

P&G Hygiene and Healthcare

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USD\$)	448.1 / 5.1
52-Week Range (INR)	17499 / 12106
1, 6, 12 Rel. Per (%)	6/-10/-18
12M Avg Val (INR M)	130

Financials & valuations (INR b)

Y/E June	FY26E	FY27E	FY28E
Sales	45.5	49.0	52.5
Sales Gr. (%)	34.8	7.6	7.3
EBITDA	11.9	13.0	14.5
Margin (%)	26.1	26.6	27.6
Adj. PAT	8.8	9.7	10.7
Adj. EPS (INR)	269.5	297.0	330.7
EPS Gr. (%)	37.6	10.2	11.4
BV/Sh.(INR)	281.0	340.5	406.7

Ratios

RoE (%)	106.2	95.7	88.6
RoCE (%)	120.0	106.8	98.0

Valuations

P/E (x)	51.5	46.8	42.0
P/BV (x)	49.4	40.8	34.1
EV/EBITDA (x)	37.4	34.0	30.3
Div. Yield (%)	1.6	1.7	1.9

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	70.6	70.6	70.6
DII	15.5	15.5	15.2
FII	1.4	1.3	1.6
Others	12.5	12.5	12.7

FII Includes depository receipts

CMP: INR13,805 TP: INR15,000 (+9%) Neutral

Cost rationalization aids margin expansion

- P&G Hygiene and Healthcare (PGHH)'s 1QFY26 revenue was lower than our expectations, while its profitability beat our estimates. We have noted such a performance anomaly in the past quarters, too. PGHH posted a flat YoY revenue growth at INR9.4b (a miss) in 1QFY26 vs. ~10% growth in the base quarter. Revenue growth was weak in the last four quarters as well.
- Gross margin expanded 440bp YoY and 340bp QoQ to 63.6% (est. 61.9%). GM volatility between quarters has always been high. Employee costs dipped 28% YoY, and A&P spending was down 55% YoY, as PGHH had invested heavily on the A&P front last year. EBITDA doubled YoY to INR2.7b on a weak base. EBITDA margin surged 1,430bp YoY/730bp QoQ to 28.4% (est. 18.2%), much ahead of expectations. This was fueled by various cost rationalization initiatives undertaken by the company across parameters.
- PGHH is less predictable on a quarterly basis, but its annual performance remains highly stable. We model a 26.0-27.5% EBITDA margin during FY26-28E, implying ~7% EBITDA CAGR during FY26-28E.
- The stock trades at rich valuations of 52x/47x FY26E/FY27E P/E. **Reiterate Neutral with a TP of INR15,000 (based on 50x Jun'27E EPS).**

Revenue remains flat while EBITDA margin surges

- **Miss on revenue:** PGHH's sales were flat YoY at INR9.4b (est. INR9.9b), after posting a 1% dip in the preceding quarter and 9.7% growth in the base quarter. We have noted such a performance anomaly in the past quarters, too.
- **Sharp margin expansion:** Gross margin expanded 440bp YoY and 340bp QoQ to 63.6% (est. 61.9%). Employee costs dipped 28% YoY, and A&P spending was down 55% YoY, while other expenses rose 7% YoY. EBITDA margin surged 1,430bp YoY and 730bp QoQ to 28.4% (est. 18.2%).
- **Beat on profitability:** EBITDA doubled YoY to INR2.7b (est. INR1.8b). EBITDA grew on a weak base (-38% YoY in 4QFY24). Similarly, adj. PAT jumped 111% YoY to INR1.9b. (est. INR1.5b).

Valuation and view

- We broadly retain our EPS estimates for FY26/FY27.
- Two factors make PGHH an attractive long-term core holding: 1) high growth potential for the feminine hygiene segment (65-68% mix of FY24 sales), coupled with the potential for market share gains; this is aided by strategic initiatives, including the fortification of significant market advantages; and 2) the potential to sustain high operating margins from the long-term premiumization trend in the feminine hygiene segment.
- With a portfolio of essentials and healthcare, PGHH remained focused on product innovation-led customer acquisition. Penetration play would continue but at a stable pace, despite the high scope of user additions. The stock trades at rich valuations of 52x/47x FY26E/FY27E P/E. Further, we do not see any medium-term trigger. **Reiterate Neutral with a TP of INR15,000, based on 50x Jun'27E EPS.**

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

Standalone - Quarterly Earnings

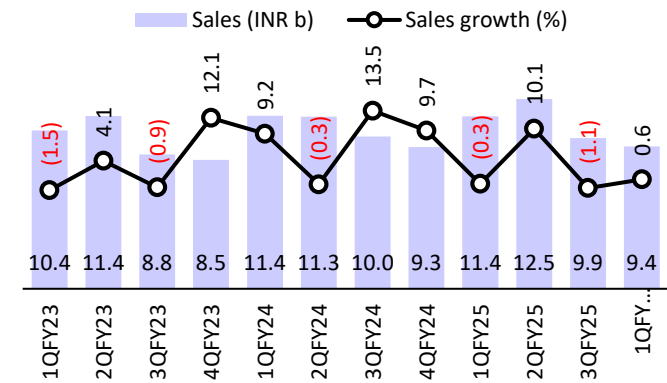
(INR m)

Y/E June	FY24	FY25				FY26E			FY24	FY25*	FY26E	Var.	
	4Q	1Q	2Q	3Q	1Q	2QE	3QE	4QE				1QE	(%)
Net Sales	9,318	11,352	12,476	9,916	9,370	12,146	13,225	10,739	42,057	33,744	45,480	9,857	-4.9%
YoY Change (%)	9.7	-0.3	10.1	-1.1	0.6	7.0	6.0	8.3	7.5	-19.8	34.8	5.8	
Gross profit	5,514	7,139	8,085	5,969	5,959	7,713	8,398	6,720	25,915	21,193	28,789	6,101	-2.3%
Margin (%)	59.2	62.9	64.8	60.2	63.6	63.5	63.5	62.6	61.6	62.8	63.3	61.9	
EBITDA	1,313	2,905	3,709	2,097	2,662	3,255	3,412	2,541	9,833	8,711	11,870	1,797	48.1%
Growth	-37.9	2.0	19.8	-18.5	102.7	12.1	-8.0	21.2	13.2	-11.4	36.3	36.9	
Margins (%)	14.1	25.6	29.7	21.1	28.4	26.8	25.8	23.7	23.4	25.8	26.1	18.2	
Depreciation	134	117	99	104	91	105	109	275	565	319	580	116	
Interest	-1	19	66	58	1	27	26	81	268	143	135	12	
Other Income	73	85	97	191	77	111	126	240	523	373	554	194	
PBT	1,253	2,854	3,641	2,127	2,647	3,234	3,403	2,426	9,522	8,622	11,710	1,863	42.1%
PBT after EO expense	1,123	2,854	3,641	2,127	2,647	3,234	3,403	2,426	9,082	8,622	11,710	1,863	42.1%
Tax	345	735	955	566	726	815	858	552	2,674	2,256	2,951	386	
Rate (%)	30.7	25.7	26.2	26.6	27.4	25.2	25.2	22.8	29.4	26.2	25.2	20.7	
Adj PAT	908	2,119	2,686	1,561	1,921	2,419	2,545	1,874	7,159	6,366	8,759	1,477	30.1%
YoY Change (%)	-38.5	0.6	17.3	-15.8	111.4	14.1	-5.2	20.0	15.3	-11.1	37.6	62.6	
Margins (%)	9.7	18.7	21.5	15.7	20.5	19.9	19.2	17.5	17.0	18.9	19.3	15.0	

E: MOFSL Estimates *FY25 have 9M as company changed Jun year ended to Mar

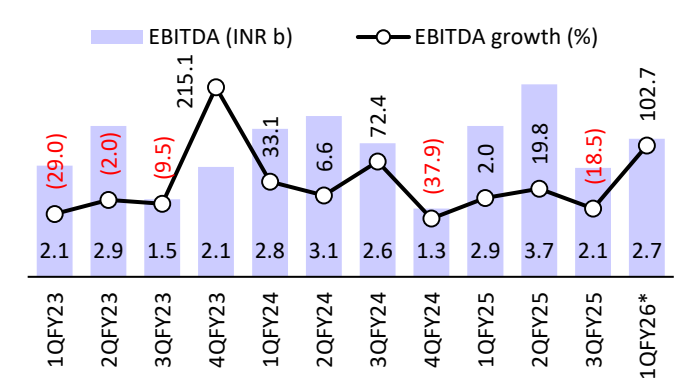
Key exhibits

Exhibit 1: Net sales flat YoY at INR9.4b



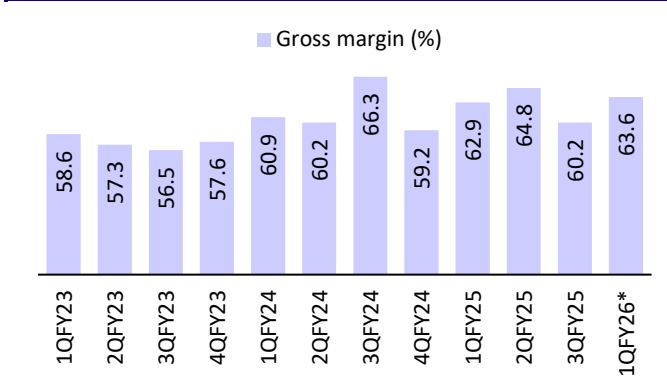
Source: Company, MOFSL

Exhibit 2: EBITDA doubled YoY on a weak base to INR2.7b



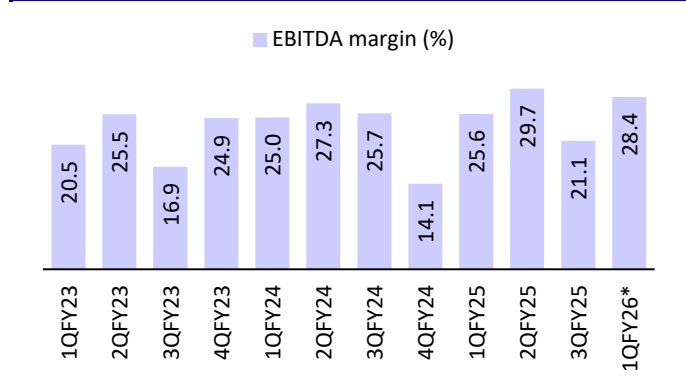
Source: Company, MOFSL

Exhibit 3: Gross margin expanded 440bp YoY to 63.6%



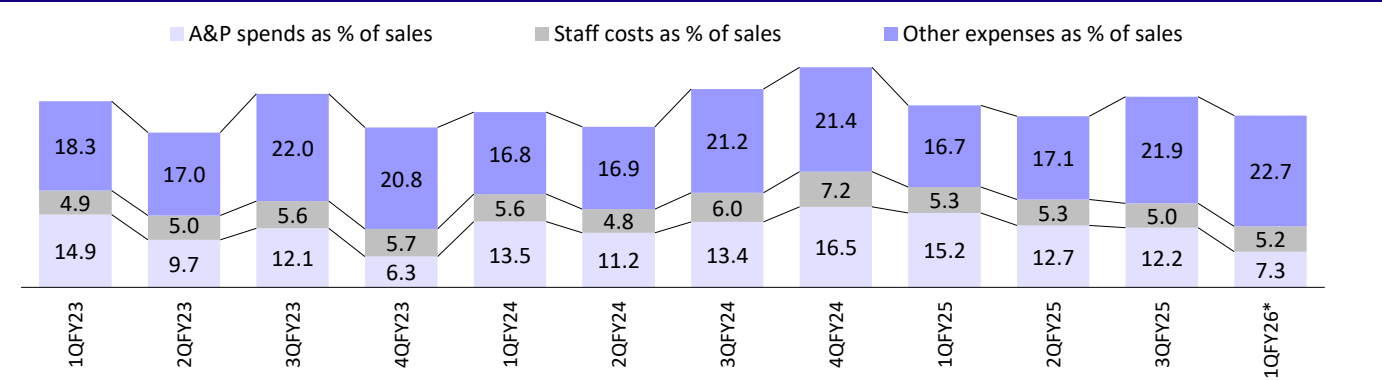
Source: Company, MOFSL

Exhibit 4: EBITDA margin jumped 1,430bp YoY to 28.4%



Source: Company, MOFSL

Exhibit 5: As a percentage of sales, ad spending declined 920bp, staff costs dipped 200bp, while other expenses rose 130bp YoY



Source: Company, MOFSL

*June qtr is now 1QFY26 as the company changed the Jun year-end to Mar

Valuation and view

Our view on the stock

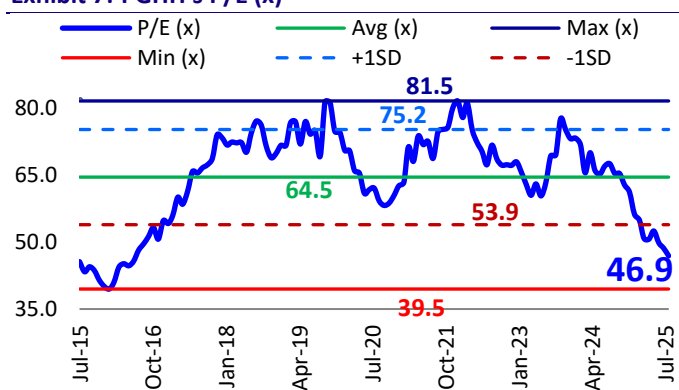
- We broadly retain our EPS estimates for FY26/FY27.
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- With a portfolio of essentials and healthcare, PGHH remained focused on product innovation-led customer acquisition. Penetration play would continue but at a stable pace, despite the high scope of user additions. The stock trades at rich valuations of 52x/47x FY26E/FY27E P/E. Further, we do not see any medium-term trigger. **Reiterate Neutral with a TP of INR15,000, based on 50x Jun'27E EPS.**

Exhibit 6: We largely maintain our EPS estimates for FY26 and FY27

INR m	New		Old		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	45,480	48,952	46,782	50,664	-2.8%	-3.4%
EBITDA	11,870	12,997	11,649	12,717	1.9%	2.2%
Adjusted PAT	8,759	9,651	8,731	9,559	0.3%	1.0%

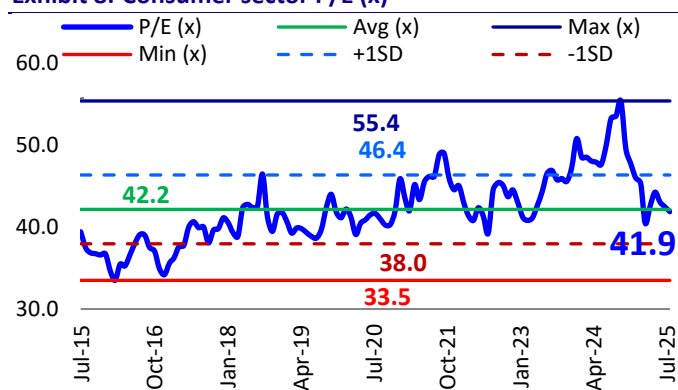
Source: MOFSL

Exhibit 7: PGHH's P/E (x)



Source: Bloomberg, MOFSL

Exhibit 8: Consumer sector P/E (x)



Source: Bloomberg, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26E	FY27E	FY28E
Total Income from Operations	29,469	30,020	35,741	37,998	39,123	42,057	33,744	45,480	48,952	52,528
Change (%)	20.0	1.9	19.1	6.3	3.0	7.5	-19.8	34.8	7.6	7.3
Raw Materials	12,368	11,068	11,593	14,582	16,575	16,142	12,551	16,691	17,843	19,015
% of Sales	42.0	36.9	32.4	38.4	42.4	38.4	37.2	36.7	36.5	36.2
Employees Cost	1,338	1,733	2,017	2,143	2,058	2,456	1,761	2,410	2,594	2,784
% of Sales	4.5	5.8	5.6	5.6	5.3	5.8	5.2	5.3	5.3	5.3
Other Expenses	9,670	11,003	15,160	12,974	11,805	13,626	10,722	14,508	15,518	16,258
% of Sales	32.8	36.7	42.4	34.1	30.2	32.4	31.8	31.9	31.7	31.0
Total Expenditure	23,376	23,804	28,770	29,699	30,437	32,224	25,034	33,610	35,956	38,057
% of Sales	79.3	79.3	80.5	78.2	77.8	76.6	74.2	73.9	73.5	72.5
EBITDA	6,093	6,216	6,972	8,299	8,686	9,833	8,711	11,870	12,997	14,472
Margin (%)	20.7	20.7	19.5	21.8	22.2	23.4	25.8	26.1	26.6	27.6
Depreciation	498	479	477	529	584	565	319	580	588	606
EBIT	5,595	5,738	6,495	7,770	8,103	9,268	8,391	11,291	12,409	13,865
Int. and Finance Charges	55	61	61	112	114	268	143	135	139	143
Other Income	533	441	394	243	406	523	373	554	633	647
PBT bef. EO Exp.	6,073	6,118	6,828	7,901	8,395	9,522	8,622	11,710	12,903	14,370
EO Items		-105	1,450	-101	571	-441	0	0	0	0
PBT after EO Exp.	6,073	6,013	8,277	7,800	8,966	9,082	8,622	11,710	12,903	14,370
Total Tax	1,882	1,642	1,759	2,042	2,184	2,674	2,256	2,951	3,251	3,621
Tax Rate (%)	31.0	27.3	21.3	26.2	24.4	29.4	26.2	25.2	25.2	25.2
Reported PAT	4,191	4,371	6,518	5,757	6,781	6,718	6,366	8,759	9,651	10,748
Adjusted PAT	4,191	4,476	5,068	5,858	6,210	7,159	6,366	8,759	9,651	10,748
Change (%)	9.5	6.8	13.2	15.6	6.0	15.3	-11.1	37.6	10.2	11.4
Margin (%)	14.2	14.9	14.2	15.4	15.9	17.0	18.9	19.3	19.7	20.5

Standalone - Balance Sheet

(INR m)

Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26E	FY27E	FY28E
F	325	325	325	325	325	325	325	325	325	325
Total Reserves	8,766	11,254	6,818	7,051	9,136	7,424	7,045	8,797	10,727	12,877
Net Worth	9,091	11,579	7,143	7,376	9,460	7,749	7,370	9,122	11,052	13,202
Deferred Tax Liabilities	-368	-296	-380	-519	-655	-749	-824	-907	-997	-1,097
Total Loans	0	15	35	19	8	0	0	0	0	0
Capital Employed	8,723	11,298	6,797	6,876	8,813	7,000	6,546	8,215	10,055	12,105
Gross Block	4,000	4,495	4,719	5,012	5,582	5,838	6,036	6,236	6,436	6,636
Less: Accum. Deprn.	1,657	2,430	2,881	3,376	3,881	4,446	4,722	5,345	5,933	6,540
Net Fixed Assets	2,342	2,065	1,838	1,637	1,700	1,392	1,314	891	502	96
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0	0
Capital WIP	146	222	376	439	228	278	407	200	200	200
Total Investments	0	0	0	0	0	0	0	0	0	0
Curr. Assets, Loans&Adv.	13,315	15,702	13,733	14,231	18,790	16,168	15,002	16,825	19,838	23,119
Inventory	2,034	2,051	2,493	2,340	2,198	2,256	2,214	2,741	2,951	3,166
Account Receivables	1,814	1,663	1,424	1,921	2,163	2,408	3,041	2,741	2,951	3,166
Cash and Bank Balance	5,405	9,025	6,602	6,393	9,780	5,882	4,807	6,515	9,092	11,922
Loans and Advances	4,063	2,963	3,214	3,578	4,649	5,622	4,940	4,827	4,845	4,865
Curr. Liability & Prov.	7,080	6,691	9,150	9,431	11,905	10,837	10,177	9,700	10,486	11,310
Account Payables	5,477	5,313	7,541	7,798	9,711	8,517	8,094	7,552	8,122	8,710
Other Current Liabilities	895	587	731	710	1,036	1,185	787	865	952	1,047
Provisions	709	790	878	923	1,158	1,136	1,296	1,283	1,412	1,553
Net Current Assets	6,235	9,011	4,583	4,801	6,885	5,331	4,825	7,124	9,352	11,808
Appl. of Funds	8,723	11,298	6,797	6,876	8,813	7,000	6,546	8,215	10,055	12,105

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26E	FY27E	FY28E
Basic (INR)										
EPS	129.0	137.7	156.1	180.5	191.3	220.3	195.9	269.5	297.0	330.7
Cash EPS	144.5	152.7	170.8	196.8	209.3	237.9	206.0	287.7	315.4	349.8
BV/Share	280.1	356.7	220.0	227.2	291.4	238.7	227.0	281.0	340.5	406.7
DPS	101	105	315	160	185	255	157	216	238	265
Payout (%)	78.6	78.1	202.0	88.8	96.8	123.4	80.0	80.0	80.0	80.0
Valuation (x)										
P/E	107.7	100.8	88.9	76.9	72.6	63.0	70.9	51.5	46.8	42.0
Cash P/E	96.1	91.0	81.3	70.6	66.3	58.4	67.4	48.3	44.0	39.7
P/BV	49.6	38.9	63.1	61.1	47.6	58.2	61.2	49.4	40.8	34.1
EV/Sales	15.1	14.7	12.4	11.7	11.3	10.6	13.2	9.8	9.0	8.4
EV/EBITDA	73.1	71.1	63.7	53.5	50.8	45.2	51.2	37.4	34.0	30.3
Dividend Yield (%)	0.7	0.8	2.3	1.2	1.3	1.8	1.1	1.6	1.7	1.9
FCF per share	126.4	130.5	256.2	161.2	240.7	127.9	165.9	256.8	304.8	339.6
Return Ratios (%)										
RoE	48.9	43.3	54.1	80.7	73.8	83.2	84.2	106.2	95.7	88.6
RoCE	51.1	44.9	60.0	86.5	82.0	87.4	95.5	120.0	106.8	98.0
Working Capital Ratios										
Asset Turnover (x)	3.4	2.7	5.3	5.5	4.4	6.0	5.2	5.5	4.9	4.3
Inventory (Days)	20	25	23	23	21	22	22	22	22	22
Debtor (Days)	20	21	16	16	19	22	22	22	22	22
Creditor (Days)	59	66	66	74	82	60	60	60	60	60
Net WCC	-18	-20	-27	-34	-41	-16	-16	-16	-16	-16
Growth (%)										
Sales	20.0	1.9	19.1	6.3	3.0	7.5	-19.8	34.8	7.6	7.3
EBITDA	-3.0	2.0	12.2	19.0	4.7	13.2	-11.4	36.3	9.5	11.3
PAT	9.5	6.8	13.2	15.6	6.0	15.3	-11.1	37.6	10.2	11.4
Leverage Ratio (x)										
Current Ratio	1.9	2.3	1.5	1.5	1.6	1.5	1.5	1.7	1.9	2.0
Interest Cover Ratio	102.1	94.5	106.3	69.4	71.2	34.6	58.7	83.6	89.2	96.8
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Standalone - Cash Flow Statement

(INR m)

Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26E	FY27E	FY28E
PBT	6,073	5,939	8,699	7,901	8,395	9,392	8,622	11,710	12,903	14,370
Depreciation	498	479	477	529	584	565	319	580	588	606
Net interest expense	-317	-266	-250	-154	-237	-367	-136	-419	-494	-504
Others	54	203	139	115	67	97	130	0	0	0
(Inc)/Dec in WC	172	-179	2,101	-166	1,745	-2,321	-572	-591	349	374
Taxes	-2,350	-1,435	-2,534	-2,494	-2,295	-2,782	-2,431	-2,951	-3,251	-3,621
CF from Operations	4,130	4,741	8,631	5,731	8,258	4,584	5,932	8,328	10,095	11,224
CF from Operating incl EO	4,130	4,741	8,631	5,731	8,258	4,584	5,932	8,328	10,095	11,224
(Inc)/Dec in FA	-28	-503	-315	-497	-444	-433	-546	7	-200	-200
Free Cash Flow	4,102	4,237	8,317	5,234	7,814	4,151	5,386	8,335	9,895	11,024
Others	451	1,265	325	246	344	568	202	597	633	647
CF from Investments	416	783	11	-251	-100	136	-344	604	433	447
Dividend Paid	-3,131	-1,878	-11,037	-5,681	-4,707	-8,602	-6,655	-7,007	-7,721	-8,599
Interest Paid	-7	-9	-10	-25	-51	-5	0	-135	-139	-143
Others	0	-16	-18	16	-12	-10	0	-82	-91	-100
CF from Fin. Activity	-3,137	-1,903	-11,064	-5,689	-4,770	-8,618	-6,662	-7,224	-7,951	-8,842
Inc/Dec of Cash	1,409	3,621	-2,423	-210	3,387	-3,898	-1,075	1,708	2,577	2,830
Opening Balance	3,996	5,405	9,025	6,603	6,393	9,780	5,882	4,807	6,515	9,092
Closing Balance	5,405	9,025	6,603	6,393	9,780	5,882	4,807	6,515	9,092	11,922

E: MOFSL Estimates

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

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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