


**Growth Slowed Amid Softer Demand; Maintain BUY**
**Est. Vs. Actual for Q2FY25:** Revenue – **MISS**; EBITDA – **MISS** ; PAT – **MISS**
**Changes in Estimates post Q2FY25**
**FY25E/FY26E:** Revenue: -5%/-9%; EBITDA: -4%/-8%; PAT: -5%/-8%

**Recommendation Rationale**

- **Estimates miss due to weak demand:** Jyothy Labs' Q2FY25 results fell short of estimates due to muted consumer demand and floods in the south. Revenue grew by only 0.2% YoY (miss), while volume increased by 3% YoY, driven by higher grammages and price cuts in select SKUs. Segment-wise, Dishwash posted 1.3% growth, while Household Insecticides and Fabric Care remained flat, and Personal Care declined by 4.5% YoY due to a high base. Management noted an uptick in rural demand and robust double-digit growth in e-commerce and modern trade channels. Additionally, it guided volume growth to be in the mid to high single-digit range for Q3FY25.
- **Stable margins:** Management indicated that raw material prices are steady overall, although Palm oil prices remain notably high. The company reiterated its commitment to maintaining historical EBITDA margins of 16-17% going forward. It also highlighted the potential for selective price hikes in the Soap portfolio and other categories if needed, with any resulting impact expected in Q4FY25.
- **Structural story:** Although JLL's growth decelerated in Q2 due to softer demand and a high base effect, the company has maintained its market share, which is an encouraging sign. We remain positive on the company's long-term outlook, supported by its robust and consistent performance over the last several quarters, driven by strategic initiatives it has undertaken. These include: a) Scaling up value offerings through Low Unit Packs (LUPs) and driving the premiumisation agenda, particularly in the Detergents and Dishwash segments, b) Expanding into the larger Body Wash segment (Toilet Soap) beyond its earlier focus on the niche (natural) segment, thereby broadening its product portfolio, and c) Strategic efforts by management to expand direct distribution reach and enhance on-ground execution through a strong sales force and channel partners.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** We have cut our EPS FY25/FY26 estimates by 5-8% to account for near-term challenges. However, with a 13% upside from CMP, we maintain our **BUY** rating on the stock.

**Current Valuation:** 38xSep-26 EPS (Earlier Valuation:42xSep-26 EPS).

**Current TP:** Rs 500/share (Earlier TP: Rs 524/share).

**Recommendation:** With a 13% upside from the CMP, we maintain our long-term **BUY** rating on the stock.

**Financial Performance:** Jyothy Labs' results missed street estimates on all fronts. Revenue grew by 0.2% YoY, driven by a volume growth of 3% YoY. Gross margins improved by 98 bps YoY to 50.2%, supported by the softening of raw material prices (excluding Palm Oil). EBITDA stood at Rs 138 Cr, up 2% YoY, with EBITDA margins at 18.9%, an increase of 38 bps YoY, partially offset by higher ad spends. The company reported an adjusted PAT of Rs 105 Cr, up 1% YoY.

**Key Financials (Consolidated)**

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	734	(1.1)	0.2	798	(8.1)
EBITDA	138	3.7	2.3	142	(2.6)
EBITDA Margin (%)	18.9	88 bps	38 bps	17.8	106 bps
Net Profit	105	3.3	1.0	108	(3.1)
EPS (Rs)	2.9	3.3	1.0	3.0	(3.1)

Source: Company, Axis Research

 (CMP as of 12<sup>th</sup> November 2024)

CMP (Rs)	441
Upside /Downside (%)	13%
High/Low (Rs)	595/366
Market cap (Cr)	16,217
Avg. daily vol. (6m)Shrs'000.	1090
No. of shares (Cr)	36

**Shareholding (%)**

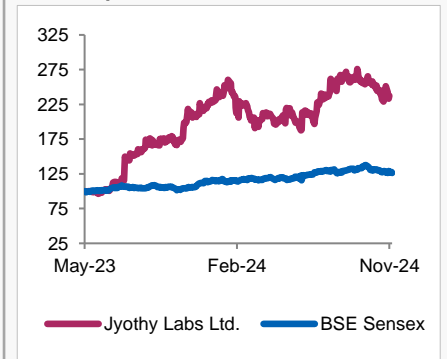
	Mar-24	Jun-24	Sep-24
Promoter	62.9	62.9	62.9
FIs	16.4	15.1	15.1
MFs / UTI	12.3	13.8	14.6
Banks / FIs	0.0	0.0	0.0
Others	8.4	8.3	7.4

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	2,920	3,212	3,534
EBITDA	513	593	667
Net Profit	390	449	505
EPS (Rs)	10.6	12.2	13.7
PER (x)	42	36	32
EV/EBITDA (x)	31	26	23
P/BV (x)	8	7	6
ROE (%)	18.9	19.1	18.8

**Change in Estimates (%)**

Y/E Mar	FY25E	FY26E
Sales	-5%	-9%
EBITDA	-4%	-8%
PAT	-5%	-8%

**Relative performance**


Source: Ace Equity, Axis Securities

**Preeyam Tolia**

 Research Analyst  
 email: preeyam.tolia@axissecurities.in

**Suhanee Shome**

 Research Associate  
 email: suhanee.shome@axissecurities.in

## Guidance

The company will focus on driving volume-led growth through deeper rural engagement, boosting direct retail sales, expanding distribution, and increasing ad spends. Additionally, it is focusing on premiumization, growth in modern trade and e-commerce, and prioritizing key areas such as brand investment, cost efficiency, and new category exploration.

## Valuation & Outlook

Though JLL's growth decelerated in Q2 due to softer demand and a high base effect, it is encouraging that the company has maintained its market share. We remain positive on the company's long-term outlook, supported by its robust and consistent performance over the last several quarters, driven by strategic initiatives it has undertaken. These include: a) Scaling up value offerings through Low Unit Packs (LUPs) and driving the premiumisation agenda, particularly in the Detergents and Dishwash segments, b) Expanding into the larger Body Wash segment (Toilet Soap) beyond its earlier focus on the niche (natural) segment, thereby broadening its product portfolio, and c) Strategic management efforts to expand direct distribution reach and enhance on-ground execution through a strong sales force and reliable channel partners. Based on these factors, we expect the company to deliver healthy Revenue/EBITDA/PAT growth of 9%/12%/11% CAGR over FY24-27E.

## Other Concal Key Highlights

Volume Growth Trajectory: The muted demand in Q2FY25 was primarily due to two factors: 1) Despite registering double-digit volume growth in September, severe floods in July significantly impacted the Southern region, which contributes nearly 40% of the company's revenue. 2) Muted consumer demand across the industry. However, management remains optimistic about Q3FY25, expecting a mid-to-high single-digit volume boost driven by the festive season uptick.

## Segmental Performance

**Fabric Care:** The category comprises Fabric Whitener, Fabric Enhancer, Bar Soap, Detergent Powder, and Liquid Detergent. In Q2FY25, this segment grew by just 0.1%, although the company remained committed to strengthening customer engagement through targeted programs, promotions, and channel-specific SKUs. Jyothy Labs also expanded its liquid detergent lineup with the addition of the Mr. White brand, underscoring its focus on innovation and diverse pricing strategies.

- **Fabric Care – Post-wash segment (Ujala Supreme and Crisp & Shine):** Ujala Supreme maintained a strong multimedia presence in Q2 across TV and digital platforms, bolstered by local partnerships like the Pandharpur Yatra in Maharashtra and Odisha's Rath Yatra. The Ujala Crisp & Shine campaign was also prominently featured in the media, with Southern icon Nayanthara leading the promotions.
- **Fabric Care – Main-wash segment (Detergent Powder and Liquid):** The brand continued its multimedia efforts for Ujala Detergent, featuring South superstar Manju Warriar, achieving a 23.9% market share in Kerala for Ujala IDD Powder. Henko Matic, endorsed by Kajal Aggarwal, launched a bulk liquid detergent pack exclusively on e-commerce, while Mr White Liquid Detergent was introduced in key markets in October 2024.

**Dishwash:** This category includes Dishwash Bar (Exo), Liquid, Gel, Powder, and Scrubbers. Sales increased by 1.3% YoY in Q2FY25, driven by targeted brand investments and strategic promotion of high-demand Low Unit Packs (LUPs) to reach a wide consumer base. Jyothy Labs focused on boosting accessibility through LUPs, resulting in a strong performance in the dishwash bar category, where Exo reached a 13.6% market share this quarter with focused small-pack initiatives. Exo's national campaign featuring Shilpa Shetty emphasized the brand's germ-kill benefits, especially in markets with lower shares. Pril Dishwash Liquid maintained a steady 14% market share, supported by a multimedia campaign featuring Genelia and Ritesh Deshmukh, showcasing Pril's grease-cutting efficacy.

**Personal Care:** This category includes Body Soap, Hand Wash, and Toothpaste. Revenue in this segment dipped by 4.5% YoY. However, Jyothy Labs is intensifying its efforts in personal care, particularly with Margo Neem Naturals. The brand aims to increase visibility and consumer engagement, supported by a national multimedia campaign featuring Raashii Khanna with the tagline 'Ek Achhi Aadat.' The focus is on expanding Margo's reach by engaging non-core users, enhancing brand appeal, and reinforcing its market presence.

**Household Insecticides:** This category includes Mosquito Repellent Coil, Liquid Vaporizer, and Incense Sticks. The segment recorded flat growth of 0.3% YoY in Q2FY25, with an emphasis on expanding the liquid vaporizer segment through targeted consumer engagement and brand loyalty initiatives. Maxo achieved strong double-digit growth in liquid sales, although coil sales faced challenges due to a shift in consumer preference towards incense sticks. Maxo's market share stood at 7.14% in liquid vaporizers and 24% in coils for the quarter, with continued investment in the distinctive automatic features of the Maxo Liquid Vaporizer to strengthen its market position.

### Key Risks to Our Estimates and TP

- Prolonged recovery in rural, raw material inflation, and increase in the competitive intensity.

### Change in Estimates

	Old Est.		Revised Est.		% Revision	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,086	3,518	2,920	3,212	-5%	-9%
EBITDA	536	643	513	593	-4%	-8%
PAT	409	491	390	449	-5%	-8%
EPS	11.1	13.3	10.6	12.2	-5%	-8%

Source: Company, Axis Securities

**Results Review**

(Rs Cr)	Q2FY24	Q1FY25	Axis Est.	Q2FY25	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
<b>Net Sales</b>	<b>732</b>	<b>742</b>	<b>798</b>	<b>734</b>	<b>0.2</b>	<b>(1.1)</b>	<b>(8.1)</b>
<b>Gross Profit</b>	<b>360</b>	<b>380</b>	<b>400</b>	<b>368</b>	<b>2.2</b>	<b>(3.2)</b>	<b>(8.0)</b>
<b>Gross Margin (%)</b>	<b>49.2</b>	<b>51.3</b>	<b>50.1</b>	<b>50.2</b>	<b>98 bps</b>	<b>-110 bps</b>	<b>5 bps</b>
Employee Expenses	77	86	87	81	4.9	(6.4)	(7.2)
Ad-spends	57	62	66	61	6.4	(0.8)	(7.5)
Other Expenses	91	99	105	88	(2.9)	(11.3)	(16.3)
<b>EBITDA</b>	<b>135</b>	<b>133</b>	<b>142</b>	<b>138</b>	<b>2.3</b>	<b>3.7</b>	<b>(2.6)</b>
<b>EBITDA Margin (%)</b>	<b>18.5</b>	<b>18.0</b>	<b>17.8</b>	<b>18.9</b>	<b>38 bps</b>	<b>88 bps</b>	<b>106 bps</b>
Oth. Inc	13	14	14	13	(5.3)	(8.7)	(13.0)
Interest	1	1	1	1	19.7	0.7	(4.1)
Depreciation	12	13	14	14	12.8	3.6	(0.4)
EO Items	-	-	-	-			
<b>PBT</b>	<b>135</b>	<b>132</b>	<b>141</b>	<b>136</b>	<b>0.4</b>	<b>2.5</b>	<b>(3.8)</b>
Tax	31	31	33	31	(1.5)	(0.0)	(6.2)
<b>Reported PAT</b>	<b>104</b>	<b>102</b>	<b>108</b>	<b>105</b>	<b>1.0</b>	<b>3.3</b>	<b>(3.1)</b>
<b>EPS</b>	<b>2.8</b>	<b>2.8</b>	<b>3.0</b>	<b>2.9</b>	<b>1.0</b>	<b>3.3</b>	<b>(3.1)</b>

Source: Company, Axis Securities

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>2,755</b>	<b>2,920</b>	<b>3,212</b>	<b>3,534</b>
Growth, %	10.9	6.0	10.0	10.0
Other operating income	2	2	3	3
Total income	2,757	2,923	3,215	3,536
Raw material expenses	(1,404)	(1,474)	(1,607)	(1,767)
Employee expenses	(301)	(325)	(351)	(379)
Other Operating expenses	(572)	(611)	(665)	(723)
<b>EBITDA (Core)</b>	<b>480</b>	<b>513</b>	<b>593</b>	<b>667</b>
Growth, %	52.1	6.9	15.5	12.5
Margin, %	17.4	17.6	18.5	18.9
Depreciation	(50)	(59)	(63)	(67)
<b>EBIT</b>	<b>431</b>	<b>455</b>	<b>530</b>	<b>600</b>
Growth, %	62.1	5.6	16.6	13.2
Margin, %	15.6	15.6	16.5	17.0
Other Income	54	56	59	62
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>480</b>	<b>506</b>	<b>584</b>	<b>656</b>
Tax provided	(110)	(116)	(134)	(151)
<b>Net Profit</b>	<b>370</b>	<b>390</b>	<b>449</b>	<b>505</b>
Growth, %	59.1	5.2	15.4	12.4

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Cash & bank	166	416	701	1,023
Debtors	201	213	235	258
Inventory	284	301	331	364
Loans & advances	264	264	264	264
Other current assets	33	33	33	33
Total current assets	1,139	1,419	1,754	2,133
Investments	-	-	-	-
Gross fixed assets	1,451	1,501	1,551	1,601
Less: Depreciation	(326)	(384)	(447)	(514)
Add: Capital WIP	13	13	13	13
Net fixed assets	1,139	1,130	1,117	1,100
Non-current assets	58	58	58	58
<b>Total assets</b>	<b>2,401</b>	<b>2,672</b>	<b>2,994</b>	<b>3,356</b>
Current liabilities	481	497	526	559
Provisions	80	80	80	80
Total current liabilities	561	577	607	639
Non-current liabilities	30	30	30	30
Total liabilities	591	607	637	669
Paid-up capital	37	37	37	37
Reserves & surplus	1,772	2,026	2,319	2,649
Shareholders' equity	1,810	2,065	2,358	2,688
<b>Total equity &amp; liabilities</b>	<b>2,401</b>	<b>2,672</b>	<b>2,994</b>	<b>3,356</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Pre-tax profit	480	506	584	656
Depreciation	50	59	63	67
Chg in working capital	(201)	(13)	(22)	(24)
Total tax paid	(84)	(116)	(134)	(151)
<b>Cash flow from operating activities</b>	<b>244</b>	<b>436</b>	<b>490</b>	<b>548</b>
Capital expenditure	(56)	(50)	(50)	(50)
Chg in marketable securities	(192)	-	-	-
<b>Cash flow from investing activities</b>	<b>(248)</b>	<b>(50)</b>	<b>(50)</b>	<b>(50)</b>
Free cash flow	(4)	386	440	498
Equity raised/(repaid)	-	-	-	-
Dividend (incl. tax)	(129)	(135)	(156)	(175)
<b>Cash flow from financing activities</b>	<b>(131)</b>	<b>(135)</b>	<b>(156)</b>	<b>(175)</b>
Net chg in cash	(135)	250	284	322
Opening cash balance	283	166	416	701
Closing cash balance	166	416	701	1,023

Source: Company, Axis Securities

**Ratio Analysis**

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
<b>Per Share data</b>				
EPS (INR)	10.0	10.6	12.2	13.7
Growth, %	58.6	5.2	15.4	12.4
Book NAV/share (INR)	49.1	56.0	64.0	72.9
FDEPS (INR)	10.0	10.6	12.2	13.7
CEPS (INR)	11.4	12.2	13.9	15.5
CFPS (INR)	5.0	10.3	11.7	13.2
DPS (INR)	3.5	3.7	4.2	4.8
<b>Return ratios</b>				
Return on assets (%)	16.8	15.6	16.1	16.1
Return on equity (%)	20.5	18.9	19.1	18.8
Return on capital employed (%)	21.0	19.3	19.6	19.4
<b>Turnover ratios</b>				
Asset turnover (x)	2.0	2.0	2.2	2.4
Sales/Total assets (x)	1.2	1.2	1.1	1.1
Sales/Net FA (x)	2.4	2.6	2.9	3.2
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	26.7	26.7	26.7	26.7
Inventory days	37.6	37.6	37.6	37.6
Payable days	44.3	44.3	44.8	45.0
Working capital days	39.9	39.2	38.2	37.2
<b>Liquidity ratios</b>				
Current ratio (x)	2.4	2.9	3.3	3.8
Quick ratio (x)	1.8	2.2	2.7	3.2
<b>Valuation</b>				
PER (x)	43.9	41.7	36.2	32.2
PEG (x) - y-o-y growth	0.7	8.0	2.4	2.6
Price/Book (x)	9.0	7.9	6.9	6.0
EV/Net sales (x)	5.8	5.4	4.8	4.3
EV/EBITDA (x)	33.2	30.6	26.0	22.6
EV/EBIT (x)	37.0	34.5	29.1	25.1

Source: Company, Axis Securities

## Jyothy Labs Price Chart and Recommendation History



Date	Reco	TP	Research
20-Oct-23	BUY	440	Initiating Coverage
08-Nov-23	BUY	450	Result Update
01-Feb-24	BUY	565	Result Update
16-May-24	BUY	500	Result Update
26-Jul-24	BUY	524	Result Update
13-Nov-24	BUY	500	Result Update

Source: Axis Securities

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Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – [compliance.officer@axisdirect.in](mailto:compliance.officer@axisdirect.in);

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aaurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.