

## Sustained efforts reflect in VMS traction...

**About the stock:** Procter & Gamble Health is a leading pharma cum OTC company with key focus on the vitamins, minerals, supplement (VMS) category.

- It has legacy brands in the VMS category like Neurobion, Polybion, Evion (all vitamins), Livogen (iron supplement), Nasivion (nasal decongestant), Seven Seas (vitamin- substitute for malt based health drinks)
- The company was earlier known as Merck Ltd and was part of Merck KGaA, Germany. In 2018 it (as a consumer health business) was acquired by P&G

**Q2FY23 Results:** PGHL reported a robust set of numbers.

- Revenues grew 11.5% YoY to ₹ 310 crore
- EBITDA grew 76% YoY to ₹ 108.9 crore while EBITDA margins grew ₹ 1287 bps to 35.1%
- Consequent PAT was at ₹ 76.8 crore (up 71.3% YoY)

**What should investors do?** P&G Health's share price has grown at 1.41% CAGR over the past three years.

- We maintain **BUY** rating as its recent earnings reflect sustained efforts to regain momentum via improved mix and productivity initiatives.

**Target Price and Valuation:** Valued at ₹ 5315 i.e. 29x P/E on FY25E EPS of ₹ 183.2

**Key triggers for future price performance:**

- P&G's sustained efforts to strengthen power brands in VMS and other therapies via various patient engagement and commercial campaigns and doctors' involvement
- MNC pharma traits like strong brand stickiness, growth, earnings visibility, consistency (despite quarterly fluctuations) in performances, strong b/s
- Key differentiator for PGHL is that its core category is VMS. As a therapeutic category, this is likely to be rediscovered as daily supplements due to increased awareness in a post-Covid world

**Alternate Stock Idea:** Apart from PGHL, in healthcare coverage we like Ajanta.

- It is mainly into domestic as well as exports formulations with focus on launching maximum number of first time launches
- BUY with a target price of ₹ 1385



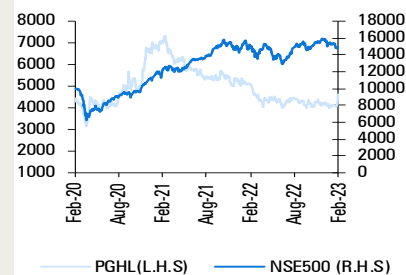
### Particulars

Particular	Amount
Market Capitalisation	₹ 7603 crore
Debt (FY22)	₹ 0 crore
Cash (FY22)	₹ 325 crore
EV	₹ 7278 crore
52 week H/L	5101/3870
Equity capital	₹ 10.0 crore
Face value	₹10

### Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promote	51.8	51.8	51.8	51.8
Others	48.2	48.2	48.2	48.2

### Price Chart



### Recent Event & Key risks

- Various patient awareness campaigns.
- **Key Risk:** (i) Volatility in margins (ii) Competition in the VMS category

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### Key Financial Summary

Key Financial (₹ Crore)	FY21	FY22	CAGR (FY20-22)	FY23E	FY24E	FY25E	2 year CAGR (FY23E-25E)
Revenues	1008.7	1114.4	11.8	1243.7	1379.2	1517.1	10.4
EBITDA	246.0	268.4	12.9	399.5	400.0	439.9	4.9
EBITDA Margins (%)	24.4	24.1		32.1	29.0	29.0	
Net Profit	176.8	192.5	6.6	281.5	282.5	311.5	5.2
EPS (Adjusted)	104.0	113.2		165.6	166.2	183.2	
PE (x)	44.0	40.4		27.7	27.6	25.0	
RoCE (%)	32.2	39.8		51.2	44.7	43.1	
RoE (%)	25.1	31.2		38.6	33.5	32.2	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q2FY23 Results: Strong performance with better margins

- P&G Health's Q2FY23 (July-June fiscal year) revenue increased 11.5% YoY to ₹ 310 crore. EBITDA grew 76% YoY at ₹ 108.9 crore. EBITDA margins improved 1287 bps to 35.1%. Subsequently, PAT expanded 71.3% YoY to ₹ 76.8 crore
- PGHL witnessed consistent growth over the second quarter on the back of improved margin through portfolio premiumisation, healthy mix and optimisation of expenses. PGHL launched key product Polybion A injection during this quarter. The key differentiator for P&G Health is that its core category is VMS and amid increasing demand for daily supplementation, the company is focused on executing its strategy of offering superior brands, driving productivity, increasing reach, and improving awareness

Exhibit 1: Power Brands

							(₹ crore)	
Brand	Therapy	Dec-19	Dec-20	Dec-21	Dec-22	GAGR 19-22	YoY	
EVION	VITAMINS	173.2	199.9	205.8	229.2	9.8%	11.4%	
NEUROBION FORTE	VITAMINS	127.0	142.7	152.0	181.2	12.6%	19.2%	
NASIVION	RESPIRATORY	67.7	61.5	77.2	89.2	9.6%	15.5%	
LIVOGEN	GYNAECOLOGICAL	70.1	67.9	77.5	87.1	7.5%	12.3%	
POLYBION-LC	VITAMINS	66.0	67.6	68.9	82.5	7.8%	19.7%	
NEUROBION FORTE RF	VITAMINS	64.4	67.1	68.8	73.4	4.4%	6.6%	
EVION-LC	VITAMINS	39.6	39.5	44.3	56.6	12.7%	27.8%	
LIVOGEN-Z	GYNAECOLOGICAL	47.3	47.8	52.9	53.4	4.1%	0.8%	
POLYBION	VITAMINS	46.3	38.3	37.5	42.8	-2.6%	14.3%	
CLOBETAMIL-G	DERMA	28.7	28.8	31.2	41.0	12.7%	31.6%	
Top 10 brands		730.3	761.2	816.2	936.4	8.6%	14.7%	
% of IQVIA sales		76.9%	78.4%	79.8%	82.8%			
Top 5 brands		504.1	539.6	581.4	669.2	9.9%	15.1%	
Ex-Top 10		219.6	209.7	207.1	194.2	-4.0%	-6.2%	

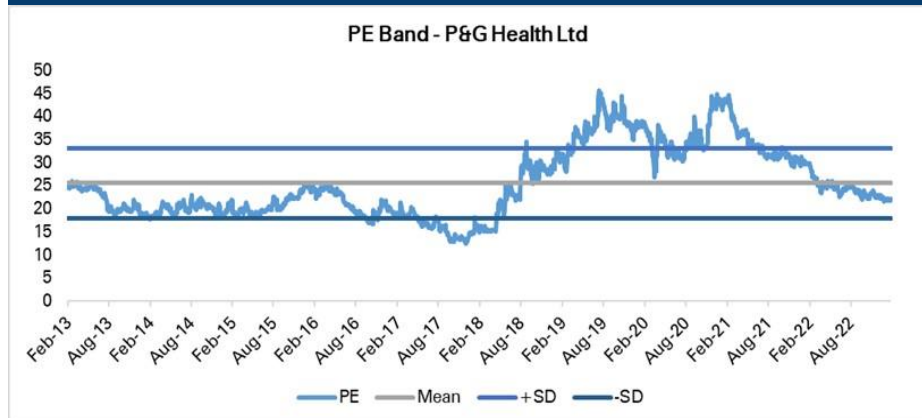
Source: IQVIA; Company; MAT TSA values in ₹ crore

Exhibit 2: Therapeutic Break-up

							(₹ crore)	
Therapy	Dec-19	Dec-20	Dec-21	Dec-22	GAGR 19-22	YoY		
VITAMINS/MINERALS/NUTRIENTS	615.0	653.7	668.6	731.5	6.0%	9.4%		
GYNAEC.	133.7	133.7	149.1	158.8	5.9%	6.5%		
RESPIRATORY	88.2	78.1	95.0	108.3	7.1%	14.0%		
DERMA	60.7	60.6	62.2	72.2	5.9%	16.1%		
GASTRO INTESTINAL	51.6	44.4	48.4	59.7	5.0%	23.3%		
Top Therapies	949.3	970.4	1023.3	1130.6	6.0%	10.5%		
Total IQVIA Sales	949.9	970.9	1023.3	1130.6	6.0%	10.5%		

Source: IQVIA; Company; MAT TSA values in ₹ crore

Exhibit 3: PE Band



Source: ICICI Direct Research

## Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end June)	FY22	FY23E	FY24E	FY25E
Total Operating Income	1,114.4	1,243.7	1,379.2	1,517.1
Growth (%)	10.5	11.6	10.9	10.0
Raw Material Expenses	339.8	358.7	413.7	455.1
Gross Profit	774.6	885.0	965.4	1,061.9
Gross Profit Margins (%)	69.5	71.2	70.0	70.0
Employee Expenses	167.6	187.0	206.9	227.6
Other Expenditure	338.6	298.5	358.6	394.4
Total Operating Expenditure	846.0	844.2	979.2	1,077.1
<b>EBITDA</b>	<b>268.4</b>	<b>399.5</b>	<b>400.0</b>	<b>439.9</b>
Growth (%)	9.1	48.8	0.1	10.0
Interest	0.4	0.7	0.6	0.6
Depreciation	27.8	30.7	32.0	34.2
Other Income	13.2	15.3	16.9	18.6
<b>PBT before Exceptional Items</b>	<b>253.4</b>	<b>383.4</b>	<b>384.3</b>	<b>423.7</b>
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	253.4	383.4	384.3	423.7
Total Tax	60.9	101.8	101.8	112.2
PAT before MI	192.5	281.5	282.5	311.5
<b>PAT</b>	<b>192.5</b>	<b>281.5</b>	<b>282.5</b>	<b>311.5</b>
Growth (%)	8.9	46.2	0.3	10.3
<b>EPS (Adjusted)</b>	<b>113.2</b>	<b>165.6</b>	<b>166.2</b>	<b>183.2</b>

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end June)	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	189.5	281.5	282.5	311.5
Add: Depreciation & Amortization	27.1	30.7	32.0	34.2
Net Increase in Current Assets	-49.2	-17.8	-30.5	-26.1
Net Increase in Current Liabilities	1.9	11.0	29.7	22.7
Others	0.2	0.7	0.6	0.6
<b>CF from Operating activitie</b>	<b>169.5</b>	<b>306.1</b>	<b>314.3</b>	<b>342.9</b>
Investments	0.0	-0.2	-0.2	-0.2
(Purchase)/Sale of Fixed Assets	-37.6	-20.0	-20.0	-20.0
Others	12.3	-3.4	-3.7	-3.9
<b>CF from Investing activitie</b>	<b>-25.3</b>	<b>-23.7</b>	<b>-23.9</b>	<b>-24.2</b>
(inc)/Dec in Loan	0.0	0.0	0.0	0.0
Dividend & Dividend tax	-283.9	-168.9	-169.5	-186.9
Other	-4.8	-0.7	-0.6	-0.6
CF from Financing activities	-288.6	-169.6	-170.1	-187.5
<b>Net Cash Flow</b>	<b>-144.4</b>	<b>112.8</b>	<b>120.3</b>	<b>131.2</b>
Cash and Cash Equivalent	468.9	324.5	437.4	557.7
<b>Cash</b>	<b>324.5</b>	<b>437.4</b>	<b>557.7</b>	<b>688.9</b>
<b>Free Cash Flow</b>	<b>132.0</b>	<b>286.1</b>	<b>294.3</b>	<b>322.9</b>

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end June)	FY22	FY23E	FY24E	FY25E
Equity Capital	16.6	16.6	16.6	16.6
Reserve and Surplus	599.9	712.5	825.5	950.1
Total Shareholders funds	616.5	729.1	842.1	966.7
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	0.0	0.0	0.0	0.0
Long-Term Provisions	40.8	41.6	42.4	43.3
Other Non Current Liabilities	0.6	0.6	0.6	0.6
<b>Source of Funds</b>	<b>657.9</b>	<b>771.3</b>	<b>885.2</b>	<b>1,010.6</b>
Gross Block - Fixed Assets	250.8	270.8	290.8	310.8
Accumulated Depreciation	141.8	172.4	204.4	238.6
Net Block	109.1	98.4	86.4	72.2
Capital WIP	40.6	40.6	40.6	40.6
Fixed Assets	149.7	139.0	127.0	112.8
Investments	2.6	2.8	3.0	3.3
Other non-Current Assets	114.9	117.2	119.6	122.0
Inventory	115.2	121.6	140.3	154.3
Debtors	83.4	93.1	103.3	113.6
Other Current Assets	83.7	85.4	87.1	88.8
Cash	324.5	437.4	557.7	688.9
Total Current Assets	606.9	737.5	888.3	1,045.6
Creditors	176.0	185.8	214.3	235.7
Provisions	17.5	17.9	18.2	18.6
Other Current Liabilities	42.3	43.2	44.0	44.9
Total Current Liabilities	235.8	246.8	276.5	299.2
Net Current Assets	371.1	490.7	611.7	746.4
Deferred Tax Assets	19.7	21.6	23.8	26.2
<b>Application of Funds</b>	<b>657.9</b>	<b>771.3</b>	<b>885.1</b>	<b>1,010.6</b>

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end June)	FY22	FY23E	FY24E	FY25E
<b>Per share data (₹)</b>				
Reported EPS	113.2	165.6	166.2	183.2
BV per share	362.6	428.9	495.3	568.6
Cash per Share	190.9	257.3	328.0	405.2
Dividend per share	52.5	99.4	99.7	109.9
<b>Operating Ratios (%)</b>				
Gross Profit Margins	69.5	71.2	70.0	70.0
EBITDA margins	24.1	32.1	29.0	29.0
PAT Margins	17.3	22.6	20.5	20.5
Cash Conversion Cycle	-38.0	-38.0	-38.0	-38.0
Asset Turnover	4.4	4.6	4.7	4.9
EBITDA conversion Rate	63.2	76.6	78.6	77.9
<b>Return Ratios (%)</b>				
RoE	31.2	38.6	33.5	32.2
RoCE	39.8	51.2	44.7	43.1
RoIC	88.1	135.7	139.9	159.1
<b>Valuation Ratios (x)</b>				
P/E	40.4	27.7	27.6	25.0
EV / EBITDA	27.8	18.4	18.1	16.1
EV / Net Sales	6.7	5.9	5.2	4.7
Market Cap / Sales	7.0	6.3	5.6	5.1
Price to Book Value	12.6	10.7	9.2	8.1
<b>Solvency Ratios</b>				
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.2	1.2	1.2	1.2
<b>Quick Ratio</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
Inventory days	123.8	123.8	123.8	123.8
Debtor days	27.3	27.3	27.3	27.3
Creditor days	189.1	189.1	189.1	189.1

Source: Company, ICICI Direct Research



Exhibit 8: Healthcare Coverage Universe

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				EV/EBITDA(x)				RoCE (%)			RoE (%)				
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
<b>Hospitals</b>																					
Apollo Hospitals	APOHOS	4164	5,230	Buy	59871	7.8	59.1	67.8	85.2	57.7	29.8	29.3	24.6	6.3	15.1	14.7	16.7	6.3	15.1	14.7	16.7
Narayana Hrudalaya	NARHRU	728	855	Buy	14887	-0.7	16.7	27.9	25.6	86.0	23.8	18.1	16.4	1.2	20.5	23.6	19.0	-1.3	23.0	28.0	20.6
Shalby	SHALUM	139	180	Buy	1501	3.9	5.4	7.9	11.1	17.6	13.3	9.4	7.2	6.5	8.4	12.9	15.8	5.1	6.7	9.1	11.5
Aster DM	ASTDM	204	300	Buy	10195	3.0	10.5	8.1	18.5	16.0	11.5	10.6	7.2	5.4	9.0	9.1	14.0	4.4	13.3	9.3	17.5
Healthcare Global	HEAGLO	280	370	Buy	3889	-13.9	3.9	4.0	8.4	39.4	20.1	14.9	12.0	-0.9	5.0	9.3	12.3	-0.9	5.0	6.0	11.1
<b>Company</b>																					
Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)			RoE (%)				
						FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
<b>MNC Pharma</b>																					
Abbott India	ABBIND	20564	21,725	Hold	43700	325.0	375.9	452.0	543.1	63.3	54.7	45.5	37.9	33.8	36.6	38.6	37.5	26.5	28.3	30.1	29.0
P&G Health	MERLUM	4580	5,315	Buy	7603	106.5	116.0	150.0	163.6	43.0	39.5	30.5	28.0	32.2	39.8	42.5	38.0	25.1	31.2	32.0	28.5
Sanofi India	SANOFI	5383	6,385	Hold	12396	207.4	410.1	265.9	255.5	26.0	13.1	20.2	21.1	32.3	33.3	40.9	50.2	24.5	25.9	30.8	38.1
Pfizer	PFIZER	3867	4,505	Hold	17690	108.8	133.9	151.4	150.2	35.6	28.9	25.5	25.8	27.6	26.1	25.0	23.7	20.8	21.4	18.8	18.1
<b>Pharma</b>																					
Ajanta Pharma	AJAPHA	1180	1,385	Buy	15097	51.1	55.7	55.9	68.4	23.1	21.2	21.1	17.3	29.0	27.0	23.4	24.4	21.8	21.8	18.8	19.5
Alembic Pharma	ALEMPHA	527	550	Hold	10358	62.6	27.7	14.6	21.0	8.4	19.0	36.0	25.2	25.1	10.6	6.3	8.6	24.1	10.4	5.3	7.3
Aurobindo Pharma	AURPHA	405	540	Hold	23704	55.0	47.4	34.7	44.8	7.4	8.5	11.7	9.0	16.9	12.9	9.6	11.9	14.7	11.3	7.7	9.1
Biocon	BIOCON	235	290	Hold	28214	6.3	5.7	3.0	4.8	37.5	41.3	78.1	48.5	7.7	7.5	3.8	6.1	9.9	8.1	1.5	2.4
Zydus Lifesciences	CADHEA	430	500	Buy	43793	23.3	21.0	21.1	25.3	18.4	20.5	20.4	17.0	13.8	12.0	11.7	12.2	18.4	12.6	11.4	12.2
Cipla	CIPLA	1025	1,290	Buy	82716	29.8	32.9	38.3	45.5	34.4	31.1	26.8	22.5	17.0	16.3	18.4	19.1	13.1	12.7	13.3	14.1
Dr Reddy's Labs	DRREDD	4418	5,210	Buy	73576	117.6	127.2	262.2	215.5	37.6	34.7	16.9	20.5	13.1	13.0	24.2	20.8	11.1	11.0	18.9	13.8
Glenmark Pharma	GLEPHA	384	440	Hold	10842	32.9	42.7	36.4	50.0	11.7	9.0	10.5	7.7	13.9	14.8	16.0	16.0	13.1	13.2	10.2	12.4
Ipca Laboratories	IPCLAB	853	925	Hold	21630	44.9	34.8	24.5	35.7	19.0	24.5	34.8	23.9	27.1	17.4	13.3	16.5	24.2	16.1	10.3	13.3
Jubilant Pharmova	JUBLIF	344	395	Hold	5486	37.4	26.0	22.5	32.8	9.2	13.2	15.3	10.5	13.7	9.0	7.8	9.7	12.6	7.8	6.4	8.6
Lupin	LUPIN	741	680	Hold	33687	26.9	11.9	9.1	26.4	27.6	62.4	81.0	28.1	9.6	3.4	5.9	11.3	8.8	4.4	3.3	8.8
Natco Pharma	NATPHA	529	660	Hold	9665	24.2	9.3	38.6	46.3	21.9	56.8	13.7	11.4	13.1	4.6	16.8	18.5	10.7	4.0	14.6	15.2
Sun Pharma	SUNPHA	1008	1,210	Buy	241877	30.1	32.0	34.3	40.9	33.5	31.5	29.4	24.6	14.2	18.2	17.4	19.0	15.5	16.0	15.0	15.5
Torrent Pharma	TORPHA	1535	1,720	Hold	51951	37.0	32.0	37.6	45.6	41.5	47.9	40.8	33.6	17.6	19.7	18.3	21.1	21.4	18.2	18.8	19.4
Indoco Remedies	INDREM	328	440	Buy	3024	10.1	16.8	17.9	26.7	32.5	19.5	18.3	12.3	11.7	17.5	15.6	21.9	12.1	17.1	15.9	19.8
Caplin Point	CAPPOI	697	955	Buy	5291	81.7	85.3	79.0	74.8	8.5	8.2	8.8	9.3	25.3	24.2	23.4	0.0	20.4	20.2	20.2	18.2
Advanced Enzymes	ADVENZ	272	265	Reduce	3037	13.1	10.7	9.6	13.3	20.8	25.4	28.5	20.4	19.4	14.3	10.9	14.0	15.1	11.0	9.0	11.3
Hester Biosciences	HESPHA	1784	1,830	Hold	1517	44.4	45.7	37.8	58.6	40.2	39.0	47.2	30.4	16.2	10.9	9.5	12.7	16.5	15.0	11.3	15.4
<b>API/CRAMS</b>																					
Divi's Lab	DIVLAB	2860	2,945	Hold	84102	74.7	111.5	87.7	96.9	38.3	25.6	32.6	29.5	27.6	30.2	21.1	21.8	21.3	25.2	17.7	17.2
Hikal	HIKCHE	334	375	Hold	4283	10.8	13.0	6.8	16.6	30.9	25.7	49.2	20.2	15.1	13.6	7.2	14.3	14.3	15.0	6.3	14.1
Syngene Int.	SYNINT	569	610	Hold	22848	10.1	9.9	11.6	14.3	56.2	57.6	49.1	39.7	11.5	11.7	12.9	15.1	13.5	12.9	12.5	13.5
Granules India	GRANUL	289	355	Buy	7171	22.2	16.6	22.7	27.2	13.0	17.4	12.7	10.6	24.0	15.6	20.5	21.7	25.3	16.0	19.7	19.3
Laurus Labs	LAULAB	330	400	Buy	17802	18.3	15.4	16.5	19.1	18.0	21.4	20.0	17.3	31.7	21.3	21.8	24.3	37.9	24.7	21.9	23.6
Suven Pharmaceuticals	SUVPH	486	530	Buy	12383	14.2	17.8	14.7	17.7	34.1	27.3	33.0	27.5	31.2	37.5	26.0	25.6	30.7	29.7	20.6	20.5

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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