MIRAE ASSET Sharekhan

Stock Update

Result Update

Jyothy Laboratories Ltd

Muted Q4; eyeing gradual recovery

Consumer Goods	Sharekhan code: JYOTHYLAB

Reco/View: Buy	↔	CMP: Rs. 338	Price Target: Rs. 395	↓

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Jyothy Labs Limited's (JLL's) Q4FY25 numbers were muted with revenue and PAT growing by just 1% and 2% y-o-y, respectively. Volumes grew 4% y-o-y.
- JLL expects volume growth to be in mid-single digits in H1FY26, while it expects volume growth to improve to double digits in H2FY26.
- Company maintained its OPM guidance at 16-17% for FY26. H1FY26 would have slightly higher margin pressure, while the situation is expected to improve from H2FY26.
- Stock has corrected by 20% since its recent highs and trades at 31x/28x its FY26E/FY27E EPS, respectively. We maintain Buy with a revised PT of Rs. 395.

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		↔	

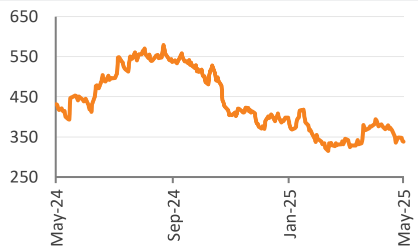
Company details

Market cap:	Rs. 12,410 cr
52-week high/low:	Rs. 595 / 268
NSE volume: (No of shares)	8.0 lakh
BSE code:	532926
NSE code:	JYOTHYLAB
Free float: (No of shares)	13.6 cr

Shareholding (%)

Promoters	62.9
FII	13.5
DII	16.3
Others	7.4

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-11.6	-1.6	-16.6	-21.8
Relative to Sensex	-14.4	-10.0	-22.4	-32.1

Source: Mirae Asset Sharekhan Research, Bloomberg

Q4FY25 was yet another muted quarter for JLL amid subdued demand and higher competitive intensity hit revenue growth, while inflation in key input prices impacted profitability. Consolidated revenues grew 1.1% y-o-y to Rs. 667 crore, with volume growth at 4% y-o-y. Among segments, fabric care and dishwash segments grew by 2.1% and 3.1% y-o-y, respectively, while the household insecticides (HI) and personal care segments declined by 4.8% and 8.8% y-o-y, respectively. Gross margin fell by 31 bps y-o-y to 49.2% due to sustained input cost inflation, while prudent cost management aided in 36 bps y-o-y rise in OPM to 16.8%. In line with operating profit growth of 3.3% to Rs. 112 crore, PAT grew by 2% y-o-y to Rs. 80 crore. In FY25, revenue grew by 3.3% y-o-y to Rs. 2,847 crore, OPM stood flat y-o-y at 17.5% and adjusted PAT marginally grew by 1.2% y-o-y to Rs. 374 crore. The board has recommended a final dividend of Rs. 3.5 per share for FY25.

Key positives

- Personal care segment's PBIT margins rose by 208 bps y-o-y to 10.6%.

Key negatives

- Personal care segment's revenue fell by 8.8% y-o-y.

Management Commentary

- While rural demand improved in Q4, it was not sufficient to offset the continued weakness in urban consumption. The company expects volume growth to be in mid-single digits in H1FY26, while it expects volume growth to improve to double digits in H2FY26.
- The management indicated that consumers are opting for smaller packs, holding back on bulk purchases and displaying heightened price sensitivity.
- Company maintained its OPM guidance at 16-17% for FY26. H1FY26 would have slightly higher margin pressure, while the situation is expected to improve from H2FY26.
- HI segment's losses are expected to reduce further in FY26, as the mix continues to move in favour of LVs.
- JLL implemented selective price increases in fabric care, personal care and HI segments in Q4 and will calibrate pricing based on future market trends and cost trends.
- JLL continues to strengthen distribution network - direct reach increased by 1 lakh outlets to 1.3 million and indirect reach increased by 8 lakh outlets to 3.6 million outlets across India.
- In the near term, A&P spends are expected to remain at 8-9% of sales.
- Management stated that the tax rate is expected to be at 23-24% in FY26.

Revision in earnings estimates – We have reduced our earnings estimates for FY26 and FY27 as H1FY26 is expected to be subdued with recovery likely in H2FY26 and to factor in slightly higher tax rate guidance by the management.

Our Call

View – Maintain Buy with a revised PT of Rs. 395: JLL's FY25 numbers were muted owing to subdued demand conditions and inflation in key input prices. Subdued demand, high raw material cost inflation and elevated competitive intensity could limit JLL's growth in the near term. However, long term prospects are intact owing to company's focus on expanding in new territories, innovation, distribution expansion and cost efficiency measures. The company has managed to strengthen its balance sheet by reducing working capital requirements and improving cash balances, which can be utilised for organic and inorganic initiatives in the coming years. Stock is currently trading at 31x/28x its FY26E/FY27E EPS, respectively. We maintain a Buy rating on the stock with a revised PT of Rs. 395.

Key Risks

A delayed recovery in HI category or market share loss in some of the key categories would act as a key risk to our earnings estimates.

Valuation (Consolidated) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenues	2,486	2,757	2,847	3,059	3,358
OPM (%)	12.7	17.4	17.5	17.3	17.5
Adjusted PAT	231	369	374	398	439
Adjusted EPS (Rs.)	6.3	10.1	10.2	10.8	12.0
P/E (x)	53.8	33.6	33.2	31.2	28.2
P/B (x)	8.0	6.9	6.1	5.5	5.0
EV/EBIDTA (x)	38.6	25.7	24.8	22.4	19.9
RoNW (%)	15.4	22.0	19.4	18.5	18.6
RoCE (%)	15.1	21.1	18.7	17.5	17.4

Source: Company; Mirae Asset Sharekhan estimates

Key business updates

- **Fabric care**
  - Revenues grew by 2.1% in Q4 and 5% in FY25, largely led by volume. Liquid detergents were the primary growth driver, supported by detergent powders and bar soaps.
  - Main wash category saw double digit volume growth in FY25.
  - In Kerala, the Ujala IDD detergent powder gained market share rising to 24.5% in FY25 from 23.4% in FY24. Southern India market, a stronghold in the liquid detergent space grew by 27% y-o-y.
  - Revenues from liquids nearly tripled on both q-o-q and y-o-y basis.
  - Ujala Supreme continued its leadership and Ujala Crisp and Ujala Shine sustained its momentum.
  - With the recent launch of Ujala Fabric Conditioner and encouraging early feedback, JLL is optimistic about the Post Wash category's future.
  - PBIT margin declined by 64 bps y-o-y in Q4 to 22.4%
- **Dishwash**
  - Revenues grew by 3.1% in Q4 and 3.7% in FY25 with strong double digit volume growth in both bars and liquids.
  - Despite healthy volume growth, lower average realisation due to promotions largely impacted margins during FY25.
  - PBIT margin stood flat y-o-y in Q4 at 18.1%
- **Personal care**
  - Revenue fell 8.8% in Q4 and 0.9% in FY25 impacted by inflation and a high base.
  - The recently-launched Jovia Beauty Soap is gaining market access. However, weakness in the Margo franchise weighed on overall performance in FY25.
  - Company has initiated focused efforts to revitalize Margo Neem Natural and the variants through enhanced communication and visibility.
  - While selective price hikes were taken, lower volumes and higher input costs affected gross margins. With promising consumer feedback and ongoing brand efforts, FY26 performance is expected to be better.
  - PBIT margin improved by 208 bps y-o-y in Q4 to 10.6%
- **Household insecticides (HI)**
  - Revenues fell 4.8% in Q4 and 6.5% in FY25.
  - Liquid vaporisers registered healthy volume-led double-digit profitable growth.
  - Management stated that coils are structurally declining category and continues to degrow for the company as well. JLL is taking decisive steps to minimize near-term losses in this category and eliminate them in the medium to long term.
  - To enhance its HI portfolio, JLL recently launched Maxo-Aerosol and Maxo Electric Racquet. These additions aid in portfolio expansion and also help to improve overall portfolio margins. Though these products have lower salience compared to coils and LVs, early market response has been positive.
  - Loss reduced to Rs. 4.8 crore versus Rs. 7.5 crore in Q4FY24.

Results (Consolidated) Rs cr

Particulars	Q4FY25	Q4FY24	Y-o-Y (%)	Q3FY25	Q-o-Q (%)
Total Revenue	**667.0**	**660.0**	**1.1**	**704.5**	**-5.3**
Raw material cost	338.9	333.3	1.7	353.8	-4.2
Employee expenses	78.3	72.6	7.9	80.7	-3.0
Advertisement expenses	53.4	59.8	-10.6	63.7	-16.1
Other expenses	84.5	86.0	-1.8	90.5	-6.7
Total operating cost	555.0	551.6	0.6	588.7	-5.7
Operating profit	**111.9**	**108.4**	**3.3**	**115.8**	**-3.3**
Other income	15.5	13.0	19.4	13.9	11.8
Depreciation	14.6	12.9	13.1	14.3	1.9
Interest expenses	1.7	1.3	31.7	1.5	12.2
Profit before tax	**111.2**	**107.2**	**3.7**	**113.8**	**-2.3**
Tax	31.5	29.1	8.3	26.4	19.1
Adjusted PAT	**79.7**	**78.2**	**2.0**	**87.4**	**-8.8**
Extraordinary item	-3.4	0.0	-	0.0	-
Reported PAT	**76.3**	**78.2**	**-2.4**	**87.4**	**-12.7**
EPS (Rs.)	2.2	2.1	2.0	2.4	-8.8
			bps		**bps**
GPM (%)	49.2	49.5	-31	49.8	-58
OPM (%)	16.8	16.4	36	16.4	35
NPM (%)	12.0	11.8	11	12.4	-46
Tax rate (%)	28.3	27.1	121	23.2	510

Source: Company; Mirae Asset Sharekhan Research

Category-wise performance

Particulars	Q4FY25	Q4FY24	Y-o-Y (%)	Q3FY25	Q-o-Q (%)
Revenue					
Fabric care	286.9	281.1	2.1	322.1	-10.9
Dish washing	225.2	218.3	3.1	244.6	-7.9
Household insecticides	68.7	72.1	-4.7	34.4	99.5
Personal care	56.4	61.8	-8.8	69.7	-19.1
Other Products	29.9	26.6	12.2	33.6	-11.2
Total revenue	**667.0**	**659.9**	**1.1**	**704.5**	**-5.3**
PBIT Margins (%)					
Fabric care	22.4	23.0	-64	22.2	14
Dish washing	18.1	18.0	8	18.3	-16
Household insecticides	-7.0	-10.4	340	-29.7	2266
Personal care	10.6	8.5	208	10.7	-18
Other Products	3.7	-1.1	484	1.5	220
	16.1	**15.4**	**70**	**16.2**	**-12**

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Volumes and margins to recover gradually

Consumer goods companies are expected to see yet another muted quarter in Q4FY25. We expect gradual uptick in volume growth on low base from Q1/Q2FY26 driven by expectations of good monsoon, moderation in urban inflation and government impetus to aid a volume recovery. With sustained input cost inflation, most companies are likely to take further price hikes in Q1FY26. Hence, we believe large improvement in volume growth could be seen in H2FY26 in a stable demand environment. Margins are likely to remain lower in the coming quarters and if input prices stabilise in the coming months, we might see margin expansion from H2FY26.

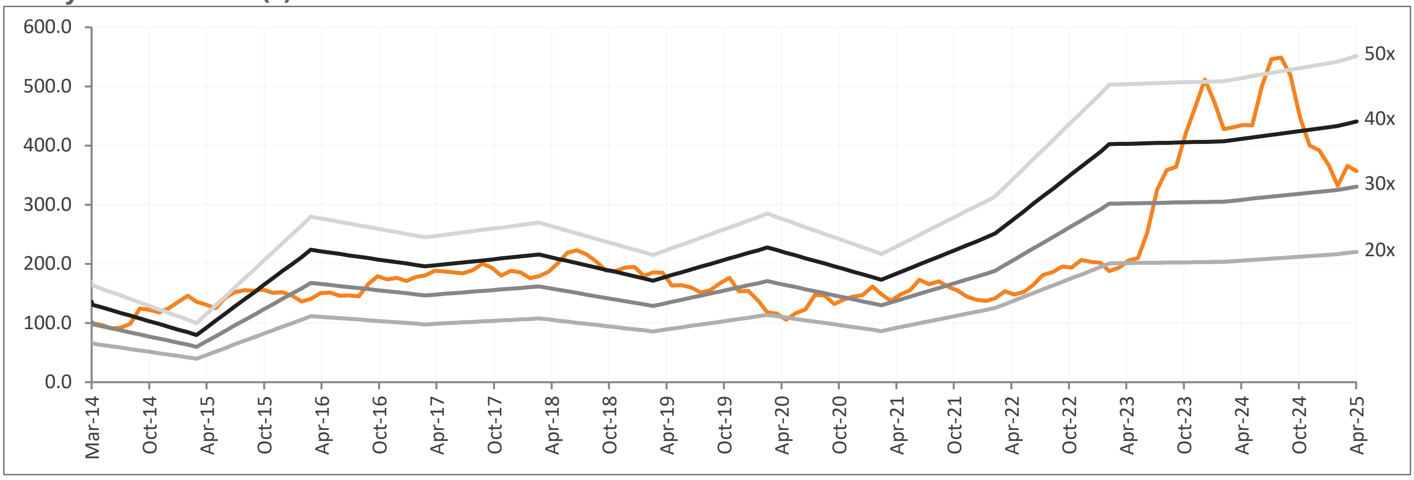
■ Company Outlook – Focus remains on achieving double-digit revenue growth

JLL's FY25 performance was muted with revenue and PAT growing by just 1% and 2% y-o-y, respectively. 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. We expect revenue and PAT to clock 9% and 8% CAGR over FY25-27E, respectively.

■ Valuation – Maintain Buy with a revised PT of Rs. 395

JLL's FY25 numbers were muted owing to subdued demand conditions and inflation in key input prices. Subdued demand, high raw material cost inflation and elevated competitive intensity could limit JLL's growth in the near term. However, long term prospects are intact owing to company's focus on expanding in new territories, innovation, distribution expansion and cost efficiency measures. The company has managed to strengthen its balance sheet by reducing working capital requirements and improving cash balances, which can be utilised for organic and inorganic initiatives in the coming years. Stock is currently trading at 31x/28x its FY26E/FY27E EPS, respectively. We maintain a Buy rating on the stock with a revised PT of Rs. 395.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Godrej Consumer Products	68.2	55.4	46.4	43.8	39.0	33.7	16.7	17.7	19.6
HUL	54.2	51.3	46.6	38.2	36.0	32.6	26.9	29.0	32.8
Jyothy Labs	33.2	31.2	28.2	24.8	22.4	19.9	18.7	17.5	17.4

Source: Company; Mirae Asset Sharekhan Research

About 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. 2,800 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

Name	Designation
M. R. Jyothy	Chairman and Managing Director
Pawan Kumar Agarwal	Chief Financial Officer
Shreyas Trivedi	Head – Legal & Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nalanda India Equity Fund	5.72
2	Canara Robeco AMC	3.10
3	Nippon Life India AMC	2.78
4	Mirae Asset Global Investment Co	2.39
5	Franklin Resources	2.33
6	Vanguard Group Inc	1.49
7	Axis AMC Ltd	1.23
8	Blackrock Inc	0.80
9	WhiteOak capital Asset Management Ltd	0.72
10	Sundaram Asset Management Co. Ltd	0.66

Source: Bloomberg

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 detoriating 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

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