

9th November 2023

CMP – ₹417/-

View – Accumulate on Dips

Performance Review for Q2FY24

- The company reported a strong quarter of profitability led by softening of commodity prices and small pack units. Revenue at ₹732 crs increased by 11.1% (CAGR - 2 Yr 11.9%, 3 Yr 13.2%, 4 Yr 11.4%) with 9% volume growth
- Gross margin expanded 870 bps to 49.2% in Q2FY24. EBITDA increased by 68% YoY and 15% QoQ to ₹135 crs. EBITDA margin expanded 630 bps to 18.5% YoY.
- Consequent PAT grew 59% at ₹104 crs due to operating efficiency and lower interest and depreciation expenses
- A&P to sales ratio stood at 12.4% vs 11.4% in Q2FY23.

Important Statistics

Nifty	19,449
Sensex	65,000
MCap(₹Cr)	₹15,304
52WeekH/L (₹)	425/180
NSE Code	JYOTHYLAB
BSE Code	532926
Bloomberg Code	JYL:IN

Shareholding Pattern (%) Sep'23

Promoters	62.9
FII & DIIs	14.6
DIIs	14.1
Public & Others	08.4

Key Highlights

- Jyothy Labs reported FMCG revenue growth of 11% YoY led by pricing growth of 2% and volume growth of 9%. This was aided by robust growth across categories. Performance was driven by LUPs and distribution network.
- Due to softening of a few commodity prices, gross margin expanded 870 bps YoY to 49.2% in Q2FY24. 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 Q2FY24. 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
- The 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
- 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
Radico	116	46	17
Nifty 50	7.1	55.9	85.6
Sensex	6.5	52.6	84.9

Source: Company, Way2Wealth Research

Segments

Jyothy Labs' (JLL's) delivered strong double digit revenue growth on the back of strong 11% growth in the Fabric Care, 10% growth in Dishwash segment, 22% growth in Personal care and 3.4% growth in Household Insecticides segment.

	Fabric Care	Dishwash	Personal Care	Household Insecticides
Q2FY24	10.6%	10.0%	22.3%	3.4%
Q2FY24 (2 year CAGR)	21.6%	7.8%	16.4%	-15.3%
Q2FY24 (3 year CAGR)	22.8%	9.4%	12.6%	-9.3%

Source – Company, Way2Wealth Research

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- **Fabric care** sales grew by 11% in Q2FY24 to ₹317Cr with improvement in sales across all brands. The company saw strong growth across portfolio of detergent, post wash as well as Ujala Crisp & Shine. Ujala Crisp & Shine consistently gained consumer demand. PBIT margin for the category was at 26.1% vs 15.1% in Q2FY23. 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

- The Premium end like Henko Liquid Detergent has registered a significant growth in Q2FY24 driven by smaller pack.
- The company has launched Ujala Liquid Detergent Front Load variant to strengthen portfolio in the category and also associated with Big Boss Kerala to garner impact on Prime Time TV.
- **Dishwash category** sales grew at 10% YoY to ₹251 crs, aided by the company's distribution focus across all channels. 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. The company is strengthening brand equity in Rural India through activities like Mela, and Wall painting.
- 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 550 bps y-o-y to 20.9% in Q2FY24.

Market Share

Brand	JQ22	SQ22	CY22	SQ23
Exo (Bar)	13.7%	13.9%	14.0%	14%
Pril (liquid)	15.1%	15.1%	14.8%	14.3%

Source – Company, Way2Wealth Research

- **Household Insecticides** witnessed a slower growth of 3% YoY to ₹45 crs in Q2FY24 due to dry August month, receiving 36% less rainfall than usual. The company continued its focus on driving combo packs to build penetration and adoption of LV refills.

Market Share

Brand	DQ21	SQ22	DQ22	CY22	SQ22
Coil	24.3%	23.2%	22.9%	23.3%	23.9%
Liquid	9.7%	84%	8.4%	8.9%	8.1%

Source – Company, Way2Wealth Research

- **Personal care** segment which is primarily a Margo franchise grew 22% YoY to ₹90 crs in Q2FY24 led by consumer promotion and penetration. PBIT margin of the category stood at 10.9% vs 10.1% in Q2FY23. 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.

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 price point of ₹10 is working well in rural regions. Nil net debt as at Sep'23 and Net Cash balance stood at ₹440 crs

View

The Jyothy Labs Ltd posted a strong profitability performance across categories. 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.

At CMP ₹417, Jyothy Labs Ltd is trading at PE of 53.5x to its TTM EPS of 7.8. Hence **we recommend investor to accumulate the stock on dips.**

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Financial Performance

(₹ Cr)

Particulars	Q2FY24	Q2FY23	VAR [%]	Q1FY24	VAR [%]	H1FY24	H2FY23	VAR [%]
Net Sales (Net of Excise Duty)	732.3	659.2	11.1%	687.1	6.6%	1419.4	1256.4	13.0%
Other Income	13.2	5.3	147.8%	16.9	-21.9%	30.2	18.6	62.5%
TOTAL INCOME	745.6	664.5	12.2%	704.0	5.9%	1449.6	1275.0	13.7%
Total Raw Material Cost	371.9	392.2	-5.2%	358.2	3.8%	730.2	751.4	-2.8%
Cost of Raw Material & Components Consumed	313.7	387.1	-19.0%	330.3	-5.0%	644.0	730.7	-11.9%
(Increase)/ Decrease in Inventories	13.5	-38.2	-135.3%	-13.9	-197.0%	-0.4	-62.3	-99.3%
Purchase of Traded Goods	44.7	43.2	3.5%	41.9	6.9%	86.6	83.0	4.4%
<i>Total Raw Material Cost % to Sales</i>	<i>50.8%</i>	<i>59.5%</i>	<i>-14.6%</i>	<i>52.1%</i>	<i>-2.6%</i>	<i>51.4%</i>	<i>59.8%</i>	<i>-14.0%</i>
Employee Cost	76.9	69.7	10.4%	75.9	1.3%	152.8	133.6	14.4%
<i>Employee Cost % to Sales</i>	<i>10.5%</i>	<i>10.6%</i>	<i>-0.6%</i>	<i>11.0%</i>	<i>-4.9%</i>	<i>10.8%</i>	<i>10.6%</i>	<i>1.2%</i>
Advertisement & Sales Promotion Expenses	57.4	41.5	38.2%	50.4	13.8%	107.8	86.6	24.5%
<i>Advertisement & Sales Promotion Expenses % of Sales</i>	<i>7.8%</i>	<i>6.3%</i>	<i>24.4%</i>	<i>7.3%</i>	<i>6.8%</i>	<i>7.6%</i>	<i>6.9%</i>	<i>10.2%</i>
Other Expenses	90.7	75.4	20.3%	85.2	6.6%	175.9	144.6	21.6%
<i>Other Expenses % of Sales</i>	<i>12.4%</i>	<i>11.4%</i>	<i>8.3%</i>	<i>12.4%</i>	<i>0.0%</i>	<i>12.4%</i>	<i>11.5%</i>	<i>7.7%</i>
TOTAL EXPENDITURE	597.0	578.8	3.1%	569.7	4.8%	1166.7	1116.2	4.5%
EBIDTA	135.4	80.4	68.3%	117.4	15.3%	252.8	140.3	80.2%
<i>EBIDTA Margin %</i>	<i>18.5%</i>	<i>12.2%</i>	<i>51.5%</i>	<i>17.1%</i>	<i>8.2%</i>	<i>17.8%</i>	<i>11.2%</i>	<i>59.5%</i>
Finance Costs	1.2	3.5	-66.2%	1.1	5.4%	2.3	6.8	-66.3%
PBDT	147.4	82.3	79.1%	133.3	10.6%	280.7	152.1	84.6%
Depreciation, Ammortization & Impairment	12.3	13.0	-5.5%	12.0	2.9%	24.3	26.1	-6.9%
PBT before Exceptional Items	135.1	69.3	95.0%	121.3	11.4%	256.4	126.0	103.5%
Exceptional Items		-7.0	-100.0%		-	0.0	-7.0	-100.0%
PBT after Exceptional Items	135.1	76.3	77.1%	121.3	11.4%	256.4	133.0	92.7%
Tax	31.1	11.0	184.1%	25.0	24.4%	56.2	20.0	181.6%
<i>Tax Rate %</i>	<i>23.0%</i>	<i>14.4%</i>	<i>60.5%</i>	<i>20.6%</i>	<i>11.6%</i>	<i>21.9%</i>	<i>15.0%</i>	<i>46.1%</i>
Reported Profit After Tax	104.0	65.4	59.1%	96.3	8.0%	200.2	113.1	77.1%
<i>PAT Margin %</i>	<i>14.2%</i>	<i>9.9%</i>		<i>14.0%</i>		<i>14.1%</i>	<i>9.0%</i>	
Basic:								
EPS	2.83	1.78	59.1%	2.62		5.45	3.07	77.6%
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)

Particulars	Q2FY24	Q2FY23	VAR	Q1FY24	VAR	H1FY24	H1FY23	VAR
REVENUES								
Revenue from Operations	732.4	659.2	11.1%	687.1	6.6%	1,419.5	1,256.4	13.0%
Dishwashing	250.7	227.9	10.0%	231.5	8.3%	482.2	437.2	10.3%
% Mix	34.2%	34.6%		33.7%		34.0%	34.8%	
Fabric Care	316.6	286.2	10.6%	296.6	6.7%	613.2	537.3	14.1%
% Mix	43.2%	43.4%		43.2%		43.2%	42.8%	
Household Insecticides	45.0	43.5	3.4%	49.4	-8.9%	94.3	88.3	6.8%
% Mix	6.1%	6.6%		7.2%		6.6%	7.0%	
Personal Care	89.6	73.3	22.3%	84.1	6.6%	173.7	142.7	21.7%
% Mix	12.2%	11.1%		12.2%		12.2%	11.4%	
Laundry Service			-		-	-	-	-
% Mix	0.0%	0.0%		0.0%		0.0%	0.0%	
Others	30.4	28.4	7.3%	25.6	19.1%	56.0	50.9	10.1%
% Mix	4.2%	4.3%		3.7%		3.9%	4.0%	
Less : Inter Segment Revenues	-	-	-	-	-	-	-	-
Total Segment Revenue	732.4	659.2	11.1%	687.1		1,419.5	1,256.4	13.0%
Add : Other Unallocable Income	-	-		-		-	-	
Net Revenue from Operations	732.4	659.2	11.1%	687.1	6.6%	1,419.5	1,256.4	13.0%
PROFIT								
Profit/Loss Before Interest and Tax	137.0	76.5	79.1%	118.4	15.7%	255.4	131.9	93.6%
Margin %	18.7%	11.6%		17.2%		18.0%	10.5%	
Dishwashing	52.3	35.2	48.6%	46.3	13.0%	98.6	62.7	57.2%
Margin %	20.9%	15.4%		20.0%		20.5%	14.4%	
Fabric Care	82.8	43.3	91.0%	65.6	26.1%	148.4	74.2	100.1%
Margin %	26.1%	15.1%		22.1%		24.2%	13.8%	
Household Insecticides	(7.9)	(7.9)	-0.1%	(9.4)	-15.7%	(17.3)	(12.4)	39.5%
Margin %	-17.6%	-18.2%		-19.0%		-18.3%	-14.0%	
Personal Care	9.8	7.4	32.8%	15.3	-36.1%	25.1	9.9	155.0%
Margin %	10.9%	10.1%		18.2%		14.5%	6.9%	
Others	0.1	(1.5)	-103.3%	0.5	-89.6%	0.5	(2.5)	-121.3%
Margin %	0.2%	-5.3%		1.9%		0.9%	-4.9%	
Less : Interest	1.2	3.5	-66.2%	1.1	6.4%	2.3	6.8	-66.4%
Other Un-allocable Expenditure	11.2	5.9	90.6%	(9.8)	-214.4%	20.9	11.6	80.3%
Add : Other Income	10.4	2.1	396.7%	13.8	-24.3%	24.2	12.5	94.2%
Extra-Ordinary Income/Expense		7.0				-	7.0	
Net Profit/Loss Before Tax	135.1	76.8	76.0%	121.3	11.4%	256.4	133.0	92.8%

Source –Company, Way2Wealth Research

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Disclosure of Interest Statement: Jyothy Labs Ltd. as on November 9th, 2023

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
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