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Rating Information	
Price (Rs)	6,076
Target Price (Rs)	6,937
Target Date	30th Jun'17
Target Set On	15th Mar'16
Implied yrs of growth (DCF)	20
Fair Value (DCF)	6,937
Fair Value (DDM)	3,061
Ind Benchmark	BSETMCG
Model Portfolio Position	NA

Stock Information	
Market Cap (Rs Mn)	197,233
Free Float (%)	29.36 %
52 Wk H/L (Rs)	7449/5171
Avg Daily Volume (1yr)	8,947
Avg Daily Value (Rs Mn)	55
Equity Cap (Rs Mn)	325
Face Value (Rs)	2
Bloomberg Code	PG IN

Ownership	Recent	3M	12M
Promoters	70.6 %	0.0 %	0.0 %
DII	13.4 %	2.8 %	2.3 %
FII	0.0 %	-2.5 %	-2.3 %
Public	16.0 %	0.3 %	0.0 %

Price %	1M	3M	12M
Absolute	4.1 %	6.6 %	-15.5 %
Vs Industry	6.8 %	1.9 %	-20.8 %
GSKCONS	-2.7 %	-12.8 %	-6.2 %
STRTECH	-0.1 %	-13.4 %	-30.8 %

Standalone Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (14A)	16.9	23.6	24.9	27.7
EPS (15E)	18.9	27.9	26.8	33.0

P&G Hygiene & Healthcare Ltd.

Update Note: TP(↓) Estimate(↓) Rating(↔)

Regular Coverage

Focus shifting to profitability in the near term, Vicks Action 500 ban not to have meaningful impact on long term story, retain LONG

We recently conducted channel checks to understand the demand scenario for sanitary napkins and how it could impact Whisper (a PGHH brand). The opinion is that there is strong growth visibility in sanitary napkins category given low penetration in India. Our checks also reaffirmed that PGHH (and all the P&G companies likewise) are shifting focus on profit growth in India. Growth in sanitary napkins over the last 9-12 months has slowed down a bit due to sluggish rural growth which could be attributed to lower rural income on account of poor monsoons thereby affecting the overall revenue growth for PGHH. To factor in the recent ban of Vicks Action 500 and slower demand; we have reduced our Sales estimates for FY16E/FY17E by 4.0%/8.0% and EPS by 0.8%/4.2%. We maintain LONG rating on the stock with revised DCF based Jun'17 PT of Rs. 6,937 (earlier Rs. 7,029).

Volume growth in urban areas continues to remain strong in sanitary napkins while no pick up in rural growth is currently leading to marginally lower sales in the category:

Our recent interactions indicated that volume growth in sanitary napkins continues to remain in strong double digits with Whisper Choice Ultra the fastest growing brand. It has also been observed that consumers have been willing to upgrade from Whisper Choice to Whisper Choice Ultra while there has also been some downgrading from Whisper Ultra to Choice Ultra also in the Whisper portfolio. Growth for sanitary napkins in rural markets hasn't picked up as per expectations and could be attributed to the current slowdown in rural markets due to poor monsoons. During our interactions it was also indicated that PGHH has lost around 100-150bps of value market share in sanitary napkins category to Stayfree, ProEase. We believe that loss of some market share is not a major concern given the fact that PGHH has +60% value market share in the category.

Growth for Vicks to be affected in FY16 on account of poor monsoons which affected first half growth and the recent ban on Vicks Action 500 Extra: Sales for Vicks portfolio has been severely affected during 1HFY16 majorly on account of poor monsoons. Recently there has also been a new notification which has prohibited PGHH from selling Vicks Action 500 Extra with immediate effect. Ban on the same will affect sales of ~Rs. 750mn although there remains a strong possibility where they can tweak the formulation and relaunch the product (we have factored zero sales for our estimates). We continue to remain positive on brand strength of Vicks despite increasing competition in Rubs and Lozenges and believe good monsoons in FY17 should be able to drive up growth.

Valuation and Outlook: We believe that there is a strong focus on profitability in the near term for PGHH which is also indicated by the 1HFY16 performance (sales growth 7.5% vs. profit growth of 42.3%). We remain confident about the long term prospects of sanitary napkins and believe that Whisper will continue to remain the market leader. We retain our LONG rating on the stock with DCF based June'17 PT of Rs. 6,937.

Absolute : LONG

Relative : Overweight

12% ATR in 15 months

Household Products

Change in Estimates

Rs. Mn	FY15E	Chg (%)	FY16E	Chg (%)
Sales	25,764	-4.0%	28,706	-8.0%
EBITDA	6,320	9.0%	7,134	2.8%
EPS (Rs.)	136.2	-0.8%	157.8	-4.2%

Consolidated Financials

Rs. Mn YE Jun	FY15A	FY16E	FY17E	FY18E
Sales	23,338	25,764	28,706	32,541
EBITDA	4,844	6,320	7,134	8,445
Depreciation	525	533	608	715
Interest Expense	57	35	0	0
Other Income	746	858	1,008	1,210
Reported PAT	3,461	4,422	5,123	6,169
Recurring PAT	3,461	4,422	5,123	6,169
Total Equity	12,287	14,898	17,923	21,566
Gross Debt	0	0	0	0
Cash	6,186	7,647	10,137	13,021
Rs Per Share	FY15A	FY16E	FY17E	FY18E
Earnings	106.6	136.2	157.8	190.0
Book Value	379	459	552	664
Dividends	27.5	47.7	55.2	66.5
FCFF	141.1	101.6	141.4	166.7
P/E (x)	57.0	44.6	38.5	32.0
P/B (x)	16.1	13.2	11.0	9.1
EV/EBITDA (x)	39.4	30.0	26.2	21.8
ROE (%)	31%	33%	31%	31%
Core ROIC (%)	41%	53%	54%	60%
EBITDA Margin (%)	21%	25%	25%	26%
Net Margin (%)	15%	17%	18%	19%

Company Snapshot

How we differ from Consensus

		Equirus	Consensus	% Diff	Comment
EPS	FY16E	136.2	129.0	6 %	
	FY17E	157.8	142.7	11 %	
Sales	FY16E	25,764	25,590	1 %	
	FY17E	28,706	29,620	-3 %	
PAT	FY16E	4,422	4,192	5 %	
	FY17E	5,123	4,639	10 %	

Our Key Investment arguments:

- Product profile, Strong brand and equally strong business fundamentals could result in strong sales and profitability for P&G

Key Estimates:

	FY15A	FY16E	FY17E	FY18E
Vicks Rub	3,932	4,247	4,671	5,045
Vicks Lozenges	2,663	2,850	3,078	3,324
Vicks Action 500	832	582	0	0
Whisper (feminine hygiene)	14,897	16,982	19,699	22,851
Old Spice	1,261	1,198	1,258	1,321
Personal care	16,158	18,180	20,957	24,172
Total Revenues	23,338	25,764	28,706	32,541
EBITDA	4,844	6,320	7,134	8,445
PAT	3,461	4,422	5,123	6,169

Risk to Our View:

- Volatility of commodity prices could lead fluctuations in raw material cost.
- Increasing competitive intensity could lead to price wars thereby reducing margins going forward.
- Economic slowdown & high inflation

Comparable valuation			Mkt Cap Rs. Mn.	Price Target	Target Date	EPS			P/E			BPS		P/B		RoE		Div Yield	
Company	Reco.	CMP				FY14A	FY15E	FY16E	FY14A	FY15E	FY16E	FY14A	FY15E	FY14A	FY15E	FY14A	FY15E	FY14A	FY15E
PGHH	Long	6,076	197,233	6,937	31stMar'17	93.0	106.6	136.2	65.3	57.0	44.6	309.0	16.1	33 %	31 %	33 %	0.5 %	0.5 %	
GSKCONS	NR	5,650	237,614	NR	NR	138.8	167.4	190.1	40.7	33.7	29.7	-	14.7	-	36 %	39 %	1.0 %	1.0 %	
NESTLEIND	NR	5,054	487,261	NR	NR	58.4	127.2	153.8	86.5	39.7	32.9	292.2	21.3	20 %	59 %	47 %	1.2 %	1.1 %	

Key Triggers

- Stable raw material prices.
- Increasing demand for premium products.

Sensitivity to Key Variables	% Change	% Impact on EPS
Raw Material Price	1 %	-4 %
-	-	-
-	-	-

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
7.8 %	0.5	10.8 %	3.0 %	0.0 %

	FY15A	FY16E	FY17-19E	FY20-24E	FY25-35E
Sales Growth	14 %	10 %	13 %	15 %	16 %
NOPAT Margin	13 %	15 %	16 %	17 %	17 %
IC Turnover	3.47	3.25	3.43	3.47	3.47
RoIC	40.9 %	52.9 %	58.0 %	61.6 %	63.6 %

Years of strong growth	1	2	5	10	20
Valuation as on date (Rs)	0	1,574	2,142	3,132	6,076
Valuation as of 31st Jun'16	0	1,797	2,445	3,576	6,937

Based on DCF, assuming 10 years of 15% CAGR growth and 63% average ROIC, we derive current fair value of Rs. 6,076 and Jun'17 fair value of Rs. 6,937.

Company Description:

PGHH manufactures personal & beauty care and healthcare products. The brands include AmbiPur, Ariel, Duracell, Gillette, Head & Shoulders, Olay, Oral-B, Pampers, Pantene, Wella, Whisper, Vicks, and Tide. Its products are sold through retail operations, including mass merchandisers, grocery stores, membership club stores, drug stores, department stores, and high frequency stores. The Company has manufacturing units locations at Kundaim- Goa and Baddi- Himachal Pradesh.

Standalone Quarterly Earnings Forecast and Key Drivers

Rs in Mn	1Q15A	2Q15A	3Q15A	4Q15A	1Q16A	2Q16A	3Q16E	4Q16E	1Q17E	2Q17E	3Q17E	4Q17E	FY15A	FY16E	FY17E	FY18E
Revenue	5,765	6,445	5,552	5,576	5,986	7,137	6,313	6,329	6,899	7,996	7,008	6,804	23,338	25,764	28,706	32,541
Cost of Raw and Packing Material Consumed	1,523	1,705	1,437	1,112	1,330	1,666	2,525	2,342	2,691	3,118	2,733	2,653	5,776	7,863	11,195	12,528
Purchase of Stock-in-Trade	882	882	799	870	961	1,017	0	0	0	0	0	0	3,433	1,978	0	0
Employee Benefits Expense	332	227	375	199	336	284	316	291	331	368	322	313	1,133	1,227	1,334	1,447
Advertising & Sales Promotion Expenses	1,049	879	665	735	877	784	821	823	897	1,039	911	884	3,327	3,304	3,732	4,230
Other Expenses	915	1,154	787	854	1,217	870	758	962	945	1,095	960	932	3,710	3,806	3,933	4,328
EBITDA	790	1,283	1,228	1,544	968	2,161	1,584	1,608	1,704	1,991	1,745	1,694	4,844	6,320	7,134	8,445
Depreciation	112	159	122	133	127	142	131	133	148	151	153	156	525	533	608	715
EBIT	678	1,124	1,106	1,410	841	2,019	1,453	1,475	1,556	1,840	1,592	1,538	4,319	5,788	6,526	7,730
Interest	12	5	38	3	12	23	0	0	0	0	0	0	57	35	0	0
Other Income	210	171	177	188	212	206	220	220	240	240	264	264	746	858	1,008	1,210
PBT	877	1,290	1,246	1,595	1,041	2,202	1,673	1,695	1,796	2,080	1,856	1,802	5,008	6,611	7,534	8,940
Tax	262	384	377	524	344	735	552	559	575	666	594	577	1,547	2,190	2,411	2,771
Recurring PAT	615	907	869	1,071	698	1,467	1,121	1,136	1,221	1,415	1,262	1,225	3,461	4,422	5,123	6,169
Extraordinary	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reported PAT	615	907	869	1,071	698	1,467	1,121	1,136	1,221	1,415	1,262	1,225	3,461	4,422	5,123	6,169
EPS (Rs)	18.95	27.93	26.77	32.99	21.50	45.19	34.54	34.98	37.63	43.58	38.87	37.75	106.6	136.2	157.8	190.0

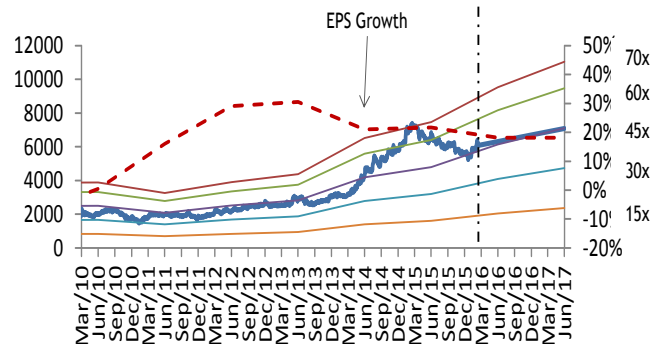
Consolidated Financials

P&L (Rs Mn)	FY15A	FY16E	FY17E	FY18E
Revenue	23,338	25,764	28,706	32,541
Op. Expenditure	18,494	19,444	21,572	24,096
EBITDA	4,844	6,320	7,134	8,445
Depreciation	525	533	608	715
EBIT	4,319	5,788	6,526	7,730
Interest Expense	57	35	0	0
Other Income	746	858	1,008	1,210
PBT	5,008	6,611	7,534	8,940
Tax	1,547	2,190	2,411	2,771
PAT bef. MI & Assoc.	3,461	4,422	5,123	6,169
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	3,461	4,422	5,123	6,169
Extraordinaires	-	-	-	-
Reported PAT	3,461	4,422	5,123	6,169
FDEPS (Rs)	106.6	136.2	157.8	190.0
DPS (Rs)	27.5	47.7	55.2	66.5
CEPS (Rs)	122.8	152.6	176.6	212.1
FCFPS (Rs)	141.1	101.6	141.4	166.7
BVPS (Rs)	378.5	459.0	552.2	664.4
EBITDAM (%)	21%	25%	25%	26%
PATM (%)	15%	17%	18%	19%
Tax Rate (%)	31%	33%	32%	31%
Sales Growth (%)	14%	10%	11%	13%
FDEPS Growth (%)	15%	28%	16%	20%

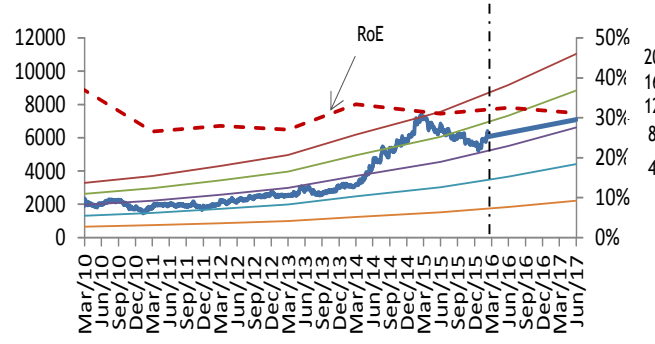
Balance Sheet (Rs Mn)	FY15A	FY16E	FY17E	FY18E
Equity Capital	325	325	325	325
Reserve	11,962	14,573	17,599	21,241
Networth	12,287	14,898	17,923	21,566
Long Term Debt	0	0	0	0
Def Tax Liability	33	29	29	29
Minority Interest	0	0	0	0
Account Payables	3,723	3,231	4,447	4,805
Other Curr Liabi	3,434	1,840	2,050	2,324
Total Liabilities & Equity	19,477	19,999	24,451	28,725
Net Fixed Assets	3,088	3,355	3,747	4,232
Capital WIP	390	0	0	0
Others	2,428	2,022	2,022	2,022
Inventory	1,191	1,553	1,730	1,961
Account Receivables	1,139	1,129	1,258	1,426
Other Current Assets	5,055	4,293	5,556	6,061
Cash	6,186	7,647	10,137	13,021
Total Assets	19,477	19,999	24,451	28,725
Non-cash Working Capital	229	1,903	2,046	2,320
Cash Conv Cycle	3.6	27.0	26.0	26.0
WC Turnover	102.1	13.5	14.0	0.0
FA Turnover	6.7	7.7	7.7	0.0
Net D/E	-0.5	-0.5	-0.6	-0.6
Revenue/Capital Employed	2.1	1.9	1.7	1.6
Capital Employed/Equity	1.0	1.0	1.0	1.0

Cash Flow (Rs Mn)	FY15A	FY16E	FY17E	FY18E
PBT	5,008	6,611	7,534	8,940
Depreciation	525	533	608	715
Others	-447	0	0	0
Taxes Paid	2,056	2,190	2,411	2,771
Change in WC	1,225	-1,675	-143	-273
Operating C/F	4,256	3,279	5,588	6,610
Capex	-774	-4	-1,000	-1,200
Change in Invest	318	0	0	0
Others	740	0	0	0
Investing C/F	284	-4	-1,000	-1,200
Change in Debt	0	0	0	0
Change in Equity	0	0	0	0
Others	-1,053	-1,814	-2,098	-2,526
Financing C/F	-1,053	-1,814	-2,098	-2,526
Net change in cash	3,487	1,461	2,491	2,884
RoE (%)	31%	33%	31%	31%
RoIC (%)	31%	33%	31%	31%
Core RoIC (%)	41%	53%	54%	60%
Div Payout (%)	30%	41%	41%	41%
P/E	57.0	44.6	38.5	32.0
P/B	16.1	13.2	11.0	9.1
P/FCFF	43.1	59.8	43.0	36.5
EV/EBITDA	39.4	30.0	26.2	21.8
EV/Sales	8.2	7.4	6.5	5.7
Dividend Yield (%)	0.5%	0.8%	0.9%	1.1%

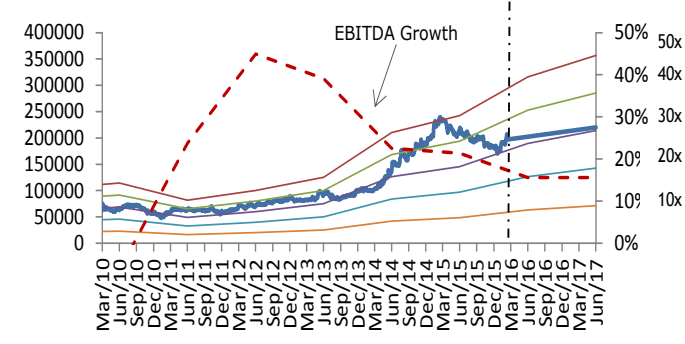
TTM P/E vs. 2 yr forward EPS growth



TTM P/B vs. 2 yr forward RoE



TTM EV/EBITDA vs. 2 yr forward EBITDA



Historical Consolidated Financials

P&L (Rs Mn)	FY11A	FY12A	FY13A	FY14A
Revenue	10,029	12,974	16,868	20,509
Op. Expenditure	8,393	10,972	14,362	16,303
EBITDA	1,635	2,002	2,506	4,207
Depreciation	222	281	313	352
EBIT	1,414	1,721	2,193	3,855
Interest Expense	0	0	0	54
Other Income	354	509	670	802
PBT	1,768	2,230	2,862	4,603
Tax	259	417	830	1,583
PAT bef. MI & Assoc.	1,509	1,813	2,032	3,020
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	1,509	1,813	2,032	3,020
Extraordinares	0	0	0	0
Reported PAT	1,509	1,813	2,032	3,020
EPS (Rs)	46.5	55.9	62.6	93.0
DPS (Rs)	22.5	22.5	25.0	27.5
CEPS (Rs)	53.3	64.5	72.3	103.9
FCFPS (Rs)	-5.3	41.2	22.2	62.8
BVPS (Rs)	185.0	214.7	248.1	309.0
EBITDAM (%)	16 %	15 %	15 %	21 %
PATM (%)	15 %	14 %	12 %	15 %
Tax Rate (%)	15 %	19 %	29 %	34 %
Sales growth (%)	11 %	29 %	30 %	22 %
FDEPS growth (%)	-16 %	20 %	12 %	49 %

Balance Sheet (Rs Mn)	FY11A	FY12A	FY13A	FY14A
Equity Capital	325	325	325	325
Reserve	5,682	6,646	7,729	9,704
Networth	6,006	6,970	8,053	10,029
Long Term Debt	0	0	0	0
Def Tax Liability	52	26	28	29
Minority Interest	0	0	0	0
Account Payables	1,541	2,554	2,045	2,303
Other Curr Liabi	1,177	1,436	1,854	2,718
Total Liabilities & Equity	8,777	10,985	11,980	15,079
Net Fixed Assets	1,904	1,984	2,149	2,395
Capital WIP	76	289	412	982
Others	852	1,020	1,012	1,578
Inventory	653	923	1,189	1,185
Account Receivables	310	482	809	861
Other Current Assets	3,681	4,465	4,749	5,388
Cash	1,300	1,824	1,660	2,691
Total Assets	8,777	10,985	11,980	15,079
Non-cash Working Capital	1,926	1,880	2,848	2,413
Cash Conv Cycle	70.1	52.9	61.6	42.9
WC Turnover	5.2	6.9	5.9	8.5
FA Turnover	5.1	5.7	6.6	6.1
Net D/E	-0.2	-0.3	-0.2	-0.3
Revenue/Capital Employed	1.8	2.0	2.2	2.3
Capital Employed/Equity	1.0	1.0	1.0	1.0

Cash Flow (Rs Mn)	FY11A	FY12A	FY13A	FY14A
PBT	1,768	2,230	2,862	4,603
Depreciation	222	281	313	352
Others	-259	-347	-364	-569
Taxes Paid	367	535	682	1,137
Change in WC	-179	172	-1,087	84
Operating C/F	1,184	1,801	1,042	3,332
Capex	-551	-540	-372	-1,466
Change in Invest	0	0	0	-458
Others	-805	75	52	594
Investing C/F	-1,357	-465	-321	-1,330
Change in Debt	0	0	0	0
Change in Equity	0	0	0	0
Others	-887	-859	-839	-924
Financing C/F	-887	-859	-839	-924
Net change in cash	-1,060	477	-118	1,078
RoE (%)	27 %	28 %	27 %	33 %
RoIC (%)	26 %	28 %	27 %	34 %
Core RoIC (%)	29 %	27 %	25 %	34 %
Div Payout (%)	57 %	47 %	47 %	35 %
P/E	130.7	108.8	97.1	65.3
P/B	32.8	28.3	24.5	19.7
P/FCFF	-1,143.4	147.6	273.4	96.8
EV/EBITDA	119.9	97.6	78.1	65.3
EV/Sales	19.5	15.1	11.6	13.4
Dividend Yield (%)	0.4 %	0.4 %	0.4 %	0.5 %



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Rating & Coverage Definitions:**Absolute Rating**

- LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies

- SHORT: ATR <= negative 5% over investment horizon

- TRADE: Stocks that do not meet the criteria for either LONG or SHORT

Relative Rating

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon

- BENCHMARK: likely to perform in line with the benchmark

- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

Target Price and Investment Horizon

Target Price is a point value for stocks with Absolute rating of LONG or SHORT and a range value for stocks rated TRADE. Investment Horizon is set at a minimum 3 months to maximum 15 months with target date falling on last day of a calendar quarter.

Lite vs. Regular Coverage vs. Spot Coverage

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only on an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

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