

P&G Hygiene and Healthcare

Estimate changes	↔
TP change	↔
Rating change	↔

CMP: INR14,269 TP: INR15,000 (+5%) Neutral

Miss on all fronts; quarterly inconsistency continues

- P&G Hygiene and Healthcare's (PGHH) 3QFY25 (FY ending June) performance missed our estimates on all fronts. We have noted such performance volatility on a quarterly basis in the past. Revenue was down 1% YoY at INR9.9b (vs. 14%/10% growth in 3QFY24/2QFY25).
- Gross margin contracted 610bp YoY/460bp QoQ to 60.2% (est. 65%). Gross profit was down by 10% YoY. Ad spends were down 10% YoY (12.2% of sales). EBITDA declined 19% YoY to INR2.1b (est. INR2.7b). EBITDA margin contracted 450bp YoY and 860bp QoQ to 21.1% (est. 24.7%).
- PGHH delivered a 7% revenue CAGR during FY19-24, and we estimate a 7% CAGR during FY24-27E. The company is less predictable on a quarterly basis, but its annual performance is still quite steady. EBITDA margin has also seen consistent improvement, with 250bp expansion during FY19-24 to ~23.5%. We model 24%-25% EBITDA margin during FY24-27E. EBITDA saw a 10% CAGR during FY19-24, and we model a similar ~10% CAGR during FY24-27E.
- The stock trades at a rich valuation of 52x/48x FY26E/FY27E P/E. **We reiterate Neutral rating at a TP of INR15,000 (50x Mar'27E EPS).**

Revenue down 1%; sharp drop in gross margin

- **Miss on revenue:** Sales declined 1% YoY to INR9.9b (est. INR10.9b) after posting 10% growth in 2QFY25. Performance volatility in quarters has been witnessed in the past similarly.
- **Sharp margin contraction:** Gross margin contracted 610bp YoY and 460bp QoQ to 60.2% (est. 65%). Employee costs fell 18% YoY and A&P declined 10% YoY, while other expenses rose 2% YoY. EBITDA margin contracted 450bp YoY and 860bp QoQ to 21.1% (est. 24.7%).
- **Pressure on profitability:** EBITDA fell 19% YoY to INR2.1b (est. INR2.7b). EBITDA saw a beat in 2QFY25 with 20% YoY growth, indicating quarterly volatility in performance. Adj. PAT fell 16% YoY to INR1.6b. (est. INR2.0b).
- In 9MFY25, revenue/EBITDA/APAT grew by 3%/2%/2%.

Valuation and view

- We cut our EPS estimates by 2% each for FY25/FY26.
- Two factors make PGHH an attractive long-term core holding: 1) high growth potential for feminine hygiene segment (65-68% mix of FY24 sales), coupled with the potential for market share gains, aided by strategic initiatives, including the fortification of significant market advantages; and 2) potential to sustain high operating margin from the long-term trend of premiumization in the feminine hygiene segment.
- With a portfolio of essentials and healthcare, PGHH remains 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/48x FY26E/FY27E P/E. Further, we do not see any medium-term trigger. **Reiterate Neutral with a TP of INR15,000, based on 50x Mar'27E EPS.**

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USDb)	463.2 / 5.4
52-Week Range (INR)	17748 / 12106
1, 6, 12 Rel. Per (%)	-3/-13/-18
12M Avg Val (INR M)	127

Financials & valuations (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)	57.9	52.3	47.6
P/BV (x)	49.5	41.6	35.4
EV/EBITDA (x)	42.5	38.3	34.8
Div. Yield (%)	1.4	1.5	1.7

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

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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

Y/E June	FY24				FY25E				FY24	FY25E	(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var. (%)
Net Sales	11,384	11,334	10,022	9,318	11,352	12,476	9,916	10,427	42,057	44,171	10,874	-8.8%
YoY Change (%)	9.2	-0.3	13.5	9.7	-0.3	10.1	-1.1	11.9	7.5	5.0	8.5	
Gross profit	6,932	6,825	6,644	5,514	7,139	8,085	5,969	6,546	25,915	27,740	7,068	-15.5%
Margin (%)	60.9	60.2	66.3	59.2	62.9	64.8	60.2	62.8	61.6	62.8	65.0	
EBITDA	2,849	3,097	2,573	1,313	2,905	3,709	2,097	2,023	9,833	10,734	2,691	-22.1%
Growth	33.1	6.6	72.4	-37.9	2.0	19.8	-18.5	54.1	13.2	9.2	4.6	
Margins (%)	25.0	27.3	25.7	14.1	25.6	29.7	21.1	19.4	23.4	24.3	24.7	
Depreciation	143	143	145	134	117	99	104	116	565	435	145	
Interest	19	26	224	-1	19	66	58	12	268	155	40	
Other Income	158	156	136	73	85	97	191	194	523	567	140	
PBT	2,845	3,085	2,339	1,253	2,854	3,641	2,127	2,089	9,522	10,711	2,646	-19.6%
PBT after EO expense	2,845	3,085	2,029	1,123	2,854	3,641	2,127	2,089	9,082	10,711	2,646	-19.6%
Tax	738	796	796	345	735	955	566	443	2,674	2,699	635	
Rate (%)	25.9	25.8	39.2	30.7	25.7	26.2	26.6	21.2	29.4	25.2	24.0	
Adj PAT	2,107	2,289	1,854	908	2,119	2,686	1,561	1,646	7,159	8,012	2,011	-22.4%
YoY Change (%)	36.4	10.1	72.5	-38.5	0.6	17.3	-15.8	81.2	15.3	11.9	8.4	
Margins (%)	18.5	20.2	18.5	9.7	18.7	21.5	15.7	15.8	17.0	18.1	18.5	

E: MOFSL Estimates

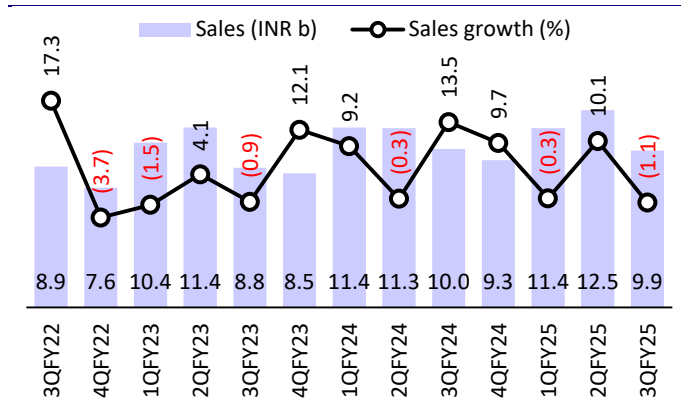
Key Performance Indicators

Y/E June	FY24				FY25		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
2Y average growth (%)							
Sales	3.8	1.9	6.3	10.9	4.4	4.9	6.2
EBITDA	2.1	2.3	31.4	88.6	17.6	13.2	26.9
PAT	3.6	4.1	33.8	104.3	18.5	13.7	28.3
% of Sales							
COGS	39.1	39.8	33.7	40.8	37.1	35.2	39.8
Employee Expenses	5.6	4.8	6.0	7.2	5.3	5.3	5.0
A&P Expenses	13.5	11.2	13.4	16.5	15.2	12.7	12.2
Other Expenses	16.8	16.9	21.2	21.4	16.7	17.1	21.9
Depreciation	1.3	1.3	1.5	1.4	1.0	0.8	1.0
YoY change (%)							
COGS	3.2	-7.2	-12.0	5.7	-5.4	-2.6	16.9
Employee Expenses	24.3	-3.9	21.3	39.7	-5.0	21.0	-17.8
A&P Expenses	-1.4	14.4	25.9	187.1	12.7	25.0	-9.6
Other Expenses	0.3	-1.0	9.8	13.0	-0.6	11.4	1.8
Other Income	134.3	67.3	-5.9	-27.6	-46.1	-37.7	40.8
EBIT	35.3	7.0	80.2	-39.8	3.0	22.2	-17.9

E: MOFSL estimates

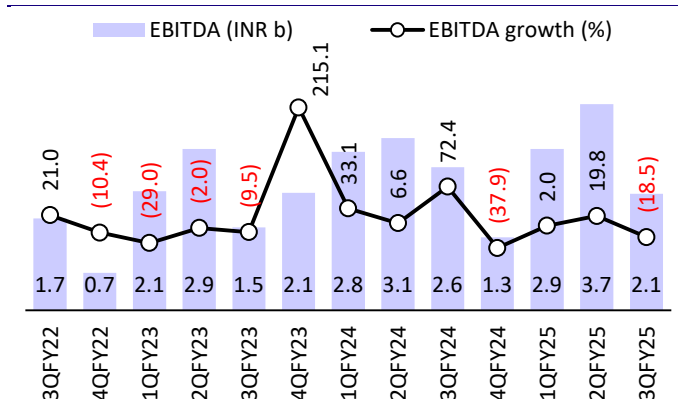
Key exhibits

Exhibit 1: Net sales down 1% YoY to INR9.9b



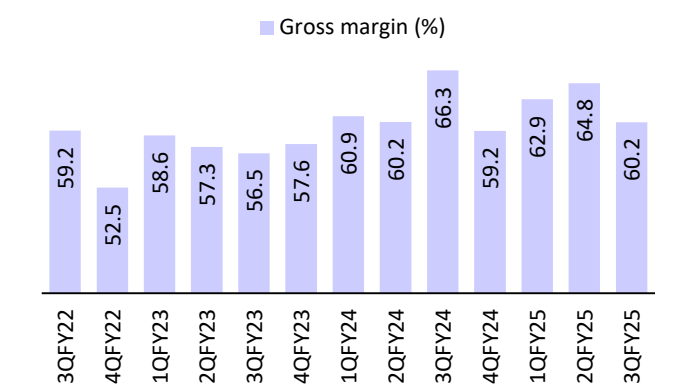
Source: Company, MOFSL

Exhibit 2: EBITDA declined 19% YoY to INR2.1b



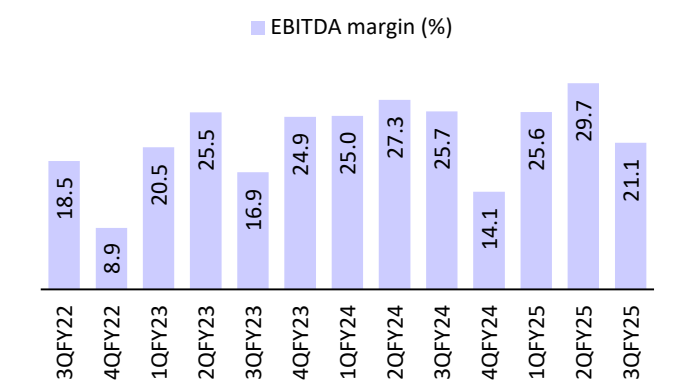
Source: Company, MOFSL

Exhibit 3: Gross margin contracted 610bp YoY to 60.2%



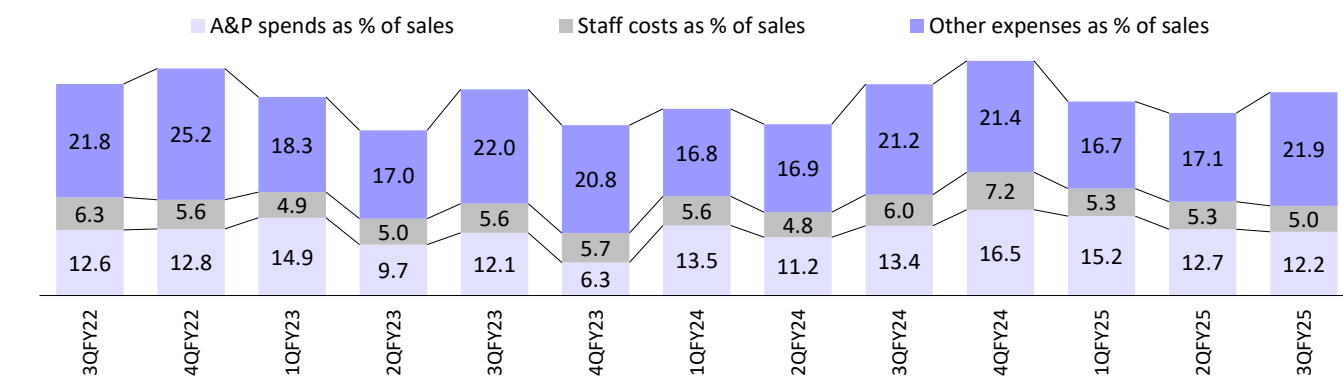
Source: Company, MOFSL

Exhibit 4: EBITDA margin declined 450bp YoY to 21.1%



Source: Company, MOFSL

Exhibit 5: As a percentage of sales, ad spending declined 120bp, staff costs down 100bp and other expenses up 60bp YoY



Source: Company, MOFSL

Valuation and view

Our view on the stock

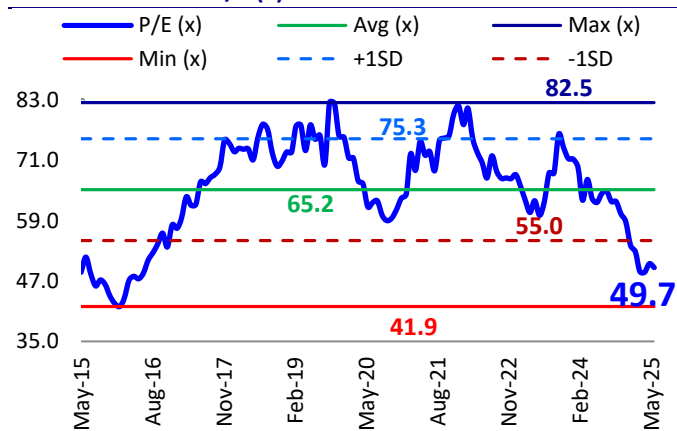
- We cut our EPS estimates by 2% each for FY25/FY26.
- Two factors make PGHH an attractive long-term core holding: 1) high growth potential for feminine hygiene segment (65-68% mix of FY24 sales), coupled with the potential for market share gains, aided by strategic initiatives, including the fortification of significant market advantages; and 2) potential to sustain high operating margin from the long-term trend of premiumization 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/48x FY26E/FY27E P/E. Further, we do not see any medium-term trigger. **Reiterate Neutral with a TP of INR15,000, based on 50x Mar'27E EPS.**

Exhibit 6: We cut our EPS estimates by 2% each for FY25 and FY26

INR m	New		Old		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Sales	44,171	47,550	44,912	48,646	-1.6%	-2.3%
EBITDA	10,734	11,840	11,138	12,210	-3.6%	-3.0%
Adjusted PAT	8,012	8,874	8,164	9,065	-1.9%	-2.1%

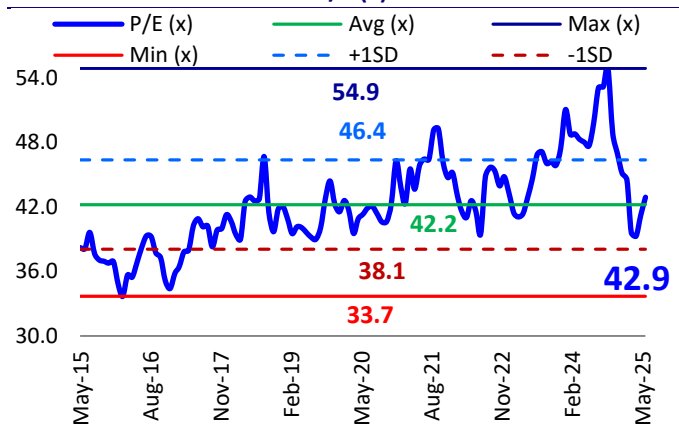
Source: MOFSL

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	FY25E	FY26E	FY27E
Total Income from Operations	29,469	30,020	35,741	37,998	39,123	42,057	44,171	47,550	51,677
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
Total Expenditure	23,376	23,804	28,770	29,699	30,437	32,224	33,438	35,710	38,706
% of Sales	79.3	79.3	80.5	78.2	77.8	76.6	75.7	75.1	74.9
EBITDA	6,093	6,216	6,972	8,299	8,686	9,833	10,734	11,840	12,971
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
EBIT	5,595	5,738	6,495	7,770	8,103	9,268	10,299	11,394	12,513
Int. and Finance Charges	55	61	61	112	114	268	155	110	113
Other Income	533	441	394	243	406	523	567	580	633
PBT bef. EO Exp.	6,073	6,118	6,828	7,901	8,395	9,522	10,711	11,863	13,033
EO Items		-105	1,450	-101	571	-441	0	0	0
PBT after EO Exp.	6,073	6,013	8,277	7,800	8,966	9,082	10,711	11,863	13,033
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
Reported PAT	4,191	4,371	6,518	5,757	6,781	6,718	8,012	8,874	9,749
Adjusted PAT	4,191	4,476	5,068	5,858	6,210	7,159	8,012	8,874	9,749
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
Net Worth	9,091	11,579	7,143	7,376	9,460	7,749	9,351	11,126	13,075
Deferred Tax Liabilities	-368	-296	-380	-519	-655	-749	-824	-906	-997
Total Loans	0	15	35	19	8	0	0	0	0
Capital Employed	8,723	11,298	6,797	6,876	8,813	7,000	8,527	10,220	12,079
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
Net Fixed Assets	2,342	2,065	1,838	1,637	1,700	1,392	1,155	908	651
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0
Capital WIP	146	222	376	439	228	278	278	200	200
Total Investments	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	16,864	19,680	22,743
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
Curr. Liability & Prov.	7,080	6,691	9,150	9,431	11,905	10,837	9,769	10,568	11,515
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
Net Current Assets	6,235	9,011	4,583	4,801	6,885	5,331	7,095	9,111	11,228
Appl. of Funds	8,723	11,298	6,797	6,876	8,813	7,000	8,527	10,220	12,079

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)									
EPS	129.0	137.7	156.1	180.5	191.3	220.3	246.5	273.0	300.0
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
Valuation (x)									
P/E	110.6	103.6	91.4	79.1	74.6	64.8	57.9	52.3	47.6
Cash P/E	98.8	93.5	83.5	72.5	68.2	60.0	54.8	49.7	45.4
P/BV	51.0	40.0	64.8	62.8	49.0	59.8	49.5	41.6	35.4
EV/Sales	15.5	15.1	12.8	12.0	11.6	10.9	10.3	9.5	8.7
EV/EBITDA	75.1	73.1	65.5	55.0	52.2	46.5	42.5	38.3	34.8
Dividend Yield (%)	0.7	0.7	2.2	1.1	1.3	1.8	1.4	1.5	1.7
FCF per share	126.4	130.5	256.2	161.2	240.7	155.4	218.1	281.0	306.1
Return Ratios (%)									
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
Working Capital Ratios									
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
Growth (%)									
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
Leverage Ratio (x)									
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

(INR m)

Y/E June	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	6,073	5,939	8,699	7,901	8,395	9,392	10,711	11,863	13,033
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
CF from Operations	4,130	4,741	8,631	5,731	8,258	4,584	7,279	9,242	10,135
CF from Operating incl EO	4,130	4,741	8,631	5,731	8,258	4,584	7,279	9,242	10,135
(Inc)/Dec in FA	-28	-503	-315	-497	-444	461	-198	-123	-200
Free Cash Flow	4,102	4,237	8,317	5,234	7,814	5,045	7,081	9,120	9,935
Others	451	1,265	325	246	344	-325	567	580	633
CF from Investments	416	783	11	-251	-100	136	369	457	433
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
CF from Fin. Activity	-3,137	-1,903	-11,064	-5,689	-4,770	-8,618	-6,639	-7,291	-8,003
Inc/Dec of Cash	1,409	3,621	-2,423	-210	3,387	-3,898	1,009	2,408	2,566
Opening Balance	3,996	5,405	9,025	6,603	6,393	9,780	5,882	6,891	9,299
Closing Balance	5,405	9,025	6,603	6,393	9,780	5,882	6,891	9,299	11,864

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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