



ENAM Securities
India Research

Rs 180

Target Price: Rs 225

Potential Upside: 25%

Sector avg. upside: 0% to 10%
(mkt cap wtd)

Jyothy Laboratories Ltd

Relative to sector: **Outperformer**

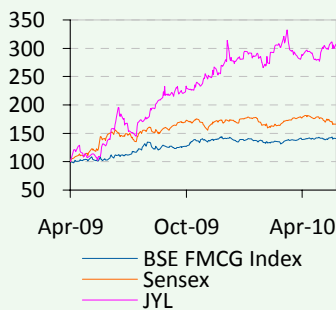
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 73mn
Market cap : Rs 13 bn
52 week high/low : Rs 205/ Rs 74
Avg. daily vol. (6mth) : 166,300shares
Bloomberg code : JYL IB
Reuters code : JYOI.BO

Shareholding (%) Mar-10 QoQ chg

Category	Mar-10 (%)	QoQ chg
Promoters	70.1	0.0
FIIs	4.2	0.5
MFs / UTI	8.0	(0.4)
Banks / FIs	9.4	(0.1)
Others	8.3	(0.1)

BANKING ON AGGRESSION

Jyothy Labs (JLL) reported standalone net sales of Rs. 1.89 bn ($\uparrow 31\%$ YoY), EBITDA of Rs 301 mn ($\uparrow 11\%$ YoY) & adjusted PAT of Rs 270 mn ($\uparrow 25\%$ YoY) for Q4FY10, above our expectations.

Key highlights: Q4FY10 and FY10E

- Revenue growth was led by (a) **strong traction in core brands**- Ujala fabric whitener ($\uparrow 18\%$ YoY) and Maxo mosquito repellent ($\uparrow 33\%$ YoY) (b) **geographical extension** of Exo utensil cleaner ($\uparrow 47\%$ YoY) and Ujala detergent ($\uparrow 59\%$ YoY). We expect **revenue growth of 24% for FY11E** led by launch of Maxi Military repellent in July, Ujala price hike of 14% and further geographical expansion of detergents.
- Sharp increase in material costs** (416 bps) and increase in market launch related ASP (270 bps) **dampened the operating margins and curtailed EBITDA growth** to 11% in Q4. We expect brand investments to increase by 130 bps (to 7.7% of sales) in FY11E to support new introductions and national launches. EBITDA margin is expected at 15.4% in FY11E vs. 15.8% in FY10E.
- Home care segment** (includes repellants & incense sticks) **margin improved** from 2.3% to 5.7% of sales in FY10E led by volume driven operating leverage.
- Fabric-care services** posted revenue of Rs. 45mn and a loss of Rs. 57 mn in FY10E. Management expects the **business to breakeven in FY11E** with revenue of Rs. 200 mn.

Maintain 20% CAGR earnings growth over the next 2 yrs

JLL has steadily improved business visibility by diversifying its portfolio (Rev share of Ujala has fallen from 44% in FY07 to 31% in FY10E), introducing new products/categories and making geographical expansions. We believe, most of these recent initiatives will improve profitability as they hit critical mass. As per our analysis, the current valuations (12x FY12E) present a favourable risk-to-reward given the improving visibility of earnings. **Our target price of Rs 225 is based on 15x FY12E.**

Financial Summary (Consolidated)

Y/E Jun	Net Sales (Rs mn)	Adj. PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2009 [^]	3,606	382	-	5.3	(12)	-	11.4	14.5	-	2.0
2010E	5,965	743	9.7	10.2	94	17.6	20.2	26.2	12.6	4.0
2011E	7,406	878	11.8	12.1	18	14.9	21.3	28.0	10.1	4.5
2012E	8,756	1,077	15.0	14.8	23	12.1	22.9	30.2	7.9	5.0

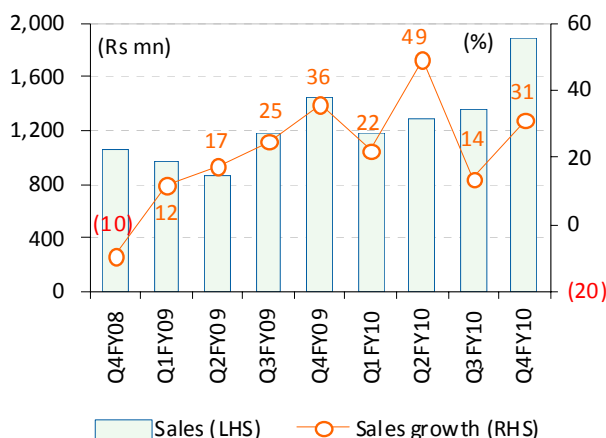
Source: *Consensus broker estimates, Company, ENAM estimates, [^]FY09 fin for 9 months as reporting changed to March from June

Results update

(Rs mn)	Quarter ended					12 months ended (consol)		
	Mar-10	Mar-09	% Chg	Dec-09	% Chg	Mar-11E	Mar-10	% Chg
Net Sales	1,890	1,440	31	1,354	40	7,406	5,965	24
EBITDA	304	275	11	184	65	1,143	943	21
Other income	81	28	187	36	129	140	143	(2)
PBIDT	385	303	27	219	76	1,283	1,086	18
Depreciation	32	24	36	26	25	128	124	3
Interest	5	2	155	-	1,071	-	7	(98)
PBT	349	278	25	193	81	1,155	955	21
Tax	79	63	25	25	218	277	215	29
Adjusted PAT	270	215	25	168	60	878	743	18
No. of shares (mn)	73	73	-	73	-	73	73	0
EBIDTA margins (%)	16.1	19.1	(15.8)	13.6	18.5	15.4	15.8	(2)
PBIDT margins (%)	20.4	21.1	(3.2)	16.2	25.8	17.3	18.2	(5)
EPS - annualized (Rs.)	14.9	11.9	25.4	9.3	60.3	12.1	10.2	18

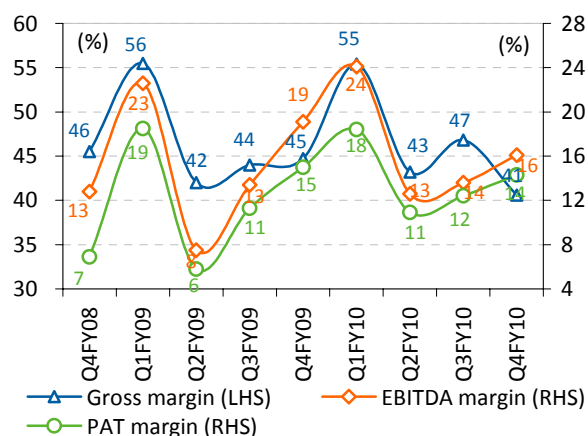
Source: Company, ENAM Research

JLL: Revenue & growth trends

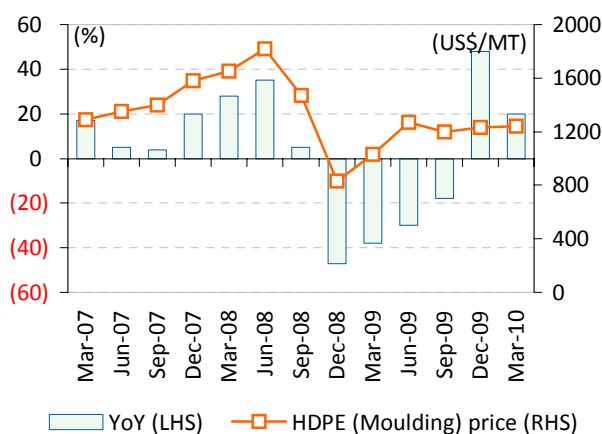


Source: Company, ENAM Research

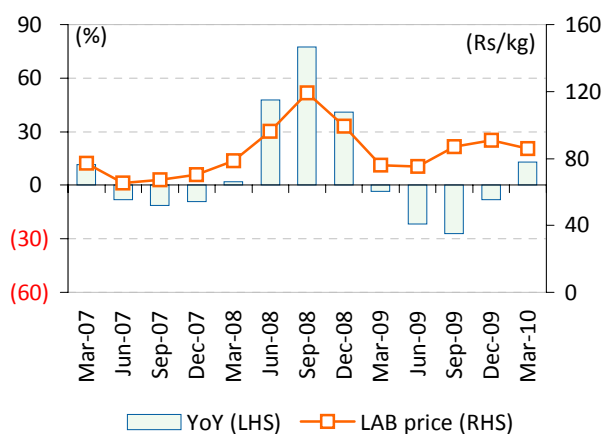
JLL: Margin trends



HDPE price trend

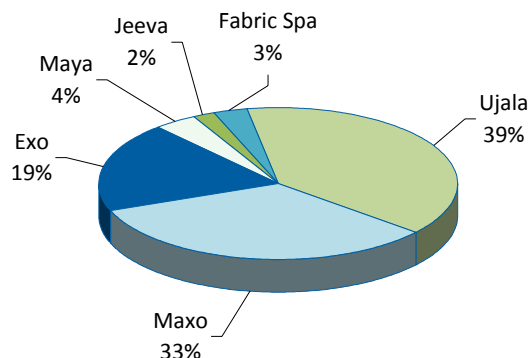


LAB price trend



Source: ENAM Research, CMIE, Bloomberg

Brand wise breakup of Sales in FY10E



Source: Company, ENAM Research

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