P&G Hygiene and Healthcare

Estimate changes	↔
TP change	↓
Rating change	↔

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USDb)	381.9 / 4.2
52-Week Range (INR)	14824 / 11612
1, 6, 12 Rel. Per (%)	-6/-17/-27
12M Avg Val (INR M)	141

Financials & valuations (INR b)

Y/E June	FY26E	FY27E	FY28E
Sales	43.8	47.2	50.7
Sales Gr. (%)	29.9	7.8	7.3
EBITDA	11.8	12.9	14.1
Margin (%)	26.9	27.3	27.8
Adj. PAT	8.8	9.7	10.6
Adj. EPS (INR)	270.1	298.5	326.0
EPS Gr. (%)	37.9	10.5	9.2
BV/Sh.(INR)	281.1	340.9	406.2
Ratios			
RoE (%)	106.4	96.1	87.4
RoCE (%)	120.3	107.2	96.6
Valuations			
P/E (x)	43.6	39.5	36.1
P/BV (x)	41.9	34.6	29.0
EV/EBITDA (x)	32.0	29.0	26.4
Div. Yield (%)	1.8	2.0	2.2

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	70.6	70.6	70.6
DII	16.0	16.1	15.4
FII	1.1	1.1	1.4
Others	12.3	12.2	12.6

FII Includes depository receipts

CMP: INR11,766 TP: INR13,000 (+10%) Neutral

Muted revenue growth continues; beat on margins

- P&G Hygiene and Healthcare's (PGHH) 3QFY26 revenue growth was below our expectations, but was a beat on profitability. PGHH margins have been highly volatile, and such anomalies have been observed in the past quarters as well. Revenue grew 1% YoY to INR12.6b (below) in 3QFY26. The revenue growth trajectory has been flattish over four consecutive quarters now.
- Gross margin expanded 180bp YoY and 530bp QoQ to 66.6% (beat), reflecting the usual volatility between quarters. Employee costs declined 7% YoY, and A&P was down 8% YoY, while other expenses rose 8% YoY. EBITDA grew 8% YoY to INR4b (beat), as EBITDA margin expanded 210bp YoY and 710bp QoQ to 31.8% (beat) on account of lower COGS and operating costs.
- PGHH exhibits significant volatility on a quarterly basis, but its annual performance remains stable. We model a 27-27.8% EBITDA margin during FY26-28E.
- We model Revenue/EBITDA/PAT CAGR of 8%/9%/10% over FY26-28E. Given the volatility in margins, we find other consumer names relatively better than PGHH for growth at the valuation it offers. **We reiterate Neutral with a revised TP of INR13,000 (based on 40x Dec'27E EPS).**

Flat revenue YoY; strong GM expansion aids profitability

- **Flattish revenue trajectory continues:** PGHH registered 1% YoY revenue growth to INR12.6b (est. IN13b). Revenue growth continues to remain weak, as seen over the last few quarters.
- **Beat on margin:** Gross margin expanded 180bp YoY and 530bp QoQ to 66.6% (est. 63.5%). GM volatility between quarters continues to remain high. Employee costs declined 7% YoY, and A&P dipped 8% YoY, while other expenses rose 8% YoY. EBITDA margin expanded 210bp YoY and 710bp QoQ to 31.8% (est. 28.5%).
- **Strong margins aid profitability:** EBITDA grew 8% YoY to INR4b (est. INR3.7b). PBT grew 10% YoY and Adj. PAT rose 12% YoY to INR3b. (est. INR2.8b).

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 the 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 Revenue/EBITDA/PAT CAGR of 8%/9%/10% over FY26-28E. Given the volatility in margins, we find other consumer names relatively better than PGHH for growth at the valuation it offers. **We reiterate Neutral with a revised TP of INR13,000 (based on 40x Dec'27E EPS).**

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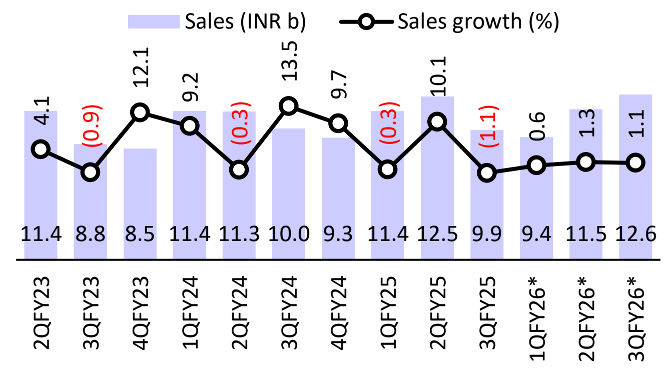
Standalone - Quarterly Earnings (INR m)

Y/E June	FY25*			FY26E				FY25*	FY26E	FY26E	Var.
	1Q	2Q	3Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**11,352**	**12,476**	**9,916**	**9,370**	**11,502**	**12,619**	**10,334**	**33,744**	**43,825**	**12,975**	**-2.7%**
YoY Change (%)	-0.3	10.1	-1.1	0.6	1.3	1.1	4.2	-19.8	29.9	4.0	
Gross profit	**7,139**	**8,085**	**5,969**	**5,959**	**7,050**	**8,399**	**6,290**	**21,193**	**27,697**	8,239	**1.9%**
Margin (%)	62.9	64.8	60.2	63.6	61.3	66.6	60.9	62.8	63.2	63.5	
EBITDA	**2,905**	**3,709**	**2,097**	**2,662**	**2,848**	**4,018**	**2,240**	**8,711**	**11,767**	**3,698**	**8.7%**
Growth	2.0	19.8	-18.5	102.7	-2.0	8.3	6.8	-11.4	35.1	-0.3	
Margins (%)	25.6	29.7	21.1	28.4	24.8	31.8	21.7	25.8	26.9	28.5	
Depreciation	117	99	104	91	93	95	108	319	386	98	
Interest	19	66	58	1	36	27	72	143	135	40	
Other Income	85	97	191	77	99	124	189	373	489	125	
PBT	**2,854**	**3,641**	**2,127**	**2,647**	**2,818**	**4,020**	**2,249**	**8,622**	**11,735**	**3,685**	**9.1%**
PBT after EO expense	**2,854**	**3,641**	**2,127**	**2,647**	**2,818**	**4,020**	**2,249**	**8,622**	**11,735**	**3,685**	**9.1%**
Tax	735	955	566	726	719	1,006	506	2,256	2,957	929	
Rate (%)	25.7	26.2	26.6	27.4	25.5	25.0	22.5	26.2	25.2	25.2	
Adj PAT	**2,119**	**2,686**	**1,561**	**1,921**	**2,099**	**3,015**	**1,744**	**6,366**	**8,777**	**2,756**	**9.4%**
YoY Change (%)	0.6	17.3	-15.8	111.4	-1.0	12.2	11.7	-11.1	37.9	2.6	
Margins (%)	18.7	21.5	15.7	20.5	18.2	23.9	16.9	18.9	20.0	21.2	

E: MOFSL Estimates; *FY25 has only 9M as the company changed its year-end from Jun to Mar

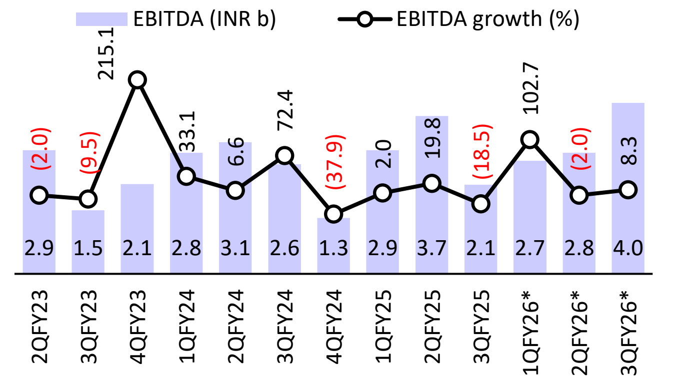
Key exhibits

Exhibit 1: Net sales grew 1% YoY to INR12.6b



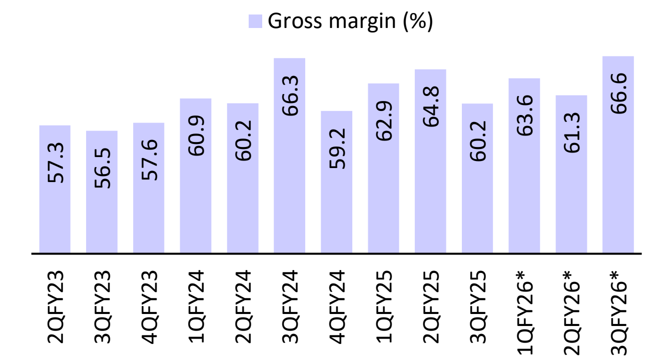
Source: Company, MOFSL

Exhibit 2: EBITDA up 8.3% YoY to INR4b



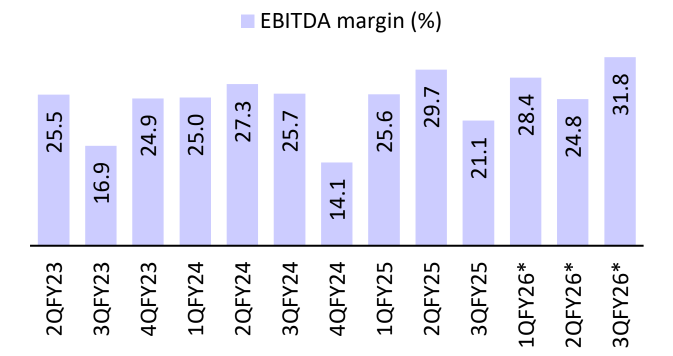
Source: Company, MOFSL

Exhibit 3: Gross margin expanded 180bp YoY to 66.6%



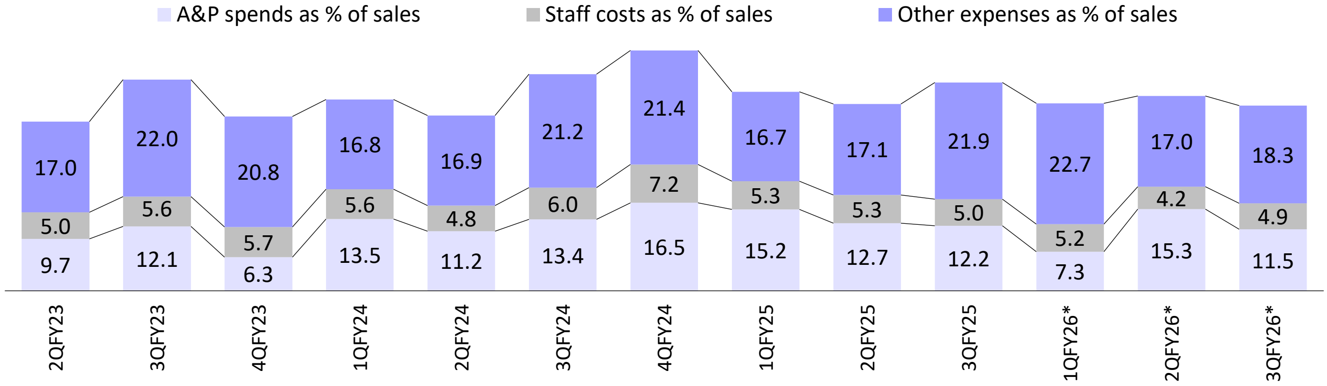
Source: Company, MOFSL

Exhibit 4: EBITDA margin expanded 210bp YoY to 31.8%



Source: Company, MOFSL

Exhibit 5: As a percentage of sales, ad spending contracted 120bp, staff costs dipped 40bp, while other expenses rose 120bp YoY



Source: Company, MOFSL

*The December quarter is now 3QFY26, as the company changed the end-year from Jun to Mar

Valuation and view

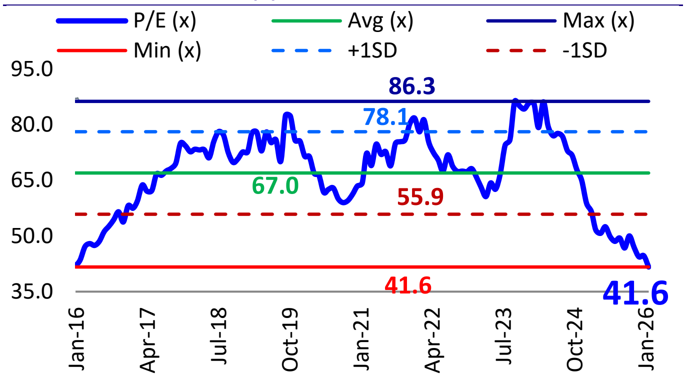
- We broadly retain our EPS estimates for FY26-28.
- Two factors make PGHH an attractive long-term core holding: 1) high growth potential for the feminine hygiene segment (65-68% mix of FY24 sales), coupled with the potential for market share gains and strategic initiatives, including the strengthening 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 the 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 Revenue/EBITDA/PAT CAGR of 8%/9%/10% over FY26-28E. Given the volatility in margins, we find other consumer names relatively better than PGHH for growth at the valuation it offers. **We reiterate Neutral with a revised TP of INR13,000 (based on 40x Dec'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	43,825	47,226	50,676	44,756	48,171	51,689	-2.1%	-2.0%	-2.0%
EBITDA	11,767	12,869	14,063	11,681	12,789	14,240	0.7%	0.6%	-1.2%
Adjusted PAT	8,777	9,702	10,594	8,713	9,643	10,727	0.7%	0.6%	-1.2%

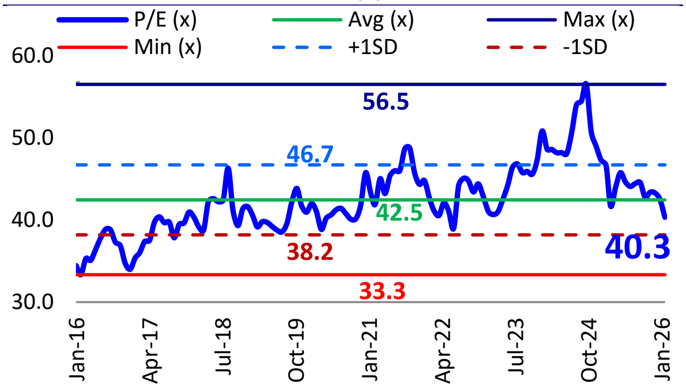
Source: MOFSL

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**	**43,825**	**47,226**	**50,676**
Change (%)	1.9	19.1	6.3	3.0	7.5	-19.8	29.9	7.8	7.3
Raw Materials	11,068	11,593	14,582	16,575	16,142	12,551	16,127	17,261	18,395
% of Sales	36.9	32.4	38.4	42.4	38.4	37.2	36.8	36.6	36.3
Employees Cost	1,733	2,017	2,143	2,058	2,456	1,761	2,147	2,314	2,736
% of Sales	5.8	5.6	5.6	5.3	5.8	5.2	4.9	4.9	5.4
Other Expenses	11,003	15,160	12,974	11,805	13,626	10,722	13,783	14,782	15,481
% of Sales	36.7	42.4	34.1	30.2	32.4	31.8	31.5	31.3	30.6
Total Expenditure	**23,804**	**28,770**	**29,699**	**30,437**	**32,224**	**25,034**	**32,058**	**34,357**	**36,613**
% of Sales	79.3	80.5	78.2	77.8	76.6	74.2	73.2	72.8	72.3
EBITDA	**6,216**	**6,972**	**8,299**	**8,686**	**9,833**	**8,711**	**11,767**	**12,869**	**14,063**
Margin (%)	20.7	19.5	21.8	22.2	23.4	25.8	26.9	27.3	27.8
Depreciation	479	477	529	584	565	319	386	392	404
EBIT	**5,738**	**6,495**	**7,770**	**8,103**	**9,268**	**8,391**	**11,381**	**12,477**	**13,658**
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**	**11,735**	**12,971**	**14,163**
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**	**11,735**	**12,971**	**14,163**
Total Tax	1,642	1,759	2,042	2,184	2,674	2,256	2,957	3,269	3,569
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**	**8,777**	**9,702**	**10,594**
Adjusted PAT	**4,476**	**5,068**	**5,858**	**6,210**	**7,159**	**6,366**	**8,777**	**9,702**	**10,594**
Change (%)	6.8	13.2	15.6	6.0	15.3	-11.1	37.9	10.5	9.2
Margin (%)	14.9	14.2	15.4	15.9	17.0	18.9	20.0	20.5	20.9

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	8,801	10,741	12,860
Net Worth	**11,579**	**7,143**	**7,376**	**9,460**	**7,749**	**7,370**	**9,125**	**11,066**	**13,185**
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**	**8,219**	**10,069**	**12,088**
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**
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0
Capital WIP	222	376	439	228	278	407	200	200	200
Total Investments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Curr. Assets, Loans&Adv.	**15,702**	**13,733**	**14,231**	**18,790**	**16,168**	**15,002**	**16,363**	**19,179**	**22,206**
Inventory	2,051	2,493	2,340	2,198	2,256	2,214	2,641	2,846	3,054
Account Receivables	1,663	1,424	1,921	2,163	2,408	3,041	2,641	2,846	3,054
Cash and Bank Balance	9,025	6,602	6,393	9,780	5,882	4,807	6,253	8,641	11,232
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**	**9,428**	**10,202**	**11,006**
Account Payables	5,313	7,541	7,798	9,711	8,517	8,094	7,279	7,838	8,406
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**	**6,935**	**8,977**	**11,200**
Appl. of Funds	**11,298**	**6,797**	**6,876**	**8,813**	**7,000**	**6,546**	**8,219**	**10,069**	**12,088**

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**	**270.1**	**298.5**	**326.0**
Cash EPS	152.7	170.8	196.8	209.3	237.9	206.0	282.3	311.0	338.8
BV/Share	356.7	220.0	227.2	291.4	238.7	227.0	281.1	340.9	406.2
DPS	105	315	160	185	255	157	216	239	261
Payout (%)	78.1	202.0	88.8	96.8	123.4	80.0	80.0	80.0	80.0
Valuation (x)									
P/E	85.5	75.5	65.3	61.6	53.5	60.2	43.6	39.5	36.1
Cash P/E	77.2	69.0	59.9	56.3	49.5	57.2	41.7	37.9	34.8
P/BV	33.0	53.5	51.9	40.4	49.4	51.9	41.9	34.6	29.0
EV/Sales	12.4	10.5	9.9	9.5	9.0	11.2	8.6	7.9	7.3
EV/EBITDA	60.1	53.9	45.3	42.9	38.3	43.4	32.0	29.0	26.4
Dividend Yield (%)	0.9	2.7	1.4	1.6	2.2	1.3	1.8	2.0	2.2
FCF per share	130.5	256.2	161.2	240.7	127.9	165.9	251.2	300.3	328.5
Return Ratios (%)									
RoE	43.3	54.1	80.7	73.8	83.2	84.2	106.4	96.1	87.4
RoCE	44.9	60.0	86.5	82.0	87.4	95.5	120.3	107.2	96.6
Working Capital Ratios									
Asset Turnover (x)	2.7	5.3	5.5	4.4	6.0	5.2	5.3	4.7	4.2
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	29.9	7.8	7.3
EBITDA	2.0	12.2	19.0	4.7	13.2	-11.4	35.1	9.4	9.3
PAT	6.8	13.2	15.6	6.0	15.3	-11.1	37.9	10.5	9.2
Leverage Ratio (x)									
Current Ratio	2.3	1.5	1.5	1.6	1.5	1.5	1.7	1.9	2.0
Interest Cover Ratio	94.5	106.3	69.4	71.2	34.6	58.7	84.3	89.7	95.4
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	FY20	FY21	FY22	FY23	FY24	FY25 (9M)	FY26E	FY27E	FY28E
PBT	5,939	8,699	7,901	8,395	9,392	8,622	11,735	12,971	14,163
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	-664	346	368
Taxes	-1,435	-2,534	-2,494	-2,295	-2,782	-2,431	-2,957	-3,269	-3,569
CF from Operations	**4,741**	**8,631**	**5,731**	**8,258**	**4,584**	**5,932**	**8,146**	**9,946**	**10,862**
CF from Operating incl EO	**4,741**	**8,631**	**5,731**	**8,258**	**4,584**	**5,932**	**8,146**	**9,946**	**10,862**
(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**	**8,153**	**9,746**	**10,662**
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	-7,022	-7,762	-8,475
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**	**-7,239**	**-7,991**	**-8,718**
Inc/Dec of Cash	**3,621**	**-2,423**	**-210**	**3,387**	**-3,898**	**-1,075**	**1,446**	**2,388**	**2,591**
Opening Balance	5,405	9,025	6,603	6,393	9,780	5,882	4,807	6,253	8,641
Closing Balance	**9,025**	**6,603**	**6,393**	**9,780**	**5,882**	**4,807**	**6,253**	**8,641**	**11,232**

E: MOFSL Estimates

NOTES

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
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