

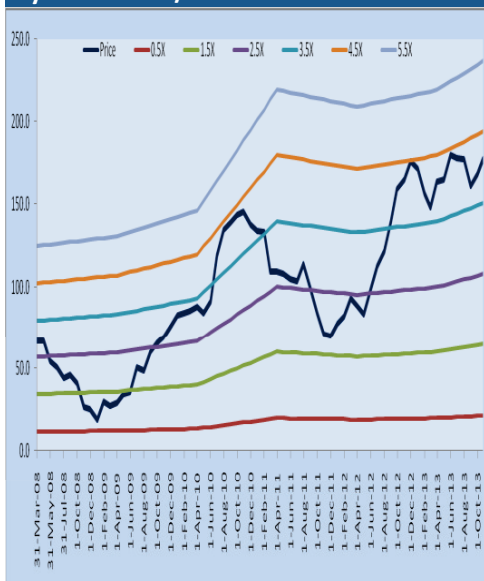
| Result update | NEUTRAL |
|-----------------------|---------|
| CMP | 182 |
| Target Price | - |
| Previous Target Price | - |
| Upside | - |
| Change from Previous | - |

| Market Data | |
|----------------------|-----------|
| BSE Code | 532926 |
| NSE Symbol | JYOTHYLAB |
| 52wk Range H/L | 211/133 |
| Mkt Capital (Rs Cr) | 3010 |
| Average Daily Volume | 51716 |
| Nifty | 6144.9 |

| Stock Performance | 1M | 1yr | YTD |
|-------------------|-----|------|------|
| Absolute | 9.0 | 7.9 | 4.1 |
| Rel. to Nift | 4.7 | -0.1 | -3.3 |

| Share Holding Pattern-% | Current | 1QFY14 | 4QFY13 |
|-------------------------|---------|--------|--------|
| Promoters | 63.7 | 63.7 | 65.6 |
| FII | 16.0 | 17.0 | 16.5 |
| DII | 9.8 | 9.1 | 9.6 |
| Others | 10.5 | 10.2 | 8.4 |

1 yr Forward P/B



Surprise the street with good earnings card in 2QFY14;

Jyothy Lab witnessed better numbers with 22% sales growth (standalone) led by 25% volume growth and 8% price/mix led growth. Apart from detergents business which grew slower versus other categories due to intense price/promotion war between top-2 players, all other power brands continue to post strong growth which has grown by 36%. Net profit growth was over the head to Rs 21cr from Rs 1.4cr(2QFY13).

The company is planning to raise up to Rs 400 crore of NCD at zero coupon bonds, redemption after 3 years. In order to provide liquidity and drive growth as now the business has set in with the required sales and profitability growth. Also, the promoters will infuse Rs 250 crore by way of a preferential allotment of 1.5 crore shares by the end of Q3. Both these measures would help the company to pay its debt of Rs 635 crore as on September 30, 2013.

Healthy margin rampup: The EBITDA Margin expanded by 466 bps to 13.9%. In an inflationary environment there was an impact of 2% of higher freight charges on the OPM which would have been absent in a normal business environment.

Segments/ Brandwise Performance: In its bread and butter business detergent & soap segment, it has reported a 35% yoy growth led by a strong 77% growth in the Ujala whitener revenues, a 24% growth in dishwash portfolio and 18% - 20% growth in Henko. Home care revenues was up 37%, driven by strong growth in Maxo as well as the other smaller brands in this segment. Maxo revenues grew 33% on YoY basis.

Mix performance across geographies: During the 2QFY14, Company has lost some amount of sales in Andhra Pradesh and Telangana due to the political instability and also due to the floods in Gujarat and Madhya Pradesh. Rest all the geographies have performed well for the company.

Going forward, the company will focus on brand building with extension of current brands and continue to adapt to the continuous changes of consumers. Management is confident that these efforts will further strengthen brands and establish better consumer connect.

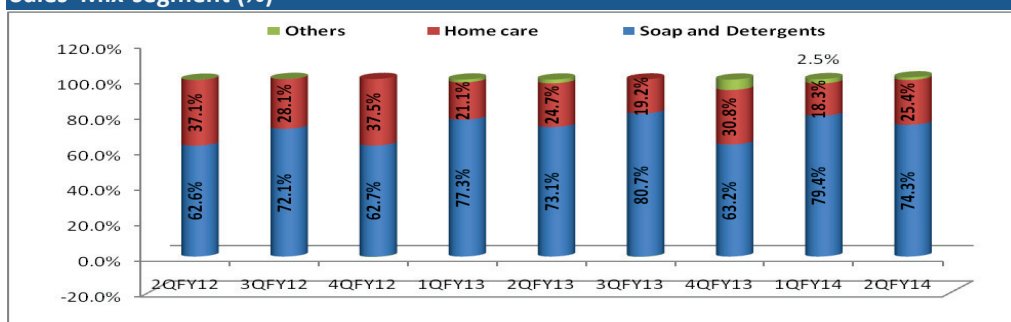
View and Valuation: We believe the distribution restructuring would lead to volatile sales and Company's presence in highly penetrated categories would make it difficult to manage high margins and volume growth simultaneously. We remain cautious on the stock, at a CMP of Rs182, stock trades at 4x FY14E P/BV. We recommend "NEUTRAL" view on the stock. Our view could be change post earning of Henkel's (a major arm of company, contributes 48% of total sales).

| Financials | 2QFY14 | 1QFY14 | (QoQ)-% | 2QFY13 | Rs, Cr |
|---------------|--------|--------|----------|--------|--------|
| Revenue | 306.1 | 319.2 | -4.1% | 230.14 | 33.0% |
| EBITDA | 42.7 | 48.6 | -12% | 21.4 | 100% |
| PAT | 20.9 | 28.7 | -27% | 1.4 | 1393% |
| EBITDA Margin | 13.9% | 15.2% | (130bps) | 9.3% | 460bps |
| PAT Margin | 6.83% | 8.99% | (230bps) | 0.61% | 620bps |

(Source: Company/Eastwind)

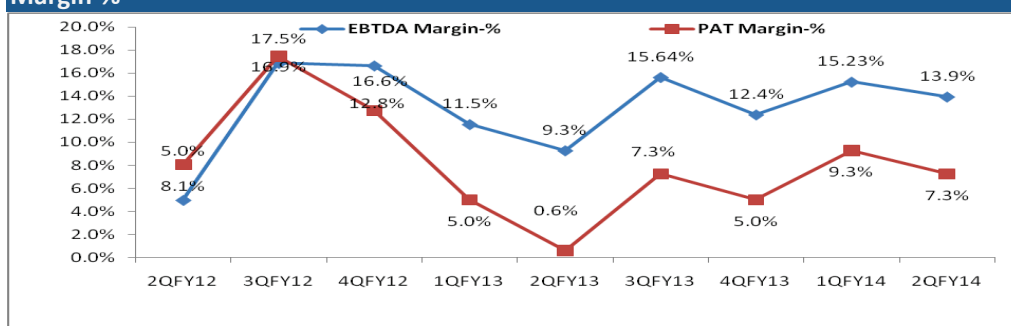
Jyothy Lab

Sales Mix-segment (%)



(Source: Company/Eastwind)

Margin-%



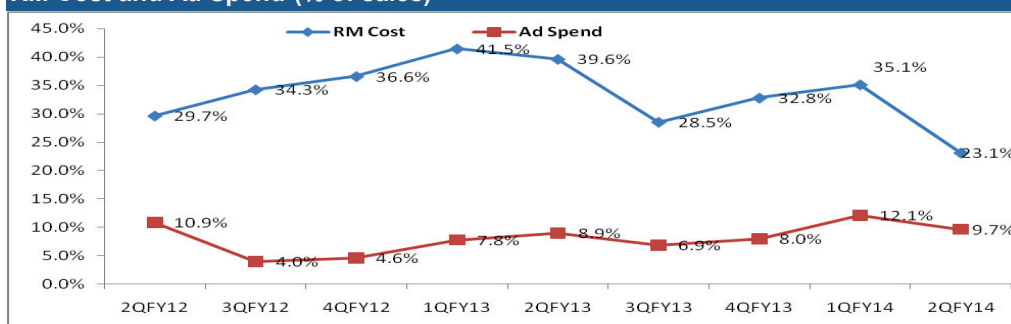
(Source: Company/Eastwind)

Geographical Presence (PAN India)

| Region | JLL | Henkel | Total |
|--------|-----|--------|-------|
| East | 13% | 27% | 19% |
| North | 22% | 22% | 22% |
| South | 52% | 37% | 47% |
| West | 13% | 14% | 13% |

(Source: Company/Eastwind)

RM Cost and Ad Spend-(% of sales)



(Source: Company/Eastwind)

Jyothy Lab

Take away from management guidance:

- The management is confident of achieving its target of 22% - 25% revenue growth and OPM of 14% - 15% for FY14E.
- The mgmt said that its dishwash brand Pril has seen its market-share taken away by Dettol's newly launch dishwash product. The company is going to double its ad-spend on Pril in FY14.
- The management is confident of maintaining the strong growth rate in Ujala fabric whitener.
- The company is planning to raise up to Rs 400 crore of nonconvertible debenture at zero coupon bonds and also planning to acquire back IL&FS Trust Company stake in Jyothy Fabricare Service (JFSL) for about Rs 70 crore. Meanwhile, promoters will infuse Rs 250 crore by way of a preferential allotment of 1.5 crore shares by the end of Q3.
- The company's products are available through 2.9 mn outlets in India and have direct reach of 1 mn outlets. Now, company does not expects to increase from the current level, it expects the sub-stockist will increase by 20% from the current 2000 to 2400 by the end of FY14.

Financials

| Rs, Cr | FY10 | FY11 | FY12 | FY13 | FY14E | FY15E |
|----------------------------------|--------|--------|--------|---------|---------|---------|
| Sales | 596.32 | 626.39 | 912.99 | 1105.96 | 1349.27 | 1646.11 |
| Raw Materials Cost | 317.19 | 320.27 | 502.99 | 584.35 | 688.13 | 855.98 |
| Employee Cost | 75.38 | 81.31 | 113.67 | 130.48 | 148.42 | 172.84 |
| Advertisement and Publicity | 26.62 | 33.99 | 41.79 | 95.54 | 134.93 | 148.15 |
| Other expenses | 85.31 | 111.52 | 170.46 | 165.92 | 175.41 | 230.46 |
| Total expenses | 504.5 | 547.09 | 828.91 | 976.29 | 1146.88 | 1407.42 |
| EBITDA | 91.82 | 79.3 | 84.08 | 129.67 | 202.39 | 238.69 |
| Depreciation | 12.36 | 13.03 | 24.65 | 22.43 | 26.10 | 31.84 |
| Other Income | 17.8 | 16.91 | 22.73 | 5.202 | 53.97 | 65.84 |
| EBIT | 79.46 | 66.27 | 59.43 | 107.24 | 176.29 | 206.84 |
| Interest Cost | 1.7 | 1.99 | 23.83 | 68.22 | 63.25 | 49.25 |
| Profit (+)/Loss (-) Before Taxes | 95.56 | 81.19 | 58.33 | 44.222 | 167.01 | 223.44 |
| Provision for Taxes | 21.48 | 15.43 | 19.94 | -14.87 | 31.73 | 42.45 |
| Net Profit (+)/Loss (-) | 74.08 | 65.76 | 38.39 | 59.092 | 135.28 | 180.99 |
| Growth-% (YoY) | | | | | | |
| Sales | 65.3% | 5.0% | 45.8% | 21.1% | 22.0% | 22.0% |
| EBITDA | 88.3% | -13.6% | 6.0% | 54.2% | 56.1% | 17.9% |
| PAT | 93.0% | -11.2% | -41.6% | 53.9% | 128.9% | 33.8% |
| Expenses on Sales-% | | | | | | |
| RM Cost | 53.2% | 51.1% | 55.1% | 52.8% | 51.0% | 52.0% |
| Employee Cost | 12.6% | 13.0% | 12.5% | 11.8% | 11.0% | 10.5% |
| Ad spend | 4.5% | 5.4% | 4.6% | 8.6% | 10.0% | 9.0% |
| Other expenses | 14.3% | 17.8% | 18.7% | 15.0% | 13.0% | 14.0% |
| Tax rate | 22.5% | 19.0% | 34.2% | -33.6% | 19.0% | 19.0% |
| Margin-% | | | | | | |
| EBITDA | 15.4% | 12.7% | 9.2% | 11.7% | 15.0% | 14.5% |
| EBIT | 13.3% | 10.6% | 6.5% | 9.7% | 13.1% | 12.6% |
| PAT | 12.4% | 10.5% | 4.2% | 5.3% | 10.0% | 11.0% |
| Valuation: | | | | | | |
| CMP | 169.85 | 219.80 | 155.00 | 175.00 | 182.00 | 182.00 |
| No of Share | 7.30 | 8.10 | 16.10 | 16.00 | 16.00 | 16.00 |
| NW | 387.76 | 631.10 | 612.42 | 638.56 | 726.69 | 860.53 |
| EPS | 10.15 | 8.12 | 2.38 | 3.69 | 8.46 | 11.31 |
| BVPS | 53.12 | 77.91 | 38.04 | 39.91 | 45.42 | 53.78 |
| RoE-% | 19.1% | 10.4% | 6.3% | 9.3% | 18.6% | 21.0% |
| P/BV | 3.20 | 2.82 | 4.07 | 4.38 | 4.01 | 3.38 |
| P/E | 16.74 | 27.07 | 65.00 | 47.38 | 21.53 | 16.09 |

(Source: Company/Eastwind)