

## Trade pipeline rationalisation dents volume growth

Jyothy Labs reported 27.2% revenue growth in Q4FY21 led by strong growth in dishwashing, household insecticides & personal care segment. However, the number is still disappointing considering the base quarter saw 24% topline de-growth. The company rationalised trade inventory pipeline by 10 days, impacting sales by 8-10%. Dish washing segment saw 33.2% sales growth led by continued trend of higher home cooking & increased usage of trusted dishwashing brands. HI & personal care segment saw 35.8% & 38.4% growth, respectively, due to similar sales decline in base quarter. Fabric wash grew at a slower pace of 15.8% given post-wash category continued to stay impacted by out of home activity (schools, offices are affected by pandemic). Gross margins remained at similar levels despite a sharp increase in crude based raw materials. However, with savings of 122 bps in employee spends, 121 bps savings in marketing spends & 95 bps savings in other overhead spends, operating margins expanded 368 bps to 14.3%. Operating profit grew 71.2% to ₹ 69.8 crore. The high growth was mainly due to sharp contraction in operating margins in the base quarter. PAT grew 1.1% to ₹ 27 crore with ₹ 23.5 crore exceptional expense due to reversal on write back of excise duties of previous years. After excluding one-off expense, PAT grew 89.2% to ₹ 50.5 crore.

## Enhancing distribution network; rationalisation trade pipelines

JLL is enhancing its rural distribution network by adding 500 sub-stockists in FY21. Moreover, it is also concentrating on increasing van coverage in rural India to drive penetration & frequency of consumption. In urban regions, it has increased its direct distribution reach to ~9 lakh retail outlets. Moreover, the company has also rationalised trade pipeline by 10 days after implementing continuous replenishment system (CRS). We believe distribution upgradation & expansion would drive growth in dishwashing category for the company. We estimate 9.3% revenue CAGR in FY21-23.

## Recovery in post wash to expand margins

Fabric wash category has been adversely impacted in FY21 given reduced out of home activity resulted in lower usage of detergent & post wash products. It is important to note that fabric wash remains a high margins business for the company & normalisation of situation after the vaccination would boost fabric wash revenue and, in turn, aid margins. We estimate 80 bps improvement in operating margins to 17.6% in FY23E.

## Valuation & Outlook

JLL has seen strong profitable growth in dishwashing & personal care segment. However, growth in fabric wash remained dismal (reduced out of home activity) & profitability in HI has been muted due to high proportionate sales of coil. We believe revenue growth possibilities are restricted considering all categories are highly penetrated moreover, presence of large competitors would also limit scope for margin expansion. We maintain our **HOLD** rating with a revised target price of ₹ 160/share (earlier ₹ 175).

### Key Financial Summary (Standalone)

Key Financials	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Net Sales	1768.9	1665.4	1885.0	2058.0	2249.9	9.3%
EBITDA	285.8	249.8	316.7	356.8	395.0	11.7%
EBITDA Margin %	16.2	15.0	16.8	17.3	17.6	
Net Profit	193.2	157.7	190.3	231.5	260.6	17.0%
Adjusted EPS (₹)	5.26	4.39	5.18	6.30	7.10	17.0%
P/E	27.6	33.8	28.0	23.0	20.4	
RoNW %	22.6	21.7	20.4	22.7	23.7	
RoCE (%)	28.6	24.3	26.0	27.2	28.5	

Source: Company, ICICI Direct Research



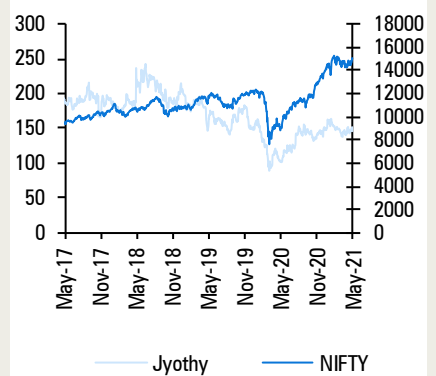
### Particulars

Particulars (₹ crore)	Amount
Market Capitalization	5,324.4
Total Debt (FY21)	0.0
Cash and Investments (FY21)	190.8
EV	5,133.6
52 week H/L (₹)	166 / 100
Equity capital	36.7
Face value (₹)	1.0

### Key Risk

- Faster recovery in fabric wash & increase in proportion of liquid vaporisers in HI category could enhance margins
- Intense competition in dishwashing segment could disrupt volume growth in the segment

### Price Performance



### Research Analyst

Sanjay Manyal  
sanjay.manyal@icicisecurities.com

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Net Sales	487.3	383.0	27.2	469.4	3.8	Net sales grew at a slower pace at 27.2% considering steep decline in base quarter. The company has rationalise trade inventory days by 10 days, which adversely impacted sales growth
Raw Material Expenses	267.6	211.4	26.6	242.5	10.3	
Employee Expenses	52.5	45.9	14.3	58.2	-9.9	The company was able to maintain its gross margins mainly on account of selective price hikes
SG&A Expenses	38.2	34.7	10.1	35.1	8.7	
Other operating Expenses	59.3	50.2	18.0	53.8	10.2	
EBITDA	69.8	40.8	71.2	79.8	-12.5	
EBITDA Margin (%)	14.3	10.7	368 bps	17.0	-267 bps	With savings in marketing spends & employee spends, operating margins expanded by 368 bps during the quarter
Depreciation	20.0	19.1	4.8	19.8	1.2	
Interest	1.8	5.8	-69.0	2.0	-7.7	
Other Income	5.3	4.5	19.6	6.3	-15.7	
Exceptional Income/(Expenses)	23.5	0.0	NA	0.0	NA	Reversal of excise duty write back due to the litigation impact. There is no cash impact on this expense
PBT	29.8	20.3	46.9	64.3	-53.7	
Tax Outgo	2.8	-6.4	NA	12.1	-76.7	
PAT	27.0	26.7	1.1	52.2	-48.4	Adjusting for one off, net profit grew by 89.2% to ₹50.5 crore
<b>Segment wise sales (in Cr)</b>						
Dishwashing	169.2	127.1	33.2	182.1	-7.1	Growth momentum continues in dishwashing segment
Fabric Care	180.3	155.7	15.8	175.9	2.5	Fabric cash remained impacted due to with lower sales in post wash segment
Household Insecticides	87.2	64.2	35.8	46.9	86.1	The growth was led by low base quarter
Personal Care	41.8	30.2	38.4	52.9	-20.9	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY22E			FY23E			Comments
	(₹ Crore)	Old	New	% Change	Old	New	
Sales	2,013.3	2,058.0	2.2	2,199.8	2,249.9	2.3	We change our HI sales estimates factoring in continuance of growth momentum
EBITDA	349.4	356.8	2.1	381.1	395.0	3.7	
EBITDA Margin (%)	17.4	17.3	-2 bps	17.3	17.6	23 bps	
PAT	234.8	231.5	-1.4	261.3	260.6	-0.3	
EPS (₹)	6.39	6.30	-1.4	7.1	7.10	-0.3	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

	Current					Earlier			Comments
	FY19	FY20E	FY21E	FY22E	FY23E	FY22E	FY23E		
Dishwashing	577.1	566.7	689.7	745.6	824.0	745.6	822.7		
Fabric Care	740.2	708.0	668.4	721.1	772.4	721.1	772.4		
Household Insecticides	233.3	181.4	258.0	283.8	312.2	238.4	262.3	We change our HI sales estimates accounting for continuance of strong sales momentum to continue due to second wave of pandemic	
Personal Care	194.5	180.4	230.9	256.5	285.3	256.5	284.9		
RM Expenses to Sales (%)	54.4	53.6	53.3	52.5	52.4	52.4	52.7	Slight change in RM cost estimates	
Ad Expenses to Sales (%)	6.2	7.2	6.5	7.3	7.0	7.3	7.0		
Employee Cost to Sales (%)	10.7	12.0	11.7	11.7	11.5	11.7	11.5		

Source: Company, ICICI Direct Research

## Conference Call Highlights

- JLL witnessed 27.2% topline growth led by 33.2% growth in dishwashing, 35.8% growth in HI & 38.4% growth in personal care segments. The strong growth was led by low base quarter. The company saw 24% revenue de-growth in base quarter. Fabric wash saw muted 15.8% growth (base quarter decline was ~16%) with continued adverse impact of out of home activity (schools & offices are still impacted by pandemic)
- Trade channel inventory was rationalised by 10 days after implementing continuous replenishment system (CRS). This has impacted sales by 8-10% during Q4FY21. The company realises entire sales on cash basis
- In last one year, the company has been focusing on increasing its rural distribution network and has added 500 sub-stockists in FY21. Moreover, JLL is increasing its van coverage to further enhance rural presence
- The company has increased media spend to support existing brands & new launches during the year. It has roped in many regional celebrities, initiated new ad-campaigns & increased focus on digital marketing to support the brands
- During 2020, the company gained market share in Exo-bar & Pril by 120 bps & 130 bps, respectively in dishwashing category. Similarly, it has gained market share in Maxo- Coil & Maxo-LV by 170 bps & 40 bps, respectively, in HI category. Ujala fabric whitener gained market share by 60 bps to 82.6%. Ujaja IDD (present in only Kerala) gained market share by 100 bps to 20.7%
- Dishwashing category saw 23.4% growth in FY21 largely due to significant increase in home cooking in a pandemic year. Consumer preference shifted towards trusted brands over regional brands
- HI segment revenue grew 42.3% in FY21 led by increased health consciousness. Ad-spends on the brands were aggressive in last two years. The company broke-even in segment with the increased proportion of liquid vaporisers (LVs) from ~30% to ~38%. JLL is trying to increase the proportion of LVs to 50%, which would significantly enhance the profitability in next two years. Its new refill pack (that fits all the machines) has increased the growth prospects in the segment
- Personal care segment saw 20.5% sales growth in FY21 led by increasing investments behind the brand. The company is also taking initiatives to increase the ecommerce sales for the brand
- Fabric wash category saw 5.5% decline in FY21 mainly due to reduced out of home activity. Though H2FY21 saw substantial sales recovery, second wave of pandemic would again disrupt category growth in FY22
- Among new products launches T-shine & Maya (existing brand) witnessed growth of 32.4% in FY21
- The company is focusing on volume led growth by increasing brand investments, new products launches, use of technology & distribution infrastructure and reach
- JLL has become net debt free with the net cash of ₹ 77 crore as on March 2021 compared to net debt of ₹ 254 crore in March 2020. Working capital has substantially improved from 35 days to 15 days in the last one year
- The company declared a dividend of ₹ 4/share, which translates to ~75% dividend payout and ~2.5% dividend yield

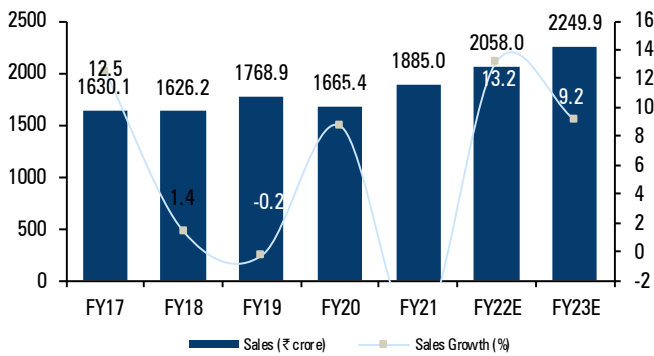
## Key Metrics

Exhibit 4: Category wise performance for quarter (₹ crore)

Category	Key Brands	Q4FY21	Q4FY20	Growth
Fabric Care	Ujala, Henko, Mr. White, Ujala Crisp & Shine	180	156	15.8%
Dishwashing	Exo, Pril	169	127	33.2%
HI	Maxo	87	64	35.8%
Personal Care	Margo, Neem	42	30	38.4%
Other Products	Maya, T Shine	10	6	56.7%
<b>Total</b>		<b>487</b>	<b>383</b>	<b>27.2%</b>

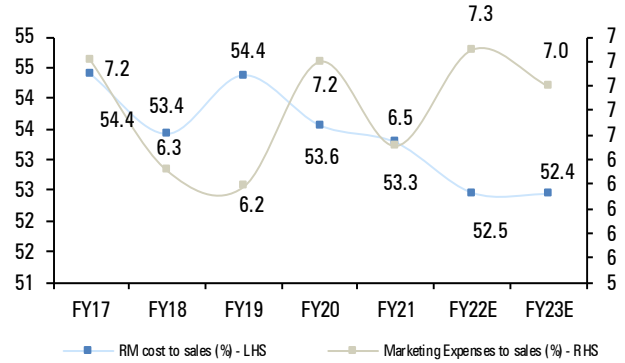
Source: Company, ICICI Direct Research

Exhibit 5: Revenue trend (standalone)



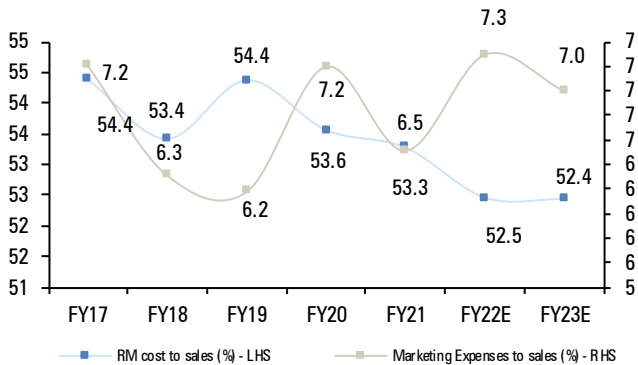
Source: Company, ICICI Direct Research

Exhibit 6: RM & A&P spend trends (standalone)



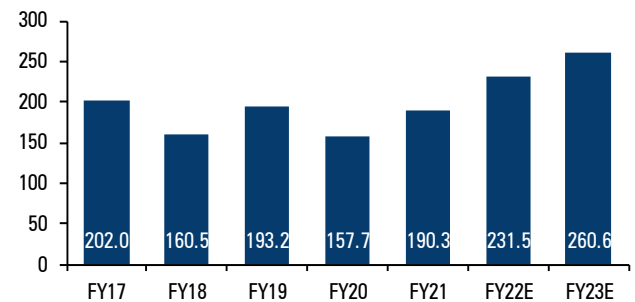
Source: Company, ICICI Direct Research

Exhibit 7: EBITDA growth trend (%)



Source: Company, ICICI Direct Research

Exhibit 8: PAT trend (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 9: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	1665.4	-5.9	4.3	-18.4	33.8	19.9	21.7	24.3
FY21	1885.0	13.2	5.2	20.7	28.0	15.2	20.4	26.0
FY22E	2058.0	9.2	6.3	21.7	23.0	13.1	22.7	27.2
FY23E	2249.9	9.3	7.1	12.6	20.4	11.7	23.7	28.5

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Total operating Income</b>	<b>1665.4</b>	<b>1885.0</b>	<b>2058.0</b>	<b>2249.9</b>
Growth (%)	-5.9	13.2	9.2	9.3
Raw Material Expenses	892.0	1,004.3	1,079.7	1,180.0
Employee Expenses	200.3	220.9	240.8	258.7
Marketing Expenses	119.9	122.8	150.2	157.5
Administrative Expenses	0.0	0.0	0.0	0.0
Other expenses	203.3	220.3	230.5	258.7
Total Operating Expenditure	1,415.5	1,568.3	1,701.2	1,854.9
<b>EBITDA</b>	<b>249.8</b>	<b>316.7</b>	<b>356.8</b>	<b>395.0</b>
Growth (%)	-12.6	26.8	12.6	10.7
Depreciation	75.7	77.9	80.2	85.6
Interest	24.8	11.7	11.5	11.3
Other Income	20.1	19.8	17.2	19.6
PBT	169.4	246.9	282.3	317.8
Others	0.0	0.0	0.0	0.0
Total Tax	7.9	33.2	50.8	57.2
<b>PAT</b>	<b>157.7</b>	<b>190.3</b>	<b>231.5</b>	<b>260.6</b>
Growth (%)	-18.4	20.7	21.7	12.6
EPS (₹) - Diluted	4.3	5.2	6.3	7.1
EPS (₹) - Adjusted	4.4	5.2	6.3	7.1

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	127.6	189.5	231.5	260.6
Add: Depreciation	75.7	77.9	80.2	85.6
(Inc)/dec in Current Assets	5.6	-24.6	8.9	-41.0
Inc/(dec) in CL and Provisions	-64.8	112.9	88.8	45.7
Adjustments	21.2	30.6	0.0	0.0
<b>CF from operating activities</b>	<b>165.4</b>	<b>386.3</b>	<b>409.3</b>	<b>350.9</b>
(Inc)/dec in Investments	101.6	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-39.2	-25.0	-99.0	-100.0
Others	9.7	-102.3	-84.3	-19.4
<b>CF from investing activities</b>	<b>72.1</b>	<b>-127.2</b>	<b>-183.2</b>	<b>-119.4</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-11.0	-188.0	0.0	0.0
Dividend paid & dividend tax	-265.6	0.0	-146.0	-182.5
Finance cost paid	0.0	0.0	0.0	0.0
Others	-16.9	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>-293.5</b>	<b>-188.0</b>	<b>-146.0</b>	<b>-182.5</b>
Net Cash flow	-56.1	71.1	80.1	49.0
Opening Cash	68.4	6.9	69.7	149.9
Bank Balance	13.2	121.1	121.1	121.1
<b>Closing Cash</b>	<b>25.6</b>	<b>199.0</b>	<b>271.0</b>	<b>320.0</b>

Source: Company, ICICI Direct Research

Exhibit 12: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	36.7	36.7	36.7	36.7
Preference Capital	0.0	0.0	0.0	0.0
Reserve and Surplus	706.6	897.1	982.6	1,060.8
Total Shareholders funds	743.3	933.8	1,019.3	1,097.5
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	0.0	0.0	0.0	0.0
Minority Interest / Others	84.9	88.2	59.9	58.9
<b>Total Liabilities</b>	<b>828.2</b>	<b>1,022.0</b>	<b>1,079.3</b>	<b>1,156.4</b>
<b>Assets</b>				
Gross Block	1,046.5	1,096.5	1,196.5	1,296.5
Less: Acc Depreciation	562.4	640.3	720.5	806.1
Net Block	484.1	456.2	476.0	490.5
Capital WIP	23.7	10.0	10.0	10.0
Total Fixed Assets	507.9	467.2	486.1	500.5
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Inventory	222.6	276.6	259.4	283.6
Debtors	119.6	87.3	141.0	154.1
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	76.9	84.8	39.5	43.1
Cash	20.1	190.8	271.0	320.0
Total Current Assets	439.1	639.5	710.8	800.8
Creditors	126.8	190.3	169.1	184.9
Provisions & Others	334.2	211.5	321.4	351.4
Total Current Liabilities	461.0	401.8	490.5	536.3
Net Current Assets	-21.9	237.7	220.2	264.5
Others Assets	342.2	317.0	373.0	391.4
<b>Application of Funds</b>	<b>828.2</b>	<b>1,022.0</b>	<b>1,079.3</b>	<b>1,156.4</b>

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹)</b>				
Adjusted EPS	4.4	5.2	6.3	7.1
Cash EPS	6.4	7.3	8.5	9.4
BV	20.2	25.4	27.8	29.9
DPS	6.0	0.0	4.0	5.0
Cash Per Share	0.5	5.2	7.4	8.7
<b>Operating Ratios (%)</b>				
EBITDA Margin	15.0	16.8	17.3	17.6
EBIT / Net Sales	10.5	12.7	13.4	13.8
PAT Margin	9.5	10.1	11.2	11.6
Inventory days	48.8	53.6	46.0	46.0
Debtor days	26.2	16.9	25.0	25.0
Creditor days	27.8	36.8	30.0	30.0
<b>Return Ratios (%)</b>				
RoE	21.7	20.4	22.7	23.7
RoCE	24.3	26.0	27.2	28.5
RoIC	39.4	47.5	65.0	71.1
<b>Valuation Ratios (x)</b>				
P/E (Diluted)	33.8	28.0	23.0	20.4
P/E (Adjusted)	33.0	28.0	23.0	20.4
EV / EBITDA	19.9	15.2	13.1	11.7
Market Cap / Sales	3.2	2.8	2.6	2.4
Price to Book Value	7.2	5.7	5.2	4.9
<b>Solvency Ratios</b>				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	1.1	0.9	0.9
Quick Ratio	0.4	0.4	0.4	0.4

Source: Company, ICICI Direct Research

**Exhibit 14: ICICI Direct coverage universe (FMCG)**

	CMP	TP	M Cap	EPS (₹)			P/E (x)			Price/Sales (x)			RoCE (%)			RoE (%)			
	(₹)	(₹)		Rating	(₹ Cr)	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E
Colgate (COLPAL)	1,605	1,900	Buy	42,892	38.1	39.1	42.7	42.2	41.1	37.6	8.9	8.3	7.7	106.4	110.4	111.7	88.8	85.1	86.1
Dabur India (DABIND)	538	620	Buy	94,540	9.6	10.9	12.2	56.1	49.1	44.1	9.9	8.7	7.9	24.5	26.5	27.1	22.1	22.9	23.2
Hindustan Unilever (HINLEV)	2,359	2,715	Buy	554,458	33.9	40.5	45.0	69.7	58.2	52.4	12.2	10.6	9.8	18.9	25.6	27.7	17.1	20.0	21.6
ITC Limited (ITC)	208	245	Hold	267,970	10.7	12.8	14.1	19.4	16.3	14.7	5.8	5.1	4.7	26.3	31.0	33.1	20.1	23.7	25.3
Jyothy Lab (JYOLAB)	145	160	Hold	5,324	5.2	6.3	7.1	28.0	23.0	20.4	2.8	2.6	2.4	26.0	27.2	28.5	20.4	22.7	23.7
Marico (MARLIM)	473	490	Buy	53,027	9.3	9.6	10.7	50.9	49.2	44.2	6.6	5.9	5.3	40.3	42.5	45.5	37.0	37.4	39.7
Nestle (NESIND)	17,449	19,300	Hold	164,840	216.0	254.8	283.8	80.8	68.5	61.5	12.4	11.2	10.2	54.6	62.7	69.1	103.1	124.2	142.1
Tata Consumer Products (TAT)	653	725	Buy	57,963	10.1	12.4	14.5	64.7	52.6	45.0	5.0	4.4	4.1	8.0	9.1	10.0	6.4	7.6	8.5
VST Industries (VSTIND)	3,224	3,600	Hold	5,090	201.3	218.8	234.9	16.0	14.7	13.7	4.6	4.2	3.9	43.4	45.6	48.2	33.0	33.9	36.1
Varun Beverage (VARBEV)	1,004	1,200	Buy	28,955	12.5	21.2	31.1	80.1	47.3	32.3	4.5	3.7	3.1	10.9	17.4	23.4	10.3	15.4	19.1
Zydus Wellness (ZYDWEL)	2,110	2,800	Buy	13,502	18.7	60.8	72.0	113.1	34.7	29.3	7.2	6.4	5.8	6.2	7.8	9.1	5.5	8.1	9.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com**



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