

Pick of the week



Jyothy Laboratories Ltd

Recommendation

Add

Time Period

12 Months

Current Price

₹ 142

Target Price

₹ 160

Potential Upside

12.7%

Investment Argument

- JYL's 1QFY21 result was ahead of expectations primarily on the back of sharp jump in Home Insecticides sales. JYL has seen positive sales growth in the month of July as well. Restrictions and strict lockdown in some states are still impacting some operations.
- The overall sentiment has improved and impacted segments are seeing month on month (MoM) improvement. JYL is keeping working capital in check by not extending credit, operating on cash basis & making prepayment to suppliers with longstanding relationships.
- JYL is adding more stockists, strengthening their direct delivery through the retailer's app and enhancing focus on e-commerce platforms.
- Favourable RM environment, certain operational efficiencies and calibration of ad-spends as per requirement should aid operational performance. We continue to like JYL's brand portfolio and the overall opportunity in the hygiene categories.
- We expect Earnings Per Share (EPS) to rise by 17.5% in FY21 and by 9% in FY22. The combination of reasonable valuations and JYL's portfolio promise keeps us constructive. Recommend ADD with a FV of Rs160.