

Procter & Gamble
Hygiene and Health Care Limited

**INVESTMENT
THESIS**

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P&G

OVERVIEW

This analysis provides a comprehensive and detailed financial assessment of Procter & Gamble Hygiene and Health Care Limited (PGHH), focusing specifically on the Balance Sheet structure, Cash Flow Statement dynamics, capital efficiency metrics, and the five-year growth trajectory leading up to and including the nine-month financial period ended March 31, 2025 (9M FY2025). The report incorporates historical data from the most stable reporting periods (FY2021 through FY2024, with fiscal year-end June 30) to establish long-term trends and contextualizes the recent financial results following the change in the financial year-end to March 31. The aim is to establish a nuanced understanding of PGHH's operational performance, cash generation capabilities, and distinctive financial architecture within the broader fast-moving consumer goods (FMCG) sector.

Metric	Value
Market Cap	44,302 Cr.
Current Price	13,648.00
High / Low	17,011 / 12,106
Stock P/E	53.50
Book Value	227.00
Dividend Yield	0.01
ROCE	1.04
ROE	0.76
Face Value	10.00
Sales	4,311 Cr.
Profit after tax	829 Cr.
PAT Qtr	192 Cr.
Price to Earnings	53.50
Price to book value	60.10
Return on assets	0.33
Debt to equity	0.01
EPS	255.00
Debt	2.32 Cr.
Promoter holding	0.71
Sales growth 5Years	0.03

OVERVIEW

Procter & Gamble Hygiene and Health Care Limited (PGHH) traces its roots in India to Richardson Hindustan Limited, which was originally incorporated in 1964.

The decisive turning point in the company's trajectory occurred in 1985 when the entity was acquired by The Procter & Gamble Company, USA (P&G US).

The parent company, P&G US, holds a historic position in the global consumer goods industry, having been founded in 1837 by William Procter and James Gamble.

This acquisition established PGHH as the listed subsidiary in India, specializing its focus on specific high-value categories, marking the beginning of its current operational mandate.



Procter & Gamble Hygiene and Health Care Limited (CIN: L24239MH1964PLC012971) is a publicly listed entity trading on two recognized stock exchanges in India. It functions as a critical part of the global P&G structure, leveraging the technological repository and global operational expertise of its parent organization.

The company is strategically focused on manufacturing and marketing branded packaged Fast-Moving Consumer Goods (FMCG) within two core sectors: Feminine Care (Femcare) and Healthcare.

BUSINESS MODEL

PGHH operates under an explicit corporate philosophy defined by its Purpose, Values, and Principles, and executes through a disciplined Integrated Growth Strategy.

A. Purpose and Values

The company's core Purpose is to provide branded products and services of superior quality and value that improve the lives of the world's consumers, both now and for generations to come. This is underpinned by the fundamental

Values of Integrity, Leadership, Ownership, Passion for Winning, and Trust.

B. The Integrated Growth Strategy

The execution of the business model is centered around five interdependent strategic choices designed to deliver sustainable, balanced growth:

Focused Product Portfolio: Concentrating on categories where superior product performance is the primary factor that drives consumer brand choice.

Irresistible Superiority: Aiming for superiority across all consumer touchpoints, including product performance, packaging, brand communication, retail execution, and consumer value.

Productivity Improvement: Relentlessly driving enhancements in efficiency across all areas of the operations.

Constructive Disruption: Leading disruption within the industry across all areas of the value chain to create competitive advantages.



Hygiene Products

Whisper (Feminine Hygiene: Ultra, Choice, Period Panty, Bindazzz Nights, Flexfoam) Old Spice (Male Grooming)

Healthcare Products

Vicks (VapoRub, Cough Drops, Action 500 Advanced, Inhaler, Xtra Strong Rub, Baby Rub, Cough Syrup, Headache Roll-on, Steam Pods) Zzzquil (Nutritional Sleep Supplement)

PRODUCT PORTFOLIO

1. *Feminine Hygiene Business (Whisper)* This segment is the market leader and primary growth engine. The strategy centers on continuous premiumization and innovation :

Premium Focus: Products like the Whisper Period Panty continue to drive strong growth and superior consumer experience by offering 360-degree leakage protection.

Product Upgrades: Enhancements were made to the core premium portfolio, including Whisper Ultra Hygiene+Comfort XL (featuring cushion core technology) and Whisper Ultra Soft Skin Love (with new packaging), ensuring product superiority and consumer delight.

Social Impact: The #KeepGirlsInSchool campaign focuses on education and raising awareness about early onset of periods, which builds long-term brand equity and trust.

2. *Health Care Business (Vicks)* This portfolio offers a diverse range of single and multiple symptom relief products. The recent focus areas demonstrate a clear pivot towards high-margin innovation:

Product Expansion: The portfolio expanded with targeted new launches like Vicks VapoRub Steam Pods and the Vicks Headache Roll-on (a non-greasy, on-the-go solution with high-strength Ayurvedic ingredients).

Vicks Cough Drops Upgrade: The portfolio underwent a significant upgrade with the launch of Vicks cough drops double power (bigger drop, more Ayurvedic mix), designed to offer more effective and longer-lasting relief.

Whitespace Categories: The company accelerated growth in the nutritional sleep supplements segment with ZzzQuil, targeting new consumption occasions and categories.

3. *Grooming (Old Spice)* The Old Spice brand maintained strong double-digit growth, driven primarily by the 0% Gas Deodorants portfolio and robust performance in after-shave lotion, supported by expanded distribution and strong media presence.

INCOME STATEMENT

Report Date	Jun-21	Jun-22	Jun-23	Jun-24	Mar-25
Sales	3574.14	3900.92	3917.9	4205.7	3374.42
Raw Material Cost	1169.52	1565.79	1671.56	1626.32	1240.11
Change in Inventory	10.22	6.5	8.53	12.13	-15
Power and Fuel	12.28	12.17	12.57	12.22	8.9
Other Mfr. Exp	328.87	265.86	175.11	218.13	167.18
Employee Cost	202.76	215.47	207.08	247.2	177
Selling and admin	897.27	929.59	884.34	1052.91	816.95
Other Expenses	87.53	86.89	106.31	85.06	77.99
Other Income	37.53	22.56	39.75	46.71	37.11
Depreciation	47.66	52.88	58.36	56.5	31.94
Interest	6.11	11.19	11.38	27	14.3
Profit before tax	869.89	790.14	839.47	939.2	862.16
Tax	218.1	214.39	161.33	264.18	225.57
Net profit	651.79	575.75	678.14	675.02	636.59
Dividend Amount	1022.49	519.36	600.51	827.73	568.05
Effective Tax Rate	25%	27%	19%	28%	26%
EBITDA	923.66	854.21	909.21	1,022.70	908.40

Revenue and Top-Line Growth

PGHH has demonstrated consistent expansion in its top line, validating the strength of its core Feminine Hygiene (Whisper) and Health Care (Vicks) portfolios.

Steady Sales Growth: Revenue from Operations expanded from ₹ 3,574 Crores in FY 2021 to ₹ 4,206 Crores in FY 2024.

Recent Acceleration: The most recent full fiscal year, FY 2024, recorded a 7% year-over-year increase in revenue, reaching ₹ 4,206 Crores. This accelerated growth rate indicates successful market execution and pricing power.

Current Momentum: The momentum continued into the transitional nine-month period (9M FY 2025), reporting robust Revenue from Operations of ₹ 3,374 Crores.

B. Margin Expansion and Operational Efficiency

A significant highlight of the Income Statement is the company's increasing operating profitability, driven by its integrated growth strategy of product superiority and productivity improvements.

Sustained OPM Improvement: The Operating Profit Margin (OPM) has shown continuous structural improvement, rising from 20% in FY 2022 to 22% in FY 2023, and further to 23% in FY 2024.

Recent Margin Surge: This trend accelerated significantly in the 9M FY 2025 period, where the OPM reached 26%. This high margin signals a firm grip on operational costs (Cost of Raw and Packing Materials Consumed stood at ₹ 77,194 lakhs in FY2024) and substantial pricing power derived from brand equity in premium categories like Feminine Care.

C. Profit Before and After Tax (PBT & PAT) Volatility

Operational Profit Strength: Profit Before Tax (PBT) reached a high of ₹ 939 Crores in FY 2024. Management explicitly highlighted that the underlying operational profit for FY 2024 grew substantially by 19% year-over-year.

Reported PAT Flatness: Despite this strong operational growth, the reported Profit After Tax (PAT) remained nearly flat at ₹ 675 Crores in FY 2024 compared to ₹ 678 Crores in FY 2023.

The Tax Effect: This distortion is attributed to material "one-time tax related items" in both years. Specifically, the tax expense in FY 2024 included adverse prior-year tax adjustments totaling ₹ 2,049 lakhs, which depressed the final reported PAT figure. The PAT of ₹ 637 Crores reported for the 9M FY 2025 period is similarly influenced by tax adjustments, though it translates to a strong Earnings Per Share (EPS) of ₹ 196.11 for the short period.

In summary, the Income Statement analysis strongly indicates a business that is successfully driving profitable growth through efficiency and premiumization, despite external volatility and one-time financial noise generated by tax-related resolutions.

BALANCE SHEET

Report Date	Jun-21	Jun-22	Jun-23	Jun-24	Mar-25
Equity Share Capital	32.46	32.46	32.46	32.46	32.46
Reserves	681.81	705.11	913.57	742.4	704.53
Borrowings	3.47	5.1	4.03	3.08	2.32
Other Liabilities	914.97	939.9	1187.26	1080.62	1015.42
Total	1632.71	1682.57	2137.32	1858.56	1754.73
Net Block	183.81	163.68	170.04	139.16	131.37
Capital Work in Progress	37.58	43.88	22.76	27.75	40.71
Investments					
Other Assets	1411.32	1475.01	1944.52	1691.65	1582.65
Total	1632.71	1682.57	2137.32	1858.56	1754.73
Receivables	142.35	192.08	216.28	240.83	304.1
Inventory	249.3	234.02	219.8	225.56	221.4
Cash & Bank	660.24	639.25	977.99	588.2	480.7
No. of Equity Shares	32460736	32460736	32460736	32460736	32460736
New Bonus Shares					
Face value	10	10	10	10	10
		-8.43	16.25	-20.53	1.30
Other Assets	359.43	409.66	530.45	637.06	576.45

Balance Sheet Analysis: Financial Strength and Capital Structure

PGHH's balance sheet is characterized by exceptional conservatism, zero external debt, and an intentional strategy of capital compression to maximize return ratios. The asset side reflects a capital-light model focused on core operations.

1. Solvency and Capital Structure: The company maintains a Debt/Equity ratio of 0.00 across all periods, confirming its debt-free status. The equity base, however, is structurally managed downwards. Total Equity decreased from ₹ 94,603 Lakhs in FY23 to ₹ 77,486 Lakhs in FY24. This reduction is a direct result of aggressive capital return to shareholders, notably the large dividend payouts (e.g., ₹ 86,021 Lakhs in FY24) , a strategy used to maximize Return on Equity (ROE).

2. Asset Profile: Non-current assets remain stable and low relative to total assets, confirming a minimal fixed-asset reinvestment model. This strategy relies on the P&G global structure for technology and R&D, minimizing the need for large domestic capital expenditure. Current Assets experienced a significant drop, falling from ₹ 1,49,570 Lakhs in FY23 to ₹ 1,19,968 Lakhs in FY24. This decrease is predominantly driven by the sharp decline in Cash and Cash Equivalents (from ₹ 96,383 Lakhs in FY23 to ₹ 57,367 Lakhs in FY24) due to the substantial dividend payouts.

3. Liquidity and Working Capital: Liquidity remains adequate (Current Ratio 1.22x to 1.38x). Working capital components like Inventories (approx. ₹ 22,000 Lakhs) and Trade Receivables (approx. ₹ 24,000 Lakhs) remain tightly controlled, indicating efficient working capital management. Notably, the company carries substantial Non-Current Tax Assets (₹ 25,919 Lakhs in FY24), highlighting the ongoing complexity and size of tax-related matters, a factor that can introduce volatility into reported earnings.

RATIO ANALYSIS

Ratio	FY 2023	FY 2024	9M FY 2025	Commentary
Operating Profit Margin (OPM)	0.22	0.23	0.26	Reflects sustained pricing
Net Profit Margin (NPM)	0.17	0.16	0.19	Improved significantly in 9M
Return on Capital Employed (ROCE)	0.81	1.1	0.1	Shows exceptionally high
Return on Net Worth (RONW)	0.81	0.78	0.84	Confirms extreme capital

The most compelling aspect of PGHH's financials is the extraordinarily high Return on Net Worth (RONW), hitting 84% in 9M FY25, and Return on Capital Employed (ROCE), reaching 110% in FY24. This level of return is structurally influenced by the management's capital allocation strategy. The company routinely pays out substantial dividends, often including special dividends (e.g., ₹255 per share in FY24, including a special dividend to mark 60 years). This aggressive repatriation of capital keeps the Retained Earnings and, consequently, the Net Worth base extremely low (Net Worth decreased from ₹ 946 Crores to ₹ 775 Crores in FY24). The smaller denominator used in the calculation mathematically inflates the return ratios, signaling severe capital discipline and maximizing returns to shareholders, which serves as a powerful market signal supporting its premium valuation.

Ratio	FY 2023	FY 2024	9M FY 2025	Trend/Implication
Debtors Turnover Ratio	19.19	18.4	12.38	Indicates swift
Inventory Turnover Ratio	17.27	18.89	15.1	Shows improve
Net Capital Turnover Ratio	9.54	19.2	16.4	Demonst rates

- **The Net Capital Turnover Ratio saw a drastic increase of 101% in FY24 , demonstrating that management is generating significantly higher revenue from a smaller capital base, achieved by successfully accelerating sales volume while keeping working capital requirements tightly managed.**
- **Working Capital and Liquidity Management**
- **PGHH maintains a controlled liquidity profile, with the Current Ratio consistently hovering around 1.22x to 1.38x (FY23-9M FY25). While a high ratio indicates excessive capital held as liquid assets, PGHH deliberately keeps this ratio tight. The trend towards the lower end (1.22x in FY24) reflects the management’s policy of aggressively distributing surplus cash via high dividend payouts, rather than retaining it as idle current assets. This practice highlights extreme capital discipline.**
- **Inventory and Receivables Turnover**
- **The company demonstrates world-class asset utilization. The Inventory Turnover Ratio (ITR) improved significantly to 18.89x in FY24 from 17.27x in FY23, implying an average inventory holding period of approximately 19 days. This high velocity minimizes obsolescence and reduces working capital lock-up.**

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Net Capital Turnover	9.54	19.2	16.4	Demonstrates
Trade Payables	1.88	1.78	1.51*	Slower payment
Current Ratio	1.38	1.22	1.23	Healthy

- **Debtors Turnover Ratio (DTR) also confirms swift collection of receivables, demonstrating highly efficient credit management across the distribution network.**
- **Analysis of the company's payments strategy reveals a strategic lengthening of the payables cycle, a classic sign of market power and optimized cash conversion. The Trade Payables Turnover Ratio shows a stable trend (1.88x in FY23 to 1.78x in FY24). More precisely, the financial statements indicate the company's average payment cycle, or**
- **Number of days of accounts payable, shifted from 82 days in FY2024 to 96 days in 9M FY2025. This ability to manage payables over an extended period (well beyond the inventory holding and collection cycle) creates a negative net working capital effect, effectively turning suppliers into a free source of short-term financing and further enhancing the already exceptional capital efficiency metrics.**

PEER COMPARISON

S.No.	Name	CMP (Rs.)	Mar Cap (Rs. Cr.)	Debt / Eq	Debt (Rs. Cr.)
1	Godrej Consumer	1,163.90	119,075.62	0.33	4,009.20
2	Dabur India	499.75	88,640.17	0.09	950.37
3	Colgate-Palmolive	2,224.30	60,497.76	0.04	60.84
4	P & G Hygiene (PGHH)	14,114	44,302.41	-	2.32
5	Gillette India	9,529.00	31,055.01	-	0.05
6	Emami	557.85	24,350.15	0.03	89.79
7	Honasa Consumer	284.35	9,251.89	0.09	109.79

- **PGHH's zero-debt status is shared only with its group company, Gillette India, positioning it ahead of major competitors like Godrej Consumer and Dabur India in terms of financial conservatism and stability. With a market capitalization of approximately ₹ 44,302 Crores, PGHH ranks among the leading publicly traded FMCG specialized entities in the country**
- **A closer look at the Price-to-Book (P/B) ratio reveals a distortion unique to PGHH's strategy: a P/B ratio of 49.63x, which is an extraordinary 471% premium over the sector median of 8.69x. This massive difference is directly correlated with the company's aggressive capital repatriation policy. Since Net Worth (the book value denominator) is deliberately maintained at a low level through high dividend payouts, the P/B ratio is artificially inflated. This phenomenon must be accounted for by investors, who are advised to rely primarily on earnings-based metrics like P/E or EV/EBITDA, as the distorted P/B ratio confirms the market's high expectation for efficient capital recycling. The willingness of the market to accept this structurally high valuation is a testament to the perceived stability, market dominance, and commitment to cash returns demonstrated by PGHH.**

STRENGTHS

- **Global R&D Access and Product Superiority:** PGHH benefits from the world-class technological repository of P&G US, accessing cutting-edge innovation and R&D for product enhancements in Femcare and Health Care.
- **Market Leadership and Pricing Power:** The feminine hygiene segment (Whisper) maintains a dominant market position.
- **Financial Resilience:** The company maintains a conservative, zero-debt capital structure, backed by excellent cash flow generation and superior working capital efficiency (high ITR, high NCTR), which substantially de-risks the business model.

WEAKNESSES

- **Revenue Concentration Risk:** The disproportionate dependence on the "Other Hygiene Products" segment (Femcare), which accounts for nearly 70% of total revenue, creates high exposure. Any competitive disruption or shift in consumer loyalty within this single category poses a major threat to overall financial stability.
- **High Valuation Pressure:** The consistent trading at rich valuation multiples (P/E in the 50x to 80x range) places continuous, heavy pressure on management to deliver robust operational growth. The current price already factors in exceptional future performance, limiting potential upside from re-rating.

OPPORTUNITIES

- **Whitespace and Category Creation:** The highly successful entry into niche, high-margin product spaces such as nutritional sleep supplements (ZzzQuil) demonstrates the potential to replicate the model in other nascent categories, effectively creating new profit streams and accelerating overall growth outside of mature segments
- **Premiumization as a Structural Driver:** Continued up-selling across both core businesses—such as the roll-out of high-value Vicks Cough Syrup and continuous innovation in superior Femcare formats—ensures higher per-unit realization.

THREATS

- **Intense Competitive and Disruption Risk:** The Indian FMCG market is characterized by fierce competition, involving strong, established domestic giants (e.g., Dabur, Godrej) and increasingly aggressive, nimble, digitally native brands (e.g., Honasa Consumer). This dynamic competition constantly threatens market share and margin stability
- **Global Cost Volatility:** Reliance on global supply chains and commodities means that cost of goods sold remains vulnerable to external inflationary pressures and input cost volatility, requiring continuous, substantial productivity programs to mitigate risk to the 26% OPM ceiling.

CONCLUSIONS

Recommendation: *Strong Buy*

The fundamental analysis reveals a company executing flawlessly on its integrated growth strategy, achieving a rare combination of operational excellence and extreme capital efficiency. The business model benefits from the structural advantage of superior global R&D and technology transfer, enabling continuous innovation and premiumization that drives OPM higher (to 26% in 9M FY25).[1, 1]

While the PGHH stock trades at a substantial premium, this premium is warranted and sustainable due to several key factors:

Guaranteed Shareholder Return: The management's discipline of maximizing dividends, exemplified by the deliberate reduction of the Net Worth base to inflate capital returns (RONW > 80%), confirms PGHH's status as a top-tier asset for investors seeking maximized, consistent cash flow and efficient capital utilization.

Growth through Value, Not Volume: The focus on profitable growth via superior products (Whisper Period Panty, Vicks Ayuredic products) and whitespace creation generates high-quality earnings, mitigating risk associated with highly competitive, low-margin segments.

Financial Fortitude: The zero-debt position ensures complete financial flexibility, allowing PGHH to navigate macroeconomic slowdowns or competitive disruptions with exceptional resilience, a crucial defensive trait during uncertain global periods

The high valuation is an established cost of accessing PGHH's structural superiority. Investors should accumulate the stock, betting on its proven ability to convert operational strength into extraordinary shareholder returns, ensuring that the valuation premium is consistently justified by industry-leading performance.