

JYOTHY LABORATORIES LTD

Company Update

CMP	399
Target Price	410
Previous Target Price	NA
Upside	3%
Change from Previous	NA

Market Data

BSE Code	532926
NSE Symbol	JYOTHYLAB
52wk Range H/L	427/270
Mkt Capital (Rs Cr)	7,256
Av. Volume(,000)	172
Nifty	9,139

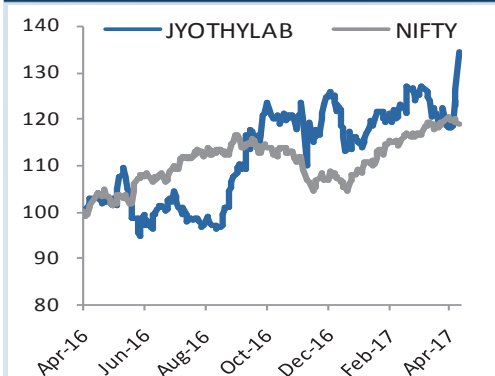
Stock Performance

	1M	3M	12M
Absolute	9.0	17.0	31.0
Rel.to Nifty	9.0	8.0	12.0

Share Holding Pattern-%

	3QFY17	2QFY17	1QFY17
Promoters	66.9	66.9	66.9
Public	33.1	33.1	33.2
Others	--	--	--
Total	100	100	100

Company Vs NIFTY



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JYOTHYLAB's result for Q3FY17 was better than our expectations considering tough demand environment. Overall volume for this quarter grew by 3.6% YoY led by proactive measure of the management like switching production plans to maximize small sku's production, helping reduce payment burden on retailers etc. Going forward, management is confident of demand revival as demonetization effect will ease of. As far as margin is concern, the company is looking to increase prices by 5-7% going ahead which gives us confidence that company may protect margin going forwards. Implementation of GST may be game changer for Organized FMCG players. It may boost market share of the company in times to come. Lastly, JYOTHYLAB gets large chunk of its revenue from South market and South market conditions are improving rapidly which is positive for this company. **We initiated 'BUY' on JYOTHYLAB on 27th Jan2017 at Rs356 with a target price of Rs 410. As company has achieved our target and considering GST related hiccups going forward, we recommend to 'BOOK PROFIT' for now.**

Q3FY17_Result Update

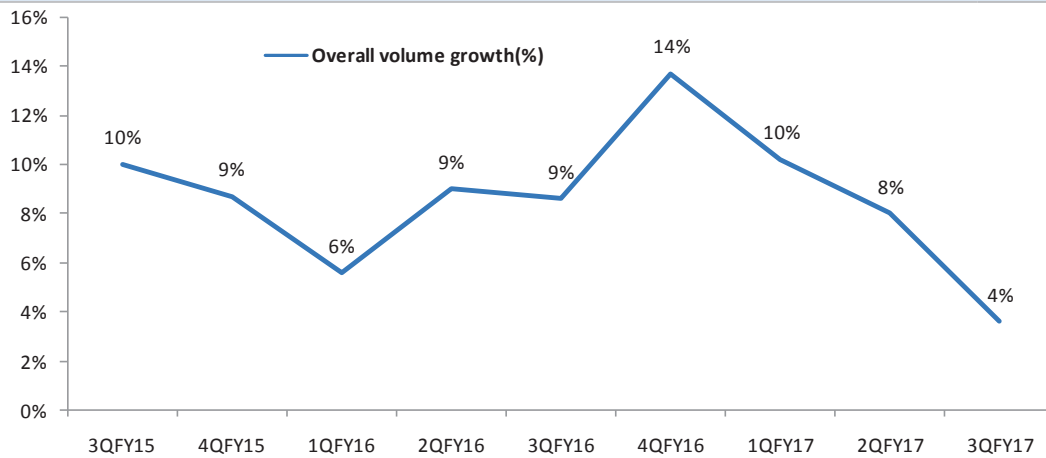
JYOTHYLAB's sales for this quarter grew by 3% YoY to Rs400 cr led by 3.6% YoY volume improvement. EBITDA declined by 1.3% led by inflation in key input prices. Gross margin for this quarter, declined by 293 bps YoY led by increase in major raw material prices. In spite of sharp increase in input prices, the company managed other cost items efficiently and controlled EBITDA margin decline to 55 bps YoY which is commendable. PAT margin improved by 18 bps YoY to 5.4% in Q3FY17. PAT grew by 7% YoY to Rs 22 cr.

Concall Highlights:

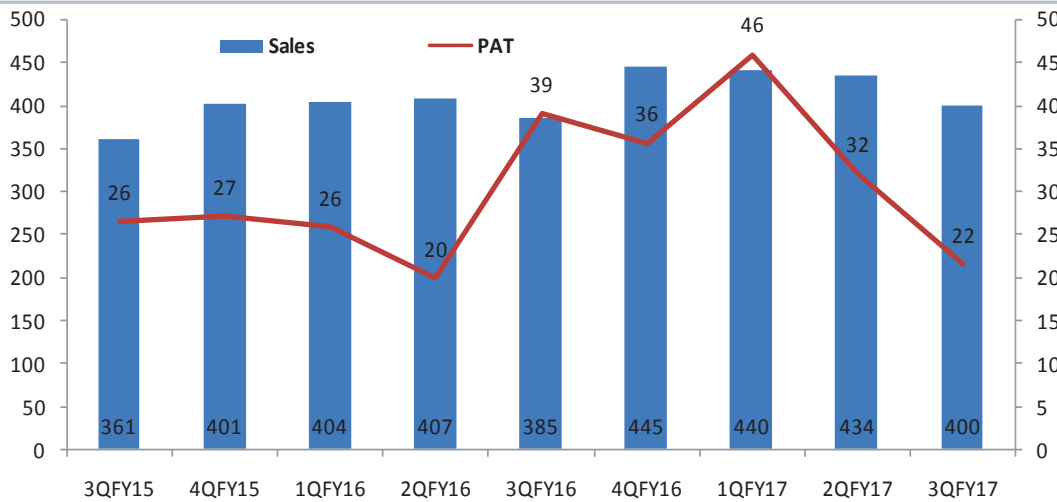
- The company will take Selective price increase (price increase as well as reduction of promotion) in Q4FY17 to achieve desired gross margin levels. Going forward, the company is looking for 5-7% price hike.
- In the month of Jan till date company is witnessing double digit growth.
- Expected Tax Rate: Q4FY17: 21%, FY18:21% (MAT credit)
- Approx. 75% of the business in South is back to normal.
- North and East are still struggling.
- From 4QFY17 on wards ad expenses will be back to the normal.
- Next year ad and promotion expenses will be in the range of 15% of the sales.
- Margin will back to the normal going forward.

	Rs,Cr				
Financials	2015	2016	2017E	2018E	2019E
Sales	1515	1647	1758	1958	2161
EBITDA	163	220	261	270	288
Net Profit	121	158	133	147	161
EPS	7	9	7	8	9
ROE	16%	19%	15%	16%	18%

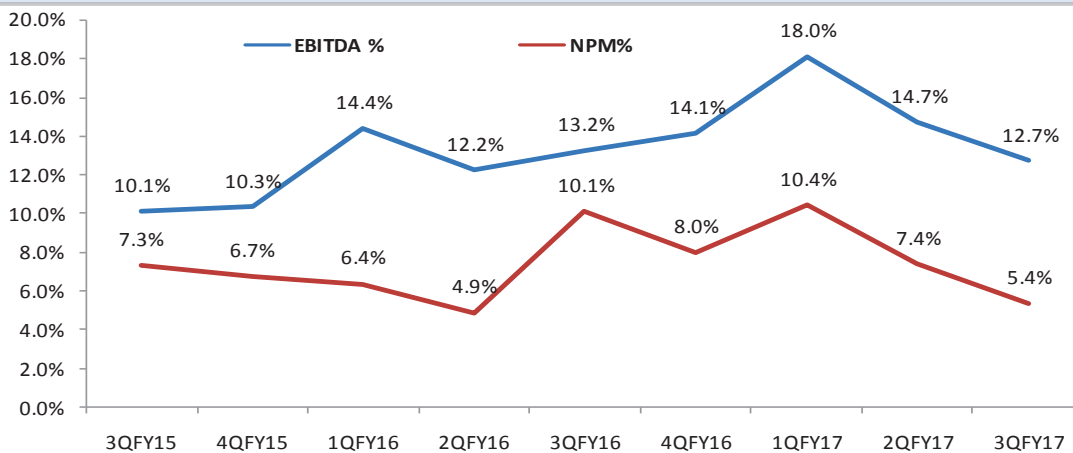
Overall volume growth(%)



Net Sales and PAT(in cr.)



EBITDA and NPM (%)



Financials Snap Shot

INCOME STATEMENT

	FY16	FY17E	FY18E	FY19E
Revenue	1647	1758	1958	2161
Other Income	15	11	11	11
Total Revenue	1661	1769	1969	2172
COGS	799	883	990	1102
GPM	51.5%	49.8%	49.5%	49.0%
Other Expenses	461	431	487	537
EBITDA	220	261	270	288
EBITDA Margin (%)	13.4%	14.8%	13.8%	13.3%
Depreciation	31	30	33	33
EBIT	189	231	237	256
Interest	6	61	58	58
PBT	197	181	190	209
Tax	39	48	44	48
Tax Rate (%)	19.9%	26.6%	23.0%	23.0%
Reported PAT	158	133	147	161
Dividend Paid	87	109	119	141
No. of Shares	18	18	18	18

RATIOS

	FY16	FY17E	FY18E	FY19E
EPS	8.7	7.4	8.1	8.9
Book Value	46.7	48.1	49.6	50.7
DPS	4.8	6.0	6.6	7.8
Payout (incl. Div. Tax.)	55%	82%	81%	88%
Valuation(x)				
P/E	36	48	44	40
Price / Book Value	6.7	7.4	7.1	7.0
Dividend Yield (%)	1.5%	1.7%	1.9%	2.2%
Profitability Ratios				
RoE	18.7%	15.3%	16.3%	17.5%
RoCE	22.1%	26.3%	26.2%	27.6%
Turnover Ratios				
Asset Turnover (x)	0.9	1.0	1.1	1.1
Debtors (No. of Days)	21	24	23	22
Inventory (No. of Days)	83	85	83	82
Creditors (No. of Days)	36	39	36	36
Net Debt/Equity (x)	0.0	0.0	0.0	0.0

BALANCE SHEET

	FY16	FY17E	FY18E	FY19E
Share Capital	18	18	18	18
Reserves	828	853	880	899
Net Worth	846	871	898	917
Long term Debt	7	7	7	7
Short term Debt	0	45	30	15
Deferred Tax	25	25	25	25
Capital Employed	853	878	905	925
Net Fixed Assets	1076	1096	1063	1030
Capital WIP	6	6	6	6
Debtors	94	116	123	130
Cash & Bank Balances	61	61	90	131
Trade payables	161	188	193	213
Total Provisions	75	80	82	87
Net Current Assets	-411	-341	-294	-252
Total Assets	1767	1817	1843	1882

CASH FLOW STATEMENT

	FY16	FY17E	FY18E	FY19E
OP/(Loss) before Tax	197	181	190	209
Depreciation	31	30	33	33
Direct Taxes Paid	-52	-48	-44	-48
Oper. Prof. bef. WC chang.	240	272	281	299
CF from Op. Activity	191	174	223	257
Non Current investments	0	0	0	0
Capital expenditure	-27	-50	0	0
CF from Inv. Activity	0	-49	0	0
Repay. of LT Borrowings	0	0	0	0
Interest Paid	-10	-61	-58	-58
Divd Paid (incl Tax)	-174	-109	-119	-141
CF from Fin. Activity	-302	-125	-194	-216
Inc/(Dec) in Cash	-111	0	29	41
Add: Opening Balance	218	61	61	90
Closing Balance	107	61	90	131