

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✓	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✓	↓	✗
RQ	✓	↔	✓
RV	✓	↔	✓

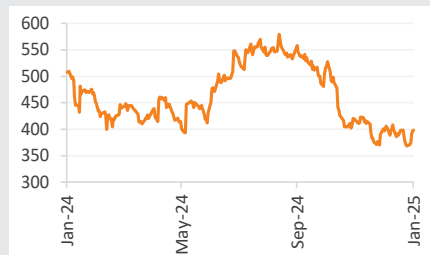
Company details

Market cap:	Rs. 14,635 cr
52-week high/low:	Rs. 595/356
NSE volume: (No of shares)	7.4 lakh
BSE code:	532926
NSE code:	JYOTHYLAB
Free float: (No of shares)	13.6 cr

Shareholding (%)

Promoters	62.9
FII	14.7
DII	15.3
Others	7.2

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	0.3	-21.2	-25.6	-21.6
Relative to Sensex	1.1	-17.6	-20.7	-29.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Jyothy Laboratories Ltd

Muted Q3

Consumer Goods	Sharekhan code: JYOTHYLAB
Reco/View: Buy	CMP: Rs. 399 Price Target: Rs. 490
↑ Upgrade ↔ Maintain ↓ Downgrade	

Summary

- Jyothy Labs Limited's (JLL's) Q3FY25 performance was muted with revenue growing by just 4%, while a ~110 bps y-o-y decline in OPM led to 4% y-o-y decline in PAT.
- Management does not expect any significant recovery in demand in Q4. OPM guidance maintained at 16-17% for the near term.
- JLL launched Jovia in the mass toilet soap segment to take benefit of downtrading by customers and Maxo Racquet to complete its HI portfolio.
- The stock has corrected by over 30% since its recent high and trades at 38x/34x/31x its FY25E/FY26E/FY27E EPS, respectively. We maintain Buy with a revised PT of Rs. 490.

JLL's Q3FY25 performance was muted as subdued demand environment hit revenue growth, while inflation in key input prices impacted profitability. Consolidated revenue grew by 4% y-o-y to Rs. 705 crore, with volume growth at 8% y-o-y. Ex-HI, value/volume growth stood at 6.1%/10.3%. Among segments, fabric care and dishwash segments grew by 9.3% and 3.6% y-o-y, respectively, while HI and personal care segments declined by 24.8% and 3.7% y-o-y, respectively. Gross margin stood flat y-o-y at 49.8%, while OPM fell by 108 bps y-o-y to 16.4%. All categories except dishwash posted a sharp margin decline during the quarter. Operating profit fell by 2.4% y-o-y to Rs. 116 crore and adjusted PAT dipped 3.9% y-o-y to Rs. 87 crore. In 9MFY25, revenue grew by 4% y-o-y to Rs. 2,180 crore, OPM stood flat y-o-y at 17.8%, and PAT marginally grew by 1% y-o-y to Rs. 294 crore.

Key positives

- Volumes grew 8% y-o-y.

Key Negatives

- Weak Q3 for HI with a 25% y-o-y revenue decline and a 924-bps y-o-y dip in PBIT margin.
- PBIT margins of fabric care and personal care segments fell by 300 bps and 217 bps y-o-y, respectively.

Management Commentary

- Overall demand continued to be subdued amid inflationary pressures and muted growth rates in urban markets. However, good monsoon and growing rural wages led to decent rural demand in Q3. Management does not expect any significant recovery in demand in Q4.
- JLL has taken low single-digit price increases in the body soap category in Q3, the impact of which should be visible in Q4FY25. Depending upon the direction of input prices and market conditions, it might undertake further price hikes in Q4.
- JLL launched Jovia in the mass toilet soap segment (Rs. 25-26 per bar) with competitive pricing and differentiated with Vitamin E to take benefit of downtrading by customers. The company might make some more additions in personal care over a period of time.
- The HI segment was severely impacted due to a continuous shift in consumer preference towards incense sticks and not-so-favourable weather conditions. JLL has launched Maxo Racquet to complete its HI portfolio.
- Management indicated that protecting margins amid the sluggish demand scenario and commodity inflation will be JLL's key focus area in Q4. Management has maintained OPM guidance at 16-17% for the near term.

Revision in earnings estimates - We have reduced our earnings estimates for FY25, FY26 and FY27 to factor in weak performance in HI and personal care categories and as these categories would take time to see any significant recovery.

Our Call

View - Maintain Buy with a revised PT of Rs. 490: JLL's Q3FY25 numbers were muted owing to subdued demand conditions and inflation in key input prices. Management eyes double-digit revenue growth over the next four years through its focused strategies and inorganic initiatives. The company has managed to strengthen its balance sheet by reducing working capital requirements and improving cash balance which can be utilised for organic and inorganic initiatives in the coming years. Stock is currently trading at 38x/34x/31x its FY25E/FY26E/FY27E EPS, respectively. We maintain our Buy recommendation on the stock with a revised PT of Rs. 490 (rolling over to FY27 earnings).

Key Risks

Delayed recovery in the household insecticide category or market share loss in some of the key categories would act as a key risk to our earnings estimates.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenues	2,486	2,757	2,869	3,120	3,428
OPM (%)	12.7	17.4	17.2	17.3	17.4
Adjusted PAT	231	369	389	427	473
Adjusted EPS (Rs.)	6.3	10.1	10.6	11.6	12.9
P/E (x)	63.5	39.7	37.7	34.3	31.0
P/B (x)	9.5	8.1	7.3	6.6	5.9
EV/EBITDA (x)	45.7	30.4	29.1	26.2	23.3
RoNW (%)	15.4	22.0	20.5	20.3	20.1
RoCE (%)	15.1	21.1	19.3	18.7	18.7

Source: Company; Mirae Asset Sharekhan estimates

Muted Q3

JLL's revenue grew by 4% y-o-y to Rs. 705 crore (in line with our and street's average expectation of Rs. 709 crore), with volume growth at 8% y-o-y. Growth is driven by 9.3% y-o-y growth in the fabric care segment, 3.6% y-o-y growth in the dishwashing segment, while HI and personal care segments declined by 24.8% and 3.7% y-o-y, respectively. Gross margin stood flat y-o-y at 49.8%, while OPM fell by 108 bps y-o-y to 16.4%, missing our and street's average expectation of 17% and 17.4%, respectively. All categories except dishwash posted a sharp margin decline during the quarter. Operating profit declined by 2.4% y-o-y to Rs. 116 crore and adjusted PAT fell by 3.9% y-o-y to Rs. 87 crore, in line with our and street's average expectations of Rs. 90 crore. In 9MFY25, revenue grew by 4% y-o-y to Rs. 2,180 crore, OPM stood flat y-o-y at 17.8% and PAT marginally grew by 1% y-o-y to Rs. 294 crore.

Results (Consolidated)

Particulars	Rs cr				
	Q3FY25	Q3FY24	y-o-y (%)	Q2FY25	q-o-q (%)
Total Revenue	704.5	677.5	4.0	733.8	-4.0
Raw-material cost	353.8	340.4	4.0	365.5	-3.2
Employee expenses	80.7	75.2	7.4	80.7	0.0
Advertisement expenses	63.7	60.7	4.9	61.1	4.3
Other expenses	90.5	82.7	9.5	88.1	2.7
Total operating cost	588.7	558.9	5.3	595.3	-1.1
Operating profit	115.8	118.6	-2.4	138.5	-16.4
Other income	13.9	10.6	30.8	12.5	10.5
Depreciation	14.3	12.8	11.3	13.9	2.8
Interest expenses	1.5	1.2	26.5	1.4	5.7
Profit before tax	113.8	115.2	-1.2	135.7	-16.1
Tax	26.4	24.3	8.9	30.7	-13.8
Reported PAT	87.4	90.9	-3.9	105.0	-16.8
EPS (Rs.)	2.4	2.5	-3.9	2.9	-16.8
			bps		bps
GPM (%)	49.8	49.8	1	50.2	-42
OPM (%)	16.4	17.5	-108	18.9	-244
NPM (%)	12.4	13.4	-102	14.3	-191
Tax rate (%)	23.2	21.1	215	22.6	62

Source: Company; Mirae Asset Sharekhan Research

Category-wise performance

					Rs cr
Particulars	Q3FY25	Q3FY24	y-o-y (%)	Q2FY25	q-o-q (%)
Revenue					
Fabric care	322.1	294.8	9.3	316.8	1.7
Dish washing	244.6	236.1	3.6	254.0	-3.7
Household insecticides	34.4	45.7	-24.7	45.1	-23.7
Personal care	69.7	72.3	-3.6	85.6	-18.6
Other Products	33.6	28.6	17.5	32.3	4.1
Total revenue	704.5	677.5	4.0	733.8	-4.0
PBIT Margins (%)					
Fabric care	22.2	25.2	-300	24.9	-268
Dish washing	18.3	18.0	27	19.1	-80
Mosquito Repellant	-29.7	-20.4	-924	-9.5	-2017
Personal care	10.7	12.9	-217	13.6	-283
Other Products	1.5	5.3	-379	7.5	-595
Total	16.2	17.5	-128	18.7	-249

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Volume growth recovery to be gradual

Demand environment continued to be muted in Q3 with rural growth outpacing urban growth for another quarter. Monsoon season was above normal and well spread out, which will help agri production to be better in the current year. This will not only boost rural consumption but will also help agri inflation to stabilise in the near term. Revenue growth in the near term would be driven by a mix of volume and price-led growth as most companies have taken price increases to mitigate the impact of higher input costs. Global uncertainties will lead to volatility in raw-material prices and currency movement. This will put pressure on the margins of consumer goods companies in the quarters ahead. We expect operating profit growth to be lower as compared to revenue growth in the near term. On the other hand, an increase in commodity prices will reduce the competition intensity from small/regional players in the quarters ahead.

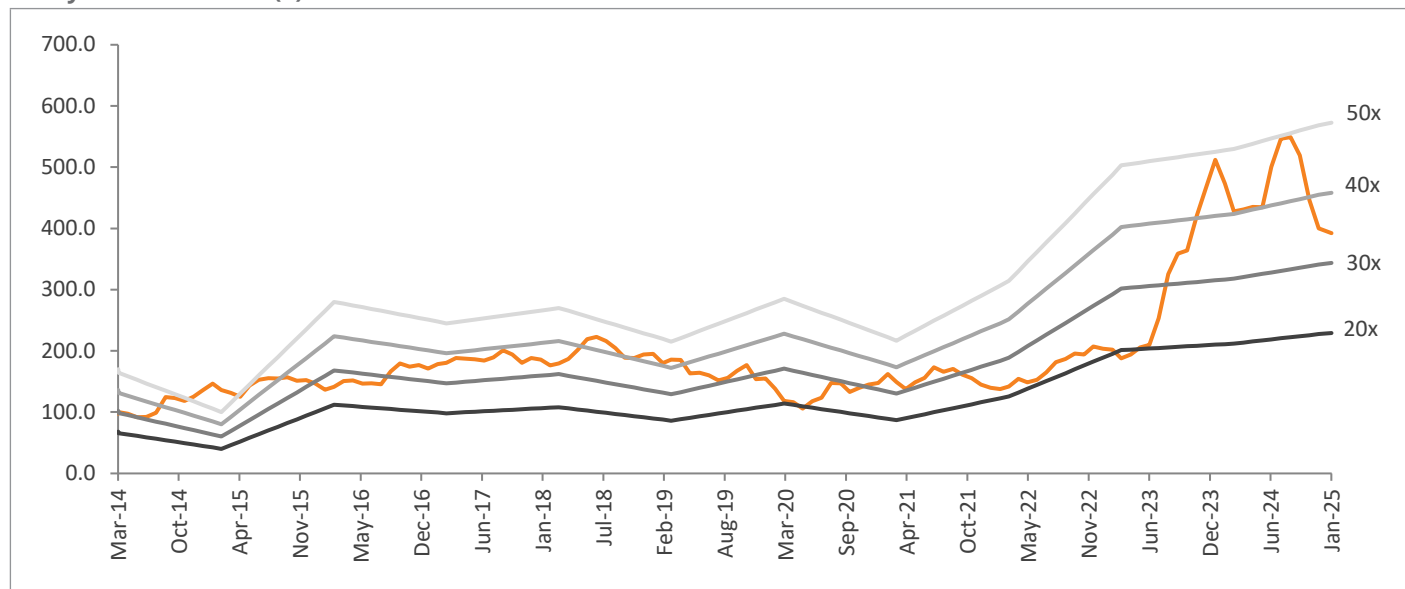
■ Company Outlook – Focus remains on achieving double-digit revenue growth

JLL's Q3FY25 performance was muted with revenue growing by just 4%, while a ~110 bps y-o-y decline in OPM led to a 4% y-o-y dip in PAT. The company is focusing on achieving volume-led, double-digit revenue growth in the medium to long term through driving category development, increased brand-building initiatives, digital technology driving sales efficiency in go-to-market initiatives, market share gains, distribution expansion, and improving penetration for key categories in rural and urban markets. Management expects OPM to be range bound at 16-17% in the near term.

■ Valuation – Maintain Buy with a revised PT of Rs. 490

JLL's Q3FY25 numbers were muted owing to subdued demand conditions and inflation in key input prices. Management eyes double-digit revenue growth over the next four years through its focused strategies and inorganic initiatives. The company has managed to strengthen its balance sheet by reducing working capital requirements and improving cash balance which can be utilised for organic and inorganic initiatives in the coming years. Stock is currently trading at 38x/34x/31x its FY25E/FY26E/FY27E EPS, respectively. We maintain our Buy recommendation on the stock with a revised PT of Rs. 490 (rolling over to FY27 earnings).

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Companies	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Godrej Consumer Products	56.4	61.0	50.1	41.9	42.4	34.5	17.1	16.6	19.1
HUL	58.7	56.1	52.2	41.1	40.1	37.1	25.9	26.8	28.5
Jyothy Labs	39.7	37.7	34.3	30.4	29.1	26.2	21.1	19.3	18.7

Source: Company; Mirae Asset Sharekhan Research

About the company

JLL has evolved from being a promoter-driven, south-centric, single-product company to a professionally managed, multi-brand, multi-product company with pan-India operations and a turnover of over Rs. 2,700 crore. JLL is present in key categories such as fabric care, dishwash, HI, and personal care products. JLL's power brands include Ujala, Henko, Exo, Maxo, Margo, and Pril. The company's flagship brand, Ujala has remained at the top of the fabric whitener category since its launch, with an ~80% market share.

Investment theme

JLL has a leadership position in the fabric whitener category in India, whereas it ranks number two in the dishwash bar, liquid, and mosquito repellent coil categories. Going forward, long-term strategies undertaken to enhance growth include winning through innovations in the fabric wash category, leveraging rural penetration in the dishwash category, increasing footprint, and relevant extensions in the HI and personal care categories. A large presence in the essential and hygiene category will help JLL drive near-term growth in the pandemic situation. A resurgence in the HI category will help drive growth in the medium term.

Key Risks

- ♦ **Slowdown in demand:** A sustained slowdown in the HI category's growth would affect demand.
- ♦ **Higher input prices:** Any sharp rise in key raw-material prices such as Brent crude oil would affect profitability and earnings growth.
- ♦ **Increased competition in highly penetrated categories:** Increased competition in highly penetrated categories such as fabric whiteners would threaten revenue growth.

Additional Data

Key management personnel

M. R. Jyothy	Chairman and Managing Director
Pawan Kumar Agarwal	Chief Financial Officer
Shreyas Trivedi	Company Secretary & Compliance Officer

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nalanda India Equity Fund	5.72
2	Canara Robeco AMC	2.82
3	Nippon Life India AMC	2.71
4	Mirae Asset Global Investment Co.	2.46
5	Franklin Resources	2.33
6	Vanguard Group Inc.	1.48
7	Axis AMC Ltd.	0.79
8	Blackrock Inc.	0.79
9	Dimensional Fund Advisors LP	0.59
10	ABRDN PLC	0.53

Source: Bloomberg

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai - 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE - 748, NSE - 10733, MCX - 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Ms. Binkle R. Oza; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.