

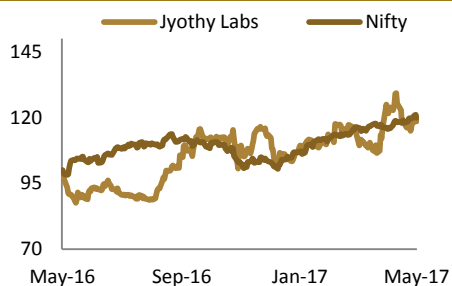
Market Statistics

Current stock price (₹)	379
Shares O/S (cr.)	18.2
Mcap (₹cr)	6,879
52W H/L (₹)	427/270
6m avg. volume	145,802
Bloomberg	JYL IN

Shareholding pattern (%)

Promoters	66.89
Domestic Institution	9.29
Foreign Institution	13.37
Non-institution	10.45
of which more than 1%	
ICICI Prudential Life Insurance Company Ltd	3.28
Fidelity Management & Research Company Ltd	1.99

Jyothy Laboratories vs. Nifty



Capital efficiency & valuations

Particulars	FY17P	FY18E	FY19E
RoE (%)	18.8	14.6	15.5
RoCE (%)	16.3	19.6	22.5
EPS (₹)*	11.3	9.6	11.4
EV/OCF (x)	27.4	31.1	25.7
EV/EBITDA (x)	25.9	23.9	20.6
P/E (x)	30.3	39.2	33.3

Jyothy Labs (Jyothy), based on IND AS, has reported consolidated net sales growth of 4.1% to ₹4,462mn (our expectation was +8.0%YoY) – driven by 5.1% volume growth. Fabric care, Dishwashing, Mosquito Repellent, Personal Care, Laundry services & other products grew by 8.4%, 4.2%, -6.5%, 22.0%, 1.0% & -7.0% respectively.

Power brands clocked 4.1% sales growth with 6.1% volume growth. Ujala, Exo, Maxo, Henko, Margo and Pril have reported 9.8%, 3.3%, -6.5%, -2.9%, and 19.3% & 2.3% growth, respectively.

Gross Margin contraction was lower by -182bps to 43.9% vs -293bps in Q3FY17 due to price increase taken during the quarter to combat higher input prices. Employee expenses grew by 6.2% YoY. A&P spend & other expenses contracted by 11bps & 83bps YoY. Hence, EBITDA Margin (Ex-ESOP expense) contracted by 107bps and stood at 13.6% YoY. EBITDA was at Rs608mn (down by 3.3% YoY).

PBT growth is 9.1% in the quarter. With merger of JCML (Jyothy consumer products marketing ltd) from 1st april 2016, deferred tax assets/MAT credit on brought forward losses has been recognized in FY17 to ₹920mn (balance carried forward losses of ₹830mn) Hence, there is a tax reversal of ₹629mn resulting into APAT growth of 831%YoY to ₹1,090mn

In FY17, Sales, EBITDA & APAT grew by 5.7%, 13.7% & 166.4% YoY.

Ujala & Personal care outshines while Exo, Maxo & henko impacts sales

Jyothy's volume growth improved to 5.1% in Q4FY17. Ujala brand grew strong by 9.8% led by 3.7%, 37.1% & 8.7% growth in whitener, detergent & stiffener. Maxo franchise showed poor performance and de-grew by 6.5%YoY caused by 7.4% & 47% decline in coils & cards while maxo liquid showed healthy growth of 11.5%. Exo showed slow growth of 3.3% led by 5.1% & 2.1% growth in Exo bars & Pril Liquid while scrubber declined by 5.2% in Q4FY17. Personal care growth jumped to 22.5% led strong growth of 19.3% in Margo Soaps. Henko posted negative growth of 2.9%YoY.

Key Highlights of Analyst meet: 1) Management guided 12% volume growth while targets EBITDA margins of 15% in FY18 2) Ujala Crisp & shine which is currently present in two states in South is expected to have huge potential to grow in coming years 3) Weighted Average taxes for all the products of the company is 20% 4) Maxo business is facing pressure because it is wholesale dependent and east and north region wholesale channel has not recovered completely 5) Successfully implemented GST compliant systems in the company 6) Re-aligned the sales force district wise wherein distributors, super-stockists, sub-stockist are linked to one technology platform 7) Jyothy's 40% of sales comes from wholesale channel, management mentioned wholesale channel in southern region is organized while in North & East is not organized. Hence, Northern & Eastern region would be affected during transition of GST 8) Company aims to improve coverage by 20% every year. 8) Pril & Fa are international brands for which Jyothy pays 2% royalty.

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 39.2x & 33.3x of FY18 & FY19 estimated EPS.

We maintain BUY rating on the stock.

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**Exhibit 1: Quarterly Performance (Based on IND AS)**

Particulars (₹mn)	Q4FY16	Q3FY17	Q4FY17	YoY change (%)
Net Sales	4,283	3,834	4,457	4.1
Other Operating Income	2	5	5	150.0
Total Income	4,285	3,839	4,462	4.1
Total RM cost	2,324	2,089	2,502	7.6
% of net sales	54.3	54.5	56.1	186bps
Gross Profit	1,960	1,750	1,960	0.0
Gross Margin (%)	45.7	45.6	43.9	-182bps
Employee Expenses	391	431	415	6.2
% of net sales	9.1	11.2	9.3	18bps
A&P Exp	275	269	281	2.3
% of net sales	6.4	7.0	6.3	-11bps
EBITDA	629	509	608	-3.3
EBITDA margin %	14.7	13.2	13.6	-105bps
EBIT	564	461	546	-3.1
EBIT Margin %	13.2	12.0	12.2	-91bps
Interest	153	144	99	-35.4
PBT before exceptional item	411	317	448	9.0
exceptional item	2	(26)	2	
PBT	409	343	446	9.1
Tax	302	108	(629)	-308.1
Effective tax rate (%)	73.9	31.5	(141.1)	
Reported PAT	115	252	1,088	844.9
Adjusted PAT	117	226	1,090	831.2

Source: Company, Trust

Exhibit 2: Brand Wise Gross Sales growth

Particulars (₹mn)	Q4FY16	Q4FY17	YoY Gr. (%)	FY16	FY17	YoY Gr. (%)
Ujala	929	1,020	9.8	3,917	4,190	7.0
Exo	873	902	3.3	3,570	3,813	6.8
Maxo	1,188	1,111	(6.5)	2,780	2,612	(6.0)
Henko	453	440	(2.9)	1,666	1,812	8.8
Margo	242	289	19.4	1,311	1,365	4.1
Pril	293	300	2.4	1,218	1,288	5.7
Total Power Brands	3,978	4,062	2.1	14,462	15,080	4.3
Others	397	482	21.4	1,682	1,950	15.9
Total	4,375	4,544	3.9	16,144	17,030	5.5
Laundry Services	114	113	(0.9)	431	441	2.3
Grand Total	4,489	4,657	3.7	16,575	17,471	5.4

Source: Company



Exhibit 3: Segmental Performance

Particulars (₹mn)	Q4FY16	Q3FY17	Q4FY17	YoY Gr. (%)	QoQ Gr. (%)	FY16	FY17	YoY Gr. (%)
Revenue								
Fabric Care	1,678	1,729	1,820	8.5	5.2	6,830	7,379	8.0
Dishwashing	1,161	1,254	1,209	4.1	(3.6)	4,767	5,102	7.0
Mosquito Repellent	1,188	453	1,110	(6.6)	145.0	2,782	2,611	(6.2)
Personal Care	271	340	332	22.5	(2.3)	1,477	1,595	8.0
Other Products	77	95	72	(6.5)	(24.4)	294	358	21.6
Laundry Services	112	129	113	0.9	(12.3)	430	441	2.6
Total	4,487	4,000	4,656	3.8	16.4	16,580	17,487	5.5
Revenue Mix (%)								
Fabric Care	37.4	43.2	39.1	169bps	-414bps	41.2	42.2	101bps
Dishwashing	25.9	31.3	26.0	9bps	-538bps	28.8	29.2	43bps
Mosquito Repellent	26.5	11.3	23.8	-264bps	1,252bps	16.8	14.9	-185bps
Personal Care	6.0	8.5	7.1	109bps	-137bps	8.9	9.1	22bps
Other Products	1.7	2.4	1.5	-17bps	-83bps	1.8	2.0	27bps
Laundry Services	2.5	3.2	2.4	-7bps	-79bps	2.6	2.5	-7bps
Total	100.0	100.0	100.0	0bps	0bps	100.0	100.0	
EBIT (Rs mn)								
Fabric Care	376	314	415	10.5	32.1	1,295	1,542	19.1
Dishwashing	172	124	132	(23.4)	6.1	554	647	16.8
Mosquito Repellent	62	5	20	(68.6)	333.3	102	41	(59.9)
Personal Care	45	47	66	4.2	39.8	273	302	10.6
Other Products	5	6	8	28.0	26.6	8	17	97.6
Laundry Services	(63)	(23)	(41)	(63.0)	75.4	(148)	(123)	(17.0)
Total	597	473	599	0.4	26.7	2,085	2,426	16.4
EBIT Margin (%)								
Fabric Care	22.4	18.2	22.8	41bps	463bps	19.0	20.9	194bps
Dishwashing	14.8	9.9	10.9	-390bps	100bps	11.6	12.7	106bps
Mosquito Repellent	5.2	1.0	1.8	-347bps	76bps	3.6	1.6	-209bps
Personal Care	16.6	13.8	19.8	315bps	596bps	18.5	19.0	45bps
Other Products	6.5	6.7	11.3	476bps	453bps	2.9	4.6	178bps
Laundry Services	(56.0)	(18.0)	(36.0)	1,996bps	-1,801bps	(34.3)	(27.8)	655bps
Total	13.3	11.8	12.9	-43bps	105bps	12.6	13.9	130bps
EBIT Mix(%)								
Fabric Care	62.9	66.4	69.2	632bps	282bps	62.1	63.6	143bps
Dishwashing	28.8	26.2	22.0	-680bps	-426bps	26.6	26.7	9bps
Mosquito Repellent	10.4	1.0	3.3	-715bps	230bps	4.9	1.7	-319bps
Personal Care	7.6	9.9	11.0	341bps	103bps	13.1	12.5	-65bps
Other Products	0.8	1.4	1.4	51bps	0bps	0.4	0.7	28bps
Laundry Services	(10.5)	(4.9)	(6.8)	371bps	-189bps	(7.1)	(5.0)	203bps
Total	100.0	100.0	100.0			100.0	100.0	

Source: Company



Consolidated Financials

P&L Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17P	FY18E	FY19E
Net Revenues	15,148	15,928	16,830	18,849	21,341
% Growth	14.4	5.1	5.7	12.0	13.2
Raw Material	7,774	8,360	8,941	9,991	11,304
Staff	1,626	1,813	1,750	1,867	2,022
Other Expenses	3,831	3,537	3,618	4,047	4,647
Total Expenditures	13,230	13,710	14,309	15,905	17,972
EBITDA	1,918	2,218	2,521	2,945	3,369
% Growth	22.0	15.6	13.7	16.8	14.4
EBITDA Margins (%)	12.7	13.9	15.0	15.6	15.8
Other Income	99	143	110	129	160
Interest	138	618	564	621	683
Depreciation	326	314	301	306	311
Profit Before Tax	1,245	1,428	1,766	2,147	2,536
Provision for tax	35	693	(255)	429	507
Reported PAT	1,212	769	2,049	1,745	2,056
% Growth	48.4	(36.5)	166.4	(14.8)	17.8
Adjusted Net Profit	1,079	769	2,049	1,745	2,056
% Growth	59.2	(28.8)	166.4	(14.8)	17.8

Balance Sheet

Balance Sheet (₹ mn)	FY15	FY16	FY17P	FY18E	FY19E
Equity Share Capital	181	181	181	182	182
Reserves & surplus	7,616	8,834	10,708	11,748	13,097
Shareholders' funds	7,797	9,015	10,890	11,930	13,279
Minorities interests	14	(27)	(67)	(106)	(146)
Total Debt	7,310	5,703	4,687	3,224	1,811
Capital Employed	15,121	14,691	15,510	15,047	14,944
Net fixed assets	10,902	10,757	11,058	10,339	10,118
Cash & Cash Eq.	767	882	1,384	1,440	1,231
Net Other current assets	1,522	2,601	2,853	3,237	3,564
Investments	1,935	859	285	100	100
Net Deferred tax Assets	(5)	(409)	(69)	(69)	(69)
Total Assets	15,120	14,691	15,510	15,047	14,944

**Cash flow**

Cash Flow Statement(₹mn)	FY15	FY16	FY17P	FY18E	FY19E
Pre-tax profit	1,245	1,428	1,766	2,147	2,536
Depreciation	326	314	301	306	311
Total Tax Paid	(417)	-	-	(429)	(507)
Chg in working capital	232	(1,080)	(252)	(384)	(327)
Other operating activities	278	618	564	621	683
Cash flow from oper (a)	1,663	1,281	2,380	2,260	2,695
Capital Expenditure	(164)	(45)	(601)	413	(90)
Chg in investments	(136)	1,076	574	185	-
Other investing activities	43	(10)	(12)	(12)	(12)
Cash flow from inv.(b)	(257)	1,021	(39)	586	(102)
Free cash flow (a+b)	1,406	2,302	2,340	2,846	2,593
Equity raised/(repaid)	-	1,509	463	(67)	(67)
Debt raised/(repaid)	380	(1,607)	(1,016)	(1,463)	(1,413)
Interest paid	(137)	(618)	(564)	(621)	(683)
Dividend (incl. Tax)	(362)	(906)	(544)	(545)	(546)
Other financing activities	(62)	(154)	(93)	(93)	(93)
Cash flow from fin. (c)	(181)	(1,776)	(1,754)	(2,789)	(2,802)
Net chg in cash & cash equi (a+b+c)	1,225	526	587	56	(209)

Key Ratios

Y/E Mar	FY15	FY16	FY17P	FY18E	FY19E
Raw Material Cost/Sales (%)	51.3	52.5	53.1	53.0	53.0
Manpower Cost/Sales (%)	10.7	11.4	10.4	9.9	9.5
Operating & Other Cost/Sales (%)	25.3	22.2	21.5	21.5	21.8
Revenue Growth (%)	14.4	5.1	5.7	12.0	13.2
EBITDA Margins (%)	12.7	13.9	15.0	15.6	15.8
Net Income Margins (%)	7.1	4.8	12.2	9.3	9.6
ROCE (%)	12.7	15.1	16.3	19.6	22.5
ROE (%)	13.8	8.5	18.8	14.6	15.5

Valuation Parameters

Y/E Mar	FY15	FY16	FY17P	FY18E	FY19E
EPS (₹.)	6.0	4.2	11.3	9.6	11.4
P/E (x)	41.9	67.5	30.3	39.2	33.3
BV (₹)	43.1	49.8	60.0	65.6	72.9
P/BV (x)	5.8	5.8	5.7	5.8	5.2
EV/EBITDA (x)	26.0	25.2	25.9	23.9	20.6
Fixed assets turnover ratio (x)	5.1	5.6	5.3	7.7	9.6
Net Debt/Equity (x)	0.8	0.5	0.3	0.1	0.0
EV/Sales (x)	3.3	3.5	3.9	3.7	3.2



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Hold 15% to -15%

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