

Retail Equity Research Jyothy Labs Limited

FMCG

BSE CODE: 532926

NSE CODE: JYOTHYLAB

Bloomberg CODE: JYL:IN

SENSEX: 75,170

Accumulate

12 Months Investment Period Rating as per Small Cap

CMP Rs. 415 TARGET Rs. 478 RETURN 15% ↑
(Closing: 28-05-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Healthy performance continues...

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.478 (from Rs. 405), upgrading our rating to Accumulate (from Sell) considering the recent correction in valuation.
- For Q4FY24, revenue grew by 7%YoY, mainly driven by volume. Main segments, fabric care and dishwash (76% of total sales), grew by ~10% and ~6% YoY, respectively. Personal care grew by 18% YoY. However, household insecticides de-grew by ~10% YoY.
- Operating profit grew by ~19%YoY, mainly aided by 380bps YoY improvement in gross margin to ~50%. Ad spends have increased by 30% YoY for the quarter as well as for the full year. Despite this, EBITDA margin improved by 160bps YoY to 16.4% (17.4% in FY24).
- JLL to focus on expanding distribution, increasing brand investments, exploring new product launches and market penetration using LUP (lower unit pack) strategy.
- The company guides for 16%-17% EBITDA margin going forward. We expect revenue/earnings to grow at ~11%/15% CAGR over FY24-26E. We roll forward to FY26E EPS and continue to value JLL at 37x P/E.

Healthy topline growth aided by volumes.

Revenue has grown by 7% for Q4FY24 (~11% for FY24), mainly aided by a volume growth of ~7% (9% for FY24). Realization growth has been muted for Q4FY24 whereas for FY24 it's at 2%. The main segments, fabric care and dishwash (76% of total sales) grew by ~10% and ~6% YoY, respectively. Personal care grew by 18% YoY, driven by neem-based Margo soap. However, household insecticides de-grew by ~10% YoY primarily due to seasonality impact in core markets of North and East of India. JLL's direct reach has crossed 1.2mn outlets in FY24 (1.1mn in FY23). JLL has strong focus on new launches and there has been good traction in the liquid detergent category with key brands Henko and Ujala showing growth. The company will continue to focus on volume-led top line growth through brand building initiatives and expansion in direct reach distribution with the aid of technology.

Healthy margin improvement despite higher ad spends.

Gross margin for Q4FY24 has improved by 380 bps YoY to ~50% (680bps YoY to ~49% in FY24) due to lower input costs. EBITDA margin has improved by 160bps YoY to 16.4% (470 bps YoY to 17.4% for FY24), despite an increase in ad-spends by 30% YoY (9% of Sales). EBITDA and PAT growth were at 19% and 32% YoY (52%/55% for FY24) respectively. JLL has guided for ad-spends to be in the range of 8%-9% of sales going forward as an investment in brand building. Working capital days have been reduced from 13 to 5 in Q4FY24 demonstrating efficient operation.

Valuation & Outlook

Rural demand has seen some upticks in Q4FY24. With the expected improvement in monsoons and likely stimulus coming from post-election budget, we expect a steady recovery in demand. Focus on expanding distribution, increasing brand investments, exploring new product launches and LUP strategies will support JLL's volume growth. The company has a strong balance sheet and cashflow generation. We roll forward to FY26E EPS and value JLL at 37x P/E, revise our target price to Rs.478 (from Rs. 405), considering healthy topline growth and strong margins. Upgrading our rating to Accumulate (from Sell) considering recent correction in valuation.

Company Data

Market Cap (Rs.cr)	15,239
Enterprise Value (Rs.cr)	15,205
Outstanding Shares (cr)	36.7
Free Float	37%
Dividend Yield	0.7%
52 week high (Rs.)	554
52 week low (Rs.)	201
6m average volume (cr)	0.11
Beta	0.6
Face value Rs.	1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	62.9	62.9	62.9
FII's	14.6	14.7	16.4
MFs/Insti	14.1	13.9	13.3
Public	7.4	7.4	6.6
Others	1.0	1.2	0.8
Total	100.0	100.0	100.0

Promotor pledge	Nil	Nil	Nil
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Price Performance	3 Month	6 Month	1 Year
Absolute Return	-11.2%	-5.1%	99.1%
Absolute Sensex	3.1%	14.3%	21.9%
Relative Return*	-14.3%	-19.5%	77.2%

*over or under performance to benchmark index



Consolidated (cr)	FY24E	FY25E	FY26E
Sales	2,757	3,094	3,423
Growth (%)	10.9	12.2	10.7
EBITDA	480	531	594
EBITDA Margin (%)	17.4	17.2	17.4
Adj. PAT	360	418	472
Growth (%)	54.8	15.9	13.0
Adj. EPS	9.8	11.4	12.9
Growth (%)	54.8	15.9	13.0
P/E	42.3	36.5	32.3
P/B	8.4	7.3	6.3
EV/EBITDA	31.7	28.4	25.3
ROE (%)	21.5	21.4	20.9
D/E	0.0	0.0	0.0

Vincent K A
Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

Rs cr	Q4FY24	Q4FY23	YoY Growth	Q3FY24	QoQ Growth	FY24	FY23	YoY Growth
Sales	660	617	7.0%	732.3	-9.9%	2,757	2,486	10.9%
EBITDA	108	91	18.8%	135.4	-19.9%	480	316	51.9%
EBITDA margins	16.4%	14.8%	630bps	18.5%	370bps	17.4%	12.7%	660bps
Depreciation	12.9	11.9	8.1%	12.3	4.5%	50	50	-0.3%
EBIT	96	79	20.4%	123.1	-22.4%	430	266	61.7%
Interest	1.3	3.1	-59.6%	1.2	7.7%	5	266	-98.2%
Other Income	13.0	5.7	127.5%	13.2	-2.0%	54	40	35.9%
Exceptional Items	0.0	0.0	NA	0.0	NA	0.0	-7.0	NA
PBT	107	82	30.9%	135.1	-20.6%	479	299	60.0%
Tax	14.4	15.5	-7.4%	24.1	-40.4%	79.8	59.5	34.1%
Reported PAT	78	59	32.4%	104.0	-24.8%	369	240	54.2%
Adjustments	0	0	NA	0	NA	-9	-15.83	NA
Adj PAT	78.1	59.0	32.4%	104.0	-24.8%	360	224	61.1%
No. of Shares	36.7	36.7	0.0%	36.7	0.0%	36.7	36.7	0.0%
EPS (Rs)	2.1	1.6	32.4%	2.8	-24.8%	9.8	6.1	61.1%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,082	NA	3,094	3,423	0.4%	NA
EBITDA	496	NA	531	594	7.1%	NA
Margins (%)	16.1%	NA	17.2%	17.4%	20bps	NA
Adj. PAT	402	NA	418	472	3.9%	NA
EPS	10.4	NA	11.4	12.9	9.4%	NA

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	1,909	2,196	2,486	2,757	3,094	3,423
% change	11.6	15.1	13.2	10.9	12.2	10.7
EBITDA	315	248	316	480	531	594
% change	25.3	-21.1	27.2	51.9	10.7	11.9
Depreciation	56	58	50	50	54	56
EBIT	258.9	190.1	265.8	429.8	477.2	538.3
Interest	19	12	13	5	4	2
Other Income	18.5	18.7	39.5	53.7	61.9	68.5
PBT	235	197	299	479	535	605
% change	29.3	-16.1	52.0	60.0	11.8	13.0
Tax	44	38	59	110	118	133
Tax Rate (%)	0.2	0.2	0.2	0.2	0.2	0.2
Reported PAT	191	159	240	369	418	472
Adj*	23.5	0.0	-7.0	-9.0	0.0	0.0
Adj PAT	214	159	233	360	418	472
% change	28.7	-25.7	46.2	54.8	15.9	13.0
No. of shares (cr)	37	37	37	37	37	37
Adj EPS (Rs.)	5.8	4.3	6.3	9.8	11.4	12.9
% change	29	-26	46	55	16	13
DPS (Rs.)	3.6	3.6	3.6	3.6	3.6	3.6
CEPS (Rs.)	7	6	8	11	13	14

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Net inc. + Deprn.	246	217	290	410	471	528
Non-cash adj.	50.5	11.1	-11.4	-5.3	3.7	1.6
Changes in W.C	105	-26	50	45	-200	-258
C.F. Operation	402	203	329	458	275	272
Capital exp.	-26	-21	-12	-14	-41	-39
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
Issue of equity	0	0	0	0	0	0
Issue/repay debt	169	231	0	0	-20	-26
Dividends paid	0	-147	-92	-110	-132	-132
Other finance.CF	-364	-229	-135	0	-4	-2
C.F - Finance	-216	-167	-251	-135	-156	-160
Chg. in cash	57	4	30	-21	79	73
Closing cash	72	76	106	84	163	236

BALANCE SHEET

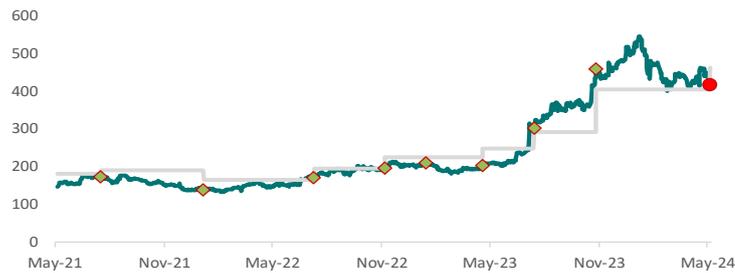
Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Cash	72	76	106	84	163	236
Accounts Receivable	94	143	138	201	220	244
Inventories	279	297	302	284	335	406
Other Cur. Assets	180	201	230	570	797	1,053
Investments	0	0	0	0	0	0
Gross Fixed Assets	581	615	657	717	757	797
Net Fixed Assets	356	331	324	333	320	304
CWIP	10	8	15	13	15	15
Intangible Assets	791	790	792	792	791	790
Def. Tax (Net)	96	91	85	59	59	59
Other Assets	78	85	70	64	60	68
Total Assets	1,962	2,031	2,062	2,401	2,761	3,175
Current Liabilities	366	408	371	432	516	604
Provisions	82	85	93	109	119	131
Debt Funds	123	135	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	2,057	2,397
Shareholder's Fund	1,391	1,403	1,551	1,810	2,096	2,435
Total Liabilities	1,962	2,031	2,062	2,401	2,761	3,175
BVPS (Rs.)	39	39	42	49	57	66

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	16.5	11.3	12.7	17.4	17.2	17.4
EBIT margin (%)	13.6	8.7	10.7	15.6	15.4	15.7
Net profit mgn.(%)	11.2	7.2	9.4	13.1	13.5	13.8
ROE (%)	16.1	11.1	15.6	21.5	21.4	20.9
ROCE (%)	15.6	11.1	15.5	21.0	21.1	20.7
W.C & Liquidity						
Receivables (days)	20.7	19.7	20.6	22.5	24.9	24.7
Inventory (days)	48.2	47.8	44.0	38.7	36.5	39.5
Payables (days)	67.2	64.4	57.2	53.2	55.9	59.7
Current ratio (x)	1.4	1.5	1.7	2.1	2.4	2.6
Quick ratio (x)	0.5	0.5	0.7	0.7	0.7	0.8
Turnover & Leverage						
Gross asset T.O (x)	3.4	3.7	3.9	4.0	4.2	4.4
Total asset T.O (x)	1.0	1.1	1.2	1.2	1.2	1.2
Int. coverage ratio (x)	13.5	16.1	20.3	90.9	130.7	340.6
Adj. debt/equity (x)	0.1	0.1	0.0	0.0	0.0	0.0
Valuation						
EV/Sales (x)	8.0	7.0	6.1	5.5	4.9	4.4
EV/EBITDA (x)	48.6	61.6	48.1	31.7	28.4	25.3
P/E (x)	71.2	95.8	65.5	42.3	36.5	32.3
P/BV (x)	10.7	10.6	9.8	8.4	7.3	6.3



Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
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
29-May-23	Accumulate	478

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.

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