

# Jyothy Labs Ltd.

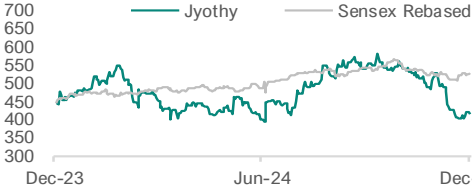
**BUY**

Sector: FMCG

04<sup>th</sup> December 2024

<b>Key Changes</b>	<b>Target</b> ▼	<b>Rating</b> ▲	<b>Earnings</b> ▼	<b>Target</b>	<b>Rs. 496</b>
Stock Type	Bloomberg Code	Sensex	NSE Code	<b>CMP</b>	<b>Rs. 413</b>
Mid Cap	JYL:IN	80,956	JYOTHYLAB	<b>Return</b>	<b>+20%</b>
		BSE Code	Time Frame		
		532926	12 Months		

Data as of: 04-12 2024

Company Data			
Market Cap (Rs.cr)	15,165		
52 Week High — Low (Rs.)	595-367		
Enterprise Value (Rs.cr)	15,132		
Outstanding Shares (cr)	36.7		
Free Float	37%		
Dividend Yield	0.8%		
6m average volume (cr)	0.11		
Beta	0.7		
Face value Rs.	1		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	62.9	62.9	62.9
FII's	11.4	9.4	15.1
MFs/Insti	12.6	13.6	15.3
Public	10.4	11.8	6.4
Others	9.8	9.3	0.4
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-24.9%	-7.3%	-6.6%
Absolute Sensex	-2.8%	7.9%	18.9%
Relative Return*	-22.1%	-15.1%	-25.5%
*over or under performance to benchmark index			
			
Consolidated (cr)	FY24A	FY25E	FY26E
Sales	2,757	2,924	3,213
Growth (%)	10.9	6.1	9.9
EBITDA	480	513	582
EBITDA Margin (%)	17.4	17.6	18.1
Adj. PAT	360	397	459
Growth (%)	54.8	10.1	15.7
Adj. EPS	9.8	10.8	12.5
Growth (%)	54.8	10.1	15.7
P/E	42.1	38.2	33.0
P/B	8.4	7.3	6.3
EV/EBITDA	31.5	29.3	25.7
ROE (%)	21.5	20.4	20.5
D/E	0.0	0.0	0.0

Author: Vincent K A - Sr. Research Analyst

## Margins improved, valuation moderated

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

- For Q2FY25, revenue growth was flat YoY largely, due to a high base of 11% last year. Volumes grew by 3% YoY while increased grammage and price cuts impacted value growth. Main segments, fabric care & dishwash (78% mix), along with household insecticides, witnessed flat growth while personal care declined by 4.5% YoY.
- EBITDA margin improved by 40bps YoY to 18.9% despite an increase in ad spend to 8.3% of sales vs 7.8% YoY. However, the company guides for 16-17% EBITDA margin for FY25 due to rise in input prices and requirement for brand investment to support new launches.
- JLL guides for mid to single digit volume growth factoring disruption in July in the southern region, which contributes ~40%, a high base last year and price hike plans for personal care in Q3FY25 due to higher palm oil prices.
- JLL has a strong focus on distribution and direct reach has increased to 1.2mn from 86k in FY21. This, along with new launches, has strongly supported double digit growth in last 2 years. JLL will continue to carefully add the distribution.

## Outlook & Valuation

Rural demand is gradually picking up while urban demand has been impacted in H1FY25. We expect rural demand to improve further on the back of good monsoon, expected higher agri production, higher MSP and Gol's strong rural focus. The likely boost in government spending in H2FY25, along with a reduction in food inflation, will support urban demand. Focus on distribution, brand investments, exploring new product launches and LUP strategies will support JLL's volume growth. The company has a strong balance sheet and cash flow generation. **We lower our target price to Rs. 496 by valuing at 36x December 2026E EPS (2Yr avg=35x), but upgrade to BUY rating considering expected improvement in demand in H2FY25 and recent correction in stock price.**

## Quarterly Financials Consol.

Rs.cr	Q2FY25	Q2FY24	YoY Growth	Q1FY25	QoQ Growth	H1FY25	H1FY24	YoY Growth
Sales	734	732	0.2	742	-1.1	1,476	1,419	4.0
EBITDA	138	135	2.3	133	3.7	272	253	7.6
Margin (%)	18.9	18.5	40bps	18.0	90bps	18.4	17.8	60bps
EBIT	125	123	1.2	120	3.7	245	229	7.0
PBT	136	135	0.4	132	2.5	268	256	4.6
Rep. PAT	105	104	1.0	102	3.3	207	200	3.2
Adj PAT	105	104	1.0	102	3.3	207	191	8.1
EPS (Rs)	3	3	1.0	3	3.3	6	5	8.1



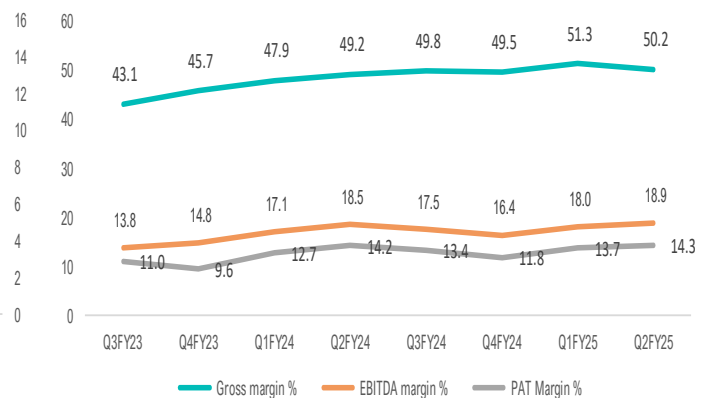
## Key Highlights...

- Personal care segment growth was negative due to a high base of 22% growth last year.
- Within House hold insecticides segment, liquid vaporizer growth has been in double digits while the coil category is seeing a negative growth .
- The company will maintain the working capital at 10 to 12 days.
- The company has plans to enter into new categories. The company will be using its existing retail outlets to launch new brands and products.
- Raw material and packing material costs are expected to potentially increase in the future, which may lead to a price hike. Price increases are anticipated in the soap categories in Q3FY25.
- The company has launched exclusive liquid detergent packs for the Henko brand.

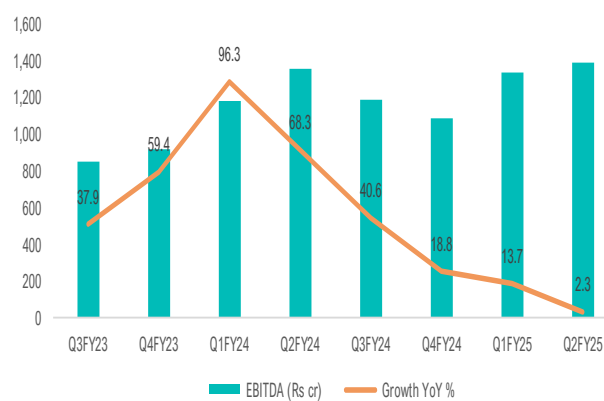
### Revenue



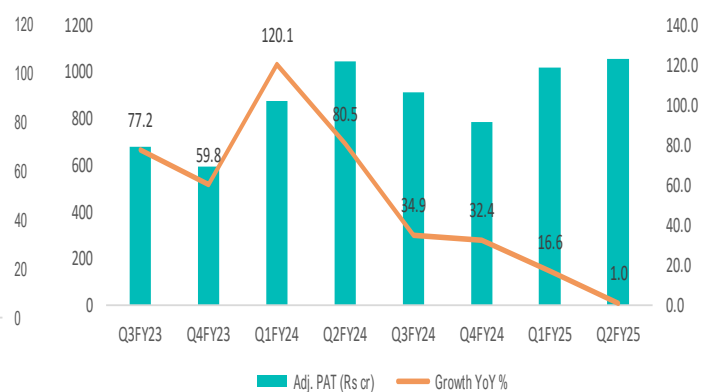
### Gross / EBITDA / PAT margin



### EBITDA



### PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,060	3,389	2,924	3,213	-4.4	-5.2
EBITDA	539	605	513	582	-4.8	-3.9
Margins (%)	0	0	0	0	-10bps	30bps
Adj. PAT	421	478	397	459	-5.8	-4.0
EPS	12	13	11	12	-6.1	-3.9



**PROFIT & LOSS**

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>1,909</b>	<b>2,196</b>	<b>2,486</b>	<b>2,757</b>	<b>2,924</b>	<b>3,213</b>
% change	11.6	15.1	13.2	10.9	6.1	9.9
<b>EBITDA</b>	<b>315</b>	<b>248</b>	<b>316</b>	<b>480</b>	<b>513</b>	<b>582</b>
% change	25.3	-21.1	27.2	51.9	7.0	13.3
Depreciation	56	58	50	50	54	56
<b>EBIT</b>	<b>259</b>	<b>190</b>	<b>266</b>	<b>430</b>	<b>459</b>	<b>526</b>
Interest	19	12	13	5	4	2
Other Income	18	19	40	54	55	64
<b>PBT</b>	<b>235</b>	<b>197</b>	<b>299</b>	<b>479</b>	<b>511</b>	<b>588</b>
% change	29.3	-16.1	52.0	60.0	6.7	15.1
Tax	44	38	59	110	114	129
Tax Rate (%)	18.7%	19.2%	19.9%	22.0%	22.4%	22.0%
<b>Reported PAT</b>	<b>191</b>	<b>159</b>	<b>240</b>	<b>369</b>	<b>397</b>	<b>459</b>
Adj*	24	0	-7	-9	0	0
<b>Adj PAT</b>	<b>214</b>	<b>159</b>	<b>233</b>	<b>360</b>	<b>397</b>	<b>459</b>
% change	28.7	-25.7	46.2	54.8	10.1	15.7
No. of shares (cr)	36.7	36.7	36.7	36.7	36.7	36.7
<b>Adj EPS (Rs.)</b>	<b>5.8</b>	<b>4.3</b>	<b>6.3</b>	<b>9.8</b>	<b>10.8</b>	<b>12.5</b>
% change	28.7	-25.7	46.2	54.8	10.1	15.7
DPS (Rs.)	4.0	2.5	3.0	3.5	3.5	3.5
CEPS (Rs.)	7.3	5.9	7.7	11.2	12.3	14.0

**CASH FLOW**

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Deprn.</b>	<b>246</b>	<b>217</b>	<b>290</b>	<b>410</b>	<b>450</b>	<b>515</b>
Non-cash adj.	50	11	-11	-5	18	2
Changes in W.C	105	-26	50	45	-191	-258
C.F. Operation	402	203	329	458	277	259
<b>Capital exp.</b>	<b>-26</b>	<b>-21</b>	<b>-12</b>	<b>-14</b>	<b>-41</b>	<b>-39</b>
Change in inv.	-105	-13	-43	-351	0	0
Other invest.CF	1	3	7	21	0	0
C.F - Investment	-129	-32	-48	-344	-41	-39
<b>Issue of equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Issue/repay debt	169	231	0	0	-20	-26
Dividends paid	0	-147	-92	-110	-129	-129
Other finance.CF	-364	-229	-135	0	-4	-2
C.F - Finance	-216	-167	-251	-135	-152	-156
<b>Chg. in cash</b>	<b>57</b>	<b>4</b>	<b>30</b>	<b>-21</b>	<b>84</b>	<b>64</b>
Closing cash	72	76	106	84	169	232

**BALANCE SHEET**

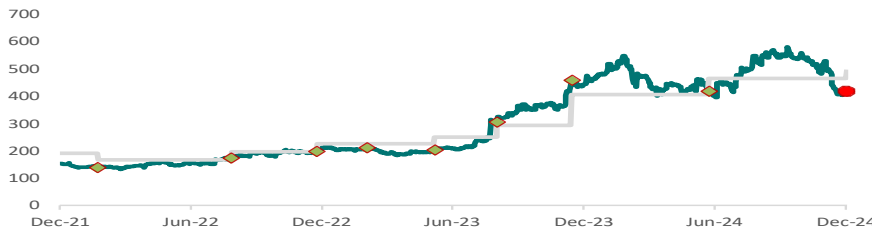
Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	72	76	106	84	169	232
Accounts Receivable	94	143	138	201	208	229
Inventories	279	297	302	284	313	375
Other Cur. Assets	180	201	230	570	769	1,023
Investments	0	0	0	0	0	0
Gross Fixed Assets	581	615	657	717	757	797
Net Fixed Assets	356	331	324	333	320	304
CWIP	10	8	15	13	15	15
Intangible Assets	791	790	792	792	791	790
Def. Tax (Net)	96	91	85	59	45	45
Other Assets	78	85	70	64	72	82
<b>Total Assets</b>	<b>1,956</b>	<b>2,023</b>	<b>2,062</b>	<b>2,401</b>	<b>2,703</b>	<b>3,095</b>
Current Liabilities	366	408	371	432	482	558
Provisions	82	85	93	109	112	123
Debt Funds	117	127	47	51	31	5
Other Liabilities	0	0	0	0	0	0
Equity Capital	37	37	37	37	37	37
Reserves & Surplus	1,392	1,407	1,512	1,772	2,040	2,370
Shareholder's Fund	1,391	1,403	1,551	1,810	2,078	2,409
<b>Total Liabilities</b>	<b>1,956</b>	<b>2,023</b>	<b>2,062</b>	<b>2,401</b>	<b>2,703</b>	<b>3,095</b>
<b>BVPS (Rs.)</b>	<b>39</b>	<b>39</b>	<b>42</b>	<b>49</b>	<b>57</b>	<b>66</b>

**RATIOS**

Y.E March	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>						
EBITDA margin (%)	16.5	11.3	12.7	17.4	17.6	18.1
EBIT margin (%)	13.6	8.7	10.7	15.6	15.7	16.4
Net profit mgn.(%)	11.2	7.2	9.4	13.1	13.6	14.3
ROE (%)	16.1	11.1	15.6	21.5	20.4	20.5
ROCE (%)	15.7	11.1	15.6	21.0	20.1	20.4
<b>W.C &amp; Liquidity</b>						
Receivables (days)	20.7	19.7	20.6	22.5	25.6	24.8
Inventory (days)	48.2	47.8	44.0	38.7	37.2	39.1
Payables (days)	67.2	64.4	57.2	53.2	57.0	59.1
Current ratio (x)	1.4	1.5	1.7	2.1	2.5	2.7
Quick ratio (x)	0.5	0.5	0.7	0.7	0.8	0.8
<b>Turnover &amp; Leverage</b>						
Gross asset T.O (x)	3.4	3.7	3.9	4.0	4.0	4.1
Total asset T.O (x)	1.0	1.1	1.2	1.2	1.1	1.1
Int. coverage ratio (x)	13.5	16.1	20.3	90.9	125.9	332.6
Adj. debt/equity (x)	0.1	0.1	0.0	0.0	0.0	0.0
<b>Valuation</b>						
EV/Sales (x)	8.0	6.9	6.1	5.5	5.1	4.6
EV/EBITDA (x)	48.4	61.3	47.8	31.5	29.3	25.7
P/E (x)	70.8	95.3	65.2	42.1	38.2	33.0
P/BV (x)	10.6	10.5	9.8	8.4	7.3	6.3



## Recommendation Summary (last 3 years)



Dates	Rating	Target
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
29-May-24	Accumulate	478
13-Oct-24	Accumulate	645
04-Dec-24	Buy	496

Source: Bloomberg, Geojit Research

## 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.

#### Symbols definition:



Upgrade



No Change



Downgrade

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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