Outstanding Performance; Maintain BUY

Est. Vs. Actual for Q3FY24: Revenue – INLINE; EBITDA – INLINE ; PAT – INLINE

Changes in Estimates post Q3FY24

FY25E/FY26E – Revenue: 1%/3%; **EBITDA:** 7%/8%; **PAT:** 8%/10%

Recommendation Rationale

- **Strong Performance:** Jyothy Labs' results were strong and in line with our estimates. Revenue grew 11% YoY (vol. grew 11% - highest among FMCG peers), led by stable growth across categories and channels. Despite increased competitive intensity, the company's focus on increasing/scaling distribution reach and brand investment aided in the overall volume growth. Its gross margins improved notably by 666bps YoY to 49.8%, while EBITDA grew 41% YoY. EBITDA margins improved 374bps YoY to 17.5% despite a 45% YoY increase in ad spend.
- **Maintained EBITDA margins guidance of 16-17% in FY24:** Management reiterated the increased competitive intensity which the company will mitigate through increased ad-spends and increased distribution reach. Moreover, it has maintained the EBITDA margins guidance of 16-17% in FY24.
- **Structural story:** JLL's promising future is underpinned by the company's robust and consistent performance over the last several quarters, driven by a series of strategic initiatives it has undertaken in the recent past. These include: a) Scaling up value offerings through Low Unit Packs (LUPs) and driving the premiumisation agenda, particularly in Detergents and Dishwash segments, b) Expanding into the larger Body Wash segment (Toilet Soap) as opposed to its earlier presence in the niche (natural) segment, thereby broadening its product portfolio, c) The management's strategic efforts to expand its direct distribution reach, targeting an increase from the current 1.1 Mn outlets, in tandem with enhancing on-ground execution through its strong sales force of 3,000 (a threefold increase over FY19) and streamlining the distribution channel.

Sector Outlook: Positive

Company Outlook & Guidance: We maintain our **BUY** rating on the stock **based on the company's bright future prospects.** We have increased our FY25E/26E EPS estimates by 8%/10% based on the above thesis.

Current Valuation: 40x Dec-25 EPS (**Earlier Valuation: 35x Sep-25 EPS**).

Current TP: **Rs 565/share** (**Earlier TP: Rs 450/share**).

Recommendation With a 10% upside from the CMP, we **maintain our long-term BUY rating on the stock.**

Financial Performance: Jyothy Labs' results were strong and ahead of our/street estimates on the operating front. Revenue grew 11% YoY (vol. grew 11% - highest amongst FMCG peers), led by stable growth across categories and channels. Despite increased competitive intensity, the company's focus on increasing/scaling distribution reach and brand investment aided in the overall volume growth. Its gross margins improved notably by 666bps YoY to 49.8%, while EBITDA grew 41% YoY. EBITDA margins improved 374bps YoY to 17.5% despite a 45% YoY increase in ad spend. PAT grew 35% YoY to Rs 91 Cr.

Guidance: Focus on driving double digit revenue growth led by increase rural specific initiatives, increase ad-spends and distribution expansion. Aiming to achieve Rs 5000 Cr revenue (vs. Rs 2484 Cr in FY3) in a span of four years which implies 15-16% CAGR. It maintains EBITDA margins guidance of 16-17% in FY24 with ad-spends to remain at 8% (% of sales).

Valuation & Outlook: JLL's promising future is underpinned by the company's robust and consistent performance over the last several quarters, driven by a series of strategic initiatives it has undertaken in the recent past. These include: a) Scaling up value offerings through Low Unit Packs (LUPs) and driving the premiumisation agenda, particularly in Detergents and Dishwash segments, b) Expanding into the larger Body Wash segment (Toilet Soap) as opposed to its earlier presence in the niche (natural) segment, thereby broadening its product portfolio, c) The management's strategic efforts to expand its direct distribution reach, targeting an increase from the current 1.1 Mn outlets, in tandem with enhancing on-ground execution through its strong sales force of 3,000 (a threefold increase over FY19) and streamlining the distribution channel. Based on the above thesis we expect the company to deliver healthy Revenue/EBITDA/PAT growth of 14%/30%/31% CAGR over FY23-26E respectively which will elevate the company's overall return profile. We expect its ROE to increase from 15% in FY23 to 23% in FY26.

Key Financials (Consolidated)

(Rs Cr)	Q3FY24	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	678	(7.5)	10.6	680	(0.4)
EBITDA	119	(12.4)	40.6	119	(0.3)
EBITDA Margin (%)	17.5	-97 bps	374 bps	17.5	1 bps
Net Profit	91	(12.6)	34.9	91	(0.5)
EPS (Rs)	2.5	(12.6)	34.9	2.5	(0.5)

Source: Company, Axis Research

(CMP as of 31st Jan'24)

CMP (Rs)	514
Upside /Downside (%)	10%
High/Low (Rs)	553/180
Market cap (Cr)	18,881
Avg. daily vol. (6m)Shrs '000.	1239
No. of shares (Cr)	37

Shareholding (%)

	Jun-23	Sep-23	Dec-23
Promoter	62.9	62.9	62.9
FIIs	14.0	14.6	14.7
MFs / UTI	12.7	12.3	12.2
Banks / FIs	0.0	0.0	0.0
Others	10.4	10.2	10.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
Net Sales	2,820	3,214	3,664
EBITDA	498	595	694
Net Profit	384	460	538
EPS (Rs)	10.5	12.5	14.7
PER (x)	49	41	35
EV/EBITDA (x)	37	31	26
P/BV (x)	11	9	8
ROE (%)	21.9	22.9	23.4

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	1%	3%
EBITDA	7%	8%
PAT	8%	10%

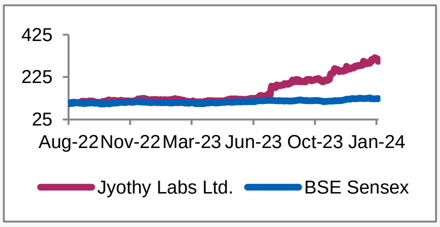
ESG disclosure Score**

Environmental Disclosure Score	3.26
Social Disclosure Score	21.03
Governance Disclosure Score	78.59
Total ESG Disclosure Score	**34.35**
Sector Average Total	**44.87**

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: Ace Equity, Axis Securities

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Key Risks to our Estimates and TP

- Prolonged recovery in rural, raw material inflation, and increase in the competitive intensity.

Change in Estimates

	Old Est.		Revised Est.		% Revision	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,186	3,568	3,214	3,664	1%	3%
EBITDA	558	640	595	694	7%	8%
PAT	424	489	460	538	8%	10%
EPS	11.6	13.3	12.5	14.7	8%	10%

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q3FY23	Q2FY24	Axis Est.	Q3FY24	% Change (Y-o-Y)	% Change (Q-o-Q)	Var (%) Axis Sec Est.
Net Sales	**613**	**732**	**680**	**678**	**10.6**	**(7.5)**	**(0.4)**
Gross Profit	**264**	**360**	**331**	**337**	**27.7**	**(6.5)**	**1.7**
Gross Margin (%)	**43.1**	**49.2**	**48.7**	**49.8**	**666 bps**	**55 bps**	**103 bps**
Employee Expenses	66	77	73	75	13.4	(2.3)	3.1
Ad-spends	42	57	51	61	45.1	5.7	17.9
Other Expenses	72	91	88	83	15.5	(8.9)	(6.1)
EBITDA	**84**	**135**	**119**	**119**	**40.6**	**(12.4)**	**(0.3)**
EBITDA Margin (%)	**13.8**	**18.5**	**17.5**	**17.5**	**374 bps**	**-97 bps**	**1 bps**
Oth. Inc	15	13	14	11	(30.6)	(20.0)	(23.8)
Interest	3	1	1	1	(62.9)	1.7	(3.1)
Depreciation	12	12	13	13	5.5	4.2	(0.7)
EO Items	-	-	-	-			
PBT	**84**	**135**	**119**	**115**	**36.7**	**(14.7)**	**(3.0)**
Tax	17	31	27	24	44.0	(22.0)	(11.3)
Reported PAT	**67**	**104**	**91**	**91**	**34.9**	**(12.6)**	**(0.5)**
EPS	**1.8**	**2.8**	**2.5**	**2.5**	**34.9**	**(12.6)**	**(0.5)**

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Net sales	**2,484**	**2,820**	**3,214**	**3,664**
Growth, %	13.2	13.5	14.0	14.0
Other operating income	2	2	2	3
Total income	2,486	2,822	3,217	3,667
Raw material expenses	(1,435)	(1,435)	(1,607)	(1,816)
Employee expenses	(264)	(299)	(341)	(392)
Other Operating expenses	(471)	(590)	(674)	(766)
EBITDA (Core)	**316**	**498**	**595**	**694**
Growth, %	27.3	57.7	19.4	16.7
Margin, %	12.7	17.7	18.5	18.9
Depreciation	(50)	(51)	(53)	(54)
EBIT	**266**	**447**	**542**	**639**
Growth, %	39.8	68.2	21.2	18.0
Margin, %	10.7	15.9	16.9	17.4
Other Income	40	47	50	52
Non-recurring Items	7	-	-	-
Pre-tax profit	**299**	**489**	**586**	**685**
Tax provided	(59)	(105)	(126)	(147)
Net Profit	**240**	**384**	**460**	**538**
Growth, %	46.2	65.1	19.8	16.9

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Cash & bank	283	491	734	1,016
Debtors	138	156	178	203
Inventory	302	343	391	445
Loans & advances	2	2	2	2
Other current assets	50	50	50	50
Total current assets	775	1,042	1,355	1,716
Investments	-	-	-	-
Gross fixed assets	1,413	1,434	1,456	1,479
Less: Depreciation	(296)	(347)	(400)	(454)
Add: Capital WIP	15	15	15	15
Net fixed assets	1,132	1,102	1,071	1,040
Non-current assets	59	59	59	59
Total assets	**2,062**	**2,298**	**2,581**	**2,911**
Current liabilities	406	435	469	508
Provisions	71	71	71	71
Total current liabilities	477	506	540	579
Non-current liabilities	34	34	34	34
Total liabilities	511	540	574	612
Paid-up capital	37	37	37	37
Reserves & surplus	1,512	1,720	1,969	2,259
Shareholders' equity	1,551	1,759	2,007	2,298
Total equity & liabilities	**2,062**	**2,298**	**2,581**	**2,911**

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Pre-tax profit	299	489	586	685
Depreciation	50	51	53	54
Chg in working capital	(83)	(30)	(36)	(41)
Total tax paid	(53)	(105)	(126)	(147)
Cash flow from operating activities	**213**	**405**	**477**	**552**
Capital expenditure	(53)	(21)	(22)	(23)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	**(53)**	**(21)**	**(22)**	**(23)**
Free cash flow	160	384	455	529
Equity raised/(repaid)	-	-	-	-
Dividend (incl. tax)	(110)	(176)	(211)	(247)
Cash flow from financing activities	**(64)**	**(176)**	**(211)**	**(247)**
Net chg in cash	96	207	244	281
Opening cash balance	211	283	491	734
Closing cash balance	283	491	734	1,016

Source: Company, Axis Securities

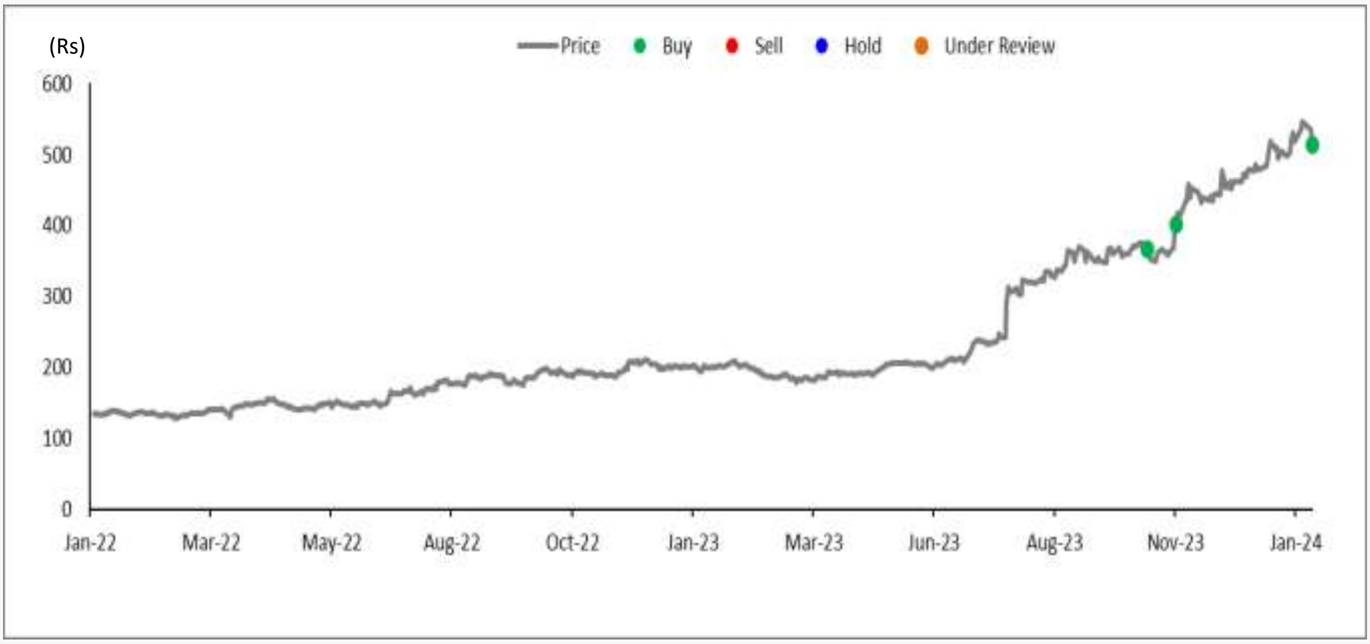
Ratio Analysis

(%)

Y/E March	FY23	FY24E	FY25E	FY26E
Per Share data				
EPS (INR)	6.3	10.5	12.5	14.7
Growth, %	43.7	65.1	19.8	16.9
Book NAV/share (INR)	42.2	47.8	54.6	62.5
FDEPS (INR)	6.3	10.5	12.5	14.7
CEPS (INR)	7.5	11.9	14.0	16.1
CFPS (INR)	8.0	9.7	11.6	13.6
DPS (INR)	3.0	4.8	5.8	6.7
Return ratios				
Return on assets (%)	12.4	17.9	19.1	19.8
Return on equity (%)	15.0	21.9	22.9	23.4
Return on capital employed (%)	16.0	22.1	23.4	24.1
Turnover ratios				
Asset turnover (x)	2.0	2.3	2.6	2.9
Sales/Total assets (x)	1.2	1.3	1.3	1.3
Sales/Net FA (x)	2.2	2.5	3.0	3.5
Working capital/Sales (x)	0.0	0.0	0.0	0.1
Receivable days	20.2	20.2	20.2	20.2
Inventory days	44.4	44.4	44.4	44.4
Payable days	36.1	38.2	38.6	38.8
Working capital days	12.5	15.0	17.2	19.2
Liquidity ratios				
Current ratio (x)	1.9	2.4	2.9	3.4
Quick ratio (x)	1.2	1.6	2.1	2.5
Valuation				
PER (x)	81.3	49.2	41.1	35.2
PEG (x) - y-o-y growth	1.9	0.8	2.1	2.1
Price/Book (x)	12.2	10.8	9.4	8.2
EV/Net sales (x)	7.5	6.5	5.7	4.9
EV/EBITDA (x)	59.1	37.1	30.6	25.9
EV/EBIT (x)	70.3	41.3	33.6	28.1

Source: Company, Axis Securities

Jyothy Labs Price Chart and Recommendation History



Date	Reco	TP	Research
20-Oct-23	BUY	440	Initiating Coverage
08-Nov-23	BUY	450	Result Update
01-Feb-24	BUY	565	Result Update

Source: Axis Securities

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