

5th February 2024

CMP – ₹510/-

View – Accumulate on Dips

Performance Review for Q3FY24

- Q3FY24 results have shown resilience amidst the current macro environment. Net revenue grew ~11% YoY to ~₹678crs (CAGR - 2 Yr 12.1%, 3 Yr 12.4%, 4 Yr 12.6%). Volume growth was 11% in Q3 with some minor price cut across the portfolio.
- Gross margin expanded 670 bps to 49.8% in Q3FY24. Operating EBITDA at 17.5% (₹118.6crs) versus 13.8% (₹84.4crs) in the same period last year, an increase by 40.6%. Consequent PAT grew ~35% at ₹90.9crs due to operating efficiency and lower interest and depreciation expenses
- A&P to sales ratio stood at 9% vs 6.8% in Q3FY23.
- The demand recovery at the rural India is yet to pick up the momentum. Input prices have eased off from the peak levels. And consequently, there is a higher the savings invested in higher A&P spend, which is driving higher competitiveness.

Important Statistics

Nifty	21,854
Sensex	72,085
MCap (₹ Cr)	₹18,750
52WeekH/L (₹)	554/180
NSE Code	JYOTHYLAB
BSE Code	532926
Bloomberg Code	JYL:IN

Shareholding Pattern (%) Dec'23

Promoters	62.90
FII	14.65
DII's	13.85
Public & Others	08.61

Key Highlights

- The input prices have normalized and have helped in sustaining the margins.
- Due to softening of a few commodity prices, gross margin expanded 670 bps YoY to 49.8% in Q3FY24
- On the business environment front, overall demand environment has been mixed due to high inflation, consumer spend has been reduced thereby driving significant competitive intensity and resulting in more focus towards volume growth.
- The company is continue to strengthen franchise with regular investment in all the growth initiatives, which they have identified, which is towards strategic brand building, increasing direct distribution and also manufacturing capacity augmentation. And this obviously is supported with focused execution, which has resulted in double-digit revenue growth for this quarter and as well as on the 2-year and 3-year CAGR basis.
- Distribution reach has now expanded to more than one million outlets (1.1mn) from 0.85 mn outlets in Apr'21 and is expected to further improve in the coming years. The company have put extra focus on sales of existing economy or mid-price detergent brands of Mr. White and More Light which have delivered double digit growth momentum
- The growth momentum to sustain in the quarters ahead with a larger focus on expanding the distribution of key brands, premiumisation and improving traction for lower unit packs in the dishwashing category
- The company has guided double-digit revenue growth in FY24E, aided by distribution expansion-led volume growth and confident of maintaining historical EBITDA margin of 16%-17%.

Financials

(₹ Cr)		
Particulars	FY22	FY23
Revenues	2,197	2,486
EBITDA	248	316
EBITDA Margin (%)	11.3	13
Net Profit	159	240
EPS (₹)	4.32	6.53
RoCE (%)	13	19
Working Capital Days	20	13

Source – Company, Way2Wealth Research

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
Jyothy Labs	135%	221%	178%
Nifty 50	23%	46%	98%
Sensex	19%	42%	95%

Source: Company, Way2Wealth Research

Segments

Jyothy Labs' (JLL's) delivered 11% sales growth on the back of strong 12% growth in the Fabric Care, 5% growth in household insecticides segment, 7% growth in dishwashing and 22% growth in Personal care segment.

	Fabric Care	Dishwash	Household Insecticides	Personal Care
Q3FY24	11.9%	6.7%	5.4%	22.3%
Q3FY24 (2 year CAGR)	18.7%	8.3%	-5.7%	16.8%
Q3FY24 (3 year CAGR)	18.8%	9%	-0.8%	11%

Source – Company, Way2Wealth Research

Ashwini Sonawane

ashwinisonawane@way2wealth.com
91-22-4019 2913

5th February 2024

CMP – ₹510/-

View – Accumulate on Dips

- **Fabric care** sales grew by 12% in Q3FY24 to ₹295Cr with improvement in sales across all brands. Post wash and main wash brands, both have had healthy growth across and focus on all the other brands like the fast-growing liquid detergent category, which has also witnessed good results.
- Ujala detergent continued to emphasis on build salience and traction in new geography. The consistent use of influencers on social media also helping to increase brand affinity.
- PBIT margin for the category was at 25.2% vs 18.4% in Q3FY23. 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	MQ23
84.1%	83.7%	83.6%	84%

Source – Company, Way2Wealth Research

- **Dishwash category** sales grew at ~7% YoY to ₹236crs, aided by the company's distribution focus across all channels.
- Exo category has higher saliency towards LUPs which is driving the growth led by ₹10 pack. The engagement led activation through print media helped to build positive salience for Exo among consumers
- Pril has been consistently recording high growth in e-commerce channel quarter after quarter. MT channel also grew at a healthy rates on the back of larger pack that are salient in the channel

Market Share

Brand	JQ22	SQ22	CY22	CY23
Exo (Bar)	13.7%	13.9%	13.8%	13.8%
Pril (liquid)	15.1%	15.1%	14.8%	14%

Source – Company, Way2Wealth Research

- **Household Insecticides** witnessed a slower growth of 5% YoY to `46crs in Q3FY24. The company continued its focus on the liquid format, driving brand communication, highlighting the automatic feature of machine, which is unique in the category. For Q4FY24, management is positive, which is seasonally the large quarter for the HI Business.

Market Share

Brand	DQ21	SQ22	DQ22	CY22	CY23
Coil	24.3%	23.2%	22.9%	23.3%	23.9%
Liquid	9.7%	84%	8.4%	8.9%	8.5%

Source – Company, Way2Wealth Research

- **Personal care** segment which is primarily a Margo franchise grew 22% YoY to ₹72crs in Q3FY24 led by consumer promotion and penetration. The brand investments across mediums promoting & advocating brand Margo as "Ek Aachi Aadat (A good habit)" helped to bring double digit growth,

5th February 2024

CMP – ₹510/-

View – Accumulate on Dips

- PBIT margin of the category stood at 13% vs 15% in Q3FY23. 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 Neem based Margo portfolio soaps, along with the new variants of rose, lemon, jasmine, they all have got good acceptance with the consumer, and company is continuing to focus on brand investments across medium, along with focus on distribution for the Personal Care segment

FY24 Approach

Fabric Care	Stay focused on premium and value offering in Detergents & enter new geography for post wash Products. Build scale across categories.
Dishwash	Strengthen equity on brands further to become brand of choice among consumers and gain market share
Household Insecticide	Consolidate and innovate to increase market share across formats. Focus on innovation to drive brand affinity.
Personal Care	Leverage Margo brand equity and enter new Formats/categories. Build scale through with a larger bouquet of offerings in Toilet Soap ('TS') category

- The management targeting double digit revenue growth, primarily led by volume for FY24. On the margin front, with stable commodity prices, expecting EBITDA margin of ~16-17%.

View

The Jyotby Labs Ltd posted a strong profitability performance across categories YoY. The company is driving growth through expansion of distribution network 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% 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 ₹510, Jyothy Labs Ltd is trading at PE of 53.1x to its TTM EPS of 9.6. Hence **we recommend investor to accumulate the stock on dips.**

5th February 2024

CMP – ₹510/-

View – Accumulate on Dips

Financial Performance

	(₹ Cr)							
	Q3FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
Net Sales (Net of Excise Duty)	677.5	612.7	10.6%	732.3	-7.5%	2096.9	1869.1	12.2%
Other Operating Income	0.0	0.0	-	0.0	-	0.0	0.0	-
Total Operating Income	677.5	612.7	10.6%	732.3	-7.5%	2096.9	1869.1	12.2%
Other Income	10.6	15.2	-30.6%	13.2	-20.0%	40.7	33.8	20.5%
TOTAL INCOME	688.1	627.9	9.6%	745.6	-7.7%	2137.7	1902.9	12.3%
Total Raw Material Cost	340.4	348.7	-2.4%	371.9	-8.5%	1070.5	1100.1	-2.7%
Cost of Raw Material & Components Consumed	303.0	279.6	8.4%	313.7	-3.4%	947.0	1010.3	-6.3%
(Increase)/ Decrease in Inventories	3.5	37.0	-90.6%	13.5	-74.1%	3.1	-25.3	-112.2%
Purchase of Traded Goods	33.9	32.1	5.6%	44.7	-24.3%	120.5	115.1	4.7%
<i>Total Raw Material Cost % to Sales</i>	<i>50.2%</i>	<i>56.9%</i>	<i>-11.7%</i>	<i>50.8%</i>	<i>-1.1%</i>	<i>51.1%</i>	<i>58.9%</i>	<i>-13.3%</i>
Employee Cost	75.2	66.3	13.4%	76.9	-2.3%	228.0	199.9	14.1%
<i>Employee Cost % to Sales</i>	<i>11.1%</i>	<i>10.8%</i>	<i>2.6%</i>	<i>10.5%</i>	<i>5.6%</i>	<i>10.9%</i>	<i>10.7%</i>	<i>1.7%</i>
Advertisement & Sales Promotion Expenses	60.7	41.8	45.1%	57.4	5.7%	168.5	128.4	31.2%
<i>Advertisement & Sales Promotion Expenses % of Sales</i>	<i>9.0%</i>	<i>6.8%</i>	<i>31.2%</i>	<i>7.8%</i>	<i>14.3%</i>	<i>8.0%</i>	<i>6.9%</i>	<i>17.0%</i>
Other Expenses	82.7	71.6	15.5%	90.7	-8.9%	258.6	216.2	19.6%
<i>Other Expenses % of Sales</i>	<i>12.2%</i>	<i>11.7%</i>	<i>4.4%</i>	<i>12.4%</i>	<i>-1.5%</i>	<i>12.3%</i>	<i>11.6%</i>	<i>6.6%</i>
TOTAL EXPENDITURE	558.9	528.4	5.8%	597.0	-6.4%	1725.5	1644.5	4.9%
EBIDTA	118.6	84.3	40.7%	135.4	-12.4%	371.4	224.6	65.4%
<i>EBIDTA Margin %</i>	<i>17.5%</i>	<i>13.8%</i>	<i>27.3%</i>	<i>18.5%</i>	<i>-5.3%</i>	<i>17.7%</i>	<i>12.0%</i>	<i>47.4%</i>
Finance Costs	1.2	3.2	-62.9%	1.2	1.7%	3.5	10.0	-65.2%
PBDT	128.0	96.3	32.9%	147.4	-13.2%	408.7	248.4	64.5%
Depreciation, Ammortization & Impairment	12.8	12.2	5.4%	12.3	4.1%	37.1	38.2	-3.0%
PBT before Exceptional Items	115.2	84.2	36.9%	135.1	-14.7%	371.6	210.2	76.8%
Exceptional Items	-	-	-	-	-	0.0	-7.0	-100.0%
PBT after Exceptional Items	115.2	84.2	36.9%	135.1	-14.7%	371.6	217.2	71.1%
Tax	24.3	16.9	44.0%	31.1	-22.0%	80.5	36.8	118.6%
<i>Tax Rate %</i>	<i>21.1%</i>	<i>20.0%</i>	<i>5.2%</i>	<i>23.0%</i>	<i>-8.6%</i>	<i>21.7%</i>	<i>16.9%</i>	<i>27.8%</i>
Reported Profit After Tax	90.9	67.3	35.1%	104.0	-12.6%	291.1	180.4	61.4%
<i>PAT Margin %</i>	<i>13.4%</i>	<i>11.0%</i>		<i>14.2%</i>		<i>13.9%</i>	<i>9.7%</i>	
Other Comprehensive Income (net of tax)	0.1	0.1	-12.5%	0.0		0.1	-0.3	-117.2%
Total Comprehensive Income	91.0	67.4	35.0%	104.0	-12.5%	291.2	180.1	61.7%
Basic:								
EPS	2.48	1.84	35.0%	2.83		7.93	4.90	61.7%
Equity	36.7	36.7		36.7		36.7	36.7	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source –Company, Way2Wealth Research

5th February 2024

CMP – ₹510/-

View – Accumulate on Dips

Segmental Performance

	Q3FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
(₹ Cr)								
REVENUES								
Revenue from Operations	677.5	612.7	10.6%	732.4	-7.5%	2,097.0	1,869.1	12.2%
Dishwashing	236.1	221.3	6.7%	250.7	-5.8%	718.3	658.5	9.1%
% Mix	34.8%	36.1%		34.2%		34.3%	35.2%	
Fabric Care	294.8	263.5	11.9%	316.6	-6.9%	908.0	800.8	13.4%
% Mix	43.5%	43.0%		43.2%		43.3%	42.8%	
Household Insecticides	45.7	43.4	5.4%	45.0	1.7%	140.1	131.7	6.3%
% Mix	6.8%	7.1%		6.1%		6.7%	7.0%	
Personal Care	72.3	59.1	22.3%	89.6	-19.3%	246.0	201.8	21.9%
% Mix	10.7%	9.7%		12.2%		11.7%	10.8%	
Laundry Service			-		-	-	-	-
% Mix	0.0%	0.0%		0.0%		0.0%	0.0%	
Others	28.6	25.3	13.1%	30.4	-5.9%	84.6	76.2	11.1%
% Mix	4.2%	4.1%		4.2%		4.0%	4.1%	
Total Segment Revenue	677.5	612.7	10.6%	732.4		2,097.0	1,869.1	12.2%
PROFIT								
Profit/Loss Before Interest and Tax	118.3	83.0	42.6%	137.0	-13.7%	373.7	214.8	73.9%
Margin %	17.5%	13.5%		18.7%		17.8%	11.5%	
Dishwashing	42.5	33.8	25.5%	52.3	-18.8%	141.1	96.6	46.1%
Margin %	18.0%	15.3%		20.9%		19.6%	14.7%	
Fabric Care	74.4	48.5	53.3%	82.8	-10.1%	222.7	122.7	81.5%
Margin %	25.2%	18.4%		26.1%		24.5%	15.3%	
Household Insecticides	(9.3)	(6.9)	35.4%	(7.9)	18.1%	(26.6)	(19.3)	38.1%
Margin %	-20.4%	-15.9%		-17.6%		-19.0%	-14.6%	
Personal Care	9.3	9.0	2.9%	9.8	-5.1%	34.4	18.9	82.2%
Margin %	12.9%	15.3%		10.9%		14.0%	9.4%	
Laundry Service			-		-	-	-	-
Margin %	-	-		-		-	-	
Others	1.5	(1.5)	-198.1%	0.1	2920.0%	2.0	(4.0)	-150.6%
Margin %	5.3%	-6.1%		0.2%		2.4%	-5.3%	
Less : Interest	1.2	3.2	-62.9%	1.2	1.7%	2.3	6.8	-66.4%
Other Un-allocable Expenditure	9.6	7.6	26.1%	11.2	-14.1%	20.9	11.6	80.3%
Add : Other Income				10.4		24.2	12.5	94.2%
Extra-Ordinary Income/Expense	7.6	12.1				-	7.0	
Net Profit/Loss Before Tax	115.2	84.3	36.7%	135.1	-12.4%	374.7	209.0	79.3%

Source –Company, Way2Wealth Research

5th February 2024

CMP – ₹510/-

View – Accumulate on Dips

Disclaimer

Analyst Certification: I, Ashwini Sonawane, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Ashwini Sonawane, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement: Jyothy Labs Ltd. as on February 5th, 2024

Name of the Security	Jyothy Labs Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

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

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.