BUY (Maintain)

CMP: **INR 548** Target Price: **INR 640 (INR 520)** ▲ 17%

ICICI Securities

ICICI Securities Limited is the author and distributor of this report

25 July 2024

India | Equity Research | Q1FY25 results review

Jyothy Labs

Consumer Staples & Discretionary

It's all about execution

JYL's Q1FY25 volume growth of 11% YoY is a material outperformance vs peers on a higher base as it continues to focus on direct distribution expansion, innovation, new SKUs coupled with continued investment behind the brands (one of the few companies to not reduce ad-spends materially during inflationary periods). Within segments, personal care (+11% YoY) sustained its momentum with fabric wash (+9% YoY) and dishwash (+7% YoY) exhibiting a resilient performance. Operating margins expanded 90bps YoY to 18% with gross margin expansion (scale and input cost) being invested behind brands and distribution. We continue to like the focus on laying (medium-term) building blocks – continued investment behind brands (+22% YoY in 1QFY25) and direct distribution expansion and improving efficiency.

JYL continues to gain market shares across most of its categories. We like focused strategy and improved execution under Ms Jyothy's leadership of prioritising distribution-led market share gains / volume growth. Maintain **BUY**.

Double-digit volume growth

JYL's Q1FY25 revenue / GP / EBITDA / recurring PAT growth (YoY) was 8 / 16 / 14 / 6 (%). Revenue growth of 8% YoY to INR 7.4bn was driven by 11% YoY volume growth (material outperformance vs peers on a relatively higher base vs peers). Volume outperformance continues to be driven by focus on rural distribution, innovation, new SKUs to cater specific consumers needs and e-commerce coupled with continued support from ATL and BTL spends; it is one of the few companies which did not reduce ad-spends materially during periods of input inflation (FY22 and FY23) to manage operating margins and the results are visible now – double-digit volume CAGR over 2Y (11.5%), 3Y (12.2%), 4Y (14.4%).

Personal care sustains while fabric care and dishwash remain resilient

Personal care (largely Margo) sustained its double-digit revenue growth performance on a high base (2Y CAGR: 16%) driven by innovations and higher investments to drive trails and awareness. Fabric wash (+11% YoY) had a good performance led by accelerated growth in main wash detergent brands across channels while post wash maintained its momentum driven by expanded distribution. Dishwash grew by 7% YoY with aggressive investments in outdoor media for both Exo and Pril. HI continues to be weak (+2% YoY) due to extreme summers in North and East.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	24,860	27,569	30,850	34,464
EBITDA	3,159	4,798	5,554	6,370
EBITDA Margin (%)	12.7	17.4	18.0	18.5
Net Profit	2,327	3,695	4,374	5,240
EPS (INR)	6.3	10.1	11.9	14.3
EPS % Chg YoY	43.7	58.8	18.4	19.8
P/E (x)	86.4	54.4	46.0	38.4
EV/EBITDA (x)	62.8	41.2	35.0	30.0
RoCE (%)	13.7	19.7	19.9	19.6
RoE (%)	15.8	22.0	22.3	22.8

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Market Data

Market Cap (INR)	201bn
Market Cap (USD)	2,402mn
Bloomberg Code	JYL IN
Reuters Code	JYOI BO
52-week Range (INR)	574 /243
Free Float (%)	37.0
ADTV-3M (mn) (USD)	7.6

Price Performance (%)	3m	6m	12m
Absolute	28.4	0.2	88.3
Relative to Sensex	20.7	(13.0)	67.7

Earnings Revisions (%)	FY25E	FY26E
Revenue	-	-
EBITDA	3.0	2.9
EPS	3.6	3.0

Previous Reports

16-05-2024: Q4FY24 results review

01-02-2024: Q3FY24 results review

Operating margins remain elevated despite higher investments driven by input cost

Gross margin expanded (+342bps YoY) to 51.3% driven by correction in input cost and favourable mix (reduction in salience and reduced losses of HI portfolio). EBITDA margin though expanded by 90bps YoY to 18% due to continued investment towards brands building and direct distribution. Re-investments behind brands continued with ad-spends up 96bps YoY and 22% YoY on absolute basis to 8.3% (management expects it to be ~8-9% going forward). Other expenses and staff cost were also up 99bps (13.4%) and 56bps (11.6%) YoY, respectively. EBITDA was up 14% YoY to INR 1.3bn. Net profit (recurring) was up 6% YoY to INR 1bn due to lower other income and higher effective tax rate.

Valuation and risks

We increase our estimates by 4% / 3% for FY25E / FY26E. We model revenue / EBITDA / PAT CAGR of 12 / 15 / 19 (%) over FY24-26E. We maintain **BUY** with a DCF-based revised target price of INR 640 (was INR 520). At our target price, the stock will trade at 44x P/E multiple Mar-26E. Key downside risks are higher competitive pressure and significant input cost inflation impacting margins.

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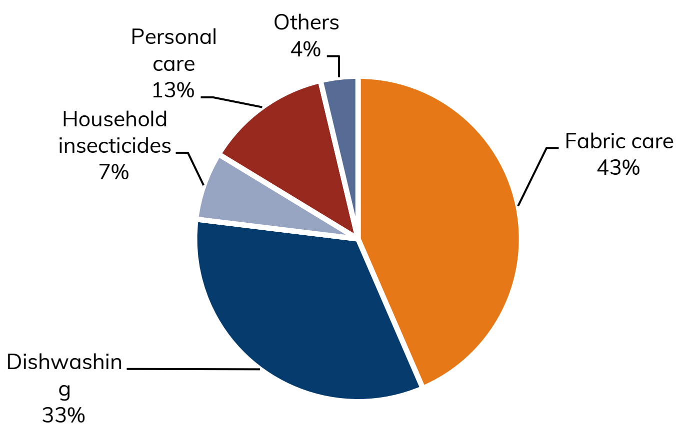
Exhibit 1: Q1FY25 result review (consolidated)

INR mn	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Net Revenue	**7,418**	**6,871**	**8**	**6,600**	**12**
COGS	(3,613)	(3,582)	1	(3,333)	8
Gross profit	**3,805**	**3,289**	**16**	**3,267**	**16**
Staff cost	(862)	(759)	14	(726)	19
A&SP	(616)	(504)	22	(598)	3
Other opex	(993)	(852)	17	(860)	15
Total opex	**(2,470)**	**(2,115)**	**17**	**(2,183)**	**13**
EBITDA	**1,335**	**1,174**	**14**	**1,084**	**23**
Other income	137	169	(19)	130	6
Finance cost	(14)	(11)	25	(13)	10
D&A	(134)	(120)	12	(129)	4
PBT	**1,324**	**1,213**	**9**	**1,072**	**23**
Tax	(307)	(250)	23	(291)	6
PAT	**1,017**	**963**	**6**	**782**	**30**
Minority Interest	0	0	2	0	
Recurring PAT	**1,017**	**963**	**6**	**782**	**30**
Extraordinary items	-	-		-	
Net profit (reported)	**1,017**	**963**	**6**	**782**	**30**
EPS	**2.8**	**2.6**	**6**	**2.1**	**30**
Costs as a % of sales					
COGS	48.7	52.1	-343 bps	50.5	-180 bps
Gross margin (%)	**51.3**	**47.9**	**342 bps**	**49.5**	**179 bps**
Staff cost	11.6	11.0	56 bps	11.0	62 bps
A&SP expense	8.3	7.3	96 bps	9.1	-76 bps
Other opex	13.4	12.4	99 bps	13.0	35 bps
EBITDA margin (%)	**18.0**	**17.1**	**90 bps**	**16.4**	**156 bps**
Income tax rate (%)	23.2	20.6	253 bps	27.1	-395 bps
Segment revenue					
Fabric care	3,228	2,966	9	2,811	15
Dishwashing	2,480	2,315	7	2,183	14
Household insecticides	503	494	2	722	(30)
Personal care	933	841	11	618	51
Others	274	256	7	266	3
Total net revenues	**7,418**	**6,871**	**8**	**6,600**	**12**
Segment EBIT					
Fabric care	802	656	22	647	24
Dishwashing	495	463	7	393	26
Household insecticides	(54)	(94)	(42)	(75)	(28)
Personal care	103	153	(33)	52	96
Others	(5)	5	(194)	(3)	50
Total EBIT	**1,341**	**1,184**	**13**	**1,014**	**32**
Segment EBIT margin (%)					
Fabric care	24.9	22.1	272 bps	23.0	184 bps
Dishwashing	20.0	20.0	-4 bps	18.0	195 bps
Household insecticides	(10.8)	(19.0)	822 bps	(10.4)	-40 bps
Personal care	11.0	18.2	-726 bps	8.5	250 bps
Others	(1.6)	1.9	-352 bps	(1.1)	-52 bps
Total	**18.1**	**17.2**	**84 bps**	**15.4**	**270 bps**

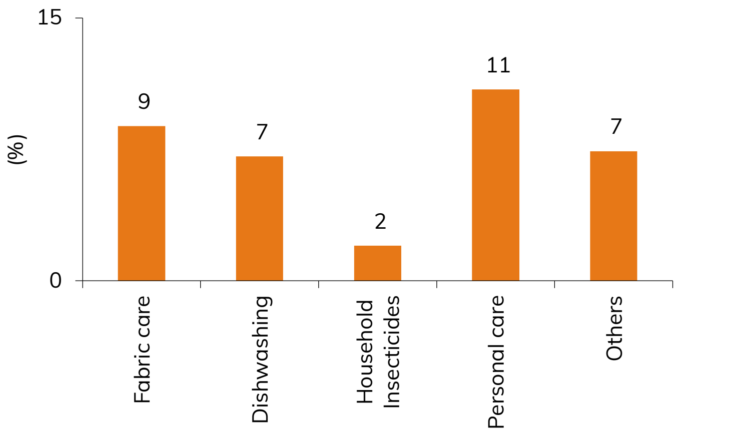
Source: Company data, I-Sec research

Exhibit 2: Segment wise revenue split (Q1FY25)



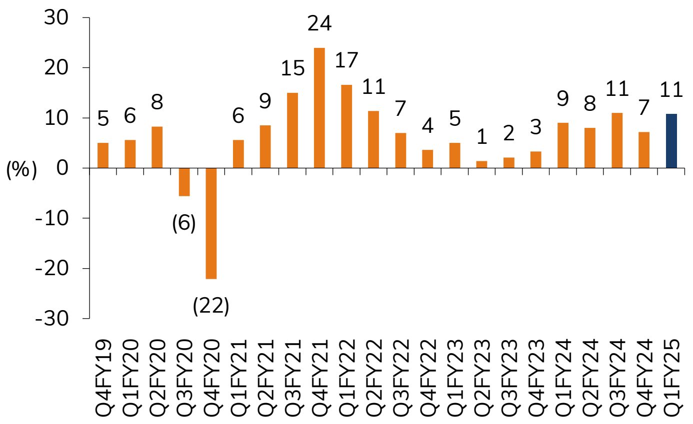
Source: Company data, I-Sec research

Exhibit 3: Segment wise revenue growth (Q1FY25)



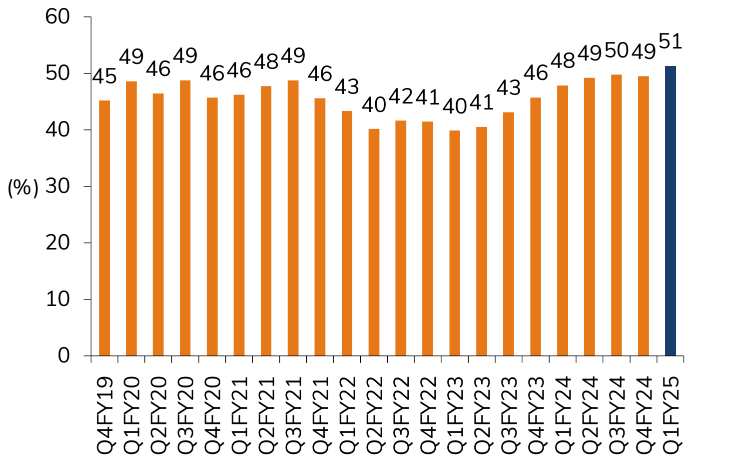
Source: Company data, I-Sec research

Exhibit 4: Volume growth



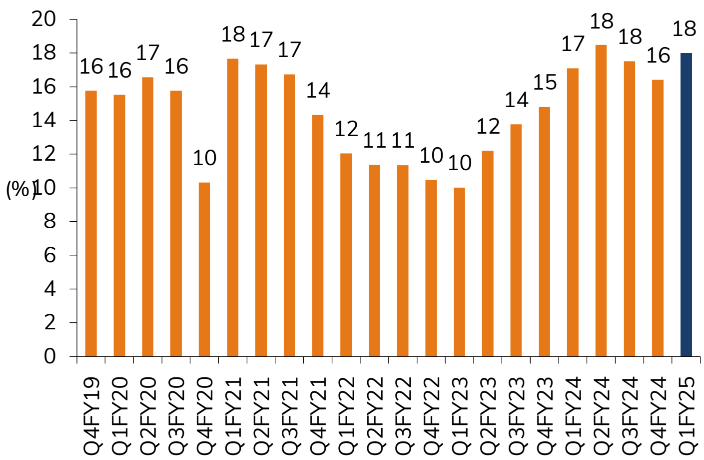
Source: Company data, I-Sec research

Exhibit 5: Gross margin



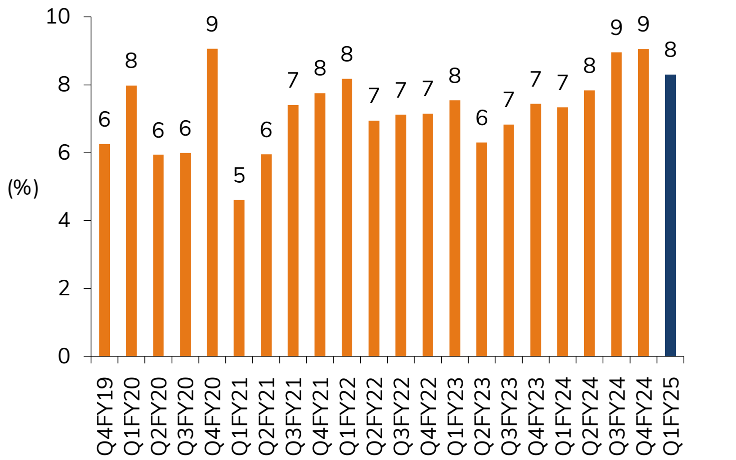
Source: Company data, I-Sec research

Exhibit 6: EBITDA margin



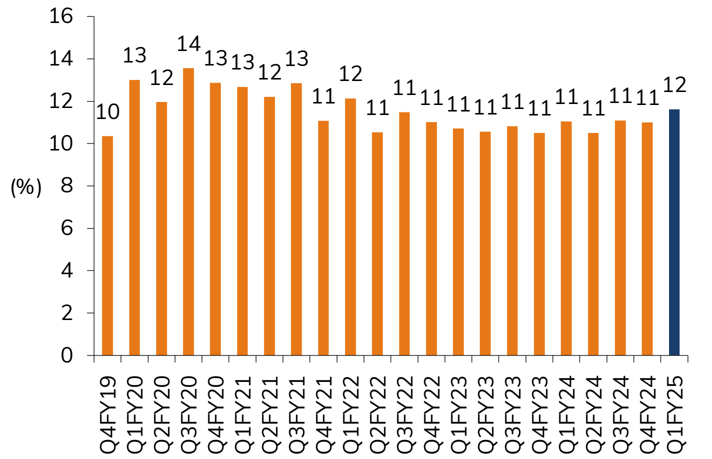
Source: Company data, I-Sec research

Exhibit 7: A&SP/ sales



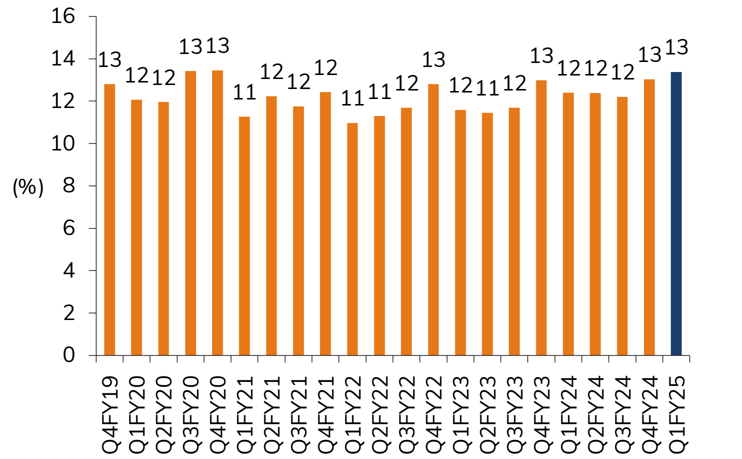
Source: Company data, I-Sec research

Exhibit 8: Staff cost/ sales



Source: Company data, I-Sec research

Exhibit 9: Other expense/ sales



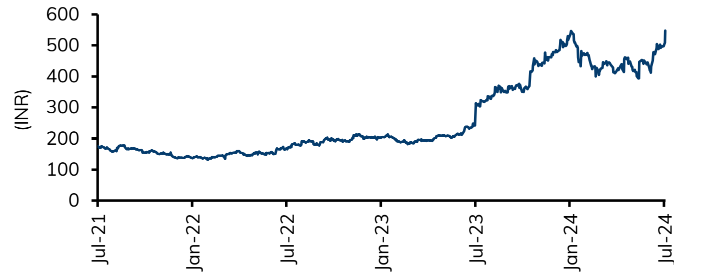
Source: Company data, I-Sec research

Exhibit 10: Shareholding pattern

%	Dec'23	Mar'24	Junr'24
Promoters	62.9	62.9	62.9
Institutional investors	28.5	29.7	29.5
MFs and others	12.2	12.2	13.8
Insurance	1.5	0.9	0.5
FIIs	14.8	16.6	15.2
Others	8.6	7.4	7.6

Source: Bloomberg, I-Sec research

Exhibit 11: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	24,860	27,569	30,850	34,464
Operating Expenses	**21,701**	**22,771**	**25,296**	**28,094**
EBITDA	3,159	4,798	5,554	6,370
EBITDA Margin (%)	**12.7**	**17.4**	**18.0**	**18.5**
Depreciation & Amortization	501	500	522	555
EBIT	2,658	4,298	5,032	5,815
Interest expenditure	131	47	47	47
Other Non-operating Income	395	537	658	991
Recurring PBT	2,922	4,788	5,642	6,759
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	**595**	**1,095**	**1,270**	**1,521**
PAT	2,327	3,693	4,373	5,238
Less: Minority Interest	0	2	2	2
Extraordinaries (Net)	70	-	-	-
Net Income (Reported)	2,397	3,693	4,373	5,238
Net Income (Adjusted)	**2,327**	**3,695**	**4,374**	**5,240**

Source Company data, I-Sec research

Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	7,752	11,392	15,260	19,682
of which cash & cash eqv.	2,835	3,576	6,543	9,977
Total Current Liabilities & Provisions	3,878	4,559	5,110	5,718
Net Current Assets	**3,874**	**6,833**	**10,150**	**13,964**
Investments	-	-	-	-
Net Fixed Assets	2,808	2,869	2,659	2,453
ROU Assets	431	466	466	466
Capital Work-in-Progress	155	134	134	134
Total Intangible Assets	7,925	7,918	7,918	7,918
Long Term Loans & Advances	702	637	712	796
Deferred Tax assets	845	594	594	594
Total Assets	**16,739**	**19,450**	**22,634**	**26,325**
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	-	-	-	-
Provisions	708	802	898	1,003
Other Liabilities	521	546	546	546
Equity Share Capital	367	367	367	367
Reserves & Surplus	15,123	17,716	20,805	24,393
Total Net Worth	**15,490**	**18,083**	**21,172**	**24,760**
Minority Interest	21	19	17	16
Total Liabilities	**16,739**	**19,450**	**22,634**	**26,325**

Source Company data, I-Sec research

Exhibit 14: Quarterly trend

(INR mn, year ending March)

	Sep 23	Dec 23	Mar 24	Jun 24
Net Sales	7,323	6,775	6,600	7,418
% growth (YOY)	11.1	10.6	7.0	8.0
EBITDA	1,354	1,186	1,084	1,335
Margin %	18.5	17.5	16.4	18.0
Other Income	132	106	130	137
Extraordinaries	-	-	-	-
Adjusted Net Profit	1,040	909	782	1,017

Source Company data, I-Sec research

Exhibit 15: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	**3,286**	**4,579**	**3,955**	**4,491**
Working Capital Changes	502	387	(330)	(358)
Capital Commitments	(355)	(371)	(312)	(349)
Free Cashflow	**2,931**	**4,208**	**3,642**	**4,142**
Other investing cashflow	**(128)**	**(3,073)**	**658**	**991**
Cashflow from Investing Activities	(483)	(3,444)	346	642
Issue of Share Capital	-	-	-	-
Interest Cost	(104)	-	(47)	(47)
Inc (Dec) in Borrowings	(1,485)	(247)	-	-
Dividend paid	(918)	(1,102)	(1,285)	(1,652)
Others	-	-	-	-
Cash flow from Financing Activities	(2,507)	(1,348)	(1,333)	(1,700)
Chg. in Cash & Bank balance	**296**	**(213)**	**2,968**	**3,434**
Closing cash & balance	1,057	844	3,812	7,245

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	6.3	10.1	11.9	14.3
Adjusted EPS (Diluted)	6.3	10.1	11.9	14.3
Cash EPS	7.7	11.4	13.3	15.8
Dividend per share (DPS)	3.0	3.5	4.5	5.0
Book Value per share (BV)	42.2	49.2	57.7	67.4
Dividend Payout (%)	47.3	34.8	37.8	35.0
Growth (%)				
Net Sales	13.2	10.9	11.9	11.7
EBITDA	27.3	51.9	15.8	14.7
EPS (INR)	43.7	58.8	18.4	19.8
Valuation Ratios (x)				
P/E	86.4	54.4	46.0	38.4
P/CEPS	71.1	48.0	41.1	34.7
P/BV	13.0	11.1	9.5	8.1
EV / EBITDA	62.8	41.2	35.0	30.0
P / Sales	8.1	7.3	6.5	5.8
Dividend Yield (%)	0.5	0.6	0.8	0.9
Operating Ratios				
Gross Profit Margins (%)	42.3	49.1	50.6	50.8
EBITDA Margins (%)	12.7	17.4	18.0	18.5
Effective Tax Rate (%)	20.4	22.9	22.5	22.5
Net Profit Margins (%)	9.4	13.4	14.2	15.2
Net Debt / Equity (x)	(0.2)	(0.2)	(0.3)	(0.4)
Net Debt / EBITDA (x)	(0.9)	(0.7)	(1.2)	(1.6)
Fixed Asset Turnover (x)	5.1	5.5	5.9	6.2
Working Capital Days	16	45	45	45
Inventory Turnover Days	47	39	39	39
Receivables Days	21	28	28	28
Payables Days	33	38	39	39
Profitability Ratios				
RoCE (%)	13.7	19.7	19.9	19.6
RoE (%)	15.8	22.0	22.3	22.8
RoIC (%)	16.4	24.4	26.7	30.6

Source Company data, I-Sec research

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