

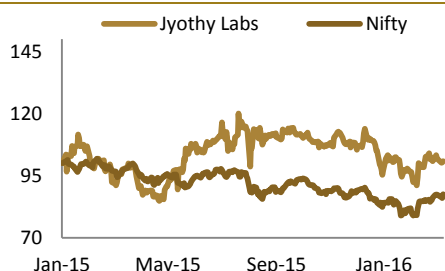
Market Statistics

Current stock price (₹)	345
Shares O/S (cr.)	18.2
Mcap (₹ cr)	6,268
52W H/L (₹)	381
6m avg. volume	149,222
Bloomberg	JYL IN E

Shareholding Pattern

Promoters	66.92
Domestic Institution	10.88
Foreign Institution	13.28
Non-institution	8.92
of which more than 1%	
ICICI Prudential Life Insurance Company Ltd	3.46
Fidelity Management & Research Company Ltd	1.99

Jyothy Laboratories vs. Nifty



Capital efficiency & valuations

Particulars	FY17E	FY18E	FY19E
RoE (%)	16.2	17.7	18.6
RoCE (%)	16.5	19.9	22.8
EPS (₹)*	8.3	10.2	12.2
EV/OCF (x)	36.8	33.0	28.7
EV/EBITDA (x)	28.6	24.0	20.5
P/E (x)	41.4	33.9	28.2

* Adjusting to ESOPs expense

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Jyothy Labs (Jyothy), based on IND AS, has reported healthy consolidated net sales growth of 3.3% to ₹3, 839mn (our expectation was 4.1%YoY) – driven by 3.6% volume growth. We believe this performance is admirable in the current weak demand state & demonetization event. Fabric care, Dishwashing, Mosquito Repellent, Personal Care, Laundry services & other products grew by 10.1%, 2.6%, -15.2%, -0.8%, -0.7% & 24.6% respectively.

Power brands clocked 2.1% sales growth with 2.6% volume growth. Ujala, Exo, Maxo, Henko, Margo and Pril have reported 7.5%, 2.0%, -15.2%, 20.0%, -6.0%, & 2.7% growth, respectively.

Gross Margin has contracted by 293bps to 45.6% due to higher input crude prices. Employee expenses grew by 3.5% YoY. A&P spend & other expenses contracted by 107bps & 72bps YoY. Hence, EBITDA Margin (Ex-ESOP expense) contracted by 117bps and stood at 13.2% YoY. EBITDA was at Rs509mn (down by 5.1% YoY).

PBT (before exceptional & ESOPs) was down by 5.9% to Rs316mn. However, lower ETR of 34.3% in Q3FY16 vs. 38.3% last year has supported net earnings. Hence, reported PAT grew by 2.6% to ₹207mn while APAT (ex-ESOP) declined by 6.9% to ₹209mn (our expectation was ₹217mn).

Ujala & Henko outshines, Exo, Maxo & Margo impacts sales

Jyothy reported volume growth of 3.6% in Q2FY17. Ujala brand grew healthy by 7.5% led by 25% & 20% growth in detergent & stiffener while fabric whitener was flat in Q3FY17. Maxo franchise was badly affected and de-grew by 15.2%. In Dishwashing segment, Exo franchise & Pril Liquid displayed weak growth of 1.5% & 0.1% while Pril bar growth was healthy at 10.7%. Henko continues to show strong growth of 20% YoY.

Demonetization impact: Post the demonetization introduction, 2 weeks was completely standstill & trade channel was down by 9% largely led by weakness in wholesaler's channel (40% of sales). Modern trade (10% of sales) & CSD channel showed 27% & 16% growth in nov. However, company took several steps to deal with the situation like 1) Daily monitoring to track the situation and support the trade 2) Identified Down trading scenario and maximized small SKU production. Management mentioned demand scenario is improving & January sales has grown by double digit but wholesales continues to be weak especially in northern & eastern markets. Company is also focusing to improve its direct distribution to combat the wholesaler channel weakness.

Price hike in coming qtr would support the margins. Higher crude prices led 293bps contraction in gross margins in Q3FY17. Hence EBITDA margins was down by 117bps to 13.2%. Management stated that they have taken selective price hikes in Q4FY17 to maintain gross margins going ahead.

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. Jyothy trades at P/E of 34x & 28.0x of FY18 & FY19 EPS.

We maintain BUY rating on the stock.

**Result Highlights****Exhibit 1: Quarterly Performance**

Particulars (₹ mn)	Q3FY16	Q2FY17	Q3FY17	YoY change (%)
Net Sales	3,711	4,117	3,834	3.3
Other Operating Income	6	4	5	-18.8
Total Income	3,718	4,121	3,839	3.3
Total RM cost	1,914	2,101	2,089	9.1
% of net sales	51.6	51.0	54.5	292bps
Gross Profit	1,804	2,020	1,750	-3.0
Gross Margin (%)	48.5	49.0	45.6	-293bps
Employee Expenses	416	437	431	3.5
% of net sales	11.2	10.6	11.2	3bps
A&P Exp	300	316	269	-10.3
% of net sales	8.1	7.7	7.0	-106bps
EBITDA	536	642	509	-5.1
EBITDA margin %	14.4	15.6	13.2	-117bps
EBIT	486	600	461	-5.2
EBIT Margin %	13.1	14.6	12.0	-107bps
Interest	150	164	144	-3.6
PBT before exceptional item	336	436	316	-5.9
exceptional item	23	5	2	-91.6
PBT	314	430	315	0.3
Tax	121	119	108	-10.8
Effective tax rate (%)	38.6	27.7	34.3	-424bps
Reported PAT	201	319	207	2.6
Adjusted PAT	224	324	209	-6.9

Source: Company, Trust

Exhibit 2: Brand wise Gross Sales Growth

Particulars (₹ mn)	Q3FY16	Q2FY17	Q3FY17	YoY change (%)
Ujala	914	1,005	983	7.5
Exo	929	951	948	2.0
Maxo	534	676	453	(15.2)
Henko	363	447	436	20.1
Margo	297	301	279	(6.1)
Pril	297	352	306	3.0
Total Power Brands	3,334	3,732	3,405	2.1
Others	411	478	462	12.4
Total	3,745	4,210	3,867	3.3
Laundry Services	130	126	128	(1.5)
Grand Total	3,875	4,336	3,995	3.1

Source: Company, Trust

**Exhibit 3: Segmental Performance**

Consolidated Segmental	Gross Revenue (₹ mn)			EBIT (₹ mn)			EBIT Margin (%)		
	Q3FY16	Q3FY17	YoY Gr. (%)	Q3FY16	Q3FY17	YoY Gr. (%)	Q3FY16	Q3FY17	YoY Chg (bps)
Fabric Care	1,571	1,729	10.1	295	314	6.5	18.8	18.2	-60bps
Dishwashing	1,222	1,254	2.6	111	124	11.8	9.1	9.9	81bps
Mosquito Repellent	534	453	(15.2)	32	5	(85.8)	5.9	1.0	-494bps
Personal Care	343	340	(0.8)	70	47	(32.4)	20.3	13.8	-645bps
Other Products	76	95	24.6	(8)	6	(176.2)	(11.0)	6.7	1,772bps
Laundry Services	130	129	(0.7)	(29)	(23)	(19.4)	(22.2)	(18.0)	419bps
Total	3,877	4,000	3.2	470	473	0.7	12.1	11.8	-30bps



Consolidated Financials

Income Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
Net Revenues	15,148	16,466	17,701	20,062	22,760
% Growth	14.4	8.7	7.5	13.3	13.4
Raw Material	7,774	7,991	8,844	9,991	11,304
Staff	1,626	1,803	1,910	2,093	2,267
Other Expenses	3,831	4,295	4,639	5,257	6,056
Total Expenditures	13,230	14,090	15,393	17,341	19,627
EBITDA	1,918	2,376	2,308	2,721	3,133
% Growth	22.0	23.9	(2.9)	17.9	15.1
EBITDA Margins (%)	12.7	14.4	13.0	13.6	13.8
Other Income	99	147	66	34	33
Interest	138	60	186	132	78
Depreciation	326	314	319	325	330
Profit Before Tax	1,245	1,973	1,845	2,298	2,759
Provision for tax	35	393	369	460	552
Reported PAT	1,212	1,580	1,476	1,838	2,207
% Growth	48.4	30.4	(6.6)	24.6	20.1
Adjusted Net Profit	1,079	1,755	1,500	1,838	2,207
% Growth	59.2	62.6	(14.6)	22.6	20.1

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

Balance Sheet

Y/E Mar (₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
Equity Share Capital	181	181	181	182	182
Reserves & surplus	7,616	8,280	9,052	10,184	11,684
Shareholders' funds	7,797	8,461	9,233	10,366	11,866
Minorities interests	14	17	17	17	17
Total Debt	7,310	6,116	4,703	3,290	1,877
Capital Employed	15,121	14,595	13,953	13,673	13,761
Net fixed assets	10,902	10,757	10,528	10,293	10,052
Cash & Cash Eq.	767	612	685	387	329
Net Other current assets	1,522	2,644	2,829	3,146	3,532
Investments	1,935	835	165	100	100
Net Deferred tax Assets	(5)	(253)	(253)	(253)	(253)
Total Assets	15,120	14,595	13,953	13,673	13,761



Cash Flow Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
Pre-tax profit	1,245	1,973	1,868	2,298	2,759
Depreciation	326	314	319	325	330
Total Tax Paid	(417)	(517)	(369)	(460)	(552)
Chg in working capital	232	32	(185)	(318)	(386)
Other operating activities	278	113	162	132	78
Cash flow from oper (a)	1,663	1,915	1,797	1,977	2,229
Capital Expenditure	(164)	(257)	(90)	(90)	(90)
Chg in investments	(136)	217	670	65	-
Other investing activities	43	44	-	-	-
Cash flow from inv.(b)	(257)	3	580	(25)	(90)
Free cash flow (a+b)	1,406	1,918	2,376	1,952	2,139
Equity raised/(repaid)	-	0	(67)	(67)	(67)
Debt raised/(repaid)	380	(1,168)	(1,413)	(1,413)	(1,413)
Interest paid	(137)	(98)	(186)	(132)	(78)
Dividend (incl. Tax)	(362)	(1,449)	(544)	(545)	(546)
Other financing activities	(62)	(310)	(93)	(93)	(93)
Cash flow from fin. (c)	(181)	(3,024)	(2,303)	(2,250)	(2,197)
Net chg in cash & cash equi (a+b+c)	1,225	(1,106)	73	(298)	(58)

Key Ratios

Y/E Mar (₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
Raw Material Cost/Sales (%)	51.3	48.5	50.0	49.8	49.7
Manpower Cost/Sales (%)	10.7	10.9	10.8	10.4	10.0
Operating & Other Cost/Sales (%)	25.3	26.1	26.2	26.2	26.6
Revenue Growth (%)	14.4	8.7	7.5	13.3	13.4
EBITDA Margins (%)	12.7	14.4	13.0	13.6	13.8
Net Income Margins (%)	7.1	10.7	8.5	9.2	9.7
ROCE (%)	12.7	16.3	16.5	19.9	22.8
ROE (%)	13.8	20.7	16.2	17.7	18.6

Valuation Parameter

Y/E Mar (₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
EPS (₹.)	6.0	9.7	8.3	10.2	12.2
P/E (x)	41.9	29.6	41.4	33.9	28.2
BV (₹)	43.1	46.7	50.9	57.0	65.2
P/BV (x)	5.8	6.1	6.7	6.0	5.3
EV/EBITDA (x)	26.0	23.8	28.6	24.0	20.5
Fixed assets turnover ratio (x)	5.1	5.8	6.8	8.4	10.6
Net Debt/Equity (x)	0.8	0.7	0.4	0.3	0.1
EV/Sales (x)	3.3	3.4	3.7	3.3	2.8



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