



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Jyothy Labs Ltd Q3FY23 consolidated revenues came in at ₹613 Cr, up 13.6% YoY and down 6.9% QoQ.
- Op EBIT for Q3FY23 stood at ₹84 Cr, up 37.7% YoY and up 5% QoQ.
- Op EBIT margins for Q3FY23 came at 14%.
- PAT for Q3FY23 stood at ₹67 Cr, up 76.31% YoY and up 3.07% QoQ.

### 2. MANAGEMENT COMMENTARY:

- With the decline in palm oil, soda ash and other crude related commodities, margins are likely to improve in FY24.
- A&P Spend at Rs 41.8 Crores (6.8% of Net Sales) versus Rs 38.4 Crores (7.1% of Net Sales) in the same period last year, an increase by 9%.
- The volume growth for the quarter was 2.1% and each of the categories, except HI, grew by double digits.
- Fabric wash segment continues to see strong 26% growth during the quarter. Dish washing & personal care segment also saw healthy 10% and 11.6% growth in Q3FY23, respectively.
- HI segment saw a sales decline of 15.6% during the quarter mainly on account of off-season impact on the category.
- On a three-year CAGR basis, fabric wash, dish washing & personal care segment grew 15.3%, 13.8% & 18.3%, respectively, whereas HI sales remained flat during the same period.
- Lower unit packs are gaining acceptance and are selling strongly in the rural markets.
- The company is focusing on the potential of rural India and accelerating overall growth through distribution drives, category penetration strategy, digitization, and premiumization.
- According to management the demand for detergent, dish wash and personal care category is stable.
- No significant price increase was done for fabric care brands this quarter and further price increase will depend on competition and raw material prices.
- Both general trade & modern trade channels are growing similarly. GT contributes 80% of the company's sales whereas modern trade, Ecommerce & CSD channels contributes 20% to the sales.
- Lower Unit Packs (LUP) consist of ₹5, ₹10 price point packs. The company has also launched ₹20 packs recently. LUPs contribute around 30%-35% to company's topline as during high inflation, rural regions shift to LUPs.
- Most commodity prices have witnessed a steep decline in the last nine months. Caustic soda, crude palm oil & LDPE prices have corrected by 34%, 44% & 29%, respectively, in the last nine months. Similarly, PET, LAB & Polypropylene prices dipped by 19%, 4% & 8%, respectively in the last nine months.

### 3. VALUATION AND OUTLOOK:

Company posted good results in past few quarters despite of input price inflation and slowdown in volume growth. Falling crude prices will help company to post better margins and management is also trying to increase its distribution network of key brands in newer markets to improve topline.

We initiate a "BUY" rating on the stock and value the stock at 25x FY24E earnings to arrive at the target of ₹225.

## RECOMMENDATION - BUY

CMP – 187

TARGET – 225 (20%)

Industry	Consumer Food
NSE CODE	JYOTHYLAB
BSE CODE	532926
Market Cap (₹ Cr)	6881
Shares Outstanding (in Cr)	36.72
52 wk High/Low (₹)	222.7 / 133.8
P/E	31.21
P/BV	4.45
Face Value (₹)	1.00
Book Value (₹)	41.72
EPS (FY22) (₹)	4.41
Dividend Yield (%)	1.69
Debt / Equity	0.09
Interest Coverage	17.68

## SHAREHOLDING PATTERN

	Dec 22	Sept 22	Jun 22
Promoters	62.89	62.89	62.89
MF/ DII	17.55	17.47	18.14
FII/FPI	13.68	12.80	11.47
Retail & Others	5.88	6.84	7.50
Promoter Pledging	0	0	0

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022A	2023E	2024E
<b>Crore</b>			
Sales	2196.49	2482	2854.3
Sales Gr. (%)	15.05	12.99	15
EBITDA	248.23	322.66	428.14
EBITDA %	10.02	13	15
PAT	161.97	244.83	322.91
EPS (₹)	4.41	6.67	9.07
EPS Gr. (%)	-18.79	51.24	35.98
BV/Sh. (₹)	39.9	46.57	55.36
<b>Ratios</b>			
RoE (%)	11	13.5	15.8
RoCE (%)	12.9	14.03	16.68
Payout (%)	56.7	56.7	56.7
<b>Valuation</b>			
P/E (x)	31.5	32.6	25
P/BV (x)	3.63	4.66	4.09

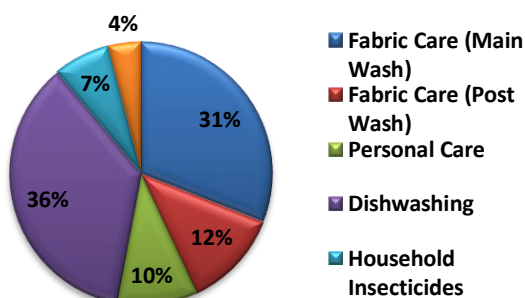
## Historical & Industrial Val Ratios

Historical P/E	31.21
Industry P/E	56.12
Historical P/B	4.45
Industry P/B	11.61

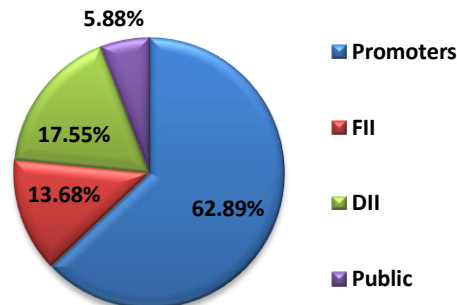


## Jyothy Labs Overview (Q3 FY23)

### Category Wise Business Share(Q3 FY23)



### Shareholding Pattern (Q3 FY23)



### QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY22				FY23				FY22	FY23E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E*		
<b>Net sales</b>	<b>525</b>	<b>585</b>	<b>539</b>	<b>547</b>	<b>597</b>	<b>659</b>	<b>613</b>	<b>613</b>	<b>2196.49</b>	<b>2482</b>
YoY change (%)	21.37%	16.03%	13.09%	10.42%	13.09%	10.42%	13.67%	12.65%	15.05%	12.99%
<b>Total Expenditures</b>	<b>562</b>	<b>519</b>	<b>478</b>	<b>489</b>	<b>537</b>	<b>579</b>	<b>528</b>	<b>521</b>	<b>1948.26</b>	<b>2159.34</b>
<b>EBITDA</b>	<b>63</b>	<b>67</b>	<b>61</b>	<b>57</b>	<b>60</b>	<b>80</b>	<b>84</b>	<b>92</b>	<b>248.23</b>	<b>322.66</b>
Margins (%)	12%	11%	11%	10%	10%	12%	14%	15%	10.02%	13%
Other income	5	5	4	6	13	12	15	15	18.67	55
Interest	3	3	3	3	3	3	3	3	11.81	9.5
Depreciation	14	14	14	15	13	13	12	23	58.17	61.2
<b>PBT</b>	<b>50</b>	<b>55</b>	<b>47</b>	<b>45</b>	<b>57</b>	<b>76</b>	<b>84</b>	<b>81</b>	<b>196.92</b>	<b>306.04</b>
Rate (%)	20%	19%	20%	17%	16%	14%	20%	20%	19.19%	20%
<b>Adjusted PAT</b>	<b>40</b>	<b>44</b>	<b>38</b>	<b>37</b>	<b>48</b>	<b>65</b>	<b>67</b>	<b>64.8</b>	<b>161.97</b>	<b>244.83</b>
<b>EPS in Rs</b>	<b>1.12</b>	<b>1.21</b>	<b>1.05</b>	<b>1.03</b>	<b>1.32</b>	<b>1.76</b>	<b>1.84</b>	<b>1.76</b>	<b>4.41</b>	<b>6.67</b>

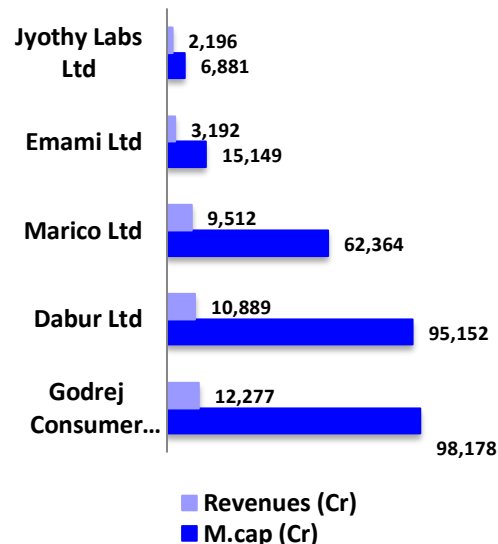
Source: Company, Hem Securities Research.



## INDUSTRY OVERVIEW

- Fast moving consumer goods (FMCG) is the fourth-largest sector in the Indian economy. There are three main segments in the sector — food and beverages, which accounts for 19% of the sector; healthcare, which accounts for 31% of the share; and household and personal care, which accounts for the remaining 50% share. The urban segment contributes to about 55% of the revenue share, while the rural segment accounts for 45%.
- The FMCG industry has seen volume declines for 4 consecutive quarters till Q2FY23, owing to double-digit price hikes over the last 6 quarters. Q3FY23E has seen similar market conditions. The quarter is expected to see continued declining/ flat volumes, growth led by pricing, a higher impact on rural demand, and weakness in bottom-of-the-pyramid products and price points.
- While demand surged during the festive period, there was demand softness in the following months. As the inflation continues to decline, there should be some revival in the overall demand trends.
- From US\$ 110 billion in 2020, the FMCG market in India is projected to grow at a CAGR of 14.9% to US\$ 220 billion by the next couple of years.
- With an investment of US\$ 1.42 billion, the union government's production-linked incentive (PLI) scheme offers businesses a significant chance to increase exports.
- The Indian government has permitted 51% of Foreign Direct Investment (FDI) in multi-brand retail and 100% of FDI in food processing. This would inspire more product launches while increasing employment, supply chains, and consumer spending.

## Key Players in FMCG Segment



## PEER PERFORMANCE

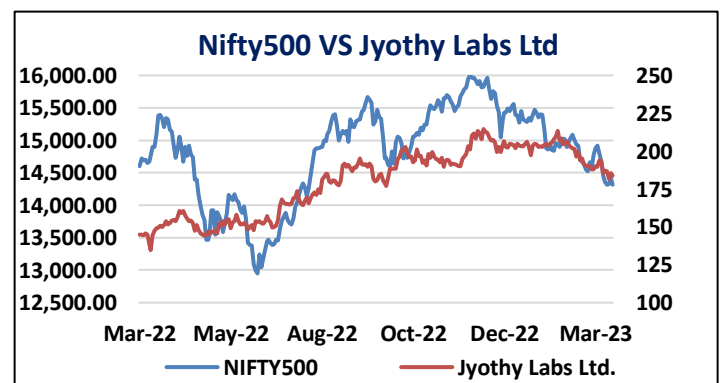
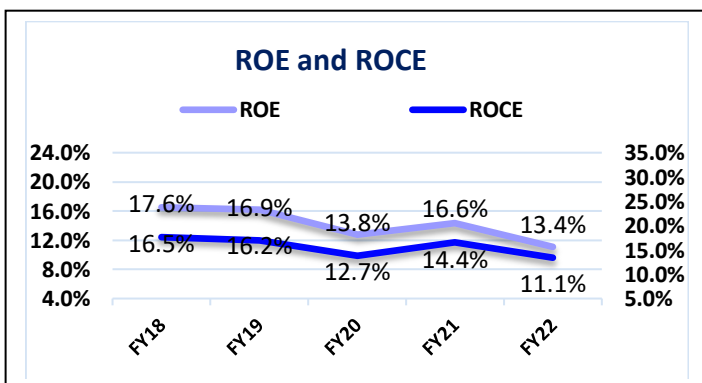
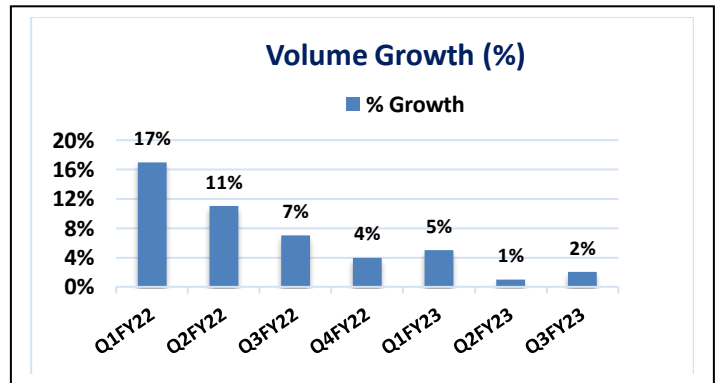
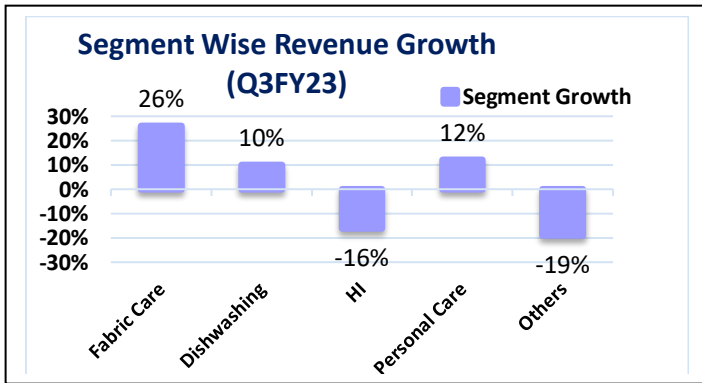
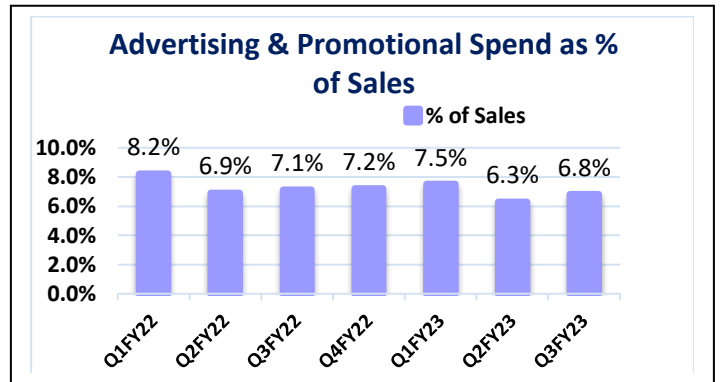
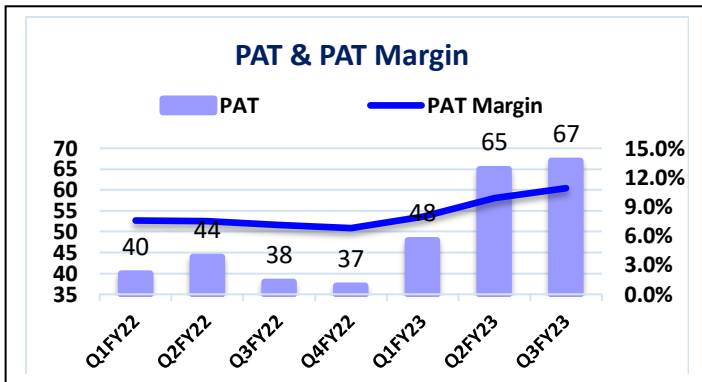
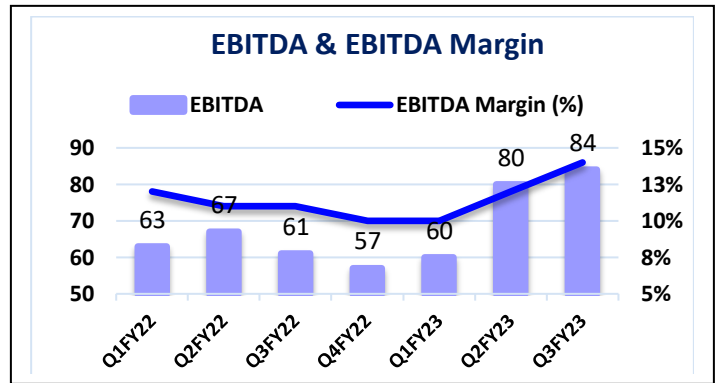
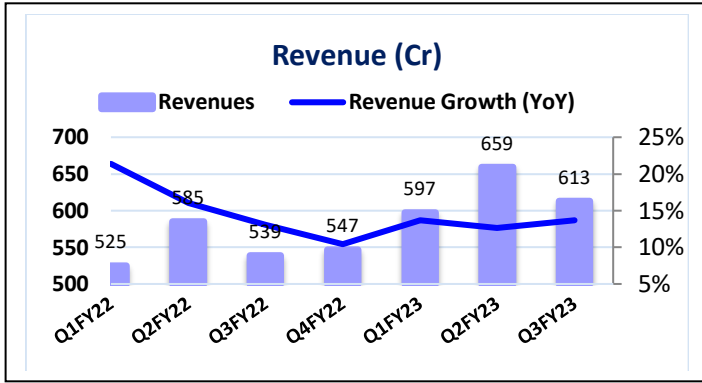
(₹ Cr)

Particulars	Jyothy Labs Ltd.	Emami Ltd	Marico Ltd	Dabur Ltd	Godrej Consumer Products Ltd.
Market Cap	6,881	95,152.6	62,364.2	15,149.1	98,178.8
Net Sales	2,196.5	10,888.7	9,512.0	3,192.0	12,276.5
EBITDA	248.2	2,250.5	1,678.0	952.4	2,407.2
PAT	162.0	1,739.2	1,225.0	839.0	1,783.4
EPS(₹)	4.4	9.8	9.5	19.0	17.4
EBITDA MARGIN %	10.0	21.8	16.9	32.8	18.7
PAT MARGIN %	6.0	14.4	11.9	26.7	13.4
ROCE %	13.4	26.7	45.0	33.7	18.7
ROE %	11.1	22.1	38.4	44.3	17.0
P/E TTM	31.2	56.0	49.9	17.8	60.8
P/B TTM	4.4	10.2	15.3	5.9	7.4
EV/EBITDA					
Dividend Yield %	1.3	1.0	1.9	2.3	-
MCap/ Sales TTM	2.8	8.4	6.4	4.5	7.6

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Consistent double digit revenue growth in spite of high commodity inflation which has impacted the consumption across categories.
- Lead brands 'Ujala & Henko' continued to register strong growth.
- Mid-priced detergent brands, 'Mr. White & Morelight' have witnessed good demand, continuing the momentum from earlier quarters.
- Lower Unit Packs ('LUP') continue to gain acceptance and are selling strong in the rural markets thereby thrusting growth in revenues.
- Pril in liquid dish wash holds market share of 14.8%. The brand is growing through larger pouch packs. Company is continuously investing behind brands by higher spends on advertisement. It is focusing on e-commerce channels for the brands to increase traction in urban regions.
- JLL holds market share of 83.6% in December quarter in Ujala post wash brand. Further, Ujala detergent holds 22.2% market share in Kerala. The company is looking to expand Crisp & Shine reach in a phased manner rather than launching it on a pan India basis
- In dishwashing segment, Exo Bar holds market share of 14%. The brand is growing consistently in double digits with distribution expansions.

## RISK / NEGATIVE FACTORS:

- Intense competition from other FMCG players in the different segments of the detergent industry can affect the topline of Company adversely.
- Any economic slowdown directly affects the FMCG demand of the economy as people spend less money on discretionary items.
- Volatile crude prices have a direct impact on the products falling under the detergent and dishwashing category as 50% of raw material cost is linked to crude and crude derivatives.

## COMPANY RECAP

Jyothy Laboratories Limited, incorporated in 1983 and is a completely homegrown FMCG brand that caters to a variety of consumer segments across Health & Hygiene, Home & Personal Care. The Company's products are available through about 2.8 million outlets in India with a direct reach of 1 million outlets. It has a sales team of 2,800+ members and 7,300+ stockists/sub-stockists. It has 22 manufacturing facilities which are spread across across India. Furthermore, six manufacturing plants of the Company situated at Roorkee, Wayand, Jammu, Pithampur, Puducherry and Baddi.

The company has four key segments: Fabric care (37% of FY22 revenue), Dish Wash (38% of FY22 revenue), Household Insecticides (10% of FY22 revenue) and Personal Care (11% of FY22 revenue). Some of the major brands of company are: Ujala, Henko, Pril, Margo and Maxo. The company's flagship brand, Ujala has remained at the top of the fabric whitener category since its launch, with an ~80% market share.



## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement							(₹ Cr)	
Y/E March	2018	2019	2020	2021	2022	2023E	2024E	
<b>Revenue from operations</b>	<b>1,672.38</b>	<b>1,813.58</b>	<b>1,711.11</b>	<b>1,909.12</b>	<b>2,196.49</b>	<b>2,482</b>	<b>2,854.3</b>	
Growth YoY (%)	-0.63	8.44	-5.65	11.57	15.05	12.99	15	
<b>Total Expenditure</b>	<b>1,414.92</b>	<b>1,532.42</b>	<b>1,460.09</b>	<b>1,594.61</b>	<b>1,948.26</b>	<b>2,159.34</b>	<b>2,426.16</b>	
(%) of sales	84.61	84.50	85.33	83.53	88.70	87	85	
<b>EBITDA</b>	<b>257.46</b>	<b>281.16</b>	<b>251.09</b>	<b>314.51</b>	<b>248.23</b>	<b>322.66</b>	<b>428.14</b>	
EBITDA Growth (%)	20.65	-3.47	-12.22	22.82	-19.84	29.98	32.69	
EBITDA Margin (%)	18.93	14.23	13.16	14.30	10.02	13	15	
Depreciation	31.13	30.57	52.92	55.59	58.17	61.2	64	
<b>EBIT</b>	<b>288.80</b>	<b>278.25</b>	<b>214.39</b>	<b>253.87</b>	<b>208.73</b>	<b>261.46</b>	<b>364.14</b>	
EBIT Growth (%)	22.83	-3.65	-22.95	18.41	-17.78	25.26	39.27	
Net Interest Expenses	48.07	35.22	32.88	19.23	11.81	9.5	8	
Other Income	62.47	27.66	20.00	18.45	18.67	55	60	
<b>Earnings before Taxes</b>	<b>240.73</b>	<b>243.03</b>	<b>181.51</b>	<b>234.63</b>	<b>196.92</b>	<b>306.04</b>	<b>416.14</b>	
EBT Margin (%)	14.24	11.20	8.81	10.08	7.40	12.33	14.57	
Tax-Total	61.86	45.43	18.92	43.98	37.79	61.2	83.22	
Rate of tax (%)	25.70	18.69	10.43	18.74	19.19	20	20	
<b>Net Profit</b>	<b>178.87</b>	<b>197.60</b>	<b>162.58</b>	<b>190.65</b>	<b>159.13</b>	<b>244.83</b>	<b>332.91</b>	
PAT Growth (%)	-12.38	10.47	-17.72	17.27	-16.53	53.85	35.97	
PAT Margin (%)	10.58	9.10	7.89	8.19	5.98	9.86	11.66	
Non-rec. (Exp)/Inc.	7.20	7.49	7.76	8.80	2.84	0	0	
<b>Adjusted PAT</b>	<b>186.07</b>	<b>205.09</b>	<b>170.34</b>	<b>199.45</b>	<b>161.97</b>	<b>244.83</b>	<b>332.91</b>	
<b>EPS</b>	<b>5.12</b>	<b>5.59</b>	<b>4.64</b>	<b>5.43</b>	<b>4.41</b>	<b>6.67</b>	<b>9.07</b>	
EPS Growth (%)	-10.65	9.14	-16.94	17.09	-18.79	51.24	35.98	

### Balance Sheet

Y/E March	2018	2019	2020	2021	2022
Share Capital	18	37	37	37	37
Reserves	1,126	1,290	1,192	1,392	1,407
<b>Net Worth</b>	<b>1,144</b>	<b>1,327</b>	<b>1,229</b>	<b>1,429</b>	<b>1,444</b>
Borrowings	544	281	283	168	171
Other Liabilities	291	335	325	359	408
<b>Total Liabilities &amp; Equity</b>	<b>1,979</b>	<b>1,942</b>	<b>1,836</b>	<b>1,956</b>	<b>2,023</b>
Fixed Assets	1,091	1,101	1,149	1,147	1,122
CWIP	15	14	24	10	8
Investments	113	104	0	0	0
Other Assets	760	723	662	799	893
<b>Total Assets</b>	<b>1,979</b>	<b>1,942</b>	<b>1,836</b>	<b>1,956</b>	<b>2,023</b>

Source: Company, Hem Securities Research.



## Ratios

Y/E March (Basic (INR))	2018	2019	2020	2021	2022
<b>Profitability and return ratios</b>					
Net profit margin (%)	10.58	9.10	7.89	8.19	5.98
EBITDA margin (%)	18.93	14.23	13.16	14.30	10.02
EBIT margin (%)	17.09	12.82	10.41	10.90	7.84
ROE (%)	16.51	16.20	12.73	14.35	11.08
ROCE (%)	17.63	16.89	13.75	16.61	13.40
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	62.50	40.35	37.86	58.11	60.94
Inventory (Days)	41.54	32.85	37.86	39.48	39.47
Receivables (Days)	30.00	26.41	24.43	16.99	16.27
Current Ratio (x)	0.83	1.06	0.84	1.27	1.34
<b>Valuations Ratios</b>					
EV/sales (x)	4.49	3.80	2.16	2.59	2.43
EV/EBITDA (x)	23.48	22.29	13.64	14.86	19.98
P/E (x)	38.18	32.68	20.21	25.20	33.45
P/BV (x)	6.39	5.05	2.80	3.52	3.75
Dividend Yield (%)	0.13	1.64	3.20	2.92	1.69
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.49	0.21	0.23	0.08	0.09

## Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022
<b>CF from Operating activities (A)</b>	<b>242</b>	<b>302</b>	<b>171</b>	<b>402</b>	<b>203</b>
<b>CF from Investing Activities (B)</b>	<b>-74</b>	<b>30</b>	<b>72</b>	<b>-129</b>	<b>-31.713</b>
<b>CF from Financing Activities (C)</b>	<b>-145</b>	<b>-318</b>	<b>-304</b>	<b>-216</b>	<b>-167</b>
Net Cash Flow	23	13	-60	57	4
Add: Opening Bal.	40	62	75	15	72
<b>Closing Balance</b>	<b>63</b>	<b>75</b>	<b>15</b>	<b>72</b>	<b>76</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
22 Mar 2023	Buy	225

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Name of the Research Analyst: CHINMAY BHANDARI

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