



Jyothy Laboratories

IPO Fact Sheet

Issue details

Issue opens	: November 22, 2007
Issue closes	: November 27, 2007
Issue size	: 4,430,260 shares
Face value	: Rs5
Break-up of fresh issue to public	
- QIB portion	: up to 2,215,130 shares
- Retail portion	: at least 664,540 shares
- Non-institutional portion	: at least 1,550,590 shares
Price band	: Rs620-690

Objects of the issue

To provide exit to the following institutional shareholders:

Institutional shareholders	Nos of shares held and offered in the issue
Canzone	782,130
ICICI Bank Canada	1,451,200
ICICI Bank UK Plc	1,414,800
South Asia Regional Fund	391,066
CDC Investment Holdings	391,064
Total	4,430,260

Shareholding pattern

	Pre-issue (%)	Post-issue (%)
Promoter and promoter group	68.5	68.5
MP Ramachandran	47.2	47.2
Individuals	19.0	19.0
HUFs	2.2	2.2
Institutions	30.5	0.0
Public	1.0	32.5

Company background

Jyothy Laboratories Ltd (JLL) caters to the fabric care, household insecticide, surface cleaning, personal care and air care segments of the Indian fast moving consumer goods market. Its product brands include:

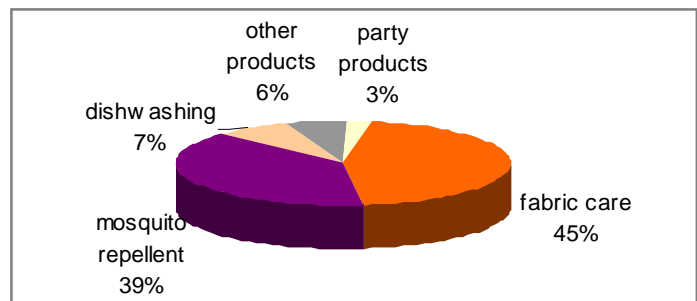
- ♦ *Ujala*—fabric whitener, fabric stiffener and washing powder
- ♦ *Maxo*—mosquito repellent coils, liquid vaporizers and aerosol sprays

- ♦ *Exo*—dishwash bars, liquid, powder and scrubbers
- ♦ *Jeeva*—personal care products and
- ♦ *Maya*—air freshening incense sticks (agarbatti)

Apart from selling its own brands the company markets and distributes coffee and spiritual dhoops leveraging on its wide distribution network.

JLL was promoted by MP Ramachandran in 1983 as a proprietorship concern that manufactured and sold fabric whitener *Ujala*. It registered a compounded annual growth rate (CAGR) of 6.4% in sales over FY2003-07 whereas its earnings grew at a CAGR of 46.1% over the same period. Fabric care and mosquito repellents are the mainstay of its business and together contribute 84% of the revenues.

Revenue mix



Fabric care—*Ujala*

JLL's flagship brand *Ujala* is the market leader in fabric whiteners with a dominant 72% market share (the nearest competitor has a share of 4.2%). The company further leveraged the strong brand equity of *Ujala* to extend its product offering to washing powder and stiffeners launched in Kerala. The company plans to launch *Ujala* washing powder in the other southern states by end of 2007. JLL intends to roll out *Ujala* extensions such as stain removers, softeners and conditioners and liquid detergents. The revenues of the fabric care segment have grown at a CAGR of 10.7% over FY2005-07 to Rs196.1 crore.

Mosquito repellent—Maxo

Banking on the strong distribution network that *Ujala* developed over the years and an under penetrated market for mosquito coils, JLL launched Maxo coils in 2000. In this segment, the company strategically focuses on sales in rural areas. Apart from coils that remain the major revenue contributor to the segment the company sells liquids and aerosol sprays under the *Maxo* brand. Sales of the mosquito repellent category have grown at a CAGR of 13.5% over FY2005-07 to Rs169.5 crore against a CAGR of 7.2% registered by the industry as a whole. *Maxo* coils enjoy a market share of 20.8% in value terms. The company outsources 60% of manufacturing of Maxo coils and aims at 100% in-house manufacturing of coils in the next two years.

Dishwashing products—Exo

JLL's experience and marketing & distribution skills led it to launch Exo brand of anti-bacterial dishwash bars in 2000. While currently the *Exo* dishwash bar is sold in southern India the company plans a national launch of the same in 2008. Taking a step forward, JLL has launched Exo dishwashing liquid detergent and dishwashing scrubber. The sales of this segment have grown at a CAGR of 54.5% over FY2005-07 to Rs31.7 crore. *Exo* dishwash bar has a value market share of 15.5% in southern India.

Other products—Maya and Jeeva

Other products contributed 6% of the revenues in FY2007 and includes *Maya* incense sticks (distributed throughout India) the production of which is outsourced, and *Jeeva* ayurvedic and natural bath soaps marketed in Kerala. *Jeeva*, launched nationally in 2002 after extensive advertising and publicity, failed to make an impact; this led the management to alter its strategy and limit its sales in the Kerala market.

JV's—marketing third party products

JLL has a nationwide distribution network comprising 2,500 distributors that enables a direct reach to 1 million outlets and ensures strong rural reach. To capitalise on its marketing network JLL has entered into several joint ventures (JVs) for marketing products manufactured by other companies.

- ♦ It has entered into a 50:50 JV with Shobha Kapoor and Ekta Kapoor for marketing and distribution of Ekta's *Karyasiddhi Graha Shanti Dhoops*.
- ♦ A 50:50 JV with CCL Products for marketing and distribution of coffee under the *Continental Speciale* brand owned by CCL.
- ♦ An agreement with Godrej Tea to distribute its Godrej Tea brand in India.

Strategy

- ♦ With its brands *Ujala* and *Maxo* being strongly established in India, JLL plans to manufacture and market these products in Bangladesh. The board has already approved an investment of Rs7.5 crore towards this venture. The company plans to have at least 75% equity in the venture.
- ♦ JLL is investing Rs17 crore in two plants located at Jammu and Guwahati to produce *Maxo* products that are currently outsourced; these are expected to commence operations from December 2007. Further, it intends a capital expenditure of Rs8 crore on a facility in Uttaranchal. These facilities would be eligible for several tax concessions.
- ♦ As part of its strategy JLL intends to target acquisitions that would strengthen its market position in key product categories or its manufacturing capabilities. Pursuing its goals through the inorganic route it recently acquired *Ruby Liquid* blue and *More Light*, which are local fabric whitener brands, each for a consideration of ~Rs1 crore. In September 2007 it also acquired Associated Industries Consumer Products Ltd (AICPL) for Rs0.97 crore. AICPL is a Guwahati based manufacturer of toilet soaps and detergent powders and cakes. JLL has further induced Rs5.2 crore in AICPL to retire existing debt, meet expenses for business operations and immediate capital expenditure requirements.

Risks and concerns

Dependence on a couple of brands

As of now *Ujala* and *Maxo* generate a chunk of the revenues. While the company plans to extend its product offerings leveraging the two brands and also plans to sell these brands overseas, it needs to identify other avenues that would ensure sustained growth over the years.

Valuations

The operating performance on the top line and bottom line fronts has been erratic over the past years. The return on equity at 17.7% is much lower as compared with its peers. Thus on comparing, JLL does not hold much merit as far as financial parameters and prospects are concerned. The offer band of Rs620-690 discounts JLL's FY2007 earnings per share of Rs33.3 by 18.6-20.7x.

Peer comparison (FY07 numbers)

Company	EPS	RoE (%)	P/E	P/BV	Mcap/ sales
Jyothy Lab	33.3	17.7	20.7	3.4	2.8
Marico	1.9	58.7	35.5	21.1	2.6
Godrej Consumer	6.2	141.0	21.3	24.3	3.1
Dabur	3.2	59.8	34.6	19.8	4.3
Emami	10.7	40.5	25.9	7.4	3.3

Financial

Profit and Loss account*						Balance sheet					
(Rs crore)						Rs (cr)					
Particulars	FY03	FY04#	FY05	FY06	FY07	Particulars	FY03	FY04#	FY05	FY06	FY07
Net sales	282.6	294.4	265.3	301.9	361.9	Share capital	5.6	7.3	7.3	7.3	7.3
Total operating exp	259.5	309.1	232.1	256.2	309.2	Reserves and surplus	111.4	183.3	210.8	247.5	285.5
Operating profit	23.2	-14.7	33.3	45.7	52.7	Net worth	117.0	190.6	218.1	254.8	292.8
other income	3.2	5.7	6.0	12.1	12.6	Total debt	102.7	3.4	0.0	0.1	0.2
Interest	2.2	2.0	0.1	0.1	0.2	Deferred tax liabilities	3.3	0.0	2.7	5.7	6.5
Depreciation	2.5	5.2	4.5	5.2	6.2	Capital employed	223.0	194.0	220.8	260.7	299.5
PBT	21.7	-16.2	34.7	52.5	59.0	Net fixed assets	57.8	62.8	74.8	82.4	102.8
Tax	3.5	-3.2	7.2	9.0	7.4	CWIP	14.1	20.4	9.4	8.4	57.3
Adjustments	-7.6	-7.3	10.9	6.7	-3.3	Intangible assets	1.7	1.3	1.1	1.0	2.8
Adjusted PAT	10.6	-20.3	38.5	50.2	48.3	Investments	3.4	3.1	2.6	1.7	1.7
Prior-period / extraordinary items	0.0	-2.5	-6.0	-3.5	0.0	Net current assets	145.9	106.3	132.9	167.2	134.8
Reported net profit	10.6	-22.8	32.5	46.7	48.3	Capital deployed	223.0	194.0	220.8	260.7	299.5

* Company's financial year ends on 30th June

#FY04 was 15 months i.e. April'03-June'04

Key ratios

Particulars	FY03	FY04#	FY05	FY06	FY07
OPM	8.2	-5.0	12.5	15.1	14.6
NPM	3.8	-6.9	14.5	16.6	13.4
ROCE	10.7	-6.8	16.8	21.9	21.1
RONW	9.1	-13.2	18.8	21.3	17.7

Valuation

Particulars	FY03	FY04#	FY05	FY06	FY07
EPS (Rs)	9.5	-14.0	26.5	34.6	33.3
P/E	72.9	-	26.0	19.9	20.7
Book value (Rs)	104.4	131.3	150.3	175.6	201.7
Price/BV	6.6	5.3	4.6	3.9	3.4
EV/EBIDTA	34.4	-	27.4	19.1	17.5
Market Cap/Sales	2.7	3.4	3.8	3.3	2.8

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