

# P&G Hygiene and Healthcare

BSE SENSEX

81,692

S&amp;P CNX

24,888



## Stock Info

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USDb)	434.2 / 5.1
52-Week Range (INR)	17748 / 12106
1, 6, 12 Rel. Per (%)	-4/-17/-27
12M Avg Val (INR M)	127
Free float (%)	29.4

## Financials Snapshot (INR b)

Y/E June	FY25E	FY26E	FY27E
Sales	44.2	47.6	51.7
Sales Gr. (%)	5.0	7.7	8.7
EBITDA	10.7	11.8	13.0
Margin (%)	24.3	24.9	25.1
Adj. PAT	8.0	8.9	9.7
Adj. EPS (INR)	246.5	273.0	300.0
EPS Gr. (%)	11.9	10.8	9.9
BV/Sh.(INR)	288.1	342.8	402.8

## Ratios

RoE (%)	93.7	86.7	80.6
RoCE (%)	104.7	95.5	88.2

## Valuations

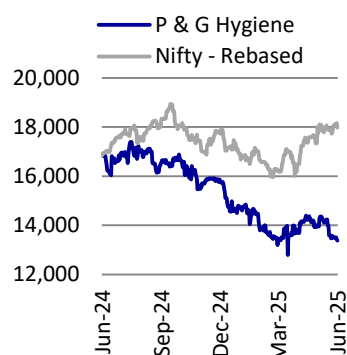
P/E (x)	54.3	49.0	44.6
P/BV (x)	46.4	39.0	33.2
EV/EBITDA (x)	39.8	35.9	32.6
Div. Yield (%)	1.5	1.6	1.8

## Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	70.6	70.6	70.6
DII	15.5	15.4	15.1
FII	1.3	1.4	1.6
Others	12.5	12.6	12.7

FII Includes depository receipts

## Stock Performance (1-year)


**CMP: INR13,377**
**TP: INR15,000 (+12%)**
**Neutral**

## Focusing on sustainable growth; rich valuation limits upside

We attended PGHH's analyst meet and following are the key takeaways.

- PGHH's strategic pillars that drive growth in the Personal and Healthcare categories are intact. The company holds a dominant ~50% market share in both the Feminine Hygiene and Healthcare categories. It continues to expand its portfolio through product innovation (like Vicks VapoRub Steam Pods, Vicks Cough Syrup, and Whisper Super Absorbent Period Panty). Rapid advancements in digital initiatives have enhanced PGHH's distribution network, leading to improved product assortment across retail outlets.
- Management highlighted that rural recovery is picking up, while urban consumption is expected to revive more gradually—in line with trends observed across the FMCG sector. PGHH is focused on creating superior propositions across product, packaging, brand communication, retail execution, and overall customer value. The company has integrated its productivity strategy across the value chain—covering materials, manufacturing, overhead, ad spends, and working capital—resulting in savings of INR0.93b in FY25 (~3% of sales) on account of improved efficiency and operational productivity. These savings are being reinvested into the business to drive future growth, innovation, and market expansion.
- PGHH delivered a 7% revenue CAGR during FY19-24, and we estimate a 7% CAGR during FY24-27. EBITDA margin has also seen consistent improvement, with 250bp expansion to ~23.5% during FY19-24. We model 24-25% EBITDA margin during FY24-27E. EBITDA posted a 10% CAGR during FY19-24, and we model a similar ~10% CAGR during FY24-27E. The stock trades at a rich valuation of 49x/45x FY26E/FY27E P/E. We reiterate a Neutral rating at a TP of INR15,000 (50x Mar'27E EPS).

## Valuation and view

- There is no change in our estimates following the analyst meet.
- Two factors make PGHH an attractive long-term core holding: 1) Robust growth potential in the Feminine Hygiene segment (65-68% mix of FY24 sales), along with opportunities for market share gains supported by strategic initiatives, including the fortification of significant market advantages, and 2) Potential for higher margin gains from the long-term trend of premiumization in the Feminine Hygiene segment.
- With a portfolio of essentials and healthcare, PGHH focuses on customer acquisition through product innovation. Penetration play is expected to continue at a stable pace, despite the high scope of user additions. The stock trades at expensive valuations of 49x/45x FY26E/FY27E P/E. We do not see any medium-term trigger. We reiterate a Neutral rating at a TP of INR15,000 (50x Mar'27E EPS).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

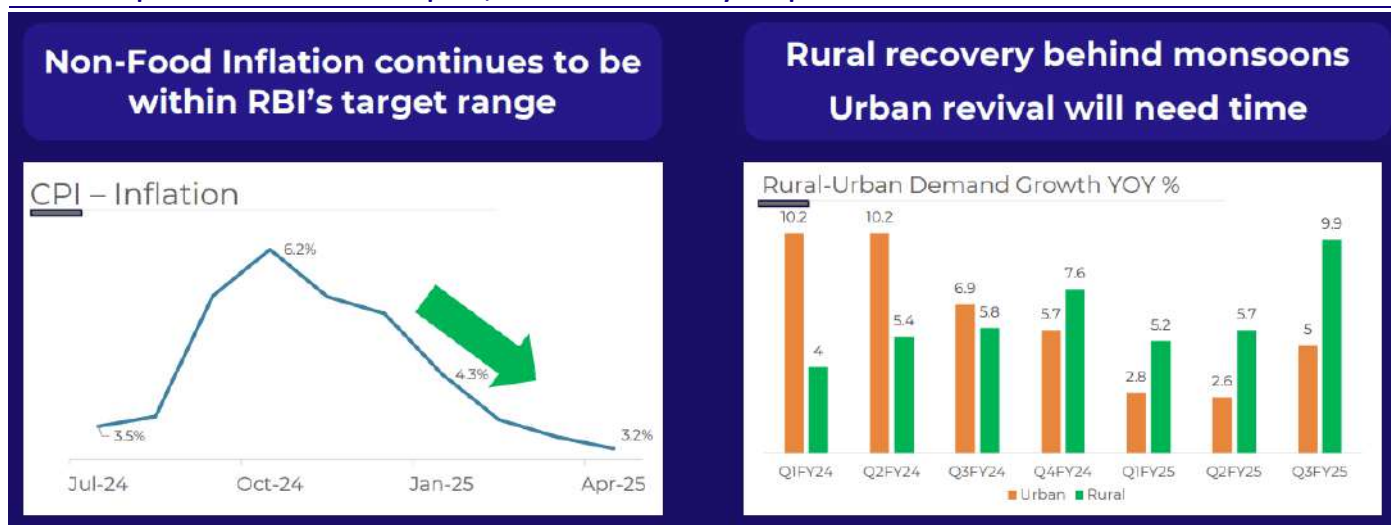
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Key points from the analyst meet

### Business environment

- In the FMCG sector, non-food inflation remains well within RBI's comfort zone, currently at 3.2% vs the 4% target.
- Rural demand recovery is contingent on monsoon performance, whereas urban consumption revival is expected to be more gradual. In 4QFY25, rural markets grew by 9.9%, outpacing the 5% growth in urban markets.
- The company remains cautiously optimistic on demand recovery. Government initiatives outlined in the Union Budget are supportive but expected to yield results over a longer horizon.

**Exhibit 1: Uptick seen in rural consumption, while urban recovery is expected to take more time**



Source: Company, MOFSL

### Strategic pillars for integrated growth strategy

- ❖ **Portfolio of daily use products**
  - PGHH has a presence across a wide range of products and price points in the Feminine Hygiene and Healthcare categories.
  - The company holds a leadership position in both categories, with close to 50% market share in the Feminine category and over 50% market share in the Healthcare category.
- ❖ **Superiority to win with customers**
  - PGHH is leveraging superiority to drive market growth. The company is focusing on creating superior propositions across product, packaging, brand communication, retail execution, and overall customer value.
- ❖ **Productivity to boost investment**
  - PGHH has integrated its productivity strategy across the value chain in materials, manufacturing, overhead, ad spends, and working capital. As a result, the company was able to garner savings of INR0.93b in FY25 (~3% of sales) on account of improved efficiency and operational productivity.
  - These savings are being reinvested into the business to drive future growth, innovation, and market expansion.
- ❖ **Constructive disruption**
  - PGHH is leveraging global expertise in digital transformation using Artificial Intelligence (AI) and machine learning to drive innovation and efficiency.

- The company has shifted from a cluster-based planning approach to a store-based planning approach, allowing for more localized and precise marketing and sales efforts.
- It is investing significantly in its supply chain to support range expansion and tap into higher growth opportunities.
- ❖ **Efficient organization structure**
- PGHH's organizational philosophy focuses on being agile, empowered, and accountable. The company ensures that its teams are flexible and responsive to market needs while maintaining accountability at every level of operation.
- The company's strategic ad spending includes campaigns that educate both mothers and young girls, aiming to create awareness and empower them with knowledge about healthcare and hygiene. This disruptive approach to advertising helps drive brand awareness and customer engagement.

**Exhibit 2: Strategic pillars for integrated growth**



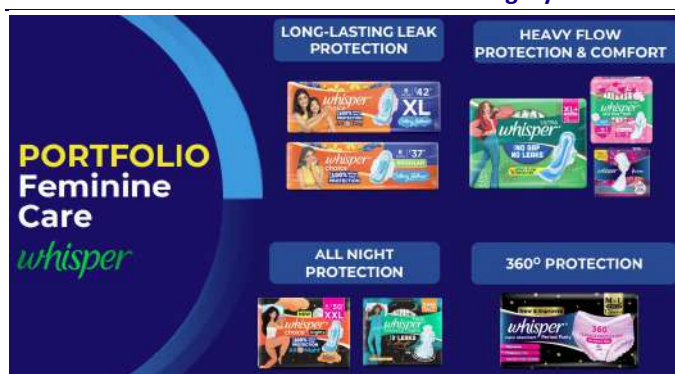
Source: Company, MOFSL

### Segmental information

- During 9MFY25, PGHH reported 3% YoY growth in sales and 2% growth in PAT. Over the past decade, the company has delivered a sales/PAT CAGR of 6%/8%, respectively.
- PGHH maintains a dominant ~50% market share in both the Feminine Hygiene and Healthcare categories.
- The Feminine Hygiene category has expanded 100x over the past 30 years, yet penetration remains below 50%, indicating significant headroom for growth.
- The company launched multiple products in the Healthcare segment during the year, which have received encouraging consumer response.
- The ZzzQuil Natura nutraceutical line, aimed at sleep enhancement, recorded double-digit growth on e-commerce platforms.

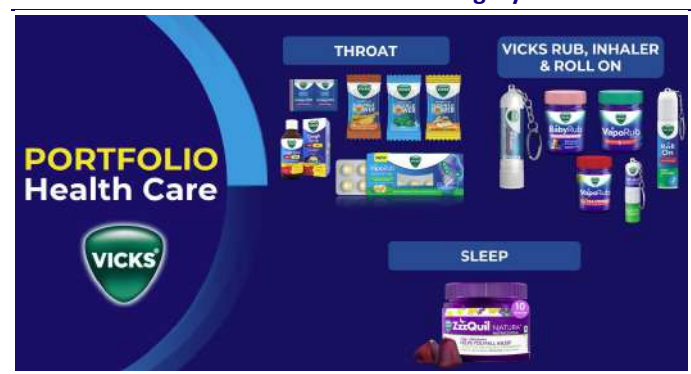
- New launches include Vicks VapoRub Steam Pods, Vicks Cough Syrup, and Whisper Super Absorbent Period Panty, further strengthening its innovation pipeline.
- There remains considerable scope for market expansion, with India's per capita spend on feminine care at just one-sixth of that in China.
- While the competitive landscape remains intense, PGHH views this as a category-growth enabler. Its broad and differentiated product portfolio is well-positioned to serve evolving consumer needs.
- PGHH's long-standing strategy of addressing social taboos around feminine hygiene continues to be a key growth driver, helping expand awareness and category adoption.

**Exhibit 3: Products in the Feminine Care category**



Source: Company, MOFSL

**Exhibit 4: Products in the Healthcare category**



Source: Company, MOFSL

**Exhibit 5: PGHH's product innovation pipeline**



Source: Company, MOFSL

### Distribution expansion and innovation

- The company has developed an in-house artificial intelligence and machine learning algorithm that analyzes consumer behavior patterns to customize product offerings at the store level.
- It has delivered superior retail execution through enhanced shelf tools, improved content and search, strong availability, and expanded reach.
- Its products are now available across all major e-commerce and quick-commerce platforms, broadening consumer access.
- PGHH continues to focus on product innovation and brand enhancement within its portfolio to cater to the evolving and diverse needs of its customers.

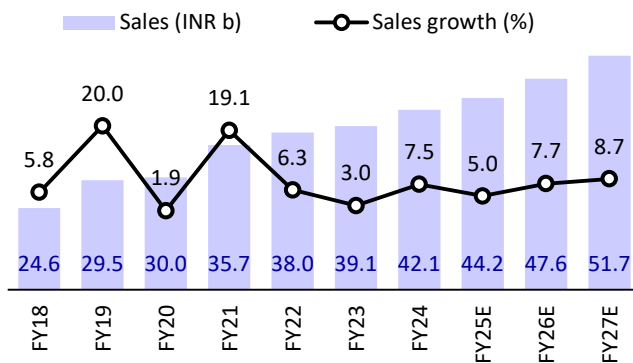
### Other points

- The P&G Shiksha program has significantly improved the learning environment and empowered marginalized communities. It has positively impacted over 50 lakh children.



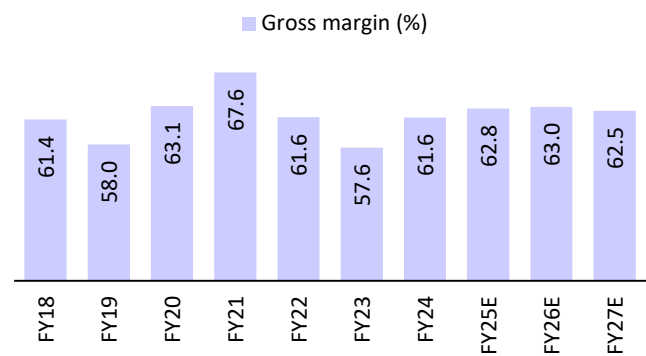
## Story in charts

**Exhibit 6: Net sales expected to grow in high single digits**



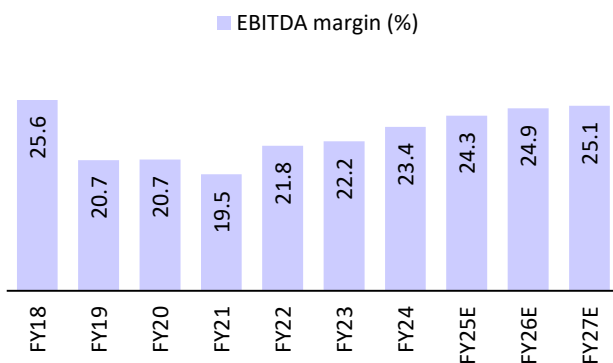
Source: Company, MOFSL

**Exhibit 7: GP margin expected to remain steady**



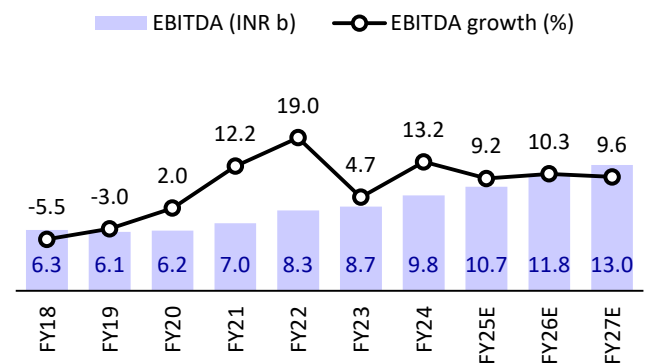
Source: Company, MOFSL

**Exhibit 8: Gradual improvement in EBITDA margins...**



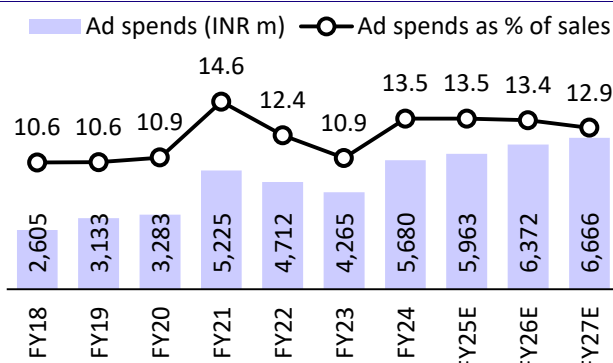
Source: Company, MOFSL

**Exhibit 9: ...with 10% EBITDA CAGR expected in FY25-27**



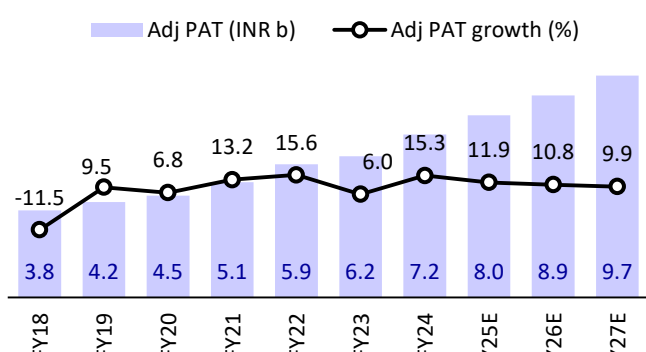
Source: Company, MOFSL

**Exhibit 10: The company remains focused on increasing ad spends going forward**



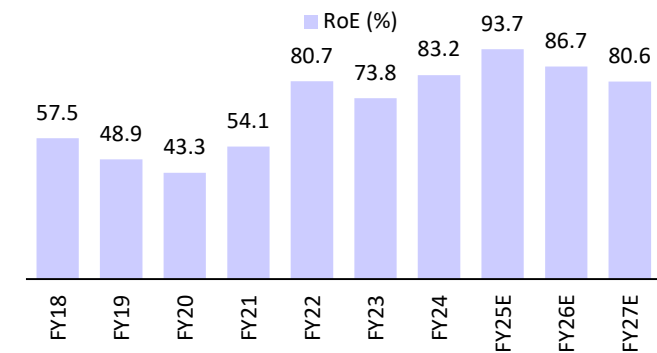
Source: Company, MOFSL

**Exhibit 11: Adj. PAT expected to grow ~10% over FY25-27**



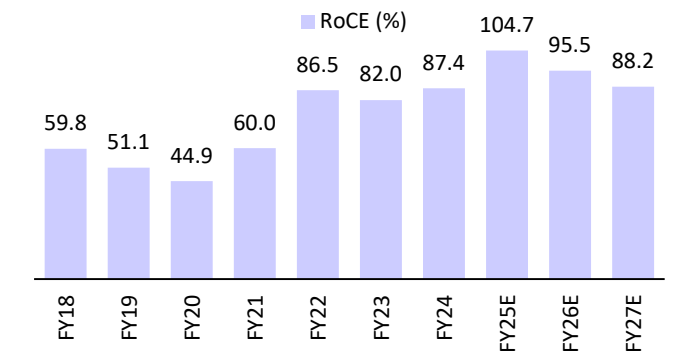
Source: Company, MOFSL

**Exhibit 12: RoE is at a healthy level...**



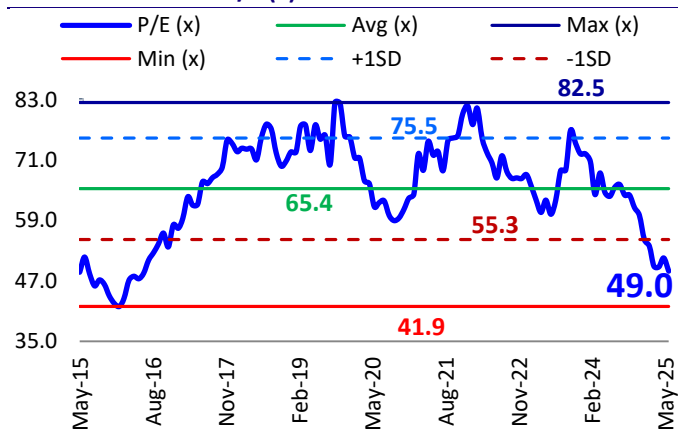
Source: Company, MOFSL

**Exhibit 13: ...along with RoCE**



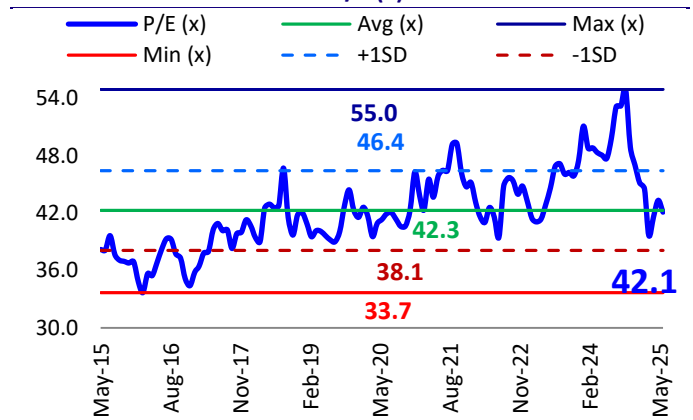
Source: Company, MOFSL

**Exhibit 14: PGHH's P/E (x)**



Source: Company, MOFSL

**Exhibit 15: Consumer sector P/E (x)**



Source: Company, MOFSL

## Financials and Valuations

Standalone - Income Statement									(INR m)
Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>29,469</b>	<b>30,020</b>	<b>35,741</b>	<b>37,998</b>	<b>39,123</b>	<b>42,057</b>	<b>44,171</b>	<b>47,550</b>	<b>51,677</b>
Change (%)	20.0	1.9	19.1	6.3	3.0	7.5	5.0	7.7	8.7
Raw Materials	12,368	11,068	11,593	14,582	16,575	16,142	16,432	17,594	19,379
% of Sales	42.0	36.9	32.4	38.4	42.4	38.4	37.2	37.0	37.5
Employees Cost	1,338	1,733	2,017	2,143	2,058	2,456	2,650	2,853	3,101
% of Sales	4.5	5.8	5.6	5.6	5.3	5.8	6.0	6.0	6.0
Other Expenses	9,670	11,003	15,160	12,974	11,805	13,626	14,356	15,264	16,226
% of Sales	32.8	36.7	42.4	34.1	30.2	32.4	32.5	32.1	31.4
<b>Total Expenditure</b>	<b>23,376</b>	<b>23,804</b>	<b>28,770</b>	<b>29,699</b>	<b>30,437</b>	<b>32,224</b>	<b>33,438</b>	<b>35,710</b>	<b>38,706</b>
% of Sales	79.3	79.3	80.5	78.2	77.8	76.6	75.7	75.1	74.9
<b>EBITDA</b>	<b>6,093</b>	<b>6,216</b>	<b>6,972</b>	<b>8,299</b>	<b>8,686</b>	<b>9,833</b>	<b>10,734</b>	<b>11,840</b>	<b>12,971</b>
Margin (%)	20.7	20.7	19.5	21.8	22.2	23.4	24.3	24.9	25.1
Depreciation	498	479	477	529	584	565	435	446	458
<b>EBIT</b>	<b>5,595</b>	<b>5,738</b>	<b>6,495</b>	<b>7,770</b>	<b>8,103</b>	<b>9,268</b>	<b>10,299</b>	<b>11,394</b>	<b>12,513</b>
Int. and Finance Charges	55	61	61	112	114	268	155	110	113
Other Income	533	441	394	243	406	523	567	580	633
<b>PBT bef. EO Exp.</b>	<b>6,073</b>	<b>6,118</b>	<b>6,828</b>	<b>7,901</b>	<b>8,395</b>	<b>9,522</b>	<b>10,711</b>	<b>11,863</b>	<b>13,033</b>
EO Items		-105	1,450	-101	571	-441	0	0	0
<b>PBT after EO Exp.</b>	<b>6,073</b>	<b>6,013</b>	<b>8,277</b>	<b>7,800</b>	<b>8,966</b>	<b>9,082</b>	<b>10,711</b>	<b>11,863</b>	<b>13,033</b>
Total Tax	1,882	1,642	1,759	2,042	2,184	2,674	2,699	2,990	3,284
Tax Rate (%)	31.0	27.3	21.3	26.2	24.4	29.4	25.2	25.2	25.2
<b>Reported PAT</b>	<b>4,191</b>	<b>4,371</b>	<b>6,518</b>	<b>5,757</b>	<b>6,781</b>	<b>6,718</b>	<b>8,012</b>	<b>8,874</b>	<b>9,749</b>
<b>Adjusted PAT</b>	<b>4,191</b>	<b>4,476</b>	<b>5,068</b>	<b>5,858</b>	<b>6,210</b>	<b>7,159</b>	<b>8,012</b>	<b>8,874</b>	<b>9,749</b>
Change (%)	9.5	6.8	13.2	15.6	6.0	15.3	11.9	10.8	9.9
Margin (%)	14.2	14.9	14.2	15.4	15.9	17.0	18.1	18.7	18.9

Standalone - Balance Sheet									(INR m)
Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	325	325	325	325	325	325	325	325	325
Total Reserves	8,766	11,254	6,818	7,051	9,136	7,424	9,026	10,801	12,751
<b>Net Worth</b>	<b>9,091</b>	<b>11,579</b>	<b>7,143</b>	<b>7,376</b>	<b>9,460</b>	<b>7,749</b>	<b>9,351</b>	<b>11,126</b>	<b>13,075</b>
Deferred Tax Liabilities	-368	-296	-380	-519	-655	-749	-824	-906	-997
Total Loans	0	15	35	19	8	0	0	0	0
<b>Capital Employed</b>	<b>8,723</b>	<b>11,298</b>	<b>6,797</b>	<b>6,876</b>	<b>8,813</b>	<b>7,000</b>	<b>8,527</b>	<b>10,220</b>	<b>12,079</b>
Gross Block	4,000	4,495	4,719	5,012	5,582	5,838	6,036	6,236	6,436
Less: Accum. Deprn.	1,657	2,430	2,881	3,376	3,881	4,446	4,881	5,328	5,785
<b>Net Fixed Assets</b>	<b>2,342</b>	<b>2,065</b>	<b>1,838</b>	<b>1,637</b>	<b>1,700</b>	<b>1,392</b>	<b>1,155</b>	<b>908</b>	<b>651</b>
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0
Capital WIP	146	222	376	439	228	278	278	200	200
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>13,315</b>	<b>15,702</b>	<b>13,733</b>	<b>14,231</b>	<b>18,790</b>	<b>16,168</b>	<b>16,864</b>	<b>19,680</b>	<b>22,743</b>
Inventory	2,034	2,051	2,493	2,340	2,198	2,256	2,662	2,866	3,115
Account Receivables	1,814	1,663	1,424	1,921	2,163	2,408	2,662	2,866	3,115
Cash and Bank Balance	5,405	9,025	6,602	6,393	9,780	5,882	6,891	9,299	11,864
Loans and Advances	4,063	2,963	3,214	3,578	4,649	5,622	4,649	4,649	4,649
<b>Curr. Liability &amp; Prov.</b>	<b>7,080</b>	<b>6,691</b>	<b>9,150</b>	<b>9,431</b>	<b>11,905</b>	<b>10,837</b>	<b>9,769</b>	<b>10,568</b>	<b>11,515</b>
Account Payables	5,477	5,313	7,541	7,798	9,711	8,517	7,333	7,888	8,566
Other Current Liabilities	895	587	731	710	1,036	1,185	1,303	1,433	1,577
Provisions	709	790	878	923	1,158	1,136	1,133	1,247	1,371
<b>Net Current Assets</b>	<b>6,235</b>	<b>9,011</b>	<b>4,583</b>	<b>4,801</b>	<b>6,885</b>	<b>5,331</b>	<b>7,095</b>	<b>9,111</b>	<b>11,228</b>
<b>Appl. of Funds</b>	<b>8,723</b>	<b>11,298</b>	<b>6,797</b>	<b>6,876</b>	<b>8,813</b>	<b>7,000</b>	<b>8,527</b>	<b>10,220</b>	<b>12,079</b>

E: MOFSL Estimates

## Financials and Valuations

### Ratios

Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>129.0</b>	<b>137.7</b>	<b>156.1</b>	<b>180.5</b>	<b>191.3</b>	<b>220.3</b>	<b>246.5</b>	<b>273.0</b>	<b>300.0</b>
Cash EPS	144.5	152.7	170.8	196.8	209.3	237.9	260.2	287.1	314.4
BV/Share	280.1	356.7	220.0	227.2	291.4	238.7	288.1	342.8	402.8
DPS	101	105	315	160	185	255	197	219	240
Payout (%)	78.6	78.1	202.0	88.8	96.8	123.4	80.0	80.0	80.0
<b>Valuation (x)</b>									
P/E	103.7	97.1	85.7	74.1	69.9	60.7	54.3	49.0	44.6
Cash P/E	92.6	87.6	78.3	68.0	63.9	56.2	51.4	46.6	42.5
P/BV	47.8	37.5	60.8	58.9	45.9	56.0	46.4	39.0	33.2
EV/Sales	14.6	14.2	12.0	11.3	10.8	10.2	9.7	8.9	8.2
EV/EBITDA	70.4	68.4	61.3	51.6	48.9	43.6	39.8	35.9	32.6
Dividend Yield (%)	0.8	0.8	2.4	1.2	1.4	1.9	1.5	1.6	1.8
FCF per share	126.4	130.5	256.2	161.2	240.7	155.4	218.1	281.0	306.1
<b>Return Ratios (%)</b>									
RoE	48.9	43.3	54.1	80.7	73.8	83.2	93.7	86.7	80.6
RoCE	51.1	44.9	60.0	86.5	82.0	87.4	104.7	95.5	88.2
<b>Working Capital Ratios</b>									
Asset Turnover (x)	3.4	2.7	5.3	5.5	4.4	6.0	5.2	4.7	4.3
Inventory (Days)	20	25	23	23	21	22	22	22	22
Debtor (Days)	20	21	16	16	19	22	22	22	22
Creditor (Days)	59	66	66	74	82	60	60	60	60
Net WCC	-18	-20	-27	-34	-41	-16	-16	-16	-16
<b>Growth (%)</b>									
Sales	20.0	1.9	19.1	6.3	3.0	7.5	5.0	7.7	8.7
EBITDA	-3.0	2.0	12.2	19.0	4.7	13.2	9.2	10.3	9.6
PAT	9.5	6.8	13.2	15.6	6.0	15.3	11.9	10.8	9.9
<b>Leverage Ratio (x)</b>									
Current Ratio	1.9	2.3	1.5	1.5	1.6	1.5	1.7	1.9	2.0
Interest Cover Ratio	102.1	94.5	106.3	69.4	71.2	34.6	66.4	103.6	110.4
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Standalone - Cash Flow Statement

Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>(INR m)</b>									
<b>PBT</b>	<b>6,073</b>	<b>5,939</b>	<b>8,699</b>	<b>7,901</b>	<b>8,395</b>	<b>9,392</b>	<b>10,711</b>	<b>11,863</b>	<b>13,033</b>
Depreciation	498	479	477	529	584	565	435	446	458
Net interest expense	-317	-266	-250	-154	-237	-367	-412	-470	-520
Others	54	203	139	115	67	97	0	0	0
(Inc)/Dec in WC	172	-179	2,101	-166	1,745	-2,321	-756	392	449
Taxes	-2,350	-1,435	-2,534	-2,494	-2,295	-2,782	-2,699	-2,990	-3,284
<b>CF from Operations</b>	<b>4,130</b>	<b>4,741</b>	<b>8,631</b>	<b>5,731</b>	<b>8,258</b>	<b>4,584</b>	<b>7,279</b>	<b>9,242</b>	<b>10,135</b>
<b>CF from Operating incl EO</b>	<b>4,130</b>	<b>4,741</b>	<b>8,631</b>	<b>5,731</b>	<b>8,258</b>	<b>4,584</b>	<b>7,279</b>	<b>9,242</b>	<b>10,135</b>
(Inc)/Dec in FA	-28	-503	-315	-497	-444	461	-198	-123	-200
<b>Free Cash Flow</b>	<b>4,102</b>	<b>4,237</b>	<b>8,317</b>	<b>5,234</b>	<b>7,814</b>	<b>5,045</b>	<b>7,081</b>	<b>9,120</b>	<b>9,935</b>
Others	451	1,265	325	246	344	-325	567	580	633
<b>CF from Investments</b>	<b>416</b>	<b>783</b>	<b>11</b>	<b>-251</b>	<b>-100</b>	<b>136</b>	<b>369</b>	<b>457</b>	<b>433</b>
Dividend Paid	-3,131	-1,878	-11,037	-5,681	-4,707	-8,602	-6,409	-7,099	-7,799
Interest Paid	-7	-9	-10	-25	-51	-5	-155	-110	-113
Others	0	-16	-18	16	-12	-10	-75	-82	-91
<b>CF from Fin. Activity</b>	<b>-3,137</b>	<b>-1,903</b>	<b>-11,064</b>	<b>-5,689</b>	<b>-4,770</b>	<b>-8,618</b>	<b>-6,639</b>	<b>-7,291</b>	<b>-8,003</b>
<b>Inc/Dec of Cash</b>	<b>1,409</b>	<b>3,621</b>	<b>-2,423</b>	<b>-210</b>	<b>3,387</b>	<b>-3,898</b>	<b>1,009</b>	<b>2,408</b>	<b>2,566</b>
Opening Balance	3,996	5,405	9,025	6,603	6,393	9,780	5,882	6,891	9,299
<b>Closing Balance</b>	<b>5,405</b>	<b>9,025</b>	<b>6,603</b>	<b>6,393</b>	<b>9,780</b>	<b>5,882</b>	<b>6,891</b>	<b>9,299</b>	<b>11,864</b>

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SELL	< - 10%
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