

Initiating Coverage Jyothy Labs Ltd.

05-July-2021



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
FMCG	Rs.168	Buy at LTP and add on dips to Rs. 150-154 band	Rs. 185	Rs. 197	2 quarters

HDFC Scrip Code	JYOLABEQNR
BSE Code	532926
NSE Code	JYOTHYLAB
Bloomberg	JYL:IN
CMP July 02, 2021	168
Equity Capital (cr)	36.7
Face Value (Rs)	1
Eq- Share O/S(cr)	36.7
Market Cap (Rscr)	6169
Book Value (Rs)	39
Avg.52 Wk Volume	760815
52 Week High	170.9
52 Week Low	112

Share holding Pattern % (Mar, 2021)	
Promoters	62.89
Institutions	29.33
Non Institutions	7.78
Total	100.0

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Our take

Starting from the momentous launch of Ujala in 1980s, which carved out a new product category of liquid fabric whitener, Jyothy Labs Ltd. (JLL) has come a long way. Today, it manufactures and distributes brands across various categories as diverse as fabric care, household insecticides, and personal care. Besides, it also operates the country's largest laundry chain with ~140 outlets in major cities. Its portfolio has six power brands - Ujala, Maxo, Exo, Pril, Margo and Henko. Through Ujala, JLL has become an undisputed market leader in the fabric whitener category. Additionally, it commands a strong market share in household insecticides and dishwashing categories.

The company has proven its mettle, in surviving and growing amidst a highly competitive environment. Management's capability is demonstrated in the successful acquisition and integration of Henkel India. JLL is a promising player in the FMCG sector with just the right strategic levers like growth through innovation in fabric care segment, penetration in rural areas in dishwash segment, enhancement of footprint, and relevant extensions in household insecticides and personal care. Buoyed by Covid 19, the demand for health & hygiene products has attained much required momentum which will benefit the company in near to medium term.

Valuation and recommendation

Being the No. 1 in fabric whitener market (82.6% market share), No. 2 in dishwashing bar and liquid market, and No.2 in mosquito repellent coil market, the company, through its diverse product portfolio, has a strong positioning and growth runway in home care, fabric care and personal care segments. Despite lacklustre performance of the past three years, the company would achieve double-digit revenue growth in the medium term, we believe, given its various relevant strategic initiatives in recent times. Its core portfolio has been gaining decent traction in the past few quarters with all its major brands having gained market share of 70-180 bps.

JLL has mitigated ~60% of its recent input inflation and plans to offset the remaining through calibrated price increases, lower trade schemes, and bringing in operational efficiencies. It has continued to strengthen Go To Market capabilities by (1) hiring senior sales staff, (2) adopting Sales Force Automation (SFA) retailer app to optimise salesmen beat, (3) adopting continuous replenishment system (CRS) to better align primary and secondary sales, and (4) adding 500+ sub-stockist and improving van coverage in rural markets. JLL has also become net-debt free for the first time in FY21, guided for higher dividend pay-outs, and is open to opportunities of inorganic growth. We believe its operating margin is likely to improve over the next two years on the back of improved product mix, reduction in trade margins, and cost rationalisation

efforts. Reduction in interest cost and lower tax liability would significantly improve PAT growth and margins. JLL's current discount to peers is largely on the back of its smaller business size, lower profitability, and return ratios vis-à-vis them and also because of lack of geographical and product diversification (it has greater presence in the South and more dependence on soaps and detergents, Ujala fabric whitener). However, with growth prospects led by innovation, initiatives, larger investments in brands, and superior profitability over the next two years, we expect the discount to peers to narrow. We believe JLL would gradually be rerated in line with other mid-sized FMCG players as the street becomes comfortable with its topline and bottomline growth robustness. **We recommend investors to buy the stock at the CMP of Rs 168 and add on declines to Rs. 150-154 band for base case target of Rs. 185 (~22.5x FY23E EPS) and bull case target of Rs. 197 (~24x FY21E EPS) in the next two quarters.**

Financial Summary

Particulars (Rs Cr)	Q4FY21	Q4FY20	YoY-%	Q3FY21	QoQ-%	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	495	393	26.0	477	3.9	1814	1711	1909	2107	2395
EBITDA	71	41	74.8	80	(11.1)	281	251	315	346	405
APAT	27	27	2.6	53	(48.8)	198	166	214	246	301
Diluted EPS (Rs)	0.80	0.78	2.6	1.51	(47.0)	5.4	4.5	5.8	6.7	8.2
P/E (x)						31.2	37.1	28.8	25.1	20.5
EV/EBITDA (x)						22.4	25.3	19.4	17.2	14.2
RoE-%						16.0	13.0	16.1	16.7	19.2

Q4FY21 result update

JLL reported ~26% YoY growth in revenue to Rs 495 Cr. Implementation of continuous replenishment system (CRS) led to a one-time correction in channel inventory, impacting sales growth by 8-10%, according to management. Gross profit grew 26% YoY to Rs 226 Cr. EBITDA grew 75% to Rs 71 Cr, off a weak base. EBITDA margin expanded 400 bps, primarily led by operating leverage. PBT grew 1.4X YoY and adjusted PAT grew 91% YoY. Reported PAT, at Rs 29.3 Cr, was impacted by a one-time non-cash write-off of Rs 23.5 Cr on excise duty receivables. Fabric care segment grew 16% YoY, aided by growth in detergents, even as the post-wash segment (linked to outdoor activity) witnessed gradual recovery in Q4. JLL registered 33% YoY growth in dishwashing portfolio on the back of increased consumer preference for hygiene and in-home consumption. Both Exo bar and Pril liquid witnessed strong market share gains with increased focus on small packs and visibility drives. It further registered 36% YoY growth in household insecticides segment with consumer preference for preventive

hygiene and strong traction in Maxo Genius Combi and Liquid Vaporizer. Personal care segment grew by 38% YoY, aided by preference for naturals soaps, investments in brand, and micro-marketing activities.

Long-term triggers

From single product to multiproduct, multi-brand

In 1983, Mr. M.P. Ramachandran started the company with an initial capital of Rs. 5,000 and its only product – Ujala. Initially, it was a proprietary concern with a team of six sales people who sold Ujala by going from house to house in Trichur and Malappuram districts in Kerala. While it has always been the market leader in the niche fabric whitener category with its flagship brand ‘Ujala’, it established its presence in household insecticide and dishwashing segments over the decade that followed its inception through two other inhouse brands - Maxo and Exo. In FY11-12, JLL acquired Henkel India Ltd (HIL), which transformed it from operating only in the home care segment to becoming a meaningful play in home and personal care segments.

HIL was the joint venture between Henkel AG and Chennai-based A C Muthaiah group wherein Henkel AG (German parent of HIL) was the majority shareholder with a 50.97% stake while A C Muthaiah group held 16.66% stake. A C Muthaiah group was the supplier of raw material like linear alkyl benzene (LAB) and caustic soda to HIL. JLL funded the deal through internal accruals, the sale of non-core real estate assets, and commercial borrowings. After this acquisition, JLL’s stake in HIL was 83.65%. Later on, in 2012, JYL announced a merger with HIL and shareholders of HIL were offered one share of JLL for every eight shares held by them in HIL.

Purchase consideration paid by JLL for Henkel India Ltd

Mode of Acquisition	% Stake acquired	Amount paid (in Rs Cr.)
Tamilnadu Petrochemicals (A C Muthaiah group)	16.66	67.9
Henkel AG	50.97	143
Open Market	3.97	18.9
Open Offer	12.05	57.8
Total Equity Cost	83.65	287.6
Other Transaction Costs		27.9
Preference Capital		42.6
Loan Repayment		425
Total Acquisition Cost	83.65	783.1
(Merger) 1 Share of JLL for 8 share of HIL	13.35	55.7

The acquisition has been a masterstroke as it helped JLL diversify the business and reduce dependence on Ujala, which had been growing in single digit. The management's capability is demonstrated in how it created a turnaround from being a lossmaking entity to generating >15% EBITDA margin currently and leading overall growth. Investments in brand building and R&D along with thrust on premiumisation have led to growth in profitability. We believe that its acquisition strategy could play an integral role in its future journey as well.

Henkel India's brands taken over by JLL

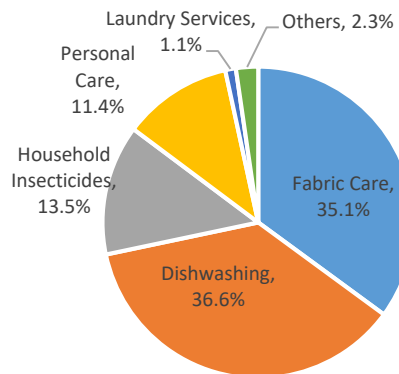
Brands	Category	Structure
Henko Champion	Detergent	Trademarks for India, Bangladesh and Sri Lanka
Mr. White	Detergent	Trademarks for India, Bangladesh and Sri Lanka
Chek	Detergent	Indian Brands Global rights
Margo	Soaps	Indian Brands Global rights
Neem	Toothpaste	Indian Brands Global rights
Pril	Dishwash	2% royalty on net sales
Fa	Deodorants	2% royalty on net sales

Over FY07-11, revenue grew at 13% CAGR to Rs. 644 cr. At the same time, EBITDA and net earnings grew at CAGRs of 8.2% and 6.3% to Rs 79.4 Cr and Rs 65.7 Cr respectively. EBITDA margin was more or less stagnant at 12% during this period. Over FY12-FY18, the merger was significantly value additive. Revenue grew at 11% CAGR over this period to Rs 1769 Cr. EBITDA and PAT grew to Rs 270.8 Cr and Rs 178.8 Cr at CAGRs of 21.3% and 29.4% respectively. While it only managed topline growth of ~5% CAGR over FY18-FY21, we believe it is braced for double-digit revenue growth in medium term, driven by right strategic initiatives. Debt-equity has significantly improved from 1.0 in FY12 to 0.1.

JLL offers products across power brands: Ujala, Maxo, Exo, Pril, Margo & Henko



Well diversified product portfolio



Dishwashing segment: superior brand, superior execution

JLL has affirmed its leadership position in the dishwashing segment on the back of extensive consumer-led research and quality-driven products. It is the fastest growing category for JLL and we expect the strong growth to continue on account of market share gains and

category's overall low penetration, which is ~40% (with rural penetration significantly lower). The company has also been gaining market share from competition and we expect this to continue on account of its strong positioning of key brands - Exo and Pril.



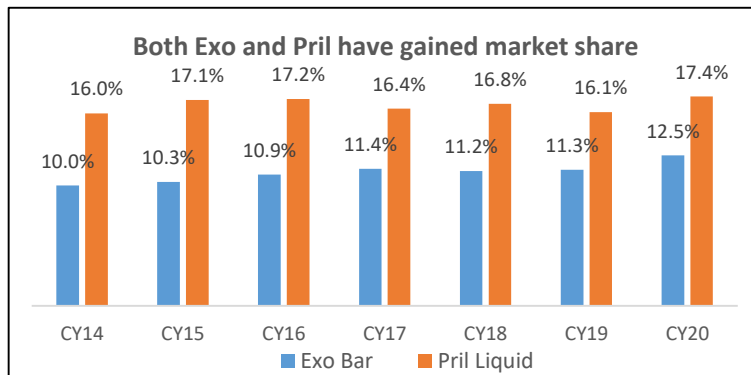
Exo's '99.99% Coronavirus Kill' Campaign

Exo has ~12.5% market share in bars and Pril has 17.4% market share in the liquids segment. Both brands have a strong footing in South India where market share is ~ 30% whereas North India is a growth opportunity which has market share in mid-single digits. We believe higher distribution and higher A&P spend in the ex-south market can lead to further market share gains. Additionally, increased focus on health and hygiene in the aftermath of Covid-19 is aiding dishwash brands. Taking the advantage, the company launched '99.9% Coronavirus Kill' marketing campaign giving hygiene assurance to consumers while drive in small packs (Rs. 5 Exo Bar/ Rs. 20 Pril Liquid Pouch) is enabling both Exo Bar and Pril Liquid to gain market share rapidly.

JLL has created a niche in the dishwashing category with innovations in bars like anti-bacterial properties, introduction of round shaped bar, entry in the scrubber market, innovative tamper-proof packaging, and super gel. The company's differentiated product strategy has allowed it to price similar to market leader's price.

Exo and Pril are priced at premium despite Vim being the category leader

Product	Company	SKU	Price (in Rs)	Price (in Rs/kg)
Dish-wash Bar				
Vim	HUL	600 gm	52	87
Exo Dish Shine Round	JLL	700 gm	60	85
Pril	JLL	800 gm	54	67.5
Xpert	RSPL Ltd.	500 gm	50	100
Patanjali Dishwash Bar	Patanjali	175 Gm	19	80
Dish-wash Liquid				
Vim	HUL	2 L	310	155
Pril	JLL	750 ml	137	183
Nimeasy	ITC	1 L	182	182
Godrej Protekt	GCPL	750 ml	109	145
Emasol	Emami	500 ml	73	145



JLL has been continuously launching innovative products



Fabric care: focus on premiumisation

JLL's portfolio includes brands like Ujala, Henko, Mr. White and More Light. The two key brands Ujala and Henko are contributing ~85% the total fabric care. They operate primarily in the premium and mid-premium segments, with Henko being the key offering here (well positioned in South and North India). The company's flagship brand Ujala was launched in fabric whitener space in 1980s. It offers products across categories such as fabric whiteners, detergent powders, and fabric enhancers. In the past few years, JLL has reduced its dependence on the Ujala brand significantly as revenue contribution from it has reduced to <30% in FY21 against 50% in FY14. On the contribution of premium brands, Henko has seen a steady rise.

According to Euro International, the laundry detergent market in India is worth Rs 28,514 Cr, of which liquid detergents account for Rs 819 Cr. India's fabric care market is yet to make a significant move towards liquids and value-added products, given only 19% of Indians use liquid detergents for machine washing laundry, whereas 40% use powders (as per a study by Mintel India). This demonstrates strong tailwinds for premiumisation in detergents and we believe it will boost the Henko portfolio (because of its presence in the premium category).

The company has undertaken below-the-line (BTL) marketing activities such as dealer boards and in-shop boards, which enhanced Henko's visibility. It also tied up with electronic chains to offer free samples on purchase of new washing machines to attract new customers. Although

the fabric whitener category (82.6% market share through Ujala Supreme) has been facing growth challenges, we expect the overall Ujala brand to grow in high-single digit over the next two years, mainly driven by the brand extensions (Ujala Crisp & Shine, Ujala Fast Wash Bar and Ujala IDD). Ujala IDD is the market leader in Kerala with ~21% market share whereas, Ujala Crisp & Shine is popular in Tamil Nadu, West Bengal, and Kerala.

JLL offers products across price points with strong presence in premium offerings through Henko

Category	Product	Company	Price (in Rs/Kg)
Post Wash			
	Ujala Supreme	JLL	272
	Rin Ala Fabric Whitener	HUL	124
	Comfort Fabric Conditioner	HUL	220
Wash			
Mass	Ujala IDD	JLL	78
	Active Wheel	HUL	56
	Rin	HUL	72
	Tide Naturals	P&G	71
Mid-market	Henko Staincare	JLL	102
	Surf Excel Easy Wash	HUL	101
	Surf Excel Quick	HUL	180
	Tide Plus	P&G	100
Premium	Henko Matic LINTelligent Top load	JLL	150
	Henko Matic LINTelligent Front load	JLL	190
	Surf Excel Matic Front Load	HUL	170
	Surf Excel Matic Top Load	HUL	149
	Ariel Complete Matic	P&G	160
Others			
	Ujala Crisp & Shine	JLL	220

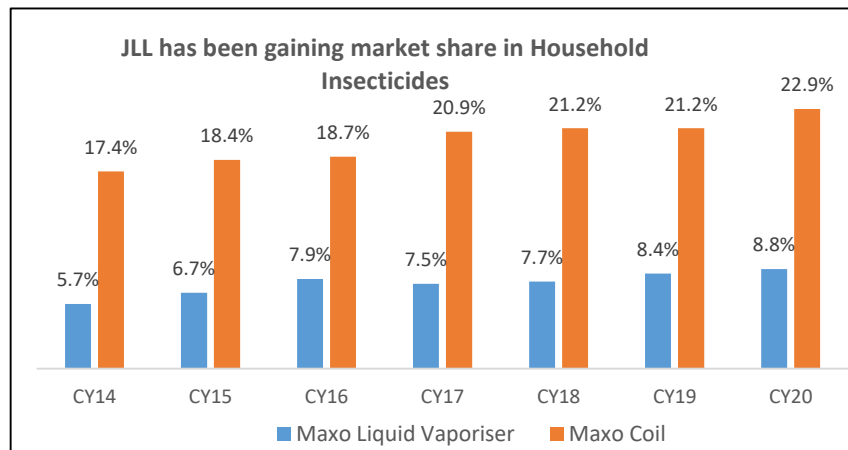


Maxo's "Fits all Machines" campaign has been game changer

Household Insecticides: on the cusp of a revival

The household insecticide (HI) segment is extremely competitive and has been under pressure due to (1) existence of larger players (GCP, SC Johnson, and Reckitt Benckiser) fighting for market share with innovative products and (2) exponential growth in incense sticks market (~20-25% of the overall market). JLL, under Maxo, offers SKUs across coil, agarbatti, and liquid vaporiser formats. Innovative launches such as herbal agarbattis and Maxo Genius machine have helped it gain market share. In the past, JLL had tactically launched Maxo liquid refill bottles which are compatible with any type of vaporizing appliance available in the market. This led increased brand awareness along with steady built up in market share.

Maxo enjoys market leadership in rural India (South and East India) on the back of Ujala's vast distribution network. Due to low electricity connectivity in rural India, the non-electrical format has dominated the HI category historically. However, with increasing electrification and rising disposable incomes, its growth has outpaced that of the coil market in the past few years which augurs well for margin accentuation. While we believe the overall household insecticides segment does not face threat to its relevance (as evident from rising category penetration in rural and urban markets in the past three years), in the near term, industry growth may be negatively impacted by the growing illegal incense sticks market.



JLL has entire portfolio of HI Coils and Liquids



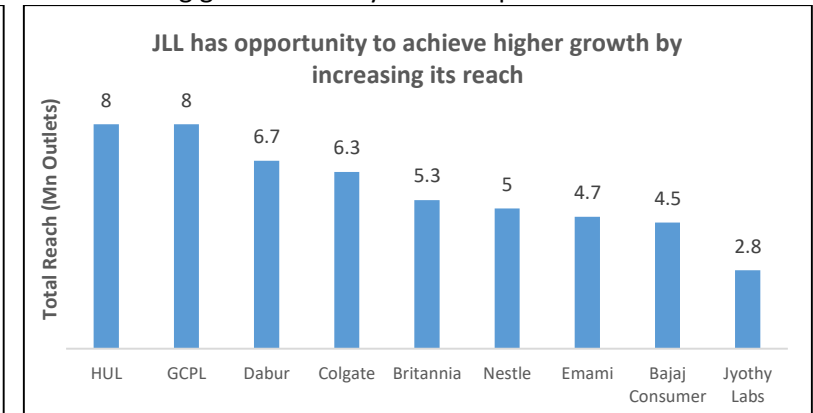
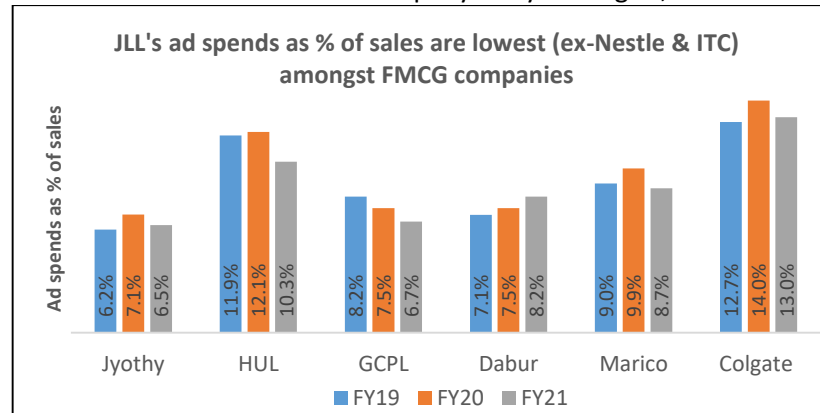
Personal care: a play on 'organic' proposition

JLL's personal care segment is largely led by the Margo brand, which enjoys a 100-year brand equity. It's a *neem*-based brand, which includes soaps, facewashes, handwashes and sanitizers. It has delivered healthy growth in past five years, driven by increasing consumer preference for naturals, micro-marketing activities, and continued brand investments. South India and West Bengal (as the states have higher neem tree density and availability of hard water) have been key states for Margo while the company has been successful in expanding its reach. Fairly new launches such as Margo glycerine soap and Margo facewash (India's first *neem* face wash) have been gaining decent traction.

Neem-based soaps such as Margo who were just trudging along hitherto are likely to receive a big shot in the arm with the increasing consumer preference for natural products over the past few years. They are likely to sprint ahead now with the COVID-19 breakout. The strong growth of the category is likely aided by higher distribution/geographical expansion. Fa deodorants and *neem* toothpaste are JLL's other brands in the personal care segment.

Focused brand investments, marketing initiatives to drive volumes

JLL has traditionally maintained a low advertising and promotion strategy relative to its FMCG peers – an average of ~7% of sales on advertising over the last five years. We believe focus on product launches and higher A&P spends will boost volumes. Investments in power brands have been one of the company's key strategies, and we believe there is a long growth runway for all its power brands.



Strategic marketing initiatives to enhance market share

	Dishwash	Fabric Care	Household Insecticides	Personal Care
FY21	Launched Exo Bioh Fresh – 100% organic Vegetable and Fruit Cleaner, Exo All Surface Cleaner was launched; Hanger visibility drive on Pril Rs 20 pouch	Increased BTL activities for Ujala Supreme	Innovation in Liquid Vaporiser Bottle - Fits All Machines significantly	Micro marketing initiatives in traditionally strong markets; new TVC launch to support brand extension
FY20	Launched Exo Super Gel in liquid dishwashing category in Kerala; launched smaller SKUs to boost rural penetration	Ujala Crisp & Shine was introduced in a new variant 'Gold Collection'; new packaging design for Ujala fast wash bar; new brand ambassador for Ujala detergent		Undertook geographical extension of Margo glycerine soap; India's first <i>neem</i> paste facewash, hand wash and hand sanitizers were launched under the Margo brand
FY19	Pril Tamarind was introduced	New packaging for Ujala IDD; 'Henko Stain Champion' was completely revamped	Geographical extension for Maxo agarbatti	New Margo glycerine soap was launched in West Bengal
FY18	New campaigns for Exo Bar and Exo Bacto Scrub featuring Shilpa Shetty as the brand ambassador	Ujala Crisp & Shine was launched in Tamil Nadu; new media campaigns for Ujala portfolio		Undertake sustained target marketing of Margo to non-traditional markets
FY17	Geographical extension for Exo bars; launched Pril Tub (500 gms)	Revamped Ujala Crisp & Shine	Launched Maxo Genius machine	Re-launched Margo with modifications in formulation; new packaging and better targeted communication (goodness of 1,000 <i>neem</i> leaves for a clear and beautiful skin)
FY16	New communication for Ujala	Relaunched Exo	Launched Maxo Magic Card	
FY15	Exo Safai Scrubber was relaunched; relaunched the Pril Bar with new formulation	Launched Henko LINTelligent portfolio; Extension of Ujala Crisp & Shine in Tamil Nadu		New communication for Margo pan-India

Scaling up distribution

JLL's products are available across 2.8 mn retail outlets in India, including 0.86 mn outlets with direct reach. Its network comprises 7,200+ channel partners (including ~1,600 distributors and ~5,600 sub-stockists) in India, selling over three million products daily. Management is taking steps to increase efficiency and output of the existing distribution network (by hiring senior sales staff, investment in sales force automation, addition of stockists, etc). The company is taking a digital approach to capture secondary sales with enhancing function to provide a lead to its sales team to generate demand and implemented continuous replenishment system (CRS) across India to manage inventory at optimum level. These initiatives will improve the revenue matrix and add to efficiencies both at cost and working capital level ahead (there has already been a reduction of ~15 days in the past two years).

Traditionally, JLL has enjoyed a strong presence in South India, by virtue of its origination there. However, post the Henkel India acquisition, its contribution from non-South states has increased and, with increased reach and product acceptance, we expect further increase in contribution over the next three years.

Short-term triggers

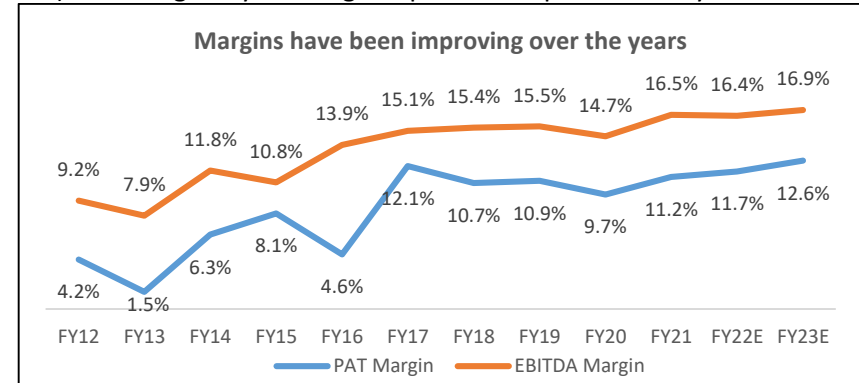
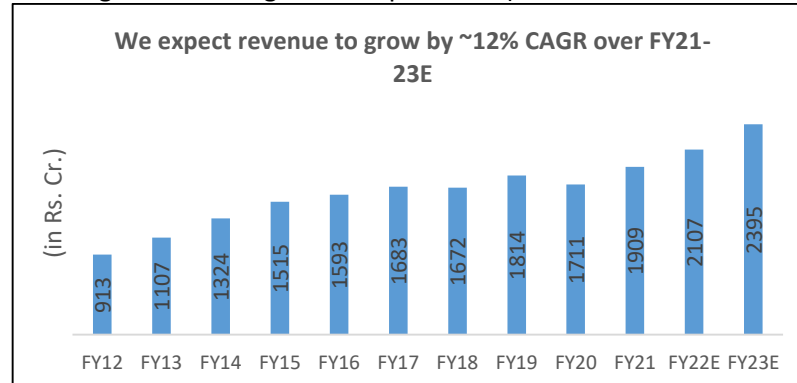
Brand and geographical extensions, enhanced distribution to drive revenue

We believe that JLL's dishwashing segment will remain its fastest growing one; we expect ~18% growth from this category over FY21-23E. Although the fabric whitener category is likely to grow in mid-single digits, the premiumisation-led growth in Henko is encouraging. We expect Henko to grow ~18% over the next two years. Naturals trends have been the biggest tailwinds for Margo; we expect acceleration of growth in personal care, going forward. Household insecticides (HI), which had been struggling in the recent past, has witnessed a remarkable turnaround and government's strict action on trade of illegal imported incense sticks should trigger growth, especially in the coil business. With strong growth in margin accretive liquids segment, we expect the HI category to grow ~11% over the next two years. The management is focused on increasing efficiency and output of the existing distribution network through digital intervention.

Management has continued to strengthen Go To Market capabilities through – (1) hiring senior sales managers, (2) adoption of Sales Force Automation (SFA) retailer app to optimise salesmen beat, (3) CRS adoption to better align primary and secondary sales, and (4) addition of 500+ sub-stockists and improving van coverage in rural markets. These multitude of proactive initiatives, in our view, will further improve the revenue matrix and add to efficiencies both at cost and working capital levels in the coming years.

Efficient working capital management

While JLL has always operated on a cash-and-carry model with distributors, in the past two years it has significantly reduced inventory levels with them. The company has implemented CRS at all India level, which helps in delivering the required quantity of stock of highly sold SKUs. Net working capital has improved significantly from 35 days in FY20 to 15 in FY21. With investments in IT, the company expects working capital to remain stable in the coming years. It is aiming to optimise its existing distribution and is expecting steady growth ahead. It is also focusing on increasing revenue per store (three sale lines instead of two) and is regularly tracking the product requirements by each store.



Operating efficiencies, increased profitability to improve cashflows, strengthen balance sheet

Greater growth of premium brands should improve the company's product mix, going forward. All launches are margin accretive. Therefore, we see room for improvement in gross margin. JLL turned net-debt free for the first time in FY21. RoE expansion of ~310 bps, going forward, should be led by improved operational performance, deleveraged balance sheet, and higher asset turnover (due to strong growth in power brands). Robust growth in PAT, marginal savings in working capital, and limited capex requirement should drive free cash flow over the next two years (~Rs 695 cr).

JLL has a good track record of enriching shareholder wealth by dishing out healthy dividends. The company's average pay-out over the past five years (ex-FY18) has been ~62%. With improved profitability, we expect dividend pay-out to remain healthy over the next two years. Although it would decline in percentage terms, on an absolute basis, it would continue to improve steadily.



Key risks

Intense competition

Most of the company's brands are facing intense competition (except fabric whitener). The scrubber segment faces immense competition from the unorganised segment. Moreover, the toilet soap category is a competitive one, which is also vulnerable to the seasonality factor.

Household insecticides under threat

The company has witnessed a decline in household insecticides sales in the past due to growth of the illegal incense sticks market. Delayed rainfalls can also affect demand in this segment.

Rise in raw material prices

The raw material has been seeing inflationary trends. A significant rise in price of input costs can affect the company's profit margin in the near term.

About the company

Jyothy Labs Ltd. (JLL), founded in 1983, commenced its operations as a proprietary concern to manufacture and sell a single product (Ujala fabric whitener) in a single district (Thrissur, Kerala). Over the years, the company has grown and diversified to become a multi-brand, multi-product company with operations spread across the country. In FY11-12, JLL acquired ~84% of Henkel India Ltd. (HIL). The entity thus formed was renamed as Jyothy Consumer Products Ltd (or JCPL) and, in FY17, it merged with JLL. The company now enjoys a presence in diverse segments such as fabric care (detergent powder and bars), dishwashing (bars and liquid), household insecticides (liquid vaporizer and machine, coil, magic card and incense sticks), personal care (soap, toothpaste and deodorants), laundry services and others (floor cleaner, incense stick, and toilet cleaner). Its product portfolio includes reputed brands like Ujala, Henko, Mr. White, Maxo, Exo and Margo, among others. In addition, JLL provides laundry services to large corporate and retail clients under the brand Fabric Spa, which is managed by its subsidiary Jyothy Fabricare Services Ltd. Currently, it is the largest laundry chain in India with ~140 outlets spread across six major cities - Mumbai, Pune, Bangalore, Chennai, Delhi, and Ahmedabad.



Key Milestones	
Year	Particulars
1983	Started as proprietary concern in Kerala selling one brand, Ujala Supreme
1992	Established a factory in Chennai to manufacture Ujala
1997	Ujala Supreme launched in all states
2000	Maxo launched in West Bengal
	Exo launched across South India
2002	Acquired subsidiary Sri Sai Homecare
2007	Listed with BSE and NSE
2008	Launched Ujala Crisp & Shine across India
2009	Exo Round launched in South India
	Started a premium laundry service
2011	Acquired controlling stake in Henkel India Ltd.
2012	Launched Maxo Liquid 'Fits All Machines'
2015	Henko Lintelligent launched
2017	Margo Original Neem soap launched
2019	Pril Tamarind (a kind of dishwashing liquid) launched
2020	Launch of Margo facewash (first neem paste facewash)
2021	Launched Exo Bioh Fresh, alcohol-free Exo Disinfectant All Surface Cleaner, Margo Hand Wash, alcohol-based Margo Hand Sanitizer, T-Shine Floor cleaner

JLL: Recent trends in revenues across categories (in Rs. Cr)

Category	Brands	FY19	FY20	FY21	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Fabric Care	Ujala FW, Henko, Mr White, Ujala Crisp & Shine	730	708	669	142	171	176	180
Dishwashing	Exo & Pril	587	567	699	157	192	182	169
Household Insecticides	Maxo	224	181	258	64	60	47	87
Personal Care	Margo, Neem & Fa	192	180	217	60	63	53	42
Other Products	T Shine (Floor/Toilet Cleaner) & Maya (Agarbatti)	40	33	44	7.4	15	13	10
Laundry Services		40	41	21	3	4	7	7
Total		1814	1,711	1909	433	504	477	495

Steady market share gains across brands

Year	Exo Bar	Pril	Maxo- Coil	Maxo LV	Ujala FB	Ujalad IDD (in Kerala)
CY20	12.5%	17.4%	22.9%	8.8%	82.6%	20.7%
CY19	11.2%	16.0%	21.1%	8.1%	81.7%	16.3%
CY18	11.1%	16.7%	21.2%	7.6%	80.6%	15.1%

(Source: Company, HDFC Sec)

Peer Comparison

Company	Mcap (Rs. Cr)	Sales				EBITDA Margin				APAT			
		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Jyothy Labs	6169	1711	1909	2107	2395	14.7%	16.5%	16.4%	16.9%	166	214	246	301
HUL	584695	39783	47028	51481	55682	24.8%	24.7%	25.6%	26.3%	6860	8187	9386	10445
Godrej Consumer	91144	9911	11029	12145	13397	21.6%	22.2%	22.1%	22.3%	1473	1715	1971	2252

Company	ROCE (%)				P/E (x)			
	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Jyothy Labs	14.6	18.5	19.9	23.2	37.1	28.8	25.1	20.5
HUL	72.2	27.5	18.5	20.0	78.5	71.5	62.2	55.9
Godrej Consumer	19.0	21.5	23.8	26.9	61.9	53.0	46.2	40.5

Financials

Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	1814	1711	1909	2107	2395
Growth (%)	8.4%	-5.6%	11.6%	10.4%	13.7%
Operating Expenses	1533	1460	1595	1761	1990
EBITDA	281	251	315	346	405
Growth (%)	9.2%	-10.7%	25.3%	9.9%	17.1%
EBITDA Margin (%)	15.5%	14.7%	16.5%	16.4%	16.9%
Depreciation	31	53	56	57	58
Other Income	28	20	18	21	24
EBIT	278	218	277	310	371
Interest expenses	35	33	19	10	4
PBT	243	182	235	300	367
Tax	45	19	44	54	66
APAT	198	166	214	246	301
Growth (%)	10.9%	9.7%	11.2%	11.7%	12.6%
EPS	5.4	4.5	5.8	6.7	8.2

Balance Sheet

As at March	FY19	FY20	FY21	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	37	37	37	37	37
Reserves	1290	1192	1392	1472	1590
Shareholders' Funds	1327	1229	1429	1509	1627
Minority Interest	-21	-29	-38	-38	-38
Borrowings	217	221	117	65	0
Net Deferred Tax Liabilities (Assets)	-93	-103	-96	-96	-96
Other Non-Current Liabilities	49	92	93	95	108
Total Source of Funds	1479	1410	1504	1535	1601
APPLICATION OF FUNDS					
Net Block	1101	1149	1040	1012	978
CWIP	14	25	12	6	3
Other non-current assets	113	111	78	80	86
Total Non Current Assets	1228	1285	1130	1098	1067
Inventories	202	225	279	266	282
Trade Receivables	153	122	94	115	125
Cash & Equivalents	96	29	194	298	409
Other Current Assets	170	72	163	157	164
Total Current Assets	622	449	730	835	980
Trade Payables	179	130	192	193	214
Other Current Liab & Provisions	192	194	164	206	232
Total Current Liabilities	371	324	356	399	446
Net Current Assets	251	125	374	436	534
Total Application of Funds	1479	1410	1504	1535	1601

(Source: Company, HDFC Sec)

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	243.0	181.5	234.6	299.7	367.3
Interest Expenses	30.6	52.9	55.6	56.6	57.7
Depreciation	59.6	81.3	94.8	65.1	59.6
Working Capital Change	40.7	-52.7	105.5	43.5	23.0
Tax Paid	-41.8	-38.6	-32.7	-53.9	-66.1
OPERATING CASH FLOW (a)	301.5	171.5	402.2	354.3	383.8
Capex	-39.9	-42.0	-25.9	-23.0	-20.0
Free Cash Flow	261.6	129.5	376.3	331.3	363.8
Investments and Others	52.8	5.5	0.0	0.0	0.0
INVESTING CASH FLOW (b)	30.3	72.5	-129.1	-23.0	-20.0
Debt Issuance / (Repaid)	-262.8	4.1	-166.9	-52.0	-64.9
Interest Expenses	-61.0	5.8	-104.8	-52.0	-64.9
Share Capital Issuance	0.4	0.0	0.0	0.0	0.0
Dividend	-18.2	-220.3	0.0	-165.2	-183.6
Others	-3.7	-66.4	-21.2	0.0	0.0
FINANCING CASH FLOW (c)	-318.5	-303.9	-216.1	-227.5	-252.2
NET CASH FLOW (a+b+c)	13.3	-59.9	56.9	103.8	111.6

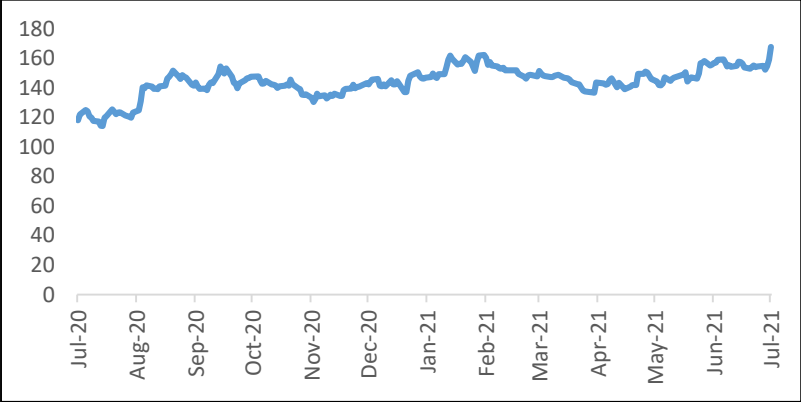
Key Ratios

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
EBITDA Margin	15.5	14.7	16.5	16.4	16.9
EBIT Margin	15.3	12.7	14.5	14.7	15.5
APAT Margin	10.9	9.7	11.2	11.7	12.6
RoE	16.0	13.0	16.1	16.7	19.2
RoCE	18.7	14.6	18.5	19.9	23.2
Solvency Ratio					
Net Debt/EBITDA (x)	0.4	0.8	(0.2)	(0.7)	(1.0)
Net D/E	0.1	0.2	(0.1)	(0.2)	(0.3)
EPS	5.4	4.5	5.8	6.7	8.2
CEPS	6.2	6.0	7.3	8.2	9.8
BV	36.1	33.5	38.9	41.1	44.3
Dividend	3.0	3.0	4.0	4.5	5.0
Cash Conversion Cycle (days)	36.5	49.9	37.9	35.0	31.5
Debtor days	30.9	26.1	18.0	20.0	19.0
Inventory days	48.2	56.3	63.8	55.0	51.7
Creditors days	42.6	32.4	43.9	40.0	39.2
VALUATION					
P/E	31.2	37.1	28.8	25.1	20.5
P/BV	4.7	5.0	4.3	4.1	3.8
EV/EBITDA	22.4	25.3	19.4	17.2	14.2
EV / Revenues	3.5	3.7	3.2	2.8	2.4
Dividend Yield (%)	1.8%	1.8%	2.4%	2.7%	3.0%

(Source: Company, HDFC Sec)



One Year Price Chart



(Source: Company, HDFC sec)

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