

P&G Hygiene and Healthcare

Estimate changes



TP change



Rating change



Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USD\$)	427.2 / 4.8
52-Week Range (INR)	16348 / 12106
1, 6, 12 Rel. Per (%)	-10/-12/-21
12M Avg Val (INR M)	147

Financials & valuations (INR b)

Y/E June	FY26E	FY27E	FY28E
Sales	44.8	48.2	51.7
Sales Gr. (%)	32.6	7.6	7.3
EBITDA	11.7	12.8	14.2
Margin (%)	26.1	26.6	27.6
Adj. PAT	8.7	9.6	10.7
Adj. EPS (INR)	268.1	296.7	330.1
EPS Gr. (%)	36.9	10.7	11.2
BV/Sh.(INR)	280.7	340.1	406.2

Ratios

RoE (%)	105.7	95.7	88.5
RoCE (%)	119.5	106.8	97.9

Valuations

P/E (x)	49.3	44.6	40.1
P/BV (x)	47.1	38.9	32.6
EV/EBITDA (x)	36.2	32.9	29.3
Div. Yield (%)	1.6	1.8	2.0

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	70.6	70.6	70.6
DII	16.1	15.5	15.3
FII	1.1	1.4	1.5
Others	12.2	12.5	12.6

FII Includes depository receipts

CMP: INR13,162

TP: INR14,000 (+6%)

Neutral

Muted revenue; weak GM impacts profitability

- P&G Hygiene and Healthcare's (PGHH) 2QFY26 revenue growth was broadly in line with our expectations, but profitability was a miss. Similar margin anomalies have been observed in past quarters. Revenue grew 1% YoY to INR11.5b (in line) in 2QFY26, reflecting flat growth in the base quarter. Overall revenue growth has remained weak over the past few quarters.
- Gross margin contracted 160bp YoY and 230bp QoQ to 61.3% (est. 63.5%), reflecting the usual volatility between quarters. Employee costs declined 20% YoY, while A&P grew 2% YoY and other expenses rose 3% YoY. EBITDA declined 2% YoY to INR2.8b (below), while EBITDA margin contracted 80bp YoY and 370bp QoQ to 24.8%. The high COGS was partially offset by lower employee costs, helping limit the contraction in EBITDA margin.
- PGHH exhibits significant volatility on a quarterly basis, but its annual performance remains highly stable. We model a 26-27.6% EBITDA margin during FY26-28E, implying ~10% EBITDA CAGR over FY26-28E.
- The stock trades at rich valuations of 49x/45x FY26E/FY27E P/E. **Reiterate Neutral with a TP of INR14,000 (based on 45x Sep'27E EPS).**

Revenue remains flattish YoY, while margins contract

- **Flattish revenue:** PGHH registered 1% YoY revenue growth to INR11.5b (est. INR11.6b). Growth remained flat in the preceding and base quarters, reflecting a trend of weak revenue performance over the past few quarters.
- **Miss on margin:** Gross margin contracted 160bp YoY and 230bp QoQ to 61.3% (est. 63.5%). GM volatility between quarters is usually high. Employee costs reduced 20% YoY, while A&P grew 2% YoY and other expenses rose 3% YoY. EBITDA margin contracted 80bp YoY and 370bp QoQ to 24.8% (est. 25.5%).
- **Miss on profitability:** EBITDA declined 2% YoY to INR2.8b (est. INR2.9b). APAT declined 1% YoY to INR2.1b. (est. INR2.2b).

Valuation and view

- We broadly retain our EPS estimates for FY26-28.
- 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 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. The stock trades at rich valuations of 49x/45x FY26E/FY27E P/E. Further, we do not see any medium-term trigger. **Reiterate Neutral with a TP of INR14,000, based on 45x Sep'27E EPS.**

Standalone - Quarterly Earnings

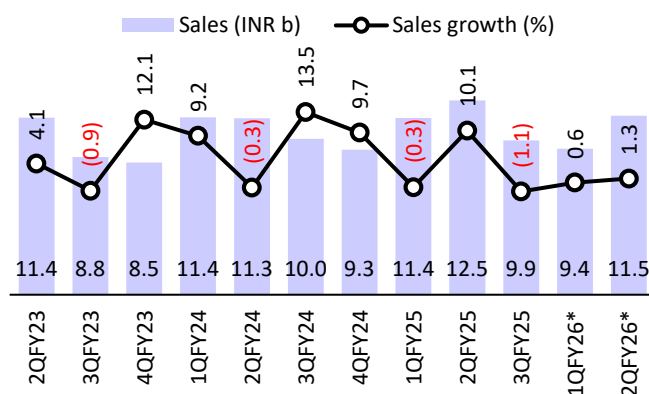
(INR m)

Y/E June	FY25			FY26E				FY25*	FY26E	FY26E	Var.
	1Q	2Q	3Q	1Q	2Q	3QE	4QE				
Net Sales	11,352	12,476	9,916	9,370	11,502	13,225	10,659	33,744	44,756	11,579	-0.7%
YoY Change (%)	-0.3	10.1	-1.1	0.6	1.3	6.0	7.5	-19.8	32.6	2.0	
Gross profit	7,139	8,085	5,969	5,959	7,050	8,398	6,924	21,193	28,330	7,352	-4.1%
Margin (%)	62.9	64.8	60.2	63.6	61.3	63.5	65.0	62.8	63.3	63.5	
EBITDA	2,905	3,709	2,097	2,662	2,848	3,769	2,403	8,711	11,681	2,953	-3.6%
Growth	2.0	19.8	-18.5	102.7	-2.0	1.6	14.6	-11.4	34.1	1.6	
Margins (%)	25.6	29.7	21.1	28.4	24.8	28.5	22.5	25.8	26.1	25.5	
Depreciation	117	99	104	91	93	98	105	319	386	105	
Interest	19	66	58	1	36	40	58	143	135	27	
Other Income	85	97	191	77	99	125	188	373	489	111	
PBT	2,854	3,641	2,127	2,647	2,818	3,756	2,428	8,622	11,649	2,931	-3.9%
PBT after EO expense	2,854	3,641	2,127	2,647	2,818	3,756	2,428	8,622	11,649	2,931	-3.9%
Tax	735	955	566	726	719	947	543	2,256	2,936	739	
Rate (%)	25.7	26.2	26.6	27.4	25.5	25.2	22.4	26.2	25.2	25.2	
Adj PAT	2,119	2,686	1,561	1,921	2,099	2,810	1,885	6,366	8,713	2,192	-4.3%
YoY Change (%)	0.6	17.3	-15.8	111.4	-1.0	4.6	20.7	-11.1	36.9	3.5	
Margins (%)	18.7	21.5	15.7	20.5	18.2	21.2	17.7	18.9	19.5	18.9	

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

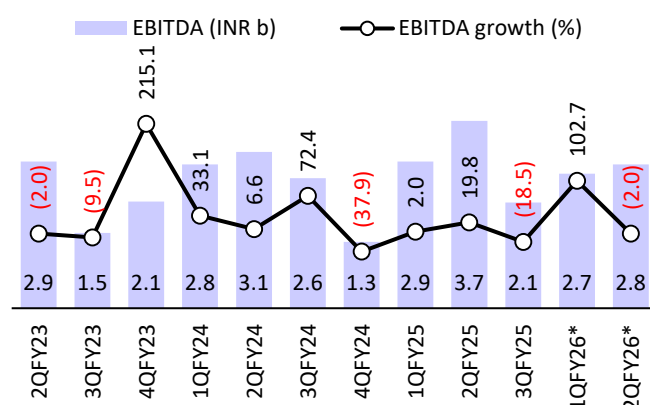
Key exhibits

Exhibit 1: Net sales grew 1% YoY to INR11.5b



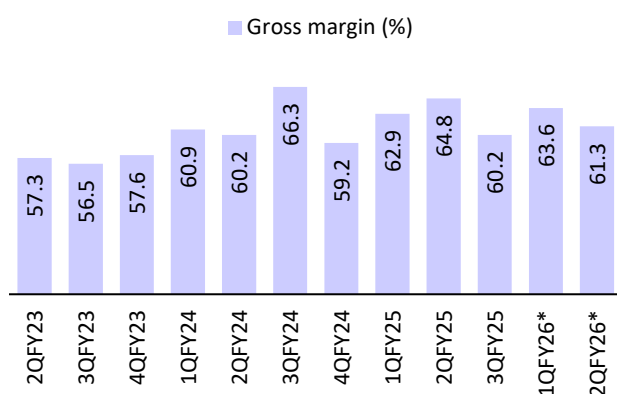
Source: Company, MOFSL

Exhibit 2: EBITDA declined 2% YoY to INR2.8b



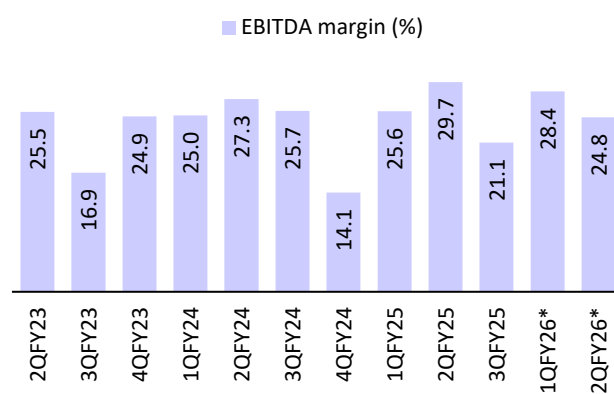
Source: Company, MOFSL

Exhibit 3: Gross margin contracted 160bp YoY to 61.3%



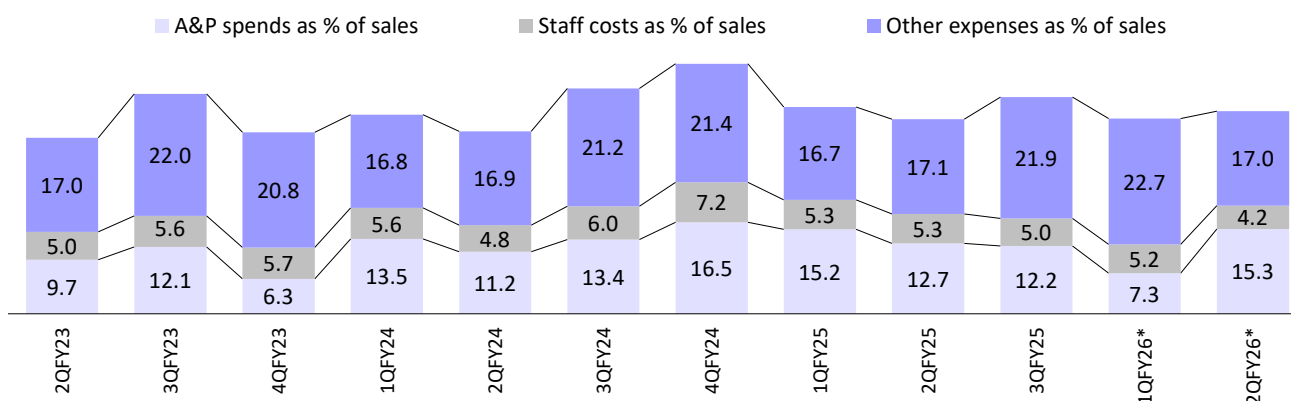
Source: Company, MOFSL

Exhibit 4: EBITDA margin contracted 80bp YoY to 24.8%



Source: Company, MOFSL

Exhibit 5: As a percentage of sales, ad spending remained flattish, staff costs dipped 110bp, while other expenses rose 30bp YoY



Source: Company, MOFSL

*The September quarter is now 2QFY26, as the company changed the end-year from Jun to Mar

Valuation and view

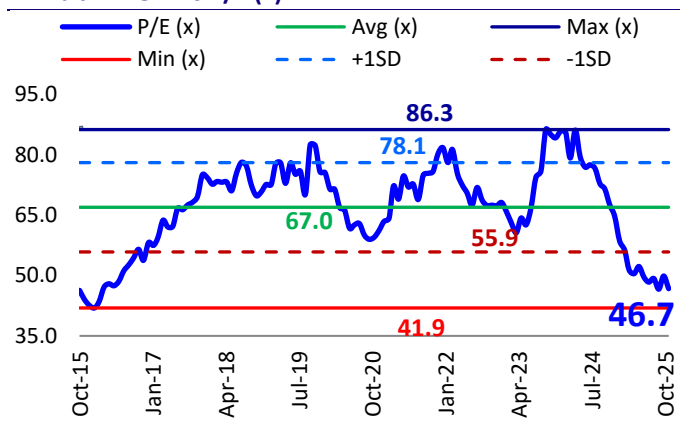
- We broadly retain our EPS estimates for FY26-28.
- Two factors make PGHH an attractive long-term core holding: 1) a high growth potential for the feminine hygiene segment (65-68% mix of FY24 sales), coupled with the potential for market share gains and strategic initiatives, including the strengthening of 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. Penetration play is expected to continue, though at a stable pace despite the high scope of user additions. The stock trades at rich valuations of 49x/45x FY26E/FY27E P/E. Further, we do not see any medium-term trigger. **Reiterate Neutral with a TP of INR14,000, based on 45x Sep'27E EPS.**

Exhibit 6: We largely maintain our EPS estimates for FY26E-28E

INR m	New			Old			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	44,756	48,171	51,689	45,480	48,952	52,528	-1.6%	-1.6%	-1.6%
EBITDA	11,681	12,789	14,240	11,870	12,997	14,472	-1.6%	-1.6%	-1.6%
Adjusted PAT	8,713	9,643	10,727	8,759	9,651	10,748	-0.5%	-0.1%	-0.2%

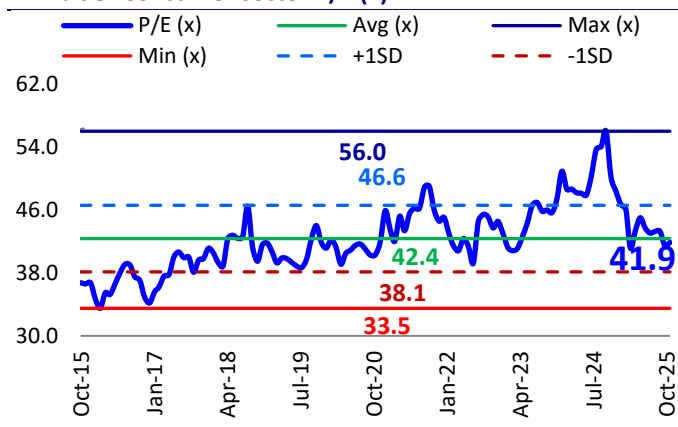
Source: MOFSL

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)	FY26E	FY27E	FY28E
Total Income from Operations	30,020	35,741	37,998	39,123	42,057	33,744	44,756	48,171	51,689
Change (%)	1.9	19.1	6.3	3.0	7.5	-19.8	32.6	7.6	7.3
Raw Materials	11,068	11,593	14,582	16,575	16,142	12,551	16,425	17,558	18,711
% of Sales	36.9	32.4	38.4	42.4	38.4	37.2	36.7	36.5	36.2
Employees Cost	1,733	2,017	2,143	2,058	2,456	1,761	2,372	2,553	2,740
% of Sales	5.8	5.6	5.6	5.3	5.8	5.2	5.3	5.3	5.3
Other Expenses	11,003	15,160	12,974	11,805	13,626	10,722	14,277	15,270	15,998
% of Sales	36.7	42.4	34.1	30.2	32.4	31.8	31.9	31.7	31.0
Total Expenditure	23,804	28,770	29,699	30,437	32,224	25,034	33,074	35,382	37,449
% of Sales	79.3	80.5	78.2	77.8	76.6	74.2	73.9	73.5	72.5
EBITDA	6,216	6,972	8,299	8,686	9,833	8,711	11,681	12,789	14,240
Margin (%)	20.7	19.5	21.8	22.2	23.4	25.8	26.1	26.6	27.6
Depreciation	479	477	529	584	565	319	386	392	404
EBIT	5,738	6,495	7,770	8,103	9,268	8,391	11,295	12,397	13,836
Int. and Finance Charges	61	61	112	114	268	143	135	139	143
Other Income	441	394	243	406	523	373	489	633	647
PBT bef. EO Exp.	6,118	6,828	7,901	8,395	9,522	8,622	11,649	12,891	14,340
EO Items	-105	1,450	-101	571	-441	0	0	0	0
PBT after EO Exp.	6,013	8,277	7,800	8,966	9,082	8,622	11,649	12,891	14,340
Total Tax	1,642	1,759	2,042	2,184	2,674	2,256	2,936	3,249	3,614
Tax Rate (%)	27.3	21.3	26.2	24.4	29.4	26.2	25.2	25.2	25.2
Reported PAT	4,371	6,518	5,757	6,781	6,718	6,366	8,713	9,643	10,727
Adjusted PAT	4,476	5,068	5,858	6,210	7,159	6,366	8,713	9,643	10,727
Change (%)	6.8	13.2	15.6	6.0	15.3	-11.1	36.9	10.7	11.2
Margin (%)	14.9	14.2	15.4	15.9	17.0	18.9	19.5	20.0	20.8

Standalone - Balance Sheet

(INR m)

Y/E June	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26E	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	8,788	10,716	12,862
Net Worth	11,579	7,143	7,376	9,460	7,749	7,370	9,113	11,041	13,186
Deferred Tax Liabilities	-296	-380	-519	-655	-749	-824	-907	-997	-1,097
Total Loans	15	35	19	8	0	0	0	0	0
Capital Employed	11,298	6,797	6,876	8,813	7,000	6,546	8,206	10,044	12,090
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	5,152	5,544	5,948
Net Fixed Assets	2,065	1,838	1,637	1,700	1,392	1,314	1,084	892	688
Capital WIP	222	376	439	228	278	407	200	200	200
Curr. Assets, Loans&Adv.	15,702	13,733	14,231	18,790	16,168	15,002	16,737	19,744	23,017
Inventory	2,051	2,493	2,340	2,198	2,256	2,214	2,698	2,903	3,116
Account Receivables	1,663	1,424	1,921	2,163	2,408	3,041	2,698	2,903	3,116
Cash and Bank Balance	9,025	6,602	6,393	9,780	5,882	4,807	6,515	9,092	11,922
Loans and Advances	2,963	3,214	3,578	4,649	5,622	4,940	4,827	4,845	4,865
Curr. Liability & Prov.	6,691	9,150	9,431	11,905	10,837	10,177	9,581	10,358	11,172
Account Payables	5,313	7,541	7,798	9,711	8,517	8,094	7,432	7,994	8,572
Other Current Liabilities	587	731	710	1,036	1,185	787	865	952	1,047
Provisions	790	878	923	1,158	1,136	1,296	1,283	1,412	1,553
Net Current Assets	9,011	4,583	4,801	6,885	5,331	4,825	7,156	9,387	11,845
Appl. of Funds	11,298	6,797	6,876	8,813	7,000	6,546	8,440	10,478	12,733

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E June	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26E	FY27E	FY28E
Basic (INR)									
EPS	137.7	156.1	180.5	191.3	220.3	195.9	268.1	296.7	330.1
Cash EPS	152.7	170.8	196.8	209.3	237.9	206.0	280.3	309.1	342.9
BV/Share	356.7	220.0	227.2	291.4	238.7	227.0	280.7	340.1	406.2
DPS	105	315	160	185	255	157	215	238	264
Payout (%)	78.1	202.0	88.8	96.8	123.4	80.0	80.0	80.0	80.0
Valuation (x)									
P/E	96.1	84.7	73.3	69.2	60.1	67.5	49.3	44.6	40.1
Cash P/E	86.7	77.4	67.2	63.2	55.6	64.2	47.2	42.8	38.6
P/BV	37.1	60.1	58.2	45.4	55.4	58.3	47.1	38.9	32.6
EV/Sales	14.0	11.8	11.1	10.7	10.1	12.6	9.4	8.7	8.1
EV/EBITDA	67.6	60.7	51.0	48.3	43.1	48.7	36.2	32.9	29.3
Dividend Yield (%)	0.8	2.4	1.2	1.4	1.9	1.2	1.6	1.8	2.0
FCF per share	130.5	256.2	161.2	240.7	127.9	165.9	250.5	298.4	332.6
Return Ratios (%)									
RoE	43.3	54.1	80.7	73.8	83.2	84.2	105.7	95.7	88.5
RoCE	44.9	60.0	86.5	82.0	87.4	95.5	119.5	106.8	97.9
Working Capital Ratios									
Asset Turnover (x)	2.7	5.3	5.5	4.4	6.0	5.2	5.3	4.6	4.1
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
Growth (%)									
Sales	1.9	19.1	6.3	3.0	7.5	-19.8	32.6	7.6	7.3
EBITDA	2.0	12.2	19.0	4.7	13.2	-11.4	34.1	9.5	11.3
PAT	6.8	13.2	15.6	6.0	15.3	-11.1	36.9	10.7	11.2
Leverage Ratio (x)									
Current Ratio	2.3	1.5	1.5	1.6	1.5	1.5	1.7	1.9	2.1
Interest Cover Ratio	94.5	106.3	69.4	71.2	34.6	58.7	83.7	89.2	96.6
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	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26E	FY27E	FY28E
PBT	5,939	8,699	7,901	8,395	9,392	8,622	11,649	12,891	14,340
Depreciation	479	477	529	584	565	319	386	392	404
Net interest expense	-266	-250	-154	-237	-367	-136	-354	-494	-504
Others	203	139	115	67	97	130	0	0	0
(Inc)/Dec in WC	-179	2,101	-166	1,745	-2,321	-572	-623	347	371
Taxes	-1,435	-2,534	-2,494	-2,295	-2,782	-2,431	-2,936	-3,249	-3,614
CF from Operations	4,741	8,631	5,731	8,258	4,584	5,932	8,123	9,888	10,998
CF from Operating incl EO	4,741	8,631	5,731	8,258	4,584	5,932	8,123	9,888	10,998
(Inc)/Dec in FA	-503	-315	-497	-444	-433	-546	7	-200	-200
Free Cash Flow	4,237	8,317	5,234	7,814	4,151	5,386	8,130	9,688	10,798
Others	1,265	325	246	344	568	202	533	633	647
CF from Investments	783	11	-251	-100	136	-344	540	433	447
Dividend Paid	-1,878	-11,037	-5,681	-4,707	-8,602	-6,655	-6,971	-7,714	-8,581
Interest Paid	-9	-10	-25	-51	-5	0	-135	-139	-143
Others	-16	-18	16	-12	-10	0	-82	-91	-100
CF from Fin. Activity	-1,903	-11,064	-5,689	-4,770	-8,618	-6,662	-7,188	-7,944	-8,824
Inc/Dec of Cash	3,621	-2,423	-210	3,387	-3,898	-1,075	1,474	2,377	2,621
Opening Balance	5,405	9,025	6,603	6,393	9,780	5,882	4,807	6,281	8,658
Closing Balance	9,025	6,603	6,393	9,780	5,882	4,807	6,281	8,658	11,279

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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