

Jyothy Labs Q1FY21

Financial Results & Highlights

Introduction

Jyothy Laboratories Ltd is a Mumbai-based fast-moving consumer goods company founded in 1983. It has 6 business divisions namely Fabric Care (Ujala - market leader), Household Insecticide (Maxo), Utensil Cleaners (Exo), Fragrances, Personal Care (Margo) and Fabric Care Service. Ujala, Maxo, Exo, Jeeva and Maya are some of the brands it owns under these divisions. The company is the largest player in the fabric whitener space in India with a market share of 72%.

Standalone Financials (In Crs)					
	Q1FY21	Q1FY20	YoY %	Q4FY20	QoQ %
Sales	433	416	4.09%	387	11.89%
PBT	59	42	40.48%	20*	195.00%
PAT	50	36	38.89%	26	92.31%
Consolidated Financials (In Crs)					
	Q1FY21	Q1FY20	YoY %	Q4FY20	QoQ %
Sales	437	427	2.34%	398	9.80%
PBT	61	46	32.61%	23**	165.22%
PAT	50	37	35.14%	27	85.19%

*Contains tax credit of Rs 6.4 Cr

**Contains tax credit of Rs 3.4 Cr

Detailed Results:

1. Standalone and Consolidated quarterly revenues were flat at 4% & 2% respectively. (volume up by 6.1%)
2. The gross margin for the quarter fell from 48.6% last year to 46.2%.
3. Operating EBITDA at 17.7% (Rs 76.5 Cr) Vs 15.5% (Rs 65.6 Cr) in the same period last year.
4. PAT at Rs 50 Cr as against Rs 37 Cr, down by up 35%.
5. The impact of COVID on sales was estimated to be Rs 150 Cr and Rs 50 Cr of pre-tax profit.
6. Despite volumes being muted in almost all categories, market share across all brands continue to remain intact.
7. Category wise break-up of Q1 Revenue Growth:
 1. Fabric Care: Down 23.8% (33% of sales)
 2. Dishwashing: Up 16.6% (36% of sales)
 3. Household Insecticides: Up 151.1% (15% of sales)
 4. Personal Care: Up 0.4% (14% of sales)
 5. Laundry Services: Down 75% (2% of sales)
8. A&P expenses to sales were reduced to 4.6% from 8% last year.

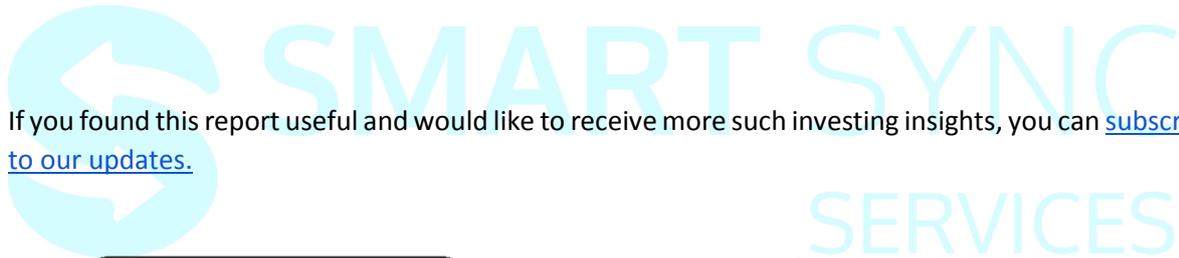
Investor Conference Call highlights:

1. The company has increased production of small unit packs of Rs 5 & Rs 10 due to increased demand for these units. It has also increased focus on the e-commerce platform, which allows for contactless delivery and fast growth in urban areas.
2. Ecommerce growth for the company has been 1.75 times YoY.
3. The company has added a new product of T-Shine Floor Cleaner which is a 100% organic compound based floor cleaner.
4. The company has launched its first corporate TVC covering all 6 power brands which have been launched in 8 regional languages and in Hindi.
5. The company has commenced operation of a new dish wash manufacturing plant at Pithampur in Dhar, which is expected to cater to increased demand for dish wash products in Central India.
6. Fabric Care sales declined as consumption of post-wash category, Ujala Fabric Whitener, and Crisp & Shine saw a reduction.
7. Dish wash category has seen a good uptake and momentum during the lockdown with increased emphasis on hygiene.
8. The company is seeing demand coming back to 60-70% of normal levels in its laundry business.
9. T-Shine toilet cleaner was extended to Bangalore from Kerala.
10. Sales of post-wash products are widely expected to come back to normalcy as the economy comes back to normal. Raw material prices are also expected to stay stable. The management has guided for EBITDA margins to be in the range of 15-16%.
11. The management has stated that the increased demand for small packs for Margo, Exo, etc has come from rural markets where demand is coming back faster than in urban areas.
12. The management has stated that it is still too early to provide any revenue guidance and it will stick to the EBITDA margin guidance provided earlier.
13. Margo has underperformed mainly as it is strong in traditional markets like Tamil Nadu and West Bengal both of which have been the worst hit by state lockdowns.
14. The company is looking to focus on liquid vaporizers in the HI category. The company's automatic machine has seen a good response and this category is expected to see good growth in the coming quarters.
15. Almost 40% of sales come from rural markets for the company. The company is looking to add sub-stockists in white spaces in rural markets to keep up with the demand growth.
16. The company has in fact reduced promotions on all products as demand is good here. It will introduce new offers based on competitor actions and situations in each category.
17. Another reason the company wants to focus on LVs in the HI segment is that it returns greater margins as compared to coils which are on the low end of the margin spectrum for the industry.
18. EBIT loss for HI was at Rs 2 Cr vs Rs 5 Cr a year ago. This is expected to reverse and return to profitability as the share of LV rises and the segment grows for the company.
19. The ratio of coils to LV has moved from 70:30 to 60:40. A further shift of 5-10% should bring the segment back to profits according to the management.
20. Despite the entry of many big players like ITC in the surface cleaner category, the management remains confident that the company will be able to carve its niche in this rising segment.
21. The company will only be spending for A&P for LVs in the HI segment.
22. The company is not discontinuing any SKUs but it will be focussing more on faster moving SKUs.
23. Unlike the competition in the HI segment, the company is not facing any supply chain issues from the season starting a few weeks earlier than estimated.

24. No major capex is planned for FY21. The debt for the company stands at Rs 100 Cr on the standalone level.
25. General trade has done well despite all constraints for the company while modern trade has declined slightly.
26. The company has not reduced any of its employee salaries as part of the cost-cutting measures.

Analyst's View:

Jyothy Labs is a consistent performer in the FMCG segment in India. They have successfully carved out a niche for themselves and have established themselves as market leaders in the fabric care and dishwashing segment. The performance of the company was very encouraging in this quarter despite industry disruption from the lockdown. The company has done well to be able to achieve good growth in its prime dish wash segment and in the revival of the HI segment. The company still faces the issue of fall in demand in the post-wash segment which is the company's biggest earner. It remains to be seen how long will it take for the post-wash segment to revive and how the company will fare in the increasingly competitive environment in the health hygiene space. Nonetheless, given the renewed focus on health and hygiene going forward and the company's good distribution reach and resilient product portfolio, Jyothy Labs may turn out to be a pivotal FMCG stock to watch out for.



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