

**Jyothy Laboratories Limited**

CMP Rs. 160.2  
HOLD

Q3FY10  
Result Update

Jyothy Laboratories Ltd (JLL) reported a satisfactory set of numbers for the December quarter FY10.

On a y-o-y standalone basis, Net Sales increased by 13.55% from Rs.1,192 mn to Rs.1,353.5 mn while profits increased by 24.97% from Rs.134.8 mn to Rs.168.4 mn. On a segmental level, Soaps and Detergents (comprises fabric whitener, detergent, dishwash bar and soaps) sales grew by 13.7% while Home Care (comprises mosquito coils, dishwash scrubber and incense sticks) sales grew by 18.7%.

Exo, the dishwash bar, is on its move towards a national rollout and the company intends to complete this by Mar 2010. With this, Exo will be a Rs.150 crore brand, commented Mr. M.P. Ramachandran – Chairman and MD.

Management indicated that this was essentially a volume driven quarter while relatively low raw material prices helped experience a strong growth in the bottomline. Input prices were down 280 bps compared to the period a year ago. The company also increased investments in its products through media spends. Advertising expenses were up 72% y-o-y. On the whole, Operating margins improved by 16 bps to 13.6% and PAT was up by 24.97% to Rs.168.4 mn. EPS stood at Rs.2.32.

Market shares for the Brands stand as below :

Category	Q3FY10	Q3FY09	Q3FY10	Q3FY09
	Value		Volume	
Ujala	71.8%	74.3%	56.1%	58.8%
Maxo	21.1%	21.3%	21.5%	25.1%
Exo (South India)	22.8%	20.8%	20.8%	21.6%

The management also announced about an agreement with the DRDO (Defense Research & Development Organisation) for technology transfer of DEPA. This is a new variant of mosquito repellent developed by DRDO, presently being used to serve our soldiers on the border. This technology will be transferred to JLL on an exclusive basis. The products, in the form of lotion, cream and spray are expected to be launched in Q4 2010.

On the JFSL (Jyothy Fabricare Services Ltd.) front, the laundry business is now operational with 33 stores (30 for Snoways - economy and 3 for Fabrispa - premium). The company intends to open 7 new CDCs (Collection and Delivery Centres) by the end of this fiscal. On the whole, 20,000 pieces were washed a day as against an average of 14,000 in Q2FY10.

At the CMP of Rs.160.2, the stock trades at PE of 15.8x FY10E and 12.7x FY11E. With the rising food inflation, there are some concerns about a lower share of the wallet for FMCG products especially in the rural areas. JLL has considerable presence in these places. However, we believe, this should be a temporary phenomenon and should not last long, once the rabi crop yield starts coming in. Balance sheet of the company continues to be strong. We recommend a Hold.

## Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(%)	Q3FY09	Y-Y(%)	9MFY10	9MFY09	Y-Y(%)
Net Revenues	1,353.5	1300.7	4.06%	1,192.0	13.55%	3,849.2	3,051.0	26.16%
Cost of Materials	720.4	741.2	-2.80%	668.0	7.85%	1,996.2	1,620.6	23.17%
Gross Profit	633.1	559.6	13.14%	524.0	20.82%	1,852.9	1,430.3	29.55%
Staff Costs	172.8	182.9	-5.53%	150.6	14.79%	520.7	394.0	32.16%
Ads and Sales Promotions	111.6	63.6	75.55%	64.7	72.41%	249.4	197.0	26.63%
Other Expenses	165.0	150.3	9.80%	148.8	10.85%	448.7	394.3	13.82%
Total Expenditure	1,169.8	1,137.9	2.80%	1,032.1	13.34%	3,215.1	2,605.9	23.38%
Operating Profit	183.7	162.8	12.82%	159.9	14.89%	634.1	445.1	42.46%
OPM (%)	13.57%	12.52%		13.41%		16.47%	14.59%	
Other Income	35.6	35.313	0.69%	27.0	31.84%	100.8	74.0	36.27%
EBITDA	219.2	198.1	10.66%	186.8	17.34%	734.9	519.1	41.57%
Depreciation	25.8	23.596	9.25%	22.6	14.17%	72.6	65.3	11.06%
EBIT	193.5	174.5	10.85%	164.3	17.77%	662.3	453.7	45.97%
Interest	0.4	0.808		1.3		1.6	2.0	
PBT	193.1	173.7	11.14%	162.9	18.48%	660.7	451.8	46.26%
Tax	24.6	32.585	-24.43%	28.2	-12.56%	131.4	85.8	53.14%
PAT	168.4	141.1	19.35%	134.8	24.97%	529.4	366.0	44.65%
Equity Capital (FV Re1)	72.6	72.6		72.6		72.6	72.6	
EPS	2.3	1.9	19.35%	1.9	24.97%	7.3	5.0	44.65%
Ratio Analysis								
Profitability								
YE March	Q3FY10	Q2FY10	Q-Q(bps)	Q3FY09	Y-Y(bps)	9 mths FY10	9 mths FY09	Y-Y(bps)
OPM (%)	13.6%	12.5%	105.4	13.4%	15.8	16.5%	14.6%	188.4
EBITDA (%)	16.2%	15.2%	96.7	15.7%	52.3	19.1%	17.0%	207.8
EBIT (%)	14.3%	13.4%	87.6	13.8%	51.2	17.2%	14.9%	233.5
PAT (%)	12.4%	10.8%	159.5	11.3%	113.7	13.8%	12.0%	175.8
Operational Parameters								
YE March	Q3FY10	Q2FY10	Q-Q(bps)	Q3FY09	Y-Y(bps)	9 mths FY10	9 mths FY09	Y-Y(bps)
RM Consumed	53.2%	57.0%	(375.4)	56.0%	(281.4)	51.9%	53.1%	(125.8)
Staff Cost	12.8%	14.1%	(129.6)	12.6%	13.7	13.5%	12.9%	61.4
Ads and Sales Promotions	8.2%	4.9%	335.8	5.4%	281.5	6.5%	6.5%	2.4
Other Expenditure	12.2%	11.6%	63.8	12.5%	(29.7)	11.7%	12.9%	(126.4)
Effective Tax Rate	12.8%	18.8%	(600.4)	17.3%	(452.9)	19.9%	19.0%	89.3

## Financials

Earnings Statement						
Particulars (Rs Mn)	Jun'06	Jun'07	Jun'08	Mar'09	Mar'10E	Mar'11E
Total Revenues	3,019.3	3,630.4	3,795.6	3,622.3	5,793.1	6,877.2
- Growth (%)		20.2%	4.5%	-4.6%	59.9%	18.7%
Total Expenditure	2,556.5	3,089.3	3,185.8	3,147.3	4,821.9	5,750.4
Operating Profit	462.9	541.1	609.8	475.0	971.2	1,126.8
Income from Services	-	-	-	12.6	20.0	75.0
Other Income	121.2	87.2	79.0	76.1	76.4	108.7
EBITDA	584.0	628.3	688.8	563.7	1,067.6	1,310.5
Depreciation	56.5	65.9	79.8	74.8	83.4	82.4
EBIT	527.5	562.4	609.0	488.9	984.3	1,228.1
Interest	1.5	1.8	6.8	7.1	26.6	26.6
PBT and Exceptional Items	526.1	560.6	602.2	481.8	957.7	1,201.5
Other Exceptional Items		27.5	63.3	-	-	-
PBT	490.7	588.1	665.4	481.8	957.7	1,201.5
Tax	91.9	74.0	166.9	108.0	215.5	270.3
PAT Before Minority Interest	398.9	514.2	498.5	373.7	742.2	931.2
- Growth (%)		28.9%	-3.0%	-25.0%	98.6%	25.5%
Minority Interest (share in loss)	-			(9.9)	5.0	18.8
Reported PAT	465.9	514.2	498.5	383.6	737.2	912.4

Ratio Analysis						
Particulars	Jun'06	Jun'07	Jun'08	Mar'09	Mar'10E	Mar'11E
OPM (%)	15.3%	14.9%	16.1%	13.1%	16.8%	16.4%
EBITDA (%)	19.3%	17.3%	18.1%	15.6%	18.4%	19.1%
PBIT (%)	17.5%	15.5%	16.0%	13.5%	17.0%	17.9%
PAT (%)	13.2%	14.2%	13.1%	10.3%	12.8%	13.5%
Interest Cover (x)	358.9	313.5	88.9	68.9	37.0	46.2
EPS (Rs.)	6.4	7.1	6.9	5.3	10.2	12.6
P/E (x)	25.0	22.6	23.3	30.3	15.8	12.7
P/BV (x)	4.6	4.0	3.6	3.4	2.9	2.5
BVPS (Rs.)	35.0	40.3	44.9	47.8	55.6	64.7
Market Cap (Rs. Mn.)	11,625.7	11,625.6	11,625.6	11,625.6	11,625.6	11,625.6
M Cap/Sales (x)	3.9	3.2	3.1	3.2	2.0	1.7
EV (Rs. Mn.)	10,349.4	10,863.7	10,670.7	10,611.4	10,331.0	9,779.3
EV/EBITDA (x)	17.7	17.3	15.5	18.8	9.7	7.5
EV/Sales (x)	3.4	3.0	2.8	2.9	1.8	1.4
ROCE (%)	20.4%	18.8%	18.2%	13.7%	22.7%	24.3%
RONW (%)	18.4%	17.6%	15.3%	11.1%	18.3%	19.4%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	0.0	0.0
Inventory T/o Days	29.8	41.1	45.4	46.7	45.0	45.0
Debtors T/o Days	38.6	40.4	24.1	42.6	43.2	43.2
Advances T/o Days	11.9	13.7	17.9	21.7	21.6	21.6
Creditors T/o Days	28.3	38.1	34.9	42.0	39.6	39.6
Working Cap T/o Days	196.0	128.5	122.7	145.5	137.3	151.9
Fixed Assets T/o (Gross)	2.7	2.5	1.6	1.5	2.2	2.5
DPS (Adjusted)(Rs.)	1.3	1.3	2.0	2.0	2.0	3.0
Dividend Payout (%)	19.5%	17.6%	29.1%	37.8%	19.7%	23.9%
Dividend Yield (%)	0.8%	0.8%	1.2%	1.2%	1.2%	1.9%

## Quarterly Financials

Balance Sheet						
Particulars (Rs Mn)	Jun'06	Jun'07	Jun'08	Mar'09	Mar'10E	Mar'11E
Equity Capital	72.6	72.6	72.6	72.6	72.6	72.6
Reserves	2465.7	2853.4	3182.4	3396.1	3963.5	4621.3
Shareholders Funds	2538.2	2926.0	3254.9	3468.7	4036.1	4693.9
Minority Interest	-	-	-	2.6	7.6	26.4
Loan Funds	1.2	7.8	5.2	5.2	155.2	155.2
Deferred Tax Liability, Net	52.7	50.1	83.2	104.8	133.5	168.4
Total Liabilities	2592.1	2983.8	3343.3	3581.3	4332.5	5043.8
Fixed Assets	939.3	1677.6	2043.3	2114.1	2120.7	2138.4
Investments	9.2	9.2	5.2	2.3	2.3	2.3
Current Assets						
Inventory	249.6	414.1	478.6	470.2	724.1	859.6
Sundry Debtors	323.7	407.4	254.0	429.0	695.2	825.3
Loans & Advances	99.4	137.8	188.8	218.2	347.6	412.6
Cash & Bank Balance	1277.5	769.6	960.0	1019.3	1449.8	2001.5
Other Current Assets	3.3	2.4	2.2	3.1	5.8	6.9
Current Liabilities						
Liabilities	237.4	384.2	368.1	422.3	637.2	756.5
Provisions	72.43	50.9	221.6	253.4	376.5	447.0
Net Current Assets	1643.6	1296.3	1294.1	1464.2	2208.7	2902.4
Miscellaneous Exp not W/Off	-	0.8	0.7	0.7	0.7	0.7
Total Assets	2592.1	2983.8	3343.3	3581.3	4332.5	5043.8

Cash Flow						
Particulars (Rs Mn)	Jun'06	Jun'07	Jun'08	Mar'09	Mar'10E	Mar'11E
Opening Cash & Bank	892.6	1,277.5	769.6	960.0	1,019.3	1,449.8
Profit After Tax	465.9	514.2	498.5	383.6	737.2	912.4
Invnt Income	(121.2)	(87.2)	(79.0)	(76.1)	(76.4)	(108.7)
Interest Paid	1.5	1.8	6.8	7.1	26.6	26.6
Depreciation	56.5	65.9	79.8	74.8	83.4	82.4
Deferred Taxation	32.2	(2.6)	21.7	21.6	28.7	34.8
Others	(412.7)	(7.5)	75.5	(17.0)	0.0	0.0
Change in Working Cap	403.88	(160.5)	192.6	(110.8)	(314.1)	(142.0)
CF - Operating Activities	426.1	324.0	796.0	283.3	485.4	805.5
Change in Fixed Assets	(124.2)	(807.7)	(438.3)	(142.4)	(90.0)	(100.0)
Change in Investments	0.0	0.0	4.0	2.8	0.0	0.0
Investment Income	121.2	87.2	79.0	76.1	76.4	108.7
CF - Investing Activities	(3.0)	(720.5)	(355.3)	(63.5)	(13.6)	8.7
Increase in Equity	65.9	(12.3)	(71.1)	13.8	0.0	0.0
Changes in Minority Interest	0.0	0.0	0.0	2.6	5.0	18.8
Changes in Borrowings	0.8	6.6	(2.6)	0.0	150.0	0.0
Interest Paid	(1.5)	(1.8)	(6.8)	(7.1)	(26.6)	(26.6)
Dividend Paid	(103.4)	(104.0)	(169.8)	(169.8)	(169.8)	(254.7)
CF - Financing Activities	(38.1)	(111.4)	(250.3)	(160.5)	(41.4)	(262.5)
Net Change in Cash	384.9	(507.9)	190.4	59.3	430.4	551.7
Closing Cash & Bank Bal	1,277.5	769.6	960.0	1,019.3	1,449.8	2,001.5

# 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 Limited

NO  
YES  
YES

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