

Jyothy Labs Ltd

3Q investor call takeaways

Valuations attractive, signs of growth coming back across categories led by increasing investments and innovation

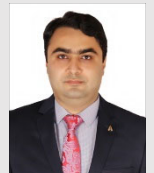
- ✓ **Our view** – While valuations remain quite attractive for smaller FMCG players like Jyothy Labs, secular growth across segments has been a challenge. With the company getting aggressive on new launches and A&P in recent times and margins also moving up gradually, revenue and earnings growth rates can pick up vs historical levels, thereby driving some re-rating for the stock.
- ✓ **Quarter highlights** – Revenue up 13%, FMCG sales up 15% with 15% volume growth, GMs up 10bps despite mild inflation given better mix, EBITDA margins up 90bps to 16.7% despite 40% increase in A&P spends, PAT up 18%; while fabric care was muted at 2% growth, dishwashing grew 21%, personal care grew 48% and HI up 10%; demand has revived for Ujala post economy opening up, Henko normalized with MT and eCom channel back on track; focused distribution helped Exo and Pril; HI growth driven by share gains in LVs; investments in Margo drove personal care growth.
- ✓ **Key sector trends** - Healthy demand trends in HPC category, strong rural demand continues with some improvement in urban as well, gradual recovery in institutional business with GT momentum strong, acceleration in digital adoption; focused GTM strategy adopted, focus on enhancing rural coverage and omnichannel capabilities.
- ✓ **Distribution strategy** – Improved distribution efficiency/productivity and reach especially in rural GT channel; lower priced SKU portfolio across segments also helped drive growth.
- ✓ **Margin outlook** – Positive operating leverage has been helping, some cost savings structural in nature; target remains ~16% EBITDA margins; expect RM inflation in soaps due to higher palm oil prices, will balance trade schemes and take some price hikes.
- ✓ **Hygiene play** – To leverage hygiene equity of Exo, launched new all-surface cleaner; Margo and T-Shine brands also getting strengthened because of the shift towards hygiene-related products.
- ✓ **HI outlook** – Still remain in losses in this category as company is investing aggressively on the liquid vaporizers category but confident given the large opportunity and share gains.
- ✓ **Rural vs urban** – Metro and larger markets GT and MT channels normalized; rural is growing at 1.3x urban growth rate currently.
- ✓ **Dishwashing category** – Growth around 20% look sustainable with Exo doing really well especially in the LUP packs led by strong brand investments and continued innovation.

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