

Jyothy Laboratories LimitedCMP Rs. 145.2
BUYResult Update
Q2FY10Ruchak Mehta | ruchak@ppfas.com

Jyothy Laboratories Ltd (JLL) came out with a mind-boggling set of numbers for the September quarter FY10. On a y-o-y basis, Net Sales shot up by 48.8% from Rs. 874 mn to Rs. 1,300 mn while profits increased almost three fold from Rs.50.9 mn to Rs.141 mn.

This impressive performance was led by an all-round topline growth across both segments of JLL i.e. Soaps and Detergents as well as Home Care. Soaps and Detergents segment grew by 49% while the Home Care segment grew by 48%.

In the Soaps and Detergents segment, it was Exo and the detergents business that led the growth. Exo grew by 60% (value) while the detergents business, though on a lower base, grew four fold. Exo, is on its move towards a national rollout and has now been launched in Maharashtra, Uttar Pradesh, West Bengal and Delhi region. This trend in Exo is expected to continue for another two quarters as the company intends to make a complete rollout by Mar 2010. Gross margins for the segment improved from about 16% to 23%. This was directly related to the crude prices.

Home Care segment, which primarily comprises Maxo, benefitted from an extended monsoon. Apart from that, the focus on liquids and a low base effect aided the high growth. While the category is growing at decent rates, such high rises may be a one-time phenomenon and not sustainable on a prolonged basis. Also, Maxo saw its gross margins improve and segmental profits increased more than four fold from Rs. 4.74 mn to Rs. 21.6 mn. Improvement in Gross margins was primarily because of the in-house production from Jammu plant as against getting it done by TPMs (Third Party Manufacturers).

Overall, it has been a very impressive quarter. Operating margins improved by 510 bps to 12.5% while EPS grew by 177% from Rs. 0.70 to Rs. 1.94. Taking into account the increased margins on Maxo, we have revised our yearly forecasts upwards, from Rs. 9.0 to Rs. 10.3 for FY10 and from Rs. 11.4 to Rs. 13 for FY11. Under this revised forecast, the stock trades at 14.1x FY10E which still makes it attractive as compared to other FMCG companies and considering the high growth trajectory that the company is experiencing. We recommend a BUY.

Jyothy Labs : Q2FY10 Quarterly Analysis

Earnings Statement								
YE March (Rs. Mn.)	Q2FY10	Q1FY10	Q-Q(%)	Q2FY09	Y-Y(%)	H1FY10	H1FY09	Y-Y(%)
Net Revenues	1,300.7	1,191.5	9.17%	874.3	48.78%	2,495.7	1,859.0	34.25%
Cost of Materials	741.2	531.1	39.55%	509.3	45.54%	1,275.8	952.67	33.92%
Gross Profit	559.6	660.4	-15.26%	365.0	53.31%	1,219.8	906.3	34.59%
Staff Costs	182.9	166.1	10.14%	126.9	44.15%	348.9	245.5	42.12%
Ads and Sales Promotions	63.6	74.3	-14.43%	62.4	1.95%	137.8	132.2	4.22%
Other Expenses	150.3	132.8	13.19%	110.9	35.48%	282.7	243.3	16.18%
Total Expenditure	1,137.9	904.3	25.84%	809.4	40.58%	2,045.3	1,573.8	29.96%
Operating Profit	162.8	287.2	-43.32%	64.8	151.14%	450.4	285.2	57.91%
OPM (%)	12.52%	24.11%		7.41%		18.05%	15.34%	
Other Income	35.3	29.9	18.10%	22.3	58.19%	65.2	47.00	38.81%
EBITDA	198.1	317.1	-37.53%	87.1	127.33%	515.6	332.2	55.20%
Depreciation	23.6	23.2	1.71%	22.0	7.19%	46.8	42.8	9.41%
EBIT	174.5	293.9	-40.62%	65.1	167.94%	468.8	289.5	61.97%
Interest	0.8	-		0.3		1.2	0.7	
PBT	173.7	293.9	-40.90%	64.8	167.92%	467.7	288.8	61.93%
Tax	32.6	74.2	-56.08%	13.9	134.61%	106.7	57.6	85.25%
PAT	141.1	219.7	-35.77%	50.9	177.00%	360.9	231.2	56.12%
Equity Capital (FV Re1)	72.6	72.6		72.6		72.6	72.6	
EPS	1.9	3.0	-35.74%	0.7	177.00%	5.0	3.2	56.12%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q210	Q110	Q-Q(bps)	Q209	Y-Y(bps)	H110	H109	Y-Y(bps)
OPM (%)	12.5%	24.1%	(1,159.0)	7.4%	510.1	18.0%	15.3%	270.4
EBITDA (%)	15.2%	26.6%	(1,138.5)	10.0%	526.3	20.7%	17.9%	279.0
EBIT (%)	13.4%	24.7%	(1,125.2)	7.5%	596.7	18.8%	15.6%	321.5
PAT (%)	10.8%	18.4%	(759.2)	5.8%	502.2	14.5%	12.4%	202.6
Operational Parameters								
YE March (Rs. Mn.)	Q210	Q110	Q-Q(bps)	Q209	Y-Y(bps)	H110	H109	Y-Y(bps)
RM Consumed	57.0%	44.6%	1,240.5	58.3%	(127.1)	51.1%	51.2%	(12.5)
Staff Cost	14.1%	13.9%	12.4	14.5%	(45.1)	14.0%	13.2%	77.4
Ads and Sales Promotions	4.9%	6.2%	(134.8)	7.1%	(224.5)	5.5%	7.1%	(159.1)
Other Expenditure	11.6%	11.1%	41.0	12.7%	(113.4)	11.3%	13.1%	(176.1)
Effective Tax Rate	18.8%	25.2%	(648.7)	21.4%	(266.3)	22.8%	19.9%	287.3

Jyothy Labs : Financials

Earnings Statement (Rs Mn)						
Particulars	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	4,854.2	5,787.6
Operating Profit	462.9	541.1	609.8	475.0	938.9	1,089.5
Income from Services	-	-	-	12.6	75.0	150.0
Other Income	121.2	87.2	79.0	76.1	76.4	110.1
EBITDA	584.0	628.3	688.8	563.7	1,090.3	1,349.6
Depreciation	56.5	65.9	79.8	74.8	83.4	82.4
EBIT	527.5	562.4	609.0	488.9	1,007.0	1,267.2
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	980.4	1,240.7
Other Exceptional Items		27.5	63.3	-	-	-
PBT	490.7	588.1	665.4	481.8	980.4	1,240.7
Tax	91.9	74.0	166.9	108.0	220.6	279.1
PAT Before Minority Interest	398.9	514.2	498.5	373.7	759.8	961.5
- Growth (%)		28.9%	-3.0%	-25.0%	103.3%	26.5%
Minority Interest (share in loss)	-			(9.9)	10.0	20.0
Reported PAT	465.9	514.2	498.5	383.6	749.8	941.5

Ratio Analysis						
Particulars	Jun'06	Jun'07	Jun'08	Mar'09	Mar'10E	Mar'11E
OPM (%)	15.3%	14.9%	16.1%	13.1%	16.2%	15.8%
EBITDA (%)	19.3%	17.3%	18.1%	15.6%	18.8%	19.6%
PBIT (%)	17.5%	15.5%	16.0%	13.5%	17.4%	18.4%
PAT (%)	13.2%	14.2%	13.1%	10.3%	13.1%	14.0%
Interest Cover (x)	358.9	313.5	88.9	68.9	37.9	47.7
EPS (Rs.)	6.4	7.1	6.9	5.3	10.3	13.0
P/E (x)	22.6	20.5	21.1	27.5	14.1	11.2
P/BV (x)	4.2	3.6	3.2	3.0	2.6	2.2
BVPS (Rs.)	35.0	40.3	44.9	47.8	55.8	65.3
Market Cap (Rs. Mn.)	10,537.2	10,537.0	10,537.0	10,537.0	10,537.0	10,537.0
M Cap/Sales (x)	3.5	2.9	2.8	2.9	1.8	1.5
EV (Rs. Mn.)	9,260.9	9,775.2	9,582.2	9,522.9	9,224.2	8,641.0
EV/EBITDA (x)	15.9	15.6	13.9	16.9	8.5	6.4
EV/Sales (x)	3.1	2.7	2.5	2.6	1.6	1.3
ROCE (%)	20.4%	18.8%	18.2%	13.7%	23.1%	24.9%
RONW (%)	18.4%	17.6%	15.3%	11.1%	18.5%	19.9%
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	138.4	154.5
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%	19.4%	23.1%
Dividend Yield (%)	0.9%	0.9%	1.4%	1.4%	1.4%	2.1%

Jyothy Labs : 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	3976.1	4662.9
Shareholders Funds	2538.2	2926.0	3254.9	3468.7	4048.7	4735.5
Minority Interest	-	-	-	2.6	12.6	32.6
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	134.2	170.2
Total Liabilities	2592.1	2983.8	3343.3	3581.3	4350.7	5093.5
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	1468.1	2051.2
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	2227.0	2952.1
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	4350.7	5093.5

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	1,468.0
Profit After Tax	465.9	514.2	498.5	383.6	749.8	941.5
Invt Income	(121.2)	(87.2)	(79.0)	(76.1)	(76.4)	(110.1)
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	29.4	36.0
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	498.6	834.4
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	110.1
CF - Investing Activities	(3.0)	(720.5)	(355.3)	(63.5)	(13.6)	10.1
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	10.0	20.0
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)	(36.4)	(261.3)
Net Change in Cash	384.9	(507.9)	190.4	59.3	448.7	583.2
Closing Cash & Bank Bal	1,277.5	769.6	960.0	1,019.3	1,468.0	2,051.2

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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
YES

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