




Jyothy Labs Limited

Industry Consum. Staples
Bloomberg JYL IN
BSE CODE 532926

Numbers largely in line, volume impacted by slowdown

RATING	HOLD
CMP	179
Price Target	197
Potential Upside	10%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	218/138
Mkt Capital (Rs Cr)	6,579
Free float (%)	33%
Avg. Vol 1M (,000)	234
No. of Shares (Cr)	37
Promoters Pledged %	25%

2QFY20 Result update

- ❑ Jyothylab has posted numbers largely in line with our estimates, sales(stand.) were up by 9% to Rs 464 cr(vs our expectation of Rs 466 cr) on the back of volume growth of 8.3%(cons.)on the back of better performance in Fabric Care and Dishwashing segment.
- ❑ Fabric Care and Dishwashing segment grew by 13.1% and 8.6% to Rs 194 cr and 155 cr respectively while headwind in Household Insecticides (HI) continues, witnessed a decline of -1.3% YoY to Rs 49 cr.
- ❑ Gross margin declined by 29 bps YoY to 45.6% on the back of higher promotions while benign input prices helped in arresting gross margin deterioration. EBITDA margin declined by 7 bps YoY to 17.04% led by higher employee (up by 40 bps and Ad expenses (up by 67 bps YoY). Other expenses for the quarter, declined by 129 bps YoY to 11.5% mainly due to change in lease based accounting.
- ❑ EBITDA for the quarter grew by 8% YoY to Rs 79 cr(Vs expectation of Rs 81 cr).
- ❑ The company has reported PAT growth of 17% YoY to Rs 53 cr (vs expect. Rs 56 cr)on the back of lower provisioning of Taxes by 9.3%to 11% as percentage of PBT (Rs 7 cr Vs Rs 12 cr in 2QFY19).

View and Valuation

Jyothylab has reported volume growth at 8.3% (Vs expect. 11%) impacted by overall slowdown in market. Numbers shows resilience if we compare this number with other FMCG player's 2QFY20 volume growth. Its focus towards core brands yielding result. Going forward, new launches and LUP is expected to drive company's sales while margin is expected to be stable in spite of higher promotions due to benign crude prices. Considering no expansion in gross margin in FY20e, we have reduced our PAT estimates by 8%for FY20e while keeping FY21e sales and PAT estimates largely the same. Considering recent surge in prices, we have changed our rating from BUY to Hold with the previous target price of 197.

Key Risks to our rating and target

- ❑ Sharp spurt in crude prices.
- ❑ Further increase in competitive intensity

(Note: Standalone Figures)

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	1632	1644	1769	1907	2173
EBITDA	260	264	286	313	367
EBIT	205	208	227	241	296
PAT	202	161	193	203	254
EPS (Rs)	6	4	5	6	7
EPS growth (%)	13%	27%	-25%	6%	25%
ROE (%)	31%	24%	22%	22%	26%
ROCE (%)	28%	21%	21%	21%	24%
BV	18	19	23	25	27
P/B (X)	9.8	11.9	7.3	7.2	6.7
P/E (x)	31.7	50.4	32.3	32.5	25.9

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2QFY20 Results Largely inline

Financials	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	FY18	FY19	Fig in Rs Cr
										YoY %
Net Sales	428	434	504	412	464	8.5%	12.8%	1,644	1,769	7.6%
Other Income	5	7	11	5	5	16.7%	12.8%	43	28	-35.7%
COGS	231	237	280	215	252	9.1%	17.3%	869	962	10.7%
Gross Margin	46%	45%	44%	48%	46%	-0.3%	-2.1%	47%	46%	-1.5%
Empl. Cost	46	46	49	50	52	12.6%	3.8%	168	189	12.3%
Ad. Expense	22	24	31	33	27	22.3%	-17.7%	103	109	6.4%
Other Exp.	55	55	61	47	53	-2.5%	12.4%	223	223	0.3%
EBITDA	73	72	83	66	79	8.1%	20.7%	264	286	8.2%
EBITDA Mar.	17%	17%	16%	16%	17%	-0.1%	1.1%	16%	16%	0.1%
Depreciation	14	14	17	18	19	35.7%	2.1%	57	58	3.0%
EBIT	59	58	66	47	60	1.7%	28.0%	208	227	9.6%
Interest	7	7	6	6	6	-15.9%	-2.5%	42	28	-34.3%
PBT	57	58	71	46	60	5.1%	30.4%	208	228	9.1%
Excep. Item				4		-	-	-	-	-
Tax	12	10	4	6	7	-43.3%	6.7%	48	34	-28.4%
PAT	45	48	67	36	53	17.4%	48.2%	161	193	20.3%
PAT Margin	11%	11%	13%	9%	11%	0.9%	2.7%	10%	11%	1.2%

Stand.

Volume impacted by slowdown; Fabric Care & Dishwash supported growth

JyothyLab's volume for the quarter grew by 8.3% impacted by overall slowdown in the market place. Non Household insecticide (HI) revenue growth remained 10% with a Volume growth 9.1%. Fabric Care and Dishwashing segment grew by 13.1% and 8.6% to Rs 194 and 155 cr respectively. Management expects better growth from these segments to continue on the back of new product launches and LUP's. While, Household insecticide declined by 1.3% on the back of majorly delayed monsoon although company is witnessing gradual recovery. Ujala Fabric Whitener gained market share in 2QFY20 (82.1% vs 81.9% (1QFY20)). The company will continue to invest behind brand. Ujala Crisp & Shine grew by 24.8% in this quarter. In 2HFY20, management plans it to launch in Karnataka.

Higher promotions led to gross margin deterioration

Gross margin declined by 29 bps YoY to 45.6% on the back of higher promotions while benign input prices helped in arresting gross margin deterioration. EBITDA margin declined by 7 bps YoY to 17.04% led by higher employee (up by 40 bps and Ad expenses (up by 67 bps YoY). Other expenses for the quarter, declined by 129 bps YoY to 11.5% due to change in lease based accounting.

Highlights from Investor & Analyst Meet:

- Consumer sentiments are witnessing improvement ahead of festive season. Considering good monsoon, management is optimistic of better growth going ahead with rural off-take improvement.
- Non Household insecticide (HI) business's revenue growth remained 10% with a Volume growth 9.1%.
- Household insecticide business declined by 1.3% on the back of majorly delayed monsoon although company is witnessing gradual recovery.
- Ujala Crisp & Shine grew by 24.8% in this quarter. In 2HFY20, management plans it to launch in Karnataka.
- In the major development, incense sticks have been moved into restricted list from free list by the government. Import of spurious incense stick is no longer smooth.
- Dish wash segment will continue to grow at double digit as company plans more product launches in 2HFY20.
- The company may achieve 10-12% sales growth guidance (earlier), if household insecticide does well.
- Ad expense: company has curtailed ad expenses and may be shorter than earlier stated budget considering demand slowdown but wherever it needs investment, company won't shy away from it.
- EBITDA Margin: The Company will maintain EBITDA margin at 16%.
- Expected tax rate: FY20:17% while FY21 onwards: 19%.

Exhibit: HI Revenue & Growth

HI declined by 1.3% on the back of majorly delayed monsoon although company is witnessing gradual recovery.

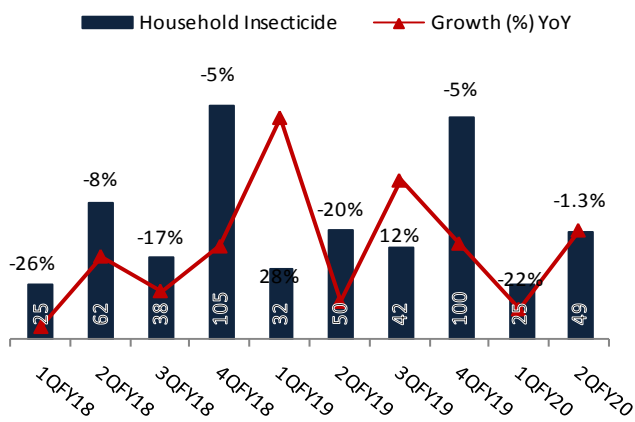


Exhibit: Sales and Sales Growth

sales were up by 9% on the back of volume growth of 8.3%(cons.)

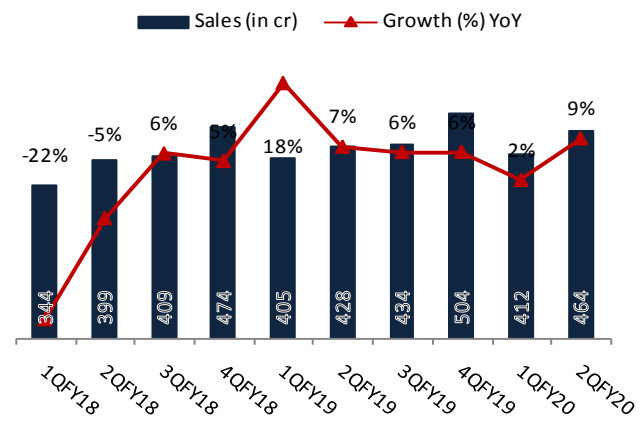


Exhibit: Adv. and Other expenses

Other expenses for the quarter, declined by 129 bps YoY to 11.5% due to change in lease based accounting.

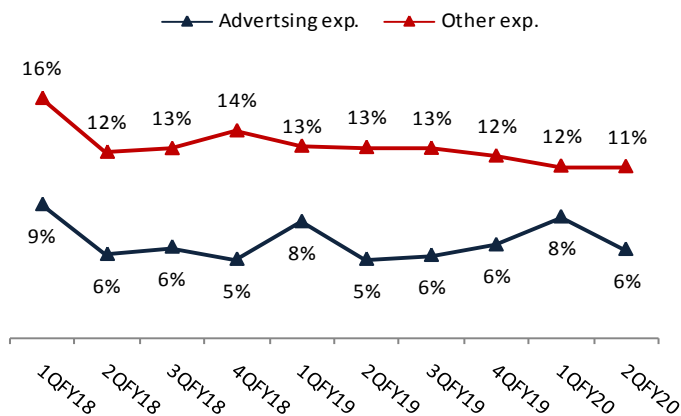


Exhibit: Gross and EBITDA Margin

Gross margin declined by 29 bps YoY to 45.6% while EBITDA margin remains flat(down by 7 bps).

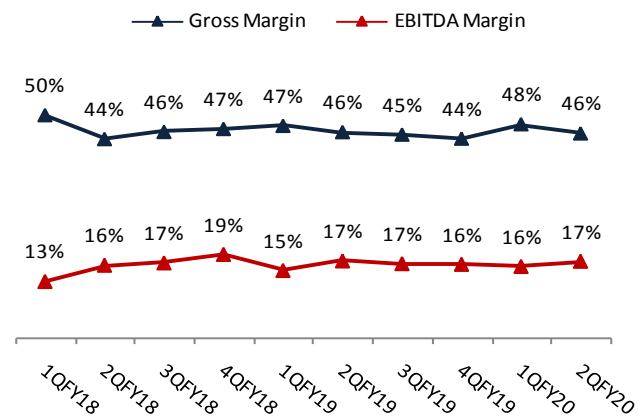
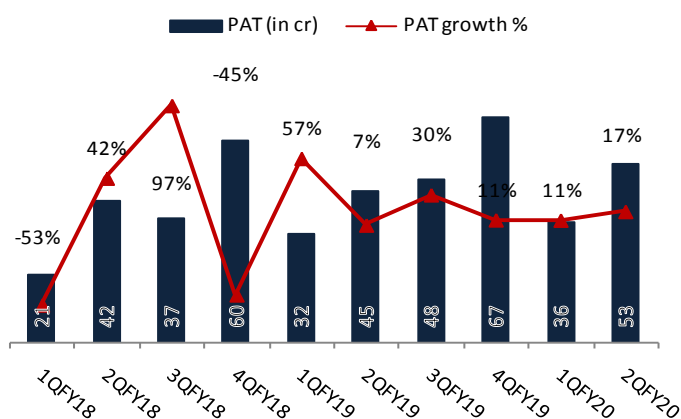


Exhibit: PAT and PAT Growth

The company has reported PAT growth of 17% YoY to Rs 53 cr on the back of lower provisioning of Taxes by 9.3%to 11%.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	18	18	18	18	18	37	37	37
Reserves	862	944	454	635	665	817	874	945
Networth	880	962	472	654	683	854	911	982
Debt	516	400	-	49	277	215	215	215
Other Non Current Liab	157	161	109	21	32	38	38	38
Total Capital Employed	1,396	1,362	472	703	960	1,069	1,126	1,197
Net Fixed Assets (incl CWIP)	633	576	546	550	505	485	440	396
Non Current Investments	95	245	138	140	0	0	0	0
Other Non Current Assets	662	604	232	220	321	326	325	325
Non Current Assets	1,390	1,424	915	910	825	812	765	720
Inventory	161	181	184	195	187	201	216	246
Debtors	56	51	89	112	156	148	160	182
Cash & Bank	56	65	55	95	127	88	89	133
Other Current Assets	105	195	92	48	163	164	252	297
Current Assets	377	493	419	450	634	600	717	859
Creditors	104	128	157	145	147	175	188	215
Provisions	67	114	29	31	31	31	31	31
Other Current Liabilities	42	151	566	460	289	99	99	99
Curr Liabilities	214	394	752	636	467	305	318	345
Net Current Assets	163	99	(333)	(186)	167	296	399	515
Total Assets	1,767	1,916	1,334	1,360	1,459	1,412	1,482	1,580

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	1,306	1,490	1,542	1,632	1,644	1,769	1,907	2,173
Change (%)	23%	14%	3%	6%	1%	8%	8%	14%
EBITDA	213	218	228	260	264	286	313	367
Change (%)	0	2%	5%	14%	2%	8%	10%	17%
Margin (%)	16%	15%	15%	16%	16%	16%	16%	17%
Depr & Amor.	62	70	54	55	57	58	72	72
EBIT	151	147	174	205	208	227	241	296
Int. & other fin. Cost	53	12	56	51	42	28	25	25
Other Income	4	7	12	11	43	28	24	33
EBT	154	201	133	166	208	228	241	304
Exp Item	2	2	-	-	-	-	-	-
Tax	0	4	59	(36)	48	34	38	51
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	152	195	75	202	161	192	203	254
Adjusted PAT	149	193	75	202	161	192	203	254
Change (%)	1	29%	-62%	171%	-20%	19%	5%	25%
Margin(%)	12%						11%	12%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	17%	20%	16%	31%	24%	22%	22%	26%
ROCE	10%	10%	30%	28%	21%	21%	21%	24%
Asset Turnover	1	1	1	1	1	1	1	1
Debtor Days	16	12	21	25	35	31	31	31
Inv Days	45	44	43	44	42	41	41	41
Payable Days	29	31	37	32	33	36	36	36
Int Coverage	3	12	3	4	5	8	10	12
P/E	22	22	76	32	50	32	32	26
Price / Book Value	4	4	12	10	12	7	7	7
EV/EBITDA	18	20	24	24	31	22	21	18
FCF per Share	3	4	5	3	6	7	6	8
Div Yield	2%	2%	3%	0%	1%	0%	2%	2%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	106	147	201	166	208	228	241	304
(inc)/Dec in Working Capital	1	13	(4)	(68)	(3)	39	(46)	(26)
Non Cash Op Exp	57	87	87	55	36	57	72	72
Int Paid (+)	53	12	5	51	42	28	25	25
Tax Paid	(19)	(41)	(51)	(31)	(25)	(41)	(38)	(51)
others	(52)	(59)	(47)	44	36	(4)	-	-
CF from Op. Activities	146	158	191	166	251	305	253	324
(inc)/Dec in FA & CWIP	(20)	(6)	(25)	(56)	(37)	(39)	(27)	(27)
Free Cashflow	126	151	166	109	215	266	226	297
(Pur)/Sale of Inv	(62)	(9)	19	28	(91)	5	(55)	(45)
others	(97)	15	10	8	47	6	-	-
CF from Inv. Activities	(179)	(0)	4	(20)	(81)	25	(82)	(72)
inc/(dec) in NW	263	-	-	-	-	-	-	-
inc/(dec) in Debt	(91)	-	(115)	49	26	(261)	-	-
Int. Paid	(55)	(12)	(9)	(155)	(44)	(34)	(25)	(25)
Div Paid (inc tax)	(70)	(42)	(174)	(22)	(131)	(22)	(146)	(183)
others	-	-	(2)	0	0	0	-	-
CF from Fin. Activities	45	(54)	(300)	(127)	(149)	(316)	(170)	(207)
Inc(Dec) in Cash	12	103	(105)	18	21	13	1	45
Add: Opening Balance	12	83	186	16	34	55	88	89
Closing Balance	24	186	81	34	55	68	89	133

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