

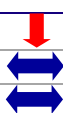


P&G Hygiene and Healthcare

Estimate changes

TP change

Rating change



CMP: INR16,996

TP: INR17,000

Neutral

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USDb)	551.7 / 6.6
52-Week Range (INR)	19180 / 15306
1, 6, 12 Rel. Per (%)	-3/-6/-26
12M Avg Val (INR M)	144

Financials & valuations (INR b)

Y/E June	FY24	FY25E	FY26E
Sales	42.1	46.8	51.6
Sales Gr. (%)	7.5	11.3	10.3
EBITDA	9.8	11.5	12.9
Margin (%)	23.4	24.5	25.0
Adj. PAT	7.2	8.5	9.6
Adj. EPS (INR)	220.3	260.2	296.4
EPS Gr. (%)	15.1	18.2	13.9
BV/Sh.(INR)	238.7	290.8	350.2

Ratios

RoE (%)	83.2	98.4	92.6
RoCE (%)	87.4	109.4	101.9

Valuations

P/E (x)	72.9	61.7	54.2
P/BV (x)	67.3	55.2	45.9
EV/EBITDA (x)	52.4	44.8	39.6
Div. Yield (%)	1.2	1.3	1.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	70.6	70.6	70.6
DII	15.2	15.1	15.5
FII	1.6	1.6	1.1
Others	12.7	12.7	12.7

FII Includes depository receipts

In-line revenue; cost surge shrinks margin

- P&G Hygiene and Healthcare (PGHH) delivered sales growth of 10% in 4QFY24 (FY ending June), in line with our expectation. This growth was led by product-price mix, premiumization, and growth in the feminine hygiene category. The last four/five-year CAGR was at 10%/8%.
- Gross margin expanded 160bp YoY but contracted sharply by 710bp QoQ to 59.2% (est. 65.3%). Ad spending jumped 187% YoY (16.5% of sales). EBITDA fell 38% YoY to INR1.3b (est. INR2.7b). EBITDA margin contracted sharply by 1,080bp YoY and 1,160bp QoQ to 14.1%, which stood at a 12-quarter low.
- With a portfolio of essentials and healthcare, the company remains focused on product innovation-led customer acquisition. Penetration play would continue, but at a steady pace, despite the high scope of user additions. The stock trades at an expensive valuation of 62x/54x FY25E/ FY26E P/E. **We reiterate Neutral rating on the stock.**

In-line sales; miss on margin

- **Double-digit sales growth:** Sales rose 10% YoY to INR9.3b (est. INR9.6b), led by product innovation, premiumisation and category growth in feminine hygiene. PGHH posted 8% growth in FY24 and a 7% CAGR in FY19-FY24.
- **Poor margin performance:** Gross margin expanded 160bp YoY but declined sharply by 710bp QoQ to 59.2% (est. 65.3%). Employee, A&P, and other expenses grew 40%, 187% and 13% YoY, respectively. As a percentage of sales, employee expenses increased 150bp YoY to 7.2%. Ad spending rose 1,020bp YoY to 16.5%, and other expenses grew 60bp YoY to 21.4%.
- **Miss on earnings:** EBITDA declined 38% YoY to INR1.3b (est. INR2.7b). EBITDA margin contracted 1,080bp YoY and 1,160bp QoQ to 14.1% (est. 27.7%), the lowest in 12 quarters. There is an exceptional item of INR130m for impairment of PPE. Adj. PAT declined by 39% YoY to INR908m.
- **In FY24, sales/EBITDA/APAT grew by 8%/13%/25%.**
- **The board** has declared a final dividend of INR95/share.

Valuation and view

- We cut our EPS estimates by 9%/6% for FY25/FY26.
- 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) and the potential for market share gains, aided 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 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 expensive valuations of 62x/54x FY25E/FY26E P/E. We do not see any medium-term trigger. **Reiterate Neutral with a TP of INR17,000 (55x Jun'26E 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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Standalone - Quarterly Earnings

(INR m)

Y/E June	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	10,428	11,374	8,831	8,491	11,384	11,334	10,022	9,318	39,123	42,057	9,576	-2.7%
YoY Change (%)	-1.5	4.1	-0.9	12.1	9.2	-0.3	13.5	9.7	3.0	7.5	12.8	
Gross profit	6,116	6,513	4,992	4,893	6,932	6,825	6,644	5,514	22,549	25,915	6,257	-11.9%
Margin (%)	58.6	57.3	56.5	57.6	60.9	60.2	66.3	59.2	57.6	61.6	65.3	
EBITDA	2,140	2,905	1,493	2,114	2,849	3,097	2,573	1,313	8,686	9,833	2,652	-50.5%
Growth	-29.0	-2.0	-9.5	215.1	33.1	6.6	72.4	-37.9	4.7	13.2	25.4	
Margins (%)	20.5	25.5	16.9	24.9	25.0	27.3	25.7	14.1	22.2	23.4	27.7	
Depreciation	140	144	146	154	143	143	145	134	584	565	158	
Interest	10	39	36	30	19	26	224	-1	114	268	44	
Other Income	67	93	144	101	158	156	136	73	406	523	146	
PBT	2,058	2,815	1,456	2,031	2,845	3,085	2,339	1,253	8,395	9,522	2,595	-51.7%
PBT after EO expense	2,058	2,811	2,031	2,031	2,845	3,085	2,029	1,123	8,966	9,082	2,595	-50.6%
Tax	514	737	380	553	738	796	796	345	2,184	2,674	701	
Rate (%)	25.0	26.2	18.7	27.2	25.9	25.8	39.2	30.7	24.4	29.4	27.0	
Adj PAT	1,544	2,079	1,075	1,478	2,107	2,289	1,854	908	6,210	7,159	1,894	-52.1%
YoY Change (%)	-29.3	-2.0	-4.9	247.2	36.4	10.1	72.5	-38.5	6.0	15.3	28.2	
Margins (%)	14.8	18.3	12.2	17.4	18.5	20.2	18.5	9.7	15.9	17.0	19.8	

E: MOFSL Estimates

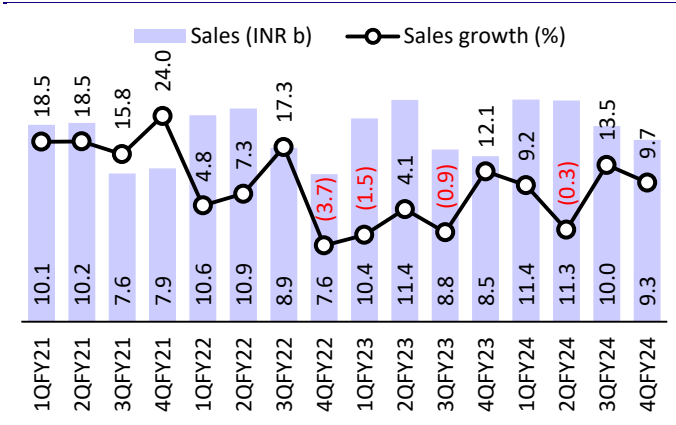
Key Performance Indicators

Y/E June	FY23				FY24			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
2Y average growth (%)								
Sales	1.7	5.7	8.2	4.2	3.8	1.9	6.3	10.9
EBITDA	1.2	6.7	5.7	102.3	2.1	2.3	31.4	88.6
PAT	-1.0	7.2	1.8	117.0	3.6	4.1	33.8	104.3
% of Sales								
COGS	41.4	42.7	43.5	42.4	39.1	39.8	33.7	40.8
Employee Expenses	4.9	5.0	5.6	5.7	5.6	4.8	6.0	7.2
A&P Expenses	14.9	9.7	12.1	6.3	13.5	11.2	13.4	16.5
Other Expenses	18.3	17.0	22.0	20.8	16.8	16.9	21.2	21.4
Depreciation	1.3	1.3	1.7	1.8	1.3	1.3	1.5	1.4
YoY change (%)								
COGS	21.7	27.8	5.5	0.0	3.2	-7.2	-12.0	5.7
Employee Expenses	-8.7	-5.0	-11.5	13.7	24.3	-3.9	21.3	39.7
A&P Expenses	26.2	-20.1	-5.2	-44.8	-1.4	14.4	25.9	187.1
Other Expenses	-14.6	-11.3	-0.2	-7.8	0.3	-1.0	9.8	13.0
Other Income	16.0	35.7	139.5	79.4	134.3	67.3	-5.9	-27.6
EBIT	-30.7	-2.6	-11.3	270.4	35.3	7.0	80.2	-39.8

E: MOFSL estimates

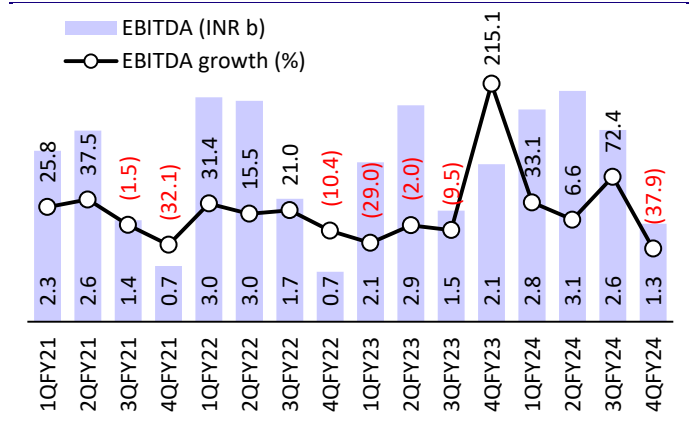
Key exhibits

Exhibit 1: Net sales grew 9.7% YoY to INR10b



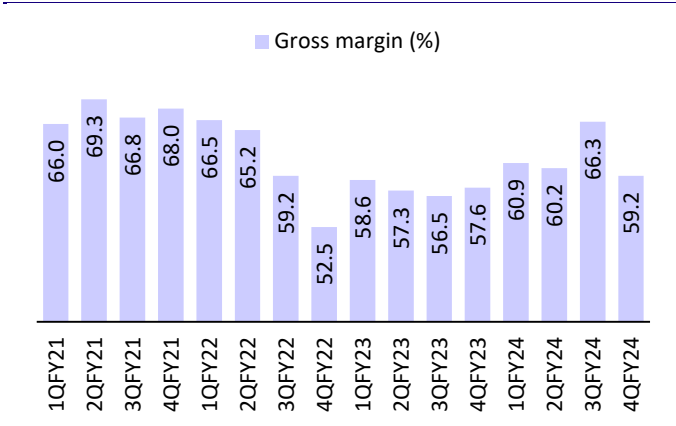
Source: Company, MOFSL

Exhibit 2: EBITDA decline by 38% YoY to INR1.3b



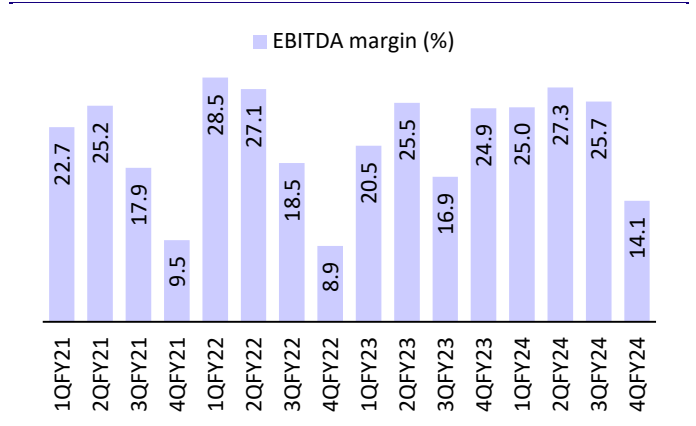
Source: Company, MOFSL

Exhibit 3: Gross margin expanded 160bp YoY to 59.2%



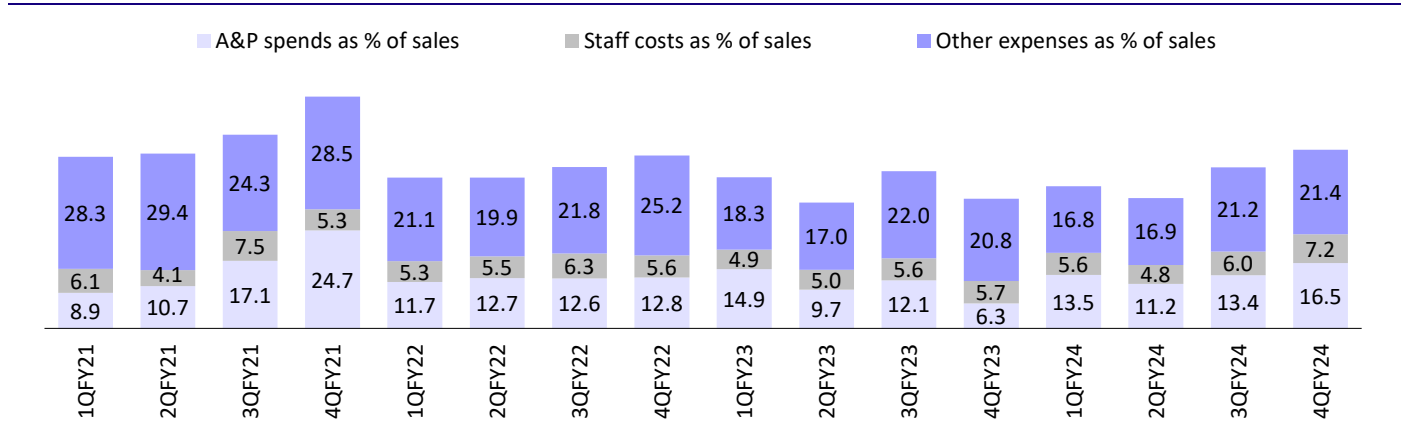
Source: Company, MOFSL

Exhibit 4: EBITDA margin contracted 1,080bp YoY to 14.1%



Source: Company, MOFSL

Exhibit 5: As a percentage of sales, staff costs/ad spending /other expenses rose 150bp/1,020bp/60bp



Source: Company, MOFSL

Valuation and view

Our view on the stock

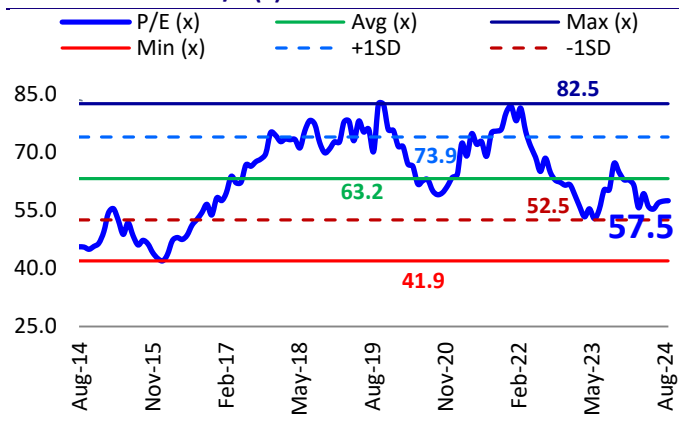
- We cut our EPS estimates by 9%/6% for FY25/FY26.
- Two factors make PGHH an attractive long-term core holding: 1) robust growth potential in the feminine hygiene segment (65-68% mix of FY24 sales) and the potential for market share gains, aided by strategic initiatives, including the fortification 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, the company 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 expensive valuations of 62x/54x FY25E/FY26E P/E. Further, we do not see any medium-term trigger. **Our TP of INR17,000 is based on 55xJun'26E EPS; reiterate Neutral.**

Exhibit 6: We cut our EPS estimates by 9%/6% for FY25/FY26

INR m	New		Old		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Sales	46,817	51,648	46,535	51,025	0.6%	1.2%
EBITDA	11,470	12,912	12,518	13,777	-8.4%	-6.3%
Adjusted PAT	8,458	9,635	9,252	10,228	-8.6%	-5.8%

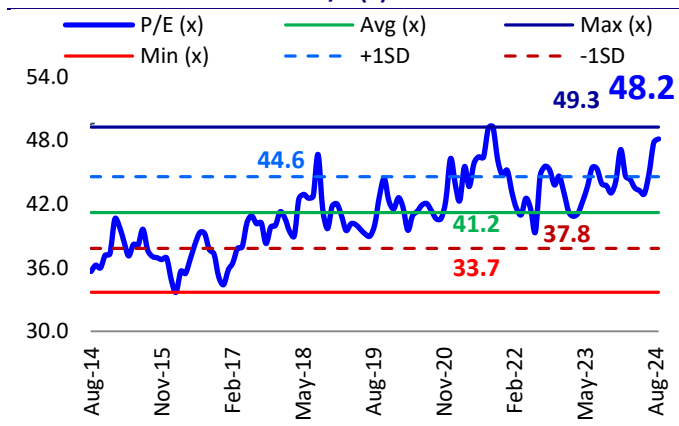
Source: MOFSL

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	46,817	51,648	57,160
Change (%)	20.0	1.9	19.1	6.3	3.0	7.5	11.3	10.3	10.7
Raw Materials	12,368	11,068	11,593	14,582	16,575	16,142	17,884	19,626	21,435
% of Sales	42.0	36.9	32.4	38.4	42.4	38.4	38.2	38.0	37.5
Employees Cost	1,338	1,733	2,017	2,143	2,058	2,456	2,669	2,892	3,201
% of Sales	4.5	5.8	5.6	5.6	5.3	5.8	5.7	5.6	5.6
Other Expenses	9,670	11,003	15,160	12,974	11,805	13,626	14,794	16,217	17,777
% of Sales	32.8	36.7	42.4	34.1	30.2	32.4	31.6	31.4	31.1
Total Expenditure	23,376	23,804	28,770	29,699	30,437	32,224	35,347	38,736	42,413
% of Sales	79.3	79.3	80.5	78.2	77.8	76.6	75.5	75.0	74.2
EBITDA	6,093	6,216	6,972	8,299	8,686	9,833	11,470	12,912	14,747
Margin (%)	20.7	20.7	19.5	21.8	22.2	23.4	24.5	25.0	25.8
Depreciation	498	479	477	529	584	565	653	669	703
EBIT	5,595	5,738	6,495	7,770	8,103	9,268	10,818	12,243	14,045
Int. and Finance Charges	55	61	61	112	114	268	115	110	113
Other Income	533	441	394	243	406	523	605	748	765
PBT bef. EO Exp.	6,073	6,118	6,828	7,901	8,395	9,522	11,308	12,881	14,697
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	11,308	12,881	14,697
Total Tax	1,882	1,642	1,759	2,042	2,184	2,674	2,850	3,246	3,704
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	8,458	9,635	10,993
Adjusted PAT	4,191	4,476	5,068	5,858	6,210	7,159	8,458	9,635	10,993
Change (%)	9.5	6.8	13.2	15.6	6.0	15.3	18.2	13.9	14.1
Margin (%)	14.2	14.9	14.2	15.4	15.9	17.0	18.1	18.7	19.2

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	9,116	11,043	13,241
Net Worth	9,091	11,579	7,143	7,376	9,460	7,749	9,440	11,367	13,566
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	8,617	10,461	12,569
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	5,099	5,768	6,471
Net Fixed Assets	2,342	2,065	1,838	1,637	1,700	1,392	937	468	-35
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	17,606	21,035	24,820
Inventory	2,034	2,051	2,493	2,340	2,198	2,256	2,822	3,113	3,445
Account Receivables	1,814	1,663	1,424	1,921	2,163	2,408	2,822	3,113	3,445
Cash and Bank Balance	5,405	9,025	6,602	6,393	9,780	5,882	7,313	10,160	13,281
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	10,204	11,242	12,416
Account Payables	5,477	5,313	7,541	7,798	9,711	8,517	7,768	8,562	9,468
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	7,402	9,794	12,404
Appl. of Funds	8,723	11,298	6,797	6,876	8,813	7,000	8,617	10,461	12,569

E: MOFSL Estimates

Financials and valuations

Ratios	(INR m)								
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	260.2	296.4	338.3
Cash EPS	144.5	152.7	170.8	196.8	209.3	237.9	280.7	317.4	360.3
BV/Share	280.1	356.7	220.0	227.2	291.4	238.7	290.8	350.2	417.9
DPS	101	105	315	160	185	198	208	237	271
Payout (%)	78.6	78.1	202.0	88.8	96.8	95.9	80.0	80.0	80.0
Valuation (x)									
P/E	124.5	116.6	102.9	89.0	83.9	72.9	61.7	54.2	47.5
Cash P/E	111.2	105.2	94.0	81.6	76.7	67.5	57.2	50.6	44.6
P/BV	57.3	45.0	73.0	70.7	55.1	67.3	55.2	45.9	38.4
EV/Sales	17.5	17.1	14.4	13.6	13.1	12.3	11.0	9.9	8.9
EV/EBITDA	84.7	82.4	73.8	62.0	58.9	52.4	44.8	39.6	34.4
Dividend Yield (%)	0.6	0.7	2.0	1.0	1.2	1.2	1.3	1.5	1.7
FCF per share	126.4	130.5	256.2	161.2	240.7	155.4	239.8	308.0	349.8
Return Ratios (%)									
RoE	48.9	43.3	54.1	80.7	73.8	83.2	98.4	92.6	88.2
RoCE	51.1	44.9	60.0	86.5	82.0	87.4	109.4	101.9	96.2
Working Capital Ratios									
Asset Turnover (x)	3.4	2.7	5.3	5.5	4.4	6.0	5.4	4.9	4.5
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	11.3	10.3	10.7
EBITDA	-3.0	2.0	12.2	19.0	4.7	13.2	16.7	12.6	14.2
PAT	9.5	6.8	13.2	15.6	6.0	15.3	18.2	13.9	14.1
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	94.1	111.3	124.0
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Standalone - Cash Flow Statement									
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	11,308	12,881	14,697
Depreciation	498	479	477	529	584	565	653	669	703
Net interest expense	-317	-266	-250	-154	-237	-367	-490	-638	-652
Others	54	203	139	115	67	97	0	0	0
(Inc)/Dec in WC	172	-179	2,101	-166	1,745	-2,321	-640	455	510
Taxes	-2,350	-1,435	-2,534	-2,494	-2,295	-2,782	-2,850	-3,246	-3,704
CF from Operations	4,130	4,741	8,631	5,731	8,258	4,584	7,981	10,121	11,553
(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	7,783	9,999	11,353
Others	451	1,265	325	246	344	-325	605	748	765
CF from Investments	416	783	11	-251	-100	136	407	625	565
Dividend Paid	-3,131	-1,878	-11,037	-5,681	-4,707	-8,602	-6,766	-7,708	-8,795
Interest Paid	-7	-9	-10	-25	-51	-5	-115	-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	-6,956	-7,900	-8,998
Inc/Dec of Cash	1,409	3,621	-2,423	-210	3,387	-3,898	1,431	2,847	3,120
Opening Balance	3,996	5,405	9,025	6,603	6,393	9,780	5,882	7,314	10,160
Closing Balance	5,405	9,025	6,603	6,393	9,780	5,882	7,314	10,160	13,281

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

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