

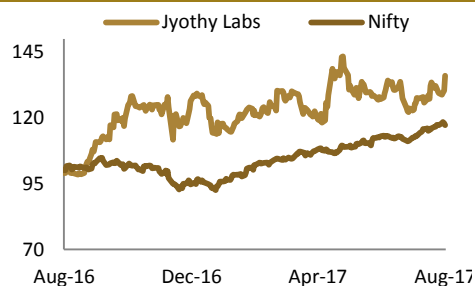
Market Statistics

Current stock price (₹)	392
Shares O/S (cr.)	18.2
Mcap (₹cr)	7,114
52W H/L (₹)	427
6m avg. volume	177,771
Bloomberg	JYL IN

Shareholding pattern (%)

Promoters	66.89
Domestic Institution	5.67
Foreign Institution	14.02
Non-institution	10.45
of which more than 1%	
Fidelity Management & Research Company Ltd	1.99
Emblem FII	1.69

Jyothy Laboratories vs. Nifty



Capital efficiency & valuations

Particulars	FY17	FY18E	FY19E
RoE (%)	19.4	14.5	15.5
RoCE (%)	16.4	19.5	22.6
EPS (₹)*	11.7	9.5	11.4
EV/OCF (x)	39.9	31.4	26.9
EV/EBITDA (x)	25.6	24.8	21.2
P/E (x)	29.4	40.9	34.4

Jyothy Labs (Jyothy), based on IND AS, has reported consolidated net sales de-growth of 15.9% to ₹3,680mn (our expectation was +8.0%YoY). Fabric care, Dishwashing, Mosquito Repellent, Personal Care & Laundry services declined by 15%, 14.2%, 19.2%, 18.8% & 8.3% respectively.

Power brands have declined by 16.3%YoY. Ujala, Exo, Maxo, Henko, Margo and Pril have reported 21.2%, 16.8%, 19.3%, 5.7%, 18.7% & 5.7% decline in growth.

Gross Margin expanded by 339bps to 52.7% due to better realization caused by price increase taken during the Q4FY17 to combat higher input prices. Employee expenses grew by 5.5% YoY. A&P spend & other expenses expanded by 461bps & 316bps YoY. Hence, EBITDA Margin (Ex-ESOP expense) contracted by 698bps and stood at 11.5% YoY. EBITDA was at Rs424mn (down by 48% YoY).

ETR was lower at 8% vs 25% in last year. APAT declined by 45% to Rs 261mn

De-stocking impacts sales across portfolio; double digit growth in July is encouraging

Jyothy's sales suffered severely due to de-stocking in trade caused by GST implementation. General trade which forms 79% of total trade contracted by 18% QoQ while CSD & MT declined by 15%. Wholesale channel (35% of general trade) got severely impacted. Ujala brand de-grew by 21.2% led by 12.6%, 34.4% & 45% decline in whitener, detergent & stiffener. Maxo franchise showed poor performance and de-grew by 19.3%YoY caused by 14.7% & 24.2% decline in coils & maxo liquid. Exo showed 16.8% de-growth led by 15.7% & 18.0% contraction in Exo bars & scrubbers. Margo too declined by 18.7% YoY. Pril & Henko portfolio contraction was lower than other products to 5.7% in Q1FY18. Double digit growth in July and higher secondary sales of 15% gives us confidence that Jyothy would be able to generate double digit growth in coming qtrs.

Concall Highlights: 1) Management guided 8-10% sales growth while targets EBITDA margins of 15% in FY18 2) Secondary sales growth was higher at 15% over primary sales. 3) Trade network in Kerala declined by 51% in Q1FY18 leading to Rs 400mn sales loss. Management stated that Kerala is returning to normalcy levels and Kerala had shown 12% growth in July. 4) General Trade including Kerala has shown 18% while CSD&MT(21% of trade) still struggling with 25% de-growth in July 5) 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 6) Company aims to improve coverage by 20% every year 7) Maxo on the path to recovery on the back of a favorable season 8)CSD and MT expected to be on track for Aug & Sept 2017.

Strong Gross Margin Expansion but steep decline in EBITDA

Gross Margin expanded by 339bps to 52.7% due to better realization caused by price increase taken during the Q4FY17 to combat higher input prices. Management stated that gross margin expansion trend would continue for coming qtrs too. Higher Advertisement spends & other expenses by 37.4% & 3.9% growth impacted the EBITDA and it de-grew by 48%YoY.

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 40.9x & 34.4x 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)	Q1FY17	Q4FY17	Q1FY18	YoY change (%)
Net Sales	4,373	4,457	3,672	(16.0)
Other Operating Income	4	5	8	105.1
Total Income	4,377	4,462	3,680	(15.9)
Total RM cost	2,219	2,502	1,741	(21.6)
% of net sales	50.7	56.1	47.4	-333bps
Gross Profit	2,158	1,960	1,939	(10.1)
Gross Margin (%)	49.3	43.9	52.7	339bps
Employee Expenses	446	415	471	5.5
% of net sales	10.2	9.3	12.8	260bps
A&P Exp	318	281	437	37.4
% of net sales	7.3	6.3	11.9	461bps
EBITDA	809	608	424	(47.7)
EBITDA margin %	18.5	13.6	11.5	-698bps
EBIT	767	546	367	(52.2)
EBIT Margin %	17.5	12.2	10.0	-756bps
Interest	157	99	101	(36.0)
PBT before exceptional item	610	448	267	(56.3)
exceptional item	15	2	2	
PBT	596	446	265	(55.6)
Tax	146	(629)	22	(85.2)
Effective tax rate (%)	24.6	(141.1)	8.2	
Reported PAT	456	1,088	260	(43.1)
Adjusted PAT	471	1,090	261	(44.6)

Source: Company, Trust

Exhibit 2: Brand Wise Gross Sales growth

Brands	Revenue (Rs mn)					Revenue Gr(%)				
	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
Ujala	1,182	1,005	983	1,020	932	12.1	0.5	7.5	9.8	(21.2)
Exo	1,012	951	948	902	842	15.0	13.1	2.0	3.3	(16.8)
Maxo	373	676	453	1,111	301	(2.6)	4.8	(15.2)	(6.5)	(19.3)
Henko	490	447	436	440	462	10.6	11.2	20.1	(2.9)	(5.7)
Margo	497	301	279	289	404	13.7	(4.7)	(6.1)	19.4	(18.7)
Pril	331	352	306	300	312	14.1	9.0	3.0	2.4	(5.7)
Total Power Brands	3,885	3,732	3,405	4,062	3,253	11.4	5.8	2.1	2.1	(16.3)
Others	530	478	462	482	495	17.8	13.8	12.4	21.4	(6.6)
Total	4,415	4,210	3,867	4,544	3,748	12.1	6.7	3.3	3.9	(15.1)
Laundry Services	111	126	128	113	102	8.8	6.8	(1.5)	(0.9)	(8.1)
Grand Total	4,526	4,336	3,995	4,657	3,850	12.1	6.7	3.1	3.7	(14.9)

Source: Company, Trust



Exhibit 3: Segmental Performance

Particulars (₹mn)	Q4FY16	Q3FY17	Q4FY17	YoY Gr. (%)	QoQ Gr. (%)
Revenue					
Fabric Care	2,068	1,820	1,758	(15.0)	(3.4)
Dishwashing	1,341	1,209	1,150	(14.2)	(4.9)
Mosquito Repellent	373	1,110	301	(19.2)	(72.8)
Personal Care	558	332	454	(18.8)	36.6
Other Products	81	72	88	9.0	22.8
Laundry Services	111	113	102	(8.3)	(10.0)
Total	4,531	4,656	3,853	(15.0)	(17.3)
Revenue Mix (%)					
Fabric Care	45.6	39.1	45.6	0bps	654bps
Dishwashing	29.6	26.0	29.8	26bps	387bps
Mosquito Repellent	8.2	23.8	7.8	-41bps	-1,602bps
Personal Care	12.3	7.1	11.8	-55bps	464bps
Other Products	1.8	1.5	2.3	50bps	75bps
Laundry Services	2.4	2.4	2.6	19bps	21bps
Total	100.0	100.0	100.0		
EBIT (Rs mn)					
Fabric Care	473	415	347	(26.7)	(16.4)
Dishwashing	216	132	79	(63.5)	(40.0)
Mosquito Repellent	(9)	20	(55)	537.2	(381.0)
Personal Care	108	66	35	(39.3)	(46.3)
Other Products	(6)	8	15	(237.3)	81.5
Laundry Services	(25)	(41)	(25)	62.8	(37.8)
Total	758	599	396	(47.8)	(34.0)
EBIT Margin (%)					
Fabric Care	22.9	22.8	19.7	-316bps	-306bps
Dishwashing	16.1	10.9	6.9	-926bps	-402bps
Mosquito Repellent	(2.3)	1.8	(18.2)	-1,588bps	-1,994bps
Personal Care	19.4	19.8	7.8	-1,160bps	-1,201bps
Other Products	(7.3)	11.3	16.6	2,390bps	538bps
Laundry Services	(22.5)	(36.0)	(24.9)	-233bps	1,114bps
Total	16.7	12.9	10.3	-646bps	-260bps
EBIT Mix(%)					
Fabric Care	62.4	69.2	87.7	2,524bps	1,842bps
Dishwashing	28.5	22.0	19.9	-857bps	-203bps
Mosquito Repellent	(1.1)	3.3	(13.9)	-1,272bps	-1,711bps
Personal Care	14.3	11.0	8.9	-535bps	-205bps
Other Products	(0.8)	1.4	3.7	449bps	236bps
Laundry Services	(3.3)	(6.8)	(6.4)	-310bps	40bps
Total	100.0	100.0	100.0		

Source: Company



Consolidated Financials

P&L Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17	FY18E	FY19E
Net Revenues	15,148	15,928	16,830	18,371	21,050
% Growth	14.4	5.1	5.7	9.2	14.6
Raw Material	7,774	8,360	8,941	9,434	10,881
Staff	1,626	1,813	1,752	2,006	2,238
Other Expenses	3,831	3,537	3,592	4,004	4,558
Total Expenditures	13,230	13,710	14,285	15,444	17,677
EBITDA	1,918	2,218	2,545	2,927	3,373
% Growth	22.0	15.6	14.7	15.0	15.2
EBITDA Margins (%)	12.7	13.9	15.1	15.9	16.0
Other Income	143	107	103	123	153
Interest	138	618	564	621	683
Depreciation	326	276	297	306	311
Profit Before Tax	1,289	1,596	1,809	2,123	2,534
Provision for tax	35	693	(255)	425	507
Reported PAT	1,255	936	2,092	1,726	2,054
% Growth	53.8	(25.4)	123.4	(17.5)	19.0
Adjusted Net Profit	1,123	1,101	2,114	1,726	2,054
% Growth	65.7	(2.0)	91.9	(18.3)	19.0

Balance Sheet

Balance Sheet (₹ mn)	FY15	FY16	FY17	FY18E	FY19E
Equity Share Capital	181	181	181	182	182
Reserves & surplus	7,616	8,834	10,708	11,729	13,077
Shareholders' funds	7,797	9,015	10,890	11,911	13,259
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	15,028	14,923
Net fixed assets	10,902	10,757	11,062	10,343	10,122
Cash & Cash Eq.	767	882	1,384	1,460	1,218
Net Other current assets	1,522	2,601	2,876	3,194	3,552
Investments	1,935	859	285	100	100
Net Deferred tax Assets	(5)	(409)	(69)	(69)	(69)
Total Assets	15,120	14,691	15,537	15,028	14,923

**Cash flow**

Cash Flow Statement(₹mn)	FY15	FY16	FY17	FY18E	FY19E
Pre-tax profit	1,245	1,431	1,787	2,123	2,534
Depreciation	326	314	301	306	311
Total Tax Paid	(417)	(517)	(309)	(425)	(507)
Chg in working capital	232	30	(656)	(318)	(358)
Other operating activities	278	664	511	621	683
Cash flow from oper (a)	1,663	1,921	1,634	2,308	2,663
Capital Expenditure	(164)	(265)	(567)	413	(90)
Chg in investments	(136)	1,303	324	185	-
Other investing activities	43	44	72	(12)	(12)
Cash flow from inv.(b)	(257)	1,082	(170)	586	(102)
Free cash flow (a+b)	1,406	3,003	1,463	2,893	2,560
Equity raised/(repaid)	-	0	1	(67)	(67)
Debt raised/(repaid)	380	(1,168)	474	(1,463)	(1,413)
Interest paid	(137)	(98)	(1,555)	(621)	(683)
Dividend (incl. Tax)	(362)	(1,743)	(218)	(545)	(546)
Other financing activities	(62)	(15)	-	(93)	(93)
Cash flow from fin. (c)	(181)	(3,024)	(1,298)	(2,789)	(2,802)
Net chg in cash & cash equi (a+b+c)	1,225	(21)	165	104	(242)

Key Ratios

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
Raw Material Cost/Sales (%)	51.3	52.5	53.1	51.4	51.7
Manpower Cost/Sales (%)	10.7	11.4	10.4	10.9	10.6
Operating & Other Cost/Sales (%)	25.3	22.2	21.3	21.8	21.7
Revenue Growth (%)	14.4	5.1	5.7	9.2	14.6
EBITDA Margins (%)	12.7	13.9	15.1	15.9	16.0
Net Income Margins (%)	7.4	6.9	12.6	9.4	9.8
ROCE (%)	12.7	15.1	16.4	19.5	22.6
ROE (%)	14.4	12.2	19.4	14.5	15.5

Valuation Parameters

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
EPS (₹.)	6.2	6.1	11.7	9.5	11.4
P/E (x)	40.3	47.2	29.4	40.9	34.4
BV (₹)	43.1	49.8	60.0	65.5	72.8
P/BV (x)	5.8	5.8	5.7	6.0	5.4
EV/EBITDA (x)	26.0	25.2	25.6	24.8	21.2
Fixed assets turnover ratio (x)	5.1	5.6	5.3	7.5	9.5
Net Debt/Equity (x)	0.8	0.5	0.3	0.1	0.0
EV/Sales (x)	3.3	3.5	3.9	3.9	3.4



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Hold 15% to -15%

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