

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	JYL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USD\$b)	55.4 / 0.7
52-Week Range (INR)	187 / 130
1, 6, 12 Rel. Per (%)	0/7/-4
12M Avg Val (INR M)	102

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Net Sales	22.0	24.4	26.5
Sales Gr. (%)	15.1	11.0	8.9
EBITDA	2.5	3.0	3.7
EBITDA Margins (%)	11.3	12.5	13.8
Adj PAT	1.6	1.9	2.3
Adj.EPS (INR)	4.3	5.1	6.3
EPS Gr. (%)	-25.7	18.3	23.2
BV/Sh (INR)	39.3	40.9	42.4

Ratios

RoE (%)	11.1	12.8	15.2
RoCE (%)	10.8	12.5	15.0
Payout (%)	69.8	70.8	76.6

Valuation

P/E (x)	34.8	29.4	23.9
P/BV (x)	3.8	3.7	3.6
EV/EBITDA	22.0	17.6	14.3
Div. Yield (%)	1.7	2.0	2.7

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	62.9	62.9	62.9
DII	16.9	18.3	16.9
FII	10.9	9.9	12.5
Others	9.3	8.9	7.8

FII Includes depository receipts

CMP: INR151 **TP: INR150** **Neutral**

Material cost pressures continue

- Sales in 4QFY22 were in line. Gross margin was affected due to elevated raw material prices. The impact was reflected in EBITDA margin, which stood at 10.6% (est. 12%).
- Revenue growth is key for a company with sales of only ~INR22b. The likelihood of a consistent 15% sales growth (essential for any re-rating) continues to appear difficult, despite JYL's efforts to ramp up its total and direct reach. Sales CAGR have been a tepid at 5.5% for the preceding five years ending FY22.
- With margin likely to remain under pressure over the next few quarters due to high input costs, its earnings growth prospects remain weak. We maintain our **Neutral** rating.

In line result, RM cost pressure led to a contraction in gross margin

- Standalone net sales grew 10.3% YoY to ~INR5.4b (in line).
- EBITDA declined by 18.6% YoY to INR568m (est. INR630m).
- PBT declined by 18% YoY to INR437m (in line).
- Adjusted PAT declined by 23.7% YoY to INR385m (in line).
- **Gross margin contracted by 500bp YoY (-100bp QoQ) to 40.1%.** As a percentage of sales, lower ad spends/staff cost/other expenses at 7.2%/10.6%/11.7% (-60bp/-20bp/-50bp YoY) led to a **380bp contraction in EBITDA margin to 10.6%** (an eight quarter low).
- Sales grew 15%, while EBITDA/adjusted PAT fell ~21%/27% YoY in FY22.
- **Consolidated segmental performance:** Fabric Care/Dishwashing/Household Insecticides/Personal Care grew ~17.9%/12.2%/-9.1%/11.7% YoY to INR2.1b/INR1.9b/INR793m/INR467m in 4QFY22.

Highlights from the management commentary

- JYL has taken various price hikes in the range of 6-7% and has also reduced grammage. It has also taken a minor price increase in Apr'22.
- Volume growth stood at 3.6%/9% in 4Q/FY22.
- There is a marginal decline in rural demand (40% of JYL's sales accrues from the rural market). The management expects potential rural offtake recovery on the back of a good monsoon.

Valuation and view

- We lower our FY23 EPS estimate by 7.9% on continued raw material pressure and our FY24 EPS estimate by less than 2%.
- For a company that has a far lower sales base of INR21.9b in FY22 (v/s its peers), its performance over the past five years has been consistently lackluster (at 5.5%/-0.5% sales/operating profit CAGR).
- RoCE, at 11% in FY22, remains far inferior v/s its peers. No marked uptick is visible over the medium term. We assign a 15x EV/EBITDA target multiple to our Mar'24E target, resulting in a TP of INR150 per share. We maintain our **Neutral** rating.

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Standalone quarterly performance

(INR m)

Y/E March	FY21				FY22				FY21	FY22	FY22E 4QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	4,287	4,996	4,694	4,873	5,219	5,783	5,287	5,374	18,850	21,663	5,255	2.3
YoY change (%)	4.1	7.6	15.3	27.5	21.8	15.7	12.6	10.3	13.2	14.9	7.8	
Gross Profit	1,968	2,373	2,269	2,197	2,250	2,296	2,170	2,154	8,807	8,869	2,283	-5.6
Margin (%)	45.9	47.5	48.3	45.1	43.1	39.7	41.0	40.1	46.7	40.9	43.4	
EBITDA	782	889	798	698	650	671	605	568	3,167	2,495	630	-9.8
EBITDA growth %	19.4	12.4	22.6	73.9	-16.9	-24.5	-24.2	-18.6	26.8	-21.2	-9.8	
Margin (%)	18.3	17.8	17.0	14.3	12.5	11.6	11.4	10.6	16.8	11.5	12.0	
Depreciation	187	193	198	200	206	206	210	164	779	785	212	
Interest	51	29	20	18	17	18	18	14	117	67	15	
Other Income	42	39	63	53	48	52	43	46	198	190	47	
PBT	587	706	643	533	476	500	420	437	2,469	1,832	451	-3.1
Tax	83	100	121	28	75	79	66	52	332	271	76	
Rate (%)	14.1	14.1	18.8	5.3	15.7	15.7	15.7	11.8	13.4	14.8	16.9	
Adjusted PAT	504	607	522	505	401	421	354	385	2,138	1,561	374	2.9
YoY change (%)	40.4	14.0	22.8	93.9	-20.5	-30.6	-32.2	-23.7	35.5	-27.0	-25.8	

Key performance indicators

Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Average growth in the last two years (%)								
Sales	3.2	8.1	4.5	1.6	12.9	11.7	13.9	18.9
EBITDA	15.9	10.2	6.6	11.2	1.2	-6.1	-0.8	27.6
PAT	25.7	15.7	5.3	16.3	10.0	-8.3	-4.7	35.1
As a percentage of sales								
COGS	54.1	52.5	51.7	54.9	56.9	60.3	59.0	59.9
Other expenditure	27.7	29.7	31.3	30.8	30.6	28.1	29.6	29.5
Depreciation	4.4	3.9	4.2	4.1	3.9	3.6	4.0	3.0
YoY change (%)								
COGS	7.8	4.0	13.8	26.6	28.1	32.9	28.5	20.3
Other expenditure	-9.4	11.7	14.0	14.6	34.9	9.5	6.3	5.8
Other income	-12.2	-27.7	18.6	19.6	14.2	33.0	-32.6	-12.8
EBIT	26.4	15.4	31.1	136.7	-25.4	-33.1	-34.1	-18.7

E: MOFSL estimates



Highlights from the management commentary

Financial highlights

- JYL has taken various price hikes in the range of 6-7% and has also reduced grammage. It has also taken a minor price increase in Apr'22.
- Input cost rose by 14%.
- The management stated that they have already taken four-to-five rounds of price hike in FY22 and hence the speed of price hikes going ahead will be moderate so that it does not negatively impact demand.
- Naphtha and soda ash has seen a sharp price increase and accounts for two-third of raw material in its entire product portfolio.
- The management will be focusing on SKU rationalization and better product mix.
- The management highlighted that it is experiencing stable consumer demand on a pan-India basis.
- Volume growth for 4Q/FY22 is 3.6/9%.
- LUP accounts for 30-35% of total product portfolio.

Channels and network

- There is a marginal decline in rural demand (40% of JYL's sales accrues from the rural market). The management expects potential rural offtake recovery on the back of a good monsoon
- The management highlighted that it will be adding more sales teams on the ground and would be focusing on increasing distribution reach in rural market.
- The company crossed direct reach of 1m outlets.

Products and categories:

- **Fabric care** – Large packs across all channels are doing well and e-commerce business is growing by 30-35% yearly. This segment has taken 6-7% price hike during the year and the balance would be attributable to volume growth.
 - 'Ujala IDD' – It commands 21.9% market share in Kerala, and priced at a premium rate to the benchmark. Pricing is at par with competition in other places.
- **Dish wash** - Exo and Prill, both continue to do well. The company has conducted very strong distribution drives across channels for dish wash.
 - Exo – seeing double-digit growth on the back of LUPs and also gaining new consumers. Exo bar has crossed INR5b in revenue.
 - Prill – It witnessed a small market share loss.
- **HI-LV** – Extreme weather conditions have impacted the key season of March-April. It recorded negative growth in coils while liquid vapor is doing well.
- **Personal care** – Margo franchise doing well and also saw price hikes.

Going ahead

- Ujala IDD – It was extended to Tamil Nadu (TN) and West Bengal (WB). TN is responding well and it's only been two-to-three months of launch in WB where management is expecting a good response.
- Crisp and Shine – It was extended to AP and Telangana and the company is receiving a fairly good response. Now with schools and offices starting, management is seeing good traction in this space.
- The company will be looking at any M&A opportunities in the categories in which it is present in.

Key exhibits

Exhibit 1: Consolidated quarterly performance

Category sales (INR m)	4QFY21	3QFY22	4QFY22
Fabric Care	1,803	2091	2126
Dishwashing	1,692	2011	1898.2
Household Insecticides	872	514	792.7
Personal Care	418	530	467.2
Other products	166	244	183
Total	4,951	5,390	5,467
Category salience (%)			
Fabric Care	36.4	38.8	38.9
Dishwashing	34.2	37.3	34.7
Household Insecticides	17.6	9.5	14.5
Personal Care	8.4	9.8	8.5
Other products	3.4	4.5	3.3
Total	100.0	100.0	100.0
Category growth (%)			
Fabric Care	15.8	18.9	17.9
Dishwashing	33.2	10.5	12.2
Household Insecticides	35.8	9.8	(9.1)
Personal Care	38.4	0.2	11.7
Other products	5.3	28.9	10.1
Total	26.0	13.1	10.4
Category result (INR m)			
Fabric Care	330	319	252.1
Dishwashing	288	236	233.6
Household Insecticides	2	-40	3.3
Personal Care	71	73	59.5
Other products	-37	-20	-0.8
Total	654	567	548
Result salience (%)			
Fabric Care	50.4	56.2	46.0
Dishwashing	44.0	41.5	42.7
Household Insecticides	0.3	(7.1)	0.6
Personal Care	10.9	12.9	10.9
Other products	(5.6)	(3.6)	(0.1)
Total	100.0	100.0	100.0
EBIT margin (%)			
Fabric Care	18.0	(11.3)	(23.6)
Dishwashing	81.4	(35.0)	(18.9)
Household Insecticides	(102.8)	85.7	73.7
Personal Care	51.6	(31.6)	(16.3)
Other products	(16.2)	(46.3)	(97.8)
Total	75.5	(26.3)	(16.3)

Source: Company, MOFSL

Valuation and view

What has happened over the past 10 years?

- Given its size (INR6b/INR17.1b in FY10/FY20), which is much smaller v/s its peers, JYL's financial performance has been disappointing over the past 10 years.
- While it has reported ~11% sales CAGR over this period, EBITDA/PAT CAGR has been tepid (~11%/~8%).
- Sales/EBITDA/PAT CAGR at 2.5%/9%/5.5% for the last five years has not been much better.

- Growth has been restricted by: a) higher penetration and regional dependence of its largest brand Ujala, and b) limited success in terms of 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.

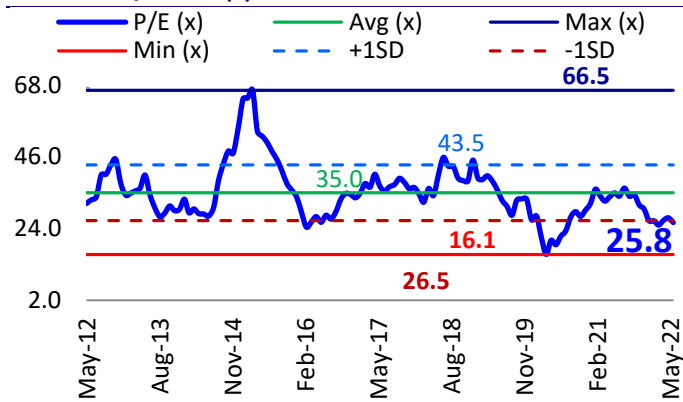
Our view on the stock

- We lower our FY23 EPS estimate by 7.9% on account of continued raw material pressure and our FY24 EPS estimate by less than 2%.
- For a company that has a far lower sales base of INR21.9b in FY22 (v/s peers), its performance over the past five years has been consistently lackluster (at 5.5%/-0.5% sales/operating profit CAGR).
- RoCE at 11% in FY22 remains far inferior v/s its peers. No marked uptick is visible over the medium term. We assign a 15x EV/EBITDA target multiple to our Mar'24E targets, resulting in a TP of INR150 per share. We maintain our **Neutral** rating.

Exhibit 2: Revise our FY23/FY24 EPS estimate by -7.9%/-1.8%

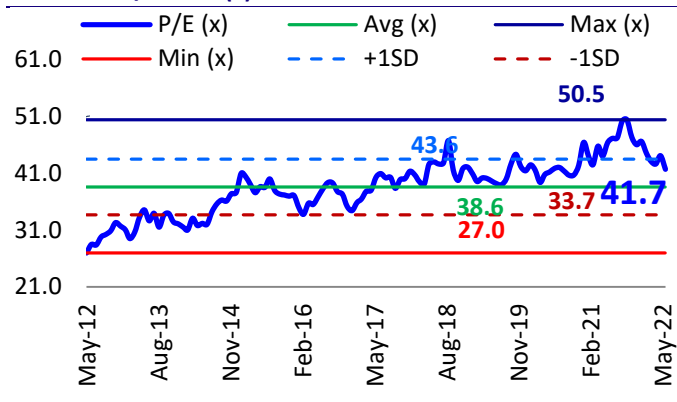
	New estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	24,381	26,548	23,268	25,341	4.8	4.8
EBITDA	3,049	3,652	3,200	3,661	-4.7	-0.2
PAT	1,883	2,319	2,045	2,362	-7.9	-1.8

Exhibit 3: P/E ratio (x) for JYL



Source: Company, MOFSL

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



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	16,830	16,724	18,136	17,112	19,091	21,965	24,381	26,548
Change (%)	5.7	-0.6	8.4	-5.6	11.6	15.1	11.0	8.9
Cost of Materials Consumed	8,941	8,753	9,707	9,009	10,104	12,830	14,137	15,065
As a percentage of Sales	53.2	52.3	53.5	52.6	52.9	58.4	58.0	56.7
Gross Profit	7,889	7,971	8,429	8,103	8,987	9,135	10,244	11,484
Margin (%)	46.9	47.7	46.5	47.4	47.1	41.6	42.0	43.3
Personnel Expenses	1,752	1,908	2,076	2,193	2,325	2,475	2,792	3,080
As a percentage of Sales	10.4	11.4	11.4	12.8	12.2	11.3	11.5	11.6
Other Expenses	3,591	3,488	3,542	3,398	3,517	4,178	4,403	4,752
As a percentage of Sales	21.4	20.9	19.5	19.9	18.4	19.0	18.1	17.9
Total Expenditure	14,285	14,149	15,325	14,601	15,946	19,483	21,332	22,897
As a percentage of Sales	85.0	84.6	84.5	85.3	83.5	88.7	87.5	86.2
EBITDA	2,545	2,575	2,811	2,511	3,145	2,482	3,049	3,652
Margin (%)	15.1	15.4	15.5	14.7	16.5	11.3	12.5	13.8
Depreciation	301	311	306	529	556	582	867	922
EBIT	2,245	2,263	2,505	1,982	2,589	1,901	2,182	2,730
Int. and Finance Charges	565	481	352	329	192	118	83	74
Other Income	107	625	278	203	185	187	197	208
PBT after EO Exp.	1,787	2,407	2,430	1,818	2,346	1,969	2,296	2,863
Current Tax	-255	619	454	189	440	378	413	544
Tax Rate (%)	-14.3	25.7	18.7	10.4	18.7	19.2	18.0	19.0
Less: Minority Interest	40	73	75	77	88	29	29	29
Adjusted PAT	2,042	1,789	1,976	1,667	2,142	1,591	1,883	2,319
Change (%)	176.6	-12.4	10.5	-15.6	28.5	-25.7	18.3	23.2

Consolidated Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	182	182	367	367	367	367	367	367
Total Reserves	10,708	11,260	12,898	11,919	13,918	14,068	14,647	15,217
Net Worth	10,890	11,442	13,265	12,286	14,286	14,436	15,014	15,584
Minority Interest	-67	-139	-215	-291	-379	-407	-407	-407
Deferred Liabilities	-1,115	-902	-928	-1,027	-962	-907	-907	-907
Total Loans	4,983	5,441	2,809	2,830	1,169	1,265	596	596
Capital Employed	14,691	15,841	14,932	13,798	14,114	14,388	14,297	14,867
Gross Block	11,541	11,762	12,046	13,050	13,556	13,889	14,089	14,289
Less: Accum. Deprn.	571	855	1,040	1,558	2,089	2,670	3,538	4,460
Net Fixed Assets	10,970	10,907	11,006	11,492	11,467	11,218	10,551	9,829
Capital WIP	88	153	143	245	101	76	123	123
Total Investments	285	1,132	1,044	0	0	0	0	0
Curr. Assets, Loans, and Adv.	6,073	6,695	6,301	5,598	7,029	8,027	9,123	11,260
Inventory	1,925	1,836	1,974	2,251	2,786	2,972	3,413	3,717
Account Receivables	1,228	1,674	1,534	1,224	944	1,431	1,219	1,327
Cash and Bank Balance	1,034	1,367	964	289	1,938	2,112	2,196	3,717
Loans and Advances and Others	1,886	1,818	1,830	1,834	1,361	1,512	2,294	2,498
Curr. Liability and Prov.	2,725	3,045	3,563	3,537	4,483	4,933	5,500	6,344
Account Payables	1,490	1,720	2,134	1,450	2,143	2,364	2,438	2,655
Other Current Liabilities	654	663	715	1,299	1,520	1,767	2,208	2,760
Provisions	581	663	715	788	820	802	853	929
Net Current Assets	3,348	3,650	2,738	2,061	2,546	3,094	3,623	4,916
Appl. of Funds	14,691	15,841	14,932	13,798	14,114	14,388	14,297	14,867

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	5.6	4.9	5.4	4.5	5.8	4.3	5.1	6.3
Cash EPS	6.4	5.7	6.2	6.0	7.3	5.9	7.5	8.8
BV/Share	29.7	31.2	36.1	33.5	38.9	39.3	40.9	42.4
DPS	3.0	0.5	6.0	0.0	4.0	2.5	3.0	4.0
Payout (%)	64	12	134	0	83	70	71	77
Valuation (x)								
P/E	27.1	30.9	28.0	33.2	25.8	34.8	29.4	23.9
Cash P/E	23.6	26.4	24.3	25.2	20.5	25.5	20.1	17.1
P/BV	5.1	4.8	4.2	4.5	3.9	3.8	3.7	3.6
EV/Sales	1.8	1.8	3.1	3.4	2.9	2.5	2.2	2.0
EV/EBITDA	12.2	11.8	20.0	23.1	17.4	22.0	17.6	14.3
Dividend Yield (%)	2.0	0.3	4.0	0.0	2.7	1.7	2.0	2.7
FCF per share	5.9	13.6	7.2	3.5	10.3	4.9	5.3	8.5
Return Ratios (%)								
RoE	20.5	16.0	16.0	13.0	16.1	11.1	12.8	15.2
RoCE	18.3	13.1	13.7	12.6	14.7	10.8	12.5	15.0
RoIC	20.0	12.7	15.7	13.6	16.6	12.7	14.8	19.2
Working Capital Ratios								
Asset Turnover (x)	1.1	1.1	1.2	1.2	1.4	1.5	1.7	1.8
Debt/Equity ratio	0.5	0.5	0.2	0.2	0.1	0.1	0.0	0.0

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,787	2,407	2,430	1,815	2,346	1,969	2,296	2,863
Depreciation	301	311	306	529	556	582	867	922
Interest and Finance Charges	493	413	314	304	161	82	83	74
Other income	18	-409	-25	-21	232	-36	-197	-208
Direct Taxes Paid	-309	-251	-418	-386	-327	-313	-413	-544
(Inc.)/Dec. in WC	-656	-38	409	-527	1,055	-259	-445	229
CF from Operations incl. EO	1,633	2,434	3,016	1,715	4,022	2,025	2,191	3,337
(inc.)/dec. in FA	-567	43	-383	-415	-257	-214	-247	-200
(Pur.)/Sale of Investments	598	-807	112	1,061	0	0	0	0
Others	56	115	37	4	45	29	225	236
CF from Investments	87	-649	-234	650	-212	-185	-22	36
Issue of Shares	4,001	600	4	0	0	0	0	0
(Inc.)/Dec. in Debt	492	2,276	-610	41	-1,669	100	-669	0
Interest Paid	-1,555	-600	-342	-212	-281	-74	-83	-74
Dividend Paid	-181	-1,090	-182	-2,656	0	-1,469	-1,333	-1,777
Others	-4,054	-2,639	-2,055	-211	-212	-224	0	0
CF from Fin. Activity	-1,298	-1,453	-3,185	-3,039	-2,161	-1,667	-2,085	-1,852
Inc./Dec. in Cash	422	332	-403	-674	1,649	174	84	1,521
Opening Balance	612	1,034	1,367	964	289	1,938	2,112	2,196
Closing Balance	1,034	1,367	964	289	1,938	2,112	2,196	3,717

E: MOFSL estimates

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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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