

Industry Con. Staples
Bloomberg JYL IN
BSE CODE 532926

Inline volume lower realisation impacted sales

RATING	BUY
CMP	180
Price Target	228
Potential Upside	27%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	249/169
Mkt Capital (Rs Cr)	6610
Free float (%)	33%
Avg. Vol 1M (,000)	190
No. of Shares (Crs)	37
Promoters Pledged %	25%

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Q3FY19 Result update

- ❑ JYOTHYLAB has reported mixed sets of numbers for Q3FY19, sales grew by 6.3% YoY to Rs.434 Crs (vs expec. Rs.461 Crs) with its major brands Ujala (contri. 24%) grew at 2% and Exo (contri. 26%) grew at 8% YoY.
- ❑ Other brands Maxo, Henko & Pril grew by 11.7%, 17.5% & 12.3% while Margo de-grew by 7% due to cyclicality.
- ❑ Category wise - Fabric care, Dishwashing, Household insecticides, reported 6%, 8.7% & 11.7% while Personal Care declined by 6%
- ❑ Company reported a volume growth of 6.1% (on the back of higher base of ~12%) led by new launches & innovations made by company while realization for this quarter remained .2% down by 270 bps QoQ on account of higher competitive intensity.
- ❑ Gross margin contracted by 60 bps to 45.4% led by input cost pressures while EBITDA margin declined by 16 bps to 16.5%.By reducing A&P expenses by 56 bps to 5.5%, the company managed the decline in EBITDA margin to only 16 bps.
- ❑ PAT grew by 30% YoY to Rs.48.41 Crs (vs expec. Rs.45 Crs) led by increase in Other income amounting to Rs.7 Crs ,slightly low tax of 16.7% (Tax to PBT) and lower interest outgo by ~4cr to Rs 7 cr.
- ❑ Kerala region is back on track for company's business, which was affected by floods in Q2FY19.

View and Valuation

Jyothylab has reported mixed set of numbers for Q3FY19, sales for this quarter grew by 6% YoY to Rs 434 cr(expec. Rs 461 cr) led by 6% overall volume growth while PAT grew by 30% YoY to Rs 48 cr (expect. Rs 45 cr)on the back of lower A&P expenses by 56 bps YoY. Going forward company continue to launch new products which will drive company's volume growth going forward. Kerala has back to the normal. Henko Franchise grew by 18% in Q3FY19. Home Insecticide which remained laggard grew by 12% in this quarter and expected to do better going ahead however, company's management has reduced their sales guidance from 12-14% for FY19 to 11-12% and Secondly, commentary regarding gross margin(no big jump in gross margin in the wake of competitive intensity) makes us slightly cautious on Jyothylab. Factoring lower gross margin, we have reduced our PAT estimates for FY20e by 9% with minor change in sales and reduced our target price from 250 to 228(valuing 40x FY20e's eps). We maintain our BUY rating.

Key Risks to our rating and target

- ❑ Sharp spurt in crude prices.
- ❑ Increase in competitive intensity

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	1542	1632	1700	1818	2027
EBITDA	228	260	277	294	317
EBIT	174	205	221	238	268
PAT	75	202	161	182	206
EPS (Rs)	2	6	4	5	6
EPS growth (%)	-62%	171%	-21%	13%	14%
ROE (%)	16%	31%	23%	25%	26%
ROCE (%)	30%	28%	22%	23%	25%
BV	13	18	19	20	22
P/B (X)	12.0	9.8	11.9	9.0	8.3
P/E (x)	76.3	31.7	50.5	35.9	31.6

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Q3FY19 Results

Mixed

Financials	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	409	505	405	428	434	6.3%	1.6%	1,632	1,700	4.2%
Other Income	5	22	2	5	7	45.8%	48.6%	11	30	162.7%
COGS	221	253	213	231	237	7.4%	2.6%	887	869	-2.0%
Gross Margin	46%	50%	47%	46%	45%	-0.6%	-0.6%	46%	49%	3.2%
Employee Ex.	43	43	47	46	46	7.2%	-0.2%	150	168	12.3%
Adv. Ex.	25	53	32	22	24	-3.5%	6.6%	-	-	0.0%
Other Expen.	52	66	52	55	55	6.4%	1.1%	333	386	15.7%
EBITDA	68	91	61	73	72	5.2%	-1.9%	260	277	6.6%
EBITDA Mar.	17%	18%	15%	17%	17%	-0.2%	-0.6%	16%	16%	0.4%
Depreciation	14	15	14	14	14	-1.3%	0.6%	55	57	3.4%
EBIT	54	76	47	59	58	7%	-2.5%	205	221	7.5%
Interest	11	13	8	7	7	-37%	-5.5%	51	42	-16.8%
PBT	48	85	42	57	58	20.4%	2.1%	166	208	26%
Exceptional	-	-	-	-	-	0.0%	0.0%	-	-	0.0%
Tax	11	25	9	12	10	-11.6%	-16.2%	(36)	48	-233%
PAT	37	60	32	45	48	29.9%	6.8%	202	161	-21%
PAT Margin	9%	12%	8%	11%	11%	2.0%	0.5%	12%	9%	-2.9%

Personal care segment de-grew while other segments performed well

Company reported 6% volume growth driven by innovation and market developments. In Fabric Wash, Ujala Franchise had some new launches in the last quarter including Ujala Crisp & Shine 'Gold Collection' launched in Kerala & TN & Ujala IDD New Pack Launch which impacted the overall growth of Ujala to 2%. Henko Stain Care & Henko Matic were the new launches in this quarter. Dish wash segment grew by 9%, Exo & Pril continued to perform well. HI is back on track with 12% growth, company re-launched 'Maxo Genius'. In Personal care segment, Margo declined by 6% on account of winter season, expected to be back on track from mid Feb, next quarter.

Gross Margin was impacted due to crude cover done by company

Gross margin deteriorated by 60 bps to 45.4% led by crude oil inflation (35% of company raw material are link to crude). Softening of crude didn't improve margin as Company has previously made cover for crude with high prices. Consecutively EBITDA margin reduced by 16 bps to 16.52% (lower than gross margin deterioration) as company reduced its Advertising & Promotion Expenses by 56 bps to 5.51%.

Concall Highlights

- Rural demand expected to stay strong. At current level of crude prices, input price pressures at ease.
- Outlook: company is expecting positive demand & its innovation program across portfolio on track.
- Crude impacting 30% of total input prices. There is slight drop here & dollar rates are also bit firm but could also have competitive intensity & price pressures. Gross margin is not expected have a big upside in coming quarter.
- Company is targeting Revenue growth of 11-12% for FY19.
- Kerala region is back on track for company's business.
- Modern trade is growing faster than GT business. Online business is 8-9% of modern trade.
- Company continued to dominate market in Ujala Fabric Whitener. There is room for more growth in same. Company is expecting 5% growth to continue in coming quarters. Ujala franchise grew by 2% in Q3FY19.
- In this quarter Maxo LV is showing good improvement. Management is optimistic on better HI growth going ahead.
- Company is targeting 25% market share in 2 years in Incense Sticks - Maxo Agarbathi.

Some key Launches & its update:

- Henko Stain Care & Henko Matic were the new launches in this quarter and company relaunched 'Maxo Genius'.
- Maxo Agarbathi & T-Shine launched in test market in previous quarters are giving decent results.

Exhibit: Overall Volume growth

Overall volume growth for the quarter remained 6% led by better growth in Henko, Maxo and Pril.

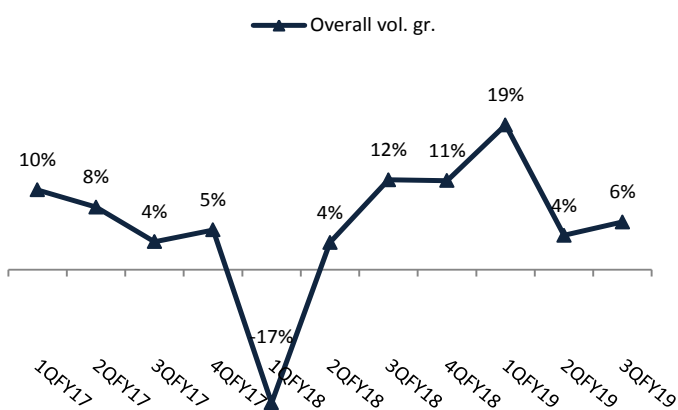


Exhibit: Sales and Sales Growth

Sales for the quarter grew by 6% YoY to Rs.434 Crs (vs our expectation of Rs.461 Crs)

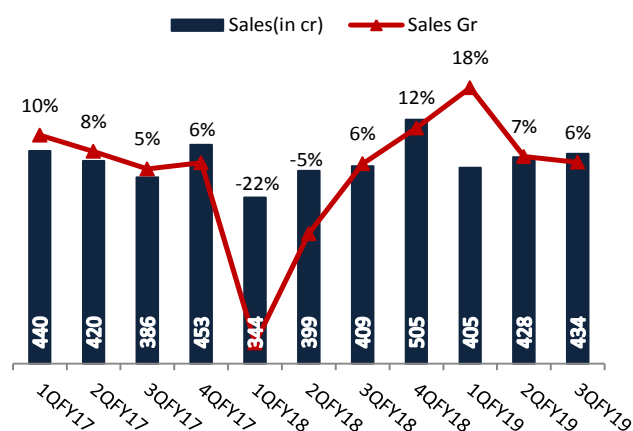


Exhibit: Advertising & Promotion and Other expenses

Other expense went up by 2 bps while A&P expenses declined by 56 bps YoY.

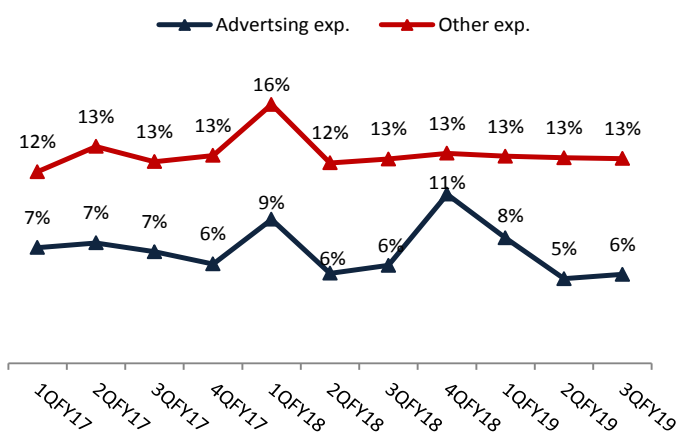


Exhibit: Gross and EBITDA Margin

Gross margin contracted by 60 bps led by input cost pressures while EBITDA margin declined by 16 bps.

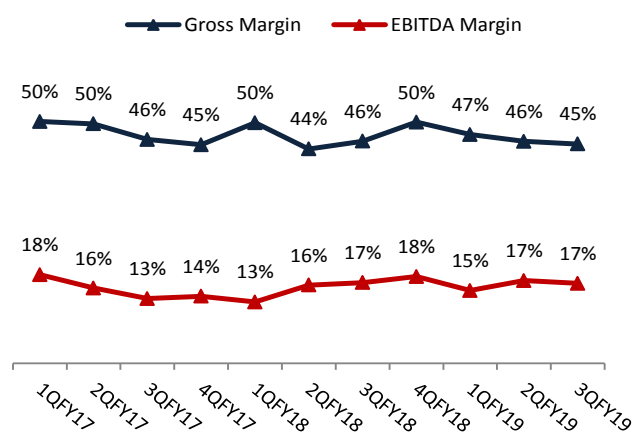


Exhibit: PAT and PAT Growth

PAT grew by 30% YoY to Rs.48.41 Crs (vs expc. Rs.45 Crs cr).

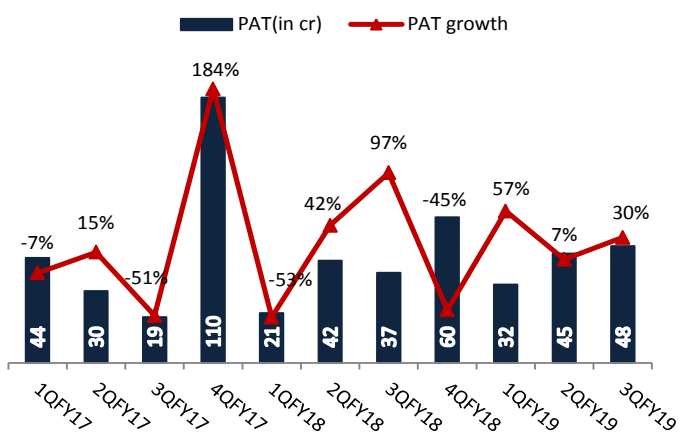
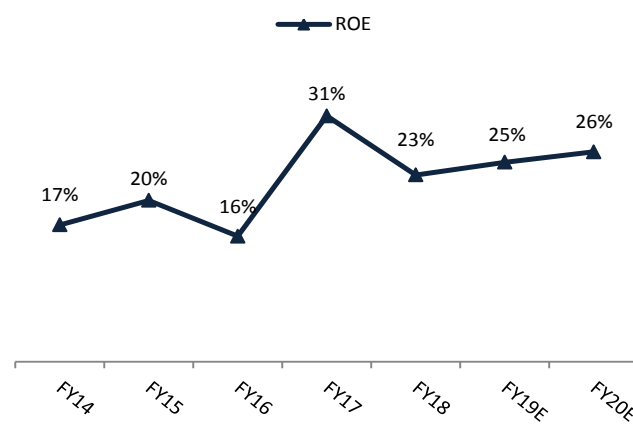


Exhibit: Return on equity

We expect ROE of Jyothylab to improve by 161 bps and 129 bps in FY19 and FY20 respectively.



Financial Details

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	71	18	18	18	18	18	36	36
Reserves	653	862	944	454	635	665	687	745
Networth	724	880	962	472	654	683	723	781
Debt	539	516	400	-	49	277	277	277
Other Non Current Liab	9	157	161	109	21	31	31	31
Total Capital Employed	1,263	1,396	1,362	472	703	960	1,000	1,058
Net Fixed Assets (incl CWIP)	675	633	576	546	550	505	476	454
Non Current Investments	25	95	245	138	140	142	142	142
Other Non Current Assets	494	662	604	232	220	179	179	179
Non Current Assets	1,194	1,390	1,424	915	910	825	797	775
Inventory	167	161	181	184	195	187	200	223
Debtors	110	56	51	89	112	156	167	186
Cash & Bank	38	56	65	55	95	127	134	151
Other Current Assets	49	105	195	92	48	163	214	255
Current Assets	365	377	493	419	450	634	714	814
Creditors	114	104	128	157	145	167	179	199
Provisions	71	67	114	29	31	32	32	32
Other Current Liabilities	102	42	151	566	460	269	269	269
Curr Liabilities	287	214	394	752	636	468	480	500
Net Current Assets	78	163	99	(333)	(186)	166	234	314
Total Assets	1,559	1,767	1,916	1,334	1,360	1,459	1,511	1,589

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	1,066	1,306	1,490	1,542	1,632	1,700	1,818	2,027
Change (%)		23%	14%	3%	6%	4%	7%	11%
EBITDA	171	213	218	228	260	277	294	317
Change (%)		24%	2%	5%	14%	7%	6%	8%
Margin (%)	16%	16%	15%	15%	16%	16%	16%	16%
Depr & Amor.	62	62	70	54	55	57	56	49
EBIT	109	151	147	174	205	221	238	268
Int. & other fin. Cost	66	53	12	56	51	42	29	34
Other Income	1	4	7	12	11	30	18	26
EBT	93	154	201	133	166	208	228	259
Exp Item	-	2	2	-	-	-	-	-
Tax	-	0	4	59	(36)	48	46	53
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	91	152	195	75	202	161	182	206
Adjusted PAT	91	149	193	75	202	161	182	206
Change (%)		67%	29%	-62%	171%	-21%	13%	14%
Margin(%)	9%	12%	13%	5%	12%	9%	10%	10%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	13%	17%	20%	16%	31%	23%	25%	26%
ROCE	9%	10%	10%	30%	28%	22%	23%	25%
Asset Turnover	1	1	1	1	1	1	1	1
Debtor Days	38	16	12	21	25	34	34	34
Inv Days	57	45	44	43	44	40	40	40
Payable Days	39	29	31	37	32	36	36	36
Int Coverage	2	3	12	3	4	5	8	8
P/E	29	22	22	76	32	51	36	32
Price / Book Value	4	4	4	12	10	12	9	8
EV/EBITDA	19	18	20	24	24	29	22	20
FCF per Share	(0)	3	4	5	3	6	6	6
Div Yield	1%	2%	2%	3%	0%	1%	2%	2%

Cash Flow Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	44	106	147	201	166	208	228	259
(inc)/Dec in Working Capital	(100)	1	13	(4)	(68)	(3)	(32)	(42)
Non Cash Op Exp	62	57	87	87	55	36	56	49
Int Paid (+)	66	53	12	5	-	-	29	34
Tax Paid	(16)	(19)	(41)	(51)	(31)	(25)	(46)	(53)
others	(48)	(52)	(59)	(47)	44	36	-	-
CF from Op. Activities	7	146	158	191	166	251	234	248
(inc)/Dec in FA & CWIP	(9)	(20)	(6)	(25)	(56)	(37)	(27)	(27)
Free Cashflow	(2)	126	151	166	109	215	207	221
(Pur)/Sale of Inv	(8)	(62)	(9)	19	28	(91)	(30)	(21)
others	15	(97)	15	10	8	47	-	-
CF from Inv. Activities	(2)	(179)	(0)	4	(20)	(81)	(57)	(48)
inc/(dec) in NW	-	263	-	-	-	-	-	-
inc/(dec) in Debt	53	(91)	-	(115)	49	26	-	-
Int. Paid	(60)	(55)	(12)	(9)	(155)	(44)	(29)	(34)
Div Paid (inc tax)	(23)	(70)	(42)	(174)	(22)	(131)	(142)	(148)
others	-	-	-	(2)	0	0	-	-
CF from Fin. Activities	(30)	45	(54)	(300)	(127)	(149)	(171)	(183)
Inc(Dec) in Cash	(25)	12	103	(105)	18	21	6	17
Add: Opening Balance	33	12	83	186	16	34	127	134
Closing Balance	12	24	186	81	34	55	134	151

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