MIRAE ASSET Sharekhan

Stock Update

Result Update

Colgate-Palmolive (India) Ltd

Poor start to FY26

Consumer Goods	Sharekhan code: COLPAL
Reco/View: Buy ↔	CMP: **Rs. 2,378** Price Target: **Rs. 2,687** ↓

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

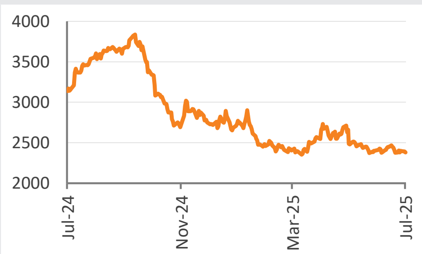
Company details

Market cap:	Rs. 64,688 cr
52-week high/low:	Rs. 3,893 / 2,324
NSE volume: (No of shares)	5.0 lakh
BSE code:	500830
NSE code:	COLPAL
Free float: (No of shares)	13.3 cr

Shareholding (%)

Promoters	51.0
FII	22.9
DII	8.1
Others	17.9

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-1.3	-10.5	-14.2	-24.2
Relative to Sensex	-1.7	-13.8	-21.8	-26.3

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Colgate-Palmolive (India)'s (Colgate's) Q1FY26 numbers were weak missing estimates on all fronts, with revenues falling 4% y-o-y, OPM down ~240 bps y-o-y and PAT declining 12% y-o-y.
- Soft urban demand, stiff competition and high base hit revenue growth, while margins were hit by negative operating leverage and continued brand investments. Gradual recovery eyed in H2FY26.
- Two innovative formats - Colgate Kids Squeezy Toothpaste and MaxFresh Mouthwash Sachet Stick - launched in kids and mouthwash portfolios.
- Stock has corrected by 13% from recent highs and trades at 44x/40x its FY26E/FY27E EPS, respectively. We maintain a Buy with revised PT of Rs. 2,687.

Colgate's Q1FY26 performance was weak with numbers missing estimates on all fronts. Standalone revenues declined by 4.2% y-o-y to Rs. 1,434 crore, missing our and the average street's expectation of Rs. 1,525 crore and Rs. 1,498 crore, respectively. Revenue decline can be attributed to subdued urban demand, elevated competitive intensity coupled with a high base of 13% growth in Q1FY25. Gross margins declined by 172 bps y-o-y to 68.9%, while OPM fell 241 bps y-o-y to 31.6%, mainly on negative operating leverage and continued investments on brands. OPM missed ours and the street's average expectation of 32.3%. Operating profit fell by 11% y-o-y to Rs. 453 crore, while PAT declined 11.9% y-o-y to Rs. 321 crore; lagging our and average street expectation of Rs. 349 crore.

Key positives

- Premium portfolio delivered strong revenue growth led by premiumisation.

Key negatives

- Urban demand slowdown and heightened competitive intensity hit volume growth leading to ~4% y-o-y fall in revenues.

Key Management Commentary

- Weak urban demand and stiff competition hit volumes in Q1 and dragged down revenues.
- Premiumization has worked well, with premium portfolio delivering strong revenue growth.
- Two innovative formats were launched in kids and mouthwash portfolios - Colgate Kids Squeezy Toothpaste (Strawberry and Watermelon flavours) and MaxFresh Mouthwash Sachet Stick (Fresh Tea Flavour), respectively.

Revision in earnings estimates – We have reduced our estimates for FY26E and FY27E by 5% each as Q1 performance was weak and missed expectations on all fronts.

Our Call

View – Maintain Buy with a revised PT of Rs. 2,687: Colgate delivered weak performance in Q1 in a challenging environment, owing to subdued urban demand and heightened competitive landscape. Management is confident of achieving consistent growth in the medium to long term led by a greater focus on strengthening the core business and additional levers such as leading growth in the toothbrush segment and expanding the personal care portfolio. The stock has corrected by 13% from its recent high and trades at 44x/40x its FY26E/FY27E EPS, respectively. We maintain a Buy rating with a revised PT of Rs. 2,687.

Key Risks

Any significant increase in competition or slowdown in the category's growth would act as a key risk to our earnings estimates.

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	5,226	5,680	6,040	6,338	6,927
OPM (%)	29.6	33.5	32.4	32.7	33.1
Adjusted PAT	1,056	1,338	1,395	1,461	1,624
% YoY growth	-2.1	26.8	4.2	4.7	11.2
Adjusted EPS (Rs.)	38.8	49.2	51.3	53.7	59.7
P/E (x)	61.3	48.3	46.4	44.3	39.8
P/B (x)	37.7	34.5	38.9	36.6	32.7
EV/EBIDTA (x)	41.3	33.4	32.5	30.7	27.7
RoNW (%)	61.2	74.5	78.8	85.2	86.8
RoCE (%)	77.5	94.7	99.8	107.9	110.2

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated) | **Rs cr**

Particulars	Q1FY26	Q1FY25	Y-o-Y (%)	Q4FY25	Q-o-Q (%)
Net revenue	**1,434.1**	**1,496.7**	**-4.2**	**1,462.5**	**-1.9**
Raw materials	445.6	439.3	1.4	429.8	3.7
Employee costs	118.2	112.3	5.2	107.3	10.2
Advertising	188.4	199.1	-5.4	180.6	4.3
Other expenditure	229.3	237.6	-3.5	246.9	-7.1
Total expenditure	981.5	988.4	-0.7	964.5	1.8
Operating profit	**452.6**	**508.3**	**-11.0**	**498.0**	**-9.1**
Other income	17.9	23.4	-23.3	19.1	-5.9
Interest expenses	1.0	1.0	4.1	1.1	-5.6
Depreciation	37.5	41.5	-9.6	38.4	-2.2
Profit Before Tax	**432.0**	**489.3**	**-11.7**	**477.6**	**-9.6**
Tax	111.3	125.3	-11.1	122.6	-9.2
Reported PAT	**320.6**	**364.0**	**-11.9**	**355.0**	**-9.7**
Adjusted EPS	11.8	13.4	-11.9	13.1	-9.7
			bps		**bps**
GPM (%)	68.9	70.6	-172	70.6	-169
OPM (%)	31.6	34.0	-241	34.1	-249
NPM (%)	30.1	32.7	-257	32.7	-254
Tax rate (%)	22.4	24.3	-196	24.3	-192

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Toothpaste category gaining momentum

The toothpaste category is one of the most highly penetrated categories in India with a 100% penetration. Per capita consumption of toothpaste is lower in India as compared to some developing economies. Increasing awareness of better dental habits and low usage in rural markets provides an opportunity for toothpaste makers to achieve sustained growth momentum in the medium term. Further, companies are adding more premium variants to provide large options to consumers in urban markets for better dental habits.

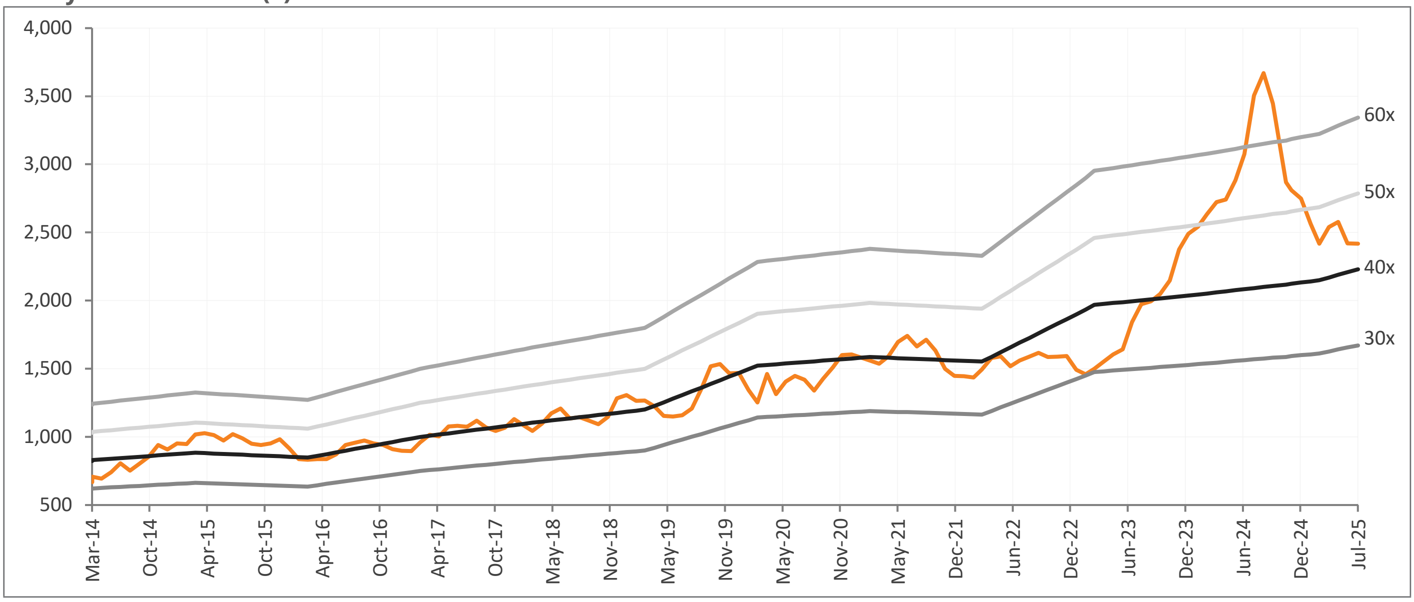
■ Company Outlook – Recovery to be gradual

Colgate began FY26 on a weak note hit by subdued urban demand and elevated competition intensity, with revenue and PAT declining by 4% and 12% y-o-y, respectively. Management expects gradual recovery in H2FY26. To enhance its revenue growth trajectory in 3-4 years, the company is focusing on category development, launching innovative products, superior brand communication and better penetration of premium products. Further, the company is focusing on building the Palmolive portfolio with relevant launches to scale up brand salience in the long run. We expect revenue/PAT to grow by 7%/8% respectively, over FY25-FY27E.

■ Valuation – Maintain Buy with a revised PT of Rs. 2,687

Colgate delivered weak performance in Q1 in a challenging environment, owing to subdued urban demand and heightened competitive landscape. Management is confident of achieving consistent growth in the medium to long term led by a greater focus on strengthening the core business and additional levers such as leading growth in the toothbrush segment and expanding the personal care portfolio. The stock has corrected by 13% from its recent high and trades at 44x/40x its FY26E/FY27E EPS, respectively. We maintain a Buy rating with a revised PT of Rs. 2,687.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Dabur India	52.4	46.8	41.5	39.7	35.6	31.9	19.5	20.7	22.0
Hindustan Unilever	56.9	53.9	48.9	40.2	37.8	34.3	26.9	29.0	32.8
Colgate-Palmolive	46.4	44.3	39.8	32.5	30.7	27.7	99.8	107.9	110.2

Source: Company; Mirae Asset Sharekhan Research

About company

Colgate is a leading multi-national consumer products company focused on the production and distribution of oral care and personal care products. Oral care contributes ~95% to the company's turnover. The company is the market leader in oral care in the country and has a wide product portfolio comprising toothpastes, toothpowder, toothbrushes, oil-pulling products, and mouthwashes under the Colgate brand. The company has a leadership position in both the toothbrush and toothpaste categories. In personal care products, the company has a specialised range of personal care products, including hand wash and facial bars under the Palmolive brand.

Investment theme

Colgate is among the most trusted brands in Indian households, with a market share of ~50% in the domestic toothpaste market. In the past few quarters, the company has launched several new products under its core toothpaste/toothbrush category, focusing on digitalisation and consumer needs, and has entered various categories (including oral hygiene and skin/face cleansing). The company expects urban demand to gradually improve in H2FY26 and remains optimistic about consistent improvement in the coming quarters. We shall keenly monitor the performance in the quarters ahead.

Key Risks

- Incremental competition from top players would continue to put pressure on the company's market share in the near to medium term.
- Slowdown in domestic demand would affect volume growth in the near to medium term.

Additional Data

Key management personnel

Name	Designation
Mukul Deoras	Chairman
Prabha Narasimhan	Managing Director and Chief Executive Officer
M.S. Jacob	Chief Financial Officer
Surender Sharma	Whole-time Director-Legal and Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Vanguard Group Inc.	2.08
2	Blackrock Inc.	1.96
3	SBI Funds Management Ltd.	1.89
4	Life Insurance Corp. of India	1.68
5	Mitsubishi UFJ Financial group Inc.	1.44
6	Goldman Sachs Group Inc.	0.70
7	St. Jame's Place PLC	0.67
8	HDFC Asset Management Co. Ltd.	0.65
9	Norges Bank	0.54
10	La Caisse de depot et placement du Quebec	0.53

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200/ 022-61151111.