.8
EBIT	**4,150**	**4,282**	**4,058**	**4,746**	**4,438**	**6.9**	**-6.5**
EBIT margin (%)	**28.9**	**28.2**	**27.3**	**29.7**	**27.7**	-130bps	-210bps
Interest cost	10	10	10	8	10	1.0	27.2
Other income	179	150	175	169	228	27.1	35.2
PBT	**4,320**	**4,423**	**4,223**	**4,906**	**4,655**	**7.8**	**-5.1**
Tax	1,113	1,148	1,118	1,278	1,191	7.0	-6.8
Tax rate (%)	25.8	25.9	26.5	26.1	25.6	-20bps	-50bps
Non-recurring items	0	0	134	-95	-33	**nm**	-64.8
PAT	**3,206**	**3,275**	**3,239**	**3,533**	**3,431**	7.0	-2.9
Adj Profit	**3,206**	**3,275**	**3,105**	**3,628**	**3,464**	**8.0**	**-4.5**
Net profit margin (%)	**22.4**	**21.6**	**20.9**	**22.7**	**21.6**	**-80bps**	**-110bps**

Source: Company, Emkay Research

Volume growth improved sequentially to a high single digit on a low base, but remained weak (1.4%) on 2Y CAGR basis

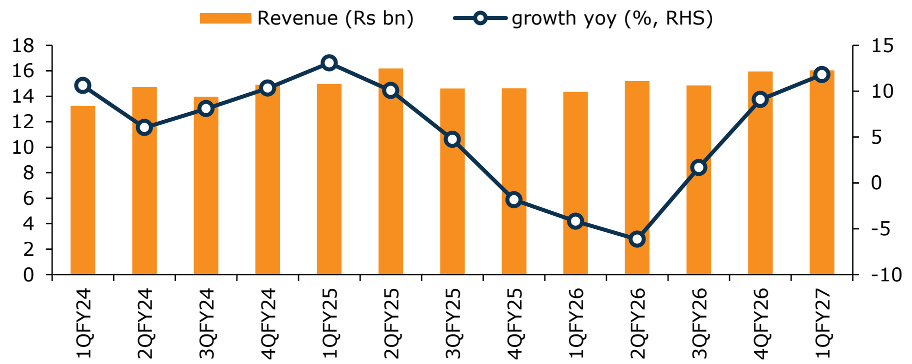
Exhibit 2: Colgate reported a high single-digit volume growth in 1Q



Source: Company, Emkay Research

Revenue growth was supported by a favorable base

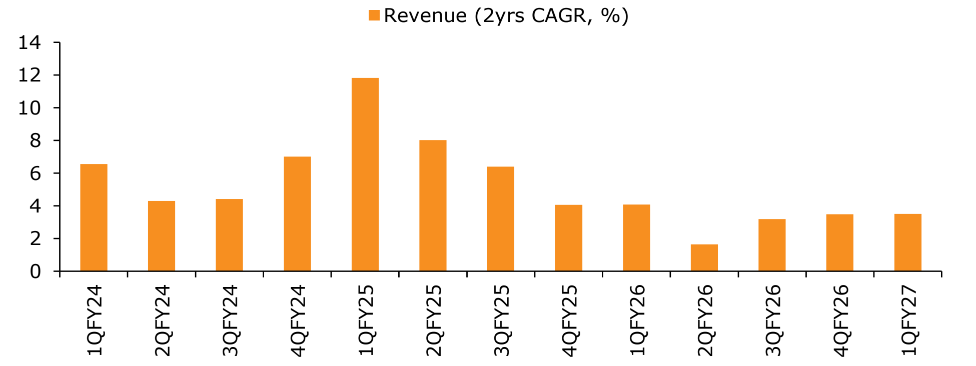
Exhibit 3: Revenue grew ~12% yoy, above our and consensus' estimates



Source: Company, Emkay Research

On 2Y CAGR basis, sales growth was flat sequentially at 3.5% yoy

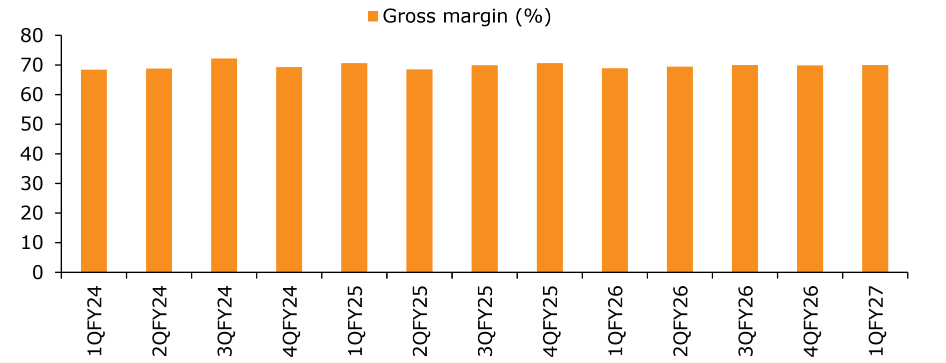
Exhibit 4: Trend in 2Y revenue CAGR



Source: Company, Emkay Research

Gross margin was aided by improved mix, cost savings, and calibrated pricing actions

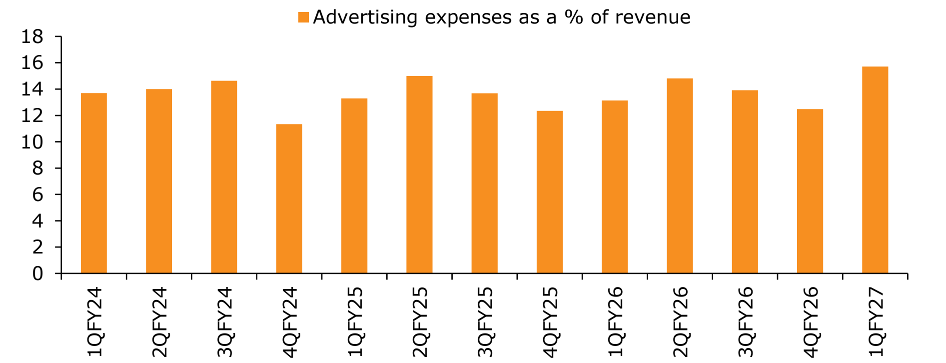
Exhibit 5: Gross margin expanded by 110bps yoy to ~70%



Source: Company, Emkay Research

A&P spends rose sharply (+34% yoy) on account of investments in brand-building activities and driving category premiumization

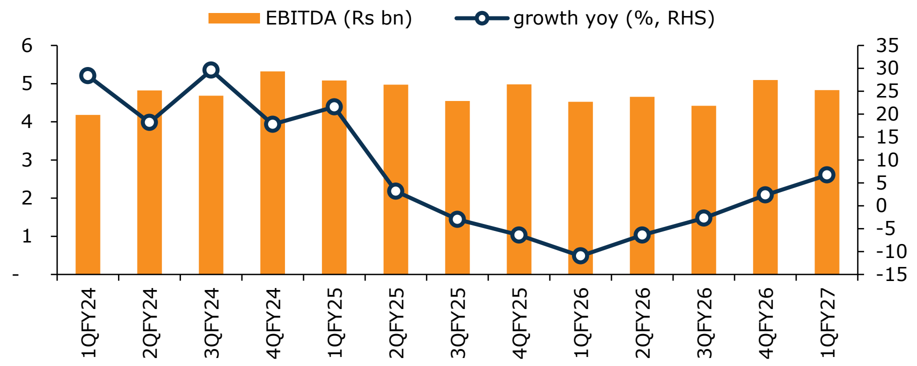
Exhibit 6: Colgate stepped up A&P expenses as a % of revenue to 15.7% (vs 13.1% in the base)



Source: Company, Emkay Research

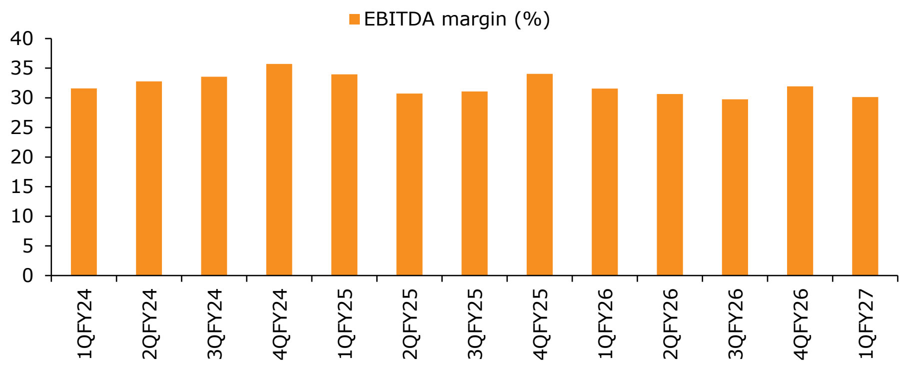
EBITDA growth continued to improve sequentially, reaching 7% in 1QFY27

Exhibit 7: EBITDA grew ~7% yoy, broadly in line with consensus' estimates, albeit 3% above our estimate



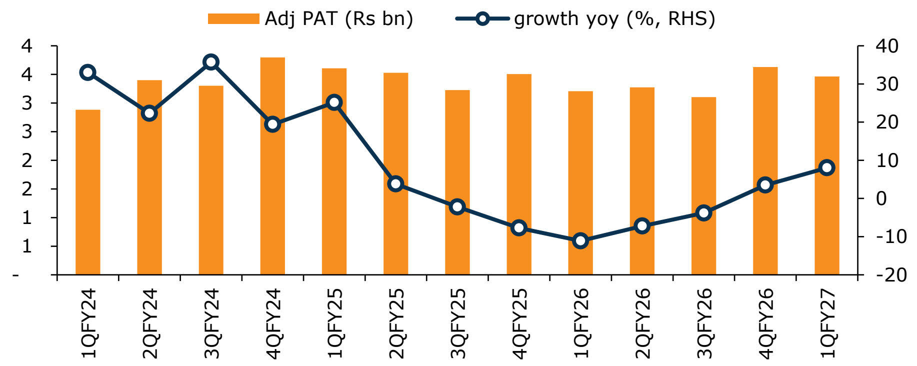
Source: Company, Emkay Research

Exhibit 8: EBITDA margin contracted by ~140bps yoy to ~30.1%, due to increase in ad spends



Source: Company, Emkay Research

Exhibit 9: Adj PAT grew ~8% yoy, in line with consensus (ahead of our estimate by 2%), led by higher other income and lower depreciation



Source: Company, Emkay Research

Exhibit 10: Changes in estimates

Rs mn	New			Old			Change		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	65,169	70,103	75,885	64,357	69,231	74,940	1%	1%	1%
EBITDA	20,140	21,822	24,089	19,874	21,463	23,608	1%	2%	2%
EBITDA margin	30.9%	31.1%	31.7%	30.9%	31.0%	31.5%	2bps	13bps	24bps
Adj PAT	14,489	15,788	16,997	14,276	15,506	16,585	1%	2%	2%
EPS (Rs)	53.3	58.0	62.5	52.5	57.0	61.0	1%	2%	2%

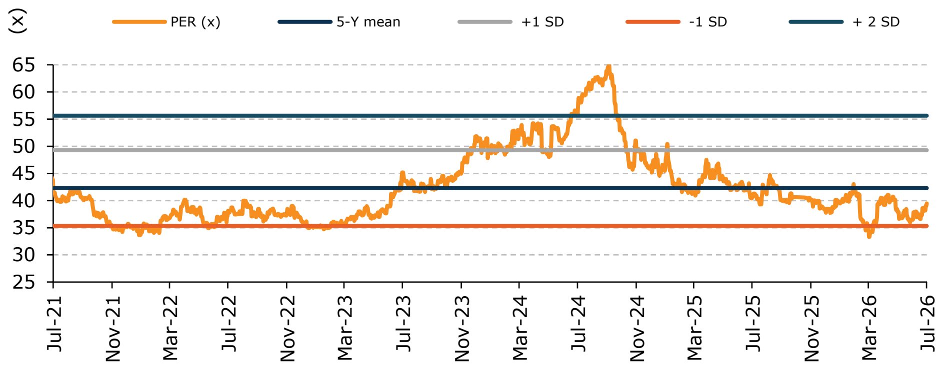
Source: Company, Emkay Research

Exhibit 11: Emkay vs consensus estimates

Rs mn	Emkay estimates			Consensus estimates			Emkay vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	65,169	70,103	75,885	65,205	70,041	75,400	0%	0%	1%
EBITDA	20,140	21,822	24,089	20,126	22,056	23,957	0%	-1%	1%
EBITDA margin	30.9%	31.1%	31.7%	30.9%	31.5%	31.8%	4bps	-36bps	-3bps
Adj PAT	14,489	15,788	16,997	14,545	15,981	17,380	0%	-1%	-2%
EPS (Rs)	53.3	58.0	62.5	53.5	58.8	63.9	0%	-1%	-2%

Source: Company, Emkay Research

Exhibit 12: Colgate 1-year forward PE is trading below its '-1SD' levels



Source: Company, Emkay Research

Colgate-Palmolive: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**60,402**	**60,350**	**65,169**	**70,103**	**75,885**
Revenue growth (%)	6.3	(0.1)	8.0	7.6	8.2
EBITDA	**19,581**	**18,697**	**20,140**	**21,822**	**24,089**
EBITDA growth (%)	3.0	(4.5)	7.7	8.4	10.4
Depreciation & Amortization	1,627	1,461	1,520	1,571	1,629
EBIT	**17,953**	**17,236**	**18,620**	**20,251**	**22,461**
EBIT growth (%)	3.8	(4.0)	8.0	8.8	10.9
Other operating income	410	515	500	550	605
Other income	1,388	891	739	841	243
Financial expense	43	38	40	41	42
PBT	**19,298**	**18,089**	**19,319**	**21,051**	**22,662**
Extraordinary items	16	(179)	0	0	0
Taxes	4,946	4,658	4,830	5,263	5,666
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**14,368**	**13,253**	**14,489**	**15,788**	**16,997**
PAT growth (%)	8.5	(7.8)	9.3	9.0	7.7
Adjusted PAT	**14,352**	**13,432**	**14,489**	**15,788**	**16,997**
Diluted EPS (Rs)	**52.8**	**49.4**	**53.3**	**58.0**	**62.5**
Diluted EPS growth (%)	6.9	(6.4)	7.9	9.0	7.7
DPS (Rs)	**60.0**	**51.0**	**51.0**	**53.0**	**60.0**
Dividend payout (%)	**113.6**	**104.7**	**95.7**	**91.3**	**96.0**
EBITDA margin (%)	32.4	31.0	30.9	31.1	31.7
EBIT margin (%)	29.7	28.6	28.6	28.9	29.6
Effective tax rate (%)	25.6	25.7	25.0	25.0	25.0
NOPLAT (pre-IndAS)	**13,352**	**12,798**	**13,965**	**15,188**	**16,846**
Shares outstanding (mn)	272	272	272	272	272

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	272	272	272	272	272
Reserves & Surplus	16,373	15,569	16,186	17,559	18,235
Net worth	**16,645**	**15,841**	**16,458**	**17,831**	**18,507**
Minority interests	0	0	0	0	0
Non-current liab. & prov.	(680)	(820)	(820)	(820)	(820)
Total debt	**0**	**0**	**0**	**0**	**0**
Total liabilities & equity	**16,889**	**15,972**	**16,612**	**18,010**	**18,713**
Net tangible fixed assets	7,765	7,183	6,462	5,741	5,113
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	384	272	272	272	272
Goodwill	-	-	-	-	-
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	**10,951**	**14,688**	**12,004**	**14,556**	**16,306**
Current assets (ex-cash)	10,126	10,774	11,044	11,518	12,142
Current Liab. & Prov.	12,617	17,291	13,533	14,458	15,520
NWC (ex-cash)	**(2,491)**	**(6,517)**	**(2,489)**	**(2,940)**	**(3,378)**
Total assets	**16,889**	**15,972**	**16,612**	**18,010**	**18,713**
Net debt	(10,951)	(14,688)	(12,004)	(14,556)	(16,306)
Capital employed	16,889	15,972	16,612	18,010	18,713
Invested capital	**5,273**	**665**	**3,974**	**2,801**	**1,735**
BVPS (Rs)	61.2	58.2	60.5	65.6	68.0
Net Debt/Equity (x)	(0.7)	(0.9)	(0.7)	(0.8)	(0.9)
Net Debt/EBITDA (x)	(0.6)	(0.8)	(0.6)	(0.7)	(0.7)
Interest coverage (x)	447.7	478.3	484.0	517.0	545.6
RoCE (%)	**109.3**	**111.6**	**119.9**	**123.0**	**125.0**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	17,910	17,198	18,580	20,210	22,419
Others (non-cash items)	104	134	0	0	0
Taxes paid	(5,620)	(4,558)	(4,830)	(5,263)	(5,666)
Change in NWC	(815)	3,785	(4,020)	459	446
Operating cash flow	**13,945**	**18,063**	**11,288**	**17,018**	**18,869**
Capital expenditure	(714)	(763)	(800)	(850)	(1,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	**560**	**3,736**	**(61)**	**(9)**	**(757)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(175)	(187)	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(276)	(162)	(40)	(41)	(42)
Dividend paid (incl tax)	(16,262)	(13,871)	(13,872)	(14,416)	(16,320)
Others	-	-	-	-	-
Financing cash flow	**(16,713)**	**(14,220)**	**(13,912)**	**(14,457)**	**(16,362)**
Net chg in Cash	(2,209)	7,579	(2,685)	2,552	1,750
OCF	13,945	18,063	11,288	17,018	18,869
Adj. OCF (w/o NWC chg.)	14,759	14,278	15,308	16,559	18,423
FCFF	13,231	17,300	10,488	16,168	17,869
FCFE	13,188	17,262	10,448	16,127	17,827
OCF/EBITDA (%)	71.2	96.6	56.1	78.0	78.3
FCFE/PAT (%)	91.8	130.2	72.1	102.1	104.9
FCFF/NOPLAT (%)	**99.1**	**135.2**	**75.1**	**106.5**	**106.1**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	41.0	44.5	40.7	37.3	34.7
EV/CE(x)	34.7	36.3	35.1	32.2	31.0
P/B (x)	35.4	37.2	35.8	33.0	31.8
EV/Sales (x)	9.6	9.6	8.9	8.3	7.6
EV/EBITDA (x)	29.5	30.7	28.7	26.3	23.8
EV/EBIT(x)	32.2	33.3	31.0	28.4	25.5
EV/IC (x)	109.7	863.8	145.3	205.2	330.3
FCFF yield (%)	2.3	3.0	1.8	2.8	3.1
FCFE yield (%)	2.2	2.9	1.8	2.7	3.0
Dividend yield (%)	2.8	2.4	2.4	2.4	2.8
DuPont-RoE split					
Net profit margin (%)	23.8	22.3	22.2	22.5	22.4
Total asset turnover (x)	3.4	3.7	4.0	4.0	4.1
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	**81.1**	**82.7**	**89.7**	**92.1**	**93.5**
DuPont-RoIC					
NOPLAT margin (%)	22.1	21.2	21.4	21.7	22.2
IC turnover (x)	12.7	20.3	28.1	20.7	33.5
RoIC (%)	**281.7**	**431.0**	**602.1**	**448.4**	**742.8**
Operating metrics					
Core NWC days	(15.1)	(39.4)	(13.9)	(15.3)	(16.2)
Total NWC days	**(15.1)**	**(39.4)**	**(13.9)**	**(15.3)**	**(16.2)**
Fixed asset turnover	2.6	2.5	2.7	2.8	2.9
Opex-to-revenue (%)	37.5	38.6	38.8	38.4	37.8

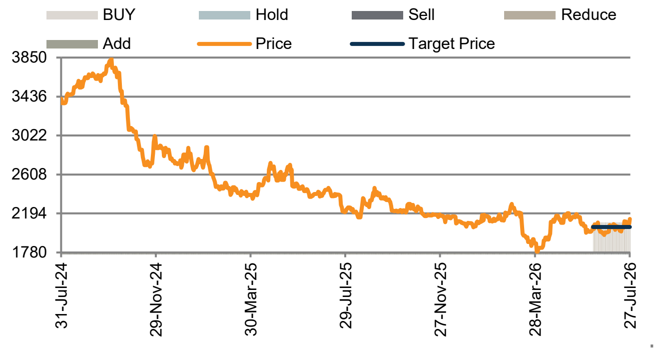
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
05-Jul-26	2,047	2,050	Reduce	Rajesh Kumar
10-Jun-26	2,056	2,050	Reduce	Rajesh Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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