

# Jyothy Laboratories

**CMP: INR351**

**TP: INR345 (-2%)**

**Neutral**



**Jyothy labs**

## Stock Info

Bloomberg	JYL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USDb)	128.9 / 1.6
52-Week Range (INR)	390 / 175
1, 6, 12 Rel. Per (%)	3/72/79
12M Avg Val (INR M)	232
Free float (%)	37.1

## Financials & Valuation (INR b)

Y/E March	2023	2024E	2025E
Net Sales	24.9	28.1	31.2
Sales Gr. (%)	13.2	12.9	11.1
EBITDA	3.2	4.3	5.0
EBITDA Margins (%)	12.7	15.5	16.1
Adj PAT	2.3	3.2	3.7
Adj.EPS (INR)	6.3	8.7	10.1
EPS Gr. (%)	46.2	37.3	16.6
BV/Sh (INR)	42.2	45.9	49.5

## Ratios

RoE (%)	15.6	19.8	21.3
RoCE (%)	15.7	20.4	22.0
Payout (%)	57.3	55.6	64.4

## Valuations

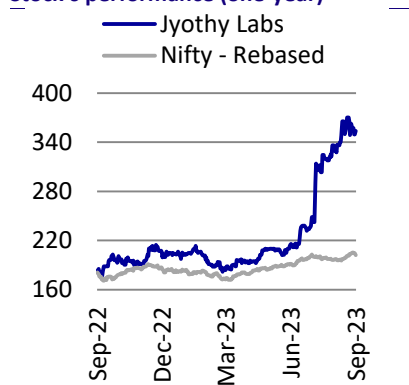
P/E (x)	55.3	40.3	34.5
P/BV (x)	8.3	7.6	7.1
EV/EBITDA	39.9	28.8	24.5
Dividend Yield (%)	0.9	1.1	1.5

## Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	62.9	62.9	62.9
DII	15.4	16.8	18.1
FII	14.0	13.8	11.5
Others	7.8	6.5	7.5

FII Includes depository receipts

## Stock's performance (one-year)



## Expansion plan in personal care category

We recently had an interaction with Mr. Sanjay Agarwal, CFO of Jyothy Labs, about recent developments at the company. Here are the key takeaways:

- The company plans to further expand in the personal care category. Currently, JYL derives 45% of its revenue from fabric care, 35% from dishwashing products, 10% from household insecticides, and the remaining 10% from personal care items.
- The southern region accounts for **40% of JYL's total business**, while the remaining 60% is distributed across three other markets. Among the remaining three regions, the eastern market constitutes the largest share followed by the northern and western markets.
- Looking ahead, JYL is optimistic about 1HFY24 but expects challenges in the second half due to rising commodity and crude oil prices. Currently, **60% of the company's market is in urban areas**, which are performing well. The remaining **40% in rural areas** is expected to see growth in the coming years.
- The company aims for **double-digit growth** in FY24, mainly driven by increased sales volume. It also targets **operating margin in the range of 15-16%**. Ad expenses are expected to remain **within the 7-8% range**.

## Segmental Information

### Fabric Care

- The premium product line in fabric care, known as 'Henco', is well-received in the market and is priced around INR150-200 per kg. The company also offers mid-priced options under the 'Ujala IDD' brand, which are sold at around INR120 per kg and cater to markets such as Kerala and West Bengal. Additionally, it has budget-friendly options like 'Mr. White' and 'More Light', which are priced at about INR80-100 per kg.
- In 2012-13, the company successfully acquired Henkel, the renowned manufacturer of popular brands like Pril, Mr. White and Henko. At the time of acquisition, Henkel was operating with a margin of -5%, but through efforts, the company has transformed it into a profitable venture, boasting an impressive margin of +14-15%.

### Dishwashing

- In the dish wash division, JYL has two primary brands, 'Pril' and 'Exo'. Pril is positioned as a premium product, while Exo caters to the economy segment. Both brands hold a market share of ~14-15% in the INR50bn segment. To reach rural areas, it has introduced 'Exo bar' priced at INR5-10, offering an affordable option to consumers. It is worth noting that the category has a penetration rate of only 40-50% due to traditional methods like using ash and sand.

### Personal Care

- In the personal care division, the brand 'Margo' has been a stalwart for a decade, primarily available in Neem with a strong presence in West Bengal and Tamil Nadu. The company has recently launched three new variants under the Margo brand, receiving an encouraging response from consumers.

### Household Insecticides

- In the mosquito repellent category, the 'Maxo' brand offers both coil and liquid vaporizer products. The company holds a substantial market share of ~23-24% in coils and ~11% in liquid vaporizers. The strategic plan involves shifting **the product split of coils and liquid vaporizers to 40:60 from 60:40** reflecting changing consumer preferences and market dynamics.

### Distribution Network

- Over the past couple of years, the company has been making strategic investments in building brands and adopting new technologies. It has also been expanding its direct market reach (**currently 1.1mn**), with plans to add **an additional 50k-70k direct** connections each year.
- The company boasts a dedicated sales force **of over 3,000+ professionals** who maintain direct outreach to 1.1mn outlets.

### Capex and Outlook

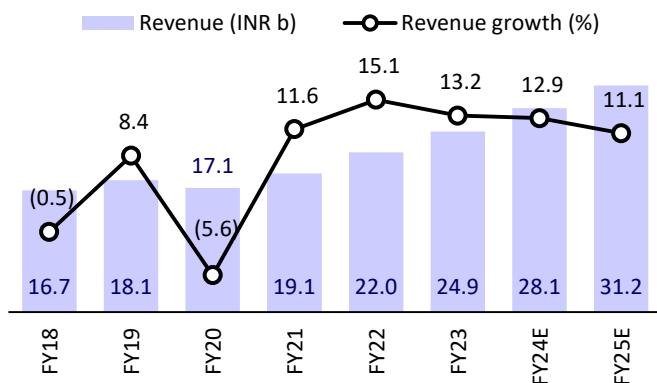
- The company operates 23 manufacturing facilities, with **90% of its products produced in-house** and the remaining 10% outsourced. Currently, these factories **are operating at 60-70% capacity**, but the company is in process of adding new production lines within its existing facilities to accommodate future demand. There are no plans to invest in new factories at this time.
- The company has successfully reduced its debt and improved its working capital, resulting in a stronger cash position. The company is also **exploring opportunities within its personal care portfolio** to fill gaps in its current product offerings.

### Valuation and view

- There are no material changes to our estimates.
- For a company that reported lower sales of INR24.9b in FY23 (vs. its peers), its performance over the past five years has been consistently lackluster (CAGR of 8.3%/4.2% in sales/operating profit).
- Despite assuming FY25 consolidated EBITDA margins close to the peak level, RoE remains lower than peers' at ~21%.
- While valuations are inexpensive, we do not expect a major rerating anytime soon. We reiterate our **Neutral** stance on the stock with a **TP of INR345** (24xFY25E target EV/ EBITDA).

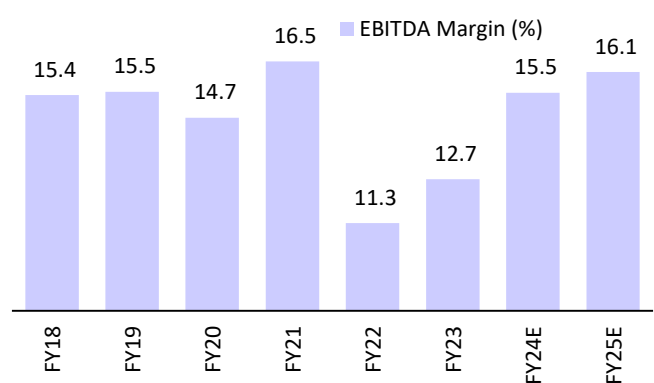
## Story In Charts

**Exhibit 1: Expect double-digit revenue growth in FY24...**



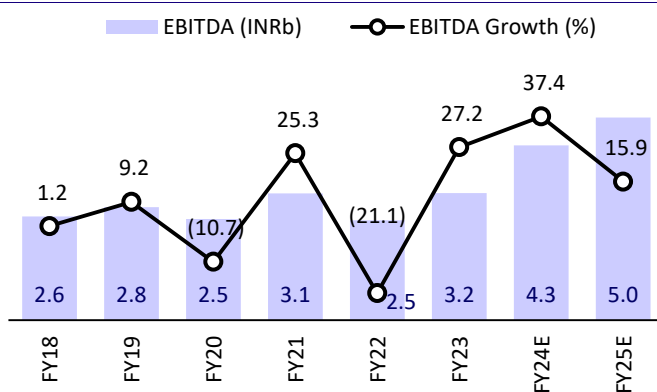
Source: MOFSL, Company

**Exhibit 2: ...with EBITDA margin in range of 15-16%**



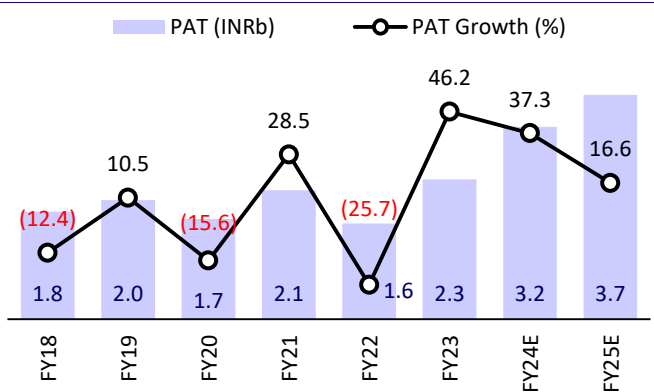
Source: MOFSL, Company

**Exhibit 3: EBITDA growth of 37.4% expected in FY24...**



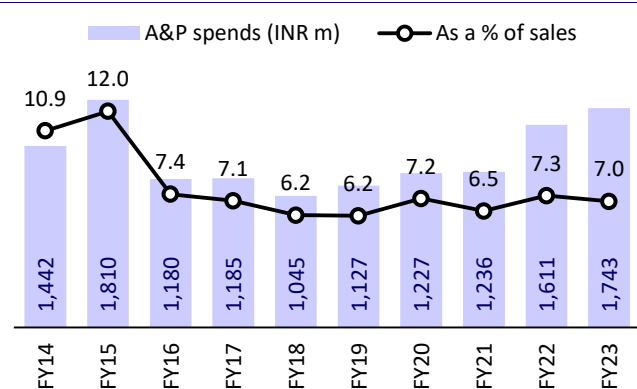
Source: MOFSL, Company

**Exhibit 4: ...with PAT growth of 37.3%**



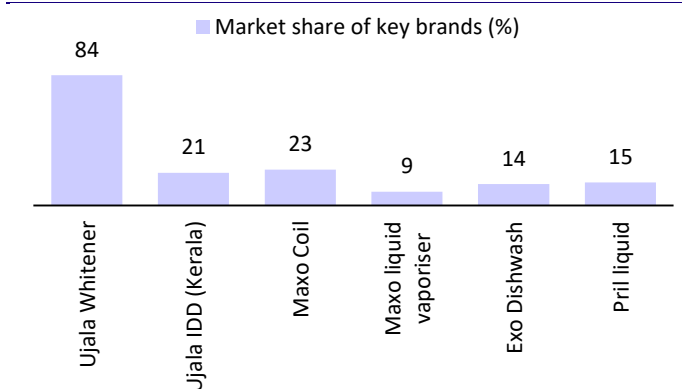
Source: MOFSL, Company

**Exhibit 5: Ad spending steady over the years**



Source: MOFSL, Company

**Exhibit 6: Market share of Key Brands**



Source: MOFSL, Company

## Financials and valuations

Consolidated - Income Statement							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>16,724</b>	<b>18,136</b>	<b>17,112</b>	<b>19,091</b>	<b>21,965</b>	<b>24,860</b>	<b>28,060</b>	<b>31,176</b>
Change (%)	-0.6	8.4	-5.6	11.6	15.1	13.2	12.9	11.1
<b>Gross Profit</b>	<b>7,971</b>	<b>8,429</b>	<b>8,103</b>	<b>8,987</b>	<b>9,135</b>	<b>10,511</b>	<b>13,067</b>	<b>14,788</b>
Margin (%)	47.7	46.5	47.4	47.1	41.6	42.3	46.6	47.4
Personnel Expenses	1,908	2,076	2,193	2,325	2,475	2,644	3,367	3,803
As a percentage of Sales	11.4	11.4	12.8	12.2	11.3	10.6	12.0	12.2
Other Expenses	3,488	3,542	3,398	3,517	4,178	4,709	5,360	5,955
% of Sales	20.9	19.5	19.9	18.4	19.0	18.9	19.1	19.1
<b>Total Expenditure</b>	<b>14,149</b>	<b>15,325</b>	<b>14,601</b>	<b>15,946</b>	<b>19,483</b>	<b>21,702</b>	<b>23,720</b>	<b>26,146</b>
As a percentage of Sales	84.6	84.5	85.3	83.5	88.7	87.3	84.5	83.9
<b>EBITDA</b>	<b>2,575</b>	<b>2,811</b>	<b>2,511</b>	<b>3,145</b>	<b>2,482</b>	<b>3,159</b>	<b>4,340</b>	<b>5,030</b>
Margin (%)	15.4	15.5	14.7	16.5	11.3	12.7	15.5	16.1
Depreciation	311	306	529	556	582	501	626	649
<b>EBIT</b>	<b>2,263</b>	<b>2,505</b>	<b>1,982</b>	<b>2,589</b>	<b>1,901</b>	<b>2,657</b>	<b>3,715</b>	<b>4,381</b>
Int. and Finance Charges	481	352	329	192	118	131	137	148
Other Income	625	278	203	185	187	395	417	438
<b>PBT bef. EO Exp.</b>	<b>2,407</b>	<b>2,430</b>	<b>1,856</b>	<b>2,581</b>	<b>1,969</b>	<b>2,922</b>	<b>3,995</b>	<b>4,671</b>
EO Items	0	0	-38	-235	0	70	0	0
<b>PBT after EO Exp.</b>	<b>2,407</b>	<b>2,430</b>	<b>1,818</b>	<b>2,346</b>	<b>1,969</b>	<b>2,992</b>	<b>3,995</b>	<b>4,671</b>
Current Tax	619	454	189	440	378	595	799	943
Tax Rate (%)	25.7	18.7	10.4	18.7	19.2	19.9	20.0	20.2
Less: Minority Interest	73	75	77	88	29	0	0	0
<b>Reported PAT</b>	<b>1,862</b>	<b>2,051</b>	<b>1,706</b>	<b>1,994</b>	<b>1,620</b>	<b>2,397</b>	<b>3,196</b>	<b>3,727</b>
<b>Adjusted PAT</b>	<b>1,789</b>	<b>1,976</b>	<b>1,667</b>	<b>2,142</b>	<b>1,591</b>	<b>2,327</b>	<b>3,196</b>	<b>3,727</b>
Change (%)	-12.4	10.5	-15.6	28.5	-25.7	46.2	37.3	16.6

Consolidated - Balance Sheet							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY23	FY25E
Equity Share Capital	182	367	367	367	367	367	367	367
Total Reserves	11,260	12,898	11,919	13,918	14,068	15,123	16,481	17,809
<b>Net Worth</b>	<b>11,442</b>	<b>13,265</b>	<b>12,286</b>	<b>14,286</b>	<b>14,435</b>	<b>15,490</b>	<b>16,848</b>	<b>18,176</b>
Minority Interest	-139	-215	-291	-379	-407	21	21	21
Deferred Liabilities	-902	-928	-1,027	-962	-907	-845	-845	-845
Total Loans	5,441	2,809	2,830	1,169	1,265	0	0	0
<b>Capital Employed</b>	<b>15,841</b>	<b>14,932</b>	<b>13,798</b>	<b>14,114</b>	<b>14,387</b>	<b>14,665</b>	<b>16,024</b>	<b>17,352</b>
Gross Block	11,762	12,046	13,050	13,556	13,764	14,125	14,325	14,525
Less: Accum. Deprn.	855	1,040	1,558	2,089	2,546	2,962	3,588	4,237
<b>Net Fixed Assets</b>	<b>10,907</b>	<b>11,006</b>	<b>11,492</b>	<b>11,467</b>	<b>11,218</b>	<b>11,163</b>	<b>10,738</b>	<b>10,288</b>
Capital WIP	153	143	245	101	76	155	123	123
<b>Total Investments</b>	<b>1,132</b>	<b>1,044</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>6,695</b>	<b>6,301</b>	<b>5,598</b>	<b>7,029</b>	<b>8,027</b>	<b>8,454</b>	<b>11,497</b>	<b>14,331</b>
Inventory	1,836	1,974	2,251	2,786	2,972	3,019	3,928	4,365
Account Receivables	1,674	1,534	1,224	944	1,431	1,378	1,403	1,559
Cash and Bank Balance	1,367	964	289	1,938	2,112	2,835	3,525	5,474
Loans and Advances & Others	1,818	1,830	1,834	1,361	1,512	1,222	2,641	2,934
<b>Curr. Liability &amp; Prov.</b>	<b>3,045</b>	<b>3,563</b>	<b>3,537</b>	<b>4,483</b>	<b>4,933</b>	<b>5,107</b>	<b>6,334</b>	<b>7,391</b>
Account Payables	1,720	2,134	1,450	2,143	2,364	2,143	2,806	3,118
Other Current Liabilities	663	715	1,299	1,520	1,767	2,037	2,546	3,182
Provisions	663	715	788	820	802	927	982	1,091
<b>Net Current Assets</b>	<b>3,650</b>	<b>2,738</b>	<b>2,061</b>	<b>2,546</b>	<b>3,093</b>	<b>3,347</b>	<b>5,163</b>	<b>6,940</b>
<b>Appl. of Funds</b>	<b>15,841</b>	<b>14,932</b>	<b>13,798</b>	<b>14,114</b>	<b>14,387</b>	<b>14,665</b>	<b>16,024</b>	<b>17,352</b>

E: MOSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>4.9</b>	<b>5.4</b>	<b>4.5</b>	<b>5.8</b>	<b>4.3</b>	<b>6.3</b>	<b>8.7</b>	<b>10.1</b>
Cash EPS	5.7	6.2	6.0	7.3	5.9	7.7	10.4	11.9
BV/Share	31.2	36.1	33.5	38.9	39.3	42.2	45.9	49.5
DPS	0.5	6.0	0.0	4.0	2.5	3.0	4.0	5.4
Payout (%)	12	134	0	83	70	57	56	64
<b>Valuation (x)</b>								
P/E	72.0	65.2	77.2	60.1	80.9	55.3	40.3	34.5
Cash P/E	61.3	56.4	58.6	47.7	59.2	45.5	33.7	29.4
P/BV	11.3	9.7	10.5	9.0	8.9	8.3	7.6	7.1
EV/Sales	4.0	7.1	7.7	6.7	5.8	5.1	4.5	4.0
EV/EBITDA	25.9	46.1	52.3	40.7	51.5	39.9	28.8	24.5
Dividend Yield (%)	0.1	1.7	0.0	1.1	0.7	0.9	1.1	1.5
FCF per share	13.6	7.2	3.5	10.3	4.9	8.6	6.0	11.1
<b>Return Ratios (%)</b>								
RoE	16.0	16.0	13.0	16.1	11.1	15.6	19.8	21.3
RoCE	13.1	13.7	12.6	14.7	10.8	15.7	20.4	22.0
RoIC	12.7	15.7	13.6	16.6	12.7	17.8	24.7	29.0
<b>Working Capital Ratios</b>								
Asset Turnover (x)	1.1	1.2	1.2	1.4	1.5	1.7	1.8	1.8
Debt/Equity	0.5	0.2	0.2	0.1	0.1	0.0	0.0	0.0

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19E	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	2,407	2,430	1,815	2,346	1,969	2,992	3,995	4,671
Depreciation	311	306	529	556	582	501	626	649
Interest & Finance Charges	413	314	304	161	82	54	137	148
Other income	-409	-25	-21	232	-36	-197	-477	-438
Direct Taxes Paid	-251	-418	-386	-327	-313	-567	-799	-943
(Inc)/Dec in WC	-38	409	-527	1,055	-259	502	-1,126	172
<b>CF from Operations</b>	<b>2,434</b>	<b>3,016</b>	<b>1,715</b>	<b>4,022</b>	<b>2,025</b>	<b>3,286</b>	<b>2,356</b>	<b>4,258</b>
<b>CF from Operating incl EO</b>	<b>2,434</b>	<b>3,016</b>	<b>1,715</b>	<b>4,022</b>	<b>2,025</b>	<b>3,286</b>	<b>2,356</b>	<b>4,258</b>
(inc)/dec in FA	43	-383	-415	-257	-214	-122	-168	-200
(Pur)/Sale of Investments	-807	112	1,061	0	0	0	0	0
Others	115	37	4	45	29	65	417	438
<b>CF from Investments</b>	<b>-649</b>	<b>-234</b>	<b>650</b>	<b>-212</b>	<b>-185</b>	<b>-57</b>	<b>249</b>	<b>238</b>
Issue of Shares	600	4	0	0	0	0	0	0
(Inc)/Dec in Debt	2,276	-610	41	-1,669	100	-1,250	0	0
Interest Paid	-600	-342	-212	-281	-74	-104	-137	-148
Dividend Paid	-1,090	-182	-2,656	0	-1,469	-918	-1,777	-2,399
Others	-2,639	-2,055	-211	-212	-224	-235	0	0
<b>CF from Fin. Activity</b>	<b>-1,453</b>	<b>-3,185</b>	<b>-3,039</b>	<b>-2,161</b>	<b>-1,667</b>	<b>-2,507</b>	<b>-1,915</b>	<b>-2,548</b>
<b>Inc/Dec of Cash</b>	<b>332</b>	<b>-403</b>	<b>-674</b>	<b>1,649</b>	<b>174</b>	<b>723</b>	<b>690</b>	<b>1,949</b>
Opening Balance	1,034	1,367	964	289	1,938	2,112	2,835	3,525
<b>Closing Balance</b>	<b>1,367</b>	<b>964</b>	<b>289</b>	<b>1,938</b>	<b>2,112</b>	<b>2,835</b>	<b>3,525</b>	<b>5,474</b>

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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

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Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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