Jyothy Labs

Sarva Gunn Sampann

We initiate Jyothy Labs (JYL) with a high conviction BUY idea, with a TP of Rs 575 (40x June-26 EPS), as it is one of the few FMCG companies structurally poised for high single-digit volume growth, mid-teen EBITDA growth, and high-teen net income growth. We pencil in revenue/EBITDA/PAT CAGR of 12/16/17% over FY24-27, the second highest amongst our coverage of consumer staple companies. Our confidence stems from the fact that a) it operates in categories which have a higher Total Addressable Market and, despite being a challenger brand, is trying to grab a pie of the same via making the product portfolio comprehensive, launching low unit packs, communicating product superiority vs. competition, and providing value-for-money offerings; b) doing basics of FMCG right under new leadership – i) increasing the distribution network and, at the same time, improving productivity; ii) moving on to Above the Line (ATL) spends, away from BTL spends; iii) focusing on low unit packs across the product portfolio, so that it aligns with the above-mentioned objectives; c) competent key management personnel are ensuring smooth execution of the above strategy, which was not the case with the erstwhile management, who were more tuned towards doing M&A transactions. Reasonable valuations (32x FY26 EPS) provide a significant margin of safety. We call Jyothy Labs sarva gunn sampann – fully versatile and with enough weapons in its armory to combat any challenge.

- **Playing in bigger TAM categories through differentiated approach**: Jyothy Labs, despite operating in categories with much larger Total Addressable Markets (Detergent – INR 350 bn, Soaps – INR 300 bn, Dishwashing – INR 60 bn, HI – INR 70 bn), has not lived up to its promise, although it is at par or better in terms of quality and perception compared to peers in respective categories. Performance since FY15-20 has been sub-par (Revenue CAGR of 2%) due to several factors: a) Henkel acquisition-related tailwinds tapered off. b) Erstwhile management focused on M&A over organic growth. c) A slew of macroeconomic challenges (demonetization, GST implementation) dented its performance. We have seen growth return over FY20-24, with a 13% revenue CAGR, as the company has found its knack for playing effectively in big categories by making the product portfolio comprehensive, launching low unit packs, communicating product superiority versus the competition, and providing value-for-money offerings.

- **Our view on Jyothy Labs**: We pencil in revenue/EBITDA/PAT CAGR of 12/16/17% over FY24-27, the second highest amongst our coverage of consumer staple companies. We initiate Jyothy Labs (JYL) with a high conviction BUY idea, with a TP of Rs 575 (40x June-26 EPS), as it is one of the few FMCG companies structurally poised for high single-digit volume growth, mid-teen EBITDA growth, and high-teen net income growth.

Financial Summary (INR mn)

Year Ending March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	21,951	24,842	27,548	30,674	34,408	38,605
EBITDA	2,482	3,159	4,798	5,453	6,368	7,431
APAT	1,620	2,327	3,693	4,270	5,048	5,959
Diluted EPS (Rs)	4.4	6.5	10.1	11.6	13.7	16.2
P/E (x)	88.3	59.6	38.7	33.5	28.3	24.0
EV / EBITDA (x)	57.3	44.4	28.7	24.7	20.7	17.3
Core RoCE (%)	10.6	15.0	24.4	28.1	32.6	37.7

Source: Company, HSIE Research

BUY

CMP *(as on 05 Jun 2024)*	INR 448
Target Price	INR 575
NIFTY	22,620

KEY STOCK DATA	
Bloomberg code	JYL IN
No. of Shares (mn)	367
MCap (INR bn) / ($ mn)	164/1,968
6m avg traded value (INR mn)	550
52 Week high / low	INR 554/200

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	2.8	1.1	114.8
Relative (%)	1.9	(6.3)	96.3

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	62.89	62.89
FIs & Local MFs	13.85	13.29
FPIs	14.65	16.43
Public & Others	8.61	7.39
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Vishal Gutka
vishal.gutka@hdfcsec.com
+91-22-6171-7324

Riddhi Shah
riddhi.shah@hdfcsec.com
+91-22-6171-7359

- **Fabric care (43% of sales):** JYL's strategy for the fabric business is extremely straightforward: sustain the core (the extremely high-margin fabric whitener business) and aggressively grow its detergent business (80% of fabric care sales). JYL Fabric Care has seen a 14% revenue CAGR over FY20-24, and we expect similar momentum (12% revenue CAGR) to continue over FY24-27, as it has filled key product gaps within the detergent business at both the economy and premium ends. Notably, before COVID, it did not have a product operating in the value-for-money market (55-60% of the market). During the COVID period, it launched the "Morelight" detergent and scaled up this brand to an annual revenue of INR 1.5 bn in FY24 without any major blitzkrieg. Our checks attribute this success to management's decision to pass on the majority of benefits such as a) distributed manufacturing (15+ plants); b) economies of scale in raw material procurement to partners in the ecosystem, i.e., higher margins to trade partners and lower prices to end customers. Similarly, Ujala IDD (mid-end detergent) has been designed to compete with Sunlight (HUL brand) in key states of Kerala and West Bengal. Jyothy has gained a 20% market share in this segment in Kerala and plans to emulate the same strategy in West Bengal, a much larger state in terms of population size. Henko, the largest brand within the detergent basket, has a simple strategy to ride the premiumization wave. Recently, the company has emphasized launching high-margin liquids, introducing INR 10 SKUs, making products available with modern trade retailers (given it is an urban-centric product), and tying up with washing machine manufacturers. Laundry services (Fabric Spa): Our ground checks indicate that the company is breaking even, thanks to the closure of loss-making stores and structural interventions.

Fabric whitener – slow and steady, but the stiffener segment looks promising

Ujala Supreme and Ujala Crisp and Shine growth strategies:

- Ujala Supreme Fabric Whitener (20% of Fabric Care sales) is expected to maintain mid-single digit revenue growth, despite flat industry growth, due to calibrated price hikes and aggressive ad campaigns, including recently hiring actress Taapsee Pannu as brand ambassador. Moreover, trials among non-users as a promotional activity are helping to boost revenue growth, along with targeted below-the-line (BTL) activations in rural markets.

- Ujala Crisp and Shine, a fabric stiffener brand with revenue of Rs 500 million, will see steady growth due to geographic expansion, social media promotions (using actress Nayantara as brand ambassador), awareness campaigns, and consumer promotions alongside Ujala Supreme to generate trials.

Fabric care margins to maintain its momentum

There is sustained margin momentum in fabric care. We expect JYL's fabric care margins to sustain the momentum achieved in FY24 (EBIT margin improved to 24% in FY24 from a low of 16% in FY23) due to:

- Strong momentum in the detergents business, which will drive operating leverage.

- Most raw materials are procured from Gujarat, shortening distances and saving on logistics and freight costs.

- A solid undercurrent in central India provides an additional tailwind as it reduces the distance between the manufacturing hub (recently commenced plant at Pithampur, MP) and the centre of consumption.

Dishwashing—market share gains and industry tailwinds to support growth

Dishwashing (34% of Consolidated Sales)

JYL has seen a 14% revenue CAGR over FY20-24, and we expect similar momentum (11% revenue CAGR over FY24-27) to continue. Apart from industry tailwinds, its strategy is very clear for both brands, Exo and Pril.

Exo (60% of Dishwashing Sales)

- Transform this brand from being predominantly South Indian to pan-Indian by providing higher margins to trade, running high-decibel media campaigns, and offering payouts for high visibility.
- Simultaneously, strengthen its brand equity with the "anti-bacterial" proposition.

Equal Emphasis on Adjacent Products (15% of Dishwashing Sales)

- JYL management has a philosophy of driving up sales of adjacent products, reasoning that without an effective scrubber, the product might not deliver the intended results. Consequently, scrubbers command approximately 15% of JYL's overall dishwashing sales. The company has taken a distinguished approach in marketing its scrubber by highlighting its anti-bacterial properties and running a separate ad campaign.

Pril (25% of Dishwashing Sales)

JYL has taken the following measures to drive the growth of this brand over the past few years:

- Aggressively focusing on driving up shares of low unit packs in urban areas to encourage trials among existing users of bars and liquids.
- Filling white space within the product portfolio concerning product SKUs by launching 1.5/2.0-liter packs primarily for modern trade at highly competitive prices.
- Focusing on innovation by launching Pril Tamarind (10% of Pril salience) with the insight that customers want their vessels to shine. Tamarind has been traditionally used in Indian households to clean brass and copper vessels to make them gleam.

Dishwashing segment margin trajectory: Margins for the dishwashing segment have hovered around 13-14% over the past few years but have recently scaled up to 19%. Our conversation with management suggests that EBIT margins for this segment are expected to remain in this range. There are upside risks to margins:

- Improved salience of the liquids portfolio, as liquids command a gross margin of 60% versus bars, which earn 40%.
- Higher scale of operations, which drives operating leverage.

Personal care – Distribution expansion and foray into toilet soaps category to sustain revenue growth momentum

Personal care (11% of sales) -

Distribution expansion and the foray into the mainstream toilet soap category are expected to sustain mid-teen revenue growth in the medium term.

Personal care has seen a 14% revenue CAGR over FY20-24, and we expect this momentum to accelerate to a 15% revenue CAGR over FY24-27 due to:

- High-decibel campaigns marketing the goodness of Neem, building on the momentum from COVID-19.
- Filling distribution gaps in strongholds such as West Bengal, Tamil Nadu, and UP.
- Foraying into the mainstream toilet soap category and aggressively pushing its INR 10 SKU.

Margin trajectory for personal wash segment: The personal care segment margin has contracted from the high of 26% in FY20 to 13% in FY24, as the company reinvested the majority of recent gross margin tailwinds (PFAD price has seen a c30% correction on YoY basis) towards strengthening long-term brand equity. We believe the segmental margin should move to the mid-teen range (15%+) over FY25-27 as operating leverage plays out.

Household insecticides – Banking upon scale up in liquid vaporizer and new brand ambassador for turnaround

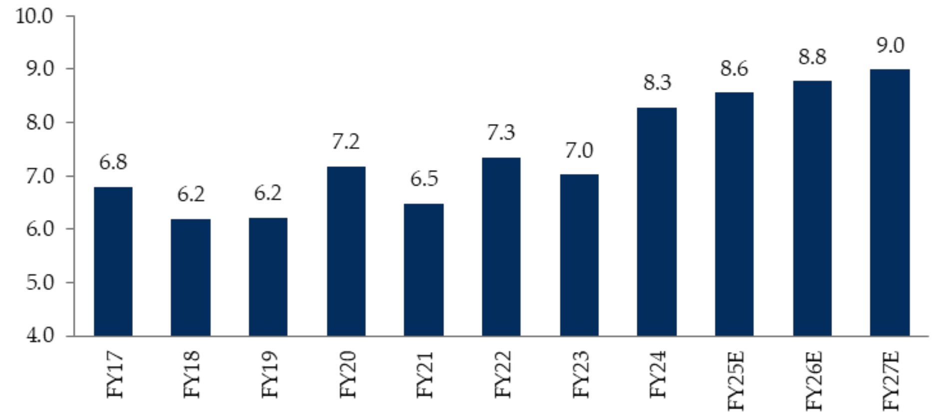
- **Household Insecticides (8% of consolidated sales)**: Household insecticides have been a pain point (4% sales CAGR over FY20-24) and their future continues to remain uncertain courtesy dependence on weather conditions, which remain volatile. To add further fuel to the fire, the HI segment made EBIT losses of Rs 340 mn in FY24.
- **What is the management plan for turnaround?** Management is trying to address the issue via a) hiring a new brand ambassador i.e. Kareena Kapoor, who has better connections with the audience in core markets of the North; b) tweaking the product design: The LV segment had suffered over the past few years, as consumers couldn't plug in Maxo refills into Goodknight machine (which is a market leader, and so it has highest number of machines incubated in homes). After tweaking its product design, JYL was able to fix its refills into GCPL machines, and it promoted this fact with a high-decibel media campaign in FY24, the benefits of which shall be visible in FY25; c) focusing on more stable and high-margin liquid vaporizer category and increasing its salience to 50% from the current 30-35% of HI sales.
- **Margin trajectory going forward**: We expect the HI segment to break even at the EBIT level in FY26, as the salience of high-margin liquid vaporizer moves up to c50% of sales.
- **Foray into adjacencies/innovation/NPD across categories to gain momentum as skies are clear:** For the last few years, the Jyothy Labs management has been focusing on streamlining the distribution network, handling challenges relating to COVID-19 and getting the basics of FMCG right. We anticipate JYL management to foray into adjacencies in one of its core categories. The management is very clear that it does not want to do any "me-too" launches and is targeting disruptive innovation. As of now, we are not building this into our number but it can really add value, if executed well.

Getting the basics of FMCG right

We believe JYL under new leadership has been able to get the basics of FMCG right (reflected in sales/EBITDA CAGR of 13/18% respectively over FY20-24) - i) moving on to Above the Line (ATL) spending, away from BTL spends; ii) increasing distribution network while improving productivity; iii) concentrating on low unit packs across the product line to align with the objectives stated above. Competent key management professionals are assuring the smooth execution of the above strategy, which was not the case with the previous management, who were more focused on M&A transactions.

- **Emphasis on building long-term brand equity:** Before the appointment of M R Jyothy as MD & CEO of Jyothy Labs on April 1, 2020, she served as the firm's Chief Marketing Officer for a significant period, which appears to be reflecting on the company, given the huge growth in A&P spends. Ad spending (% of sales) has considerably increased from an average of roughly 6.5% of sales between FY16-20 to 8.3% of sales, with management indicating a clear aim to increase further to build the company's long-term health. Furthermore, the recent change of brand ambassador for personal care/household insecticides is a choice made in the proper path and shall ensure the maintenance of above-historical average revenue growth rates for respective categories.

Ad spends (% of sales) to move northwards



Source: Company, HSIE Research

- **Distribution-led initiatives:** Management has taken a series of measures, which at times are unique and have made its distribution network truly contemporized.

- **Installing distributor management system:** During COVID-19 times, JYL installed DMS, which stopped unnecessary dumping across the entire product portfolio. With the installation of software, the focus shifted from a) primary to secondary sales and b) selling only specific brands to the entire range, which improved ROI for distributors, resulting in a win-win for everyone. With greater ROI, distributor confidence in the company increased several times. It backs up DMS with CRS, or a continuous replenishment system, which means that anytime stock for a specific category goes below a certain level, it is automatically replenished with the needed quantity. Recently, the company has migrated its DMS from Adhaar Software to Botree, which would result in better report production and benefits that will be clearly obvious in FY25.

- **Differentiated approach adopted in increasing reach in its wholesale channel:** Most of Jyothy Labs brands across key segments are challenger brands, so it became difficult to gain shelf space in outlets that the wholesale channel services, which are typically low-throughput. To overcome this, it introduced the "moped" model of distribution through which JYL's salespeople directly service these outlets on mopeds, carrying the entire product portfolio, and collecting cash on the sale of goods (mainly low unit packs or LUPs). In addition to this service, it offers higher margins to these small shops and visibility pay-outs (for prominently displaying products) to drive higher sales.

- **Appointment of merchandizers to brighten medium-term prospects:** JYL has started supporting its sales infrastructure team with merchandizers, which other mainstream FMCG companies have been doing for years. The primary KTA of merchandizers is to ensure proper placement and positioning of the product, which in turn ensures better shelf space visibility vs. competing brands.

- **Increasing salesman visits (beat) to once a week vs. once a fortnight earlier:** Especially in areas where the distribution network (north/west India) is relatively weaker.

- **Low-unit packs panacea for incremental growth:** In our view, the new leadership team has put significant focus on driving up sales of low-unit packs, since it enables to attract new customers, mainly in rural areas and relatively weaker areas of North/West India. Our checks suggest LUP (% of sales) has moved up 25-30- % of sales vs being 15-20% of sales 4-5 years ago. This thesis also gels well with the rapid increase in general trade distribution networks, since without having LUP and relevant products across categories in the economy segment, an enhanced distribution network in general trade won't serve any purpose.

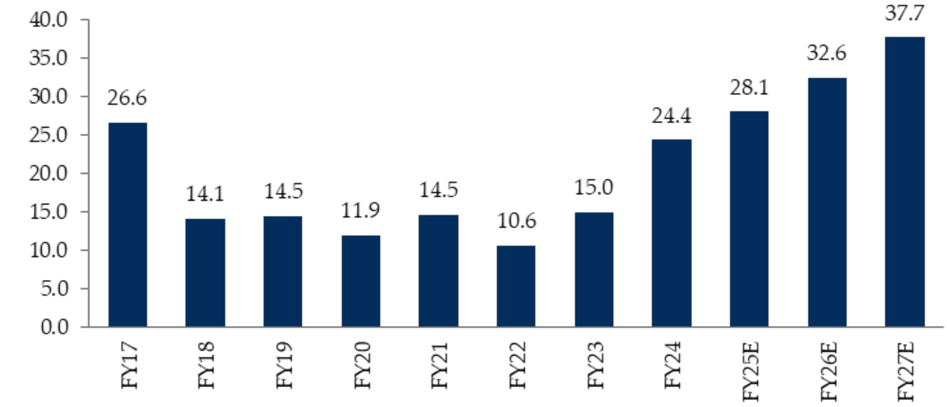
- **Solid management driving execution of the above strategy:** We believe the new leadership team under M R Jyothy is driving relevant results. Anil Sarma, a seasoned FMCG professional, who has been with the company since July 2019, has spearheaded efforts relating to streamlining the distribution network and improving sales productivity. Sanjay Agarwal, CFO, has been responsible for the sharp improvement in the company's margin profile.

Jyothy Labs: stars are aligned for multiple rerating

Having seen volatile growth historically, Jyothy has traded at a high multiple due to the optionality of Henkel acquiring a 26% stake in the company. However, once Henkel-related integration benefits (post FY15) faded, JYL saw muted growth – sales/EBITDA and adjusted PAT growth of 2/9/7% respectively over FY15-20. Incrementally, erstwhile management focus on doing a lot of inorganic stuff (read M&As) further added fuel to the fire.

Mr. Market/Consensus still seems to be in a dilemma as to whether it will be able to deliver high single-digit volume growth in FY25, after delivering 8-9% volume growth in FY24. In our view, JYL is poised for structurally high single-digit volume growth in the medium term on the back of getting the basics of FMCG right—executed by able and competent management. We have significant confidence and visibility in the company delivering low teen revenue growth/mid-teen EBITDA growth and high teen profit growth from a medium-term perspective and as a result, we expect valuation multiple to get rerated significantly, as few companies within the FMCG basket can deliver growth on a sustainable basis. Valuation rerating is also likely to be supported via a sharp jump in ROIC, which is expected to move from 17% in FY23 to 40% in FY27.

ROIC to see sharp jump

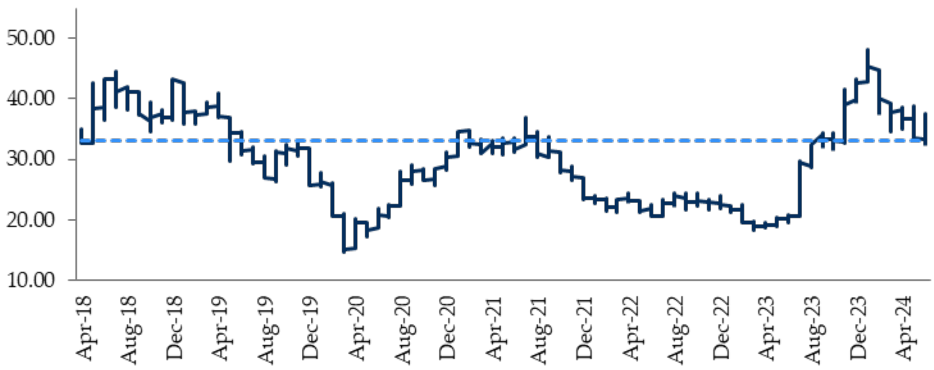


Source: Company, HSIE Research

Valuation matrix – Jyothy Labs trades at reasonable valuations

Name	Mcap (Rs bn)	Rating	CMP	TP	TP X	PE			EV/EBITDA			% Cagr FY24-FY27E			ROE			Dividend Yield %
						FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	Rev	Ebitda	PAT	FY25E	FY26E	FY27E	FY27E
Large Caps																		
ITC	5,356	ADD	429	460	24	24	22	20	17	16	13	9	11	11	31	33	36	4.3
HUL	6,117	REDUCE	2,603	2,500	51	58	53	48	34	31	29	6	7	7	21	22	24	2.2
Mid Cap																		
CLGT	805	REDUCE	2,960	2,900	48	54	48	43	36	32	29	10	11	12	83	85	86	2.2
MRCO	834	BUY	645	660	45	50	45	40	28	25	22	10	13	13	39	41	41	2.1
HMN	305	ADD	700	600	27	34	31	27	21	18	16	9	11	11	31	30	30	2.3
DABUR	1,060	ADD	600	595	45	52	46	41	31	27	24	9	12	14	20	21	22	1.5
GCPL	1,459	BUY	1,427	1,450	50	62	50	44	39	33	28	12	17	22	16	18	19	1.3
JYL	165	BUY	448	575	40	39	33	28	29	24	20	12	16	17	22	23	23	1.5
Food companies																		
NEST	2,419	ADD	2,509	2,750	70	71	64	56	47	42	37	10	11	11	90	88	87	1.5
BRIT	1,322	ADD	5,487	5,556	50	56.4	49.4	43	34	29	26	10	12	13	57	59	58	1.8

Valuation re-rating to play out as underlying business undergoes fundamental reset. Notably average 10 years 1 year forward P/E is at 33x



Consolidated P&L

(INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	17,097	19,080	21,951	24,842	27,548	30,674	34,408	38,605
Growth (%)	-6	12	15	13	11	11	12	12
Material Expenses	9,009	10,104	12,830	14,349	14,038	15,583	17,375	19,373
Employee Expense	2,193	2,325	2,474	2,644	3,005	3,306	3,636	4,000
A&P Expense	1,227	1,236	1,611	1,743	2,282	2,625	3,018	3,471
Other Expenses	2,171	2,281	2,568	2,965	3,445	3,733	4,039	4,362
EBITDA	2,511	3,145	2,482	3,159	4,798	5,453	6,368	7,431
EBITDA Growth (%)	-11	25	-21	27	52	14	17	17
EBITDA Margin (%)	15	16	11	13	17	18	19	19
Depreciation	529	556	582	501	500	556	604	651
EBIT	1,982	2,589	1,901	2,657	4,298	4,896	5,764	6,779
Other Income	200	185	187	396	537	618	741	890
Interest	329	192	118	131	47	40	34	29
PBT	1,853	2,581	1,969	2,922	4,788	5,474	6,472	7,640
Tax	189	440	378	595	1,095	1,204	1,424	1,681
RPAT	1,703	1,994	1,620	2,398	3,693	4,270	5,048	5,959
Adjustment	-38	-235	-	70	-	-	-	-
Adjusted PAT	1,741	2,230	1,620	2,327	3,693	4,270	5,048	5,959
APAT Growth (%)	-15	28	-27	44	59	16	18	18
Adjusted EPS (Rs)	5	5	4	7	10	12	14	16
EPS Growth (%)	-17	17	-19	48	54	16	18	18

Source: Company, HSIE Research

Standalone Balance Sheet

(INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS								
Share Capital – Equity	367	367	367	367	367	367	367	367
Reserves	11,919	13,918	14,068	15,123	17,531	20,331	23,543	27,116
Total Shareholders Funds	**12,286**	**14,286**	**14,436**	**15,490**	**17,898**	**20,699**	**23,910**	**27,483**
Minority Interest	-291	-378	-407	21	21	21	21	21
Long Term Debt	3	-	-	-	-	-	-	-
Short Term Debt	2,209	1,169	1,265	-	-	-	-	-
Total Debt	**2,212**	**1,169**	**1,265**	**-**	**-**	**-**	**-**	**-**
Net Deferred Taxes	-1,027	-962	-907	-845	-845	-845	-845	-845
Other Non-current Liabilities & Provns	918	926	991	1,044	1,044	1,044	1,044	1,044
TOTAL SOURCES OF FUNDS	**14,098**	**15,040**	**15,379**	**15,709**	**18,117**	**20,917**	**24,129**	**27,702**
APPLICATION OF FUNDS								
Net Block	11,492	11,467	11,218	11,163	10,964	10,907	10,803	10,652
CWIP	245	101	76	155	155	155	155	155
Other Non Current Assets	1,111	781	786	703	703	703	703	703
Total Non-current Assets	12,848	12,350	12,080	12,021	11,821	11,765	11,661	11,509
Inventories	2,251	2,786	2,972	3,019	3,396	3,782	4,242	4,759
Debtors	1,224	943	1,431	1,378	1,509	1,681	1,885	2,115
Other Current Assets	723	580	726	520	520	520	520	520
Cash & Equivalents	289	1,938	2,112	2,835	5,431	8,031	11,040	14,419
Total Current Assets	4,487	6,248	7,241	7,751	10,857	14,014	17,688	21,814
Creditors	1,298	1,920	2,364	2,143	2,642	2,941	3,299	3,702
Other Current Liabilities & Provns	1,939	1,638	1,578	1,920	1,920	1,920	1,920	1,920
Total Current Liabilities	3,237	3,558	3,942	4,064	4,562	4,861	5,220	5,622
Net Current Assets	1,250	2,690	3,299	3,688	6,295	9,153	12,468	16,192
TOTAL APPLICATION OF FUNDS	**14,098**	**15,040**	**15,379**	**15,709**	**18,117**	**20,917**	**24,129**	**27,702**

Source: Company, HSIE Research

Standalone Cash Flow

(INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	1,815	2,346	1,969	2,992	4,788	5,474	6,472	7,640
Non-operating & EO Items	-46	200	-72	-273	-	-	-	-
Interest Expenses	329	192	118	131	-	-	-	-
Depreciation	529	556	582	501	500	556	604	651
Working Capital Change	-527	1,055	-258	502	-11	-257	-307	-345
Tax Paid	-386	-327	-313	-567	-1,095	-1,204	-1,424	-1,681
OPERATING CASH FLOW (a)	**1,715**	**4,022**	**2,026**	**3,286**	**4,182**	**4,569**	**5,345**	**6,266**
Capex	-420	-259	-261	-355	-300	-500	-500	-500
Free Cash Flow (FCF)	1,295	3,763	1,765	2,931	3,882	4,069	4,845	5,766
Investments	1,115	-1,048	-132	-433	-	-	-	-
Non-operating Income	30	16	75	305	-	-	-	-
INVESTING CASH FLOW (b)	**725**	**-1,291**	**-317**	**-483**	**-300**	**-500**	**-500**	**-500**
Debt Issuance/(Repaid)	41	-1,669	100	-1,250	-	-	-	-
Interest Expenses	-212	-281	-74	-104	-	-	-	-
FCFE	2,610	4,680	1,682	4,157	3,882	4,069	4,845	5,766
Share Capital Issuance	-	-	-	-	-	-	-	-
Dividend	-2,656	-	-1,469	-918	-1,285	-1,469	-1,836	-2,387
Others	-211	-212	-224	-235	-	-	-	-
FINANCING CASH FLOW (c)	**-3,039**	**-2,161**	**-1,667**	**-2,507**	**-1,285**	**-1,469**	**-1,836**	**-2,387**
NET CASH FLOW (a+b+c)	**-599**	**569**	**42**	**296**	**2,596**	**2,600**	**3,009**	**3,379**
EO Items, Others	748	149	719	760	1,057	3,653	6,253	9,262
Closing Cash & Equivalents	149	719	760	1,057	3,653	6,253	9,262	12,641

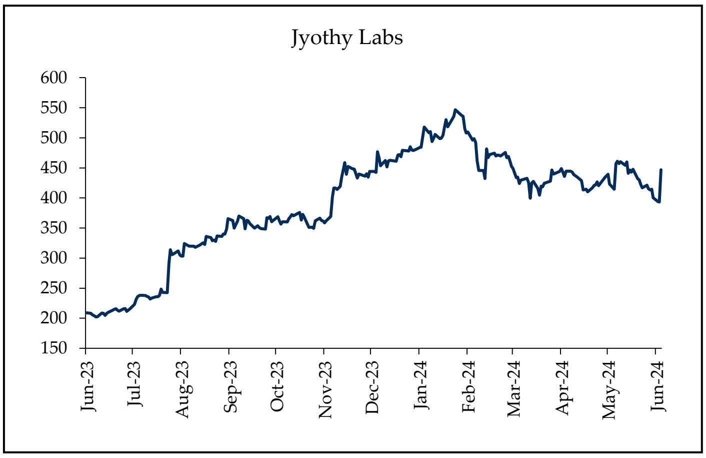
Source: Company, HSIE Research

Ratios

KEY RATIOS	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY (%)								
GPM	47	47	42	42	49	49	50	50
EBITDA Margin	15	16	11	13	17	18	19	19
EBIT Margin	12	14	9	11	16	16	17	18
APAT Margin	10	12	7	9	13	14	15	15
RoE	14	17	11	16	22	22	23	23
RoIC (or Core RoCE)	12	15	11	15	24	28	33	38
RoCE	13	15	10	15	21	21	22	22
EFFICIENCY								
Tax Rate (%)	10	17	19	20	23	22	22	22
Fixed Asset Turnover (x)	4	4	4	5	5	5	5	6
Inventory (days)	48	53	49	44	45	45	45	45
Debtors (days)	26	18	24	20	20	20	20	20
Other Current Assets (days)	15	11	12	8	7	6	6	5
Payables (days)	28	37	39	31	35	35	35	35
Other Current Liab & Provns (days)	41	31	26	28	25	23	20	18
Cash Conversion Cycle (days)	21	14	20	13	11	13	15	17
Net D/E (x)	0	-0	-0	-0	-0	-0	-0	-1
Interest Coverage (x)	6	13	16	20	91	122	169	233
PER SHARE DATA (Rs)								
EPS	5	5	4	7	10	12	14	16
CEPS	6	7	6	8	11	13	15	18
Dividend	3	4	3	3	4	4	5	7
Book Value	33	39	39	42	49	56	65	75
VALUATION								
P/E (x)	84	72	88	60	39	33	28	24
P/BV (x)	12	10	10	9	8	7	6	5
EV/EBITDA (x)	58	45	57	44	29	25	21	17
EV/Revenues (x)	8	7	6	6	5	4	4	3
OCF/EV (%)	1.2	2.8	1.4	2.3	3.0	3.4	4.1	4.9
FCF/EV (%)	1.8	3.3	1.2	3.0	2.8	3.0	3.7	4.5
FCFE/Mkt Cap (%)	1.8	3.3	1.2	2.9	2.7	2.8	3.4	4.0
Dividend Yield (%)	0.8	1.0	0.6	0.8	0.9	1.0	1.3	1.7

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

We, **Vishal Gutka, CA & Riddhi Shah, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC Securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com