

Jyothy Labs Ltd.

Sensex	61,981
Nifty	18,410

Key Stock Data

CMP	₹194
Market Cap (₹ Cr)	₹7,124
52W High/Low	₹208/130
Shares o/s (Cr)	36.72
Bloomberg	JYL:IN
NSE Code	JYOTHYLAB
BSE Code	532926

Shareholding Pattern (%)

Promoters	62.9
FII & DIs	30.3
Public & Others	06.8

Particulars	FY21	FY22
Revenues	1,909	2,197
EBITDA	315	248
EBITDA Margin (%)	16.5	11.3
Net Profit	191	159
EPS (₹)	5.15	4.32
RoE (%)	39.3	31.5

Performance Review for Q2FY23

- The company reported a quarter of double-digit sales growth; witnessed margin uptick with softening of commodity prices
- FMCG sales volume increased by 1% (Ex HI volume growth 5%). Sales increased by 12.6% YoY to ₹659Cr.
- EBITDA increased by 20.8% to ₹80.4Cr. EBITDA margin expanded 80 bps to 12.2%.
- Consequent PAT was at ₹65Cr (up 48.5% YoY) due to higher operating income and exceptional income of ₹7Cr (write back of one-time settlement)
- A&P to sales ratio stood at 6.3% vs 6.9% in Q2FY22.

Key Highlights

- Jyothy Labs reported FMCG revenue growth of 12.6% YoY led by pricing growth to 11-12% and volume growth of 1%. This was aided by robust growth in fabric wash segment.
- Due to softening of a few commodity prices, gross margin expanded 40 bps YoY to 40.5% in Q2FY23.
- Distribution reach has now expanded to one million outlets 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 high growth momentum
- Witnessed market share gains in Exo brand. The HI category witnessed de-growth of ~31% YoY due to lack of rain in North and East region of India.
- Working Capital Days has increased from 12 days in Sep'21 to 28 days in Sep'22 mainly due to higher inventory of HI products and overall high cost inventory due to price hikes. However management expect working capital days to remain at 20-22 days in the long run.

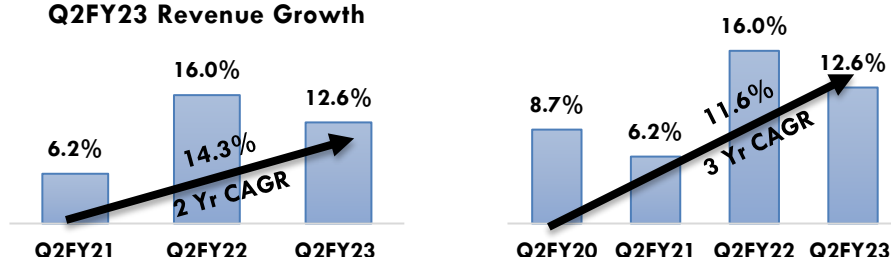
Concall Highlights

- Jyothy Labs' (JLL's) delivered strong double digit revenue growth on the back of strong 34% growth in the Fabric Care, 11% growth in Dishwash segment and 6% growth in Dishwashing segment.

	Fabric Care	Dishwash	Household Insecticides	Personal Care
Q2FY23 (YoY Growth)	33.7%	5.6%	-30.7%	10.8%
FY22	22.1%	14.1%	2.8%	7.5%
Q2FY23 (2Y CAGR)	29.4%	9.1%	-15.1%	8.0%

Source: Company, Way2Wealth Research

Q2FY23 Revenue Growth



Source: Company, Way2Wealth Research

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- Fabric care sales grew by 33.7% in Q2FY23 led by 20% volume growth and 13% price hike. The company saw strong growth across portfolio of detergent, post wash as well as Ujala Crisp&Shine. On two year basis, this segment sales grew 29.4%. The distribution drive has helped in the growth of detergent brands. In this segment, the company have witnessed good demand uptake for out of home categories post opening up in large format stores of modern trade, CSD and e-commerce.

Fabric Care (Post Wash)		
MQ22	JQ22	SQ22
84.1%	84.1%	83.7%

Source: Company, Way2Wealth Research

- In Ujala fabric whitener, company continued media campaign starting superstar Taapsee Pannu and digital campaigns have also been rolled out across the social media platforms which have again helped to get sales back to pre COVID levels in fabric whitener. The Premium end like Henko Power Matic and liquid all are doing well and also see a good demand for mid priced brands of Ujala IDD, Mr. White, More Light during the inflationary times.

Market Share of Detergent Powder (Kerala)		
MQ22	JQ22	SQ22
21.9%	20.3%	20.0%

Source: Company, Way2Wealth Research

- Dishwash category sales grew at slower pace of 6%. The Exo brand gained 20 bps to 13.9% in Sep'22. On two year CAGR basis sales grew 9%. The company did not take a steep price hike in dishwashing brands. Relentless drive on LUPs is helping the brand to recruit more consumers onto to the brand and become stronger No: 2 player.

Market Share			
Brand	MQ22	JQ22	SQ22
Exo	13.7%	13.7%	13.9%
Pril	14.3%	15.1%	15.1%

Source: Company, Way2Wealth Research

- In Household Insecticides, strong market of north and east India have been impacted due to less rains. Both these north and east account for 75% of sales. On two year CAGR basis the revenue de-grew 15%.

Market Share			
Brand	MQ22	JQ22	SQ22
Coil	22%	24.2%	23.2%
Liquid	8.9%	10%	8.4%

Source: Company, Way2Wealth Research

- Personal care segment which is primarily a Margo franchise grew 11% in Q2FY23 led by 1% volume growth and 10% pricing growth. This category has seen frequent price increases due to higher input prices however, palm oil prices are now being softening. We expect the margin profile for this category will improve from here on.
- Inflationary input prices environment to be partially balanced with strategic price increases, cost optimization initiatives and balanced trade schemes.
- The price point of ₹10 is working well in rural regions while larger packs are doing well in modern stores. The company is looking to grow through volumes, brand building, strengthening distribution network with aid of technology & addition of manpower to enhance market execution.

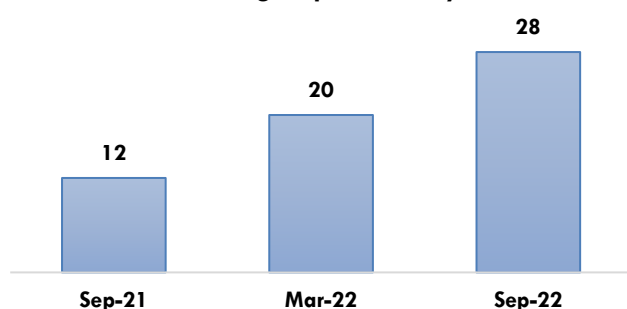
View

The 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, enhanced media support, small packs and geographical expansion could provide further fillip to earnings. We believe that the softening of commodity prices of crude oil, palm oil in specific and calibrated price hikes should lead to sequential improvement in margins from H2FY23 onwards.

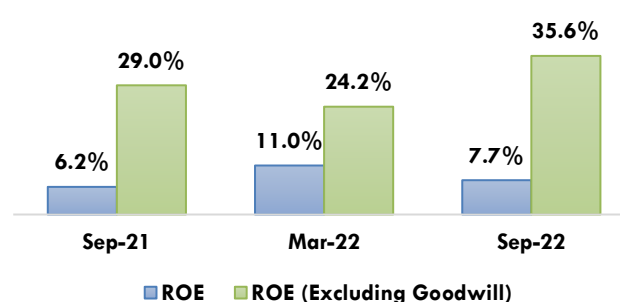
At CMP ₹194, Jyothy Labs Ltd is trading at PE of 36.6x to its TTM EPS of 5.3 which is at a discount to its peers. Hence we recommend investor to accumulate the stock on dips.

Story in Charts

Working Capital in Days



ROE



Source: Company, Way2Wealth Research

Financial Performance

	Q2FY23	Q2FY22	VAR[%]	Q1FY23	VAR[%]	H1FY23	H1FY22
(₹ Cr)							
Net Sales	659.2	585.4	12.6%	597.2	10.4%	1256.4	1110.8
Other Income	5.3	4.8	12.2%	13.2	-59.6%	18.6	9.3
TOTAL INCOME	664.5	590.1	12.6%	610.4	8.9%	1275.0	1120.1
Total Raw Material Cost	392.2	350.4	11.9%	359.2	9.2%	751.4	648.3
Cost of Raw Material & Components Consumed	387.1	281.8	37.4%	343.6	12.7%	730.7	546.2
(Increase)/ Decrease in Inventories	-38.2	10.6	-459.8%	-24.1	58.3%	-62.3	-2.1
Purchase of Traded Goods	43.2	58.1	-25.5%	39.8	8.7%	83.0	104.2
Total Raw Material Cost % to Sales	59.5%	59.9%	-0.6%	60.1%	-1.1%	59.8%	58.4%
Employee Cost	69.7	61.6	13.0%	63.9	9.0%	133.6	125.3
Employee Cost % to Sales	10.6%	10.5%	0.4%	10.7%	-1.3%	10.6%	11.3%
Advertisement & Sales Promotion Expenses	41.5	40.7	2.2%	45.0	-7.8%	86.6	83.6
Advertisement & Sales Promotion Expenses % of Sales	6.3%	6.9%	-9.3%	7.5%	-16.5%	6.9%	7.5%
Other Expenses	75.4	66.1	14.1%	69.2	9.0%	144.6	123.7
Other Expenses % of Sales	11.4%	11.3%	1.3%	11.6%	-1.2%	11.5%	11.1%
TOTAL EXPENDITURE	578.8	518.8	11.6%	537.4	7.7%	1116.2	980.9
EBIDTA	80.4	66.6	20.8%	59.8	34.4%	140.3	129.8
EBIDTA Margin %	12.2%	11.4%	7.3%	10.0%	21.8%	11.2%	11.7%
Finance Costs	3.5	2.9	20.7%	3.3	6.1%	6.8	6.0
PBDT	82.3	68.4	20.2%	69.8	17.9%	152.0	133.2
Depreciation, Ammortization & Impairment	13.0	13.9	-6.3%	13.0	-0.2%	26.1	28.3
PBT before Exceptional Items	69.2	54.5	27.0%	56.7	22.1%	126.0	104.9
Exceptional Items	-7.0		#DIV/0!		#DIV/0!	-7.0	0.0
PBT after Exceptional Items	76.3	54.5	39.9%	56.7	34.5%	133.0	104.9
Tax	11.0	10.6	3.8%	9.0	21.9%	20.0	20.7
Tax Rate %	14.4%	19.4%	-25.8%	15.8%	-9.3%	15.0%	19.7%
Reported Profit After Tax	65.3	44.0	48.5%	47.7	36.8%	113.0	84.2
PAT Margin %	9.9%	7.5%		8.0%		9.0%	7.6%
Other Comprehensive Income (net of tax)	0.0	0.1	-88.9%	-0.4		-0.4	-0.6
Total Comprehensive Income	65.3	44.1	48.3%	47.4	37.9%	112.7	83.6
Basic:							
EPS	1.78	1.20	48.3%	1.29		3.07	2.28
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

Segmental Performance

(₹ Cr)

	Q2FY23	Q2FY22	VAR	Q1FY23	VAR	H1FY23	H1FY22	VAR
REVENUES								
Revenue from Operations	659.2	585.4	12.6%	597.2	10.4%	1,256.4	1,110.7	13.1%
Dishwashing	227.9	215.9	5.6%	209.3	8.9%	437.2	406.9	7.5%
% Mix	34.6%	36.9%		35.1%		34.8%	36.6%	
Fabric Care	286.2	214.1	33.6%	251.1	14.0%	537.3	395.3	35.9%
% Mix	43.4%	36.6%		42.0%		42.8%	35.6%	
Household Insecticides	43.5	62.8	-30.7%	44.8	-3.0%	88.3	134.5	-34.3%
% Mix	6.6%	10.7%		7.5%		7.0%	12.1%	
Personal Care	73.3	66.1	10.8%	69.4	5.5%	142.7	134.2	6.4%
% Mix	11.1%	11.3%		11.6%		11.4%	12.1%	
Laundry Service	11.5	6.4	80.5%	10.7	7.1%	22.2	9.2	141.1%
% Mix	1.7%	1.1%		1.8%		1.8%	0.8%	
Others	16.9	20.1	-15.8%	11.8	43.8%	28.7	30.7	-6.5%
% Mix	2.6%	3.4%		2.0%		2.3%	2.8%	
Less : Inter Segment Revenues	-	-	#DIV/0!	-	#DIV/0!	-	-	#DIV/0!
Total Segment Revenue	659.2	585.4	12.6%	597.2		1,256.4	1,110.7	13.1%
PROFIT								
Profit/Loss Before Interest and Tax	76.5	62.0	23.4%	55.4	38.1%	131.9	120.7	9.3%
Margin %	11.6%	10.6%		9.3%		10.5%	10.9%	
Dishwashing	35.2	24.3	44.7%	27.5	27.9%	62.7	45.9	36.6%
Margin %	15.4%	11.3%		13.2%		14.3%	11.3%	
Fabric Care	43.3	34.7	25.1%	30.8	40.5%	74.2	66.5	11.5%
Margin %	15.1%	16.2%		12.3%		13.8%	16.8%	
Household Insecticides	(7.9)	(3.5)	124.4%	(4.5)	77.2%	(12.4)	(4.2)	194.3%
Margin %	-18.2%	-5.6%		-10.0%		-14.0%	-3.1%	
Personal Care	7.4	9.9	-25.5%	2.5	197.6%	9.9	22.3	-55.8%
Margin %	10.1%	15.0%		3.6%		6.9%	16.6%	
Laundry Service	(1.6)	(2.4)	-30.9%	(1.6)	0.0%	(3.3)	(6.0)	-45.8%
Margin %	-14.2%	-37.2%		-15.2%		-14.7%	-65.4%	
Others	0.1	(1.0)	-112.1%	0.7	-81.5%	0.8	(3.8)	-120.2%
Margin %	0.7%	-4.9%		5.5%		2.7%	-12.4%	
Less : Interest	3.5	2.9	19.3%	3.3	4.8%	6.8	6.0	13.4%
Other Un-allocable Expenditure	5.9	6.5	-10.3%	5.7	1.9%	11.6	14.0	-17.1%
Add : Other Income	7.0		#DIV/0!	10.4	-32.1%	17.4	2.1	712.6%
Extra-Ordinary Income/Expense	2.1					2.1	-	
Net Profit/Loss Before Tax	76.3	52.6	45.1%	56.7	34.5%	133.0	102.9	29.3%

Source: Company, Way2Wealth Research

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Disclosure of Interest Statement Jyothy Labs Ltd. as on November 17, 2022

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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