

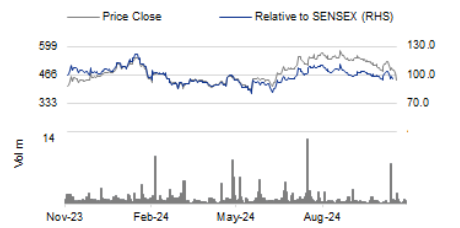
India

ADD (no change)

Consensus ratings*: Buy 11 Hold 2 Sell 2	
Current price:	Rs441
Target price:	Rs575
Previous target:	Rs620
Up/downside:	30.4%
InCred Research / Consensus:	-2.7%
Reuters:	JYOI.NS
Bloomberg:	JYL IN
Market cap:	US\$1,920m
	Rs162,068m
Average daily turnover:	US\$6.4m
	Rs539.9m
Current shares o/s:	367.2m
Free float:	37.1%
*Source: Bloomberg	

Key changes in this note

- Maintain ADD rating with a lower target price of Rs575 (Rs620 earlier).
- Lower FY25F-FY27F sales by 2.5%.

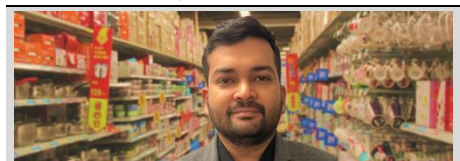


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(16.3)	(21.3)	5.3
Relative (%)	(13.4)	(21.1)	(13.1)

Major shareholders	% held
Promoter	62.9
Canara Robeco AMC	2.7
Nippon AMC	2.7

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Jyothy Labs Limited

Growth expected to improve in 2HFY25F

- Jyothy Labs’ sales growth was flat (+0.2%) in 2QFY25 led by a 3% volume growth, implying a cut in pricing of 2.8% (vs. price hike of 2.1% in 2QFY24).
- Management maintained its EBITDA margin guidance of 16-17% for FY25F, which, we believe, can be beaten if it maintains a consistent performance.
- We maintain our constructive view on Jyothy Labs and retain ADD rating with a lower TP of Rs575 (Rs620 earlier) based on 40x Sep 2026F EPS.

Slowdown in fabric care & dishwashing segments drag growth

Jyothy Labs’ (JYL) sales growth was flat yoy in 2QFY25, with a 3% yoy growth in volume (on a 9% growth in the base), implying a price cut to the tune of 2.8%. Key segments like fabric care posted flat yoy growth while the dishwashing segment saw 1.3% growth, largely impacted by weak demand in Jul 2024, which recovered by Sep 2024. JYL’s home care segment’s (dishwash + fabric care) growth was flat yoy, lower for the first time in the last four-to-five quarters vs. Hindustan Unilever’s home care segment’s growth of 8% yoy in 2QFY25. The personal care segment declined by 4.5% yoy while the household insecticides (HI) segment was flat yoy. The demand trend in Oct 2024 was healthy and management expects high single-digit sales growth in 2HFY25F.

Market share gains continue across key portfolios

JYL has been gaining volume market share across its brands led by focused distribution expansion and strong focus on access packs to drive trials. JYL launched a liquid variant of Mr. White in 2Q, after a similar launch under Morelight in 1QFY25. The focus on small packs (bundled with scrubbers) has aided in increasing trials within dishwash. Maxo Liquid Vaporizers grew in double digits (vs. a 2% growth for the category) while Coils lost market share to incense sticks led by a shift in consumption. Management hinted at the possibility of entering a new category in FY26F with some new launches planned. JYL’s measured approach to brand expansion allows for focused market penetration in newer markets.

Margin guidance remains intact; price hike expected in soaps

Stable input costs (barring palm oil) drove gross/EBITDA margin expansion by 98bp/38bp yoy to 50.2%/18.9%, respectively, despite weak sales growth. Management maintained its EBITDA margin guidance of 16-17% for FY25F, which, we believe, can be beaten if JYL maintains a consistent performance and steps up its premiumization play. Low single-digit price hike is expected in 2HFY25F on account of higher palm oil prices in the soap portfolio.

Retain ADD rating with a lower target price of Rs575

JYL’s consistent growth trajectory over the last few years, focused distribution gains and the ability to drive premiumization positions it for continued growth. We cut our FY25F-FY27F sales estimates by 2.5% and maintain our ADD rating on the stock with a lower target price of Rs575 (Rs620 earlier) based on a P/E of 40x Sep 2026F EPS. Key downside risks: Lower-than-estimated sales growth/EBITDA margin expansion.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	24,860	27,569	29,813	32,976	36,328
Operating EBITDA (Rsm)	3,159	4,798	5,358	6,027	6,710
Net Profit (Rsm)	2,397	3,695	4,241	4,913	5,640
Core EPS (Rs)	6.3	10.1	11.6	13.4	15.4
Core EPS Growth	43.7%	58.8%	14.8%	15.8%	14.8%
FD Core P/E (x)	67.60	43.87	38.21	32.98	28.74
DPS (Rs)	3.0	3.0	4.5	3.3	3.3
Dividend Yield	0.57%	0.68%	1.02%	0.75%	0.75%
EV/EBITDA (x)	50.42	33.44	29.80	26.40	23.15
P/FCFE (x)	107.29	(429.43)	87.99	73.29	32.40
Net Gearing	(18.3%)	(9.2%)	(11.6%)	(12.1%)	(23.4%)
P/BV (x)	10.46	8.96	7.84	6.65	5.63
ROE	15.6%	22.0%	21.9%	21.8%	21.2%
% Change In Core EPS Estimates			0.16%	0.15%	0.15%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Margin improvement despite weak sales

Figure 1: Quarterly result summary – consolidated

Rs m	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
Net sales	7,323	7,418	7,338	0.2	-1.1	14,194	14,756	4.0
Expenditure	5,970	6,084	5,953	-0.3	-2.1	11,667	12,037	3.2
Consumption of RM	3,719	3,613	3,655	-1.7	1.1	7,302	7,268	-0.5
as % of sales	50.8	48.7	49.8			51.4	49.3	
Employee costs	769	862	807	4.9	-6.4	1,528	1,668	9.2
as % of sales	10.5	11.6	11.0			10.8	11.3	
Advertising & SP expenses	574	616	611	6.4	-0.8	1,078	1,226	13.8
as % of sales	7.8	8.3	8.3			7.6	8.3	
Other expenditure	907	993	881	-2.9	-11.3	1,759	1,874	6.5
as % of sales	12.4	13.4	12.0			12.4	12.7	
EBITDA	1,354	1,335	1,385	2.3	3.7	2,528	2,719	7.6
Depreciation	123	134	139	12.8	3.6	243	273	12.5
EBIT	1,231	1,200	1,246	1.2	3.8	2,285	2,446	7.0
Other income	132	137	125	-5.3	-8.7	302	263	-13.0
Interest	12	14	14	19.7	0.7	23	28	22.4
PBT	1,351	1,324	1,357	0.4	2.5	2,564	2,681	4.5
Total tax	311	307	307	-1.5	0.0	562	614	9.2
Reported PAT	1,040	1,017	1,050	1.0	3.3	2,002	2,067	3.2
Minority interest	0	0	0	NA	0.0	0	0	-95.0
PAT	1,040	1,017	1,050	1.0	3.3	2,003	2,067	3.2
Extraordinary items	0	0	0	NA	NA	-90	0	-100.0
Adjusted PAT	1,040	1,017	1,050	1.0	3.3	1,913	2,067	8.1
Adj. EPS	2.8	2.8	2.9	1.0	3.3	5.5	5.6	3.2

Margins (%)	2QFY24	1QFY25	2QFY25	YoY (bp)	QoQ (bp)	1HFY24	1HFY25	(bp)
Gross margin	49.2	51.3	50.2	98	-110	48.6	50.7	220
EBITDA	18.5	18.0	18.9	38	88	17.8	18.4	60
EBIT	16.8	16.2	17.0	17	79	16.1	16.6	50
EBT	18.5	17.8	18.5	4	65	18.1	18.2	10
PAT	14.2	13.7	14.3	11	60	14.1	14.0	-10
Effective tax rate	23.0	23.2	22.6	-44	-57	21.9	22.9	100.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental breakup

Rs m	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
Segment Revenue								
Fabric care	3,166	3,228	3,168	0.1	-1.9	6,132	6,396	4.3
Dishwashing	2,507	2,480	2,540	1.3	2.4	4,822	5,019	4.1
Household insecticide	450	503	451	0.3	-10.4	943	954	1.2
Personal care	896	933	856	-4.5	-8.2	1,737	1,789	3.0
Total	7,323	7,144	7,015	-4.2	-1.8	14,194	14,756	4.0
Segment Results (PBIT)								
Fabric care	828	802	789	-4.6	-1.6	1,484	1,591	7.2
Dishwashing	523	495	484	-7.5	-2.3	986	979	-0.7
Household insecticide	-79	-54	-43	-45.9	-21.2	-173	-97	-43.8
Personal care	98	103	116	18.5	13.3	251	219	-13.0
Total	1,370	1,346	1,346	-1.7	0.1	2,554	2,712	6.2
Segment Margin (%)	2QFY24	1QFY25	2QFY25	YoY (bp)	QoQ (bp)	1HFY24	1HFY25	YoY (bp)
Fabric care	26.1%	24.9%	24.9%	-120	10	24.2%	24.9%	70
Dishwashing	20.9%	20.0%	19.1%	-180	-90	20.5%	19.5%	-90
Household insecticide	-17.6%	-10.8%	-9.5%	810	130	-18.3%	-10.2%	820
Personal care	10.9%	11.0%	13.6%	260	260	14.5%	12.2%	-230

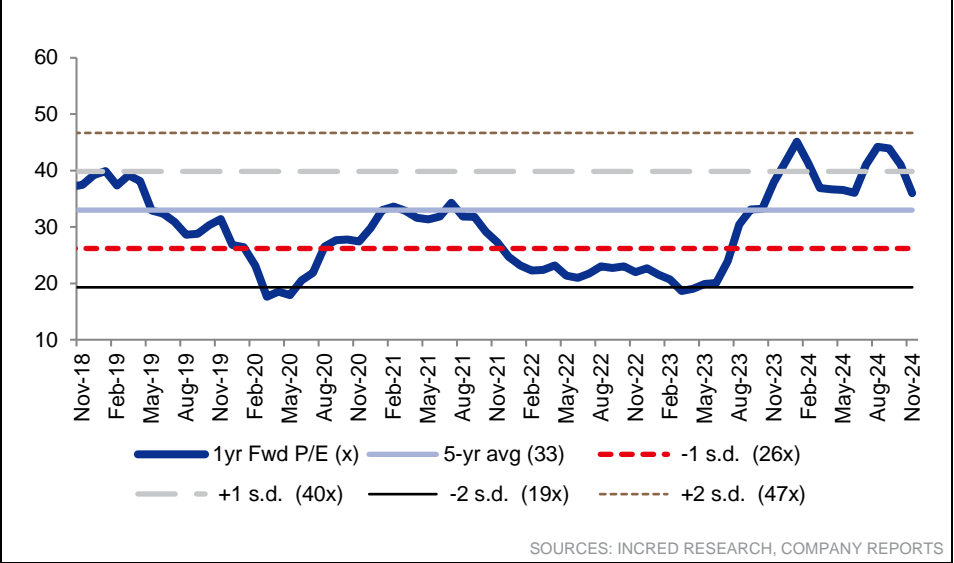
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our revised earnings estimates

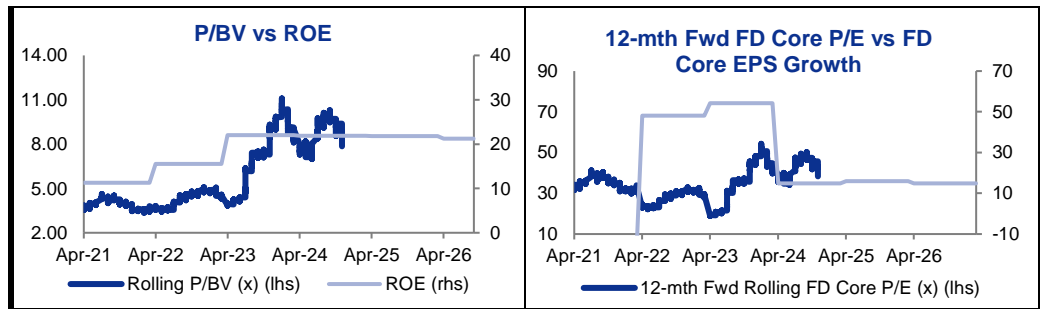
(Rs. m)	FY25F			FY26F			FY27F		
	Previous	Revised	% Change	Previous	Revised	% Change	Previous	Revised	% Change
Revenue	30,569	29,813	(2.5)	33,814	32,976	(2.5)	37,256	36,328	(2.5)
EBITDA	5,349	5,358	0.2	6,017	6,027	0.2	6,700	6,710	0.2
EBITDA margin (%)	17.5	18.0	50bp	17.8	18.3	50bp	18.0	18.5	50bp
Net profit	4,234	4,241	0.2	4,906	4,913	0.1	5,632	5,640	0.1
EPS	11.5	11.6	0.2	13.4	13.4	0.1	15.3	15.4	0.1

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: JYL's one year forward P/E trades between its 5-yr average P/E and +1SD P/E



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	24,860	27,569	29,813	32,976	36,328
Gross Profit	10,511	13,531	14,811	16,448	18,153
Operating EBITDA	3,159	4,798	5,358	6,027	6,710
Depreciation And Amortisation	(501)	(500)	(500)	(510)	(512)
Operating EBIT	2,658	4,298	4,858	5,517	6,198
Financial Income/(Expense)	(131)	(47)	(20)	(20)	(20)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	395	537	634	843	1,099
Profit Before Tax (pre-EI)	2,922	4,788	5,472	6,340	7,277
Exceptional Items					
Pre-tax Profit	2,922	4,788	5,472	6,340	7,277
Taxation	(595)	(1,095)	(1,231)	(1,426)	(1,637)
Exceptional Income - post-tax	70				
Profit After Tax	2,397	3,693	4,241	4,913	5,640
Minority Interests		2			
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,397	3,695	4,241	4,913	5,640
Recurring Net Profit	2,327	3,695	4,241	4,913	5,640
Fully Diluted Recurring Net Profit	2,327	3,695	4,241	4,913	5,640

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	3,159	4,798	5,358	6,027	6,710
Cash Flow from Invt. & Assoc.		2			
Change In Working Capital	473	(4,004)	(2,499)	(2,712)	(649)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	395	537	634	843	1,099
Net Interest (Paid)/Received	(131)	(47)	(20)	(20)	(20)
Tax Paid	(595)	(1,095)	(1,231)	(1,426)	(1,637)
Cashflow From Operations	3,301	190	2,242	2,711	5,503
Capex	(525)	(568)	(400)	(500)	(500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(525)	(568)	(400)	(500)	(500)
Debt Raised/(repaid)	(1,265)				
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(918)	(1,102)	(1,102)	(1,652)	(1,212)
Preferred Dividends					
Other Financing Cashflow	130	305			
Cash Flow From Financing	(2,053)	(797)	(1,102)	(1,652)	(1,212)
Total Cash Generated	723	(1,174)	740	559	3,791
Free Cashflow To Equity	1,511	(377)	1,842	2,211	5,003
Free Cashflow To Firm	2,907	(330)	1,862	2,231	5,023

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	2,835	1,661	2,401	2,960	6,751
Total Debtors	1,378	2,014	2,695	4,337	4,777
Inventories	3,019	2,835	4,002	5,240	5,773
Total Other Current Assets	1,108	5,461	5,461	5,461	5,461
Total Current Assets	8,340	11,970	14,559	17,997	22,761
Fixed Assets	3,394	3,469	3,369	3,359	3,347
Total Investments					
Intangible Assets	7,925	7,918	7,918	7,918	7,918
Total Other Non-Current Assets	959	653	653	653	653
Total Non-current Assets	12,277	12,039	11,939	11,929	11,917
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	2,144	2,761	2,010	2,067	2,272
Other Current Liabilities	2,037	2,061	2,061	2,061	2,061
Total Current Liabilities	4,180	4,822	4,071	4,128	4,333
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities					
Total Provisions	927	1,086	1,186	1,295	1,415
Total Liabilities	5,107	5,907	5,257	5,423	5,748
Shareholders Equity	15,490	18,083	20,672	24,373	28,801
Minority Interests	21	19	19	19	19
Total Equity	15,510	18,102	20,691	24,392	28,820

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	13.2%	10.9%	8.1%	10.6%	10.2%
Operating EBITDA Growth	27.3%	51.9%	11.7%	12.5%	11.3%
Operating EBITDA Margin	12.7%	17.4%	18.0%	18.3%	18.5%
Net Cash Per Share (Rs)	7.72	4.52	6.54	8.06	18.38
BVPS (Rs)	42.18	49.25	56.30	66.38	78.44
Gross Interest Cover	20.30	90.88	242.91	275.83	309.91
Effective Tax Rate	20.4%	22.9%	22.5%	22.5%	22.5%
Net Dividend Payout Ratio	39.4%	29.8%	39.0%	24.7%	21.5%
Accounts Receivables Days	20.62	22.45	28.83	38.92	45.78
Inventory Days	76.20	76.10	83.18	102.06	110.58
Accounts Payables Days	57.33	63.75	58.03	45.02	43.57
ROIC (%)	19.5%	24.5%	24.3%	24.2%	26.3%
ROCE (%)	17.3%	25.6%	25.0%	24.5%	23.3%
Return On Average Assets	12.0%	16.8%	16.9%	17.5%	17.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.