

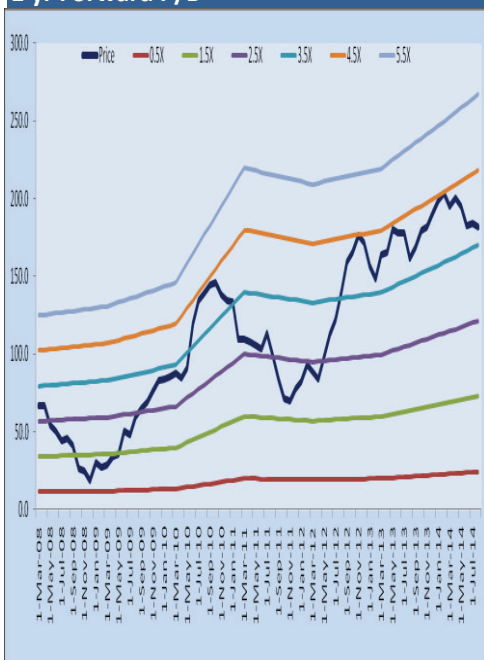
Result update	BUY
CMP	239
Target Price	300
Previous Target Price	260
Upside	26%
Change from Previous	15%

Market Data	
BSE Code	532926
NSE Symbol	JYOTHYLAB
52wk Range H/L	300/171
Mkt Capital (Rs Cr)	4317
Average Daily Volume	51716
Nifty	8358

Stock Performance			
	1M	1yr	YTD
Absolute	-8.1	31.9	30.07
Rel. to Nift	-14.1	-6.9	1.57

Share Holding Pattern-%			
	Current	1QFY15	4QFY14
Promoters	66.8	66.8	66.7
FII	14.1	14.5	15.4
DII	9.4	8.4	8.58
Others	9.7	10.3	9.3

1 yr Forward P/B



Beats the street on all counts, healthy growth outlook;

Jyothy Lab reported decent set of performance in 2QFY15 and expected to see promising growth in near future; consolidated revenue grew by 16.2%(YoY) led by 9%(YoY) volume growth and 7%(YoY) value growth. While, standalone revenue grew by 15.1%(YoY) led by healthy growth of Soap and Detergent Segment.

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 impacted due to higher RM Cost: During the quarter, EBITDA margin declined by 140bps(YoY) to 10.7%, adversely impacted by RM cost pressure and higher Ad spend. Lower interest costs and higher other operating income boosted PAT margin by 210bps (YoY) to 6.8%. The management expects to see EBITDA margin at a range of 13-14% in FY15E.

Inflationary pressure on RM Cost: RM cost inflation was at 48%, which was mitigated by around 8% price increase during quarter. The mgmt said that it does not expect any significant increase in the palm oil prices in the coming quarters. due to drop in key input prices (including palm oil and packaging cost). The improvement in gross margins is likely to directly flow in the OPM, resulting in a better OPM in H2FY2015 in comparison with H1FY2015.

Segments/ Brandwise Performance: Across the product categories, all performed well (except Mosquito Repellent). The personal segment registered a strong growth of 40% with Margo soaps growing 48% (driven by 37% volume growth) in 2QFY15. The management expects Margo to grow above 20% in the near- to medium-term. The fabric care segment grew by 15% in 2QFY15. Ujala registered a single digit growth in comparison with the double digit in the previous quarter. Below normal rainfall impacted Mosquito Repellent growth (grew by 5%(YoY)).

Brand and Product Development: Going ahead, it is planning to launch a new mix of liquid vaporizers in Q3 FY15. The liquid vaporizer sales are expected to grow strongly in the coming quarters. Margo face wash has launched in the domestic market in September 2014.

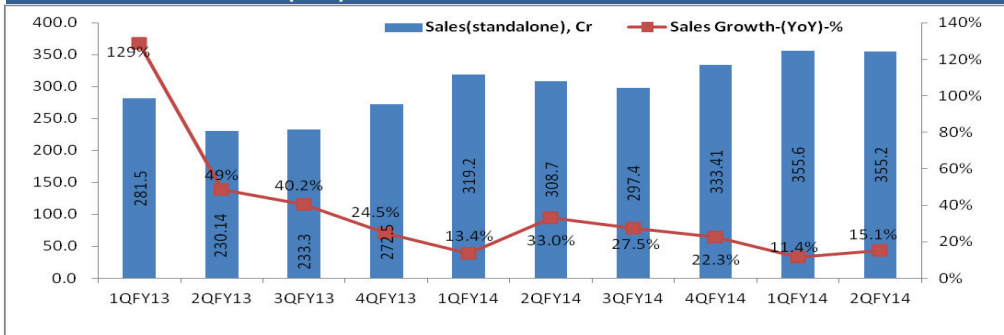
View and Valuation: Going forward, the company will focus on brand building with extension of current brands and continue to adapt to the continuous changes of consumers. **We believe the distribution restructuring and new product innovation would lead to generate sales and its presence in highly demanding categories would help to manage high margins and volume growth simultaneously. We maintain "BUY" view with a target price of Rs 300. At a CMP of Rs239, stock trades at 4.6x/3.9x of FY15E/FY16E P/BV.**

Financials	Rs, Cr				
	2QFY15	1QFY15	(QoQ)-%	2QFY14	(YoY)-%
Revenue	367.9	385.5	-4.6%	316.7	16.2%
EBITDA	39.4	52	-24%	38.3	3%
PAT	25.1	42.42	-41%	14.8	70%
EBITDA Margin	10.7%	13.5%	(280bps)	12.1%	(140bps)
PAT Margin	6.8%	11.00%	(420bps)	4.7%	(210bps)

(Source: Company/Eastwind)

Jyothy Lab

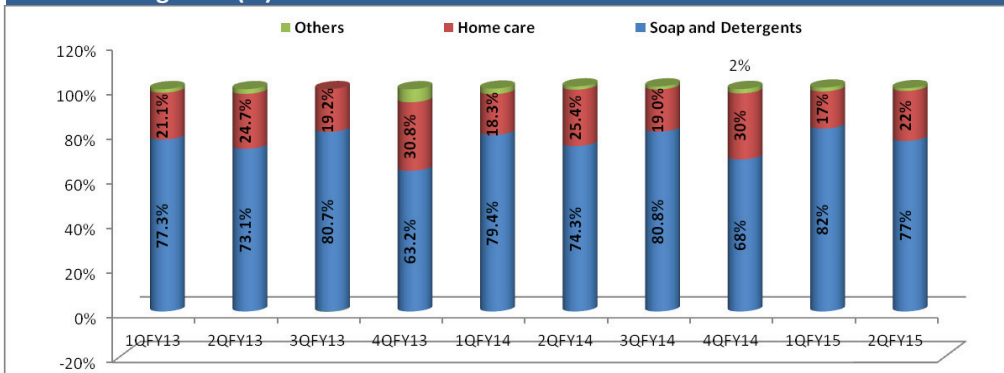
Sales and Sales Growth (YoY)-%



(Source: Company/Eastwind)

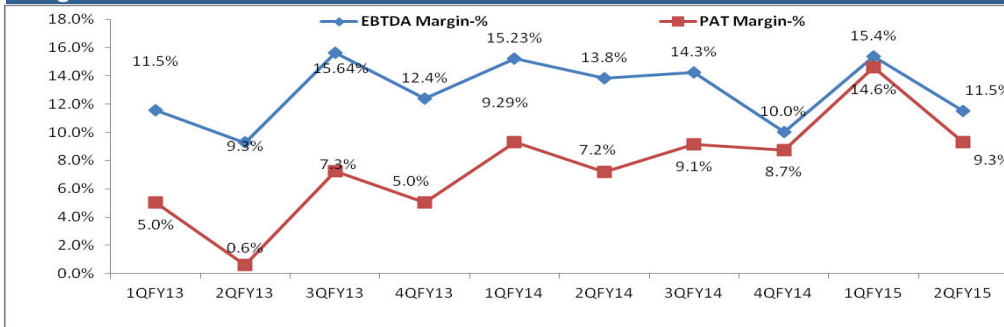
The company has maintained its guidance of achieving around 20% revenue growth for FY15E.

Sales Mix-segment (%)



(Source: Company/Eastwind)

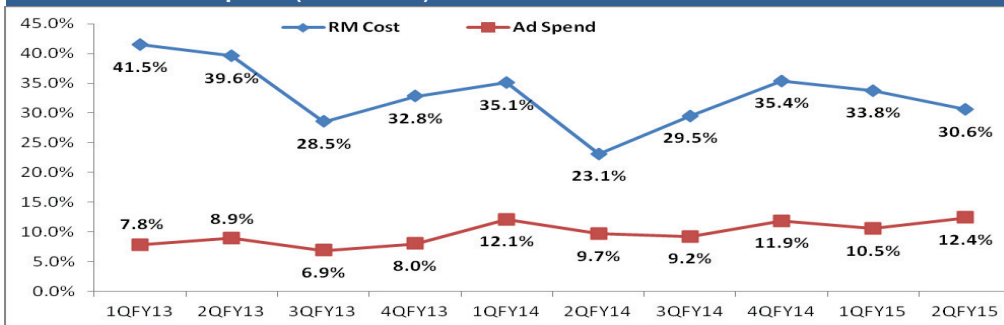
Margin-%



(Source: Company/Eastwind)

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

RM Cost and Ad Spend-(% of sales)



(Source: Company/Eastwind)

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

Jyothy Lab

Key takeaways from Conference call;

- (1) The management expects revenue growth around 20% in FY15E driven by strong volume growth of 15%.
- (2) For FY15E, the gross margins are expected to improve going forward, led by a revival in growth of high margin products like Ujala fabric whitener. EBITDA margin is expected to see at 13-14% on conservative side.
- (3) A&P spends would sustain at around 12% for FY15E and in the range of 11.5-12% 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 Q3 FY15. 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	1579.11	1914.84
Raw Materials Cost	322.54	164.2	263.41	339.81	378.52	813.24	976.57
Raw Materials Cost	317.19	320.27	502.99	584.35	694.37	813.2431	976.5663
Employee Cost	75.38	81.31	113.67	130.48	138.15	165.81	201.06
Advertisement and Publicity	26.62	33.99	41.79	95.54	144.21	181.60	220.21
Other expenses	85.31	111.52	170.46	165.92	189.91	221.08	268.08
Total expenses	504.5	547.09	828.91	976.29	1166.64	1381.72	1665.91
EBITDA	91.82	79.3	84.08	129.67	157.22	197.39	248.93
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	11.05	15.32
EBIT	79.46	66.27	59.43	107.24	132.9	163.62	208.40
Interest Cost	1.7	1.99	23.83	68.22	55.27	13.32	13.32
Profit (+)/Loss (-) Before Taxes	95.56	81.19	58.33	44.222	85.81	161.35	210.40
Provision for Taxes	21.48	15.43	19.94	-14.87	0.44	0.81	2.10
Net Profit (+)/Loss (-)	74.08	65.76	38.39	59.092	85.37	160.55	208.30
Growth-% (YoY)							
Sales	65.3%	5.0%	45.8%	21.1%	19.7%	19.3%	22.0%
EBITDA	88.3%	-13.6%	6.0%	54.2%	21.2%	25.5%	26.1%
PAT	93.0%	-11.2%	-41.6%	53.9%	44.5%	88.1%	29.7%
Expenses on Sales-%							
RM Cost	53.2%	51.1%	55.1%	52.8%	52.5%	51.5%	51.0%
Employee Cost	12.6%	13.0%	12.5%	11.8%	10.4%	10.5%	10.5%
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%	12.5%	13.0%
EBIT	13.3%	10.6%	6.5%	9.7%	10.0%	10.4%	10.9%
PAT	12.4%	10.5%	4.2%	5.3%	6.4%	10.2%	10.9%
Valuation:							
CMP	169.85	219.8	155	175	194	239	239
No of Share	7.3	8.1	16.1	16	16	16	16
NW	387.76	631.1	612.42	638.56	734.38	828.92	971.21
EPS	10.15	8.12	2.38	3.69	5.34	10.03	13.02
BVPS	53.12	77.91	38.04	39.91	45.90	51.81	60.70
RoE-%	19.1%	10.4%	6.3%	9.3%	11.6%	19.4%	21.4%
P/BV	3.20	2.82	4.07	4.38	4.23	4.61	3.94
P/E	16.74	27.07	65.00	47.38	36.36	23.82	18.36

(Source: Company/Eastwind)