

# P&G Hygiene and Healthcare

Estimate changes	↔
TP change	↔
Rating change	↔

**CMP: INR10,115      TP: INR11,000 (+9%)      Neutral**

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USD\$b)	328.3 / 3.4
52-Week Range (INR)	14510 / 8979
1, 6, 12 Rel. Per (%)	-1/-12/-25
12M Avg Val (INR M)	146

## Financials & valuations (INR b)

Y/E June	FY26	FY27E	FY28E
Sales	42.9	46.3	49.7
Sales Gr. (%)	27.1	7.9	7.3
EBITDA	11.7	12.6	13.6
Margin (%)	27.3	27.2	27.5
Adj. PAT	8.6	9.3	10.0
Adj. EPS (INR)	263.5	285.3	308.6
EPS Gr. (%)	34.5	8.3	8.1
BV/Sh.(INR)	232.1	289.3	351.0

## Ratios

RoE (%)	114.9	109.6	96.5
RoCE (%)	129.5	121.8	106.1

## Valuations

P/E (x)	38.3	35.4	32.7
P/BV (x)	43.5	34.9	28.8
EV/EBITDA (x)	27.5	25.5	23.3
Div. Yield (%)	2.5	2.3	2.4

## Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	70.6	70.6	70.6
DII	16.0	16.0	15.5
FII	1.0	1.1	1.3
Others	12.4	12.3	12.5

FII Includes depository receipts

## Subdued quarter with an all-round miss

- P&G Hygiene and Healthcare's (PGHH) 4QFY26 revenue declined by 5% YoY (miss). In the last four quarters, the revenue growth trajectory has been flat.
- Gross margin expanded 190bp YoY but contracted 450bp QoQ to 62.1%, reflecting the usual volatility between quarters. Employee costs rose 15% YoY, A&P was up 9% YoY, and other expenses fell 18% YoY. EBITDA margin expanded 200bp YoY but fell 870bp QoQ to 23.2%. EBITDA grew 4% YoY to INR2.2b (est. INR2.4). PGHH delivered 17% EBITDA growth in the last four quarters.
- PGHH exhibits significant volatility on a quarterly basis, but its annual performance remains stable. We model 27.0-27.5% EBITDA margin during FY27 and FY28.
- We model a CAGR of 8% each in revenue/EBITDA/PAT over FY26-28E. Given the volatility in margins, we find other consumer names relatively better than PGHH for the growth outlook at valuation it offers. **We maintain Neutral with a revised TP of INR11,000 (based on 35x Mar'28E EPS).**

## Miss on all fronts; revenue down 5%

- **Revenue down 5%:** PGHH registered 5% YoY decline in revenue to INR9.4b (est. IN10.3b). Revenue growth has been weak for the last few quarters.
- **Volatile quarterly margins:** Gross margin expanded 190bp YoY to 62.1% (est. 63%). GM volatility between quarters is always high. Employee costs rose 15% YoY, A&P was up 9% YoY and other expenses fell 18% YoY. EBITDA margin expanded 200bp YoY to 23.2% (est. 23.4%).
- **Muted profitability:** EBITDA grew 4% YoY to INR2.2b (est. INR2.4b). PBT grew 3% YoY, while adj. PAT declined 2% YoY to INR1.5b (est. INR1.9b).

## Valuation and view

- We cut our EPS estimates by 3-4% for FY27 and FY28.
- Two factors make PGHH an attractive long-term core holding: 1) high growth potential for the feminine hygiene segment, coupled with the potential for market share gains and strategic initiatives, including the strengthening of its competitive 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 remains focused on product innovation-led customer acquisition. While penetration play will continue, it is expected to proceed at a stable pace despite the high scope of user additions. Further, we do not see any medium-term upside trigger.
- We model a CAGR of 8% each in revenue/EBITDA/PAT over FY26-28E. Given the volatility in margins, we find other consumer names relatively better than PGHH for the growth outlook at valuation it offers. **We maintain Neutral with a revised TP of INR11,000 (based on 35x Mar'28E EPS).**

**Naveen Trivedi – Research Analyst** (Naveen.Trivedi@MotilalOswal.com)

**Research Analyst: Amey Tiwari** (Amey.Tiwari@MotilalOswal.com) | **Tanu Jindal** (Tanu.Jindal@MotilalOswal.com)

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.

**Standalone - Quarterly Earnings**

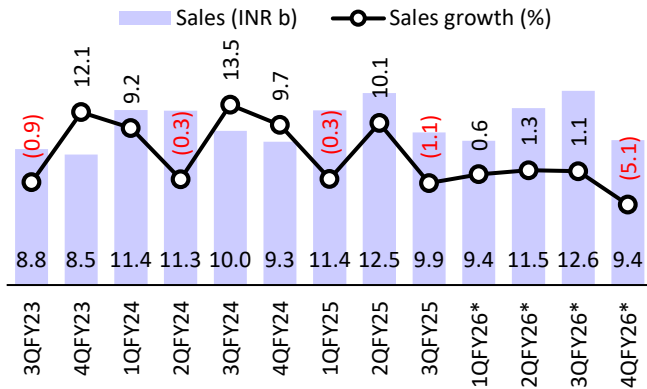
(INR m)

Y/E June	FY25			FY26				FY25*	FY26	FY26E	Var. (%)
	1Q	2Q	3Q	1Q	2Q	3Q	4Q				
<b>Net Sales</b>	<b>11,352</b>	<b>12,476</b>	<b>9,916</b>	<b>9,370</b>	<b>11,502</b>	<b>12,619</b>	<b>9,413</b>	<b>33,744</b>	<b>42,904</b>	<b>10,334</b>	<b>-8.9%</b>
YoY Change (%)	-0.3	10.1	-1.1	0.6	1.3	1.1	-5.1	-19.8	27.1	4.2	
<b>Gross profit</b>	<b>7,139</b>	<b>8,085</b>	<b>5,969</b>	<b>5,959</b>	<b>7,050</b>	<b>8,399</b>	<b>5,845</b>	<b>21,193</b>	<b>27,253</b>	6,509	<b>-10.2%</b>
Margin (%)	62.9	64.8	60.2	63.6	61.3	66.6	62.1	62.8	63.5	63.0	
<b>EBITDA</b>	<b>2,905</b>	<b>3,709</b>	<b>2,097</b>	<b>2,662</b>	<b>2,848</b>	<b>4,018</b>	<b>2,183</b>	<b>8,711</b>	<b>11,710</b>	<b>2,415</b>	<b>-9.6%</b>
Growth	2.0	19.8	-18.5	102.7	-2.0	8.3	4.1	-11.4	34.4	15.2	
Margins (%)	25.6	29.7	21.1	28.4	24.8	31.8	23.2	25.8	27.3	23.4	
Depreciation	117	99	104	91	93	95	96	319	374	108	
Interest	19	66	58	1	36	27	31	143	95	72	
Other Income	85	97	191	77	99	124	125	373	425	189	
<b>PBT</b>	<b>2,854</b>	<b>3,641</b>	<b>2,127</b>	<b>2,647</b>	<b>2,818</b>	<b>4,020</b>	<b>2,181</b>	<b>8,622</b>	<b>11,666</b>	<b>2,425</b>	<b>-10.0%</b>
<b>PBT after EO expense</b>	<b>2,854</b>	<b>3,641</b>	<b>2,127</b>	<b>2,647</b>	<b>2,818</b>	<b>4,020</b>	<b>2,181</b>	<b>8,622</b>	<b>11,666</b>	<b>2,425</b>	<b>-10.0%</b>
Tax	735	955	566	726	719	1,006	650	2,256	3,101	550	
Rate (%)	25.7	26.2	26.6	27.4	25.5	25.0	29.8	26.2	26.6	22.7	
<b>Adj PAT</b>	<b>2,119</b>	<b>2,686</b>	<b>1,561</b>	<b>1,921</b>	<b>2,099</b>	<b>3,015</b>	<b>1,531</b>	<b>6,366</b>	<b>8,565</b>	<b>1,875</b>	<b>-18.3%</b>
YoY Change (%)	0.6	17.3	-15.8	111.4	-1.0	12.2	-1.9	-11.1	34.5	20.1	
Margins (%)	18.7	21.5	15.7	20.5	18.2	23.9	16.3	18.9	20.0	18.1	

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

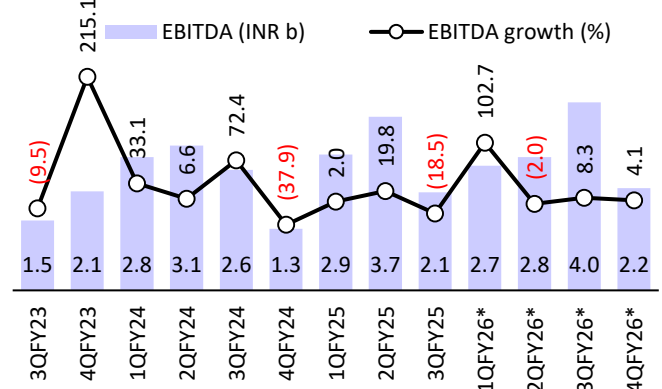
**Key exhibits**

**Exhibit 1: Net sales down 5% YoY to INR9.4b**



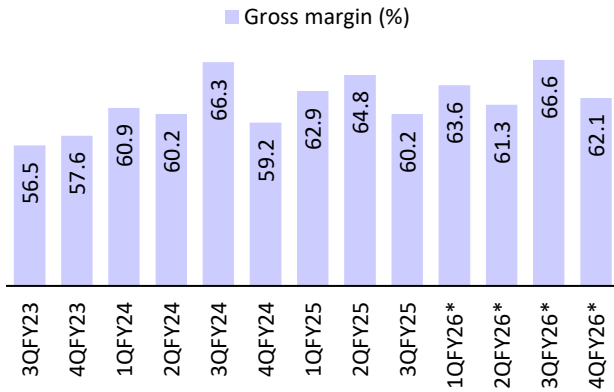
Source: Company, MOFSL

**Exhibit 2: EBITDA up 4% YoY to INR2.2b**



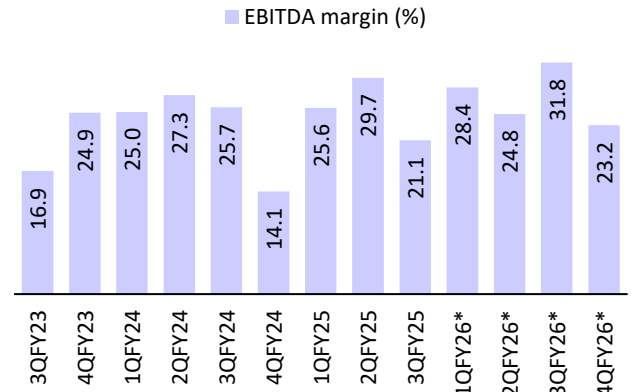
Source: Company, MOFSL

**Exhibit 3: Gross margin expanded 190bp YoY to 62.1%**



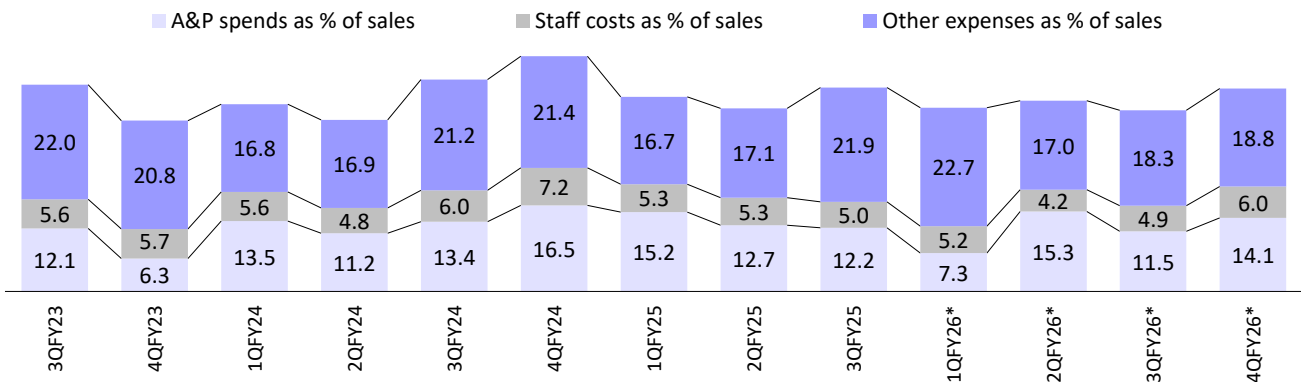
Source: Company, MOFSL

**Exhibit 4: EBITDA margin expanded 200bp YoY to 23.2%**



Source: Company, MOFSL

**Exhibit 5: As a percentage of sales, ad spending expanded 190bp, staff costs up 100bp, while other expenses down 310bp YoY**



Source: Company, MOFSL

\*The March quarter is now 4QFY26, as the company changed the end-year from Jun to Mar

### Valuation and view

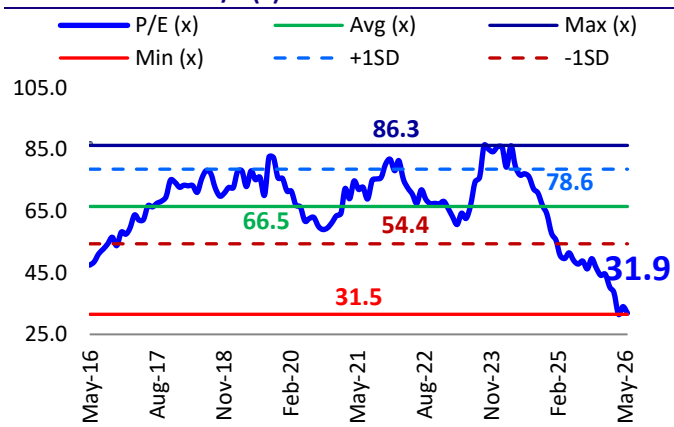
- We cut our EPS estimates by 3-4% for FY27 and FY28.
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Exhibit 6: We cut our EPS estimates by 3-4% for FY27 and FY28

INR m	New		Old		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Net Sales	46,288	49,673	47,226	50,676	-2.0%	-2.0%
EBITDA	12,593	13,645	12,822	14,012	-1.8%	-2.6%
Adjusted PAT	9,273	10,029	9,617	10,505	-3.6%	-4.5%

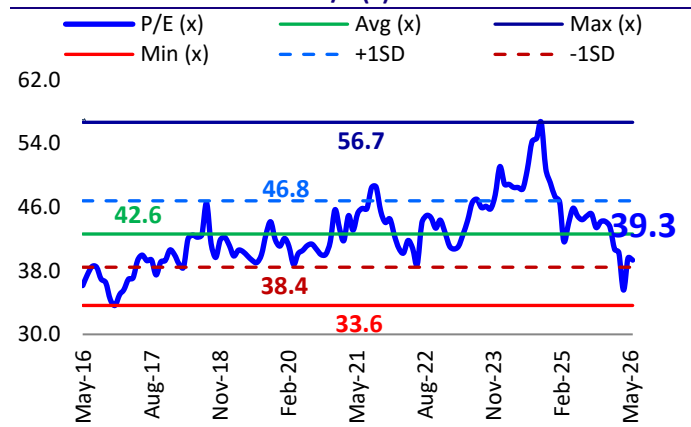
Source: MOFSL

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	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26	FY27E	FY28E
<b>Total Income from Operations</b>	<b>30,020</b>	<b>35,741</b>	<b>37,998</b>	<b>39,123</b>	<b>42,057</b>	<b>33,744</b>	<b>42,904</b>	<b>46,288</b>	<b>49,673</b>
Change (%)	1.9	19.1	6.3	3.0	7.5	-19.8	27.1	7.9	7.3
<b>EBITDA</b>	<b>6,216</b>	<b>6,972</b>	<b>8,299</b>	<b>8,686</b>	<b>9,833</b>	<b>8,711</b>	<b>11,710</b>	<b>12,593</b>	<b>13,645</b>
Margin (%)	20.7	19.5	21.8	22.2	23.4	25.8	27.3	27.2	27.5
Depreciation	479	477	529	584	565	319	374	425	472
<b>EBIT</b>	<b>5,738</b>	<b>6,495</b>	<b>7,770</b>	<b>8,103</b>	<b>9,268</b>	<b>8,391</b>	<b>11,336</b>	<b>12,168</b>	<b>13,174</b>
Int. and Finance Charges	61	61	112	114	268	143	95	104	107
Other Income	441	394	243	406	523	373	425	567	593
<b>PBT bef. EO Exp.</b>	<b>6,118</b>	<b>6,828</b>	<b>7,901</b>	<b>8,395</b>	<b>9,522</b>	<b>8,622</b>	<b>11,666</b>	<b>12,631</b>	<b>13,660</b>
EO Items	-105	1,450	-101	571	-441	0	0	0	0
<b>PBT after EO Exp.</b>	<b>6,013</b>	<b>8,277</b>	<b>7,800</b>	<b>8,966</b>	<b>9,082</b>	<b>8,622</b>	<b>11,666</b>	<b>12,631</b>	<b>13,660</b>
Total Tax	1,642	1,759	2,042	2,184	2,674	2,256	3,101	3,358	3,631
Tax Rate (%)	27.3	21.3	26.2	24.4	29.4	26.2	26.6	26.6	26.6
<b>Reported PAT</b>	<b>4,371</b>	<b>6,518</b>	<b>5,757</b>	<b>6,781</b>	<b>6,718</b>	<b>6,366</b>	<b>8,565</b>	<b>9,273</b>	<b>10,029</b>
<b>Adjusted PAT</b>	<b>4,476</b>	<b>5,068</b>	<b>5,858</b>	<b>6,210</b>	<b>7,159</b>	<b>6,366</b>	<b>8,565</b>	<b>9,273</b>	<b>10,029</b>
Change (%)	6.8	13.2	15.6	6.0	15.3	-11.1	34.5	8.3	8.1
Margin (%)	14.9	14.2	15.4	15.9	17.0	18.9	20.0	20.0	20.2

### Standalone - Balance Sheet

(INR m)

Y/E June	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26	FY27E	FY28E
Equity Share Capital	325	325	325	325	325	325	325	325	325
Total Reserves	11,254	6,818	7,051	9,136	7,424	7,045	7,210	9,065	11,070
<b>Net Worth</b>	<b>11,579</b>	<b>7,143</b>	<b>7,376</b>	<b>9,460</b>	<b>7,749</b>	<b>7,370</b>	<b>7,535</b>	<b>9,389</b>	<b>11,395</b>
Deferred Tax Liabilities	-296	-380	-519	-655	-749	-824	-750	-825	-908
Total Loans	15	35	19	8	0	0	0	0	0
<b>Capital Employed</b>	<b>11,298</b>	<b>6,797</b>	<b>6,876</b>	<b>8,813</b>	<b>7,000</b>	<b>6,546</b>	<b>6,785</b>	<b>8,564</b>	<b>10,487</b>
Gross Block	4,495	4,719	5,012	5,582	5,838	6,036	6,236	6,436	6,636
Less: Accum. Deprn.	2,430	2,881	3,376	3,881	4,446	4,722	4,605	5,565	6,037
<b>Net Fixed Assets</b>	<b>2,065</b>	<b>1,838</b>	<b>1,637</b>	<b>1,700</b>	<b>1,392</b>	<b>1,314</b>	<b>1,631</b>	<b>871</b>	<b>599</b>
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0
Capital WIP	222	376	439	228	278	407	213	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>15,702</b>	<b>13,733</b>	<b>14,231</b>	<b>18,790</b>	<b>16,168</b>	<b>15,002</b>	<b>15,442</b>	<b>17,403</b>	<b>20,368</b>
Inventory	2,051	2,493	2,340	2,198	2,256	2,214	2,179	2,790	2,994
Account Receivables	1,663	1,424	1,921	2,163	2,408	3,041	2,428	2,790	2,994
Cash and Bank Balance	9,025	6,602	6,393	9,780	5,882	4,807	5,679	7,174	9,731
Loans and Advances	2,963	3,214	3,578	4,649	5,622	4,940	5,155	4,649	4,649
<b>Curr. Liability &amp; Prov.</b>	<b>6,691</b>	<b>9,150</b>	<b>9,431</b>	<b>11,905</b>	<b>10,837</b>	<b>10,177</b>	<b>10,501</b>	<b>9,910</b>	<b>10,680</b>
Account Payables	5,313	7,541	7,798	9,711	8,517	8,094	8,447	7,777	8,333
Other Current Liabilities	587	731	710	1,036	1,185	787	791	870	957
Provisions	790	878	923	1,158	1,136	1,296	1,263	1,263	1,389
<b>Net Current Assets</b>	<b>9,011</b>	<b>4,583</b>	<b>4,801</b>	<b>6,885</b>	<b>5,331</b>	<b>4,825</b>	<b>4,941</b>	<b>7,494</b>	<b>9,688</b>
<b>Appl. of Funds</b>	<b>11,298</b>	<b>6,797</b>	<b>6,876</b>	<b>8,813</b>	<b>7,000</b>	<b>6,546</b>	<b>6,785</b>	<b>8,564</b>	<b>10,487</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E June	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26	FY27E	FY28E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>137.7</b>	<b>156.1</b>	<b>180.5</b>	<b>191.3</b>	<b>220.3</b>	<b>195.9</b>	<b>263.5</b>	<b>285.3</b>	<b>308.6</b>
Cash EPS	152.7	170.8	196.8	209.3	237.9	206.0	275.4	298.8	323.5
BV/Share	356.7	220.0	227.2	291.4	238.7	227.0	232.1	289.3	351.0
DPS	105	315	160	185	255	175	255	229	247
Payout (%)	78.1	202.0	88.8	96.8	123.4	89.3	96.8	80.0	80.0
<b>Valuation (x)</b>									
P/E	73.3	64.7	56.0	52.8	45.8	51.6	38.3	35.4	32.7
Cash P/E	66.2	59.1	51.3	48.3	42.4	49.0	36.7	33.8	31.2
P/BV	28.3	45.9	44.4	34.7	42.3	44.5	43.5	34.9	28.8
EV/Sales	10.6	9.0	8.5	8.1	7.7	9.6	7.5	6.9	6.4
EV/EBITDA	51.3	46.1	38.7	36.6	32.7	37.1	27.5	25.5	23.3
Dividend Yield (%)	1.0	3.1	1.6	1.8	2.5	1.7	2.5	2.3	2.4
FCF per share	130.5	256.2	161.2	240.7	127.9	165.9	275.0	246.2	313.5
<b>Return Ratios (%)</b>									
RoE	43.3	54.1	80.7	73.8	83.2	84.2	114.9	109.6	96.5
RoCE	44.9	60.0	86.5	82.0	87.4	95.5	129.5	121.8	106.1
<b>Working Capital Ratios</b>									
Asset Turnover (x)	2.7	5.3	5.5	4.4	6.0	5.2	6.3	5.4	4.7
Inventory (Days)	25	23	23	21	22	22	22	22	22
Debtor (Days)	21	16	16	19	22	22	22	22	22
Creditor (Days)	66	66	74	82	60	60	60	60	60
Net WCC	-20	-27	-34	-41	-16	-16	-16	-16	-16
<b>Growth (%)</b>									
Sales	1.9	19.1	6.3	3.0	7.5	-19.8	27.1	7.9	7.3
EBITDA	2.0	12.2	19.0	4.7	13.2	-11.4	34.4	7.5	8.4
PAT	6.8	13.2	15.6	6.0	15.3	-11.1	34.5	8.3	8.1
<b>Leverage Ratio (x)</b>									
Current Ratio	2.3	1.5	1.5	1.6	1.5	1.5	1.5	1.8	1.9
Interest Cover Ratio	94.5	106.3	69.4	71.2	34.6	58.7	120.0	117.1	123.0
Debt/Equity	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	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26	FY27E	FY28E
PBT	5,939	8,699	7,901	8,395	9,392	8,622	11,666	12,631	13,660
Depreciation	479	477	529	584	565	319	374	425	472
Net interest expense	-266	-250	-154	-237	-367	-136	-290	-463	-486
Others	203	139	115	67	97	130	135	0	0
(Inc)/Dec in WC	-179	2,101	-166	1,745	-2,321	-572	374	-1,057	362
Taxes	-1,435	-2,534	-2,494	-2,295	-2,782	-2,431	-3,019	-3,358	-3,631
<b>CF from Operations</b>	<b>4,741</b>	<b>8,631</b>	<b>5,731</b>	<b>8,258</b>	<b>4,584</b>	<b>5,932</b>	<b>9,241</b>	<b>8,178</b>	<b>10,376</b>
<b>CF from Operating incl EO</b>	<b>4,741</b>	<b>8,631</b>	<b>5,731</b>	<b>8,258</b>	<b>4,584</b>	<b>5,932</b>	<b>9,241</b>	<b>8,178</b>	<b>10,376</b>
(Inc)/Dec in FA	-503	-315	-497	-444	-433	-546	-313	-187	-200
<b>Free Cash Flow</b>	<b>4,237</b>	<b>8,317</b>	<b>5,234</b>	<b>7,814</b>	<b>4,151</b>	<b>5,386</b>	<b>8,928</b>	<b>7,991</b>	<b>10,176</b>
Others	1,265	325	246	344	568	202	393	1,102	593
<b>CF from Investments</b>	<b>783</b>	<b>11</b>	<b>-251</b>	<b>-100</b>	<b>136</b>	<b>-344</b>	<b>80</b>	<b>914</b>	<b>393</b>
Dividend Paid	-1,878	-11,037	-5,681	-4,707	-8,602	-6,655	-8,440	-7,418	-8,023
Interest Paid	-9	-10	-25	-51	-5	0	0	-104	-107
Others	-16	-18	16	-12	-10	0	0	-75	-83
<b>CF from Fin. Activity</b>	<b>-1,903</b>	<b>-11,064</b>	<b>-5,689</b>	<b>-4,770</b>	<b>-8,618</b>	<b>-6,662</b>	<b>-8,448</b>	<b>-7,597</b>	<b>-8,212</b>
<b>Inc/Dec of Cash</b>	<b>3,621</b>	<b>-2,423</b>	<b>-210</b>	<b>3,387</b>	<b>-3,898</b>	<b>-1,075</b>	<b>872</b>	<b>1,495</b>	<b>2,556</b>
Opening Balance	5,405	9,025	6,603	6,393	9,780	5,882	4,807	5,680	7,174
<b>Closing Balance</b>	<b>9,025</b>	<b>6,603</b>	<b>6,393</b>	<b>9,780</b>	<b>5,882</b>	<b>4,807</b>	<b>5,680</b>	<b>7,174</b>	<b>9,731</b>

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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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