

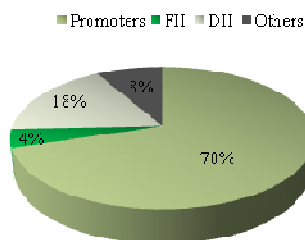
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Investment Details	
CMP (Rs.)	231.9
Target (Rs.)	290.0
Upside Potential (%)	25.0 %
Horizon (Months)	10-12 M

Profile	
Industry	FMCG
Market Cap (Rs cr.)	1683.6
Face Value (Rs.)	1
52-week high/low (Rs.)	251.7/85.1
Book Value (Rs.)	47.8
Price / Book Value	4.9
PE Ratio (TTM)	22.6
Dividend (%)	400
Average Daily Volume (1 Y)	103681

Shareholding



Source: BSE. Figures as on March 31, 2010.

BUY Jyothy Laboratories Limited

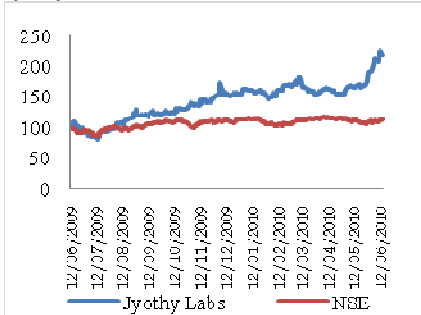
Over the years, Jyothy Laboratories Limited (JLL) has evolved into a multi brand FMCG company from a single product proprietary firm. It is into the manufacturing and marketing of products in fabric care, mosquito repellent, surface cleaning, personal care & incense sticks and owns major brands like Ujala, Maxo, Exo and Jeeva. The company has 21 manufacturing facilities in 14 locations across India, some of which are tax efficient units. It has 3,000 distributors, over 1,500 field staff and direct reach of over a million retail outlets.

It forayed into organized laundry business in 2008 through its subsidiary, Jyothy Fabricare Services Limited (JFSL). JFSL provides service under two broad categories—retail and institutional. 'FABRIC SPA' and 'SNOWWAYS' are the premium and economy service brands under the retail category. Both premium and economy category offers door-to-door service. Under the institutional segment, it taps hotels, service apartments, paying guest accommodation, hostels and airlines. As usual, where retail segment gives high margins, the institutional segment generates high volumes.

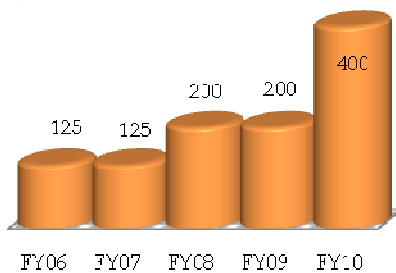
KEY INVESTMENT ARGUMENTS

- **Strong brand with increasing market share (by value)**
Its Ujala brand is a leader in the fabric care segment. Ujala enjoys a market share of 72%. In fact, during FY10, the market share has improved marginally. Similarly, in the homecare products—Maxo and Exo—gained market share. The market share of Maxo has increased to around 24% in FY10 from around 23% a year ago. Also, it has improved in case of Exo. Currently, Exo has a market share of around 24% in South India and around 9% on national basis. Management aims to increase the national market share of Exo to 25% in the next three years.
- **Margin expansion**
The profit margins have improved during FY10. PBDIT margin expanded to 18.0% in FY10 from 14.2% a year ago. Similarly, APAT margins have also improved to 12.5% from 9.4% during the same period. On the back of hike in the price of Ujala, the profit margins are expected to get bolstered further during FY11, however, only marginally. Marginal improvement on the margins is due to the fact that the gain from price hike in Ujala will partially be absorbed by the advertisement cost likely to occur on national launch of Exo. Two of its manufacturing units enjoy 100% tax benefits, which will last till 2013.
- **Debtless balance sheet**
For the last six years, the balance sheet of the company remained debt free. The management indicates that the company would like to continue to be debt free.
- **Robust Distribution channel**
JLL has strong distribution channel with more than 1,500 field staff serving over 3,000 distributors. Including both rural and urban, it has direct reach to more than a million retail outlets.

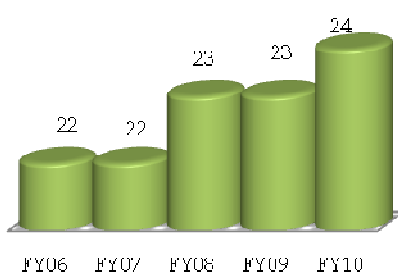
Jyothy Labs V/s NSE



Dividend (%)



Maxo-Market Share (Volume) %



➤ **Backward integration to give competitive edge**

Backward integration and continuous thrive for technological innovation makes JLL cost competitive. The Company has in-house facilities for manufacturing containers and its machinery. In fact, because of this, it has been able to hold the price of its standard 75ml bottle of Ujala fabric whitener at Rs 10 per piece for over three years. Recently, the price was revised to Rs 12 and now management plans to increase it to Rs 14 per piece.

➤ **Decent growth expected for FY11**

During FY10, on trailing 12 months basis, the top and bottom line grew by 28% and 38%, respectively. This was led by volume growth as JLL did not go for any price increase. The contribution to the top line from the Fabric care segment stood at 47%, whereas, Repellant contributed 31%. During FY11, we expect relatively higher contribution from the Dish-washing segment as compared to FY10 level due to national launch of Exo. For FY11, we expect the top and bottom line of the company to grow by around 22% and 25%, respectively.

➤ **Brand extension to reap benefit**

After the success in Kerala, Ujala Detergent, an extension of Ujala brand, is being offered in Karnataka and Tamilnadu. Similarly, Ujala Stiff & Shine is being sold in other part of the nation after Kerala. JLL’s strategy to cater to masses in rural areas with coil, where no electricity is required and with liquid vaporizers and sprays in urban areas, augurs well.

➤ **Expansions in terms of new products**

We expect JLL to expand its product portfolio in the homecare segment. For the same, we expect the company to go inorganic rather than developing the new product in-house.

➤ **Laundry business to add value**

Currently it operates in Bangalore but the management intends to expand it in Chennai, Hyderabad and Pune during FY12. For advertising the company will focus on print, radio and outdoor branding. In fact, one of the marketing strategies is to tap manufacturers of branded cloth and garments to establish direct contact with their clients. Institutional clientele includes names such as ITC-Fortune, Mapple, Hotel IRIS in hotel & resorts category, Lufthansa, Air France in airlines and Oakwood-Prestige, Sterling Suites in the service apartments category.

KEY CONCERNS

➤ **Increase in crude price**

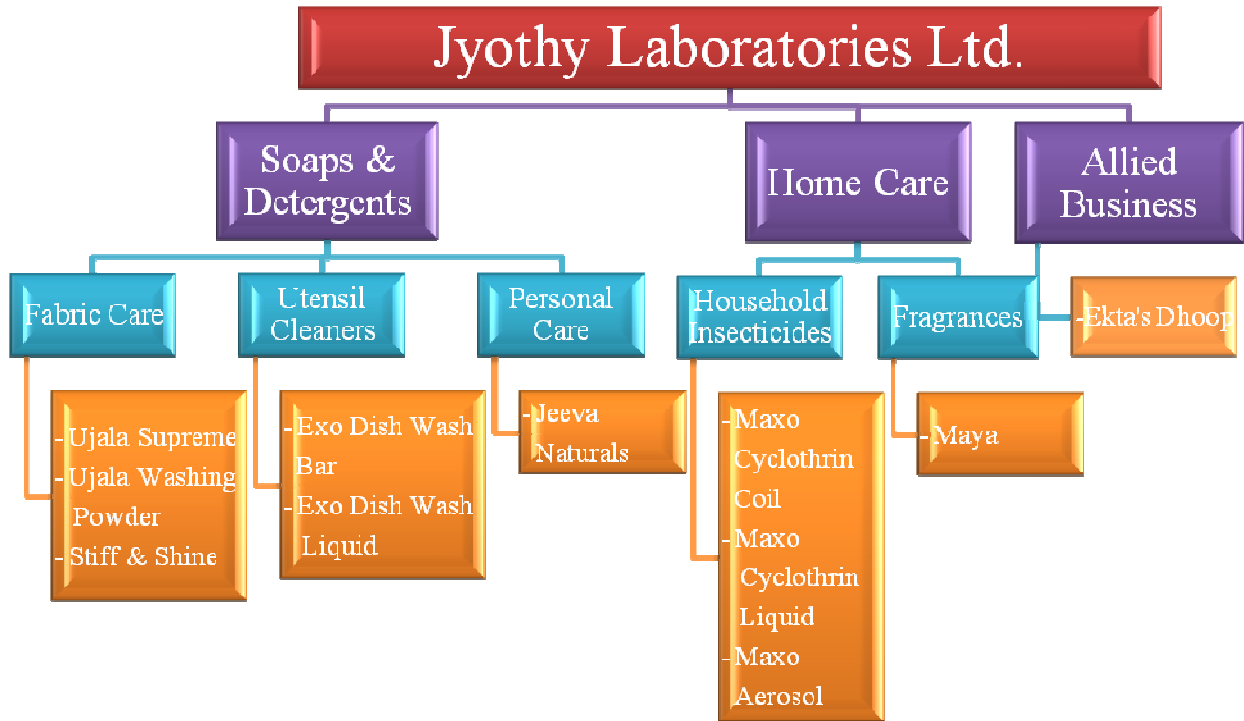
A major part of the raw materials consist of petroleum products and hence steep hike in crude oil price will affect its profitability.

VALUATIONS

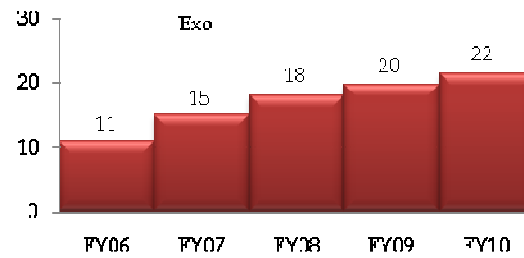
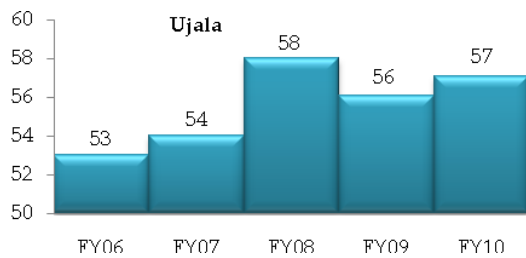
JLL, Rs 1683.6 cr. company by market capitalization, is currently trading at a share price of Rs 231.9. Current EPS is Rs 10.2, which translates into a PE of 22.6. In terms of price to book value, it is current available at 4.9 and 2.8 in terms of market cap to sales ratio. We expect the bottom line to grow at 25% for FY11. Given the possible margin expansion and growth prospects the stock is an attractive buy.

We recommend a “BUY” on the stock with an investment horizon of 10-12 month and target price of Rs. 290.

ORGANIZATION STRUCTURE

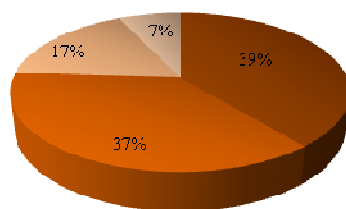


Brands - market share (Volume) %



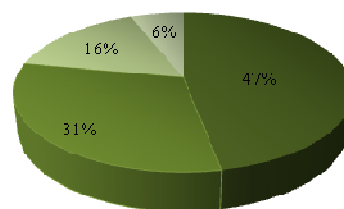
Jyothy Labs – Category wise revenue break-up

Legend: Fabric, Repellant, Dishwashing, Others



Figures for FY09.

Legend: Fabric, Repellant, Dishwashing, Others



Figures for FY10.

FINANCIAL STATEMENTS:

Income Statement: Standalone

Rs. Crores

Particulars	Q4FY10	Q3FY10	Q4FY09	QoQ (%)	YoY (%)
Net Sales	189.5	134.9	144.5	40.4	31.1
Other Income	2.1	3.3	2.1	-34.7	2.9
Total Income	197.6	138.5	147.4	42.7	34.0
Total Expenditure	158.9	116.5	117.1	36.4	35.7
PBIDT	38.7	21.9	30.3	76.3	27.4
PBIDT Margin %	20.4	16.2	21.0		
Interest	0.5	0.0	0.2	1025.0	125.0
PBDT	38.2	21.9	30.1	74.6	26.7
Depreciation	3.2	2.6	2.4	24.0	36.2
PBT	35.0	19.3	27.8	81.3	25.9
Tax	7.9	2.5	6.3	220.3	26.1
Adjusted PAT	27.1	16.8	21.5	61.0	25.9
NPM (%)	14.3	12.5	14.9		

Financials: Consolidated

Rs. Crores

	201003	200903	200803	200703	200603	200503	5 yr CAGR %
Share Capital	7.3	7.3	7.3	7.3	7.3	7.3	
Networth		346.9	325.5	292.6	253.8	217.2	
Capital Employed		347.4	326.0	293.4	254.0	217.3	
Total Income	614.1	390.9	414.0	447.0	369.3	312.2	14.5
Total Expenditure	504.5	334.5	338.8	381.5	314.5	278.8	12.6
Revenues	596.3	385.2	397.6	421.9	357.5	308.3	14.1
PBIDT	109.6	56.4	75.2	65.6	54.8	33.4	26.8
Other Income	11.1	7.6	14.2	11.5	12.1	6.0	
Interest	1.7	0.7	0.7	0.2	0.2	0.1	
Depreciation	12.4	7.5	8.0	6.6	5.7	5.0	
PBIT	97.2	48.9	67.2	59.0	49.2	28.4	
APAT	74.3	38.4	44.9	51.7	39.8	27.1	22.4
Operating Cash Flows		29.9	56.6	32.4	51.2	39.0	
Free Cash Flows		27.7	-5.8	15.5	48.1	33.9	
Dividend %	400.0	200.0	200.0	125.0	125.0	30.0	
CEPS (Rs.)		5.8	38.2	39.0	61.0	37.3	
EPS (Rs.)*	10.2	6.4	32.7	34.5	53.2	30.4	-19.6
Debt-Equity Ratio		0.0	0.0	0.0	0.0	0.0	
Interest Coverage Ratio		68.9	98.9	327.6	327.8	429.5	
RoNW %		14.8	16.1	18.8	16.9	13.3	
PBIDT Margin %	18.0	14.2	18.3	15.1	15.0	12.4	
PBIT Margin %	15.8	12.3	16.4	13.6	13.4	10.8	
APAT Margin %	12.5	9.4	12.2	11.9	10.9	8.5	
Total Asset Turnover Ratio		0.9	1.1	1.3	1.3		
Fixed Asset Turnover Ratio		1.9	2.6	4.3	4.4		
Market Cap/Sales	2.8						
PE Multiple	22.6						
P/BV Ratio	4.9						

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