

5th May 2023

CMP –195/-

View – **Accumulate on Dips**
Performance Review for Q4FY23

- The company reported a quarter of double-digit sales growth; with strong margin expansion led by softening of commodity prices
- FMCG sales volume increased by 3.3% (for FY23 volume growth 3%). Sales increased by 13% YoY to ₹617Cr.
- EBITDA increased by 59.5% YoY and 8.2% QoQ to ₹91.3Cr. EBITDA margin expanded 430 bps to 14.8%.
- Consequent PAT was at ₹59.3Cr (up 61% YoY) due to operating efficiency and lower depreciation
- A&P to sales ratio stood at 7.4% vs 7.2% in Q4FY22.

Important Statistics

Mcap (₹ Cr)	₹7,175
52 Week H/L (₹)	223/142
NSE Code	JYOTHYLAB
BSE Code	532926

Shareholding pattern (%) Mar'23

Promoters	62.9
FII & DIIs	30.6
Public & Others	06.5

Key Highlights

- Jyothy Labs reported FMCG revenue growth of 13% YoY led by pricing growth of 10% and volume growth of 3%. This was aided by robust growth in fabric wash segment.
- Due to softening of a few commodity prices, gross margin expanded 430 bps YoY to 45.7% in Q4FY23. It has highlighted that there will be sequential margin improvement led by softening of commodity prices.
- The company witnessed stable growth across all channels in Q4FY23. General trade share for the company is at 80% and the balance 20% is institutional, which includes modern trade, e-commerce, and Canteen Stores Department.
- 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
- Management expects revenue growth momentum to sustain in the quarters ahead with a larger focus on expanding the distribution of key brands and improving traction for lower unit packs in the dishwashing category
- If raw-material prices remain stable or correct further. The company targets to achieve a historical OPM of ~15% in the upcoming quarters. The company has also guided double-digit revenue growth in FY24E, aided by distribution expansion-led volume growth.

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

Concall Highlights

Jyothy Labs' (JLL's) delivered strong double digit revenue growth on the back of strong 20% growth in the Fabric Care, 9% growth in Dishwash segment and 12% growth in Personal care segment.

	Fabric Care	Dishwash	Household Insecticides	Personal Care
Q4FY23 (YoY Growth)	20.1%	8.7%	0.9%	12.1%
FY23	29.3%	8.4%	-20.2%	8.7%
Q4FY23 (2Y CAGR)	19.1%	10.4%	-4.2%	11.9%

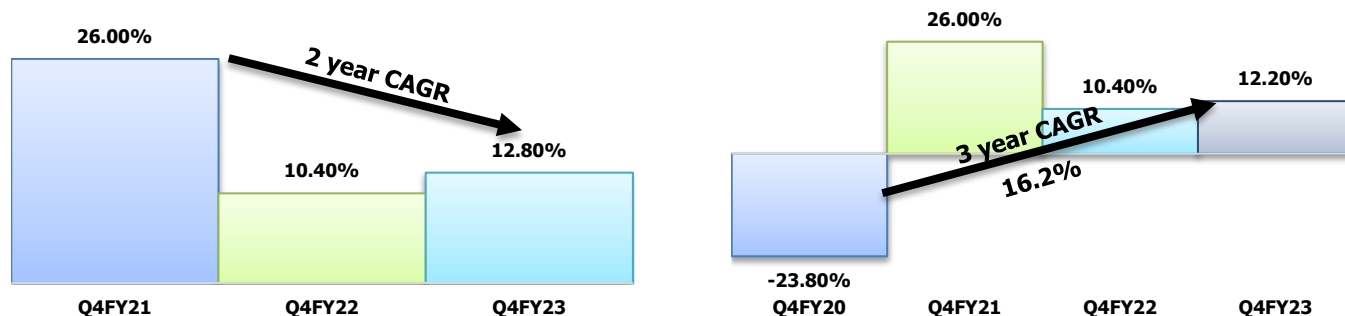
Source – Company, Way2Wealth Research

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Q4FY23 Revenue Growth



Source – Company, Way2Wealth Research

- Fabric care sales grew by 20% in Q4FY23 to ₹255Cr with improvement in sales across all brands. For full year, Fabric care segment grew 29% YoY to ₹1056. The company saw strong growth across portfolio of detergent, post wash as well as Ujala Crisp & Shine. Ujala Crisp & Shine consistently gained consumer demand and grew over last year. Henko Liquid Detergent has registered a positive acceptance in its first year of launch. Mr White –mid price detergent brand registered a strong double-digit growth in Q4FY23. Morelight brand is focused towards mass segment of the category that aid in stain removal and is designed to ensure no adverse effect on colours. PBIT margin for the category increased by 760 bps y-o-y to 19.5%

Market Share of Fabric Care (Post Wash)

JQ22	SQ22	DQ22	MQ23
84.1%	83.7%	83.6%	84%

Source – Company, Way2Wealth Research

- The Premium end like Henko Stain Care Powder detergent grew in double digits delivering robust performance across channels.

Market Share of Detergent Powder (Kerala)

JQ22	SQ22	DQ22	MQ23
20.3%	20.0%	22.2%	21.9%

Source – Company, Way2Wealth Research

- Dishwash category sales grew at 8.6% YoY to ₹206Cr, aided by the company's distribution focus across all channels. Exo grew at a faster pace at 11% in CY22. Brand registered strong growth and reached highest ever market share of 13.8%. In CY22 consistent drives on availability and offtake led initiatives on LUPs enabled Exo to add new consumers on to the brand. Premium Variant Pril Tamarind, owing to superior delivery has been able to grow quickly. It is currently contributing ~9% to brand sales. PBIT margin of the dishwashing category improved by 520 bps y-o-y to 17.5% in Q4FY23. Relentless drive on LUPs is helping the brand to recruit more consumers onto to the brand and become stronger No: 2 player.

Market Share

Brand	JQ22	SQ22	CY22
Exo (Bar)	13.7%	13.9%	14.0%
Pril (liquid)	15.1%	15.1%	14.8%

Source – Company, Way2Wealth Research

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- Household Insecticides witnessed de-growth in category owing to seasonal and industry issues affecting brand sales. On a two-year CAGR basis, the portfolio de-grew by 4%. Brand registered single digit growth in liquids, while coils declined in Q4. Hazardous illegal mosquito repellent sticks continue to impact the coil category sales.

Market Share				
Brand	DQ21	SQ22	DQ22	CY22
Coil	24.3%	23.2%	22.9%	23.1%
Liquid	9.7%	8.4%	8.4%	8.9%

Source – Company, Way2Wealth Research

- Personal care segment which is primarily a Margo franchise grew 12% YoY to ₹52.4Cr in Q4FY23 led by double-digit growth across key markets. PBIT margin of the category improved by 60 bps y-o-y to 13.3%. Special emphasis is given on social media to target younger target group. Periodic use of social media influencers are helping to build awareness and drive trials.
- For FY23, JYL reported volume, revenue, EBITDA and PAT growth of 3%, 13.2%, 27.5% and 43.5% yoy, respectively. Segmental—fabric care grew 29.3%, dishwash grew 8.6% yoy, HI declined 20.2% yoy and personal care grew 8.7% yoy.
- As stated by the management, LUP (₹5 and ₹10 packs) contribution is ~30-35% of the total business.
- The price point of ₹10 is working well in rural regions while larger packs are doing well in modern stores. JYL's rural salience is at 40%; it currently reaches all villages in India with a 10K+ population, and region-mix stands at 40% from South and 60% from non-South markets.
- Nil gross debt as at March 31, 2023, Net Cash balance of ₹283Cr

View

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, enhanced media support, small packs and geographical expansion could provide further fillip to earnings. We believe that the softening of commodity prices of crude oil, palm oil in specific and calibrated price hikes should lead to sequential improvement in margins. Improving cash flows, focus on achieving double-digit volume growth, and attractive valuations make it a good mid-cap pick in the consumer goods space.

At CMP ₹195, Jyothy Labs Ltd is trading at PE of 32.3x to its TTM EPS of 6.04 which is at a discount to its peers. Hence **we recommend investor to Accumulate the stock on dips.**

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Financial Performance

(₹ Cr)

	Q4FY23	Q4FY22	VAR	Q3FY23	VAR	FY23	FY22	VAR
Net Sales	617.0	546.7	12.8%	612.7	0.7%	2486.0	2196.5	13.2%
Total Operating Income	617.0	546.7	12.9%	612.7	0.7%	2486.0	2196.5	13.2%
Other Income	5.7	5.7	-0.5%	15.3	-62.6%	39.5	18.7	111.7%
TOTAL INCOME	622.7	552.4	12.7%	627.9	-0.8%	2525.6	2215.2	14.0%
Total Raw Material Cost	334.9	320.1	4.6%	348.6	-3.9%	1434.9	1283.0	11.8%
Cost of Raw Material & Components Consumed	280.9	280.6	0.1%	279.6	0.4%	1291.2	1096.0	17.8%
(Increase)/ Decrease in Inventories	22.1	5.0	341.0%	36.9	-40.3%	-3.3	-3.3	0.6%
Purchase of Traded Goods	32.0	34.5	-7.5%	32.1	-0.4%	147.0	190.3	-22.7%
<i>Total Raw Material Cost % to Sales</i>	<i>54.3%</i>	<i>58.6%</i>	<i>-7.3%</i>	<i>56.9%</i>	<i>-4.6%</i>	<i>57.7%</i>	<i>58.4%</i>	<i>-1.2%</i>
Employee Cost	64.8	60.2	7.6%	66.4	-2.4%	264.8	247.5	7.0%
<i>Employee Cost % to Sales</i>	<i>10.5%</i>	<i>11.0%</i>	<i>-4.7%</i>	<i>10.8%</i>	<i>-3.1%</i>	<i>10.7%</i>	<i>11.3%</i>	<i>-5.5%</i>
Advertisement & Sales Promotion Expenses	45.9	39.1	17.5%	41.8	9.8%	174.3	161.1	8.2%
<i>Advertisement & Sales Promotion Expenses % of Sales</i>	<i>7.4%</i>	<i>7.2%</i>	<i>4.1%</i>	<i>6.8%</i>	<i>9.0%</i>	<i>7.0%</i>	<i>7.3%</i>	<i>-4.4%</i>
Other Expenses	80.1	70.0	14.4%	71.5	12.1%	296.2	256.8	15.3%
<i>Other Expenses % of Sales</i>	<i>13.0%</i>	<i>12.8%</i>	<i>1.4%</i>	<i>11.7%</i>	<i>11.3%</i>	<i>11.9%</i>	<i>11.7%</i>	<i>1.9%</i>
TOTAL EXPENDITURE	525.7	489.5	7.4%	528.3	-0.5%	2170.2	1948.3	11.4%
EBIDTA	91.3	57.2	59.5%	84.4	8.2%	315.9	248.2	27.3%
<i>EBIDTA Margin %</i>	<i>14.8%</i>	<i>10.5%</i>	<i>41.3%</i>	<i>13.8%</i>	<i>7.5%</i>	<i>12.7%</i>	<i>11.3%</i>	<i>12.4%</i>
Finance Costs	3.1	2.9	9.5%	3.2	-2.8%	13.1	11.8	11.2%
PBDT	93.9	60.1	56.2%	96.4	-2.6%	342.3	255.1	34.2%
Depreciation, Ammortization & Impairment	11.9	15.4	-22.8%	12.2	-2.1%	50.1	58.2	-13.8%
PBT before Exceptional Items	82.0	44.7	83.4%	84.3	-2.7%	292.2	196.9	48.4%
PBT after Exceptional Items	82.0	44.7	83.4%	84.3	-2.7%	299.2	196.9	52.0%
Tax	22.7	7.8	191.9%	16.9	34.5%	59.5	37.8	57.4%
<i>Tax Rate %</i>	<i>27.7%</i>	<i>17.4%</i>	<i>59.1%</i>	<i>20.0%</i>	<i>38.2%</i>	<i>19.9%</i>	<i>19.2%</i>	<i>3.6%</i>
Reported Profit After Tax	59.3	36.9	60.6%	67.4	-12.0%	239.7	159.1	50.7%
<i>PAT Margin %</i>	<i>9.6%</i>	<i>6.8%</i>		<i>11.0%</i>		<i>9.6%</i>	<i>7.2%</i>	
Other Comprehensive Income (net of tax)	0.9	0.9	7.0%	-0.4				-
Total Comprehensive Income	60.2	37.8	59.4%	67.0	-10.2%	239.7	159.1	50.7%
Basic:								
EPS	1.64	1.03	59.4%	1.83		6.53	4.33	50.7%
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

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Segmental Performance

(₹ Cr)

	Q4FY23	Q4FY22	VAR	Q3FY23	VAR	FY23	FY22	VAR
REVENUES								
Revenue from Operations	616.9	546.7	12.8%	612.7	0.7%	2,485.9	2,196.4	13.2%
Dishwashing	206.2	189.8	8.6%	221.3	-6.8%	864.8	797.8	8.4%
% Mix	33.4%	34.7%		36.1%		34.8%	36.3%	
Fabric Care	255.3	212.6	20.1%	263.5	-3.1%	1,056.1	817.0	29.3%
% Mix	41.4%	38.9%		43.0%		42.5%	37.2%	
Household Insecticides	80.0	79.3	0.9%	43.4	84.3%	211.7	265.2	-20.2%
% Mix	13.0%	14.5%		7.1%		8.5%	12.1%	
Personal Care	52.4	46.7	12.1%	59.1	-11.4%	254.2	233.9	8.7%
% Mix	8.5%	8.5%		9.7%		10.2%	10.6%	
Laundry Service	13.4	8.6	56.7%	13.1	2.6%	48.7	27.0	80.2%
% Mix	2.2%	1.6%		2.1%		2.0%	1.2%	
Others	9.6	9.7	-1.0%	12.2	-21.5%	50.5	55.5	-9.0%
% Mix	1.6%	1.8%		2.0%		2.0%	2.5%	
Total Segment Revenue	616.9	546.7	12.8%	612.7		2,485.9	2,196.4	13.2%
PROFIT								
Profit/Loss Before Interest and Tax	91.2	54.8	66.6%	82.9	10.0%	306.0	232.2	31.8%
Margin %	14.8%	10.0%		13.5%		12.3%	10.6%	
Dishwashing	36.1	23.4	54.5%	33.8	6.7%	132.7	92.9	42.9%
Margin %	17.5%	12.3%		15.3%		15.3%	11.6%	
Fabric Care	49.9	25.2	97.9%	48.5	2.8%	172.6	123.6	39.6%
Margin %	19.5%	11.9%		18.4%		16.3%	15.1%	
Household Insecticides	(0.9)	0.3	-381.8%	(6.9)	-86.5%	(20.2)	(7.9)	155.6%
Margin %	-1.2%	0.4%		-15.9%		-9.6%	-3.0%	
Personal Care	7.0	6.0	17.3%	9.0	-22.8%	25.9	35.6	-27.3%
Margin %	13.3%	12.7%		15.3%		10.2%	15.2%	
Laundry Service	(0.4)	(1.5)	-76.0%	(1.6)	-76.1%	(5.2)	(8.7)	-40.5%
Margin %	-2.8%	-18.0%		-11.8%		-10.6%	-32.2%	
Others	(0.4)	1.5	-130.1%	(0.0)	4300.0%	0.3	(3.2)	-109.9%
Margin %	-4.6%	15.1%		-0.1%		0.6%	-5.8%	
Less : Interest	3.1	2.9	9.5%	3.2	-2.8%	13.1	11.8	10.8%
Other Un-allocable Expenditure	9.5	10.3	-8.0%	7.6	24.7%	28.7	31.4	-8.8%
Add : Other Income	3.3	3.1	7.4%	12.1	-72.6%	32.8	8.0	311.3%
Extra-Ordinary Income/Expense						2.1	-	
Net Profit/Loss Before Tax	81.9	44.7	83.3%	84.2	-2.7%	299.2	196.9	51.9%

Source – Company, Way2Wealth Research

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Disclosure of Interest Statement Jyothy Labs Ltd. as on May 5th, 2023

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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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