

India

ADD (no change)

Consensus ratings*: Buy 14 Hold 3 Sell 1

| | |
|------------------------------|------------|
| Current price: | Rs333 |
| Target price: | Rs380 |
| Previous target: | Rs390 |
| Up/downside: | 14.1% |
| InCred Research / Consensus: | -10.6% |
| Reuters: | JYOI.NS |
| Bloomberg: | JYL IN |
| Market cap: | US\$1,393m |
| | Rs122,191m |
| Average daily turnover: | US\$2.9m |
| | Rs255.6m |
| Current shares o/s: | 367.2m |
| Free float: | 37.1% |

*Source: Bloomberg

Key changes in this note

- Lower the target price to Rs380 from Rs390 earlier.
- Introduce FY28F estimates.

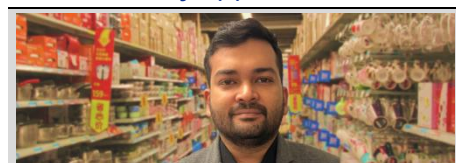


Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|-------|-------|--------|
| Absolute (%) | (6.4) | (5.1) | (40.7) |
| Relative (%) | (3.8) | (4.1) | (41.6) |

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

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Jyothy Labs Limited

Improvement expected in 2HFY26F

- Jyothy Labs posted 3.6%/1.4% volume/sales growth in 1QFY26 led by a 3.3% yoy sales growth in fabric care while the other categories underperformed.
- Management maintains its 16-17% EBITDA margin guidance but expects a marginal decline in the EBITDA margin in FY26F on a yoy basis.
- Despite near-term headwinds impacting the performance in 1H, we maintain our ADD rating with a lower target price of Rs380 (32x Sep 2027F EPS).

Decent delivery on volume growth despite challenging environment

Jyothy Labs' sales growth stood at 1.4% yoy in 1QFY26, with a 3.6% yoy growth in volume (on a 10.8% growth in the base), implying a price cut to the tune of 2.2%. Sales growth was largely driven by the fabric care segment, which grew by 3.3% yoy, registering mid-single digit volume growth. Within fabric care, the main wash sub-segment grew by 4% yoy, while the post-wash sub-segment posted flat yoy sales. The dishwasher segment posted flat sales growth with double-digit/high single-digit volume growth in Priil/Exo. JYL's home care segment's (dishwash + fabric care) growth stood at 1.9% yoy vs. Hindustan Unilever's home care segment's growth of 4% yoy in 1QFY26. The personal care segment posted flat yoy sales growth (price hikes taken in soaps with a lag after its peers) while the household insecticides (HI) segment declined by 9.7% yoy.

Alternate channels saw double-digit growth, clawing share from GT

Overall demand conditions remained soft, led by urban markets, while rural markets continued to fare relatively better. Modern trade, e-commerce and quick commerce channels grew in double digits, but took share from the general trade (GT) channel. Jyothy Labs (JYL) is taking corrective steps to revive growth in household insecticides and expects the category to turn around by FY27F. JYL will continue to expand its distribution reach and launch new products across categories to drive continued growth across categories.

Margins are expected to remain rangebound in the medium term

Gross margin declined by 328bp yoy to 48% in 1QFY26 led by volume-price rebalancing in soaps and inflationary pressure from LAB, SLES and PFAD while the EBITDA margin contracted 150bp yoy to 16.5%. Advertising expenses were down 4.4% yoy while other expenses declined by 8.1% yoy in 1QFY26. Management retained its EBITDA margin guidance of 16-17% for the near term; however, it expects FY26F EBITDA margin to be a tad lower on a yoy basis. Demand is expected to gradually recover from 3QFY26F, supported by new product launches and the revamped route-to-market initiatives.

Maintain ADD rating with a lower target price of Rs380

Despite the 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 Rs380 (32x Sep 2027F EPS), from Rs390 earlier, as we roll forward. Downside risks: Lower-than-estimated sales growth and EBITDA margin.

| Financial Summary | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
|-----------------------------------|----------|---------|---------|---------|---------|
| Revenue (Rsm) | 27,569 | 28,470 | 30,605 | 33,479 | 36,704 |
| Operating EBITDA (Rsm) | 4,798 | 4,996 | 5,054 | 5,590 | 6,192 |
| Net Profit (Rsm) | 3,695 | 3,704 | 3,782 | 4,106 | 4,600 |
| Core EPS (Rs) | 10.1 | 10.2 | 10.3 | 11.2 | 12.5 |
| Core EPS Growth | 58.8% | 1.4% | 0.9% | 8.6% | 12.0% |
| FD Core P/E (x) | 33.07 | 32.98 | 32.31 | 29.76 | 26.56 |
| DPS (Rs) | 3.0 | 3.0 | 3.3 | 3.3 | 3.3 |
| Dividend Yield | 0.90% | 1.05% | 0.99% | 0.99% | 0.99% |
| EV/EBITDA (x) | 25.12 | 24.17 | 23.95 | 21.30 | 18.86 |
| P/FCFE (x) | (323.76) | 128.55 | 150.35 | 38.13 | 35.13 |
| Net Gearing | (9.2%) | (6.9%) | (4.9%) | (12.0%) | (18.4%) |
| P/BV (x) | 6.76 | 5.96 | 5.30 | 4.71 | 4.16 |
| ROE | 22.0% | 19.4% | 17.4% | 16.7% | 16.6% |
| % Change In Core EPS Estimates | | | (1.70%) | (1.78%) | |
| InCred Research/Consensus EPS (x) | | | | | |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Improvement expected in 2HFY26F

Figure 1: Quarterly results summary - standalone

| Rs m | 1QFY25 | 4QFY25 | 1QFY26 | YoY (%) | QoQ (%) | FY24 | FY25 | Gr (%) |
|-------------------------------|---------------|---------------|---------------|-----------------|-----------------|---------------|---------------|-------------|
| Net sales | 7,412 | 6,660 | 7,512 | 1.4 | 12.8 | 27,569 | 28,454 | 3.2 |
| Expenditure | 6,076 | 5,538 | 6,271 | 3.2 | 13.2 | 22,771 | 23,441 | 2.9 |
| Consumption of raw materials | 3,609 | 3,381 | 3,904 | 8.2 | 15.5 | 14,038 | 14,175 | 1.0 |
| as % of sales | 48.7 | 50.8 | 52.0 | | | 50.9 | 49.8 | |
| Employee costs | 861 | 782 | 867 | 0.8 | 10.9 | 3,005 | 3,254 | 8.3 |
| as % of sales | 11.6 | 11.7 | 11.5 | | | 10.9 | 11.4 | |
| Advertising & SP expenses | 616 | 534 | 589 | -4.4 | 10.2 | 2,282 | 2,397 | 5.0 |
| as % of sales | 8.3 | 8.0 | 7.8 | | | 8.3 | 8.4 | |
| Other expenditure | 990 | 842 | 911 | -8.1 | 8.2 | 3,445 | 3,614 | 4.9 |
| as % of sales | 13.4 | 12.6 | 12.1 | | | 12.5 | 12.7 | |
| EBITDA | 1,336 | 1,121 | 1,242 | -7.1 | 10.7 | 4,798 | 5,013 | 4.5 |
| Depreciation | 134 | 146 | 147 | 9.9 | 1.2 | 500 | 561 | 12.3 |
| EBIT | 1,202 | 976 | 1,094 | -9.0 | 12.2 | 4,298 | 4,451 | 3.6 |
| Other income | 137 | 154 | 194 | 42.0 | 26.1 | 537 | 555 | 3.2 |
| Interest | 14 | 17 | 13 | -3.6 | -19.3 | 47 | 59 | 25.4 |
| PBT | 1,325 | 1,113 | 1,275 | -3.8 | 14.6 | 4,788 | 4,947 | 3.3 |
| Total tax | 307 | 306 | 307 | 0.2 | 0.4 | 1,095 | 1,184 | 8.1 |
| Reported PAT | 1,018 | 807 | 968 | -4.9 | 19.9 | 3,693 | 3,763 | 1.9 |
| Minority interest | 0 | 0 | 0 | NA | NA | 0 | 0 | NA |
| PAT attributable to SH | 1,018 | 807 | 968 | -4.9 | 19.9 | 3,693 | 3,763 | 1.9 |
| Extraordinary items | 0 | -37 | 0 | NA | NA | 0 | -37 | NA |
| Adjusted PAT | 1,018 | 770 | 968 | -4.9 | 25.7 | 3,693 | 3,726 | 0.9 |
| Adjusted EPS | 2.8 | 2.2 | 2.6 | -4.9 | 19.9 | 10.1 | 10.2 | 1.5 |
| Margins (%) | 1QFY25 | 4QFY25 | 1QFY26 | YoY (bp) | QoQ (bp) | FY24 | FY25 | (bp) |
| Gross margin | 51.3 | 49.2 | 48.0 | -328 | -120 | 49.1 | 50.2 | 110 |
| EBITDA | 18.0 | 16.8 | 16.5 | -150 | -31 | 17.4 | 17.6 | 20 |
| EBIT | 16.2 | 14.7 | 14.6 | -165 | -8 | 15.6 | 15.6 | 10 |
| EBT | 17.9 | 16.7 | 17.0 | -90 | 26 | 17.4 | 17.4 | 0 |
| PAT | 13.7 | 12.1 | 12.9 | -85 | 77 | 13.4 | 13.2 | -20 |
| Effective tax rate | 23.2 | 27.5 | 24.1 | 95 | -341 | 22.9 | 23.9 | 110.0 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segment-wise performance

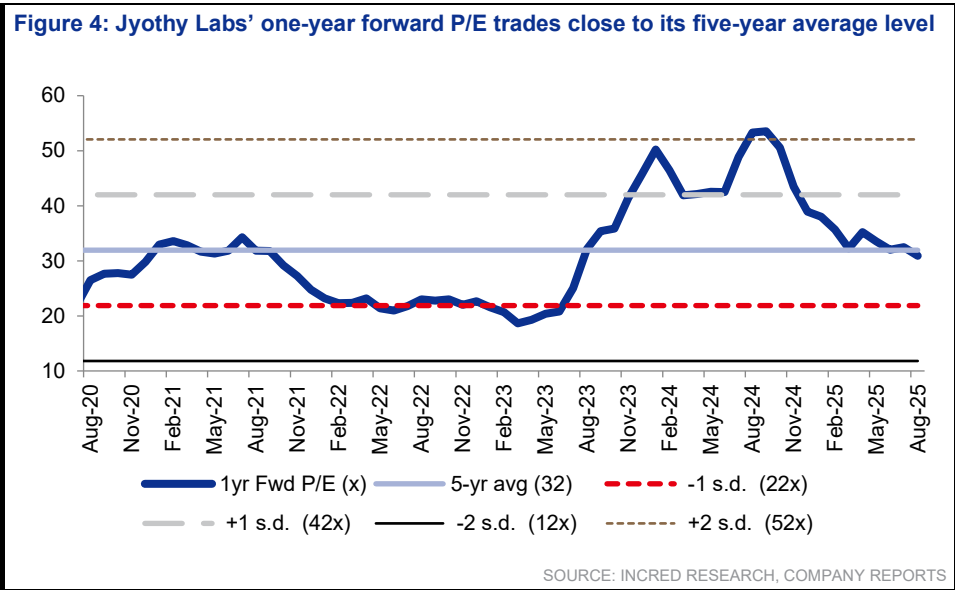
| Rs m | 1QFY25 | 4QFY25 | 1QFY26 | YoY (%) | QoQ (%) | FY24 | FY25 | Gr (%) |
|-------------------------------|---------------|---------------|---------------|-----------------|-----------------|---------------|---------------|-----------------|
| Segment Revenue | | | | | | | | |
| Fabric care | 3,222 | 2,859 | 3,328 | 3.3 | 16.4 | 11,890 | 12,455 | 4.8 |
| Dishwashing | 2,480 | 2,252 | 2,482 | 0.1 | 10.2 | 9,366 | 9,717 | 3.7 |
| Household insecticide | 503 | 687 | 455 | -9.7 | -33.8 | 2,123 | 1,985 | -6.5 |
| Personal care | 933 | 564 | 939 | 0.7 | 66.7 | 3,078 | 3,049 | -0.9 |
| Total | 7,137 | 6,361 | 7,204 | 0.9 | 13.2 | 27,569 | 28,439 | 3.2 |
| Segment Results (PBIT) | | | | | | | | |
| Fabric care | 804 | 644 | 676 | -15.9 | 5.0 | 2,874 | 2,951 | 2.7 |
| Dishwashing | 495 | 408 | 502 | 1.4 | 23.2 | 1,804 | 1,833 | 1.6 |
| Household insecticide | -54 | -48 | -48 | -11.0 | 0.4 | -341 | -247 | -27.5 |
| Personal care | 103 | 60 | 111 | 7.8 | 85.7 | 397 | 353 | -11.1 |
| Total | 1,347 | 1,063 | 1,241 | -7.9 | 16.7 | 4,752 | 4,926 | 3.7 |
| Segment Margins (%) | 1QFY25 | 4QFY25 | 1QFY26 | YoY (bp) | QoQ (bp) | FY24 | FY25 | YoY (bp) |
| Fabric care | 24.9% | 22.5% | 20.3% | -460 | -220 | 24.2% | 23.7% | -50 |
| Dishwashing | 20.0% | 18.1% | 20.2% | 30 | 210 | 19.3% | 18.9% | -40 |
| Household insecticide | -10.8% | -7.0% | -10.6% | 20 | -360 | -16.1% | -12.5% | 360 |
| Personal care | 11.0% | 10.6% | 11.8% | 80 | 120 | 12.9% | 11.6% | -130 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

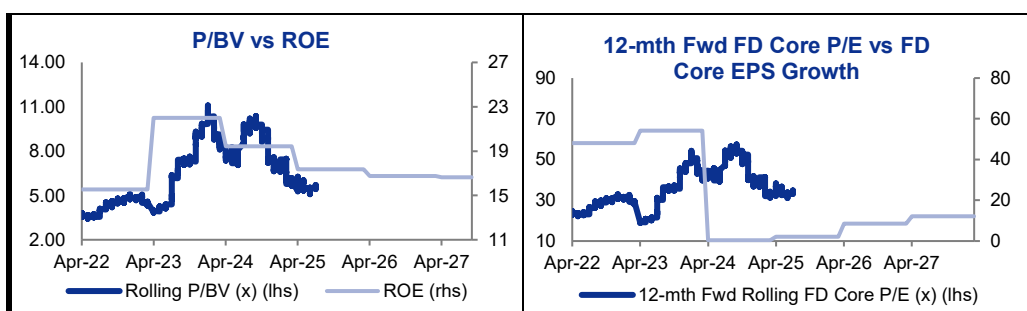
Figure 3: Our revised earnings estimates

| (Rs. m) | FY26F | | | FY27F | | | FY28F |
|-------------------|----------|---------|----------|----------|---------|----------|------------|
| | Previous | Revised | % Change | Previous | Revised | % Change | Introduced |
| Revenue | 30,862 | 30,605 | (0.8) | 33,782 | 33,479 | (0.9) | 36,704 |
| EBITDA | 5,140 | 5,054 | (1.7) | 5,688 | 5,590 | (1.7) | 6,192 |
| EBITDA margin (%) | 16.7 | 16.5 | -10 bp | 16.8 | 16.7 | -10 bp | 16.9 |
| Net profit | 3,847 | 3,782 | (1.7) | 4,180 | 4,106 | (1.8) | 4,600 |
| EPS | 10.5 | 10.3 | (1.7) | 11.4 | 11.2 | (1.8) | 12.5 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

| (Rs mn) | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
|---|---------------|---------------|---------------|---------------|---------------|
| Total Net Revenues | 27,569 | 28,470 | 30,605 | 33,479 | 36,704 |
| Gross Profit | 13,531 | 14,275 | 15,223 | 16,686 | 18,330 |
| Operating EBITDA | 4,798 | 4,996 | 5,054 | 5,590 | 6,192 |
| Depreciation And Amortisation | (500) | (561) | (645) | (757) | (757) |
| Operating EBIT | 4,298 | 4,435 | 4,409 | 4,833 | 5,435 |
| Financial Income/(Expense) | (47) | (59) | (65) | (80) | (85) |
| Pretax Income/(Loss) from Assoc. | | | | | |
| Non-Operating Income/(Expense) | 537 | 556 | 633 | 685 | 743 |
| Profit Before Tax (pre-EI) | 4,788 | 4,931 | 4,977 | 5,438 | 6,092 |
| Exceptional Items | | | | | |
| Pre-tax Profit | 4,788 | 4,931 | 4,977 | 5,438 | 6,092 |
| Taxation | (1,095) | (1,184) | (1,195) | (1,332) | (1,493) |
| Exceptional Income - post-tax | | (43) | | | |
| Profit After Tax | 3,693 | 3,704 | 3,782 | 4,106 | 4,600 |
| Minority Interests | 2 | 1 | | | |
| Preferred Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| Net Profit | 3,695 | 3,704 | 3,782 | 4,106 | 4,600 |
| Recurring Net Profit | 3,695 | 3,747 | 3,782 | 4,106 | 4,600 |
| Fully Diluted Recurring Net Profit | 3,695 | 3,747 | 3,782 | 4,106 | 4,600 |

Cash Flow

| (Rs mn) | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
|----------------------------------|--------------|----------------|----------------|----------------|----------------|
| EBITDA | 4,798 | 4,996 | 5,054 | 5,590 | 6,192 |
| Cash Flow from Invt. & Assoc. | 2 | 1 | | | |
| Change In Working Capital | (4,004) | (2,546) | (3,414) | (1,409) | (1,578) |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | | | | | |
| Other Operating Cashflow | 537 | 556 | 633 | 685 | 743 |
| Net Interest (Paid)/Received | (47) | (59) | (65) | (80) | (85) |
| Tax Paid | (1,095) | (1,184) | (1,195) | (1,332) | (1,493) |
| Cashflow From Operations | 190 | 1,763 | 1,013 | 3,454 | 3,778 |
| Capex | (568) | (813) | (200) | (250) | (300) |
| Disposals Of FAs/subsidiaries | | | | | |
| Acq. Of Subsidiaries/investments | | | | | |
| Other Investing Cashflow | | | | | |
| Cash Flow From Investing | (568) | (813) | (200) | (250) | (300) |
| Debt Raised/(repaid) | | | | | |
| Proceeds From Issue Of Shares | | | | | |
| Shares Repurchased | | | | | |
| Dividends Paid | (1,102) | (1,102) | (1,102) | (1,212) | (1,212) |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | 305 | 98 | | | |
| Cash Flow From Financing | (797) | (1,004) | (1,102) | (1,212) | (1,212) |
| Total Cash Generated | (1,174) | (53) | (289) | 1,992 | 2,266 |
| Free Cashflow To Equity | (377) | 951 | 813 | 3,204 | 3,478 |
| Free Cashflow To Firm | (330) | 1,010 | 878 | 3,284 | 3,563 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

| (Rs mn) | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Cash And Equivalents | 1,661 | 1,424 | 1,135 | 3,127 | 5,393 |
| Total Debtors | 2,014 | 2,744 | 4,025 | 4,586 | 5,028 |
| Inventories | 2,835 | 3,281 | 4,863 | 5,503 | 6,536 |
| Total Other Current Assets | 5,461 | 7,336 | 7,336 | 7,336 | 7,336 |
| Total Current Assets | 11,970 | 14,784 | 17,358 | 20,552 | 24,293 |
| Fixed Assets | 3,469 | 3,712 | 3,267 | 2,760 | 2,303 |
| Total Investments | | | | | |
| Intangible Assets | 7,918 | 7,926 | 7,926 | 7,926 | 7,926 |
| Total Other Non-Current Assets | 653 | 486 | 486 | 486 | 486 |
| Total Non-current Assets | 12,039 | 12,124 | 11,679 | 11,172 | 10,715 |
| Short-term Debt | | | | | |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 2,761 | 2,903 | 2,240 | 1,910 | 1,672 |
| Other Current Liabilities | 2,061 | 2,294 | 2,294 | 2,294 | 2,294 |
| Total Current Liabilities | 4,822 | 5,197 | 4,534 | 4,204 | 3,966 |
| Total Long-term Debt | | | | | |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | | | | | |
| Total Non-current Liabilities | | | | | |
| Total Provisions | 1,086 | 1,216 | 1,328 | 1,451 | 1,585 |
| Total Liabilities | 5,907 | 6,413 | 5,862 | 5,655 | 5,551 |
| Shareholders Equity | 18,083 | 20,495 | 23,065 | 25,959 | 29,347 |
| Minority Interests | 19 | | | | |
| Total Equity | 18,102 | 20,495 | 23,065 | 25,959 | 29,347 |

Key Ratios

| | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue Growth | 10.9% | 3.3% | 7.5% | 9.4% | 9.6% |
| Operating EBITDA Growth | 51.9% | 4.1% | 1.2% | 10.6% | 10.8% |
| Operating EBITDA Margin | 17.4% | 17.5% | 16.5% | 16.7% | 16.9% |
| Net Cash Per Share (Rs) | 4.52 | 3.88 | 3.09 | 8.52 | 14.69 |
| BVPS (Rs) | 49.25 | 55.81 | 62.81 | 70.69 | 79.92 |
| Gross Interest Cover | 90.88 | 74.78 | 67.83 | 60.41 | 63.94 |
| Effective Tax Rate | 22.9% | 24.0% | 24.0% | 24.5% | 24.5% |
| Net Dividend Payout Ratio | 29.8% | 34.3% | 32.0% | 29.5% | 26.3% |
| Accounts Receivables Days | 22.45 | 30.50 | 40.37 | 46.94 | 47.80 |
| Inventory Days | 76.10 | 78.62 | 96.62 | 112.66 | 119.58 |
| Accounts Payables Days | 63.75 | 72.82 | 61.02 | 45.10 | 35.58 |
| ROIC (%) | 24.5% | 21.9% | 18.9% | 19.8% | 21.2% |
| ROCE (%) | 25.6% | 23.0% | 20.2% | 19.7% | 19.7% |
| Return On Average Assets | 16.8% | 15.0% | 13.8% | 13.8% | 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.