

Result update	BUY
CMP	206
Target Price	260
Previous Target Price	-
Upside	26%
Change from Previous	-

Market Data	
BSE Code	532926
NSE Symbol	JYOTHYLAB
52wk Range H/L	223/143
Mkt Capital (Rs Cr)	3731
Average Daily Volume	51716
Nifty	7367.1

Stock Performance	1M	1yr	YTD
Absolute	4.3	18.1	15.9
Rel. to Nift	-3.7	-2.8	-13.7

Share Holding Pattern-%	Current	3QFY14	2QFY14
Promoters	66.8	66.7	63.69
FII	15.4	15.3	16.04
DII	8.6	8.6	9.79
Others	9.3	9.4	10.48

## 1 yr Forward P/B



## Beats the street on all counts, healthy growth outlook for FY15E;

Despite weak consumer discretionary environment and high competitive intensity, Jyothy Lab revived its growth story with 22.3% (YoY) sales growth led by healthy sales in Soaps and detergent segments. PAT was almost double than same quarter last year because of higher other income and reduction of interest cost. During the year, the company has paid its loan after raising fund after issuing zero-coupon non-convertible debentures.

For FY14, Jyothy Lab reported 20% sales growth inline than it's management guidance led by strong volume growth and PAT grew by 93% because of reduction on interest cost. EBITDA margin was down by 50bps to 11.9%.

We expect that company's new management and new strategy of product reach would energize its growth story in near future. Hence, the management has maintained its guidance of achieving around 20-25% revenue growth and OPM of 14%(on conservative side) for FY15E.

**Volume growth:** Volume grew by 15% while 8% was price/product mix growth. The dishwash and personal care grew higher versus overall volume growth while fabric care and HI grew slower.

**Margin impacted due to higher Ad spend:** During the quarter, one-off surge in advertising spends impacted EBITDA margin that contracted by 240bps (YoY) to 10%. While, lower interest costs and higher other operating income boosted PAT margin by 450bps (YoY) to 8.8%. The management expects to see EBITDA margin at 14% mark in FY15E.

**Segments/ Brandwise Performance:** In its bread and butter business detergent & soap segment which includes brands like Ujala, Henko, Exo, Pril, Margo, Mr. White, grew by 32.2%(YoY). Ujala fabric whitener continues to be the market leader with a market share of 72.5% by value. There was a strong over 25% growth in the dishwash segment especially Exo bars. Pril posted a modest growth.

**Brand and Product development:** The Company is planning to launch Re 1 sachet in Ujala to capture unbranded liquid blues market. This alongwith re-launch of Henko will boost Fabric care segment. Margo face wash will fuel growth in personal care segment, while new marketing campaigns will support Exo products. Its mosquito repellent Maxo works on an innovative mechanism.

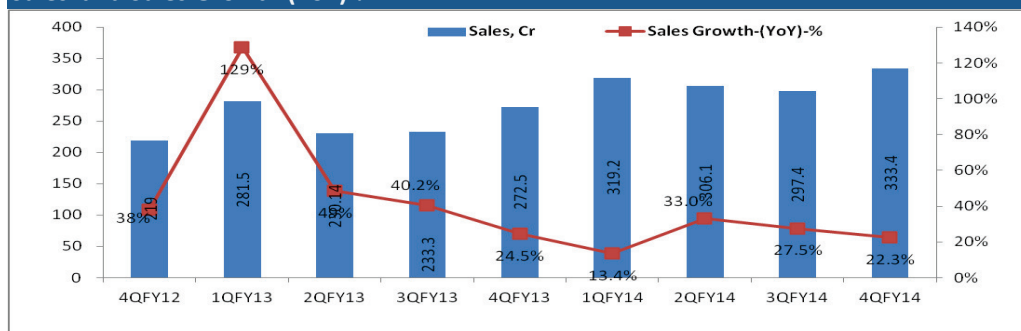
**View and Valuation:** Going forward, the company will focus on brand building with extension of current brands and continue to adapt to the continuous changes of consumers. We believe the distribution restructuring would lead to generate sales and its presence in highly demanding categories would help to manage high margins and volume growth simultaneously. We maintain "BUY" view with a target price of Rs 260. At a CMP of Rs206, stock trades at 3.9x FY15E P/BV.

Financials	Rs, Cr				
	4QFY14	3QFY14	(QoQ)-%	4QFY13	(YoY)-%
Revenue	333.41	297.44	12.1%	272.5	22.4%
EBITDA	33.4	42.7	-22%	33.8	-1%
PAT	29.2	27.2	7%	11.8	147%
EBITDA Margin	10.0%	14.4%	(440bps)	12.4%	(240bps)
PAT Margin	8.8%	9.14%	(30bps)	4.33%	450bps

(Source: Company/Eastwind)

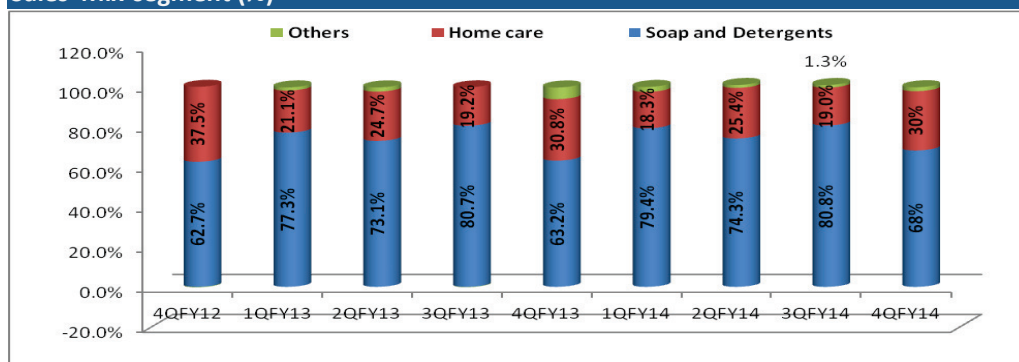
# Jyothy Lab

## Sales and Sales Growth (YoY)-%



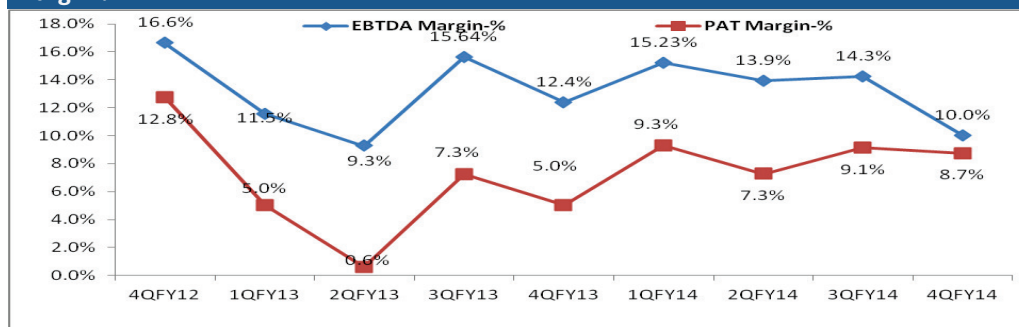
(Source: Company/Eastwind)

## Sales Mix-segment (%)



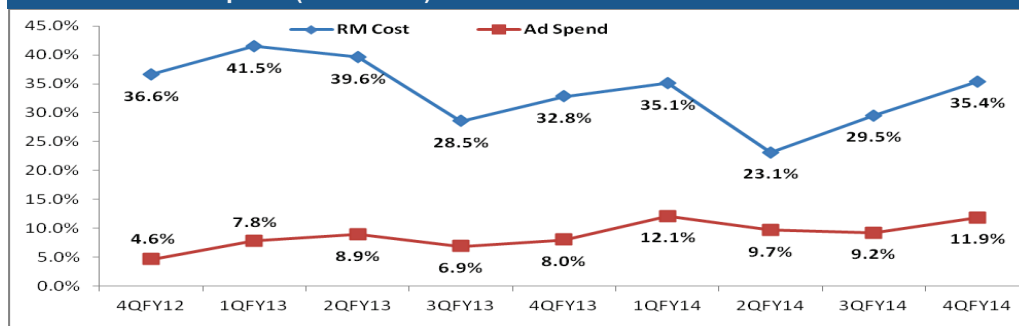
(Source: Company/Eastwind)

## Margin-%



(Source: Company/Eastwind)

## RM Cost and Ad Spend-(% of sales)



(Source: Company/Eastwind)

The company has maintained its guidance of achieving around 22% - 25% revenue growth for FY15E.

Management expected to see EBITDA margin at 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%.

# Jyothy Lab

## Key takeaways from Conference call;

- (1) The management expects revenue growth to be between 20-25% in FY15E driven by strong volume growth of 15%.
- (2) For FY15E, EBITDA margin is expected to see at 14% on conservative side.
- (3) Ad spends will be at 12-13% (FY15E) and they will spend little more ad spend in coming quarters.
- (3) For FY15, the company will re-launch Henko with a completely new positioning and formulation in Q1 FY15,
- (4) The company is planning to launch Re 1 sachet in Ujala to capture unbranded liquid blues market. This along with re-launch of Henko will boost Fabric care segment. Looking to monetize some assets to raise about 100-150cr .
- (5) Home care segment is expected to grow at 20-25 per cent levels driven by market share gains primarily in the liquid segment.

## Financials

Rs in Cr,	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E
Sales	596.32	626.39	912.99	1105.96	1323.86	1627.18	1973.79
Raw Materials Cost	322.54	164.2	263.41	339.81	378.52	838.00	1026.37
Raw Materials Cost	317.19	320.27	502.99	584.35	694.37	837.999	1026.37
Employee Cost	75.38	81.31	113.67	130.48	138.15	170.85	207.25
Advertisement and Publicity	26.62	33.99	41.79	95.54	144.21	187.13	217.12
Other expenses	85.31	111.52	170.46	165.92	189.91	227.81	276.33
Total expenses	504.5	547.09	828.91	976.29	1166.64	1423.78	1727.07
EBITDA	91.82	79.3	84.08	129.67	157.22	203.40	246.72
Depreciation	12.36	13.03	24.65	22.43	24.32	29.72	30.40
Other Income	17.8	16.91	22.73	5.202	8.18	11.39	15.79
EBIT	79.46	66.27	59.43	107.24	132.9	173.68	216.33
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	171.75	218.80
Provision for Taxes	21.48	15.43	19.94	-14.87	0.44	0.86	43.76
Net Profit (+)/Loss (-)	74.08	65.76	38.39	59.092	85.37	170.89	175.04
<b>Growth-% (YoY)</b>							
Sales	65.3%	5.0%	45.8%	21.1%	19.7%	22.9%	22.0%
EBITDA	88.3%	-13.6%	6.0%	54.2%	21.2%	29.4%	21.3%
PAT	93.0%	-11.2%	-41.6%	53.9%	44.5%	100.2%	2.4%
<b>Expenses on Sales-%</b>							
RM Cost	53.2%	51.1%	55.1%	52.8%	52.5%	51.5%	52.0%
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%	11.0%
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%	20.0%
<b>Margin-%</b>							
EBITDA	15.4%	12.7%	9.2%	11.7%	11.9%	12.5%	12.5%
EBIT	13.3%	10.6%	6.5%	9.7%	10.0%	10.7%	11.0%
PAT	12.4%	10.5%	4.2%	5.3%	6.4%	10.5%	8.9%
<b>Valuation:</b>							
CMP	169.85	219.8	155	175	194	206.00	206.00
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	839.27	948.30
EPS	10.15	8.12	2.38	3.69	5.34	10.68	10.94
BVPS	53.12	77.91	38.04	39.91	45.90	52.45	59.27
RoE-%	19.1%	10.4%	6.3%	9.3%	11.6%	20.4%	18.5%
P/BV	3.20	2.82	4.07	4.38	4.23	3.93	3.48
P/E	16.74	27.07	65.00	47.38	36.36	19.29	18.83

(Source: Company/Eastwind)