

Jyothy Labs Ltd.

Sensex	60,183
Nifty	17,968

Key Stock Data

CMP	₹157.8
Market Cap (₹ Crs)	₹5,794
52W High/Low	₹187/133
Shares o/s (Crs)	36.72
Bloomberg	JYL:IN
NSE Code	JYOTHYLAB
BSE Code	532926

Shareholding Pattern (%)

Promoters	62.9
DII's	28.6
Public & Others	08.5

Particulars	FY20	FY21
Revenues	1,711	1,909
EBITDA	251	315
EBITDA Margin (%)	14.7	16.5
Net Profit	163	191
EPS (₹)	4.4	5.2
RoE (%)	39.3	31.5
P/E (x)	35.9	30.4

Performance Review for Q2FY22

- The company reported strong volume growth but a sharp decline in margins due to inflationary pressure on raw materials.
- FMCG sales volume increased by 11.4%. Sales increased by 16% YoY to ₹585crs.
- EBITDA declined by 24% YoY to ₹67cr. EBITDA margin contracted from 17.3% to 14.4% YoY.
- Consequent PAT was at ₹43.9cr (down 26.9% YoY)
- A&P to sales ratio stood at 6.9% vs 5.9% in Q2FY22.

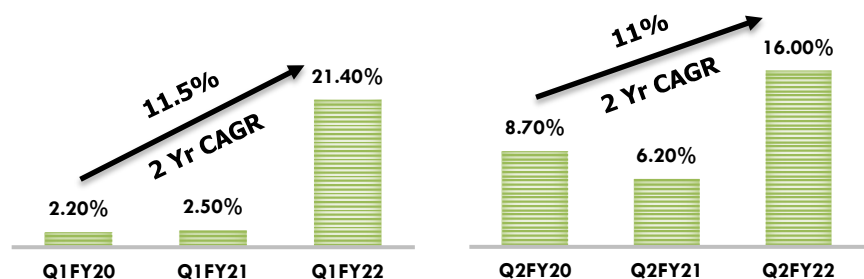
Key Highlights

- Jyothy Labs reported FMCG revenue growth of 16% YoY as volume was up 11.4% YoY. This was aided by robust growth in dishwashing and sharp recovery in fabric wash.
- Due to raw material price inflation, gross margin contracted 760 bps YoY to 40.1% in Q2FY22. The company has seen ~12% cost inflation in key raw material price and has taken 4-5% price increase to restrict its impact on margins.
- Consumer demand has normalized after the second wave of pandemic and distribution channels have also stabilize in Q2. The company is on right track to drive growth through penetration.
- The growth in (lower penetration category) dish washing & HI segment has been driven by new user. On a two year CAGR basis, dish washing, fabric wash, HI & personal care segment witnessed growth of 18%, 5.1%, 12.9% & 9.8%, respectively.

Concall Highlights

- Jyothy Labs' (JLL's) revenues grew 16% to ₹585cr on the back of strong 11% growth in the Household Insecticides, 11% growth in Personal Care and 37% each growth in Dishwashing and Fabric Care segment. FMCG volume growth at 11.4% in Q2FY22.

2 Yr Quarterly Revenue Growth



- The company has witnessed weighted inflation of 12% in key raw material basket. Key raw material prices like Linear Alkyl Benzene (LAB), Caustic Soda, Crude palm oil, LDPE-Laminate Grade prices increased by 58%, 56%, 121% & 62% respectively from lows of March 2020.
- EBITDA margins contracted 590 bps to 11.4% due to contraction in gross margins & high advertisement spends. Advertisement & Sales Promotion Expenses % of Sale increased 100 bps to 6.9%. It has increased the media spends behind dish washing brands given the segment is growing in double digit. Other expenses gone up by 7% YoY.
- Reported net profit declined by 27% YoY to ₹44cr. The base quarter was also high due to cut-down in spends.

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- For H1FY22, Sales grew by 19% while EBITDA/PAT declined by 21%/24% YoY respectively.
- Fabric care sales grew by 25% in Q2FY22 and 26% for H1FY22 with offices and educational institutes beginning to work offline. The company is micro marketing to drive the category growth. It has launched new SKU at ₹5/price point in select market.

Market Share of Fabric Care(Post Wash)			
CY19	CY20	MQ21	SQ21
82.0%	82.6%	84.0%	84.9%

Ujala IDD powder and bar continued to register a healthy double-digit growth. Henko brand saw strong growth driven by opening up of modern trade & CSD

Market Share of Fabric Care(Main Wash)			
CY19	CY20	MQ21	SQ21
19.2%	19.9%	19.3%	21.1%

- Dishwashing sales delivered strong growth of 13% & 17% for Q2FY22 & H1FY22 on back of superior brand promise and product delivery and focused work on consumer relevant packs enabled the brand to reach new consumers.

Market Share				
Brand	CY19	CY20	MQ21	SQ21
Exo	11.3%	12.5%	13.2%	13.4%
Pril	16.3%	17.5%	15.3%	15.2%

- Household insecticides sales increased by 4% & 9% for Q2FY22 & H1FY22 respectively. A robust strong double-digit growth witnessed in Liquid Vaporiser; leveraging India's first automatic machine proposition. With the increasing contribution from LVs, the margins in the segment is likely to improve going forward. Coil contributes 60% to sales whereas LVs contributes 40%.

Market Share				
Brand	CY19	CY20	MQ21	SQ21
Coil	21.2%	22.9%	23.3%	24.0%
Liquid	8.3%	8.70%	8.6%	9.8%

- Working capital improved from 17 days in September 2020 to 12 days September 2021.
- Inflationary input prices environment to be partially balanced with strategic price increases, cost optimisation initiatives and balanced trade schemes.
- Market share has significantly gained from competition and regional players driven by increase focus on distribution and small packs.
- The company is looking to grow through volumes, brand building, strengthening distribution network with aid of technology & addition of manpower to enhance market execution

View

The quarter witnessed high inflationary input prices environment which was partially offset by double digit volume growth and price hike. The company has gained market share across the segments. We believe the company would continue to witness margins pressures for next 1-2 quarter due to elevated commodity prices. However, focus on execution, strengthening brands with enhanced media support, small packs and geographical expansion would enable company to grow going ahead.

At CMP ₹158, Jyothy Labs Ltd is trading at PE of 30.4x to its FY21 EPS of 5.2 which is at a discount to its peers. Aggressive marketing push and strong distribution network would help JLL to drive volume growth going ahead. We remain positive on JLL from a long term perspective. Hence we recommend investor to ADD the stock on dips.

Financial Performance

(₹ Cr)

	Q2FY22	Q2FY21	VAR	Q1FY22	VAR	H1FY22	H1FY21	VAR
Net Sales	578.3	499.6	15.7%	521.9	10.8%	1100.2	928.3	18.5%
Other Income	5.2	3.9	33.0%	4.8	8.3%	10.1	8.2	23.2%
TOTAL INCOME	583.5	503.6	15.9%	526.8	10.8%	1110.3	936.5	18.6%
Total Raw Material Cost	348.7	262.4	32.9%	297.0	17.4%	645.7	494.3	30.6%
Cost of Raw Material & Components Consumed	280.1	211.7	32.3%	263.5	6.3%	543.6	371.7	46.2%
(Increase)/ Decrease in Inventories	10.5	-19.8	-153.2%	-12.6	-183.5%	-2.1	8.2	-125.7%
Purchase of Traded Goods	58.1	70.5	-17.6%	46.1	26.0%	104.1	114.3	-8.9%
Total Raw Material Cost % to Sales	60.3%	52.5%		56.9%		58.7%	53.2%	
Employee Cost	58.8	58.7	0.1%	61.0	-3.7%	119.8	110.1	8.7%
Employee Cost % to Sales	10.2%	11.8%		11.7%		10.9%	11.9%	
Advertisement & Sales Promotion Expenses	40.3	29.8	35.2%	42.8	-5.9%	83.2	49.6	67.7%
Advertisement & Sales Promotion Expenses % of Sales	7.0%	6.0%		8.2%		7.6%	5.3%	
Other Expenses	63.4	59.9	6.0%	56.1	13.0%	119.6	107.2	11.5%
Other Expenses % of Sales	11.0%	12.0%		10.8%		10.9%	11.6%	
TOTAL EXPENDITURE	511.2	410.8	24.5%	456.9	11.9%	968.1	761.2	27.2%
EBIDTA	67.1	88.9	-24.5%	65.0	3.2%	132.1	167.1	-20.9%
EBIDTA Margin %	11.6%	17.8%		12.5%		12.0%	18.0%	
Finance Costs	1.8	2.9	-37.8%	1.7	4.7%	3.5	8.0	-56.2%
PBDT	70.6	89.9	-21.6%	68.1	3.5%	138.7	167.3	-17.1%
Depreciation, Ammortization & Impairment	20.6	19.3	6.4%	20.6	0.0%	41.2	38.1	8.1%
Profit Before Tax	50.0	70.6	-29.2%	47.6	5.1%	97.6	129.3	-24.5%
Tax	7.9	10.0	-21.1%	7.5	5.1%	15.3	18.2	-15.8%
Tax Rate %	15.7%	14.1%		15.7%		15.7%	14.1%	
Reported Profit After Tax	42.1	60.7	-30.6%	40.1	5.1%	82.2	111.1	-26.0%
PAT Margin %	7.3%	12.1%		7.7%		7.5%	12.0%	
Other Comprehensive Income (net of tax)	0.2	-0.4	-139.0%	-0.8		-0.6	-0.7	-15.3%
Total Comprehensive Income	42.3	60.2	-29.8%	39.3	7.5%	81.6	110.4	-26.0%
EPS	1.15	1.65	-30.6%	1.09	5.1%	2.24	3.03	-26.0%
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)

	Q2FY22	Q1FY21	VAR	Q1FY22	VAR	H1FY22	H1FY21	VAR
REVENUES								
Revenue from Operations	585.3	504.8	15.9%	525.6	11.4%	1,110.8	937.4	18.5%
Dishwashing	215.9	191.6	12.7%	191.0	13.1%	406.9	348.2	16.8%
% Mix	36.9%	38.0%		36.3%		36.6%	37.1%	
Fabric Care	214.1	171.0	25.2%	181.2	18.2%	395.4	313.2	26.2%
% Mix	36.6%	33.9%		34.5%		35.6%	33.4%	
Household Insecticides	62.8	60.6	3.6%	71.8	-12.5%	134.5	123.9	8.5%
% Mix	10.7%	12.0%		13.7%		12.1%	13.2%	
Personal Care	66.1	62.8	5.3%	68.2	-3.1%	134.2	122.8	9.3%
% Mix	11.3%	12.4%		13.0%		12.1%	13.1%	
Laundry Service	6.4	4.0	60.4%	2.8	123.6%	9.2	7.1	29.3%
% Mix	1.1%	0.8%		0.5%		0.8%	0.8%	
Others	20.0	14.8	35.6%	10.6	89.0%	30.7	22.1	38.7%
% Mix	3.4%	2.9%		2.0%		2.8%	2.4%	
Less : Inter Segment Revenues	-	-	-	-	-	-	-	-
Total Segment Revenue	585.3	504.8	15.9%	525.6		1,110.8	937.4	18.5%
Add : Other Unallocable Income	-	-		-		-	-	
Net Revenue from Operations	585.3	504.8	15.9%	525.6	11.4%	1,110.8	937.4	18.5%
Profit/Loss Before Interest and Tax	62.0	83.8	-26.0%	58.7	5.6%	120.7	157.2	-23.2%
Margin %	10.6%	16.6%		11.2%		10.9%	16.8%	
Dishwashing	24.3	37.5	-35.0%	21.6	12.6%	45.9	69.9	-34.3%
Margin %	11.3%	19.5%		11.3%		11.3%	20.1%	
Fabric Care	34.7	37.7	-8.1%	31.9	8.8%	66.5	69.2	-3.9%
Margin %	16.2%	22.1%		17.6%		16.8%	22.1%	
Household Insecticides	(3.5)	(3.4)	3.5%	(0.7)	419.1%	(4.2)	(5.4)	-21.7%
Margin %	-5.6%	-5.6%		-0.9%		-3.1%	-4.3%	
Personal Care	9.9	15.9	-37.8%	12.4	-20.2%	22.3	31.2	-28.6%
Margin %	15.0%	25.3%		18.2%		16.6%	25.4%	
Laundry Service	(2.4)	(3.8)	-37.9%	(3.7)	-35.3%	(6.0)	(7.9)	-24.3%
Margin %	-37.2%	-96.0%		-128.5%		-65.4%	-111.7%	
Others	(1.0)	(0.1)	725.0%	(2.8)	-64.9%	(3.8)	0.1	-3275.0%
Margin %	-5.0%	-0.8%		-26.7%		-12.4%	0.5%	
Less : Interest	2.9	5.2	-44.2%	3.1	-5.2%	6.0	11.7	-48.8%
Other Un-allocable Expenditure	6.5	7.0	-7.1%	7.5	-12.6%	14.0	14.5	-3.5%
Add : Other Income	2.0	1.3	53.5%	2.1	-8.9%	4.1	2.7	49.8%
Extra-Ordinary Income/Expense								
Net Profit/Loss Before Tax	54.5	72.8	-25.1%	50.3	8.3%	104.9	133.8	-21.6%

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Disclosure of Interest Statement Jyothy Labs Ltd. as on November 12, 2021

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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