

Jyothy Labs Ltd

Sensex	43,589
Nifty	12,741

Key Stock Data

CMP	₹134
Market Cap (₹ Crs)	₹4,920
52W High/Low	₹185/86
Shares o/s (Crs)	36.72

Bloomberg	JYL:IN
NSE Code	JYOTHYLAB
BSE Code	532926

Shareholding Pattern (%)

Promoters	62.9
DII's	29.8
Public & Others	07.2

Particulars	FY19	FY20
Revenues	1,814	1,711
EBITDA	281	251
EBITDA Margin (%)	15.5	14.7
Net Profit	198	163
EPS (₹)	5.4	4.4
RoE (%)	15.5	13.9
RoCE (%)	20.5	16.9
P/E (x)	24.6	30.2

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Performance Review for Q2FY21

- Quarterly performance was robust with a guidance on EBIDTA margin (15-16%).
- FMCG sales volume increased by 8.5%. Sales increased by 6.2% YoY to ₹505crs.
- EBITDA increased by 11.1% to ₹87crs.
- EBITDA margin improved from 16.6% to 17.3%.
- Interest cost declined by 37% to ₹5.2crs.

Key Highlights

- The revival of the consumer sentiment has been reflected in the company's performance across brand portfolio. The company has been focusing on volume led sales growth, brand building, product innovation and cost rationalization measures leading to sustainable profitable growth.
- There is strong demand acceleration in the General Trade and Ecommerce Platform while Modern Trade stores ('MT') and Canteen Stores Department ('CSD') operations are still facing issues on the ground.
- The company has further boosted its promotional activities and media spends to support full business potential of its brands and distribution. Going ahead, the company plans to make digital investment in Household Insecticides and Personal Care segment to increase brand visibility.

Key Concall Highlights

- Jyothy Labs' (JLL's) revenues grew 6% to ₹504.3crs on the back of strong 23.6% growth in the Dishwash segment and 22.6% growth in Household insecticides. FMCG sales grew by 7.6% while volume went up by 8.5% YoY.
- EBITDA margins expanded 70 bps to 17.3% on account of a 130 bps expansion in gross margins. Net profit increased 12.2% to ₹60.1crs on account of lower finance cost.
- Fabric care sales declined by 11.7% for Q2FY21 and 17.6% for H1FY21. However, Ujala Fabric whitener have been sequential improvement every month and has reached pre-covid levels. Dishwashing sales increased by 23.6% & 20.4% for Q2FY21 & H1FY21 as in-home consumption has increased. Exo brand has seen a good growth with consumers both in urban and rural markets.
- Household insecticides sales increased by 22.6% & 66.3% for Q2FY21& H1FY21 respectively as consumers are adopting a preventive approach towards health. Maxo Genius India first Automatic Liquid Vaporiser machine continues to register good growth given its unique offering. Personal care sales have increased by 14.5% & 7.2% for Q2FY21 & H1FY21. Neem based portfolio of soaps, facewash, handwash and sanitisers witnessed strong demand especially of smaller SKUs leading to higher penetration with new users.
- JLL's products are available across 2.8 mn retail outlets. Low penetration in some categories in which it operates provides scope for market share gain. We believe JLL's wide distribution reach should be helpful in executing that.
- There was a significant improvement in working capital days from 23 days in Sep'19 to 17 days in Sep'20 on account of lower CSD sales. The company intends to keep working capital cycle in the range of 20-21 days going forward. Net debt to equity ratio stood at 0.04x in Sep-20 from 0.26 in Sep-19.

- During the quarter, Exo bio fresh-100% organic vegetable and fruit cleaner was launched in Kerala state. T-shine floor cleaner witnessed an encouraging response.
- The management has guided 15-16% operating margin and it sees steady growth ahead. The operating cash flow was improved on account of higher PBT and flat receivable.
- The company wants to increase its market share by pushing smaller packs in rural areas and as a result, discretionary products sales has increased in rural area.

View

At CMP ₹134, Jyothy Labs Ltd is trading at PE of 30.5x to its FY20 EPS of 4.4 which is at a discount to its peers. Aggressive marketing push, strong distribution network would help JLL to drive volume growth going ahead. The stocks relative under-performance and rock bottom valuation presents a good tactical opportunities to long term investors. Hence we have a **POSITIVE** view on the stock.

Financial Performance

(₹ Cr)

Particulars	Q2FY21	Q2FY20	VAR[%]	Q1FY21	VAR[%]	H1FY21	H1FY20	VAR[%]
Net Sales (Net of Excise Duty)	504.5	474.9	6.2%	432.9	16.5%	937.4	897.4	4.5%
Other Operating Income	0.0	0.0	-	0.0	-	0.0	0.0	-
Total Operating Income	504.5	474.9	6.2%	432.9	16.5%	937.4	897.4	4.5%
Other Income	4.0	5.5	-26.5%	4.0	-0.2%	8.1	10.4	-22.3%
TOTAL INCOME	508.5	480.3	5.9%	436.9	16.4%	945.4	907.7	4.2%
Total Raw Material Cost	263.8	254.4	3.7%	232.9	13.3%	496.7	471.7	5.3%
Cost of Raw Material & Components Consumed	213.0	180.4	18.1%	160.7	32.6%	373.7	344.2	8.6%
(Increase)/ Decrease in Inventories	-19.6	5.0	-489.3%	28.3	-169.3%	8.7	5.0	73.3%
Purchase of Traded Goods	70.5	69.0	2.1%	43.9	60.5%	114.3	122.5	-6.7%
<i>Total Raw Material Cost % to Sales</i>	<i>52.3%</i>	<i>53.6%</i>	<i>-2.4%</i>	<i>53.8%</i>	<i>-2.8%</i>	<i>53.0%</i>	<i>52.6%</i>	<i>0.8%</i>
Employee Cost	61.5	56.8	8.4%	54.9	12.2%	116.4	111.7	4.2%
<i>Employee Cost % to Sales</i>	<i>12.2%</i>	<i>12.0%</i>	<i>2.0%</i>	<i>12.7%</i>	<i>-3.7%</i>	<i>12.4%</i>	<i>12.4%</i>	<i>-0.3%</i>
Advertisement & Sales Promotion Expenses	30.0	28.2	6.4%	19.9	50.7%	49.9	61.9	-19.3%
<i>Advertisement & Sales Promotion Expenses % of Sales</i>	<i>5.9%</i>	<i>5.9%</i>	<i>0.2%</i>	<i>4.6%</i>	<i>29.3%</i>	<i>5.3%</i>	<i>6.9%</i>	<i>-22.8%</i>
Other Expenses	61.7	56.8	8.7%	48.8	26.5%	110.5	107.8	2.6%
<i>Other Expenses % of Sales</i>	<i>12.2%</i>	<i>12.0%</i>	<i>2.3%</i>	<i>11.3%</i>	<i>8.5%</i>	<i>11.8%</i>	<i>12.0%</i>	<i>-1.8%</i>
TOTAL EXPENDITURE	417.1	396.2	5.3%	356.4	17.0%	773.6	753.1	2.7%
EBIDTA	87.4	78.7	11.1%	76.5	14.3%	163.8	144.2	13.6%
<i>EBIDTA Margin %</i>	<i>17.3%</i>	<i>16.6%</i>	<i>4.6%</i>	<i>17.7%</i>	<i>-1.9%</i>	<i>17.5%</i>	<i>16.1%</i>	<i>8.7%</i>
Finance Costs	5.2	8.2	-36.8%	6.5	-19.4%	11.7	16.2	-28.2%
PBDT	86.2	75.9	13.6%	74.0	16.4%	160.2	138.4	15.8%
Depreciation, Ammortization & Impairment	13.4	13.1	2.4%	13.1	2.4%	26.5	25.6	3.5%
PBT before Exceptional Items	72.8	62.8	15.9%	61.0	19.4%	133.8	112.8	18.6%
Exceptional Items	-	-	-	-	-	0.0	3.8	-100.0%
PBT after Exceptional Items	72.8	62.8	15.9%	61.0	19.4%	133.8	109.0	22.7%
Tax	12.7	9.2	37.4%	11.0	15.6%	23.6	18.0	31.1%
<i>Tax Rate %</i>	<i>17.4%</i>	<i>14.7%</i>	<i>18.6%</i>	<i>18.0%</i>	<i>-3.2%</i>	<i>17.7%</i>	<i>16.5%</i>	<i>6.9%</i>
Reported Profit After Tax	60.1	53.6	12.2%	50.0	20.2%	110.1	91.0	21.0%
Minority Interest After NP	-2.4	-2.1	14.6%	-	-	-2.4	-2.1	14.6%
Net Profit after Minority Interest & P/L Asso.Co.	62.6	55.7	12.3%	50.0	25.1%	112.6	93.1	20.9%
<i>PAT Margin %</i>	<i>12.4%</i>	<i>11.7%</i>	<i>6.8%</i>	<i>11.6%</i>	<i>5.2%</i>	<i>12.0%</i>	<i>10.4%</i>	<i>16.3%</i>
Other Comprehensive Income (net of tax)	0.5	0.4	32.5%	-0.2	-	0.3	0.3	13.8%
Total Comprehensive Income	63.1	56.1	12.4%	49.8	26.7%	112.9	93.4	20.9%
EPS	1.70	1.52	12.3%	1.36	26.5%	3.07	2.54	20.9%
Equity	36.7	36.7	-	36.7	-	36.7	36.7	-
Face Value	1.0	1.0	-	1.0	-	1.0	1.0	-

Segmental Performance

(₹ Cr)

Particulars	Q2FY21	Q2FY20	VAR	Q1FY21	VAR	H1FY21	H1FY20	VAR	Q1FY21
REVENUES									
Revenue from Operations	504.5	474.9	6.2%	432.9	16.5%	937.4	897.4	4.5%	432.9
Dishwashing	191.6	155.1	23.6%	156.6	22.4%	348.2	289.3	20.3%	156.6
% Mix	38.0%	32.7%		36.2%		37.1%	32.2%		36.2%
Fabric Care	171.0	193.7	-11.7%	142.2	20.3%	313.2	380.3	-17.6%	142.2
% Mix	33.9%	40.8%		32.9%		33.4%	42.4%		32.9%
Household Insecticides	60.3	49.2	22.6%	63.6	-5.3%	123.9	74.5	66.3%	63.6
% Mix	12.0%	10.4%		14.7%		13.2%	8.3%		14.7%
Personal Care	62.8	54.9	14.5%	60.0	4.8%	122.8	114.6	7.2%	60.0
% Mix	12.5%	11.6%		13.9%		13.1%	12.8%		13.9%
Laundry Service	4.0	9.5	-58.4%	3.2	25.7%	7.1	19.4	-63.4%	3.2
% Mix	0.8%	2.0%		0.7%		0.8%	2.2%		0.7%
Others	14.8	12.5	18.0%	7.4	100.4%	22.1	19.3	14.7%	7.4
% Mix	2.9%	2.6%		1.7%		2.4%	2.1%		1.7%
Total Segment Revenue	504.5	474.9	6.2%	432.9		937.4	897.4	4.5%	432.9
Profit/Loss Before Interest and Tax									
	83.8	76.7	9.3%	73.4	14.1%	157.2	140.1	12.2%	73.4
Margin %	16.6%	16.1%		17.0%		16.8%	15.6%		17.0%
Dishwashing	37.5	24.0	56.2%	32.5	15.4%	69.9	40.1	74.6%	32.5
Margin %	19.5%	15.5%		20.7%		20.1%	13.8%		20.7%
Fabric Care	37.7	41.3	-8.7%	31.5	19.6%	69.2	78.1	-11.3%	31.5
Margin %	22.1%	21.3%		22.2%		22.1%	20.5%		22.2%
Household Insecticides	(3.4)	(2.9)	18.8%	(2.0)	73.1%	(5.4)	(8.1)	-33.2%	(2.0)
Margin %	-5.7%	-5.8%		-3.1%		-4.3%	-10.8%		-3.1%
Personal Care	15.9	17.0	-6.1%	15.3	4.1%	31.2	35.4	-11.7%	15.3
Margin %	25.3%	30.9%		25.5%		25.4%	30.9%		25.5%
Laundry Service	(3.8)	(3.1)	23.8%	(4.1)	-8.2%	(7.9)	(5.3)	49.2%	(4.1)
Margin %	-96.0%	-32.2%		-131.4%		-111.7%	-27.4%		-131.4%
Others	(0.1)	0.4	-133.3%	0.2	-150.0%	0.1	(0.0)	-1300.0%	0.2
Margin %	-0.8%	2.9%		3.3%		0.5%	-0.1%		3.3%
Less : Interest	5.2	8.2	-36.8%	6.5	-19.4%	11.7	16.2	-28.2%	6.5
Other Un-allocable Expenditure	7.0	6.8	3.4%	7.5	-5.9%	14.5	13.9	4.2%	7.5
Add : Other Income			-		-	2.7	2.8	-2.5%	
Extra-Ordinary Income/Expense	1.3	1.2					(3.8)		
Net Profit/Loss Before Tax	72.8	62.8	15.9%	59.5	22.3%	133.8	109.0	22.7%	59.5

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Disclosure of Interest Statement Jyothy Labs Ltd. as on November 11, 2020

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
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