

21<sup>st</sup> May 2024

CMP – ₹448/-

View – **Accumulate**

**Performance Review for Q4FY24**

- Q4FY24 results have shown resilience amidst the current macro environment. Net revenue grew ~7% YoY to ~₹660crs (CAGR - 2 Yr 9.9%, 3 Yr 10.1%, 4 Yr 13.8%) with volume growth of 7% in Q4.
- Gross margin expanded 380 bps to 49.5% in Q4FY24. EBITDA grew ~19% YoY to ₹108crs with margin expanding 110bps to 16.4%. Consequent PAT grew ~3% at ₹78crs due to operating efficiency and lower interest expenses
- A&P to sales ratio stood at 9.1% vs 7.4% in Q4FY23.
- The company continues to deliver healthy performance with double digit revenue growth for the year and on a 2 & 3 year CAGR basis.
- In FY24, the company delivered 9% volume growth. The focus is continued on volume-driven growth rather than margin expansion.

**Important Statistics**

<b>Nifty</b>	22,502
<b>Sensex</b>	74,006
<b>MCap (₹ Cr)</b>	₹18,750
<b>52WeekH/L (₹)</b>	554/200
<b>NSE Code</b>	JYOTHYLAB
<b>BSE Code</b>	532926
<b>Bloomberg Code</b>	JYL:IN

**Shareholding Pattern (%) Mar'24**

Promoters	62.9
FII	16.4
DII's	13.3
Public & Others	07.4

**Key Highlights**

- The input prices have normalized and have helped in sustaining the margin. Gross margin expanded 380 bps YoY to 49.5% in Q4FY24
- On the business environment front, overall the demand environment has been mixed due to high inflation, consumer spending has been reduced thereby driving significant competitive intensity and resulting in more focus on volume growth.
- The company continues to focus on enhancing direct distribution, and higher allocation of resources towards brand building initiatives and new product launches.
- Distribution reach has now expanded to more than one million outlets (1.2mn) from 0.85 mn outlets in Apr'21 and is expected to further improve (by 8-10%) in the coming years. Focus on new launches, increasing engagement with consumers thereby strengthening core business.
- The growth momentum is to be sustained in the quarters ahead with the expectation of a good monsoon, government welfare measures and inflation easing off.
- The company has guided double-digit revenue growth in FY24E, aided by distribution expansion-led volume growth and is confident of maintaining a historical EBITDA margin of 16%-17%.

**Financials**

Particulars	₹ Cr	
	FY23	FY24
Revenues	2,486	2,757
EBITDA	316	480
EBITDA Margin (%)	13	17
Net Profit	240	369
EPS (₹)	6.53	10.0
RoE (%)	31	36
Working Capital Days	13	5

Source – Company, Way2Wealth Research

**Relative Performance**

Absolute Return (%)	1 Yr	3Yr	5 Yr
<b>Jyothy Labs</b>	<b>113</b>	<b>184</b>	<b>168</b>
<b>Nifty 50</b>	23	46	90
<b>Sensex</b>	19	44	87

Source: Company, Way2Wealth Research

**Segments**

Jyothy Labs (JLL) delivered 7% sales growth on the back of strong 10% growth in Fabric Care, 6% growth in the Dishwash segment, and 18% growth in the Personal Care segment while Household Insecticides declined 10% YoY.

	Fabric Care	Dishwash	Household Insecticides	Personal Care
Q4FY24	10%	6%	-9.8%	18%
Q4FY24 (2 year CAGR)	15%	7%	-4.6%	15%
Q4FY24 (3 year CAGR)	16%	8.9%	-6.1%	13.9%

Source – Company, Way2Wealth Research

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- **Fabric care (43% of revenue)** sales grew by 10% in Q4FY24 to ₹281crs with improvement in sales across all brands. Post wash and main wash brands, both have had healthy growth across and focus on all the other brands like the fast-growing liquid detergent category, which has also witnessed good results. Expanded distribution is also aiding in faster growth and expansion across product categories
- Ujala detergent continued to emphasis building salience and traction in new geography.
- The PBIT margin for the category was at 23% vs 19.5% in Q4FY23. 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	CY23
84.1%	83.7%	83.6%	84%

Source – Company, Way2Wealth Research

- **Dishwash category (33% of revenue)** sales grew at ~6% YoY to ₹218crs, aided by the company’s distribution focus across all channels.
- The Exo category has higher saliency towards LUPs which is driving the growth led by the ₹10 pack. Engagement led activation through print media helped to build positive salience for Exo among consumers
- Pril has been consistently recording high growth in the e-commerce channel quarter after quarter. MT channel also grew at a healthy rate on the back of larger packs that are salient in the channel
- Management continues to enhance brand equity by driving LUPs, enhanced digital awareness, and ground activations to solidify its position as the preferred choice among consumers and capture a larger share of the market.

**Market Share**

Brand	SQ22	CY22	CY23	FY24
Exo (Bar)	13.9%	13.8%	13.8%	13.7%
Pril (liquid)	15.1%	14.8%	14%	13.7%

Source – Company, Way2Wealth Research

- **Household Insecticides (11% of revenue)** witnessed a slower growth of 9.7% YoY to ₹72crs in Q4FY24 due to seasonality impacting demand. Efforts have been towards strengthening the liquid portfolio by focusing on continued brand investment in key markets.

**Market Share**

Brand	SQ22	DQ22	CY22	CY23	FY24
Coil	23.2%	22.9%	23.3%	23.9%	23.8%
Liquid	84%	8.4%	8.9%	8.5%	8.3%

Source – Company, Way2Wealth Research

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- **The personal care (18% of revenue)** segment which is primarily a Margo franchise grew 18% YoY to ₹62crs in Q4FY24 led by consumer promotion and penetration.
- The PBIT margin of the category stood at 8.5% vs 13.3% in Q4FY23. Special emphasis is given to social media to target younger target groups. The periodic use of social media influencers is helping to build awareness and drive trials.
- The management expects double-digit revenue growth, primarily led by a good monsoon, an expanded distribution network and new launches. On the margin front, with stable commodity prices, expecting an EBITDA margin of ~16-17%.
- Capex will be ₹40-50crs in FY25; it will be used for media spending on the development of new categories.

**View**

The company is driving growth through the expansion of distribution networks 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 ~16-17% EBITDA margin, and double-digit revenue growth, make it a good mid-cap pick in the consumer goods space.

The rural recovery, which is a big market, high inflation has impacted the consumers there, and it is a critical area to watch out for sustained category growth going forward.

At CMP ₹448, Jyothy Labs Ltd is trading at a PE of 44.8x to its TTM EPS of 10. Hence **we recommend investors to accumulate the stock on dips.**

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**Financial Performance**

(₹ Cr)

	Q4FY24	Q4FY23	VAR [%]	Q3FY24	VAR [%]	FY24	FY23	VAR [%]
<b>Net Sales</b>	<b>660.0</b>	<b>617.0</b>	<b>7.0%</b>	<b>677.5</b>	<b>-2.6%</b>	<b>2756.9</b>	<b>2486.0</b>	<b>10.9%</b>
Other Income	13.0	5.7	127.5%	10.6	22.7%	53.7	39.5	35.9%
<b>TOTAL INCOME</b>	<b>673.0</b>	<b>622.7</b>	<b>8.1%</b>	<b>688.1</b>	<b>-2.2%</b>	<b>2810.6</b>	<b>2525.5</b>	<b>11.3%</b>
Total Raw Material Cost	333.3	334.9	-0.5%	340.4	-2.1%	1403.8	1434.9	-2.2%
Cost of Raw Material & Components Consumed	295.6	280.9	5.3%	303.0	-2.4%	1242.6	1291.2	-3.8%
(Increase)/ Decrease in Inventories	3.2	22.1	-85.6%	3.5	-8.9%	6.3	-3.3	-290.9%
Purchase of Traded Goods	34.5	32.0	8.0%	33.9	1.9%	155.0	147.0	5.4%
<i>Total Raw Material Cost % to Sales</i>	<i>50.5%</i>	<i>54.3%</i>	<i>-7.0%</i>	<i>50.2%</i>	<i>0.5%</i>	<i>50.9%</i>	<i>57.7%</i>	<i>-11.8%</i>
Employee Cost	72.6	64.8	12.0%	75.2	-3.5%	300.5	264.6	13.6%
<i>Employee Cost % to Sales</i>	<i>11.0%</i>	<i>10.5%</i>	<i>4.7%</i>	<i>11.1%</i>	<i>-0.9%</i>	<i>10.9%</i>	<i>10.6%</i>	<i>2.4%</i>
Advertisement & Sales Promotion Expenses	59.8	45.9	30.1%	60.7	-1.5%	228.2	174.3	30.9%
<i>Advertisement &amp; Sales Promotion Expenses % of Sales</i>	<i>9.1%</i>	<i>7.4%</i>	<i>21.6%</i>	<i>9.0%</i>	<i>1.1%</i>	<i>8.3%</i>	<i>7.0%</i>	<i>18.1%</i>
Other Expenses	86.0	80.1	7.3%	82.7	4.0%	344.5	296.3	16.3%
<i>Other Expenses % of Sales</i>	<i>13.0%</i>	<i>13.0%</i>	<i>0.3%</i>	<i>12.2%</i>	<i>6.8%</i>	<i>12.5%</i>	<i>11.9%</i>	<i>4.9%</i>
<b>TOTAL EXPENDITURE</b>	<b>551.6</b>	<b>525.7</b>	<b>4.9%</b>	<b>558.9</b>	<b>-1.3%</b>	<b>2277.1</b>	<b>2170.2</b>	<b>4.9%</b>
<b>EBIDTA</b>	<b>108.4</b>	<b>91.3</b>	<b>18.8%</b>	<b>118.6</b>	<b>-8.6%</b>	<b>479.8</b>	<b>315.8</b>	<b>51.9%</b>
<i>EBIDTA Margin %</i>	<i>16.4%</i>	<i>14.8%</i>	<i>11.0%</i>	<i>17.5%</i>	<i>-6.2%</i>	<i>17.4%</i>	<i>12.7%</i>	<i>37.0%</i>
Finance Costs	1.3	3.1	-59.6%	1.2	5.9%	4.7	13.1	-63.9%
<b>PBDT</b>	<b>120.1</b>	<b>93.8</b>	<b>28.0%</b>	<b>128.0</b>	<b>-6.2%</b>	<b>528.8</b>	<b>342.2</b>	<b>54.5%</b>
Depreciation, Ammortization & Impairment	12.9	11.9	8.1%	12.8	0.3%	50.0	50.1	-0.3%
<b>PBT before Exceptional Items</b>	<b>107.2</b>	<b>81.9</b>	<b>30.9%</b>	<b>115.2</b>	<b>-6.9%</b>	<b>478.8</b>	<b>292.1</b>	<b>63.9%</b>
Exceptional Items			-		-	0.0	-7.0	-100.0%
<b>PBT after Exceptional Items</b>	<b>107.2</b>	<b>81.9</b>	<b>30.9%</b>	<b>115.2</b>	<b>-6.9%</b>	<b>478.8</b>	<b>299.1</b>	<b>60.1%</b>
Tax	29.1	22.7	28.2%	24.3	19.8%	109.5	59.5	84.1%
<i>Tax Rate %</i>	<i>27.1%</i>	<i>27.7%</i>	<i>-2.0%</i>	<i>21.1%</i>	<i>28.7%</i>	<i>22.9%</i>	<i>19.9%</i>	<i>15.0%</i>
<b>Reported Profit After Tax</b>	<b>78.2</b>	<b>59.3</b>	<b>31.9%</b>	<b>90.9</b>	<b>-14.0%</b>	<b>369.3</b>	<b>239.7</b>	<b>54.1%</b>
<i>PAT Margin %</i>	<i>11.8%</i>	<i>9.6%</i>		<i>13.4%</i>		<i>13.4%</i>	<i>9.6%</i>	
Other Comprehensive Income (net of tax)	-1.1	0.9	-219.6%	0.1		-1.1	0.6	-266.7%
<b>Total Comprehensive Income</b>	<b>77.1</b>	<b>60.2</b>	<b>28.0%</b>	<b>91.0</b>	<b>-15.3%</b>	<b>368.2</b>	<b>240.3</b>	<b>53.3%</b>
<b>EPS</b>	<b>2.10</b>	<b>1.64</b>	<b>28.0%</b>	<b>2.48</b>		<b>10.03</b>	<b>6.54</b>	<b>53.3%</b>
Equity	36.7	36.7		36.7		36.7	36.7	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source – Company, Way2Wealth Research

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**Segmental Performance**

(₹ Cr)

Particulars	Q4FY24	Q4FY23	VAR	Q3FY24	VAR	FY24	FY23	VAR
<b>REVENUES</b>								
<b>Revenue from Operations</b>	<b>660.0</b>	<b>617.0</b>	<b>7.0%</b>	<b>677.5</b>	<b>-2.6%</b>	<b>2,757.0</b>	<b>2,486.0</b>	<b>10.9%</b>
Dishwashing	218.3	206.2	5.9%	236.1	-7.5%	936.6	864.8	8.3%
% Mix	33.1%	33.4%		34.8%		34.0%	34.8%	
Fabric Care	281.1	255.3	10.1%	294.8	-4.7%	1,189.0	1,056.1	12.6%
% Mix	42.6%	41.4%		43.5%		43.1%	42.5%	
Household Insecticides	72.2	80.0	-9.7%	45.7	57.8%	212.3	211.7	0.3%
% Mix	10.9%	13.0%		6.8%		7.7%	8.5%	
Personal Care	61.8	52.4	18.0%	72.3	-14.5%	307.8	254.2	21.1%
% Mix	9.4%	8.5%		10.7%		11.2%	10.2%	
Laundry Service			-		-	-	-	-
% Mix	0.0%	0.0%		0.0%		0.0%	0.0%	
Others	26.6	23.0	15.7%	28.6	-7.0%	111.3	99.2	12.1%
% Mix	4.0%	3.7%		4.2%		4.0%	4.0%	
<b>Total Segment Revenue</b>	<b>660.0</b>	<b>617.0</b>	<b>7.0%</b>	<b>677.5</b>		<b>2,757.0</b>	<b>2,486.0</b>	<b>10.9%</b>
<b>PROFIT</b>								
<b>Profit/Loss Before Interest and Tax</b>	<b>101.4</b>	<b>91.2</b>	<b>11.2%</b>	<b>118.3</b>	<b>-14.3%</b>	<b>475.1</b>	<b>306.1</b>	<b>55.2%</b>
Margin %	15.4%	14.8%		17.5%		17.2%	12.3%	
Dishwashing	39.3	36.1	9.0%	42.5	-7.4%	180.4	132.7	36.0%
Margin %	18.0%	17.5%		18.0%		19.3%	15.3%	
Fabric Care	64.7	49.9	29.6%	74.4	-13.0%	287.4	172.6	66.5%
Margin %	23.0%	19.5%		25.2%		24.2%	16.3%	
Household Insecticides	(7.5)	(0.9)	706.5%	(9.3)	-19.7%	(34.1)	(20.2)	68.8%
Margin %	-10.4%	-1.2%		-20.4%		-16.1%	-9.6%	
Personal Care	5.2	7.0	-24.9%	9.3	-43.7%	39.7	25.9	53.3%
Margin %	8.5%	13.3%		12.9%		12.9%	10.2%	
Others	(0.3)	(0.8)	-62.5%	1.5	-119.9%	1.7	(4.8)	-136.0%
Margin %	-1.1%	-3.5%		5.3%		1.6%	-4.9%	
Less : Interest	1.3	3.1	-59.4%	1.2	5.9%	4.7	13.1	-63.9%
Other Un-allocable Expenditure	4.5	9.5	-52.1%	9.6	-52.6%	35.0	28.7	22.1%
Add : Other Income	11.6	3.3	249.1%		-	35.8	15.8	126.8%
Extra-Ordinary Income/Expense				7.6		7.6	19.1	
<b>Net Profit/Loss Before Tax</b>	<b>107.2</b>	<b>82.0</b>	<b>30.8%</b>	<b>115.2</b>	<b>-6.9%</b>	<b>478.8</b>	<b>299.3</b>	<b>60.0%</b>

Source –Company, Way2Wealth Research

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**Disclosure of Interest Statement: Jyothy Labs Ltd. as on May 21<sup>st</sup>, 2024**

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 :	
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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