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RELIANCE SECURITIES

Jyothy Labs (Buy)

CMP: ₹415.30

Target: ₹430

Jyothy Laboratories has a strong portfolio of brands such as Ujala, Maxo, Exo, Margo, Henko and Pril among others in its portfolio.

The company is focused on improving its direct distribution network and reduce dependence on wholesale trade to drive growth in coming quarters. Implementation of GST is expected to benefit organised players such as Jyothy as unorganised players would find it difficult to compete under the new structure.

We expect Jyothi to report net sales of ₹1,860 crore and ₹2,130 crore and net profit of ₹190 crore and ₹240 crore in FY18E and FY19E, respectively.

Based on expected EPS of ₹13.1, the stock currently trades at valuations of 30.3x FY19E earnings, which is at a 25 per cent discount to sector multiples.