

Performance was weaker than expectations

- CLGT's Q2FY26 results came below our estimates. Domestic business revenue declined 6.2% YoY, with our analysis indicating a mid-single-digit volume drop on an unfavorable base of high single-digit growth. The weak performance was further impacted by a tough operating environment and temporary disruption caused by GST rate revision. Though the company expects a gradual recovery in H2FY26.
- GM expanded by 90bps YoY to 69.5% led by lower RM cost. However, higher employee and other expenses resulted in EBITDA margin contraction of 10bps to 30.6%.
- We have downward revised our FY26/27E EPS estimates by 4.5/3.6% at Rs 51.8/56.4 to factor in Q2 performance and increased competitive intensity. We have also introduced FY28E EPS at Rs 60.9. Valuing the stock at 40x FY27E EPS, we have arrived at a TP of Rs 2,435 (Rs 2,604 earlier). Maintain 'Reduce' rating.

Margin contraction is steeper than expected

Net revenue de-grew by 6.2% YoY to Rs 15.2bn due to the tough operating environment and temporary disruption caused by the GST rate revision. GM improved by 90bps YoY to 69.5%. A 50/70bps increase in employee cost/other expenses was partially offset by a 90/20bps decrease in RM cost/ad spends. Consequently, EBITDA margin contracted by 10bps YoY to 30.6%. Despite the muted A&P spends, the fall in EBITDA margin is concerning. Nonetheless, the margin profile remains healthy. EBITDA de-grew by 6.4% YoY to Rs 4.7bn. APAT de-grew by 7.8% YoY to Rs 3.3bn.

GST revision hit performance; innovation lifted sentiment

Q2FY26 results were impacted by a tough operating environment, temporary disruption caused by GST rate revision, intense competition, and a high base effect. During the quarter, GST rates on the oral care portfolio were reduced from 18% to 5%, impacting short-term performance due to transitional disruptions. Nonetheless, the premium portfolio is delivering strong revenue growth led by Colgate Visible White Purple. During the quarter, the company launched the Palmolive Moments body wash range and introduced the "Cavity-Proof" campaign under 'Colgate Strong Teeth', reinforcing brand trust and innovation.

CLGT's focus on driving growth via increasing the oral care pie in India through innovation across core categories and developing new segments would remain key growth drivers over the long term. However, increased competition and better product offerings by competitors remain a challenge.

Key Data

Nifty	25,891
Equity / FV	Rs 272mn / Rs 1
Market Cap	Rs 622bn
	USD 7.1bn
52-Week High/Low	Rs 3,360/ 2,151
Avg. Volume (no)	5,97,552
Bloom Code	CLGT IN

	Current	Previous
Rating	Reduce	Reduce
Target Price	2,435	2,604

Change in Estimates

(Rs.bn)	Current		Chg (%) /bps	
	FY26E	FY27E	FY26E	FY27E
Revenue	60	65	(2.4)	(2.4)
EBITDA	19	21	(4.4)	(3.5)
EBITDA (%)	31.9	32.4	(70)	(40)
APAT	14	15	(4.5)	(3.6)
EPS (Rs)	51.8	56.4	(4.5)	(3.6)

Valuation (x)

	FY26E	FY27E	FY28E
P/E	44.1	40.5	37.6
EV/EBITDA	31.6	28.9	26.7
ROE (%)	81.9	83.4	84.2
RoACE (%)	82.5	84.0	84.8

Q2FY26 Result (Rs Mn)

Particulars	Q2FY26	YoY (%)	QoQ (%)
Revenue	15,195	(6.2)	6.0
Total Expense	10,541	(6.0)	7.4
EBITDA	4,654	(6.4)	2.8
Depreciation	372	(10.9)	(0.9)
EBIT	4,282	(6.0)	3.2
Other Income	150	(80.2)	(16.2)
Interest	10	(13.9)	(2.9)
EBT	4,423	(16.6)	2.4
Tax	1,148	(15.2)	3.1
RPAT	3,275	(17.1)	2.1
APAT	3,275	(17.1)	2.1
		(bps)	(bps)
Gross Margin	69.5	91	53
EBITDA (%)	30.6	(9)	(93)
NPM (%)	21.6	(285)	(80)
Tax Rate (%)	25.9	42	18
EBIT (%)	28.2	4	(76)

Director Research: Sachin Bobade

+91 22 40969731

sachinb@dolatcapital.com

Associate: Akshay Patel

+9122 40969753

akshayp@dolatcapital.com

Associate: Swapnil Lokagariwar

+9122 61764822

swapnill@dolatcapital.com

Exhibit 1: Actual V/s Dolat Estimates

Particulars (Rs mn)	Actual	Estimates	Variance (%)	Comments
Revenue	15,195	15,705	(3.2)	The impact of GST-led disruption was higher than estimate.
EBITDA	4,654	4,997	(6.9)	
EBITDA margin (%)	30.6	31.8	(120)	Operational expenses were higher than estimate.
APAT	3,275	3,551	(7.8)	Cascading effect of lower EBITDA

Source: Company, Dolat Capital

Exhibit 2: Change in estimates

Particulars (Rs mn)	FY26E			FY27E			FY28E
	New	Old	Chg (%)	New	Old	Chg (%)	New
Revenue	60,457	61,951	(2.4)	65,021	66,637	(2.4)	69,939
EBITDA	19,281	20,165	(4.4)	21,035	21,796	(3.5)	22,737
EBITDA margin (%)	31.9	32.5	(70bps)	32.4	32.7	(40bps)	32.5
PAT	14,090	14,747	(4.5)	15,342	15,917	(3.6)	16,561
EPS (Rs)	51.8	54.2	(4.5)	56.4	58.5	(3.6)	60.9

Source: Company, Dolat Capital

We have downward revised our FY26/27E revenue estimates to factor in slower demand and delays in price hikes. Further, we have reduced our EBITDA margin estimates to factor in Q2 performance and the anticipated increase in A&P spends. In line with the reduction in EBITDA, we have also revised our APAT and EPS estimates.

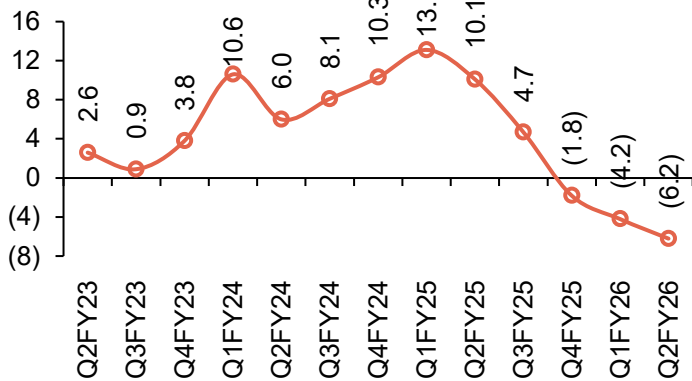
Exhibit 3: H1FY26 Performance

Particulars (Rs.mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Net Sales	15,195	16,191	(6.2)	14,341	6.0	29,536	31,158	(5.2)
Total Expenditure	10,541	11,218	(6.0)	9,815	7.4	20,356	21,101	(3.5)
RM Cost	4,642	5,093	(8.9)	4,456	4.2	9,098	9,486	(4.1)
Employee Exp	1,181	1,184	(0.2)	1,182	(0.1)	2,363	2,307	2.4
Ad & Sales Prom Exp	2,251	2,427	(7.3)	1,884	19.5	4,135	4,418	(6.4)
Other Exp	2,467	2,514	(1.9)	2,293	7.6	4,760	4,890	(2.7)
PBIDT (Excl OI)	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)
Interest	10	12	(13.9)	10	(2.9)	20	21	(5.6)
Depreciation	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)
APAT	3,275	3,951	(17.1)	3,206	2.1	6,481	7,590	(14.6)
RPAT	3,275	3,951	(17.1)	3,206	2.1	6,481	7,590	(14.6)
EPS	12.0	14.5	(17.1)	11.8	2.1	23.8	27.9	(14.6)
			bps		bps			bps
Gross Profit (%)	69.5	68.5	90	68.9	50	69.2	69.6	(36)
Employee Exp (%)	7.8	7.3	50	8.2	(50)	8.0	7.4	60
Ad spends (%)	14.8	15.0	(20)	13.1	170	14.0	14.2	(18)
Other Exp (%)	16.2	15.5	70	16.0	30	16.1	15.7	42
EBITDA (%)	30.6	30.7	(10)	31.6	(90)	31.1	32.3	(120)
PAT (%) Adj	21.6	24.4	(280)	22.4	(80)	21.9	24.4	(242)

Source: Company, Dolat Capital

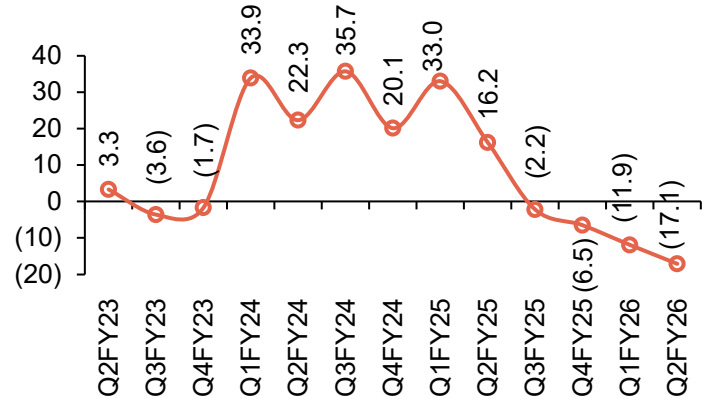
Story in Charts

Exhibit 4: Sales Growth (%)



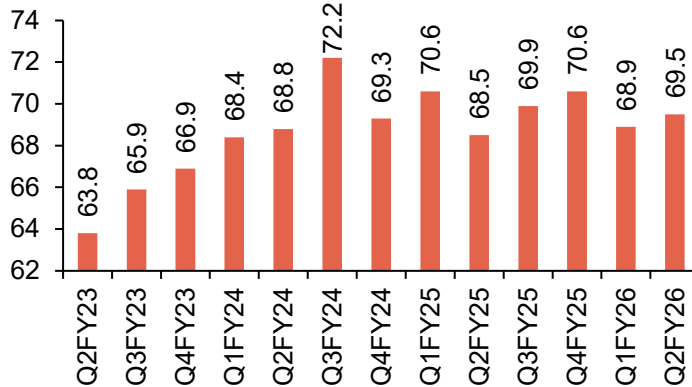
Source: Company, Dolat Capital

Exhibit 5: Net Profit Growth (%)



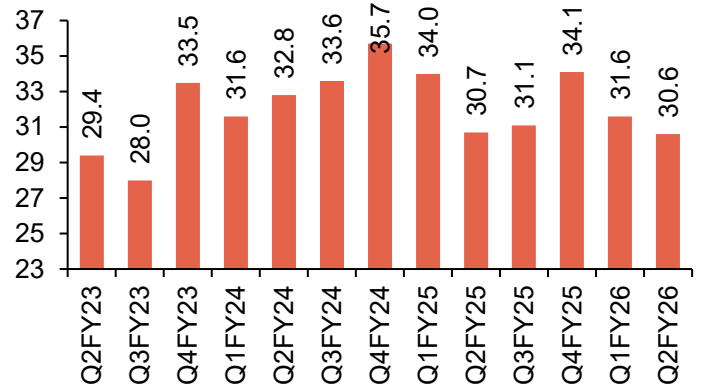
Source: Company, Dolat Capital

Exhibit 6: Gross Margin (%) Trend



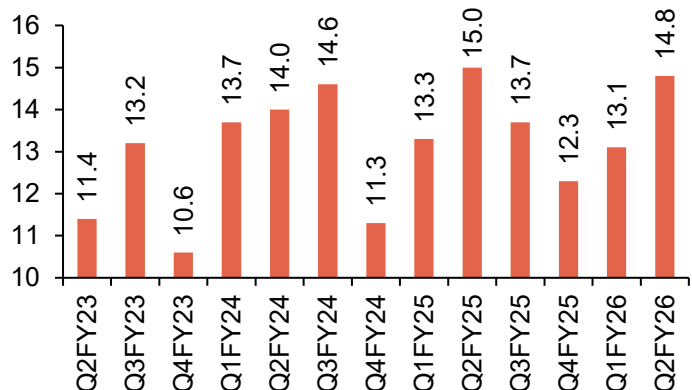
Source: Company, Dolat Capital

Exhibit 7: EBITDA Margins Trend (%)



Source: Company, Dolat Capital

Exhibit 8: A&P Spends (% Of Revenues)



Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Revenue	60,402	60,457	65,021	69,939
Total Expense	40,821	41,176	43,986	47,201
COGS	18,183	18,107	19,279	20,738
Employees Cost	4,468	4,351	4,549	4,754
Other expenses	18,171	18,717	20,157	21,710
EBIDTA	19,581	19,281	21,035	22,737
Depreciation	1,627	1,732	1,838	1,945
EBIT	17,953	17,550	19,197	20,793
Interest	43	44	45	46
Other Income	1,388	1,422	1,460	1,505
Exc. / E.O. items	0	0	0	0
EBT	19,298	18,927	20,612	22,252
Tax	4,930	4,837	5,270	5,692
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
RPAT	14,368	14,090	15,342	16,561
Adjustments	0	0	0	0
APAT	14,368	14,090	15,342	16,561

Balance Sheet

(Rs Mn)	FY25A	FY26E	FY27E	FY28E
Sources of Funds				
Equity Capital	272	272	272	272
Minority Interest	0	0	0	0
Reserves & Surplus	16,373	17,500	18,727	20,052
Net Worth	16,645	17,772	18,999	20,324
Total Debt	608	608	608	608
Net Deferred Tax Liability	(680)	(680)	(680)	(680)
Total Capital Employed	16,574	17,701	18,928	20,253

Applications of Funds

Net Block	7,765	7,533	7,195	6,750
CWIP	384	384	384	384
Investments	0	0	0	0
Current Assets, Loans & Advances	21,357	22,817	25,181	27,865
Current Investments	0	0	0	0
Inventories	3,773	3,776	4,061	4,368
Receivables	2,263	2,265	2,436	2,620
Cash and Bank Balances	10,951	12,405	14,265	16,404
Loans and Advances	4,371	4,371	4,420	4,472
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	12,932	13,033	13,832	14,746
Payables	9,208	9,216	9,912	10,662
Other Current Liabilities	3,725	3,817	3,920	4,084
<i>sub total</i>				
Net Current Assets	8,425	9,784	11,349	13,119
Total Assets	16,574	17,701	18,928	20,253

E – Estimates

Important Ratios

Particulars	FY25A	FY26E	FY27E	FY28E
(A) Margins (%)				
Gross Profit Margin	69.9	70.0	70.3	70.3
EBIDTA Margin	32.4	31.9	32.4	32.5
EBIT Margin	29.7	29.0	29.5	29.7
Tax rate	25.5	25.6	25.6	25.6
Net Profit Margin	23.8	23.3	23.6	23.7
(B) As Percentage of Net Sales (%)				
COGS	30.1	30.0	29.7	29.7
Employee	7.4	7.2	7.0	6.8
Other	30.1	31.0	31.0	31.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	415.6	398.3	427.1	453.6
Inventory days	23	23	23	23
Debtors days	14	14	14	14
Average Cost of Debt	6.5	7.2	7.4	7.5
Payable days	56	56	56	56
Working Capital days	51	59	64	68
FA T/O	7.8	8.0	9.0	10.4
(D) Measures of Investment				
AEPS (Rs)	52.8	51.8	56.4	60.9
CEPS (Rs)	58.8	58.2	63.2	68.0
DPS (Rs)	59.8	47.7	51.9	56.0
Dividend Payout (%)	113.2	92.0	92.0	92.0
BVPS (Rs)	61.2	65.3	69.9	74.7
RoANW (%)	81.2	81.9	83.4	84.2
RoACE (%)	81.4	82.5	84.0	84.8
RoAIC (%)	335.6	321.5	385.5	488.6
(E) Valuation Ratios				
CMP (Rs)	2287	2287	2287	2287
Mcap (Rs Mn)	6,22,037	6,22,037	6,22,037	6,22,037
EV	6,11,694	6,10,240	6,08,381	6,06,241
MCap/ Sales	10.3	10.3	9.6	8.9
EV/Sales	10.1	10.1	9.4	8.7
P/E	43.3	44.1	40.5	37.6
EV/EBITDA	31.2	31.6	28.9	26.7
P/BV	37.4	35.0	32.7	30.6
Dividend Yield (%)	2.6	2.1	2.3	2.4
(F) Growth Rate (%)				
Revenue	6.3	0.1	7.5	7.6
EBITDA	3.0	(1.5)	9.1	8.1
EBIT	3.8	(2.2)	9.4	8.3
PBT	8.3	(1.9)	8.9	8.0
APAT	7.0	(1.9)	8.9	7.9
EPS	7.0	(1.9)	8.9	7.9

E – Estimates

Cash Flow

Particulars	FY25A	FY26E	FY27E	FY28E
Profit before tax	19,298	18,927	20,612	22,252
Depreciation & w.o.	1,627	1,732	1,838	1,945
Net Interest Exp	43	44	45	46
Direct taxes paid	(5,620)	(4,837)	(5,270)	(5,692)
Change in Working Capital	(815)	95	294	370
Non Cash	(1,400)	0	0	0
(A) CF from Operating Activities	13,134	15,960	17,519	18,922
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(714)	(1,500)	(1,500)	(1,500)
Free Cash Flow	12,420	14,460	16,019	17,422
(Inc.)/ Dec. in Investments	1,274	0	0	0
Other	0	0	0	0
(B) CF from Investing Activities	560	(1,500)	(1,500)	(1,500)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(175)	0	0	0
Interest exp net	(43)	(44)	(45)	(46)
Dividend Paid (Incl. Tax)	(16,262)	(12,963)	(14,114)	(15,236)
Other	0	0	0	0
(C) CF from Financing	(16,480)	(13,007)	(14,159)	(15,282)
Net Change in Cash	(2,786)	1,453	1,860	2,140
Opening Cash balances	13,738	10,951	12,405	14,265
Closing Cash balances	10,951	12,405	14,265	16,404

E – Estimates

Notes

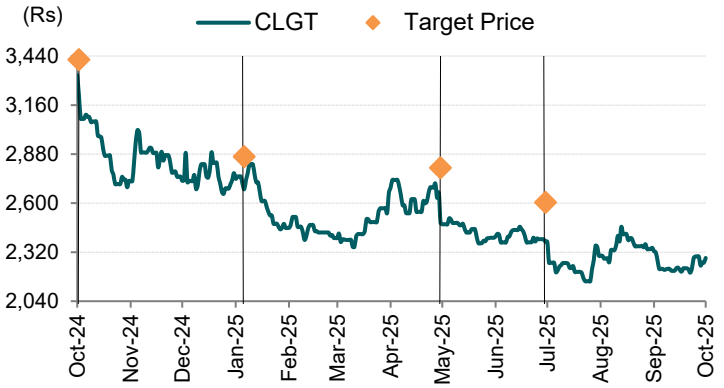
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(2)	(4)	(31)
Rel to NIFTY (%)	(5)	(7)	(37)

Shareholding Pattern

Particulars	Mar'25	Jun'25	Sep'25
Promoters	51.0	51.0	51.0
MF/Banks/FIs	8.1	9.6	12.2
FIIIs	22.2	20.4	17.2
Public / Others	18.7	19.0	19.6



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-24	Reduce	3,420	3,213
Jan-25	Reduce	2,866	2,679
May-25	Accumulate	2,802	2,487
Jul-25	Reduce	2,604	2,380

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Dolat Team

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	Director - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	Director - Equity Sales & Corporate Access	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	Director - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Nikhil Thacker	Director - Equity Sales	nikhilt@dolatcapital.com	+9122 4096 9773
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Rajeev Lala	AVP - Equity Sales	rajeevl@dolatcapital.com	+9122 4096 9767
Equity Trading	Designation	E-mail	
P. Sridhar	Director and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	Director - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	Director - Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Director - Sales Trading	kartikm@dolatcapital.com	+9122 4096 9715
Nishit Sariya	VP - Derivatives Sales Trading	nishits@dolatcapital.com	+9122 4096 9765
Monali Jobanputra	Co - Head Asia Derivatives	monalij@dolatcapital.com	+9122 6176 4841
Bhavin Mehta	Director Research - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

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Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000014012

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
