



In partnership. With trust.

Jyothy Laboratories Ltd

Q4FY16 Result Update

“Operational excellence continues; ETR impact on bottom-line”

Sector: FMCG

CMP: ₹ 298

Recommendation: BUY

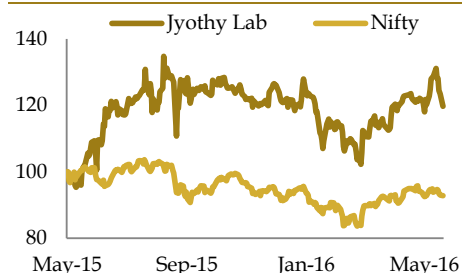
Market Statistics

Current stock price (₹)	298
Shares O/S (cr.)	18.1
Mcap (₹ cr)	5,404
52W H/L (₹)	342/240
6m avg. volume	110,162
Bloomberg	JYL IN

Shareholding Pattern

Promoters	66.74
Domestic Institution	9.33
Foreign Institution	14.46
Non-institution	9.47
of which more than 1%	
ICICI Prudential Life Insurance Company Ltd	3.22
Fidelity Management & Research Company Ltd	1.93

Jyothy Laboratories vs. Nifty



Capital efficiency & valuations

Particulars	FY16P	FY17E	FY18E
RoE (%)	15.9	17.4	19.4
RoCE (%)	15.5	19.6	22.8
EPS (₹)*	7.3	9.2	11.4
EV/OCF (x)	125.7	26.3	23.3
EV/EBITDA (x)	24.5	22.0	18.6
P/E (x)	39.4	33.3	26.7

* Adjusting to Interest Provision & ESOPs expense

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Jyothy Labs (Jyothy) has reported healthy consolidated net sales growth of 12.4% to ₹4,452mn (our expectation ₹4,357mn) - driven by 13.7% volume growth. Power brands clocked 13.6% sales growth with 15.3% volume growth. S&D (65% of sales), Home Care (32% of sales) & Laundry (3% of sales) segments clocked 10%, 19% & 7% growth during the quarter, respectively. Ujala, Exo, Maxo, Henko, Margo and Pril has reported 6.3%, 9.4%, 17.9%, 37.2%, -1.1% & 18.9% growth, respectively.

Gross Margin has increased significantly by 134bps to 50% - in-line with our expectation. Employee expenses grew by 13.5% while A&P spend was slightly soft and increased by 6.5% YoY. EBITDA Margin (Ex-ESOP expense) expanded by 45bps and stood at 13.5% (our expectation was 13.7%). EBITDA was at ₹601mn (up by 15% YoY) - in-line with our expectation of ₹603mn. EBIT Margin for S&D segment was at 18.2%, up 214bps while Home Care EBIT Margin was at 6.8%, up by 739bps.

PBT (before exceptional & ESOPs) was up by 20% to ₹521mn. However, higher ETR of 34.9% in Q4FY16 vs. 11.3% last year has impacted net earnings. APAT (ex-ESOP) declined by 12% to ₹329mn (our expectation was ₹475mn).

Healthy growth across all products barring Margo

Jyothy reported strong volume growth of 13.7% in Q4FY16. Ujala brand grew by 6.3% led by healthy growth in Ujala detergent and Crisp & Shine products. Exo despite showing robust volume growth of 19%, its sales growth was 9.4%. Maxo LV & Pril reported strong sales growth of 30% & 18.9%, respectively. Maxo Coil and Margo was a laggard registering decline of 0.7% & 1.1% respectively. Henko showed robust sales growth of 37.2% in Q4FY16. Laundry Services sales growth was up by 7.3%. Jyothy management is confident of maintaining volume growth through consistent marketing initiatives & new launches in the coming quarters.

Non-south grew healthy while South was muted

Jyothy's South business has been under pressure in the past several quarters and registered muted growth in the current quarter. Management focuses on targeting growth in Non South and aim to have two-thirds of sales from Non South going ahead. In FY16, Non South business grew by 11% while South growth was at 7%. In Q4FY16, South grew by 2% while Non-South by 19%. South: Non-South sales mix was 40%:60% vs. 41%:59% in FY15 - few years before it was 48%: 52%.

EBITDA Growth at 15%; Healthy EBITDA Margin of 13.5%

Gross Margin expanded healthy by 134bps to 50% in the quarter due to softening of input costs and favorable mix. A&P spend grew slow by 6.5% YoY and forms 11.6% of Sales. EBITDA grew by 15% YoY. Management plans to retain EBITDA Margin in the range of 14-15% despite high A&P spend.

Outlook & Valuation - Maintain BUY rating

Jyothy has gradually stabilised operating matrix & quarter performance has become more consistent. We believe now Jyothy's business has become more stable and predictable as compared to past few years. New product launches, higher category growth for dish wash products (Exo & Pril), strong traction in personal care through Margo and better distribution would support sales growth momentum in the coming quarters. We are positive on Jyothy's business and suggest investors to see long term potential in business. We don't see any material impact in operations post the change of guard from Mr. S. Raghunandan (CEO) to Mr. Rajnikant Sabnavis (COO).

Jyothy trades at P/E of 33.6x & 28.8x of FY16 & FY17 EPS. We expect Jyothy's valuation discount to its peers would further narrow down on account of Jyothy's successfully expansion of revenue stream, stabilisation of operating performance and as we are inching towards the Henkel AG's call option time. **We maintain BUY rating on the stock.**



Result Highlights

Exhibit 1: Quarter Highlight

Particulars (₹ mn)	Q4FY15	Q3FY16	Q4FY16	YoY Gr. (%)	QoQ Gr. (%)	FY15	FY16	YoY Gr. (%)
Net Sales	3,961	3,848	4,452	12.4	15.7	15,053	16,447	9.3
Gross Profit	1,952	2,023	2,228	14.1	10.1	7,374	8,474	14.9
Gross Margin (%)	48.7	52.5	50.0	2.7	(4.7)	48.7	51.5	279bps
A&P Expense	485	506	516	6.5	2.1	1,809	2,016	11.4
% of net sales	12.1	13.1	11.6	(4.1)	(11.6)	11.9	12.2	30bps
EBITDA	522	534	601	15.0	12.4	1,918	2,376	23.9
EBITDA margin %	13.0	13.9	13.5	3.5	(2.8)	12.7	14.4	177bps
PBT	306	453	548	79.1	21.0	1,247	2,041	63.7
Reported PAT	271	390	356	31.6	(8.7)	1,210	1,646	36.1
Adjusted PAT	374	414	329	(12.0)	(20.6)	1,354	1,821	34.6

Source: Company, Trust Research, Note: * adjusting to ESOS expense

Exhibit 2: Quarterly Segmental

Particulars (₹ mn)	Q4FY15	Q3FY16	Q4FY16	YoY Gr. (%)	QoQ Gr. (%)	FY15	FY16	YoY Gr. (%)
Revenue								
S&D	2,621	2,873	2,886	10.1	0	11,179	11,999	7.3
Home Care	1,198	819	1,422	18.7	74	3,323	3,874	16.6
Laundry	105	112	113	7.3	1	420	431	2.4
Others	41	46	31	(24.0)	(32)	182	162	(10.9)
Total	3,965	3,850	4,452	12.3	16	15,104	16,465	9.0
Revenue Mix (%)								
S&D	66.1	74.6	64.8	-128bps	-978bps	74.0	72.9	-114bps
Home Care	30.2	21.3	31.9	173bps	1,066bps	22.0	23.5	153bps
Laundry	2.7	2.9	2.5	-12bps	-38bps	2.8	2.6	-17bps
Others	1.0	1.2	0.7	-33bps	-50bps	1.2	1.0	-22bps
Total	100.0	100.0	100.0			100.0	100.0	
EBIT (₹ mn)								
S&D	422	429	526	24.8	22.5	1,477	1,941	31.4
Home Care	(8)	60	96	(1,353.3)	60.5	82	218	165.5
Laundry	(45)	(29)	(60)	32.0	106.6	(130)	(145)	11.6
Others	7	9	4	(52.6)	(59.3)	26	23	(12.5)
Total	376	469	566	50.4	20.7	1,455	2,037	40.0
EBIT Margin (%)								
S&D	16.1	14.9	18.2	214bps	328bps	13.2	16.2	296bps
Home Care	(0.6)	7.3	6.8	739bps	-55bps	2.5	5.6	316bps
Laundry	(43.1)	(25.8)	(53.0)	-991bps	-2,716bps	-	-	0bps
Others	18.1	18.7	11.3	-683bps	-745bps	14.5	14.3	-26bps
Total	9.5	12.2	12.7	322bps	53bps	9.6	12.4	274bps
EBIT Mix (%)								
S&D	112.1	91.6	93.0	-1,915bps	140bps	101.5	95.3	-621bps
Home Care	(2.0)	12.8	17.0	1,901bps	421bps	5.7	10.7	507bps
Laundry	(12.1)	(6.2)	(10.6)	148bps	-440bps	(9.0)	(7.1)	182bps
Others	2.0	1.8	0.6	-135bps	-122bps	1.8	1.1	-68bps
Total	100.0	100.0	100.0			100.0	100.0	

Source: Company, Trust Research

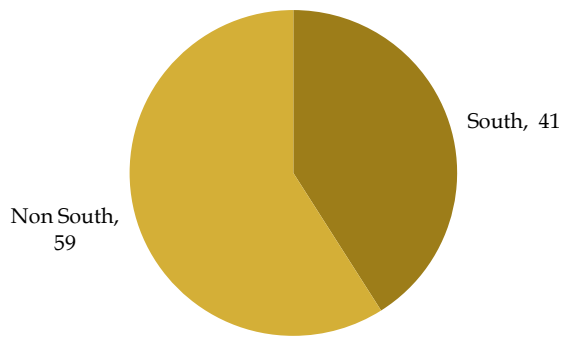


Exhibit 3: Business breakup

Category (₹mn)	Consolidated					
	Q4FY16	Q4FY15	Growth %	FY16	FY15	Growth %
Fabric Care	1,710	1,498	14.1%	6,883	6,391	7.7%
Dishwashing	1,148	1,029	11.6%	4,660	4,166	11.9%
Mosquito Repellent	1,143	965	18.4%	2,724	2,352	15.8%
Personal Care	283	292	-3.3%	1,483	1,411	5.1%
Other Products	56	72	-22.6%	265	312	-14.8%
Laundry Services	113	105	7.3%	431	421	2.4%
Total	4,452	3,961	12.4%	16,447	15,053	9.3%

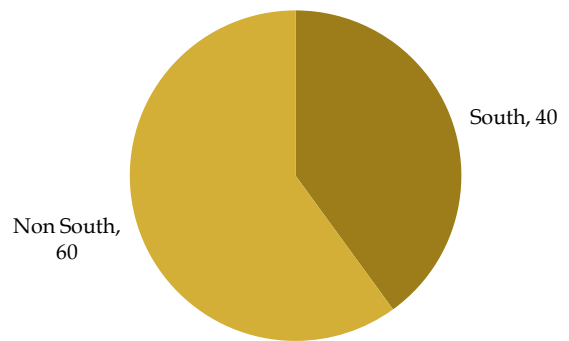
Source: Company, Trust Research

Exhibit 4: Regional Revenue Mix (%) - FY15



Source: Company, Trust Research

Exhibit 5: Regional Revenue Mix (%) - FY16



Source: Company, Trust Research



Consolidated Financials

Income Statement

Y/E Mar (₹ mn)	FY14	FY15	FY16P	FY17E	FY18E
Net Revenues	13,239	15,148	16,466	18,645	21,221
% Growth	19.7	14.4	8.7	13.2	13.8
Raw Material	6,944	7,774	7,992	8,981	10,205
Staff	1,382	1,342	1,658	1,877	2,068
Other Expenses	3,341	4,115	4,437	5,044	5,774
Total Expenditures	11,666	13,231	14,087	15,903	18,047
EBITDA	1,572	1,917	2,379	2,743	3,174
% Growth	21.2	21.9	24.1	15.3	15.7
EBITDA Margins (%)	11.9	12.7	14.4	14.7	15.0
Other Income	82	99	146	83	41
Interest	553	138	60	114	304
Depreciation	243	326	314	319	325
Profit Before Tax	819	1,244	1,976	2,393	2,586
Provision for tax	4	35	393	479	517
Reported PAT	816	1,211	1,583	1,914	2,069
% Growth	313.7	48.3	30.8	20.9	8.1
Adjusted Net Profit	678	1,079	1,318	1,657	2,069
% Growth	25.3	59.0	22.2	25.8	24.8

*Adjusted for Interest Provision on Zero coupon NCD & ESOPs cost

Balance Sheet

Y/E Mar (₹ mn)	FY14	FY15	FY16P	FY17E	FY18E
Equity Share Capital	181	181	184	184	184
Reserves & surplus	7,163	7,616	8,123	9,323	10,462
Shareholders' funds	7,344	7,797	8,307	9,507	10,646
Minorities interests	16	14	14	14	14
Total Debt	6,740	7,435	7,075	4,455	3,255
Capital Employed	14,100	15,246	15,396	13,976	13,915
Net fixed assets	10,983	10,902	10,753	10,524	10,289
Cash & Cash Eq.	698	767	662	256	277
Net Other current assets	1,820	1,658	3,151	3,201	3,355
Investments	610	1,935	835	-	-
Net Deferred tax Assets	(11)	(5)	(5)	(5)	(5)
Total Assets	14,100	15,257	15,396	13,976	13,915



Cash Flow Statement

Y/E Mar (₹ mn)	FY14	FY15	FY16P	FY17E	FY18E
Pre-tax profit	819	1,245	2,151	2,393	2,586
Depreciation	243	326	314	319	325
Total Tax Paid	(195)	(417)	(393)	(479)	(517)
Chg in working capital	(56)	232	(1,493)	(50)	(154)
Other operating activities	488	278	(115)	114	304
Cash flow from oper (a)	1,300	1,663	464	2,297	2,544
Capital Expenditure	(232)	(164)	(165)	(90)	(90)
Chg in investments	(1,311)	50	1,100	835	-
Other investing activities	38	(86)	-	-	-
Cash flow from inv.(b)	(1,506)	(200)	935	745	(90)
Free cash flow (a+b)	(206)	1,463	1,400	3,042	2,454
Equity raised/(repaid)	2,627	-	3	(67)	(68)
Debt raised/(repaid)	(968)	380	(360)	(2,620)	(1,200)
Interest paid	(576)	(137)	(60)	(114)	(304)
Dividend (incl. Tax)	(697)	(362)	(919)	(553)	(737)
Other financing activities	(15)	(62)	(156)	(94)	(125)
Cash flow from fin. (c)	371	(181)	(1,493)	(3,447)	(2,434)
Net chg in cash (a+b+c)	164	1,283	(94)	(405)	20

Key Ratios

Y/E Mar (₹ mn)	FY14	FY15	FY16P	FY17E	FY18E
Raw Material Cost/Sales (%)	52.5	51.3	48.5	48.2	48.1
Manpower Cost/Sales (%)	10.4	8.9	10.1	10.1	9.7
Operating & Other Cost/Sales (%)	25.2	27.2	26.9	27.1	27.2
Revenue Growth (%)	19.7	14.4	8.7	13.2	13.8
EBITDA Margins (%)	11.9	12.7	14.4	14.7	15.0
Net Income Margins (%)	5.1	7.1	8.0	8.9	9.7
ROCE (%)	11.2	12.6	15.5	19.6	22.8
ROE (%)	9.2	13.8	15.9	17.4	19.4

Valuation Parameter

Y/E Mar (₹ mn)	FY14	FY15	FY16P	FY17E	FY18E
EPS (₹.)	3.7	6.0	7.3	9.2	11.4
P/E (x)	55.5	42.0	39.4	33.3	26.7
BV (₹)	40.6	43.1	45.2	51.6	57.8
P/BV (x)	5.1	5.8	6.4	5.9	5.3
EV/EBITDA (x)	27.4	26.1	24.5	22.0	18.6
Fixed assets turnover ratio (x)	4.3	5.1	5.8	7.1	8.9
Net Debt/Equity (x)	0.8	0.9	0.8	0.4	0.3
EV/Sales (x)	3.3	3.3	3.5	3.2	2.8



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