

# Retail Equity Research

## Jyothy Labs Limited

FMCG

BSE CODE: 532926

NSE CODE: JYOTHYLAB

Bloomberg CODE: JYL:IN

SENSEX: 65,676

**SELL**

12 Months Investment Period Rating as per Small Cap  
CMP Rs. 459 TARGET Rs. 405 RETURN -12% ↓  
(Closing: 15-11-23)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

### Robust performance at higher valuation

Jyothy Labs Ltd. (JLL) is an Indian FMCG player with products across fabric care, dishwashing, mosquito repellents & personal care.

- We revise our target price to Rs.405 (from Rs. 290), considering healthy topline growth & strong margins, but maintain our SELL rating due to sharp increase in valuation.
- For Q2FY24, revenue grew by 11%YoY (consistent double-digit growth in the last 12 quarters), mainly driven by volume. While main segments, fabric care and dishwash (78% of total sales) grew by ~11% YoY each, personal care grew by 22% and household insecticides by ~3% YoY.
- Operating profit grew by robust 68%YoY, aided by 870bps YoY improvement in gross margin to 49% due to lower input costs. EBITDA margin improved by 630bps YoY to 18.5% despite higher ad spend.
- JLL prioritizes volume driven growth by expanding its distribution reach and market share along with rural penetration through LUP (lower unit pack) strategy.
- The company guides for 16%-17% EBITDA margin for FY24. We expect revenue/earnings to grow at ~11%/32% CAGR over FY23-25E, RoE to improve to 21% (15.6% in FY23), value JLL at 37x FY25 P/E.

### Healthy topline growth continued.

For Q2FY24, revenue grew by 11%YoY, mainly aided by volume growth of ~9%YoY, while price growth was at 2%YoY. The main segments, fabric care and dishwash (78% of total sales), witnessed healthy growth of ~11% YoY, while personal care grew by 22%YoY and household insecticides by 3%YoY. Going forward, a strong focus on distribution expansion, market share gains, new product offerings, and penetration of existing products in newer geographies will support volume growth. JLL's direct reach has crossed 1.1mn outlets from ~0.85mn in FY21. Forays into liquid detergents and the mid-priced detergent powder segment have witnessed good demand. The LUP strategy (low unit packs at a price point of Rs.10-contributes 25-30% of total sales) of the company is working well in rural regions. Declining inflation along with GOI's strong rural focus will support demand. We expect ~11% revenue CAGR over FY23-25E.

### Strong margin improvement on lower input costs...

Gross margin improved by 870bps YoY to 49% due to reductions in input costs and growth in realisation while EBITDA margin improved by 630bps to 18.5%, despite increase in ad-spend (7.8% of sales vs. 6.3% YoY). EBITDA grew by robust 68%YoY, while PAT grew by 81% YoY aided by higher other income and lower interest cost. Input prices have declined materially from their peaks but is witnessing some volatility in recent months. The company has guided EBITDA margin to be ~16-17% for FY24. JLL has chosen a concessional income tax rate beginning in FY27 once the benefits under 80IE have been fully utilised (till FY26). We expect PAT growth of ~32% CAGR over FY23-25E.

### Valuation & Outlook

Easing inflation, along with strong rural & consumption pushes by the GoI will aid demand. Expanded distribution and a focus on the LUP strategy will support JLL's volume growth. We revise our target price to Rs.405 (from Rs. 291), valuing at 37x FY25E EPS, considering the strong margins and healthy volumes. However, we maintain our SELL rating due to sharp increase in valuation (JLL currently trades at 1Yr Fwd P/E of 43x vs. 10Yr avg of 28x).

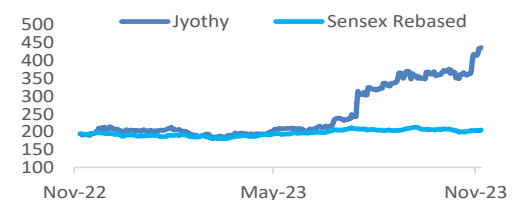
### Company Data

Market Cap (Rs.cr)	16,854
Enterprise Value (Rs.cr)	16,795
Outstanding Shares (cr)	36.7
Free Float	37%
Dividend Yield	0.7%
52 week high (Rs.)	466
52 week low (Rs.)	180
6m average volume (cr)	0.11
Beta	0.6
Face value Rs.	1

Shareholding (%)	Q4FY23	Q1FY24	Q2FY24
Promoters	62.9	62.9	62.9
FII's	13.8	14.0	14.6
MFs/Insti	16.8	15.4	14.1
Public	5.9	6.6	7.4
Others	0.6	1.2	1.0
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	35.6%	108.7%	124.9%
Absolute Sensex	0.5%	6.1%	5.9%
Relative Return*	35.1%	102.6%	119.0%

### \*over or under performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	2,486	2,784	3,082
Growth (%)	13.2	12.0	10.7
EBITDA	316	468	496
EBITDA Margin (%)	12.7	16.8	16.1
Adj. PAT	233	362	402
Growth (%)	46.2	55.7	11.0
Adj. EPS	6.3	9.9	11.0
Growth (%)	46.2	55.7	11.0
P/E	72.4	46.5	41.9
P/B	10.9	9.5	8.2
EV/EBITDA	53.2	36.0	34.0
ROE (%)	15.6	21.8	21.0
D/E	0.0	0.0	0.0

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Research Analyst

## Quarterly Financials (Consolidated)

### Profit & Loss

Rs cr	Q2FY24	Q2FY23	YoY Growth	Q1FY24	QoQ Growth	H1FY24	H1FY23	YoY Growth
<b>Sales</b>	732	659	11.1%	617.0	18.7%	1,419	1,256	13.0%
<b>EBITDA</b>	135	80	68.3%	91.3	48.3%	253	140	80.2%
EBITDA margins	18.5%	12.2%	630bps	14.8%	370bps	17.8%	11.2%	660bps
Depreciation	12.3	13.0	-5.5%	11.9	3.4%	24	26	-6.9%
<b>EBIT</b>	123	67	82.6%	79.4	55.1%	229	114	100.1%
Interest	1.2	3.5	-66.2%	3.1	-62.5%	2	114	-98.0%
Other Income	13.2	5.3	147.8%	5.7	132.1%	30	19	62.5%
Exceptional Items	0.0	-7.0	NA	0.0	NA	0.0	-7.0	NA
<b>PBT</b>	135	76	77.1%	81.9	64.9%	256	133	92.7%
Tax	24.1	14.0	72.0%	15.5	55.4%	45.3	20.0	127.3%
<b>Reported PAT</b>	104	65	60.9%	59.0	76.1%	200	113	77.1%
Adjustments	0	-7.03	NA	0	NA	-9	-15.83	NA
<b>Adj PAT</b>	104.0	57.6	80.5%	59.0	76.1%	191	97	96.6%
No. of Shares	36.7	36.7	0.0%	36.7	0.0%	36.7	36.7	0.0%
<b>EPS (Rs)</b>	2.8	1.6	80.5%	1.6	76.1%	5.2	2.6	96.6%

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	2,798	3,096	2,784	3,082	-0.5%	-0.5%
EBITDA	442	496	468	496	5.9%	0.1%
Margins (%)	15.8%	16.0%	16.8%	16.1%	200bps	60bps
Adj. PAT	332	382	362	402	9.2%	5.3%
EPS	9	10.4	9.9	11.0	9.7%	5.3%

**PROFIT & LOSS**

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Revenue</b>	<b>1,711</b>	<b>1,909</b>	<b>2,196</b>	<b>2,486</b>	<b>2,784</b>	<b>3,082</b>
% change	-5.6	11.6	15.1	13.2	12.0	10.7
<b>EBITDA</b>	<b>251</b>	<b>315</b>	<b>248</b>	<b>316</b>	<b>468</b>	<b>496</b>
% change	-10.7	25.3	-21.1	27.2	48.3	6.0
Depreciation	53	56	58	50	50	51
<b>EBIT</b>	<b>198.2</b>	<b>258.9</b>	<b>190.1</b>	<b>265.8</b>	<b>417.9</b>	<b>445.0</b>
Interest	33	19	12	13	5	4
Other Income	20.0	18.5	18.7	39.5	52.0	49.3
<b>PBT</b>	<b>182</b>	<b>235</b>	<b>197</b>	<b>299</b>	<b>465</b>	<b>491</b>
% change	-25.3	29.3	-16.1	52.0	55.5	5.4
Tax	19	44	38	59	94	88
Tax Rate (%)	0.1	0.2	0.2	0.2	0.2	0.2
<b>Reported PAT</b>	<b>163</b>	<b>191</b>	<b>159</b>	<b>240</b>	<b>371</b>	<b>402</b>
Adj*	3.8	23.5	0.0	-7.0	-9.0	0.0
<b>Adj PAT</b>	<b>166</b>	<b>214</b>	<b>159</b>	<b>233</b>	<b>362</b>	<b>402</b>
% change	-15.8	28.7	-25.7	46.2	55.7	11.0
No. of shares (cr)	37	37	37	37	37	37
<b>Adj EPS (Rs.)</b>	<b>4.5</b>	<b>5.8</b>	<b>4.3</b>	<b>6.3</b>	<b>9.9</b>	<b>11.0</b>
% change	-16	29	-26	46	56	11
DPS (Rs.)	3.6	3.6	3.6	3.6	3.6	3.6
CEPS (Rs.)	6	7	6	8	11	12

**CASH FLOW**

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Net inc. + Deprn.</b>	<b>216</b>	<b>246</b>	<b>217</b>	<b>290</b>	<b>413</b>	<b>454</b>
Non-cash adj.	8.7	50.5	11.1	-14.2	4.5	3.8
Changes in W.C	-53	105	-26	50	46	-4
<b>C.F. Operation</b>	<b>171</b>	<b>402</b>	<b>203</b>	<b>329</b>	<b>463</b>	<b>453</b>
Capital exp.	-42	-26	-21	-12	-29	-29
Change in inv.	112	-105	-13	0	0	0
Other invest.CF	2	1	3	7	0	0
<b>C.F - Investment</b>	<b>72</b>	<b>-129</b>	<b>-32</b>	<b>-48</b>	<b>-29</b>	<b>-29</b>
Issue of equity	0	0	0	0	0	0
Issue/repay debt	4	169	231	0	-3	-3
Dividends paid	-266	0	-147	-92	-132	-132
Other finance.CF	-21	-364	-229	-135	-5	-4
<b>C.F - Finance</b>	<b>-304</b>	<b>-216</b>	<b>-167</b>	<b>-251</b>	<b>-140</b>	<b>-139</b>
Chg. in cash	-60	57	4	30	294	285
Closing cash	15	72	76	106	400	685

**BALANCE SHEET**

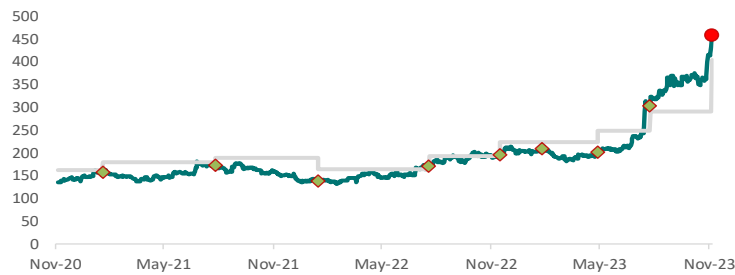
Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	15	72	76	106	400	685
Accounts Receivable	122	94	143	138	160	177
Inventories	225	279	297	302	320	365
Other Cur. Assets	86	180	201	230	262	271
Investments	0	0	0	0	0	0
Gross Fixed Assets	527	581	615	657	687	717
Net Fixed Assets	357	356	331	324	303	282
CWIP	25	10	8	15	15	15
Intangible Assets	792	791	790	792	791	790
Def. Tax (Net)	103	96	91	85	85	85
Other Assets	111	78	85	70	115	132
<b>Total Assets</b>	<b>1,839</b>	<b>1,956</b>	<b>2,023</b>	<b>2,062</b>	<b>2,452</b>	<b>2,803</b>
Current Liabilities	337	366	408	371	520	593
Provisions	79	82	85	93	107	118
Debt Funds	224	117	127	47	44	41
Other Liabilities	0	0	0	0	0	0
Equity Capital	37	37	37	37	37	37
Reserves & Surplus	1,192	1,392	1,407	1,512	1,742	2,012
Shareholder's Fund	1,200	1,391	1,403	1,551	1,781	2,051
<b>Total Liabilities</b>	<b>1,839</b>	<b>1,956</b>	<b>2,023</b>	<b>2,062</b>	<b>2,452</b>	<b>2,803</b>
<b>BVPS (Rs.)</b>	<b>33</b>	<b>39</b>	<b>39</b>	<b>42</b>	<b>48</b>	<b>56</b>

**RATIOS**

Y.E March	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Profitab. &amp; Return</b>						
EBITDA margin (%)	14.7	16.5	11.3	12.7	16.8	16.1
EBIT margin (%)	11.6	13.6	8.7	10.7	15.0	14.4
Net profit mgn.(%)	9.7	11.2	7.2	9.4	13.0	13.1
ROE (%)	13.0	16.1	11.1	15.6	21.8	21.0
ROCE (%)	13.3	15.7	11.1	15.6	21.4	20.7
<b>W.C &amp; Liquidity</b>						
Receivables (days)	29.4	20.7	19.7	20.6	19.5	20.0
Inventory (days)	45.6	48.2	47.8	44.0	40.8	40.6
Payables (days)	73.1	67.2	64.4	57.2	58.5	65.9
Current ratio (x)	1.1	1.4	1.5	1.7	1.8	2.1
Quick ratio (x)	0.4	0.5	0.5	0.7	1.1	1.5
<b>Turnover &amp; Leverage</b>						
Gross asset T.O (x)	3.6	3.4	3.7	3.9	4.1	4.4
Total asset T.O (x)	0.9	1.0	1.1	1.2	1.2	1.2
Int. coverage ratio (x)	6.0	13.5	16.1	20.3	92.8	117.6
Adj. debt/equity (x)	0.2	0.1	0.1	0.0	0.0	0.0
<b>Valuation</b>						
EV/Sales (x)	9.5	8.4	7.3	6.4	5.7	5.2
EV/EBITDA (x)	64.5	50.9	64.6	50.4	34.1	32.2
P/E (x)	96.0	74.6	100.4	68.6	44.1	39.7
P/BV (x)	13.0	11.2	11.1	10.3	9.0	7.8



## Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
06-Aug-21	Accumulate	190
28-Jan-22	Accumulate	165
01-Aug-22	Accumulate	198
28-Nov-22	Accumulate	224
07-Feb-23	Accumulate	247
11-May-23	Buy	245
07-Aug-23	SELL	291
16-Nov-23	SELL	405

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

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