Jyothy Labs Limited

August 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	250.00	CARE AA; Stable	Reaffirmed
Commercial Paper	100.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings for the bank facilities and debt instruments of Jyothy Labs Limited (JLL) reflects its strong market position in the domestic FMCG market. JLL is a multi-product and multi-brand enterprise with a diverse portfolio, significant product reach, and extensive collaboration with numerous channel partners, demonstrating its broad coverage across FMCG segments and underscoring its market presence and value.

JLL has shown a robust operational performance with notable growth in total revenue and improvement in profitability margins. The company is net debt-free and holds substantial cash and liquid equivalents, indicating a strong liquidity position. Strong management, strategic initiatives, and effective decision-making have contributed to enhanced profitability and market positioning.

However, the ratings are constrained by JLL's relatively modest presence in certain FMCG categories, such as detergents and personal care, and ongoing challenges in the household insecticides segment. The company's concentrated focus on a limited range of products exposes it to competitive pressure and market volatility. Despite the intense competition in the FMCG sector, JLL is actively addressing these challenges by investing in research and development, marketing its products more effectively, and focusing on innovative solutions and brand development to maintain its competitive edge and strengthen its market position.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in overall revenue and securing a dominant market share of 40% or more in at least four different product categories.
- Sustained return on capital employed (ROCE) over 25%.

Negative factors

- Decline in the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin on a sustained basis below 11%
- Any debt-funded project, resulting in the overall gearing increasing above 0.5x

Analytical approach: Consolidated

CARE ratings have adopted a consolidated approach as there are operational linkages between the parent company and its subsidiary. The list of entities which have been consolidated is placed in **Annexure-6**.

Outlook: Stable

The stable outlook reflects JLL's ability to maintain its market position in select brands, supported by experienced management and strong operational and financial performance. CARE Ratings expects that the company's continuous investment in innovation, new product launches, and branding will be key to support its growth and sustain its market position.

Detailed description of the key rating drivers:

Key strengths

Diversified product portfolio and established position in the domestic FMCG industry

JLL operates in the Home Care and Personal Care segments, which are key parts of the Indian FMCG industry. The company offers a diverse range of products, including fabric whiteners, dishwashing products, and mosquito repellents, allowing it to cater to a wide consumer base. JLL shows strong market leadership, with Ujala maintaining a dominant market share. The dishwashing segments are stable, with Exo and PRIL holding notable shares. Maxo has seen significant growth in Household Insecticides, particularly in coils, despite some initial challenges with its LV-Refill. JLL's diversified portfolio and strong market presence underline its competitive edge, though continuous innovation and marketing efforts are required to sustain growth.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Healthy operating efficiency in FY24

In FY24, JLL achieved significant revenue growth, driven by increased volumes and minor price adjustments. Over the last four years, JLL has maintained steady revenue growth, supported by volume expansion and commodity price growth. A key factor in this growth was the substantial reduction in raw material costs, significantly boosting profitability margins. JLL has demonstrated strong margin improvements in Fabric Care and Dishwashing, indicating effective management and enhanced profitability. However, challenges persist in Household Insecticides and other segments, with negative margins that may require targeted strategies. The company reported Total Operating Income (TOI) of ₹755.53 crore in Q1FY25, reflecting a year-on-year revenue growth of 7.3%.

Strong distribution network

The company significantly expanded its distribution network, making products available in over 2.8 million retail outlets through a network of more than 9,900 channel partners and directly accessing 1.2 million outlets, focusing on expanding into new geographies. Increased above-the-line (ATL) and below-the-line (BTL) spending has driven volume growth, helping the company navigate a slowing consumption environment. The adoption of van and moped sales models for rural areas, along with the digitisation of rural distribution through Mobile DMS and Sales Force Automation (SFA), has further strengthened its market presence. These efforts, supported by substantial investments in advertising and promotion, have enabled JLL to capture market share and address gaps. To further enhance its distribution network, the company could explore additional digital tools and continue expanding its rural reach.

Robust Financial Risk Profile

The company maintains a strong financial risk profile, remaining net debt-free with only minimal lease liabilities. This is reflected in an improved overall gearing ratio, indicating minimal debt beyond lease obligations. The interest coverage ratio saw a substantial improvement in FY24, driven by lower interest costs and improved profitability. The tangible net worth rose significantly, demonstrating the company's robust financial health. Additionally, JLL paid a substantial dividend, demonstrating its commitment to returning value to its shareholders. The cash flow from operations also showed robust performance, reflecting effective working capital management. These metrics underscore the company's strong financial health and efficient management of its resources.

Liquidity: Strong

JLL's strong liquidity profile is demonstrated by a significant increase in its cash and liquid investments to ₹610.83 crore as of March 31, 2024, with no other debt obligations besides lease liabilities. Additionally, gross cash accruals have improved on the back of higher profitability. Furthermore, the working capital cycle has remained consistently stable in the last three years, demonstrating efficient management of working capital. The improvement in the current ratio further indicates a stronger liquidity position, showcasing the company's capability to meet short-term obligations more effectively. The company is expected to remain debt-free in the near term, given the absence of any debt-funded capital expenditure plans.

Key weaknesses

Presence in a highly competitive and price sensitive FMCG industry

JLL operates in a fiercely competitive FMCG segment dominated by MNCs with diversified portfolios and significant negative operating cycles. These market leaders can absorb raw material fluctuations and employ aggressive pricing strategies. The price-sensitive market, especially in rural areas, makes passing on cost increases challenging. Intense competition, driven by market saturation and substantial marketing investments, pressures companies to innovate, optimize distribution, and maintain consumer loyalty. This environment necessitates strategic measures to sustain market position and profitability.

Optimizing production efficiency to combat lower utilisation

High-utilisation categories such as Dish Wash Bar-Round (73.59%), Dish Wash Bar (76.20%), and Dish Wash Scrubber Steel (79.54%) align with strong market positions and significant revenue contributions. However, categories with lower utilisation, such as Fabric Whitener (47.32%) and Mosquito Repellent Liquid (35.87%), reflect areas needing strategic adjustment. Fabric Care, a key revenue contributor with an increasing share from 35% in FY21 to 44% in Q1FY25, shows potential for better alignment with production capacity to maximize growth. Improving the utilisation of underperforming categories through targeted market analysis, enhanced marketing strategies, and optimized production processes can boost overall efficiency. By focusing on increasing capacity utilization in these underperforming areas, JLL can enhance operational efficiency and further capitalise on market opportunities.

Environment, social, and governance (ESG) risks:

ESG	Risk Factors
Environment	JLL is dedicated to reducing its carbon footprint, aiming for net operating carbon neutrality by 2040, and is actively decarbonizing by lowering Scope 1, 2, and 3 emissions. In FY24, the company increased renewable energy usage by 72.7% and expanded solar energy adoption. It has implemented efficient water recycling and wastewater treatment systems, with plans for zero liquid discharge facilities. JLL is also transforming packaging to be more sustainable, targeting 'Zero Plastic' waste by 2027, and has saved ~87 MT of plastic in FY24. The company's 45+ acre green belt with over 16,000 trees acts as a significant carbon sink.
Social	JLL's commitment to human rights and employee well-being mitigates risks associated with discrimination and workplace safety, reducing legal and reputational risks. Digital initiatives like e-recruitment and HR analytics have strengthened HR systems, while the launch of e-claim expenses and travel management platforms has reduced reimbursement turnaround time from over 30 days to 6 days. SAP Concur was introduced for seamless invoice processing. With 60% of employees engaged for five years or more, the company has conducted health check-up camps and well-being sessions, promoted diversity and inclusion, and provided flexibility for women returning from maternity breaks. Additionally, internal platforms for consumer brand campaign activations have been created to enhance direct consumer reach.
Governance	The company has implemented various policies to protect stakeholder interests, guided by a diverse and experienced Board dedicated to promoting sustainable development and creating long-term value. With 83.3% of the Board being independent directors, the company ensures strong governance and oversight. Additionally, it has formulated ESG-led policies that provide a strategic roadmap for sustainable practices.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Household Products	Household Products

Jyothy Labs Limited (JLL), founded in 1983, is a prominent FMCG company that has evolved into a pan-India multi-brand business with 23 manufacturing facilities. Initially recognized for its single product, Ujala Supreme, JLL has diversified into a multi-product enterprise, with products available in over 2.8 million retail outlets. The company reaches 1.2 million outlets and collaborates with over 9,900 channel partners, offering products across various segments such as fabric care, household insecticides, household cleaning, utensil cleaners, and personal care. JLL is well known for its flagship brand Ujala, along with other brands such as Henko (fabric detergent), Maxo (mosquito repellent), Margo (personal care), and Exo and Pril (dishwasher and surface cleaner).

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	Q1FY25 (UA)
Total operating income	2,486.25	2,757.01	755.53
PBILDT	316.10	479.88	147.17
PAT	239.73	369.30	101.69
Overall gearing (times)	0.06	0.05	NA
Interest coverage (times)	24.15	101.45	105.88

A: Audited; UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

List of all the entities consolidated – Annexure-6

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Standalone) #		NA	0	NA	100.00	CARE A1+
Fund-based - LT-Cash Credit		-	-	-	250.00	CARE AA; Stable

There was no CP outstanding as on August 13, 2024

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial Paper-Commercial Paper (Standalone)	ST	100.00	CARE A1+	-	1)CARE A1+ (18-Sep-23)	1)CARE A1+ (19-Sep-22)	1)CARE A1+ (29-Sep-21)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (18-Sep-23)	1)CARE AA; Stable (19-Sep-22)	1)CARE AA; Stable (29-Sep-21)
3	Fund-based - LT-Cash Credit	LT	250.00	CARE AA; Stable	-	1)CARE AA; Stable (18-Sep-23)	1)CARE AA; Stable (19-Sep-22)	1)CARE AA; Stable (29-Sep-21)

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Jyothy Kallol Bangladesh Limited (Bangladesh)	Proportionate	Subsidiary

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
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