

Performance Review for Q1FY25

- Net revenue grew ~8% YoY to ₹~742crs (CAGR - 2 Yr 11.5%, 3 Yr 12.2%) with volume growth of ~11%.
- Gross margin expanded 340bps to 51.3% in Q1FY25 led by improvement in product mix. EBITDA grew ~14% YoY to ₹133crs with margin expanding 90bps to 18%. Consequent PAT grew ~6% YoY at ₹102crs due to lower other income and high tax expenses.
- A&P to sales ratio stood at 8.3% vs 7.3% in Q1FY24.
- The company has continued to deliver high revenue growth for the last few years versus the industry. Overall, there's been a healthy, consistent operational performance with the rise in market share for each of brands.
- In FY24, the company delivered 9% volume growth. The focus is continued on volume-driven growth rather than margin expansion.

Important Statistics

Nifty	24,836
Sensex	81,356
MCap (₹ Cr)	₹18,750
52WeekH/L (₹)	574/290
NSECode	JYOTHYLAB
BSECode	532926
Bloomberg Code	JYL:IN

Shareholding Pattern (%) Jun'24

Promoters	62.9
FII	15.1
DIIs	14.3
Public & Others	07.7

Key Highlights

- Consumer franchises are getting stronger every quarter and the company has been able to strengthen market share across all brands. All of the segments have reported positive growth in Q1.
- Demand is expected to accelerate with the normal monsoon, rural demand pick-up is key for positive momentum.
- The company continues to focus on enhancing direct distribution, and higher allocation of resources towards Brand Building initiatives and new product launches.
- Distribution reach has now expanded to 2.8mn outlets (1.2mn direct reach) and is expected to further improve in the coming years. Focus on new launches, increasing engagement with consumers thereby strengthening core business.
- The company has guided double-digit revenue growth in FY25E, aided by distribution expansion-led volume growth, and is confident of maintaining a historical EBITDA margin of 16%-17%.
- The company has a healthy cash position of ₹650crs on its books. It will conserve the cash to grab any future growth opportunities.

Financials

Particulars	₹ Cr	
	FY23	FY24
Revenues	2,486	2,757
EBITDA	316	480
EBITDA Margin (%)	13	17
Net Profit	240	369
EPS (₹)	6.5	10.1
RoCE (%)	19	27
Working Capital Days	13	5

Source – Company, Way2Wealth Research

Relative Performance

Absolute Return (%)	1 Yr	3Yr	5 Yr
Jyothy Labs	74	216	246
Nifty 50	26	54	127
Sensex	23	50	120

Source: Company, Way2Wealth Research

Segments

Jyothy Labs' (JLL's) delivered 8% sales growth on the back of strong 9% growth in the Fabric Care, 7% growth in Dishwash segment, 11% growth in Personal Care segment and Household Insecticides improved 2% YoY.

	Fabric Care	Dishwash	Household Insecticides	Personal Care
Q1FY25	8.8%	7.1%	2%	11%
Q1FY25 (2 year CAGR)	13.4%	8.8%	6%	15.9%
Q1FY25 (3 year CAGR)	21.2%	9.1%	11.1%	-11.1%

Source – Company, Way2Wealth Research

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30th July 2024

CMP – ₹538/-

View – Accumulate

- **Fabric care (43% of revenue)** sales grew by 9% in Q1FY25 to ₹323Cr with improvement in sales across all brands. While Post wash brands Ujala Supreme and Ujala Crisp and shine have delivered consistent growth, Main was detergent brands Henko, Ujala Instant Dirt Dissolver, Mr. White and Morelight have shown accelerated growth across channel.
- Introduced Morelight 5ltr Bulk Pack in high-growth Liquid Detergent Segment in targeted markets driven by competitive pricing to accelerate consumer adoption.
- In spite of intense competition, expanded distribution, ground level activities and product differentiation have helped in driving higher growth across Fabric care portfolio.
- PBIT margin for the category was at 24.9% vs 22.1% in Q1FY24. The company continued to emphasis on driving distribution aimed at increasing presence in the mass category detergent powder segment (Mr.White and Morelight).

Market Share of Fabric Care (Post Wash)

JQ22	SQ22	DQ22	CY23
84.1%	83.7%	83.6%	84%

Source – Company, Way2Wealth Research

- **Dishwash category (33% of revenue)** sales grew at ~7% YoY to ₹248crs, aided by the company’s distribution focus across all channels. PBIT margin was flat at 20% in Q1.
- For both the brands, Exo and Pril the company have invested aggressively across outdoor media and out of home apart from conventional medium. This has boosted growth and brands have now become preferred choice among consumers in the Utensils Cleaning Category.
- Exo: Small packs, innovative scrubber offerings, such as combopacks (steel + Green), are effectively driving trials.
- Pril has been consistently recording high growth in e-commerce channel and also gaining market share. MT channel also grew at a healthy rates on the back of larger pack that are salient in the channel.
- Management continue to enhance the brand equity by driving LUP’s, enhanced digital awareness, ground activations to solidify its position as the preferred choice among consumers and capture a larger share of the market.

Market Share

Brand	SQ22	CY22	CY23	FY24	JQ24
Exo (Bar)	13.9%	13.8%	13.8%	13.7%	13.75%
Pril (liquid)	15.1%	14.8%	14%	13.7%	14.35%

Source – Company, Way2Wealth Research

- **Household Insecticides (7% of revenue)** witnessed a slower growth of 2% YoY to ₹50crs in Q1FY25 witnessing recovery. However, this quarter again, the business was impacted because of extreme summer in North and East of India, which are core focus markets and company is focused on growing saliency in liquid vaporizer with campaign featuring superstar Kareena Kapoor.
- PBIT declined 42% YoY to ₹11crs.



Market Share						
Brand	SQ22	DQ22	CY22	CY23	FY24	JQ24
Coil	23.2%	22.9%	23.3%	23.9%	23.8%	25.8%
Liquid	84%	8.4%	8.9%	8.5%	8.3%	9.1%

Source – Company, Way2Wealth Research

- **Personal care (13% of revenue)** segment which is primarily a Margo franchise grew 11% YoY to ₹93.3crs in Q1FY25 led by consumer promotion and penetration. The company is focusing on increasing the share of personal care category to 15% from current 12%.
- PBIT margin of the category stood at 11% vs 18.2% in Q1FY24. The key raw material is palm oil and prices have been so volatile and it's an imported product.
- Special emphasis is given on social media to target younger target group. The periodic use of social media influencers are helping to build awareness and drive trials.
- The management expects double digit revenue growth, primarily led by good monsoon, expanded distribution network and new launches. On the margin front, with stable commodity prices, expecting EBITDA margin of ~16-17%.
- Capex will be ₹50-60crs in FY25; it will be used for media spending on the development of new categories.

View

The company is driving growth through the expansion of distribution networks and LUPs to increase rural penetration. Moreover, improving on-ground execution and management's focus on volume-led growth, small packs, and geographical expansion could provide further fillip to earnings. Improving cash flows, focus on achieving ~16-17% EBITDA margin, and double-digit revenue growth, make it a good mid-cap pick in the consumer goods space.

The rural recovery, which is a big market, high inflation has impacted the consumers there, and it is a critical area to watch out for sustained category growth going forward.

At CMP ₹538, Jyothy Labs Ltd is trading at a PE of 53.8x toits TTM EPS of 10. Hence **we recommend investors to accumulate the stock.**

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 View – **Accumulate**
Financial Performance

(₹ Cr)

Particulars	Q1FY25	Q1FY24	VAR [%]	Q4FY24	VAR [%]	FY24
Net Sales (Net of Excise Duty)	741.8	687.1	8.0%	660.0	12.4%	2756.9
Other Income	13.7	16.9	-18.8%	13.0	5.8%	53.7
TOTAL INCOME	755.5	704.0	7.3%	673.0	12.3%	2810.6
Total Raw Material Cost	361.3	358.2	0.9%	333.3	8.4%	1403.8
Cost of Raw Material & Components Consumed	358.4	330.3	8.5%	295.6	21.2%	1242.6
(Increase)/ Decrease in Inventories	-26.2	-13.9	88.6%	3.2	-923.6%	6.3
Purchase of Traded Goods	29.1	41.9	-30.5%	34.5	-15.7%	155.0
<i>Total Raw Material Cost % to Sales</i>	<i>48.7%</i>	<i>52.1%</i>	<i>-6.6%</i>	<i>50.5%</i>	<i>-3.5%</i>	<i>50.9%</i>
Employee Cost	86.2	75.9	13.5%	72.6	18.7%	300.5
<i>Employee Cost % to Sales</i>	<i>11.6%</i>	<i>11.0%</i>	<i>5.2%</i>	<i>11.0%</i>	<i>5.6%</i>	<i>10.9%</i>
Advertisement & Sales Promotion Expenses	61.6	50.4	22.1%	59.8	3.0%	228.2
<i>Advertisement & Sales Promotion Expenses % of Sales</i>	<i>8.3%</i>	<i>7.3%</i>	<i>13.1%</i>	<i>9.1%</i>	<i>-8.3%</i>	<i>8.3%</i>
Other Expenses	99.3	85.2	16.6%	86.0	15.5%	344.5
<i>Other Expenses % of Sales</i>	<i>13.4%</i>	<i>12.4%</i>	<i>8.0%</i>	<i>13.0%</i>	<i>2.7%</i>	<i>12.5%</i>
TOTAL EXPENDITURE	608.4	569.7	6.8%	551.6	10.3%	2277.1
EBIDTA	133.4	117.4	13.6%	108.4	23.1%	479.8
<i>EBIDTA Margin %</i>	<i>18.0%</i>	<i>17.1%</i>	<i>5.3%</i>	<i>16.4%</i>	<i>9.5%</i>	<i>17.4%</i>
Finance Costs	1.4	1.1	25.2%	1.3	10.3%	4.7
PBDT	145.8	133.2	9.4%	120.1	21.4%	528.8
Depreciation, Ammortization & Impairment	13.4	12.0	12.1%	12.9	4.3%	50.0
PBT before Tax	132.4	121.3	9.2%	107.2	23.4%	478.8
Tax	30.7	25.0	22.5%	29.1	5.5%	109.5
<i>Tax Rate %</i>	<i>23.2%</i>	<i>20.7%</i>	<i>12.2%</i>	<i>27.1%</i>	<i>-14.5%</i>	<i>22.9%</i>
Reported Profit After Tax	101.7	96.2	5.7%	78.2	30.1%	369.3
<i>PAT Margin %</i>	<i>13.7%</i>	<i>14.0%</i>		<i>11.8%</i>		<i>13.4%</i>
Other Comprehensive Income (net of tax)	-0.6	0.0	5700.0%	-1.1		-1.1
Total Comprehensive Income	101.1	96.2	5.1%	77.1	31.2%	368.2
Basic:						
EPS	2.75	2.62	5.1%	2.10		10.03
Equity	36.7	36.7		36.7		36.7
Face Value	1.0	1.0		1.0		1.0

Source – Company, Way2Wealth Research

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 View – **Accumulate**
Segmental Performance

	(₹ Cr)					
	Q1FY25	Q1FY24	VAR	Q4FY24	VAR	FY24
Revenue from Operations	741.8	687.1	8.0%	660.0	12.4%	2,757.0
Dishwashing	248.0	231.5	7.1%	218.3	13.6%	936.6
<i>% Mix</i>	<i>33.4%</i>	<i>33.7%</i>		<i>33.1%</i>		<i>34.0%</i>
Fabric Care	322.8	296.6	8.8%	281.1	14.9%	1,189.0
<i>% Mix</i>	<i>43.5%</i>	<i>43.2%</i>		<i>42.6%</i>		<i>43.1%</i>
Household Insecticides	50.3	49.4	2.0%	72.2	-30.3%	212.3
<i>% Mix</i>	<i>6.8%</i>	<i>7.2%</i>		<i>10.9%</i>		<i>7.7%</i>
Personal Care	93.3	84.1	10.9%	61.8	50.9%	307.8
<i>% Mix</i>	<i>12.6%</i>	<i>12.2%</i>		<i>9.4%</i>		<i>11.2%</i>
Others	27.4	25.6	7.4%	26.6	3.0%	111.3
<i>% Mix</i>	<i>3.7%</i>	<i>3.7%</i>		<i>4.0%</i>		<i>4.0%</i>
Net Revenue from Operations	741.8	687.1	8.0%	660.0	12.4%	2,757.0
Profit/Loss Before Interest and Tax	134.1	118.4	13.3%	101.4	32.2%	475.1
<i>Margin %</i>	<i>18.1%</i>	<i>17.2%</i>		<i>15.4%</i>		<i>17.2%</i>
Dishwashing	49.5	46.3	6.9%	39.3	25.9%	180.4
<i>Margin %</i>	<i>20.0%</i>	<i>20.0%</i>		<i>18.0%</i>		<i>19.3%</i>
Fabric Care	80.2	65.6	22.2%	64.7	24.1%	287.4
<i>Margin %</i>	<i>24.9%</i>	<i>22.1%</i>		<i>23.0%</i>		<i>24.2%</i>
Household Insecticides	(5.4)	(9.4)	-42.1%	(7.5)	-27.6%	(34.1)
<i>Margin %</i>	<i>-10.8%</i>	<i>-19.0%</i>		<i>-10.4%</i>		<i>-16.1%</i>
Personal Care	10.3	15.3	-33.2%	5.2	95.6%	39.7
<i>Margin %</i>	<i>11.0%</i>	<i>18.2%</i>		<i>8.5%</i>		<i>12.9%</i>
Others	(0.5)	0.5	-193.8%	(0.3)	50.0%	1.7
<i>Margin %</i>	<i>-1.6%</i>	<i>1.9%</i>		<i>-1.1%</i>		<i>1.6%</i>
Less : Interest	(1.4)	(1.1)	25.2%	1.3	-210.3%	4.7
Other Un-allocable Expenditure	(11.5)	(9.8)	17.7%	4.5	-352.9%	35.0
Add : Other Income	11.1	13.8	-19.3%	11.6	-4.0%	35.8
Extra-Ordinary Income/Expense						7.6
Net Profit/Loss Before Tax	132.4	121.3	9.1%	107.2	23.4%	478.8

Source – Company, Way2Wealth Research

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Disclosure of Interest Statement: Jyothy Labs Ltd. as on July 30th, 2024

Name of the Security	Jyothy Labs Ltd.
Name of the analyst	Ashwini Sonawane
Analysts’ ownership of any stock related to the information contained Financial Interest	NIL
Analyst :	
Analyst’s Relative : Yes / No	No
Analyst’s Associate / Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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