

Result update	BUY
CMP	244
Target Price	330
Previous Target Price	300
Upside	35%
Change from Previous	10%

Market Data	
BSE Code	532926
NSE Symbol	JYOTHYLAB
52wk Range H/L	314/172
Mkt Capital (Rs Cr)	5652
Average Daily Volume	51716
Nifty	8129

Stock Performance			
	1M	1yr	YTD
Absolute	16.6	49.4	61.7
Rel. to Nift	13.2	7.9	27.2

Share Holding Pattern-%			
	Current	2QFY15	1QFY15
Promoters	66.8	66.8	66.7
FII	15.5	14.1	14.5
DII	8.0	9.4	8.4
Others	9.8	9.7	10.3

1 yr Forward P/B



Inline set of growth and expecting for healthy growth ahead;

Jyothy Lab witnessed inline numbers than street estimates and management is optimistic for decent set of growth ahead, Consolidated revenue grew by 14.9%(YoY) led by 10%(YoY) volume and 4%(YoY) pricing growth. The power brand grew by 16%(YoY) with the Maxo mosquito repellent brand registering a strong growth of 48% (YoY), and Exo and Pril (dish washing brands) registering a growth of 13%(YoY) and 19%(YoY) respectively during the quarter.

We expect that company's new management and new strategy of product reach would energize its growth story in near future. Hence, the management is confident of sustaining the strong revenue growth momentum in the coming quarters on the back of innovations, increased distribution reach and adequate promotional activities.

Margin(GPM) improved because of lower Input Cost: During the quarter, The Gross Profit Margin improved by 170bps (YoY) to 50.4% because of decline in RM cost. EBITDA Margin and Pat Margin flat(YoY) at 13.7% and 7.3%. The improvement in the revenue mix with a higher contribution from some of the high- margin products would help the company to achieve a sustainable improvement in the GPM over the next 2 to 3 years.

Segments/ Brandwise Performance: Across the product categories, all performed well. The revenues of Maxo mosquito repellent saw a growth of 48% in 3QFY15 as against a muted growth of 5% in 2QFY15. Maxo coil and Maxo liquids grew in strong double digits during the quarter. Ujala fabric whitener maintained its single-digit revenue growth (a volume growth of 1%) during the quarter. The dishwashing segment grew by 14% in 3QFY15 and Exo dishwashing bar and Pril liquid grew by 13% and 19% respectively during the quarter.

Laundry business is on struggling phase: During the quarter, laundry business registered 8%(YoY) growth with loss of 15%(YoY). If the volume of laundry comes to the track, then losses of the business would be decline in the coming quarters.

Brand and Product Development: Going ahead, the Company is likely to come out with an innovative liquid vaporizer with an all-new mix in 1QFY16E and company is planning to launch the Stiff & Shine brand, which is performing extremely well in Kerala, in one more south Indian market.

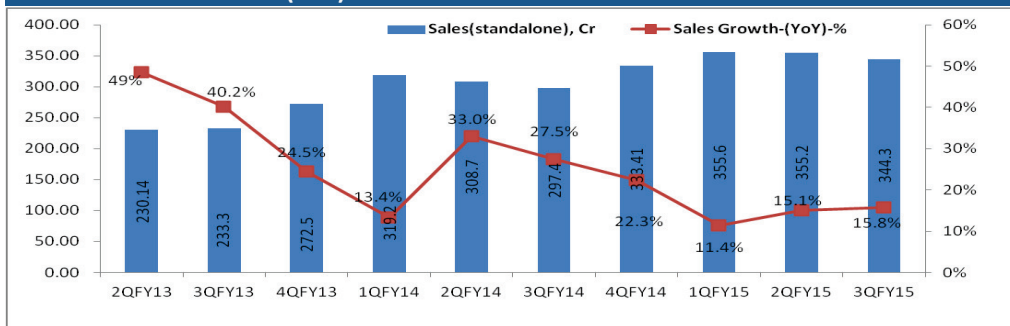
View and Valuation: Going forward, the Company will focus on brand building with extension of current brands and continue to adapt to the continuous changes of consumers. **We believe the distribution restructuring and new product innovation would lead to generate sales and its presence in highly demanding categories would help to manage high margins and volume growth simultaneously. We maintain "BUY" view with a target price of Rs 330(Revised from Rs 300). At a CMP of Rs244, stock trades at 4.9x of FY16E P/BV.**

Financials				Rs, Cr	
	3QFY15	2QFY15	(QoQ)-%	3QFY14	(YoY)-%
Revenue	360.5	367.9	-2.0%	313.8	14.9%
EBITDA	48.1	39.4	22%	41.3	16%
PAT	26.39	25.1	5%	22.6	17%
EBITDA Margin	13.3%	10.7%	260bps	13.2%	10bps
PAT Margin	7.3%	6.8%	50bps	7.2%	10bps

(Source: Company/Eastwind)

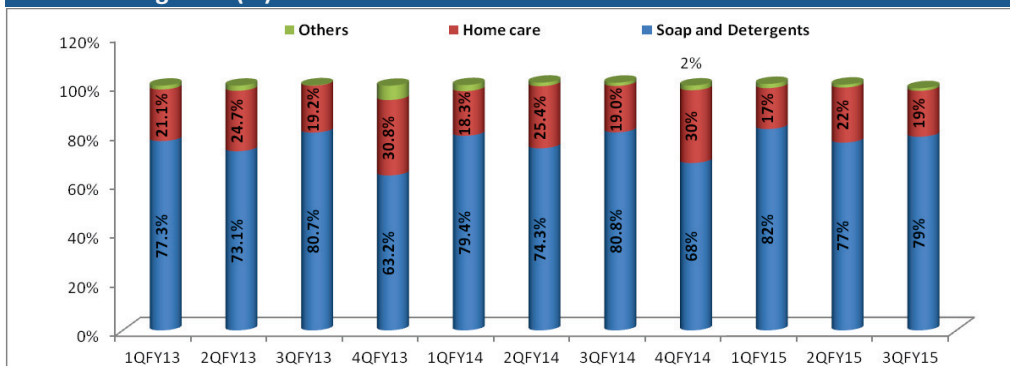
Jyothy Lab

Sales and Sales Growth (YoY)-%



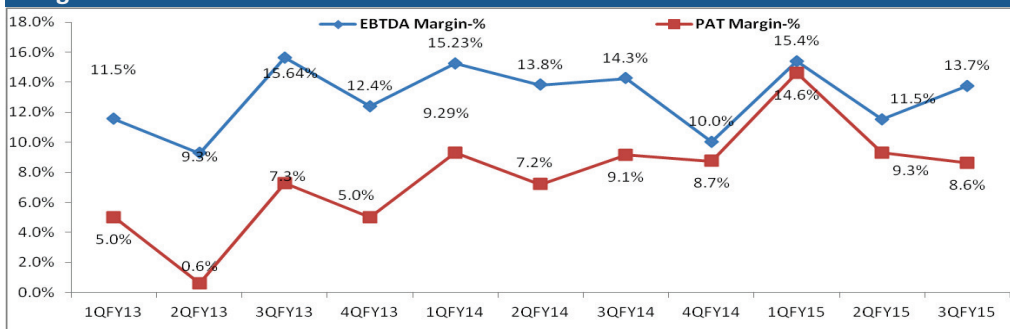
(Source: Company/Eastwind)

Sales Mix-segment (%)



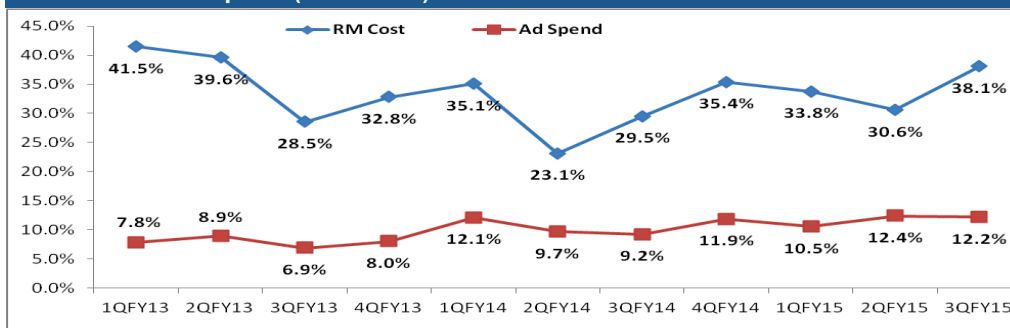
(Source: Company/Eastwind)

Margin-%



(Source: Company/Eastwind)

RM Cost and Ad Spend-(% of sales)



(Source: Company/Eastwind)

The company has maintained its guidance of achieving around 17% revenue growth for FY15E and 22% revenue growth for FY16E.

Management expected to see EBITDA margin at 13%- 14% on conservative side in FY15E.

Company will spend little more on Ad spend in coming quarters but it will not be more than 13%.

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Key takeaways from Conference call;

- (1) Management indicated that competitive intensity in select categories like detergents has picked up, especially in the form of price-offs/promotions.
- (2) Management indicated that sharp drop in crude oil can drive incremental GM expansion of ~400 bps in FY2016E based on current product mix..
- (3) A&P spends would sustain at around 12.5-13% for FY15E and in the range of 11-12% in FY16E. The mgmt expects Margo to grow above 20% in near-medium term.
- (4) The mgmt expects laundry business to be EBITDA positive by March 2015.
- (5) The Company is planning to launch a new mix of liquid vaporizers in 1Q FY16E. The liquid vaporizer sales are expected to grow strongly in the coming quarters.
- (6) The company has indicated of achieving double digit growth with implementation of new plans towards the brand in the coming quarters.

Financials

Rs in Cr	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E
Sales	596.32	626.39	912.99	1105.96	1323.86	1547.06	1875.60
Raw Materials Cost	317.19	320.27	502.99	584.35	694.37	773.5301	919.0455
Employee Cost	75.38	81.31	113.67	130.48	138.15	154.71	187.56
Advertisement and Publicity	26.62	33.99	41.79	95.54	144.21	177.91	215.69
Raw Materials Cost	317.19	320.27	502.99	584.35	694.37	773.5301	919.0455
Other expenses	85.31	111.52	170.46	165.92	189.91	216.59	262.58
Total expenses	504.5	547.09	828.91	976.29	1166.64	1322.74	1584.88
EBITDA	91.82	79.3	84.08	129.67	157.22	224.32	290.72
Depreciation	12.36	13.03	24.65	22.43	24.32	33.77	40.53
Other Income	17.8	16.91	22.73	5.202	8.18	7.74	9.38
EBIT	79.46	66.27	59.43	107.24	132.9	190.55	250.19
Interest Cost	1.7	1.99	23.83	68.22	55.27	15.22	14.58
Profit (+)/Loss (-) Before Taxes	95.56	81.19	58.33	44.222	85.81	183.07	244.98
Provision for Taxes	21.48	15.43	19.94	-14.87	0.44	0.92	2.45
Net Profit (+)/Loss (-)	74.08	65.76	38.39	59.092	85.37	182.15	242.53
Growth-% (YoY)							
Sales	65.3%	5.0%	45.8%	21.1%	19.7%	16.9%	22.0%
EBITDA	88.3%	-13.6%	6.0%	54.2%	21.2%	42.7%	29.6%
PAT	93.0%	-11.2%	-41.6%	53.9%	44.5%	113.4%	33.1%
Expenses on Sales-%							
RM Cost	53.2%	51.1%	55.1%	52.8%	52.5%	50.0%	49.0%
Employee Cost	12.6%	13.0%	12.5%	11.8%	10.4%	10.0%	10.0%
Ad spend	4.5%	5.4%	4.6%	8.6%	10.9%	11.5%	11.5%
Other expenses	14.3%	17.8%	18.7%	15.0%	14.3%	14.0%	14.0%
Tax rate	22.5%	19.0%	34.2%	-33.6%	0.5%	0.5%	1.0%
Margin-%							
EBITDA	15.4%	12.7%	9.2%	11.7%	11.9%	14.5%	15.5%
EBIT	13.3%	10.6%	6.5%	9.7%	10.0%	12.3%	13.3%
PAT	12.4%	10.5%	4.2%	5.3%	6.4%	11.8%	12.9%
Valuation:							
CMP	169.85	219.8	155	175	194	312.00	312.00
No of Share	7.3	8.1	16.1	16	16	16.00	16.00
NW	387.76	631.1	612.42	638.56	734.38	850.53	1027.05
EPS	10.1	8.1	2.4	3.7	5.3	11.4	15.2
BVPS	53.1	77.9	38.0	39.9	45.9	53.2	64.2
RoE-%	19.1%	10.4%	6.3%	9.3%	11.6%	21.4%	23.6%
P/BV	3.2	2.8	4.1	4.4	4.2	5.9	4.9
P/E	16.7	27.1	65.0	47.4	36.4	27.4	20.6

(Source: Company/Eastwind)