



Jyothy Laboratories

Q3FY18 Result Update

"Strong Volume growth with Margin expansion"

Sector: FMCG

CMP: ₹ 361

Recommendation: BUY

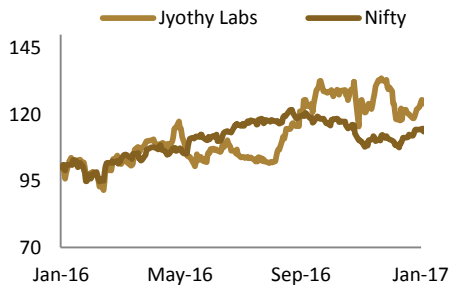
Market Statistics

Current stock price (₹)	361
Shares O/S (cr.)	18.2
Mcap (₹ cr)	6,562
52W H/L (₹)	443/325
6m avg. volume	173,314
Bloomberg	JYL IN E

Shareholding pattern

Promoters	66.89
Domestic Institution	4.85
Foreign Institution	14.79
Non-institution	13.47
of which more than 1%	
Fidelity Management & Research	1.93
Aberdeen Global	1.72

JYL vs Nifty



Capital efficiency & valuations

Particulars	FY17	FY18E	FY19E
RoE (%)	19.4	12.7	16.9
RoCE (%)	23.0	18.9	22.3
EPS (Rs)	11.7	8.4	12.7
EV/OCF (x)	37.6	31.2	20.8
EV/EBITDA (x)	23.5	24.7	18.4
P/E (x)	29.4	43.0	28.5

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Jyothy Labs (Jyothy), based on IND AS, has reported consolidated net sales growth of 12.3% to ₹4,312mn (our expectation was +10%YoY). However, GST comparable growth was 15.9% led by 11.5% volume growth. Fabric care, Dishwashing, Mosquito Repellent, Personal Care & Laundry services increased by 8.9%, 12.4%, -17.1%, 30.9% & 2.1% respectively. However on GST comparable basis:-Fabric care, Dishwashing, Mosquito Repellent, Personal Care & Laundry services showed 17.9%, 18.9%,-10%, 37.9% & 2.1% growth

On GST comparable basis, Power brands increased by 17.5%YoY. Strong growth of 17.3%, 19.1% 23% 43.4% & 21% was witnessed in Ujala, Exo, Henko, Margo and Pril. Maxo contracted by 10% in Q3FY18.

Gross margin expanded by 271bps to 48.3%YoY. Employee and A&P expenses grew strong by 14.2%(+19bpsYOY) & 20.5%(+51bps YoY). Other expenses grew by 5.9%(-81bps YoY). This translated into EBITDA margin expansion of 283bps to 16.1% while EBITDA grew robustly by 36.3% to Rs 693mn vs our expectation of Rs606mn.

Hence, PAT grew strong by 65.7% to Rs 342mn vs our expectation of Rs320mn.

Strong growth across categories barring Maxo

Jyothy showed 15.9% growth led by strong 11.5% volume growth. **Flagship brand Ujala** witnessed strong growth of 17.9% YoY. Within Ujala, detergent and crisp & shine showed whopping growth of 28% & 22% YoY while Ujala supreme grew by 9.7% YoY basis. **In HI segment**, overall sales was weak by -10% de-growth while they witnessed 33.5% growth in MAXO LV & 32.1% decline in Maxo Coil. It got impacted by early winter and wholesale channel disruption in north and east. Management stated that overall HI segment growth looks challenging while they are confident that LV machines strong acceptance would drive LV sales ahead. **In Dishwashing Segment**, both Exo and Pril showed healthy growth of 19.1% and 21% YoY. **Personal Segment** showed robust growth of 37.9% led by 43.4% growth in Margo Henko franchise showed 23% YoY. We expect volume growth to pick up in coming qtrs led by improvement in rural demand, revival in Ujala & higher secondary sales growth.

Concall Highlights: 1) Rural market is improving and outlook remain positive for near term. 2) In Ujala Crisp & shine; management mentioned that it requires great deal to educate customer and build the habit. Hence, now complete understanding of product, they are planning to rollout in other states. 3) Tax rate for coming 6-7 years would be 21%YoY. 4) Direct outlets reached to 350,000 for the company 5) Targets to maintain 8-10 volume growth in coming qtrs. 6) Company do not see need to take price increase to combat the increasing raw material prices as they have stock for coming qtr 7)Urban demand spiked up by GST rate correction and CSD channel demand is back to normal.

Strong EBITDA growth of 36% YoY

Gross Margin expanded by 271bps to 48.3%.Employee and A&P expenses grew strong by 14.2%(+19bpsYOY) & 20.5%(+51bps YoY). Other expenses grew by 5.9%(-81bps YoY) Hence, EBITDA grew robustly by 36.3% to Rs 693mn. Management aims to maintain 16% EBITDA margin 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. Although cancellation of Henkel deal is discouraging but we believe company has the ability to show healthy double digit growth in coming qtrs. We are positive on Jyothy's business and suggest investors to see long term potential in business. Jyothy trades at P/E of 43x & 28.5 of FY18 & FY19 estimated EPS.

We maintain BUY rating on the stock.



Exhibit 1: Quarterly Performance (On reported basis)

Particulars (₹mn)	Q3FY17	Q2FY18	Q3FY18	YoY change (%)
Total Income	3,839	4,299	4,312	12.3
Total RM cost	2,089	2,229	2,230	6.7
% of net sales	54.4	51.8	51.7	-271bps
Gross Profit	1,750	2,071	2,083	19.0
Gross Margin (%)	45.6	48.2	48.3	271bps
Employee Expenses	431	466	492	14.2
% of net sales	11.2	10.8	11.4	19bps
A&P Exp	269	346	325	20.5
% of net sales	7.0	8.1	7.5	51bps
EBITDA	508	708	693	36.3
EBITDA margin %	13.2	16.5	16.1	283bps
EBIT	461	673	638	38.4
EBIT Margin %	12.0	15.6	14.8	279bps
Interest	144	119	120	(16.7)
PBT before exceptional item	316	554	517	63.5
exceptional item	2	(2)	-	
PBT	314	556	517	64.5
Tax	108	98	188	74.4
Effective tax rate (%)	34.3	17.7	27.0	
Reported PAT	207	469	342	65.7
Adjusted PAT	207	474	342	65.7

Source: Company, Trust

Exhibit 2: Brand Wise Gross Sales growth(On reported basis)

Brands	Revenue (Rs mn)					Revenue Gr(%)				
	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Ujala	983	1,020	932	913	1,062	7.5	9.8	(21.2)	0.3	8.0
Exo	948	902	842	979	1,069	2.0	3.3	(16.8)	15.0	12.8
Maxo	453	1,111	301	646	375	(15.2)	(6.5)	(19.3)	2.7	(17.2)
Henko	436	440	462	436	487	20.1	(2.9)	(5.7)	10.4	11.7
Margo	279	289	404	451	380	(6.1)	19.4	(18.7)	58.2	36.2
Pril	306	300	312	338	348	3.0	2.4	(5.7)	9.0	13.7
Total Power Brands	3,405	4,062	3,253	3,763	3,721	2.1	2.1	(16.3)	11.3	9.3
Others	467	482	495	436	477	13.6	21.4	(6.6)	0.2	2.1
Total	3,872	4,544	3,748	4,199	4,198	3.4	3.9	(15.1)	10.1	8.4
Laundry Services	111	113	102	100	113	(14.6)	(0.9)	(8.1)	(6.5)	1.8
Grand Total	3,983	4,657	3,850	4,299	4,311	2.8	3.7	(14.9)	9.6	8.2

Source: Company, Trust

**Exhibit 3: Segmental Performance(On reported basis)**

Particulars (₹mn)	Q3FY17	Q2FY18	Q3FY18	YoY Gr. (%)	QoQ Gr. (%)
Revenue					
Fabric Care	1,729	1,650	1,884	8.9	14.2
Dishwashing	1,255	1,301	1,410	12.4	8.4
Mosquito Repellent	453	646	375	(17.1)	(41.9)
Personal Care	340	507	445	30.9	(12.2)
Other Products	100	97	84	(15.8)	(12.9)
Laundry Services	111	100	113	2.1	13.2
Total	3,988	4,300	4,312	8.1	0.3
Revenue Mix (%)					
Fabric Care	43.4	38.4	43.7	32bps	533bps
Dishwashing	31.5	30.3	32.7	124bps	245bps
Mosquito Repellent	11.3	15.0	8.7	-265bps	-632bps
Personal Care	8.5	11.8	10.3	180bps	-147bps
Other Products	2.5	2.2	2.0	-56bps	-30bps
Laundry Services	2.8	2.3	2.6	-16bps	30bps
Total	100.0	100.0	100.0		
EBIT (Rs mn)					
Fabric Care	314	375	416	32.5	11.1
Dishwashing	124	181	222	78.7	22.2
Mosquito Repellent	5	29	(11)	(337.8)	(137.2)
Personal Care	47	116	94	147.2	(19.1)
Other Products	6	3	(30)	(59.4)	(1,269.2)
Laundry Services	(23)	(31)	(26)	32.8	(14.9)
Total	473	673	665	40.6	(1.2)
EBIT Margin (%)					
Fabric Care	18.2	22.7	22.1	393bps	-61bps
Dishwashing	9.9	13.9	15.7	583bps	177bps
Mosquito Repellent	1.0	4.5	(2.9)	-385bps	-731bps
Personal Care	13.8	22.9	21.1	729bps	-180bps
Other Products	6.4	2.7	(36.1)	-4,250bps	-3,879bps
Laundry Services	(20.9)	(30.8)	(23.2)	-223bps	767bps
Total	11.9	15.6	15.4	356bps	-23bps
EBIT Mix(%)					
Fabric Care	66.4	55.7	62.6	-379bps	696bps
Dishwashing	26.2	27.0	33.3	712bps	638bps
Mosquito Repellent	1.0	4.3	(1.6)	-256bps	-589bps
Personal Care	9.9	17.3	14.1	420bps	-313bps
Other Products	1.4	0.4	(4.6)	-593bps	-496bps
Laundry Services	(4.9)	(4.6)	(3.9)	97bps	64bps
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	15,971	16,902	17,239	20,268
% Growth	14.4	5.4	5.8	2.0	17.6
Raw Material	7,774	8,360	8,941	9,263	10,684
Staff	1,626	1,810	1,752	1,789	2,007
Other Expenses	3,831	3,537	3,591	3,585	4,142
Total Expenditures	13,230	13,707	14,285	14,637	16,832
EBITDA	1,918	2,264	2,616	2,602	3,436
% Growth	22.0	18.0	15.6	(0.5)	32.1
EBITDA Margins (%)	12.7	14.2	15.5	15.1	17.0
Other Income	143	99	35	111	192
Interest	138	618	564	470	392
Depreciation	326	314	301	328	369
Profit Before Tax	1,289	1,596	1,809	1,913	2,866
Provision for tax	35	693	(255)	421	602
Reported PAT	1,255	937	2,091	1,519	2,292
% Growth	53.8	(25.4)	123.2	(27.3)	50.9
Adjusted Net Profit	1,563	1,102	2,113	1,521	2,294
% Growth	130.5	(29.5)	91.8	(28.0)	50.8

Balance Sheet

Balance Sheet(₹ mn)	FY15	FY16	FY17	FY18E	FY19E
Equity Share Capital	181	181	181	182	182
Reserves & surplus	9,643	8,834	10,708	11,833	13,402
Shareholders' funds	9,824	9,015	10,890	12,015	13,584
Minorities interests	14	(27)	(67)	(106)	(146)
Total Debt	5,120	73	547	1,837	1,977
Capital Employed	14,958	9,061	11,370	13,746	15,415
Net fixed assets	10,903	10,757	11,058	11,445	11,646
Cash & Cash Eq.	789	664	1,086	2,493	3,822
Net Other current assets	1,317	(2,810)	(989)	(758)	(769)
Investments	1,950	859	285	635	785
Net Deferred tax Assets	-	(409)	(69)	(69)	(69)
Total Assets	14,959	9,061	11,371	13,746	15,415

**Cash flow**

Cash Flow Statement(₹mn)	FY15	FY16	FY17	FY18E	FY19E
Pre-tax profit	1,245	1,431	1,787	1,915	2,868
Depreciation	326	314	301	328	369
Total Tax Paid	(417)	(517)	(309)	(421)	(602)
Chg in working capital	232	30	(656)	(232)	11
Other operating activities	278	664	511	470	392
Cash flow from oper (a)	1,663	1,922	1,633	2,061	3,039
Capital Expenditure	(164)	(265)	(567)	(715)	(570)
Chg in investments	(136)	1,303	324	(350)	(150)
Other investing activities	43	44	72	(12)	(12)
Cash flow from inv.(b)	(257)	1,082	(170)	(1,077)	(732)
Free cash flow (a+b)	1,406	3,004	1,463	983	2,306
Equity raised/(repaid)	-	0	1	(67)	(67)
Debt raised/(repaid)	380	(1,168)	474	1,290	140
Interest paid	(137)	(98)	(1,555)	(470)	(392)
Dividend (incl. Tax)	(362)	(1,743)	(218)	(273)	(546)
Other financing activities	(62)	(15)	-	(55)	(109)
Cash flow from fin. (c)	(181)	(3,024)	(1,298)	425	(975)
Net chg in cash & cash equi (a+b+c)	1,225	(21)	164	1,408	1,332

Key Ratios

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
Raw Material Cost/Sales (%)	51.3	52.3	52.9	53.7	52.7
Manpower Cost/Sales (%)	10.7	11.3	10.4	10.4	9.9
Operating & Other Cost/Sales (%)	25.3	22.1	21.2	20.8	20.4
Revenue Growth (%)	14.4	5.4	5.8	2.0	17.6
EBITDA Margins (%)	12.7	14.2	15.5	15.1	17.0
Net Income Margins (%)	10.3	6.9	12.5	8.8	11.3
ROCE (%)	12.8	25.0	23.0	18.9	22.3
ROE (%)	15.9	12.2	19.4	12.7	16.9

Valuation Parameters

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
EPS (₹.)	8.6	6.1	11.7	8.4	12.7
P/E (x)	28.9	47.1	29.4	43.0	28.5
BV (₹)	54.3	49.8	60.0	66.1	74.6
P/BV (x)	4.6	5.8	5.7	5.5	4.8
EV/EBITDA (x)	24.8	22.3	23.5	24.7	18.4
Fixed assets turnover ratio (x)	5.0	5.5	5.3	4.8	5.4
Net Debt/Equity (x)	0.4	(0.1)	(0.0)	(0.1)	(0.1)
EV/Sales (x)	3.1	3.2	3.6	3.7	3.1



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