

Jyothy Laboratories

Estimate change



TP change



Rating change



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Bloomberg	JYL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USDb)	106.7 / 1.3
52-Week Range (INR)	291 / 164
1, 6, 12 Rel. Per (%)	32/33/55
12M Avg Val (INR M)	110

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Net Sales	24.9	28.1	31.2
Sales Gr. (%)	13.2	12.9	11.1
EBITDA	3.2	4.3	5.0
EBITDA Margins (%)	12.7	15.5	16.1
Adj PAT	2.3	3.2	3.7
Adj.EPS (INR)	6.3	8.7	10.1
EPS Gr. (%)	46.2	37.3	16.6
BV/Sh (INR)	42.2	45.9	49.5

Ratios

RoE (%)	15.6	19.8	21.3
RoCE (%)	15.7	20.4	22.0
Payout (%)	57.3	55.6	64.4

Valuation

P/E (x)	45.9	33.4	28.6
P/BV (x)	6.9	6.3	5.9
EV/EBITDA	32.9	23.8	20.1
Div. Yield (%)	1.0	1.4	1.9

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	62.9	62.9	62.9
DII	15.4	16.8	18.1
FII	14.0	13.8	11.5
Others	7.8	6.5	7.5

FII Includes depository receipts

CMP: INR291

TP: INR305 (+5%)

Neutral

Operating margin surprises positively; gaining market share

- Jyothy Laboratories (JYL) reported an overall beat on our estimates in 1QFY24. It gained market share with volume growth of 9%. JYL reported EBITDA margin of 17.1% (est. 14.6%), led by moderation in input costs. GP margin came back to the normal level at 47.9% (est. 45.8%).
- The likelihood of 17% EBITDA margin for further quarters appears to be difficult as the company has guided for 15-16% margin for FY24 and volatility in RM prices.
- Other income included a one-off item of ~INR90m on land sale at a plant.
- Despite good results in 1QFY24 (albeit on a low margin base of 1QFY23), JYL's sales and EBITDA CAGRs for five years ending in FY24E are expected to remain in single digits. We maintain our **Neutral** rating on the stock.

An all-round beat on estimates

- Standalone net sales grew 15.1% YoY to INR6,864m (est. INR6,411m).
- Volume growth was 9%.
- EBITDA increased by 96.2% YoY to INR1175m (est. INR936m).
- PBT rose 134% YoY to INR1,124m (est. INR838m).
- Adj. PAT was up 124% YoY at INR874m (est. INR659m).
- Gross margin expanded ~800bp YoY to 47.9%. EBITDA margin gained ~710bp YoY to 17.1%.

Consolidated segmental performance

- Fabric Care/Dishwashing/Household Insecticides/Personal Care sales rose 18.1%/10.6%/10.1%/21.1% YoY to INR2,966m/INR2,315m/INR494m/INR841m in 1QFY24.
- Margins in Fabric Care/Dishwashing/Personal Care expanded 980bp/690bp/150bp YoY to 22.1%/20%/18.2%, but contracted 900bp YoY to -19% in Household Insecticides.

Highlights from the management commentary

- In 1Q, JYL increased prices by 6% and posted volume growth of 9%.
- The management has guided for double-digit revenue growth in FY24, led by volume growth.
- The management expects EBITDA margin of 15-16% in FY24.
- Other Income included a one-off item of ~INR90m on land sale at a plant.
- Seasonal variations and illegal incense sticks impact HI demand.

Valuation and view

- We raise our EPS Estimates for FY24/FY25 by 8%/5%.
- For a company that had lower sales of INR24.9b in FY23 (vs. its peers), its performance over the past five years has been consistently lackluster (at 8.3%/4.2% sales/operating profit CAGR).
- Despite healthy EBITDA growth in 1QFY24, JYL's EBITDA CAGR for the 3 years and 5 years ending in FY24 is expected to remain in single digits. Despite assuming consolidated EBITDA margins close to their peak level in FY25, RoE remains lower than peers' at ~21%.

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■ We do not expect a major rerating anytime soon. We reiterate our **Neutral** stance on the stock with a **TP of INR305** (21xFY25E target EV/ EBITDA).

Standalone Quarterly Performance

(INR m)

Y/E March	FY23				FY24						FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY23	FY24E	1QE	(%)
Net Sales	5,965	6,464	6,117	6,159	6,864	7,150	6,985	6,867	24,860	28,060	6,411	7.1
YoY change (%)	14.3	11.8	15.7	12.8	15.1	10.6	14.2	11.5	13.2	12.9	9.4	
Gross Profit	2,378	2,563	2,636	2,815	3,287	3,382	3,220	3,104	10,511	13,067	2,936	11.9
Margins (%)	39.9	39.6	43.1	45.7	47.9	47.3	46.1	45.2	42.3	46.6	45.8	4.5
EBITDA	599	802	843	906	1,175	1,151	1,062	1,016	3,159	4,340	936	25.6
EBITDA growth %	-7.9	19.5	39.3	58.2	96.2	43.6	25.9	12.2	26.4	37.4	56.5	
Margins (%)	10.0	12.4	13.8	14.7	17.1	16.1	15.2	14.8	12.7	15.5	14.6	
Depreciation	130	112	122	119	120	151	164	179	501	626	153	
Interest	33	12	32	31	11	32	35	35	131	137	30	
Other Income	44	55	152	62	79	91	99	102	395	417	85	
PBT	480	733	842	817	1,124	1,059	962	904	2,922	3,995	838	34.1
Tax	90	109	168	227	250	211	188	176	595	799	178	
Rate (%)	18.7	14.9	20.0	27.8	22.3	19.9	19.5	19.5	19.9	20.0	21.3	
Adjusted PAT	390	624	674	590	874	848	774	728	2,327	3,196	659	32.5
YoY change (%)	-2.7	48.0	90.4	77.2	123.9	36.0	14.9	23.4	54.2	37.3	52.0	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY23				FY24
	1Q	2Q	3Q	4Q	1Q
2Y average growth %					
Sales	18.0	13.8	14.2	12.4	14.7
EBITDA	-12.4	-2.5	7.6	20.1	44.2
PAT	-11.6	8.7	29.1	21.6	60.6
% sales					
COGS	60.1	60.4	56.9	54.3	52.1
Other expenditure	29.8	27.2	29.3	31.0	30.8
Depreciation	2.2	1.7	2.0	1.9	1.7
YoY change %					
COGS	20.8	11.9	11.7	4.6	-0.3
Other expenditure	11.2	8.4	14.6	12.9	18.7
Other income	-8.9	5.5	258.6	11.0	80.0
EBIT	5.5	48.2	82.5	120.1	125.1

E: MOFSL Estimates



Highlights from the management commentary

Performance and outlook

- JYL has witnessed a stable demand environment with moderated input costs.
- In 1Q, it increased prices by 6% and reported 9% volume growth.
- The management expects double-digit revenue growth in FY24, led by volume growth.
- The ratio of sales volume in rural vs. urban was 40:60 in 1Q.
- Rural market impacted by inflation has shown signs of recovery.
- The company focuses on LUPs and rural distribution to recover sales in the rural market.
- LUPs' contribution is around 25-30% of total volume.
- The company's pricing strategy has received good response from customers and places the company to a premium pricing vs. competitors.
- The management does not expect any weather impact on the demand-supply chain.

Costs and margins

- JYL expects EBITDA margin of 15-16% in FY24.
- The softening in raw material prices helps in GP margin expansion.
- Media spending stood at 7-8% of sales in 1QFY24.
- Raw material prices have come down but are still at the elevated level and remain volatile.
- Other Income included a one-off item of ~INR90m related to land sale of a plant.

Segmental details

Fabric Care

- Expanded distribution reach increases sales across India..
- Launched Ujala liquid detergent to strengthen its premium portfolio
- Cut prices in some products

Dishwashing

- LUP's bar category gaining acceptance in the rural market.
- Focus on the larger pack in dishwash liquid category
- JYL aims for double-digit growth.

Household Insecticides

- Seasonal variations and illegal incense sticks impacting demand
- Focus on Liquid vaporizers and coils as safer options for illegal incense sticks
- The contribution ratio of Coil and LV was 60:40 in 1QFY24
- Increases media spending for the category

Personal Care

- Original Margo Neem contributed more to growth in 1QFY24 compared to new launches.
- Increase in distribution, rural penetration and seasonality supported growth.

Other points

- It expects to increase its total reach by ~100k outlets in FY24.

Key exhibits

Exhibit 1: Consolidated quarterly performance

Category sales (INR m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Fabric Care	2,511	2,862	2,635	2,553	2,966
Dishwashing	2,093	2,279	2,213	2,062	2,315
Household Insecticides	448	435	434	800	494
Personal Care	694	733	591	524	841
Other Products	225	284	253	230	256
Total	5,972	6,592	6,127	6,170	6,871
Category salience (%)					
Fabric Care	42.0	43.4	43.0	41.4	43.2
Dishwashing	35.1	34.6	36.1	33.4	33.7
Household Insecticides	7.5	6.6	7.1	13.0	7.2
Personal Care	11.6	11.1	9.7	8.5	12.2
Other Products	3.8	4.3	4.1	3.7	3.7
Total	100.0	100.0	100.0	100.0	100.0
Category growth (%)					
Fabric Care	38.6	33.6	26.0	20.1	18.1
Dishwashing	9.6	5.6	10.0	8.7	10.6
Household Insecticides	(37.5)	(30.7)	(15.6)	0.9	10.1
Personal Care	2.1	10.8	11.6	12.1	21.1
Other Products	67.6	7.3	3.7	25.8	13.6
Total	13.7	12.6	13.7	12.8	15.1
Category results (INR m)					
Fabric Care	308	433	485	499	656
Dishwashing	275	352	338	361	463
Household Insecticides	(45)	(79)	(69)	(9)	(94)
Personal Care	25	74	90	70	153
Other Products	(10)	(15)	(15)	(8)	5
Total	554	765	830	912	1,184
Result salience (%)					
Fabric Care	55.7	56.6	58.5	54.7	55.4
Dishwashing	49.7	46.0	40.8	39.6	39.1
Household Insecticides	(8.1)	(10.4)	(8.3)	(1.0)	(7.9)
Personal Care	4.5	9.6	10.9	7.7	13.0
Other Products	(1.8)	(2.0)	(1.9)	(0.9)	0.4
Total	100.0	100.0	100.0	100.0	100.0
EBIT margin (%)					
Fabric Care	12.3	15.1	18.4	19.5	22.1
Dishwashing	13.2	15.4	15.3	17.5	20.0
Household Insecticides	(10.0)	(18.2)	(15.9)	(1.2)	(19.0)
Personal Care	3.6	10.1	15.3	13.3	18.2
Other Products	(4.4)	(5.3)	(6.1)	(3.5)	1.9
Total	9.3	11.6	13.5	14.8	17.2

Source: Company, MOFSL

Valuation and view

What has happened over the past 10 years?

- Given JYL (INR11.1b/INR24.9b revenue in FY13/FY23) is much smaller than its peers, its financial performance has been disappointing over the past 10 years.
- While it has reported a ~8.4% sales CAGR over this period, EBITDA/PAT CAGRs have been tepid at ~9.3%/~14.7%. Sales/EBITDA/PAT CAGRs of 8.3%/-4.2%/5.4% for the last five years were not significantly better.

- Growth has been restricted by: 1) higher penetration and regional dependence of its largest brand Ujala, and 2) limited success in achieving profitable growth in other categories/geographies outside South India.
- The expiry of the Henkel option, which could have added more brands to its portfolio, has also been a setback.
- Given the above factors, it is not surprising that the stock has been an underperformer in recent years.

Our view on the stock

- We raise our EPS estimates for FY24/FY25 by 8%/5%.
- For a company that had lower sales of INR24.9b in FY23 (vs. its peers), its performance over the past five years has been consistently lackluster (at 8.3%/4.2% sales/operating profit CAGR).
- Despite healthy EBITDA growth in 1QFY24, JYL's EBITDA CAGRs for the 3 years and 5 years ending in FY24 are expected to remain in single digits. Despite assuming consolidated EBITDA margins close to their peak level in FY25, RoE remains lower than peers' at ~21%.
- We do not expect a major rerating anytime soon. We reiterate our **Neutral** stance on the stock with a **TP of INR305** (21x FY25 target EV/ EBITDA).

Exhibit 2: We raise our FY24E/FY25E EPS by 8%/5%

	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	28,060	31,176	27,685	30,542	1.4%	2.1%
EBITDA	4,340	5,030	4,070	4,758	6.6%	5.7%
PAT	3,196	3,727	2,956	3,548	8.1%	5.0%

Exhibit 3: P/E (x) for JYL

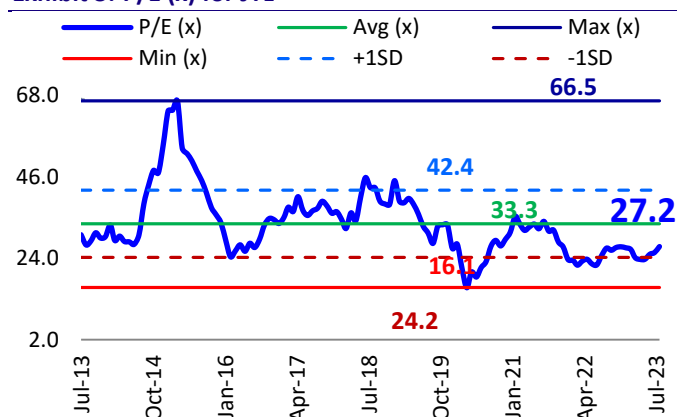
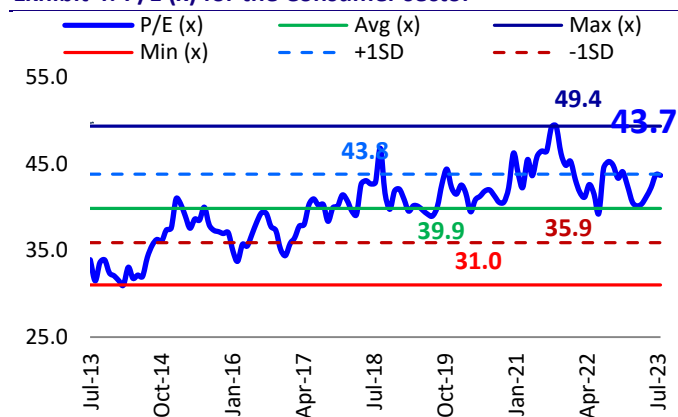


Exhibit 4: P/E (x) for the Consumer sector



Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	16,724	18,136	17,112	19,091	21,965	24,860	28,060	31,176
Change (%)	-0.6	8.4	-5.6	11.6	15.1	13.2	12.9	11.1
Gross Profit	7,971	8,429	8,103	8,987	9,135	10,511	13,067	14,788
Margin (%)	47.7	46.5	47.4	47.1	41.6	42.3	46.6	47.4
Total Expenditure	14,149	15,325	14,601	15,946	19,483	21,702	23,720	26,146
As a percentage of Sales	84.6	84.5	85.3	83.5	88.7	87.3	84.5	83.9
EBITDA	2,575	2,811	2,511	3,145	2,482	3,159	4,340	5,030
Margin (%)	15.4	15.5	14.7	16.5	11.3	12.7	15.5	16.1
Depreciation	311	306	529	556	582	501	626	649
EBIT	2,263	2,505	1,982	2,589	1,901	2,657	3,715	4,381
Int. and Finance Charges	481	352	329	192	118	131	137	148
Other Income	625	278	203	185	187	395	417	438
PBT bef. EO Exp.	2,407	2,430	1,856	2,581	1,969	2,922	3,995	4,671
EO Items	0	0	-38	-235	0	70	0	0
PBT after EO Exp.	2,407	2,430	1,818	2,346	1,969	2,992	3,995	4,671
Current Tax	619	454	189	440	378	595	799	943
Tax Rate (%)	25.7	18.7	10.4	18.7	19.2	19.9	20.0	20.2
Adjusted PAT	1,789	1,976	1,667	2,142	1,591	2,327	3,196	3,727
Change (%)	-12.4	10.5	-15.6	28.5	-25.7	46.2	37.3	16.6

Consolidated - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY23	FY25E
Equity Share Capital	182	367	367	367	367	367	367	367
Total Reserves	11,260	12,898	11,919	13,918	14,068	15,123	16,481	17,809
Net Worth	11,442	13,265	12,286	14,286	14,435	15,490	16,848	18,176
Minority Interest	-139	-215	-291	-379	-407	21	21	21
Deferred Liabilities	-902	-928	-1,027	-962	-907	-845	-845	-845
Total Loans	5,441	2,809	2,830	1,169	1,265	0	0	0
Capital Employed	15,841	14,932	13,798	14,114	14,387	14,665	16,024	17,352
Gross Block	11,762	12,046	13,050	13,556	13,764	14,125	14,325	14,525
Less: Accum. Deprn.	855	1,040	1,558	2,089	2,546	2,962	3,588	4,237
Net Fixed Assets	10,907	11,006	11,492	11,467	11,218	11,163	10,738	10,288
Capital WIP	153	143	245	101	76	155	123	123
Total Investments	1,132	1,044	0	0	0	0	0	0
Curr. Assets, Loans&Adv.	6,695	6,301	5,598	7,029	8,027	8,454	11,497	14,331
Inventory	1,836	1,974	2,251	2,786	2,972	3,019	3,928	4,365
Account Receivables	1,674	1,534	1,224	944	1,431	1,378	1,403	1,559
Cash and Bank Balance	1,367	964	289	1,938	2,112	2,835	3,525	5,474
Loans and Advances & Others	1,818	1,830	1,834	1,361	1,512	1,222	2,641	2,934
Curr. Liability & Prov.	3,045	3,563	3,537	4,483	4,933	5,107	6,334	7,391
Account Payables	1,720	2,134	1,450	2,143	2,364	2,143	2,806	3,118
Other Current Liabilities	663	715	1,299	1,520	1,767	2,037	2,546	3,182
Provisions	663	715	788	820	802	927	982	1,091
Net Current Assets	3,650	2,738	2,061	2,546	3,093	3,347	5,163	6,940
Appl. of Funds	15,841	14,932	13,798	14,114	14,387	14,665	16,024	17,352

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	4.9	5.4	4.5	5.8	4.3	6.3	8.7	10.1
Cash EPS	5.7	6.2	6.0	7.3	5.9	7.7	10.4	11.9
BV/Share	31.2	36.1	33.5	38.9	39.3	42.2	45.9	49.5
DPS	0.5	6.0	0.0	4.0	2.5	3.0	4.0	5.4
Payout (%)	12	134	0	83	70	57	56	64
Valuation (x)								
P/E	59.7	54.0	64.0	49.8	67.1	45.9	33.4	28.6
Cash P/E	50.8	46.8	48.6	39.6	49.1	37.7	27.9	24.4
P/BV	9.3	8.0	8.7	7.5	7.4	6.9	6.3	5.9
EV/Sales	3.3	5.9	6.4	5.6	4.8	4.2	3.7	3.2
EV/EBITDA	21.7	38.3	43.5	33.7	42.7	32.9	23.8	20.1
Dividend Yield (%)	0.2	2.1	0.0	1.4	0.9	1.0	1.4	1.9
FCF per share	13.6	7.2	3.5	10.3	4.9	8.6	6.0	11.1
Return Ratios (%)								
RoE	16.0	16.0	13.0	16.1	11.1	15.6	19.8	21.3
RoCE	13.1	13.7	12.6	14.7	10.8	15.7	20.4	22.0
RoIC	12.7	15.7	13.6	16.6	12.7	17.8	24.7	29.0
Working Capital Ratios								
Asset Turnover (x)	1.1	1.2	1.2	1.4	1.5	1.7	1.8	1.8
Debt/Equity	0.5	0.2	0.2	0.1	0.1	0.0	0.0	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19E	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	2,407	2,430	1,815	2,346	1,969	2,992	3,995	4,671
Depreciation	311	306	529	556	582	501	626	649
Interest & Finance Charges	413	314	304	161	82	54	137	148
Other income	-409	-25	-21	232	-36	-197	-477	-438
Direct Taxes Paid	-251	-418	-386	-327	-313	-567	-799	-943
(Inc)/Dec in WC	-38	409	-527	1,055	-259	502	-1,126	172
CF from Operations	2,434	3,016	1,715	4,022	2,025	3,286	2,356	4,258
CF from Operating incl EO	2,434	3,016	1,715	4,022	2,025	3,286	2,356	4,258
(inc)/dec in FA	43	-383	-415	-257	-214	-122	-168	-200
(Pur)/Sale of Investments	-807	112	1,061	0	0	0	0	0
Others	115	37	4	45	29	65	417	438
CF from Investments	-649	-234	650	-212	-185	-57	249	238
Issue of Shares	600	4	0	0	0	0	0	0
(Inc)/Dec in Debt	2,276	-610	41	-1,669	100	-1,250	0	0
Interest Paid	-600	-342	-212	-281	-74	-104	-137	-148
Dividend Paid	-1,090	-182	-2,656	0	-1,469	-918	-1,777	-2,399
Others	-2,639	-2,055	-211	-212	-224	-235	0	0
CF from Fin. Activity	-1,453	-3,185	-3,039	-2,161	-1,667	-2,507	-1,915	-2,548
Inc/Dec of Cash	332	-403	-674	1,649	174	723	690	1,949
Opening Balance	1,034	1,367	964	289	1,938	2,112	2,835	3,525
Closing Balance	1,367	964	289	1,938	2,112	2,835	3,525	5,474

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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