

29th July 2010

Key Take Away

CMP	Rs 277
Recommendation	Buy on declines
Target price	Rs 347
Upside	25%

Scrip Details

Market Cap (Rs crores)	2010.2
P/E (x) - FY13E	15.0
Mkt Cap/Sales - FY13E	1.8
EV/EBITDA - FY13E	10.4

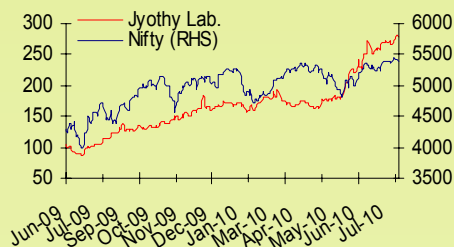
Equity Capital (Rs crores)	7.3
Face Value (Rs)	1.0
52 Week High/Low (Rs)	290/100

Website:	www.jyothylaboratories.com
NSE Code	JYOTHYLAB
Sensex	17,957
Nifty	5387.5

Shareholding Pattern (%)

As on June 2010	
Promoters	70.1
MFs, FIs & Banks	15.3
FIIIs	7.1
Other Bodies corporate	1.9
Public and others	5.6

Comparative Price Movement



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We continue to maintain our bullish view on the Company. We see multiple growth drivers namely Ujala Techno Bright Detergent (Sachin Tendulkar signed in as the brand ambassador) which it plans to rollout in other states, Maxo for Indian Military (Rs 60 crores revenue expected in FY12), Maxo Safe & Soft which is based on DEPA technology (expected to contribute significantly by FY12) and the laundry business which is expected to breakeven by March 2011 and will be followed by its national launch. For FY11, the management expects Ujala to grow by 25%, Exo to see 30-35% growth on a conservative basis and Maxo is expected to grow by 23%. The managements has recently raised money through QIP issue for inorganic growth mostly in fabric care category.

At the current prices of Rs 277, the stock is trading at a PE of 17.6x and 15x its FY12E and FY13E EPS of Rs 15.8 and 18.5 respectively which is still cheap compared to its peers. We believe that Jyothy Labs will soon command multiples similar to its peers in the FMCG space. Giving a multiple of 22x to its FY12 EPS, we have arrived at a target price of Rs 347 for a medium term perspective. Buy on any declines.

- Jyothy Laboratories Ltd. (JLL) reported a 26.6% growth in topline to Rs 150.8 crores while net profit has gone up by 16.8% to Rs 25.7 crores. The margins of its Soaps & Detergents segment declined 710 bps to 26.8% due to higher raw material prices. Its Home Care business performed well with its margins more than doubling. The overall operating margins for the business declined 210 bps to 22.2%.
- **Soaps & Detergents business revenue up 23%:** This business witnessed growth of 23.2% to Rs 102.5 crores. Ujala has seen price hike of 16% in May 2010 from Rs 12 to Rs 14, whose full impact will come in Q2FY11. Despite this, volume growth for Ujala was 7%. The volume growth of fabric care business was 22%, mosquito repellent was 10% and dishwashing was 48%. The value market share in South India for Ujala is 72% and Exo is 25%.
- **Home Care revenues grow by 37%:** Revenues were up by 36.9% to Rs 50.2 crores. Growth in mosquito repellents which is growing by 8-10% was mostly volume driven, it grew by 9.4%. The management has decided to withdraw its promotion offer on mosquito coil business and part of it will come in effect from August itself. Exo has gone national in phased manner from Oct 2009. Exo witnessed volume growth of 10% for bars while scrubber grew by 20%.
- **By FY11 Maxo military to be an-India:** Maxo military has been launched in Trivandrum in July 15 2010 and by March 2011; it is expected to be launch on an all India basis. For FY11, sales are expected to be Rs 25-30 crores and the management expects it to reach Rs 60 crores in FY12. Currently, the Company has launched the product in 'wet wipes' form.
- **Jyothy Fabricare Services (JFSL) is the official launder for the Common Wealth Games 2010:** JSFL has 35 operational stores in Bangalore. It won two government contracts- it is now the official laundry service provider for Common Wealth games 2010 and also bagged contract to wash linen for 12 trains originating from Bangalore. The company expects 80,000 pieces/day from Common Wealth Games and has leased 7-8 laundries for a month. Though, not a game changer, JFSL expects a minimum a business of Rs 2 crores from Common Wealth Games contract. JFSL is expected to achieve cash breakeven in FY11 and will expand to other cities after that through a combination of franchisee and 'owned' model. In FY11, JFSL will open its outlets in Chennai, Hyderabad and Pune. JFSL targets it to reach 50000 pieces/day by March 2011 from current 33000 piece/day.

Financial Summary (Rs crores)

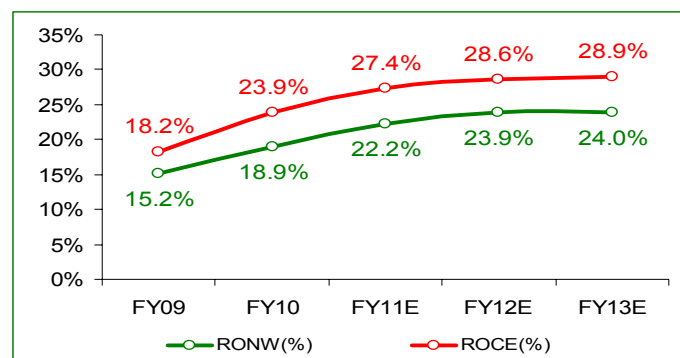
INCOME STATEMENT					
	FY09	FY10	FY11E	FY12E	FY13E
Revenues	363.5	598.1	766.5	934.1	1108.3
Total Expenditure	314.7	506.3	639.2	779.9	925.4
Operating Profit	48.8	91.8	127.2	154.1	182.9
Dep. & Amortisations	7.5	12.4	16.1	19.6	23.3
EBIT	41.3	79.4	111.1	134.5	159.6
Interest	0.7	1.7	1.0	1.0	1.0
EBT	40.6	77.7	110.1	133.5	158.6
Other Income	7.6	13.0	10.0	10.0	10.0
Extraordinary Items	0.0	4.8	4.8	0.0	0.0
PBT	48.2	95.5	124.9	143.5	168.6
Tax	10.0	21.7	27.8	28.7	33.7
PAT	38.1	73.9	97.1	114.8	134.9
Minority Interest	-0.99	-0.27	0.30	0.30	0.30
Net profit	38.4	74.2	96.8	114.5	134.6
Revenue Growth %	-4.2%	64.5%	28.2%	21.9%	18.7%
Op. Profit Growth %	-20.0%	88.3%	38.6%	21.1%	18.7%
PAT Growth %	-25.7%	93.7%	31.5%	18.2%	17.5%

BALANCE SHEET					
	FY09	FY10	FY11E	FY12E	FY13E
Equity Share Capital	7.3	7.3	7.3	7.3	7.3
Reserves & Surplus	339.6	380.5	436.0	509.6	599.2
Networth	346.9	387.8	443.3	516.9	606.5
Total debt	0.5	13.0	12.9	12.9	12.9
Deferred tax liability	10.5	13.3	12.8	13.5	9.7
MI	0.3	0.5	0.0	0.0	0.0
Capital Employed	358.1	414.6	468.9	543.3	629.1
Gross Fixed Assets	247.6	293.0	318.0	343.0	363.0
Net Fixed Assets	200.4	233.6	242.5	247.9	244.6
CWIP	11.0	4.1	0.0	0.0	0.0
Investments	0.2	0.0	0.0	0.0	0.0
Current Assets	214.0	301.6	346.5	433.2	544.4
Current Liabilities	67.6	124.9	78.8	96.9	115.0
Net Current Assets	146.4	176.8	226.4	295.4	384.5
Misc exp not w/off	0.1	0.0	0.0	0.0	0.0
Total Assets	358.1	414.6	468.9	543.3	629.1

CASH FLOW					
	FY09	FY10	FY11E	FY12E	FY13E
Operating cash earnings	49.0	80.9	120.1	143.5	168.6
Depreciation	7.5	12.4	16.1	19.6	23.3
Interest	-5.5	1.7	1.0	1.0	1.0
Change in WC	-13.1	-29.2	-31.1	-20.8	-28.2
Tax paid	8.0	15.7	24.0	28.7	33.7
CFO	29.9	50.2	82.1	114.6	131.0
Net Capex	13.7	32.7	25.0	25.0	20.0
Net Borrowings	0.0	12.9	0.0	0.0	0.0
Net Chg. in cash	11.3	7.9	14.8	47.8	65.0
FCFE	16.2	30.3	57.1	89.6	111.0

RATIOS					
	FY09	FY10	FY11E	FY12E	FY13E
Gearing (%)	0.0	0.0	0.0	0.0	0.0
Current Ratio	3.2	2.4	4.4	4.5	4.7
Inventory turnover	81	64	70	70	70
Debtors (sale days)	34	35	34	34	34
Asset Turnover	0.96	1.36	1.51	1.59	3.52
RONW(%)	15.2%	18.9%	22.2%	23.9%	24.0%
ROCE(%)	18.2%	23.9%	27.4%	28.6%	28.9%
OPM (%)	13.4%	15.3%	16.6%	16.5%	16.5%
NPM(%)	10.5%	12.4%	12.7%	12.3%	12.2%
Eff. Tax Rate	14.7%	20.8%	20.0%	20.0%	20.0%

VALUATION PARAMETERS					
	FY09	FY10	FY11E	FY12E	FY13E
EPS (Rs)	5.3	10.2	13.3	15.8	18.5
P/E Ratio	52.4	27.1	20.8	17.6	14.9
Book Value	47.8	53.4	61.1	71.2	83.6
P/BV	5.8	5.2	4.5	3.9	3.3
CEPS (Rs)	6.6	12.3	16.1	18.5	21.8
Dividend %	200.0%	400.0%	500.0%	500.0%	550.0%
DPS	2.0	4.0	5.0	5.0	5.5
Dividend Yield	0.7%	1.4%	1.8%	1.8%	2.0%



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|---|--------------------------|
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