Jyothy Laboratories Ltd: Nothing special....

Ahead of street numbers, while margin could be dip in near future,

Jyothy Laboratories Ltd's 3rd quarter numbers were ahead of street consensus, standalone sales grew by 23% led by 31% growth on Soap and Detergents, which contributes 77% of Sales. While, Company's PAT slipped by 10%(YoY) on the back of higher expenses and increased finance costs. Compare to same quarter last year, its finance cost burden from Rs2 cr to Rs 17cr and tax expenses rose to Rs 7 crore from Rs 5 crore.

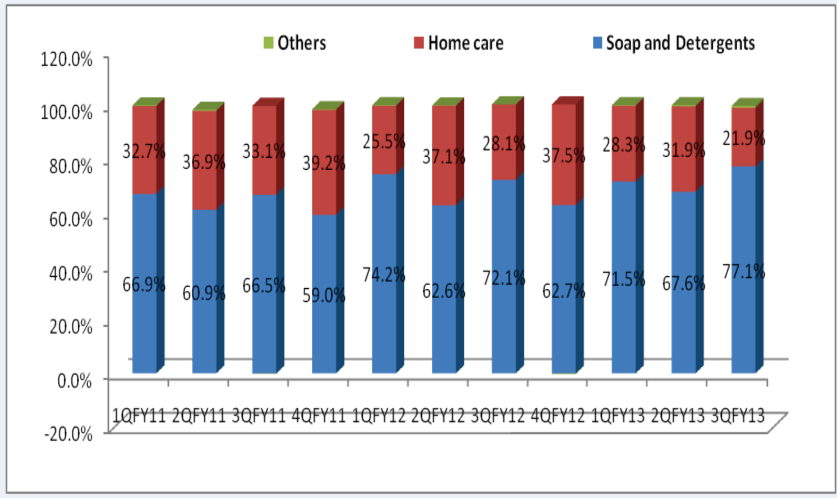
Margin status: Despite of inflationary pressure, **Jyothy Lab has improved its EBITDA margin by 100bps (YoY) to 17.9%.** Company's total expenses in the quarter were up 18% YoY to Rs 171 crore, while raw material costs increased 18% to Rs 67 crore.

Among key segments, soaps and detergent (contributes 77% of sales) sales were up 32% to Rs 158 crore. However, Homecare sales (22% of sales) were down 4% to Rs 45 crore. **Margin of Soap and Detergent has drastically declined to 20% from 24.4% (3QFY12). While, Homecare margin was at 10% against the loss of same quarter last year.**

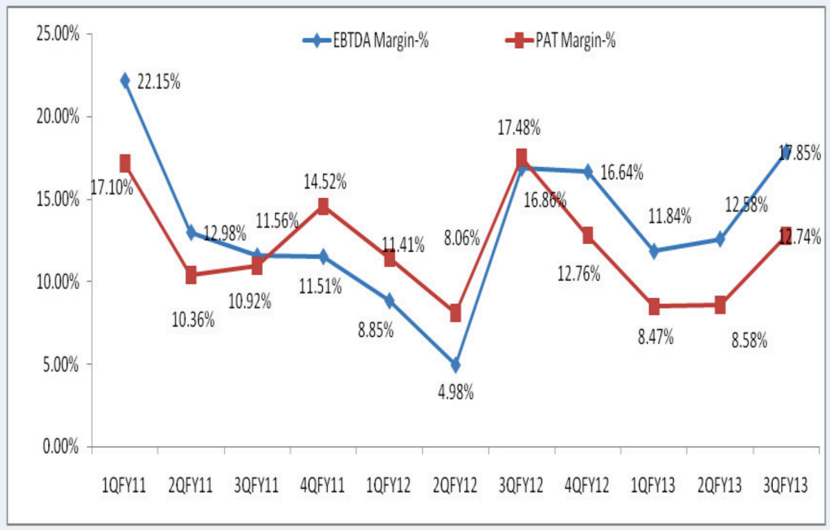
On categories front, For Ujala in Fabric Care, company maintained 72.8% all-India market share (No. 1 position) by value: and 59 % by volume for the year ended December 2012 (73.6% by value and 60.1% by volume – December 2011). For Maxo Coil, Company retained 17.2% all-India market share and 24.3 % of Rural India market share by volume for December 2012 by value and 19.8 % by volume for the year ended December 2012 (19.8% by value and 22.0 by volume – December 2011). For Exo Bar, 27.8 % South India market share (No.2 position) by value and 25.0 % by volume for year ended December 2012 (26% by value and 24% by volume – December 2011), while 53.9 % Kerala market share (No.1 position) by value and 51.5 % by volume for year ended December 2012.

Recent Updates: Company plans to set up a subsidiary in Bangladesh in association with Kallol Enterprises, a leading FMCG distributor of Bangladesh. The subsidiary Jyothy Kallol Bangladesh, in which the homegrown firm holds 75% stake, will commence operations from April 01, 2013. Meanwhile, the company is also looking forward to expand in other West Asian countries as well as North African countries in the near future.

View and Valutaion: The re launch of brand such as Fa, Margo, Exo and Maxo would result in higher ad-spends and continue to eat into margins though it would build up the strong investment behind brands. With no land sale in FY13, the company will continue to pay higher interest cost in 2HFY13. We believe the distribution restructuring would lead to volatile sales and Company's presence in highly penetrated categories would make it difficult to manage high margins and volume growth simultaneously. We ramian cautious on the stock, at a CMP of Rs146, stock trades at 21x FY14E earnings. We recommend "NEUTRAL" view on the stock. Our view could be change post earnings of Henkel (a major arm of company, contributes 48% of total sales).



(Source: Company/Eastwind)



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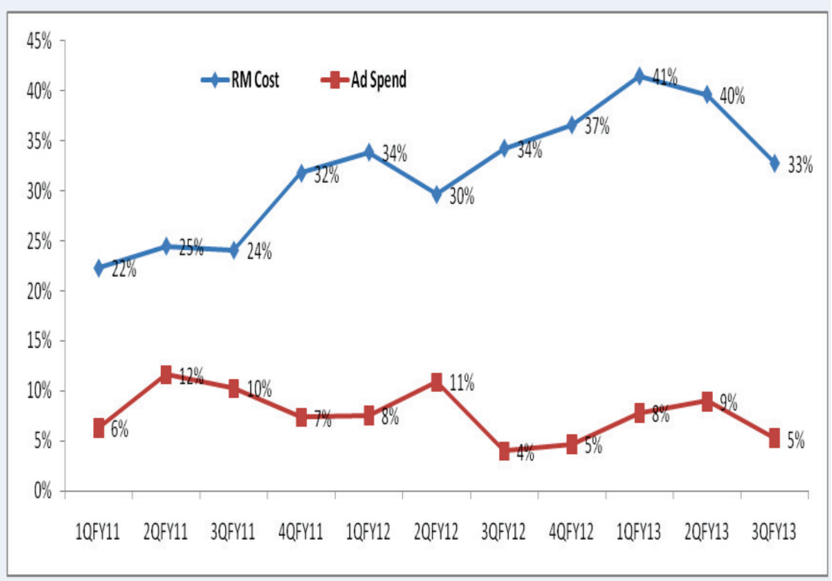

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