

# Jyothy Labs Limited.

Sensex 33,538  
Nifty 9,902

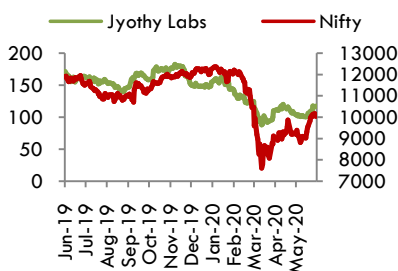
## Key Stock Data

CMP ₹116  
Market Cap (₹Cr.) ₹4,260  
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%  
FII & DII 30.5%  
Public & Others 6.6%

## Comparison Chart



	FY19	FY20
Net sales	1,814	1,711
% Growth	%	-5.6%
EBITDA	281	251
EBITDA Margins	15.5%	14.7%
PAT	198	163
EPS	5.4	4.4
P/E	21.5	26.4

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## Summary

**Jyothy Labs Ltd. (Formerly known as Jyothy Laboratories Ltd.) reported its Q4FY20 results recently. The key highlights are as follows:**

- The consolidated revenue declined by 24% YoY to ₹393Cr due to significant decrease in Household Insecticides (HI) and Personal Care business. Nationwide lockdown due to Covid-19 halted entire operation for 10-15 days in Mar'20. Underlying volume growth declined 22%.**
- EBITDA decreased by 50% to ₹41Cr Y-O-Y with EBITDA margin contraction of 345 bps Y-O-Y to 10.3%.**

## Key Financial Highlights

- **Normal growth before Covid-19 in mid-single digit** – JLL reported consolidated revenues decline of 24% YoY to ₹421Cr with underlying volume decline of 22.1% YoY in Q4FY20. The growth was affected by lockdown at the end of Mar'20 (impact on revenues and PAT was ₹150 Crs and ₹50 Crs respectively). However, April and May month has witnessed moderate growth despite lower capacity utilization. Jan'20 to 20 March 20 revenue growth was at 5%. All manufacturing facilities had become operational from mid-April and now it is operating at 80% capacity utilisation.
- **High fixed expenses impacted operating profit** – EBITDA decreased by 50% to ₹41Cr YoY with EBITDA margin contraction of 345 bps YoY to 10.3% due to higher employees and pre-committed advertising expenses (45% YoY). Gross margin expanded 50 bps to 45.7% YoY aided by benign input cost and cost saving initiatives. Significant decline in operating profit and other income led to the 60% decline in net profit to ₹27Cr. Employees cost as a percentage of sales expanded by 250 bps to 12.9% YoY as most of manufacturing and sales staffs are on company's payroll. Other expenses decreased by 20% YoY to ₹53 Crs. As per new IND-AS116, Rent expenses of ₹5.51 Crs in Q4FY20 & ₹21.13 Crs in FY20 has been reclassified to Depreciation and Finance cost in the current quarter and year to date.
- The working capital was affected by higher inventory days and advances paid to suppliers in Q4FY20. However, the company is confident of improving working capital position post normalization of business as it is not availing any credit terms to its trade channels.
- **Subdued Segmental Performance – Dishwashing segment** which is 32% of overall sales declined by 21% YoY in Q4FY20. Strong presence in outlets and effective communication resulted in market share gains for Exo.

The **fabric care segment** which has contributed 40% to overall sales, declined by 17% YoY in Q4FY20. Ujala Supreme was on recovery path until lockdown in Q4FY20. It grew by 5% before lockdown. Ujala Crisp and Shine grew by 4% till lockdown and Ujala detergent powder has maintained its leadership position as the largest mid priced detergent brand in Kerala. Henko Franchise had maintained its strong growth momentum through Henko Stain Care and Henko Matic.

**Household Insecticides segment** declined by 36% YoY in Q4FY20 due to loss of sales in later part of March which marks the onset of high mosquito infestation in North & East India. However, Maxo Genius automatic liquid vaporiser continued to gain market share (refill gained market share by 49 bps) driven by continuous media activities. Maxo Genius Combi saw good growth in key states (Tamil Nadu, Karnataka, Maharashtra, and Punjab & Haryana).

**Personal care segment** declined by 36% YoY to ₹30 Crs. Season for personal care products (Margo) picks up in summer (last week of Mar'20), which got significantly affected due to lockdown. Alcohol Based Margo Hand Sanitiser infused with neem extracts was launched during the quarter. Also, Margo hand wash was launched in all southern states.

- **Product launches** – The company has launched liquid hand wash & sanitizer under Margo brand & increased media spends on T-Shine toilet cleaner. Moreover, further new launches are expected in the hygiene category in the coming quarters.
- **Tax Rate Guidance** – Effective tax rate is expected to be at 15% for the next two years.
- **Guidance & Outlook:**
  - With the correction in crude prices, the management expects the benefits of the same to flow in from Q2FY21. With efficient cost controls and operating efficiencies, OPM for FY21 is expected to sustain at FY20 levels of ~15%.
  - Investment behind brands to continue.

## Outlook & Valuation

Growth was severely affected in Q4FY20 due to nationwide lockdown from mid-Mar'20. However, Jyothy Labs' has been witnessing positive growth from Apr'20 as ~85% of the portfolio consists of essential products. Normal growth before Covid-19 was in mid single digit. The company had also launched Margo hand sanitizer to grab the opportunity in health and hygiene space and further new launches are expected in this category. With the correction in crude prices, the benefits of the same can be seen in FY21. With efficient cost controls and operating efficiencies, operating profit margin for FY21 is expected to sustain at FY20 levels of ~15%. Cost-saving initiatives, Innovation, strong brands, an integrated distribution network, and new launches will drive JLL's volume growth going ahead. **At the CMP of ₹116/- the stock trades at 26.4x its EPS of ₹4.4 for FY20. We advise investors with a long-term investment horizon to *HOLD* the stock.**

### Consolidated Reported Financials

	Q4FY20	Q4FY19	VAR	Q3FY20	VAR	FY20	FY19	VAR
(₹ Crs)								
<b>Net Sales (Net of Excise Duty)</b>	<b>393.0</b>	<b>516.0</b>	<b>-23.8%</b>	<b>420.8</b>	<b>-6.6%</b>	<b>1711.2</b>	<b>1813.6</b>	<b>-5.6%</b>
Other Operating Income	0.0	0.0	-	0.0	-	0.0	0.0	-
<b>Total Operating Income</b>	<b>393.0</b>	<b>516.0</b>	<b>-23.8%</b>	<b>420.8</b>	<b>-6.6%</b>	<b>1711.2</b>	<b>1813.6</b>	<b>-5.6%</b>
Other Income	4.6	11.8	-61.1%	5.0	-8.7%	20.0	27.8	-28.0%
<b>TOTAL INCOME</b>	<b>397.6</b>	<b>527.8</b>	<b>-24.7%</b>	<b>425.8</b>	<b>-6.6%</b>	<b>1731.2</b>	<b>1841.3</b>	<b>-6.0%</b>
Total Raw Material Cost	213.4	282.9	-24.6%	215.7	-1.1%	900.9	970.7	-7.2%
Cost of Raw Material & Components Consumed	179.4	197.0	-8.9%	178.3	0.6%	701.9	713.2	-1.6%
(Increase)/ Decrease in Inventories	-16.0	19.4	-182.2%	-21.6	-26.3%	-32.5	-10.3	215.9%
Purchase of Traded Goods	49.9	66.5	-25.0%	59.1	-15.5%	231.5	267.8	-13.6%
Total Raw Material Cost % to Sales	54.3%	54.8%	-1.0%	51.3%	5.9%	52.6%	53.5%	-1.6%
Employee Cost	50.6	53.4	-5.3%	57.1	-11.4%	219.3	207.6	5.6%
Employee Cost % to Sales	12.9%	10.4%	24.3%	13.6%	-5.1%	12.8%	11.4%	12.0%
Employee Stock Option Expenses	0.0	0.0	-	0.0	-	0.0	0.0	-
Employee Stock Option Expenses % of Sales	0.0%	0.0%	-	0.0%	-	0.0%	0.0%	-
Advertisement & Sales Promotion Expenses	35.6	32.3	10.2%	25.2	41.1%	122.7	112.7	8.9%
Advertisement & Sales Promotion Expenses % of Sales	9.1%	6.3%	44.7%	6.0%	51.1%	7.2%	6.2%	15.4%
Other Expenses	52.9	66.1	-19.9%	56.5	-6.4%	217.1	241.5	-10.1%
Other Expenses % of Sales	13.5%	12.8%	5.1%	13.4%	0.3%	12.7%	13.3%	-4.7%
<b>TOTAL EXPENDITURE</b>	<b>352.4</b>	<b>434.7</b>	<b>-18.9%</b>	<b>354.5</b>	<b>-0.6%</b>	<b>1460.1</b>	<b>1532.5</b>	<b>-4.7%</b>
<b>EBIDTA</b>	<b>40.6</b>	<b>81.3</b>	<b>-50.1%</b>	<b>66.3</b>	<b>-38.8%</b>	<b>251.1</b>	<b>281.1</b>	<b>-10.7%</b>
EBIDTA Margin %	10.3%	15.8%	-34.5%	15.8%	-34.5%	14.7%	15.5%	-5.3%
Finance Costs	7.8	9.4	-17.4%	8.9	-12.3%	32.9	35.2	-6.7%
<b>PBDT</b>	<b>37.4</b>	<b>83.7</b>	<b>-55.3%</b>	<b>62.5</b>	<b>-40.2%</b>	<b>238.2</b>	<b>273.6</b>	<b>-12.9%</b>
Depreciation, Ammortization & Impairment	14.2	10.0	41.9%	13.2	7.2%	52.9	30.6	73.1%
<b>PBT before Exceptional Items</b>	<b>23.2</b>	<b>73.7</b>	<b>-68.5%</b>	<b>49.3</b>	<b>-52.9%</b>	<b>185.3</b>	<b>243.1</b>	<b>-23.8%</b>
Exceptional Items	0.0	0.0	-	0.0	-	3.8	0.0	-
<b>PBT after Exceptional Items</b>	<b>23.2</b>	<b>73.7</b>	<b>-68.5%</b>	<b>49.3</b>	<b>-52.9%</b>	<b>181.5</b>	<b>243.1</b>	<b>-25.3%</b>
Tax	-3.4	6.9	-148.9%	4.3	-178.9%	18.9	45.4	-58.3%
Tax Rate %	-14.5%	9.3%	-255.3%	8.6%	-267.3%	10.4%	18.7%	-44.2%
<b>Reported Profit After Tax</b>	<b>26.6</b>	<b>66.9</b>	<b>-60.2%</b>	<b>45.0</b>	<b>-40.9%</b>	<b>162.6</b>	<b>197.7</b>	<b>-17.7%</b>
Minority Interest After NP	-	-	-	-	-	0.0	0.0	-
Profit/Loss of Associate Company	-	-	-	-	-	0.0	0.0	-
<b>Net Profit after Minority Interest &amp; P/L Asso.Co.</b>	<b>26.6</b>	<b>66.9</b>	<b>-60.2%</b>	<b>45.0</b>	<b>-40.9%</b>	<b>162.6</b>	<b>197.7</b>	<b>-17.7%</b>
PAT Margin %	6.8%	13.0%	-	10.7%	-	9.5%	10.9%	-
Other Comprehensive Income (net of tax)	-3.2	-2.7	15.7%	0.2	-	-2.7	-2.3	16.8%
<b>Total Comprehensive Income</b>	<b>23.4</b>	<b>64.1</b>	<b>-63.5%</b>	<b>45.2</b>	<b>-48.2%</b>	<b>159.9</b>	<b>195.3</b>	<b>-18.2%</b>
Basic:								
<b>EPS</b>	<b>0.72</b>	<b>1.82</b>	<b>-60.2%</b>	<b>1.23</b>	<b>-</b>	<b>4.43</b>	<b>5.38</b>	<b>-17.7%</b>
Equity	36.7	36.7	-	36.7	-	36.7	36.7	-
Face Value	1.0	1.0	-	1.0	-	1.0	1.0	-

### Standalone Reported Financials

(₹ Crs)

	Q4FY20	Q4FY19	VAR	Q3FY20	VAR	FY20	FY19	VAR
<b>Net Sales (Net of Excise Duty)</b>	<b>382.3</b>	<b>504.3</b>	<b>-24.2%</b>	<b>407.3</b>	<b>-6.1%</b>	<b>1665.4</b>	<b>1768.9</b>	<b>-5.9%</b>
Other Operating Income			-	0.0	-	0.0	0.0	-
<b>Total Operating Income</b>	<b>382.3</b>	<b>504.3</b>	<b>-24.2%</b>	<b>407.3</b>	<b>-6.1%</b>	<b>1665.4</b>	<b>1768.9</b>	<b>-5.9%</b>
Other Income	4.5	11.4	-60.8%	5.3	-16.4%	20.1	27.8	-28.0%
<b>TOTAL INCOME</b>	<b>386.7</b>	<b>515.6</b>	<b>-25.0%</b>	<b>412.6</b>	<b>-6.3%</b>	<b>1685.4</b>	<b>1796.7</b>	<b>-6.2%</b>
Total Raw Material Cost	<b>211.4</b>	<b>280.0</b>	<b>-24.5%</b>	<b>213.1</b>	<b>-0.8%</b>	<b>892.0</b>	<b>961.8</b>	<b>-7.3%</b>
Cost of Raw Material & Components Consumed	176.9	194.4	-9.0%	175.8	0.7%	692.3	704.2	-1.7%
(Increase)/ Decrease in Inventories	-15.5	19.1	-181.1%	-21.7	-28.7%	-31.8	-10.3	210.1%
Purchase of Traded Goods	49.9	66.5	-25.0%	59.1	-15.5%	231.5	267.8	-13.6%
Total Raw Material Cost % to Sales	55.3%	55.5%		52.3%		53.6%	54.4%	
Employee Cost	45.9	48.8	-6.0%	52.1	-11.9%	200.3	188.6	6.2%
Employee Cost % to Sales	12.0%	9.7%		12.8%		12.0%	10.7%	
Employee Stock Option Expenses	0.0	0.0	-	0.0	-	0.0	0.0	-
Employee Stock Option Expenses % of Sales	0.0%	0.0%		0.0%		0.0%	0.0%	
Advertisement & Sales Promotion Expenses	34.7	31.4	10.4%	24.5	41.7%	119.9	109.3	9.7%
Advertisement & Sales Promotion Expenses % of sales	9.1%	6.2%		6.0%		7.2%	6.2%	
Other Expenses	50.2	61.5	-18.3%	52.5	-4.3%	203.3	223.3	-9.0%
Other Expenses % of Sales	13.1%	12.2%		12.9%		12.2%	12.6%	
<b>TOTAL EXPENDITURE</b>	<b>342.1</b>	<b>421.7</b>	<b>-18.9%</b>	<b>342.2</b>	<b>0.0%</b>	<b>1415.5</b>	<b>1483.1</b>	<b>-4.6%</b>
<b>EBIDTA</b>	<b>40.2</b>	<b>82.6</b>	<b>-51.4%</b>	<b>65.1</b>	<b>-38.3%</b>	<b>249.9</b>	<b>285.8</b>	<b>-12.6%</b>
EBIDTA Margin %	10.5%	16.4%		16.0%		15.0%	16.2%	
Finance Costs	5.8	6.4	-8.8%	6.9	-15.7%	24.8	27.8	-10.9%
<b>PBDT</b>	<b>38.8</b>	<b>87.5</b>	<b>-55.7%</b>	<b>63.5</b>	<b>-38.9%</b>	<b>245.1</b>	<b>285.8</b>	<b>-14.2%</b>
Depreciation, Ammortization & Impairment	19.1	16.7	14.8%	19.3	-1.0%	75.7	58.3	29.9%
<b>PBT before Exceptional Items</b>	<b>19.6</b>	<b>70.9</b>	<b>-72.3%</b>	<b>44.1</b>	<b>-55.5%</b>	<b>169.4</b>	<b>227.5</b>	<b>-25.6%</b>
Exceptional Items	0.0	0.0		0.0		3.8	0.0	
<b>PBT after Exceptional Items</b>	<b>19.6</b>	<b>70.9</b>	<b>-72.3%</b>	<b>44.1</b>	<b>-55.5%</b>	<b>165.6</b>	<b>227.5</b>	<b>-27.2%</b>
Tax	-6.4	3.8	-267.7%	1.6	-499.4%	7.9	34.3	-77.0%
Tax Rate %	-32.5%	5.4%		3.6%		4.8%	15.1%	
<b>Reported Profit After Tax</b>	<b>26.0</b>	<b>67.1</b>	<b>-61.2%</b>	<b>42.5</b>	<b>-38.8%</b>	<b>157.7</b>	<b>193.2</b>	<b>-18.4%</b>
PAT Margin %	6.8%	13.3%		10.4%		9.5%	10.9%	
Other Comprehensive Income (net of tax)	-3.2	-1.6	104.5%	0.2		-2.7	-1.1	143.8%
<b>Total Comprehensive Income</b>	<b>22.9</b>	<b>65.5</b>	<b>-65.1%</b>	<b>42.7</b>	<b>-46.5%</b>	<b>155.0</b>	<b>192.1</b>	<b>-19.3%</b>
<b>Basic:</b>								
<b>EPS</b>	<b>0.62</b>	<b>1.78</b>	<b>-65.1%</b>	<b>1.16</b>	<b>-46.5%</b>	<b>4.22</b>	<b>5.23</b>	<b>-19.3%</b>
Equity	36.7	36.7		36.7		36.7	36.7	
Face Value	1.0	1.0		1.0		1.0	1.0	

### Consolidated Segmental Financials

(₹ Crs)

	Q4FY20	Q4FY19	VAR	Q3FY20	VAR	FY20	FY19	VAR
<b>REVENUES</b>								
<b>Revenue from Operations</b>	<b>393.0</b>	<b>516.0</b>	<b>-23.8%</b>	<b>420.8</b>	<b>-6.6%</b>	<b>1,711.2</b>	<b>1,813.6</b>	<b>-5.6%</b>
Dishwashing	127.1	161.7	-21.4%	150.3	-15.5%	566.7	587.3	-3.5%
% Mix	32.3%	31.3%		35.7%		33.1%	32.4%	
Fabric Care	155.7	188.2	-17.2%	172.0	-9.5%	708.0	729.7	-3.0%
% Mix	39.6%	36.5%		40.9%		41.4%	40.2%	
Household Insecticides	64.2	100.2	-35.9%	42.6	50.7%	181.4	224.3	-19.1%
% Mix	16.3%	19.4%		10.1%		10.6%	12.4%	
Personal Care	30.2	47.4	-36.3%	35.7	-15.3%	180.4	191.9	-6.0%
% Mix	7.7%	9.2%		8.5%		10.5%	10.6%	
Laundry Service	9.6	10.0	-3.6%	12.2	-21.2%	41.3	40.3	2.5%
% Mix	2.5%	1.9%		2.9%		2.4%	2.2%	
Others	6.2	8.5	-27.7%	8.0	-22.9%	33.4	40.3	-17.0%
% Mix	1.6%	1.7%		1.9%		2.0%	2.2%	
Less : Inter Segment Revenues	-	-	-	-	-	-	-	-
<b>Total Segment Revenue</b>	<b>393.0</b>	<b>516.0</b>	<b>-23.8%</b>	<b>420.8</b>		<b>1,711.2</b>	<b>1,813.6</b>	<b>-5.6%</b>
Add : Other Unallocable Income	-	-		-		-	-	
<b>Net Revenue from Operations</b>	<b>393.0</b>	<b>516.0</b>	<b>-23.8%</b>	<b>420.8</b>	<b>-6.6%</b>	<b>1,711.2</b>	<b>1,813.6</b>	<b>-5.6%</b>
<b>PROFIT</b>								
<b>Profit/Loss Before Interest and Tax</b>	<b>36.7</b>	<b>85.7</b>	<b>-57.2%</b>	<b>64.6</b>		<b>241.3</b>	<b>283.8</b>	<b>-15.0%</b>
Margin %	9.3%	16.6%		15.3%		14.1%	15.7%	
Dishwashing	15.9	18.3	-13.0%	23.8	-33.4%	79.7	73.1	9.1%
Margin %	12.5%	11.3%		15.8%		14.1%	12.5%	
Fabric Care	28.0	49.7	-43.7%	36.5	-23.4%	142.5	163.0	-12.5%
Margin %	18.0%	26.4%		21.2%		20.1%	22.3%	
Household Insecticides	(6.9)	3.3	-310.1%	(1.5)	352.0%	(16.4)	3.3	-598.2%
Margin %	-10.7%	3.3%		-3.6%		-9.1%	1.5%	
Personal Care	4.7	17.9	-73.7%	7.8	-39.6%	47.8	56.7	-15.7%
Margin %	15.5%	37.6%		21.8%		26.5%	29.6%	
Laundry Service	(3.7)	(2.6)	41.2%	(1.1)	227.4%	(10.2)	(9.6)	5.7%
Margin %	-38.4%	-26.2%		-9.2%		-24.6%	-23.9%	
Others	(1.3)	(0.8)	67.9%	(0.9)	52.3%	(2.2)	(2.7)	-18.0%
Margin %	-21.3%	-9.2%		-10.8%		-6.5%	-6.6%	
Less : Interest	7.8	9.4	-17.4%	8.9	-12.3%	32.9	35.2	-6.7%
Other Un-allocable Expenditure	6.8	4.0	70.4%	7.8	-13.0%	28.5	15.8	80.3%
Add : Other Income	1.2	1.5	-21.6%	1.4	-16.5%	5.4	10.3	-48.1%
Extra-Ordinary Income/Expense						(3.8)	-	
<b>Net Profit/Loss Before Tax</b>	<b>23.2</b>	<b>73.7</b>	<b>-68.5%</b>	<b>49.3</b>	<b>-52.9%</b>	<b>181.5</b>	<b>243.1</b>	<b>-25.3%</b>

## Team

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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
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