

Jyothy Laboratories LimitedCMP Rs. 279.05
HOLDResult Update
Q1FY11

Ruchak Mehta | ruchak@ppfas.com

Jyothy Laboratories Ltd (JLL) reported a good set of numbers for the quarter ended June FY11.

On a quarterly standalone basis, y-o-y, Net Sales increased by 26.6% from Rs.1,194.9 Mn to Rs.1,513.2 Mn while profits increased by 17% from Rs.219.8 Mn to Rs.257.1 Mn. On a segmental level, Soaps and Detergents (comprises fabric whitener, detergent, dishwash bar and soaps) grew by 23% while Home Care (comprises mosquito coils, dishwash scrubber and incense sticks) grew by 37%.

The Company has taken a 16% price increase on its flagship product Ujala Supreme effective June 1, 2010. Mosquito repellants experienced a 9.7% volume growth. Its market share increased by about 3% to 25.7%. Volumes for brand Exo grew by 48% overall. However most of this growth was on account of the scrubber. Dishwash bars grew by 10%. Exo has maintained its market share (South India) at 25%. Competitive intensity has increased in this category in South India and it would be important to monitor this statistic over the next few quarters. Exo is also in the midst of a national rollout and it is now available in 5 lac outlets across the country.

Cost of materials was up by 38% at Rs.739.1 Mn. This is because of the changing product mix as detergent, dishwash bars and mosquito repellants sales increase relative to the fabric whitener. The company continued to increase investments in its products through media spends. JLL recently signed Sachin Tendulkar as brand ambassador for Ujala for a period of 30 months. Advertising expenses were up 29.33% y-o-y. On the whole, Operating margins were down by 329 bps to 20.8%. PAT was up by 17% at Rs.257.1 Mn while EPS stood at Rs.3.5

On the JFSL (Jyothy Fabricare Services Ltd.) front, the business continues to operate with 35 stores. This includes 30 Snoways and 5 Fabrispa outlets. The business has acquired a contract from Railways to wash linen for 12 trains. Also they have been selected as the Official Launderers for the Commonwealth Games 2010. For Q1FY11, 32,000 pieces were washed a day as against an average of 22,000 for Q4FY10.

JLL has also got an approval from the Board for raising funds upto Rs.3,000 Mn through a QIP. The Company is eyeing a domestic acquisition in the fabric care space.

At the CMP of Rs.279.05, JLL trades at a standalone PE(TTM) of 24.2 times. The Company does not report consolidated nos on a quarterly basis however given that the JFSL business is yet to breakeven, consolidated PE would be slightly higher. Valuations are rich. The Company is on a high growth track with new product introductions and geographic expansions however we believe these are fully priced in at these levels. Given higher crude prices, changing product mix and higher media investments, the margins may come under pressure from here on. Any significant price outbreak from these levels may require a reassessment vis-a-vis the fundamentals. JLL continues to be virtually debt free with strong amounts of cash. Recommend a 'Hold' for now.

Quarterly Analysis

Earnings Statement					
YE March (Rs. Mn.)	Q1FY11	Q4FY10	Q-Q(%)	Q1FY10	Y-Y(%)
Net Revenues	1,513.2	1,901.9	-20.44%	1,194.9	26.64%
Cost of Materials	739.1	1,134.9	-34.88%	534.6	38.23%
Gross Profit	774.1	767.0	0.93%	660.3	17.24%
Staff Costs	194.9	161.2	20.89%	166.0	17.42%
Advertisements and Sales Promotions	96.0	119.1	-19.39%	74.2	29.33%
Other Expenses	168.7	180.8	-6.69%	132.4	27.39%
Total Expenditure	1,198.7	1,596.1	-24.90%	907.3	32.11%
Operating Profit	314.5	305.8	2.84%	287.6	9.35%
OPM (%)	20.78%	16.08%		24.07%	
Other Income	40.0	81.1	-50.72%	29.9	33.62%
EBITDA	354.5	386.9	-8.39%	317.5	11.64%
Depreciation	28.7	32.0	-10.47%	23.2	23.70%
EBIT	325.8	354.9	-8.20%	294.3	10.69%
Interest	0.4	5.0		0.4	
PBT	325.4	349.9	-7.01%	294.0	10.67%
Tax	68.3	78.7	-13.26%	74.2	-7.96%
PAT	257.1	271.2	-5.20%	219.8	16.96%
Equity Capital (FV Re1)	72.6	72.6		72.6	
EPS	3.5	3.7	-5.20%	3.0	16.96%
Ratio Analysis					
Profitability					
YE March	Q1FY11	Q4FY10	Q-Q(bps)	Q1FY10	Y-Y(bps)
OPM (%)	20.8%	16.1%	470.4	24.1%	(328.5)
EBITDA (%)	23.4%	20.3%	308.0	26.6%	(314.7)
EBIT (%)	21.5%	18.7%	286.9	24.6%	(310.2)
PAT (%)	17.0%	14.3%	273.1	18.4%	(140.6)
Operational Parameters					
YE March	Q1FY11	Q4FY10	Q-Q(bps)	Q1FY10	Y-Y(bps)
RM Consumed	48.8%	59.7%	(1,083.2)	44.7%	409.8
Staff Cost	12.9%	8.5%	440.3	13.9%	(101.1)
Advertisements and Sales Promotions	6.3%	6.3%	8.3	6.2%	13.2
Other Expenditure	11.1%	9.5%	164.2	11.1%	6.6
Effective Tax Rate	21.0%	22.5%	(151.1)	25.2%	(424.6)

Financials

Earnings Statement					Balance Sheet				
Particulars (Rs Mn)	Jun'07	Jun'08	Mar'09	Mar'10	Particulars (Rs Mn)	Jun'07	Jun'08	Mar'09	Mar'10
Total Revenues	3,630.4	3,795.6	3,634.9	5,981.0	Equity Capital	72.6	72.6	72.6	72.6
- Growth (%)	20.2%	4.5%	-4.2%	64.5%	Reserves	2853.4	3182.4	3396.1	3805.0
Total Expenditure	3,089.3	3,185.8	3,147.3	5,062.9	Shareholders Funds	2926.0	3254.9	3468.7	3877.6
Operating Profit	541.1	609.8	487.6	918.1	Minority Interest	-	-	2.6	5.0
Other Income	87.2	79.0	76.1	178.0	Loan Funds	7.8	5.2	5.2	130.5
EBITDA	628.3	688.8	563.7	1,096.1	Deferred Tax Liability, Net	50.1	83.2	104.8	132.8
Depreciation	65.9	79.8	74.8	123.7	Total Liabilities	2983.8	3343.3	3581.3	4145.9
EBIT	562.4	609.0	488.8	972.5	Fixed Assets	1677.6	2043.3	2114.1	2377.4
Interest	1.8	6.8	7.1	17.0	Investments	9.2	5.2	2.3	0.1
PBT and Exceptional Items	560.6	602.2	481.7	955.5	Current Assets				
Other Exceptional Items	27.5	63.3	-	-	Inventory	414.1	478.6	470.2	730.4
PBT	588.1	665.4	481.7	955.5	Sundry Debtors	407.4	254.0	429.0	707.3
Tax	74.0	166.9	108.0	214.8	Loans & Advances	137.8	188.8	218.2	339.8
PAT Before Minority Interest	514.2	498.5	373.7	740.7	Cash & Bank Balance	769.6	960.0	1019.3	1227.2
- Growth (%)	28.9%	-3.0%	-25.0%	98.2%	Other Current Assets	2.4	2.2	3.1	11.4
Minority Interest (share in loss)			(9.9)	(2.7)	Current Liabilities				
Reported PAT	514.2	498.5	383.6	743.4	Liabilities	384.2	368.1	422.3	786.1
					Provisions	50.9	221.6	253.4	461.7
					Net Current Assets	1296.3	1294.1	1464.2	1768.3
					Miscellaneous Exp not W/Off	0.8	0.7	0.7	-
					Total Assets	2983.8	3343.3	3581.3	4145.9
Ratio Analysis					Cash Flow				
Particulars	Jun'07	Jun'08	Mar'09	Mar'10	Particulars (Rs Mn)	Jun'07	Jun'08	Mar'09	Mar'10
OPM (%)	14.9%	16.1%	13.4%	15.3%	Opening Cash & Bank	1,277.5	769.6	960.0	1,019.3
EBITDA (%)	17.3%	18.1%	15.5%	18.3%	Profit After Tax	514.2	498.5	383.6	743.4
PBIT (%)	15.5%	16.0%	13.4%	16.3%	Invt Income	(87.2)	(79.0)	(76.1)	(178.0)
PAT (%)	14.2%	13.1%	10.3%	12.4%	Interest Paid	1.8	6.8	7.1	17.0
Interest Cover (x)	313.5	88.9	68.9	57.4	Depreciation	65.9	79.8	74.8	123.7
EPS (Adjusted)(Rs.)	7.1	6.9	5.3	10.2	Deferred Taxation	(2.6)	21.7	21.6	28.0
P/E (Adjusted)(x)	-	14.5	10.9	16.6	Others	(7.5)	75.5	(17.0)	(1.0)
P/BV (Adjusted)(x)	-	2.2	1.2	3.2	Change in Working Cap	(160.5)	192.6	(110.8)	(96.3)
BVPS (Adjusted)(Rs.)	40.3	44.9	47.8	53.4	CF - Operating Activities	324.0	796.0	283.3	636.7
Market Cap (Rs. Mn.)	-	7,205.4	4,183.6	12,325.8	Change in Fixed Assets	(807.7)	(438.3)	(142.4)	(385.3)
M Cap/Sales (x)	-	1.9	1.2	2.1	Change in Investments	0.0	4.0	2.8	2.2
EV (Rs. Mn.)	-	6,250.5	3,169.5	11,229.2	Investment Income	87.2	79.0	76.1	178.0
EV/EBITDA (x)	-	9.1	5.6	10.2	CF - Investing Activities	(720.5)	(355.3)	(63.5)	(205.0)
EV/Sales (x)	-	1.6	0.9	1.9	Increase in Equity	(12.3)	(71.1)	13.8	4.0
ROCE (%)	18.8%	18.2%	13.6%	23.5%	Changes in Minority Interest	0.0	0.0	2.6	2.4
RONW (%)	17.6%	15.3%	11.1%	19.2%	Changes in Borrowings	6.6	(2.6)	0.0	125.3
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	Interest Paid	(1.8)	(6.8)	(7.1)	(17.0)
Inventory T/o Days	41.1	45.4	46.6	44.0	Dividend Paid	(104.0)	(169.8)	(169.8)	(338.5)
Debtors T/o Days	40.4	24.1	42.5	42.6	CF - Financing Activities	(111.4)	(250.3)	(160.5)	(223.8)
Advances T/o Days	13.7	17.9	21.6	20.5	Net Change in Cash	(507.9)	190.4	59.3	207.8
Creditors T/o Days	38.1	34.9	41.8	47.3	Closing Cash & Bank Bal	769.6	960.0	1,019.3	1,227.2
Working Cap T/o Days	128.5	122.7	145.0	106.4					
Fixed Assets T/o (Gross)	2.5	1.6	1.5	2.0					
DPS (Adjusted)(Rs.)	1.3	2.0	2.0	4.0					
Dividend Payout (%)	17.6%	29.1%	37.8%	39.0%					
Dividend Yield (%)	-	1.2%	1.2%	2.4%					

Disclaimer

Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Jyothy Laboratories Ltd.

NO
NO
NO

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Parag Parikh Financial Services Ltd. (PPFAS). PPFAS is disseminated and available primarily electronically, and, in some cases, in printed form. Additional information on recommended securities is available on request.

PPFAS is a Stock Broker registered with Securities and Exchange Board of India Limited (SEBI) and so it is regulated by SEBI. This report is not and should not be construed as an investment advice to any client to acquire, subscribe, purchase, sell, dispose of, retain any securities or an offer to sell or the solicitation of an offer to purchase or subscribe for any investment or as an official endorsement of any investment.

If 'Buy', 'Sell', or 'Hold' recommendation is made in this report such recommendation or view or opinion expressed on investments in this report is not intended to constitute investment advice and should not be intended or treated as a substitute for necessary review or validation or any professional advice. The views expressed in this report are those of the analyst which are subject to change and do not represent to be an authority on the subject. PPFAS may or may not subscribe to any and/ or all the views expressed herein.

PPFAS makes best endeavour to ensure that the analyst(s) use current, reliable, comprehensive information and obtain such information from sources, which the analyst(s) believes to be reliable. However, such information has not been independently verified by PPFAS or the analyst(s).

The information, opinions and views contained within this report are based upon publicly available information and rates of taxation at the time of publication, which are subject to change from time to time without any prior notice. reports may be updated anytime without any prior notice to any and/ or all client(s).

PPFAS makes no guarantee, representation or warranty, express or implied; and accepts no responsibility or liability as to the accuracy or completeness or currentness of the information in this report.

Please note that past performance is not necessarily a guide to evaluate future performance.

PPFAS and its affiliates and their respective officers directors and employees may hold positions in any securities mentioned in this report (or in any related investment) and may from time to time add to or dispose of any such securities (or investment).

This report should be read and relied upon at the sole discretion and risk of the client.

The value of any investment made at your discretion based on this report or income therefrom may be affected by changes in economic, financial and/ or political factors and may go down as well as up and you may not get back the full or the expected amount invested. Some securities and/ or investments involve substantial risk and are not suitable for all investors.

This report is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied in whole or in part, for any purpose. Neither this report nor any copy of it may be taken or transmitted or distributed, directly or indirectly within India or into any other countries or to any resident thereof. The distribution of this report in other jurisdictions may be strictly restricted and/ or prohibited by law, and persons into whose possession this report comes should inform themselves about such restriction and/ or prohibition, and observe any such restrictions and/ or prohibition.

Neither PPFAS nor its affiliates or their directors, employees, agents or representatives, shall be responsible or liable in any manner, directly or indirectly, for views or opinions expressed in this report or the contents or any errors or discrepancies herein or for any decisions or actions taken in reliance on the report or inability to use or access our service or this report or for any loss or damages whether direct or indirect, incidental, special or consequential including without limitation loss of revenue or profits or any loss or damage that may arise from or in connection with the use of or reliance on this report or inability to use or access our service or this report.

Contact

Ruchak Mehta

Analyst - Investment Research

ruchak@ppfas.com

91 22 2284 6555 Extn 202

Now access PPFAS Reports on Bloomberg

<PPFS> <Go>

Parag Parikh Financial Advisory Services Limited

130/132, Great Western Building, 1st Floor, S. B. Marg, Near Lion Gate, Fort, Mumbai - 400 001.

Tel : 91-22-2284 6555 Fax : 91-22-2284 6553, e-mail : researchcall@ppfas.com

www.ppfas.com