

India

ADD (no change)

Consensus ratings*: Buy 15 Hold 1 Sell 1

Current price:	Rs351
Target price:	Rs390
Previous target:	Rs460
Up/downside:	11.1%
InCred Research / Consensus:	-17.2%
Reuters:	JYOI.NS
Bloomberg:	JYL IN
Market cap:	US\$1,509m Rs128,819m
Average daily turnover:	US\$3.8m Rs323.1m
Current shares o/s:	367.2m
Free float:	37.1%

*Source: Bloomberg

Key changes in this note

- Lower the target price to Rs390 from Rs460.



Price performance	1M	3M	12M
Absolute (%)	(4.4)	(4.7)	(23.8)
Relative (%)	(12.8)	(11.9)	(32.7)

Major shareholders	% held
Promoter	62.9
Canara Robeco AMC	3.1
Nippon AMC	2.8

Jyothy Labs Limited

Margin pressure likely to sustain

- Jyothy Labs' volume growth of 4%/6% in 4Q/FY25, respectively, was healthy vs. larger peers. Sales growth was largely driven by the fabric care portfolio.
- Near-term guidance of 16-17% EBITDA margin remains unchanged owing to higher advertising expenses across brands and categories.
- We maintain our constructive view on Jyothy Labs, despite near-term pressure, and retain ADD rating on it with a lower target price of Rs390 (34x FY27F EPS).

Liquid categories drive growth; core biz remains under pressure

Jyothy Labs' (JYL) sales growth stood at 1.1% yoy in 4QFY25, with a 4% yoy growth in volume (on a 7% growth in the base), implying a price cut to the tune of 2.9%, largely driven by higher grammage & promotions in dishwash and liquid detergents. Sales growth was largely driven by the fabric care segment (43% sales mix), which grew by 2.1% yoy. Within fabric care, the main wash sub-segment (35% sales mix) grew by 5.1% yoy, while the post-wash sub-segment (8% sales mix) declined by 9.3% yoy. JYL's home care segment's (dishwash + fabric care) growth stood at 2.8% yoy vs. Hindustan Unilever's home care segment's growth of 3% yoy in 4QFY25. The personal care segment declined by 8.8% yoy while the household insecticides (HI) segment declined by 4.8% yoy.

Innovation and distribution expansion focus supports growth

JYL added 100k outlets in FY25 in its direct reach, totalling 1.3m outlets. Indirect reach increased to 3.6m outlets, an addition of 800k touchpoints during the year. Despite this addition in numeric distribution reach, alternate channels (modern trade, e-commerce and quick commerce) posted impressive growth. Within the premium-end of its portfolio, JYL (like other HPC peers) has been doubling down on liquid offerings (growing faster in fabric care vs. the bodywash category) and had launched products under various brands in the home care category during the year, which have been registering good growth.

Margin expected to remain range-bound in medium term

Gross margin declined by 31bp yoy to 49.2% in 4QFY25 while the EBITDA margin expanded 36bp yoy to 16.8% on account of lower advertising and other expenses. Management retained its EBITDA margin guidance of 16-17% for the near term. We expect the margin to be rangebound in the medium term as JYL will continue to invest in its brands.

Retain ADD rating with a lower target price of Rs390

Despite near term demand headwinds impacting growth in 1HFY26F, we maintain our constructive view on Jyothy Labs. We retain our ADD rating on it with a lower target price of Rs390 (34x FY27F EPS), from Rs460 earlier, as we roll forward. Downside risks: Lower-than-estimated sales growth and EBITDA margin.

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Financial Summary

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	24,860	27,569	28,470	30,862	33,782
Operating EBITDA (Rsm)	3,159	4,798	4,996	5,140	5,688
Net Profit (Rsm)	2,397	3,695	3,704	3,847	4,180
Core EPS (Rs)	6.3	10.1	10.2	10.5	11.4
Core EPS Growth	43.7%	58.8%	1.4%	2.7%	8.7%
FD Core P/E (x)	53.73	34.87	34.77	33.48	30.82
DPS (Rs)	3.0	3.0	3.0	3.3	3.3
Dividend Yield	0.71%	0.86%	1.00%	0.94%	0.94%
EV/EBITDA (x)	39.89	26.51	25.50	24.95	22.08
P/FCFE (x)	85.28	(341.33)	135.52	544.52	33.08
Net Gearing	(18.3%)	(9.2%)	(6.9%)	(2.4%)	(12.4%)
P/BV (x)	8.32	7.12	6.29	5.57	4.94
ROE	15.6%	22.0%	19.4%	17.6%	17.0%
% Change In Core EPS Estimates				(16.22%)	(20.84%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Margin pressure likely to sustain

Highlights from the earnings call

Highlights

- Delivers 6.4%/4% volume growth in FY25/4QFY25, respectively, despite muted demand. The liquid detergent portfolio grew close to 3x in FY25.
- Alternate channels (modern trade, e-commerce & quick commerce) delivered impressive growth.
- Direct reach increased by 100k outlets to 1.3m outlets and indirect reach increased by 800k to 3.6m outlets.
- Launched Ujala Fabric Conditioner, Maxo Racquet & Aerosol and Jovia under the soaps category.
- During the year, urban markets witnessed slowdown in demand.
- Demand is expected to recover, led by volume. The strategy will be to launch more affordable formats and creating value for customers.

Fabric care

- Liquids drove growth (up 3x yoy).
- MoreLight: No change in the strategy (in comparison to Godrej Fab). Liquids have been doing well.
- Main wash saw double-digit volume growth in FY25.
- Gained market share in Ujala IDD in Kerala.
- South India saw strong growth in liquids.
- Post-wash products remain a focus area.

Personal care

- Impacted by a high base and inflation.
- The newly launched Jovia brand has done well; however, weakness in Margo has dragged overall growth.
- Relaunching Margo.
- Selective price hikes were taken; however, the gross margin was impacted. FY26F performance is expected to be better.

Household insecticides

- Liquid vapourizers (LV) saw volume-led double-digit profitable growth.
- Coils, as a category, continued to decline. Taking steps to minimize losses in this category.
- Launched Aersol and Racquets brands during the year.
- JYL has undertaken some initiatives, with green shoots visible, as per management, for coils.
- FY26F should be better vs. FY25, with a reduction in losses.

Outlook

- Urban weakness is expected to sustain in 1HFY26F.
- Competitive intensity is expected to remain high in the near term.
- **Tax rate guidance:** In the 23-24% range for FY26F-27F.

Figure 1: Quarterly results summary

Rs m	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Net sales	6,600	7,045	6,670	1.1	-5.3	27,569	28,470	3.3
Expenditure	5,516	5,887	5,550	0.6	-5.7	22,771	23,474	3.1
Consumption of raw materials	3,333	3,538	3,389	1.7	-4.2	14,038	14,195	1.1
as % of sales	50.5	50.2	50.8			50.9	49.9	
Employee costs	726	807	783	7.9	-3.0	3,005	3,258	8.4
as % of sales	11.0	11.5	11.7			10.9	11.4	
Advertising & SP expenses	598	637	534	-10.6	-16.1	2,282	2,397	5.0
as % of sales	9.1	9.0	8.0			8.3	8.4	
Other expenditure	860	905	845	-1.8	-6.7	3,445	3,623	5.2
as % of sales	13.0	12.8	12.7			12.5	12.7	
EBITDA	1,084	1,158	1,119	3.3	-3.3	4,798	4,996	4.1
Depreciation	129	143	146	13.1	1.9	500	561	12.3
EBIT	955	1,015	974	2.0	-4.0	4,298	4,435	3.2
Other income	130	139	155	19.4	11.8	537	556	3.4
Interest	13	15	17	31.7	12.2	47	59	25.4
PBT	1,072	1,138	1,112	3.7	-2.3	4,788	4,931	3.0
Total tax	291	264	306	5.4	15.9	1,095	1,184	8.1
Reported PAT	781	874	806	3.1	-7.8	3,693	3,747	1.5
Minority interest	0	0	0	200.0	200.0	-2	-1	-66.7
PAT attributable to SH	782	874	806	3.1	-7.8	3,695	3,747	1.4
Extraordinary items	0	0	-43	NA	NA	0	-43	NA
Adjusted PAT	782	874	763	-2.4	-12.7	3,695	3,704	0.3
Adj. EPS	2.1	2.4	2.2	3.1	-7.8	10.1	10.2	1.4
Margins (%)	4QFY24	3QFY25	4QFY25	YoY (bp)	QoQ (bp)	FY24	FY25	(bp)
Gross margin	49.5	49.8	49.2	-31	-58	49.1	50.1	110
EBITDA	16.4	16.4	16.8	36	35	17.4	17.5	10
EBIT	14.5	14.4	14.6	13	20	15.6	15.6	0
EBT	16.2	16.2	16.7	43	51	17.4	17.3	0
PAT	11.8	12.4	12.1	24	-33	13.4	13.2	-20
Effective tax rate	27.1	23.2	27.6	43	433	22.9	24.0	110.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segment-wise performance

Rs m	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Segment Revenue								
Fabric Care	2,811	3,221	2,869	2.1	-10.9	11,890	12,486	5.0
Dishwashing	2,183	2,446	2,252	3.1	-7.9	9,366	9,717	3.7
Household Insecticide	722	344	687	-4.8	99.5	2,123	1,985	-6.5
Personal Care	618	697	564	-8.8	-19.1	3,078	3,049	-0.9
Total	6,334	6,708	6,371	0.6	-5.0	27,569	28,470	3.3
Segment Results (PBIT)								
Fabric Care	647	716	642	-0.8	-10.4	2,874	2,949	2.6
Dishwashing	393	447	408	3.6	-8.7	1,804	1,833	1.6
Household Insecticide	-75	-102	-48	-35.9	-52.9	-341	-247	-27.5
Personal Care	52	75	60	13.5	-20.5	397	353	-11.1
Total	1,017	1,135	1,061	4.2	-6.6	4,752	4,924	3.6
Segment Margin (%)	4QFY24	3QFY25	4QFY25	YoY (bp)	QoQ (bp)	FY24	FY25	YoY (bp)
Fabric Care	23.0%	22.2%	22.4%	-60	10	24.2%	23.6%	-60
Dishwashing	18.0%	18.3%	18.1%	10	-20	19.3%	18.9%	-40
Household Insecticide	-10.4%	-29.7%	-7.0%	340	2,270	-16.1%	-12.5%	360
Personal Care	8.5%	10.7%	10.6%	210	-20	12.9%	11.6%	-130

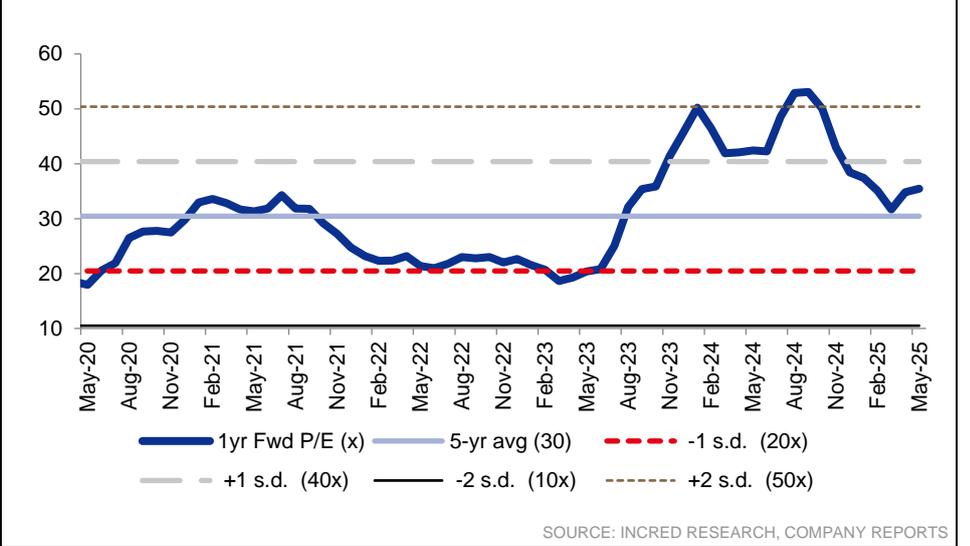
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our revised earnings estimates

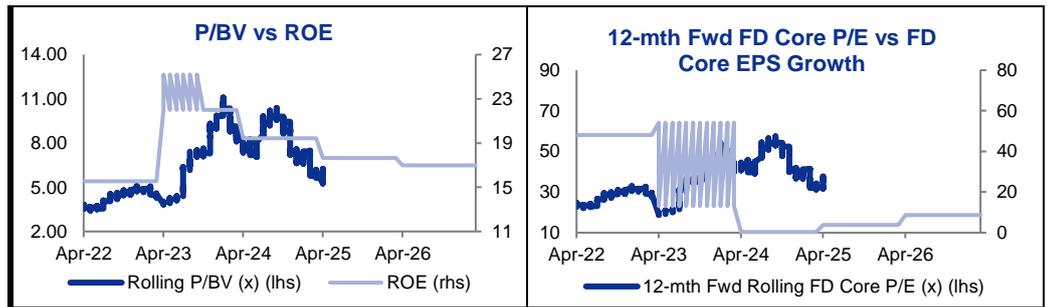
(Rs. m)	FY26F			FY27F		
	Previous	Revised	% Change	Previous	Revised	% Change
Revenue	32,064	30,862	(3.7)	35,319	33,782	(4.4)
EBITDA	5,677	5,140	(9.5)	6,326	5,688	(10.1)
EBITDA margin (%)	17.7	16.7	-110 bp	17.9	16.8	-110 bp
Net profit	4,592	3,847	(16.2)	5,281	4,180	(20.8)
EPS	12.5	10.5	(16.2)	14.4	11.4	(20.8)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	24,860	27,569	28,470	30,862	33,782
Gross Profit	10,511	13,531	14,275	15,382	16,871
Operating EBITDA	3,159	4,798	4,996	5,140	5,688
Depreciation And Amortisation	(501)	(500)	(561)	(645)	(757)
Operating EBIT	2,658	4,298	4,435	4,495	4,931
Financial Income/(Expense)	(131)	(47)	(59)	(65)	(80)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	395	537	556	633	685
Profit Before Tax (pre-EI)	2,922	4,788	4,931	5,063	5,537
Exceptional Items					
Pre-tax Profit	2,922	4,788	4,931	5,063	5,537
Taxation	(595)	(1,095)	(1,184)	(1,216)	(1,356)
Exceptional Income - post-tax	70		(43)		
Profit After Tax	2,397	3,693	3,704	3,847	4,180
Minority Interests		2	1		
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,397	3,695	3,704	3,847	4,180
Recurring Net Profit	2,327	3,695	3,747	3,847	4,180
Fully Diluted Recurring Net Profit	2,327	3,695	3,747	3,847	4,180

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	3,159	4,798	4,996	5,140	5,688
Cash Flow from Invt. & Assoc.		2	1		
Change In Working Capital	473	(4,004)	(2,546)	(3,756)	(543)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	395	537	556	633	685
Net Interest (Paid)/Received	(131)	(47)	(59)	(65)	(80)
Tax Paid	(595)	(1,095)	(1,184)	(1,216)	(1,356)
Cashflow From Operations	3,301	190	1,763	737	4,394
Capex	(525)	(568)	(813)	(500)	(500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(525)	(568)	(813)	(500)	(500)
Debt Raised/(repaid)	(1,265)				
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(918)	(1,102)	(1,102)	(1,102)	(1,212)
Preferred Dividends					
Other Financing Cashflow	130	305	98		
Cash Flow From Financing	(2,053)	(797)	(1,004)	(1,102)	(1,212)
Total Cash Generated	723	(1,174)	(53)	(865)	2,682
Free Cashflow To Equity	1,511	(377)	951	237	3,894
Free Cashflow To Firm	2,907	(330)	1,010	302	3,974

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	2,835	1,661	1,424	558	3,241
Total Debtors	1,378	2,014	2,744	4,059	4,443
Inventories	3,019	2,835	3,281	4,904	5,368
Total Other Current Assets	1,108	5,461	7,336	7,336	7,336
Total Current Assets	8,340	11,970	14,784	16,857	20,387
Fixed Assets	3,394	3,469	3,712	3,567	3,310
Total Investments					
Intangible Assets	7,925	7,918	7,926	7,926	7,926
Total Other Non-Current Assets	959	653	486	486	486
Total Non-current Assets	12,277	12,039	12,124	11,979	11,722
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	2,144	2,761	2,903	1,973	2,155
Other Current Liabilities	2,037	2,061	2,294	2,294	2,294
Total Current Liabilities	4,180	4,822	5,197	4,267	4,449
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities					
Total Provisions	927	1,086	1,216	1,328	1,451
Total Liabilities	5,107	5,907	6,413	5,595	5,900
Shareholders Equity	15,490	18,083	20,495	23,131	26,099
Minority Interests	21	19			
Total Equity	15,510	18,102	20,495	23,131	26,099

Key Ratios					
	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	13.2%	10.9%	3.3%	8.4%	9.5%
Operating EBITDA Growth	27.3%	51.9%	4.1%	2.9%	10.7%
Operating EBITDA Margin	12.7%	17.4%	17.5%	16.7%	16.8%
Net Cash Per Share (Rs)	7.72	4.52	3.88	1.52	8.83
BVPS (Rs)	42.18	49.25	55.81	62.99	71.08
Gross Interest Cover	20.30	90.88	74.78	69.15	61.64
Effective Tax Rate	20.4%	22.9%	24.0%	24.0%	24.5%
Net Dividend Payout Ratio	39.4%	29.8%	34.3%	31.5%	29.0%
Accounts Receivables Days	20.62	22.45	30.50	40.23	45.93
Inventory Days	76.20	76.10	78.62	96.49	110.85
Accounts Payables Days	57.33	63.75	72.82	57.49	44.55
ROIC (%)	19.5%	24.5%	21.9%	18.7%	20.2%
ROCE (%)	17.3%	25.6%	23.0%	20.6%	20.0%
Return On Average Assets	12.0%	16.8%	15.0%	14.0%	14.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework**Stock Ratings**

Definition:

- 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.

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.

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.