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Advisory Desk

March 26, 2012

Jyothy Laboratories

Exploring new opportunities with Henkel's acquisition

BUY	
CMP	₹169
Target Price	₹248
Investment Period	12 Months

Stock Info	
Sector	FMCG
Market Cap (₹ cr)	1,360
Beta	0.4
52 Week High / Low	322 / 125
Avg. Daily Volume	27,818
Face Value (₹)	1
BSE Sensex	17,362
Nifty	5,278
Reuters Code	JYOI.BO
Bloomberg Code	SRTY IN

Shareholding Pattern (%)	
Promoters	65.2
MF / Banks / Indian FIs	17.5
FII / NRIs / OCBs	12.8
Indian Public / Others	4.6

Abs.(%)	3m	1yr	3yr
Sensex	8.7	(4.4)	82.5
JLL	7.5	(16.4)	185.2

Jyothy Laboratories Ltd. (JLL), a company having three brands, is set to transform into a multi-brand company with the acquisition of an 83.7% stake in Henkel India (Henkel), which owns seven brands. As a result of this synergy, we expect JLL's consolidated revenue to post a CAGR of 35% to ₹1,627cr and profit to post a CAGR of 36% to ₹166cr over FY2011-14E. **We initiate coverage on JLL with a Buy recommendation and a target price of ₹248, based on SOTP valuation.**

Investment rationale

Turnaround of Henkel – A bright future for JLL

JLL acquired an 83.7% stake in Henkel in August 2011. Management is now planning various turnaround strategies for Henkel, such as a new management, revamping of all its brands and shifting its manufacturing to JLL's units. We expect Henkel's turnaround to result in profit of ₹19cr in FY2014E.

Jyothy Fabricare Services Ltd. (JFSL) – A long-term growth driver

We expect JFSL, JLL's subsidiary engaged in the laundry business, to post a 102.4% CAGR in its revenue to ₹193cr over FY2012E-14E with an operating margin of 26.1% in FY2014E. Further, JFSL is expected to reach its breakeven and start yielding profit from FY2013E, registering a profit of ₹30cr in FY2014E.

Outlook and valuation

We expect JLL's consolidated revenue to post a CAGR of 35% to ₹1,627cr and profit to post a CAGR of 36% to ₹166cr over FY2011-14E. We initiate coverage on JLL with a Buy rating view and an SOTP target price of ₹248.

SOTP valuation

	Method	Remarks	Expected Mcap (₹ cr)	₹/share
JLL	P/E	15.0x FY2014E earnings	1643	204
Henkel	P/E	19.0x FY2014E earning, (for 83.7% stake)	298	26
JFSL	Stake sell	Discounted at 50%, for 75% stake	150	19
Total				**248**

Source: Company, Angel Research

Key financials (Consolidated)

Y/E March (₹ cr)	FY2010	FY2011	FY2012E#	FY2013E	FY2014E
Net Sales	640	667	955	1359	1627
% chg	66.1	4.3	43.2	42.3	19.7
Adj. Net Profit	74	66	85	112	166
% chg	93.9	(11.6)	28.9	32.3	48.1
OPM (%)	14.4	10.9	8.3	10.3	12.9
EPS (₹)	10.3	8.2	10.5	13.9	20.6
P/E (x)	18.3	20.7	16.0	12.1	8.2
P/BV (x)	3.5	2.2	4.8	4.0	2.9
RoE (%)	20.3	12.9	18.5	35.8	41.3
RoCE (%)	0.2	0.1	0.1	0.1	0.2
EV/Sales (x)	2.0	1.6	2.1	1.4	1.1
EV/EBITDA (x)	13.7	15.1	24.9	13.9	8.7

Source: Company, Angel Research, #FY2012E includes Henkel numbers post August 22, 2011

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Investment arguments

Henkel's acquisition to expand JLL's portfolio

The acquisition of Henkel is a major corporate transformation for JLL, which is set to be positioned as a multi-brand company, owning 10 brands in total – three brands of its own and seven brands of Henkel. This would provide JLL with immense opportunities to explore in terms of achieving revenue and cost synergy, which will result in substantial revenue growth, leading to higher operating margin.

Exhibit 1: Combined product portfolio

	Fabric care	Mosquito repellent	Dishwashing products	Personal care
JLL	*Ujala*	*Maxo*	*Exo*	
Henkel	*Henko*		*Pril*	*Fa*
	Mr. White			*Neem*
	Chek			*Margo*

Source: Company, Angel Research

The expanded product portfolio would provide JLL with a balanced presence in the rural and urban areas, as JLL's ratio of rural and urban presence is 75:25 and that of Henkel is 30:70. The combined portfolio would complement both the companies, expanding their geographic reach. Moreover, the company will be able to cater to different income segment customers, as now the products would span out in all economic segments. Moreover, with brands such as *Fa*, *Neem* and *Margo*, the company will make a strong entry in the personal care segment.

Combined distribution network to increase penetration level

JLL's products are available in ~2.9mn outlets in India (as of March 31, 2011). The company has sales staff of over 1,800, servicing to ~3,500 distributors who have a reach to ~1mn outlets. JLL has a strong presence in rural areas (according to AC Nielsen, more than 80% of FMCG categories are growing faster in rural India as compared to urban India). JLL's reach, however, is limited when it comes to the modern retail channel. Henkel, on the other hand, has a strong presence in the urban market (70% of sales), reaching out to ~0.8mn outlets. This combined distribution network will complement both the companies, facilitating them to enjoy a pan-India presence at a low cost. Further, the combined sales force would lead to increased sales volume, as the companies would be able to sell the existing products to new customers. We expect JLL to post a consolidated revenue of ₹1,627cr in FY2014E, posting a CAGR of 35% over FY2011-14E.

Turnaround of Henkel – A bright future for JLL

The acquisition of Henkel is a strategic step by JLL, which will start yielding substantial results in the coming years. To achieve this, JLL is following a turnaround strategy for Henkel. JLL has already shifted its outsourcing arrangement and the purchase-supply chain of Henkel to JLL's manufacturing facilities in Mumbai w.e.f. August 2011. Also, the production of Henkel's products (except *Henko Detergent Powder*) has been started at JLL's strategically placed manufacturing plants, which would result in lower manufacturing and logistics cost. Further, for the distribution, JLL has assigned a special task force to identify the weaker areas of Henkel's distribution channel, i.e. in the northern and western regions, and plans to support them w.e.f. April 1, 2012, which would help Henkel's products to enjoy a pan-India presence.

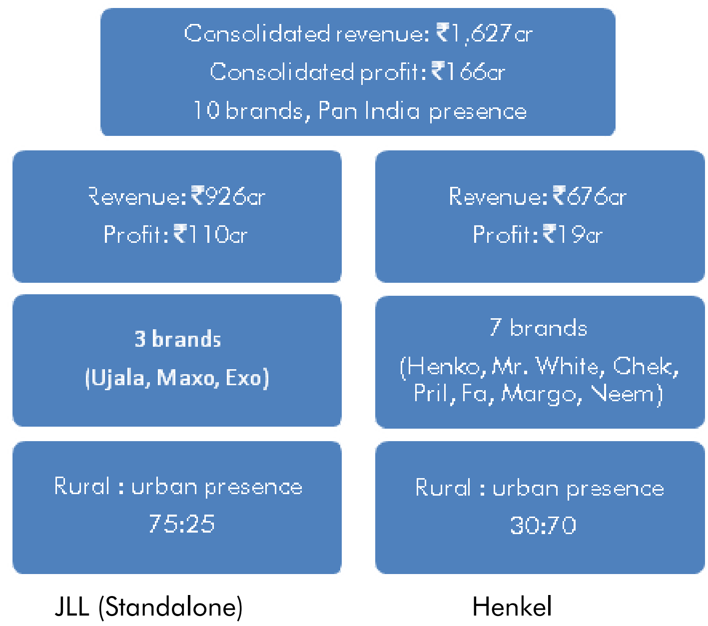
Post production, the next big task to be done is to revamp Henkel's brands. JLL plans to reposition Henkel's brands through new packaging and ad campaigns. For instance, new ad campaigns for *Margo* (from the coming summer season, April-May) and *Pril* (from March end) are on the cards. Also, JLL has removed most of the freebies with Henkel's products and plans to reinvest the saved money in advertisements.

Further, JLL plans for a 15% price hike across all product categories of Henkel, as management feels that Henkel's products are currently underpriced compared to competitors. JLL plans to take this price hike in a phased manner (50% in 4QFY2012 and remaining in 4QFY2013).

JLL also plans to sell Henkel's Karaikal plant and other unused assets and use the proceeds to pay off the company's debt. However, the plan is on hold for now as, according to the terms of the acquisition, JLL is supposed to keep 75% of Henkel's assets intact.

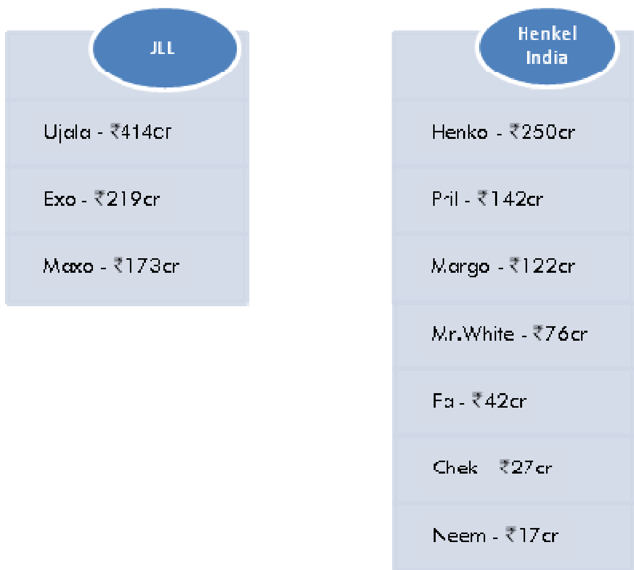
Considering all these factors, we expect Henkel's turnaround to take place by 2014E, leading to net profit of ₹19cr in FY2014E.

Exhibit 2: Coming together – JLL and Henkel



Source: Company, Angel Research, Note: Financials are for FY2014E

Exhibit 3: Expected brand size by FY2014E



Source: Company, Angel Research

JFSL – A long-term growth driver

JLL entered a new business of organized laundry in 2009 under the name Jyothy Fabricare Services Ltd. (JFSL) – JLL's 75% subsidiary. JFSL has raised ₹100cr through private equity funding from IL&FS (IL&FS has already invested ₹50cr and rest is to be invested post the setting up of Chennai and Hyderabad plants). As per the deal value, the valuation of JFSL is estimated to be ₹400cr.

Currently, JFSL has 113 outlets across India. The company processes 21,000 pieces in the institutional category and 2,500 pieces in the retail category per day (as of March 31, 2010). JFSL has a key client base of 116, which includes hotels, airlines, service apartments and health clubs. The company started working with southwestern railways in December 2009; and in FY2011, the company serviced 15 railways and earned revenue of ₹0.9cr. Recently, the company bagged a BOOT (build, own, operate and transfer) contract for 10 years from Western Railways, Ahmedabad (minimum guaranteed business worth ₹65cr) and a BOOT contract for 15 years from Delhi Airport Metro Express (DAME).

Expanding geographically

As a part of the growth strategy, JFSL acquired 100% stake in Delhi-based Diamond Fabricare (now called Wardrobe) for ₹16.5cr and 100% stake in Mumbai-based Akash Cleaners for ₹19.4cr w.e.f. April 1, 2011.

Exhibit 4: JFSL's laundry chain

Service Brand	Location	No. of retail outlets
Fabricspa	Bangalore	10
	Mumbai	3
	Chennai	2
Snoways	Bangalore	28
Wardrobe	Delhi	61
Expert dry cleaners	Bangalore	3
Akash dry cleaners	Mumbai	4
Dhulaai	Pune	2
Total		113

Source: Company, Angel Research

JFSL further plans to expand to Tier I and Tier II cities through the franchisee channel, where company's share will be 35% and rest will be of the franchisee. Presently, the company's 11% volume comes from retail customers and rest 89% comes from institutional tie-ups; however, retail contributes to 55% of revenue and institution contributes the remaining 45%. The company is expecting the volume mix to change and the contribution from retail to increase considerably, which would substantially increase its revenue. According to management's forecast, JFSL's revenue is expected to reach ₹193cr, with operating margin of 26.1% and profit of ₹30cr by FY2014E.

Henkel's acquisition – A perfect synergy

JLL acquired a controlling stake of 83.7% in Henkel in August 2011. Henkel has a strong urban presence, which complements JLL's strong rural presence and provides both the companies a tremendous scope for widening their market coverage.

Exhibit 5: Acquisition details

Seller	% of shares	Value (₹ cr)
Tamilnadu Petroproducts (TPL)	16.7	68
Henkel AG	51.0	143
Open market	4.0	19
Open offer	12.1	58
Other transaction cost		28
Preference capital		43
Loan repayment		425
Total	83.7	783

Source: Company, Angel Research

Major highlights of the deal

- Acquired the global rights for *Margo*, *Chek* and *Neem*
- Acquired the trademark for India, Bangladesh and Sri Lanka for *Henko* and *Mr. White*
- Acquired the licence for *Pril* and *Fa* @2% royalty on net sales for technology support
- Acquired the Karaikal plant (62-acre land) and land at Ambattur and Kolkata
- Carried forward loss of ₹400cr

For the acquisition, JLL has taken NCDs, which were renewed into term loan from Axis Bank, effective from January 27, 2012. The interest rate will be 11.25% floating based on RBI's rate. The company has the advantage of pre-closing the loan with a 30-day notice to the bank. It is a combination of the term loan with 18 months of moratorium period and repayment over a period of three-and-a-half years thereafter.

Quarterly performance

JLL's performance

JLL reported 12.0% yoy growth in its revenue and 72.1% yoy growth in its profit to ₹167cr and ₹29cr, respectively, in 3QFY2012.

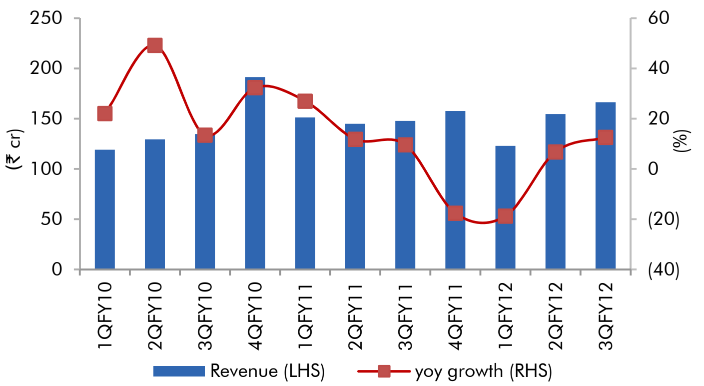
Exhibit 6: JLL's quarterly performance of JLL (Standalone)

Y/E March (₹ cr)	3QFY12	2QFY12	% chg. (qoq)	3QFY11	% chg. (yoy)	9MFY12	9MFY11	% chg
Total operating income	**167**	**155**	*7.5*	**148.72**	*12.0*	**445**	**451**	*(1.3)*
Net raw material	87	90	*(3.4)*	78.40	*10.7*	240.15	226	*6.4*
(% of Sales)	*52.1*	*58.0*		*52.7*		*54.0*	*50.1*	
Employee cost	22	21	*6.8*	18.64	*18.8*	62.56	56	*10.9*
(% of Sales)	*13.3*	*13.4*		*12.5*		*14.1*	*12.5*	
Other Expenses	29.38	37	*(20.0)*	33.90	*(13.3)*	95.14	98	*(2.8)*
(% of Sales)	*17.6*	*23.7*		*22.8*		*21.4*	*21.7*	
Total expenditure	**138**	**147**	*(6.1)*	**131**	*5.6*	**398**	**380**	*4.7*
Operating profit	**28**	**8**	*266.9*	**18**	*58.9*	**47**	**71**	*(34)*
OPM (%)	*17.0*	*5.0*	*1,199bp*	*12.0*	*500*	*10.5*	*15.7*	*(513)bp*
Interest	2	2	*15.1*	0.06	*3,716.7*	6.04	0	*6,611.1*
Depreciation	6	4	*73.3*	3.04	*104.6*	13.61	9	*50.4*
Other income	14	15	*(3.6)*	6.82	*109.5*	41.21	10	*296.6*
PBT	**34**	**17**	*100.9*	**22**	*58.3*	**68**	**72**	*(4.8)*
(% of Sales)	*20.4*	*10.9*		*14.5*		*15.4*	*15.9*	
Tax	5	4.45	*11.2*	4.60	*7.6*	12.80	14	*(8.2)*
(% of PBT)	*14.5*	*26.3*		*21.4*		*18.7*	*19.4*	
Reported PAT	**29**	**12**	*132.8*	**17**	*72.1*	**56**	**58**	*(3.9)*
PATM (%)	*17.5*	*8.1*		*11.4*		*12.5*	*12.8*	

Source: Company, Angel Research

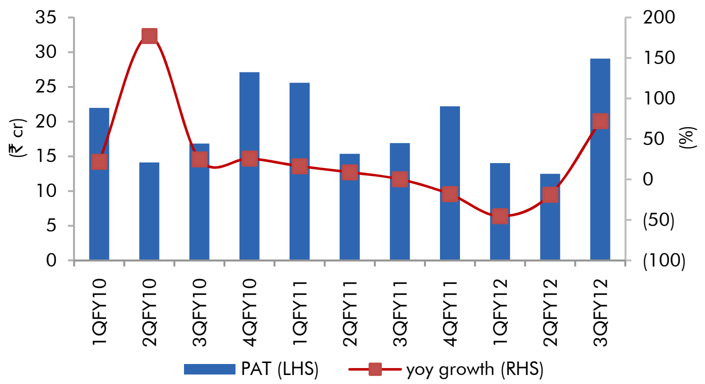
The company's revenue growth can mainly be attributed to volume growth (10% for *Ujala* and 38% for *Exo*). During the quarter, JLL's other expenses declined considerably because of lower advertisement spend. The company has taken a price hike of 7% across all product portfolios to meet the increase in the raw-material cost. However, the impact of the price hike was not seen in 3QFY2012 and is expected to be fully visible in the next quarter.

Exhibit 7: Revenue growth coming back on track



Source: Company, Angel Research

Exhibit 8: Earnings following the same trend



Source: Company, Angel Research

Henkel's performance

Henkel's performance dipped sharply in 4QCY2011, majorly because of labor unrest at its Karaikal plant. The company reported a 28.4% qoq and 32.7% yoy decline in its revenue. This was the sharpest decline in its top line after its acquisition by JLL. Henkel lost ₹27cr and ₹7cr in its top line and EBITDA, respectively, due to a 62-day shutdown at Karaikal plant (September 26 to December 26), which manufactures *Henko Stain Champion*. Consequently, the company's EBITDA margin witnessed a dip of 834bp qoq and came in at 3.1%. The company reported loss of ₹11cr for the quarter.

Exhibit 9: Henkel's quarterly performance highlights

Y/E March (₹ cr)	4QCY11	3QCY11	*% chg. (qoq)*	4QFY10	*% chg. (yoy)*
Total operating income	77	107	*(28.4)*	114	*(32.7)*
Operating profit	2	12	*(80.5)*	(6)	*(138.3)*
OPM (%)	*3.1*	*11.5*	*(834)*	*(5.4)*	*855*
Adj. PAT	(11)	(1)	*671.0*	(11)	*(1.1)*

Source: Company, Angel Research

Financials

JLL (Standalone) – Coming back on growth track

Top line to be driven by increased realization and volume growth

We expect JLL to report a revenue CAGR of 13% over FY2011-14E, from ₹646cr in FY2011 to ₹926cr in FY2014E. Major drivers for the same will be the current 7% increase in realization YTD and expected volume growth.

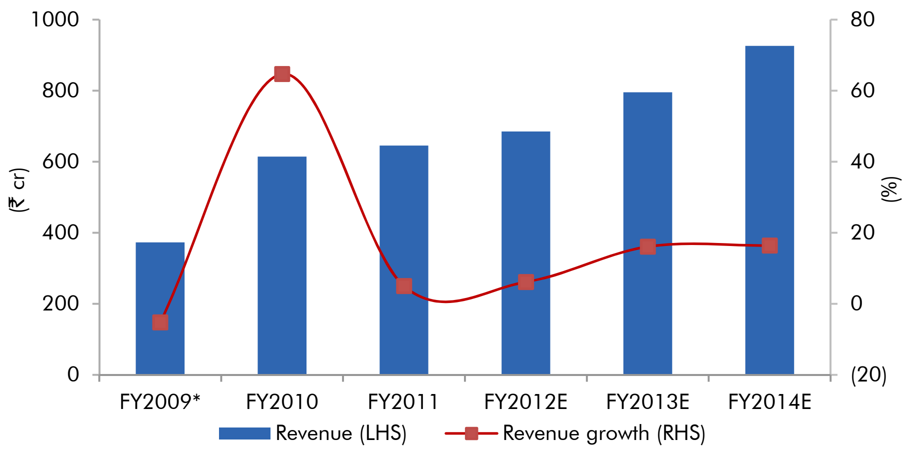
Assuming that rural GDP grows at 14.5% and 14.7% yoy (similar to the last 10-year CAGR) in 2013E and 2014E, respectively, we expect the company's total sales to post a CAGR of 12.9% over FY2011-14E, as most of the company's sales come from rural areas. We expect the home care segment to post a CAGR of 9.0% to ₹276cr and the soaps and detergent segment to witness a CAGR of 15.0% to ₹587cr over FY2011-14E. We expect volumes of manufactured products to post a CAGR of 8.4% and 10.4% in the home care and soaps and detergent segments, respectively, over FY2011-14E.

Exhibit 10: Sales growth

	FY2009 (9M)	FY2010	FY2011	FY2012E	FY2013E	FY2014E	CAGR*
Rural GDP (at factor cost) growth (%)	16.0	16.0	17.9	14.7	14.5	14.7	14.6
Sales growth for JLL (Standalone) (%)	(5.4)	63.5	4.4	5.9	16.7	16.4	12.9
Home care (%)	5.4	54.2	(9.0)	2.6	11.7	12.9	9.0
Soaps and Detergents (%)	(12.2)	70.7	13.7	7.8	19.3	18.2	15.0

*Source: Company, Angel Research, *CAGR over FY2011-14E*

Exhibit 11: Volume growth and increase in realization to drive sales

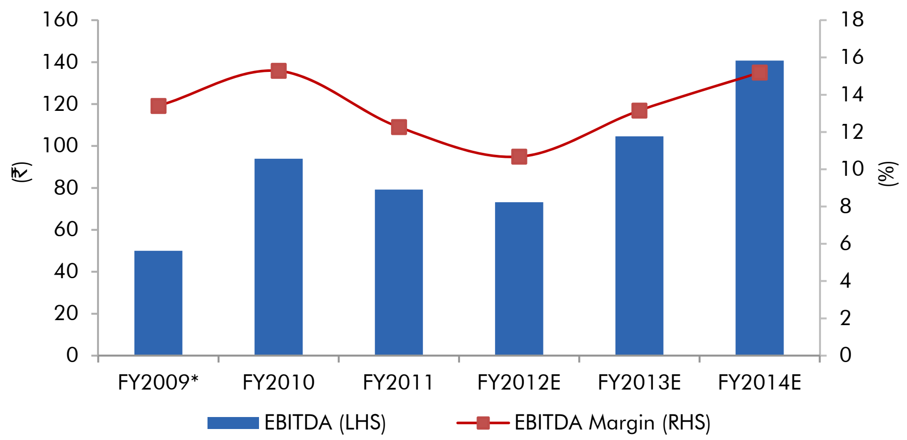


*Source: Company, Angel Research, *FY2009 is for 9 months*

Stabilizing costs will lead to margin expansion

JLL witnessed margin pressure in FY2011 due to lower top-line growth and increased expenditure. We further expect the company's margin to contract by 159bp to 10.7% in FY2012E, as its employee cost and advertisement cost have increased. However, we expect the company's margin to improve thereafter by 124bp to 15.2% over FY2011-13E, as net raw-material cost as a percentage of net sales is expected to decline to 44.3% and other costs are likely to stabilize.

Exhibit 12: Decline in raw-material cost to improve operating margin…



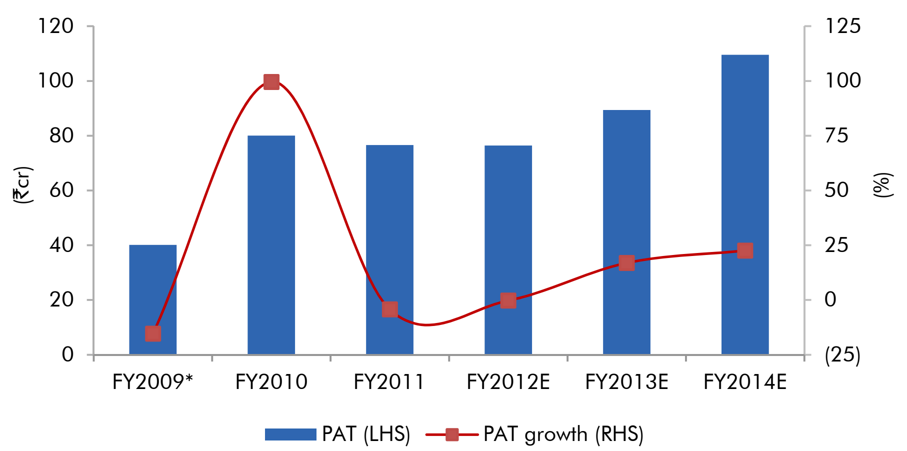
*Source: Company, Angel Research, *FY2009 is for 9 months*

Interest cost to be offset by other income

We expect JLL's interest cost to rise to ₹50cr in FY2013E and ₹39cr in FY2014E, as loans on books has increased. JLL has taken a term loan of ₹550cr from Axis Bank at a rate of 11.25% w.e.f. January 27, 2012. However, JLL has given a loan of ₹431cr from this amount to Henkel, for which it would receive interest income at a rate of 11.5%. With this, there will be a rise in JLL's other income as well, from ₹28cr in FY2011 to ₹77cr in FY2014E. Further, we expect that JLL will be paying off ₹135cr and ₹100cr debt in FY2013E and FY2014E respectively with the cash generated through operations, leading to a decrease in its interest cost. Further, the company would report higher tax from FY2014E at ₹49cr, as few of JLL's fully tax-exempted units will be losing their 100% tax benefit post FY2013E. However, JLL plans to do the merger (JLL-Henkel) in FY2014E; if that happens, JLL will further enjoy the tax shield due to the carried forward losses of Henkel.

On account of increasing revenue and expanding operating margin, we expect JLL's profit to post a CAGR of 13% over FY2011-14E, from ₹76cr in FY2011 to ₹110cr in FY2014E.

Exhibit 13: … leading to growth on the earnings front



*Source: Company, Angel Research, *FY2009 is for 9 months*

Henkel – Turnaround on cards

Henkel's financials are set for a turnaround post the acquisition. We have assumed that this year Henkel will be reporting financials for 15 months for FY2012E. A hike of 15% in realization is expected across all segments of Henkel. Post the acquisition, Henkel's business is bound to be revamped, given the repositioning of brands, price hike, change in distribution channel and reduction in total expenditure as a percentage of net sales.

We expect the company's revenue to post a CAGR of 8% by FY2014E (over CY2010-FY2014E), majorly on the back of the expected 15% price hike supported by volume growth, as JLL is set to rebrand and reposition Henkel's brands. Accordingly, we expect the company's operating margin to expand by 1,544bp to 11.3% in FY2014E. Henkel's interest cost is as high as ₹61cr on the loan of ₹531cr at a rate of 11.5%. However, being a loss-making company, Henkel enjoys tax shield. We expect the company to turnaround and register a profit of ₹19cr in FY2014E.

Exhibit 14: Key financials of Henkel

Y/E March (₹ cr)	CY2009	CY2010	FY2012E*	FY2013E	FY2014E
Net sales	592	534	552	541	676
% chg	9.7	(9.9)	3.4	(2.0)	25.0
Adj. net profit	(32)	(55)	(39)	(22)	19
% chg	(50.1)	69.1	(28.7)	43.3	184.7
OPM (%)	(6.0)	(4.2)	3.1	7.7	11.3
EPS (₹)	(2.8)	(4.7)	(3.3)	(1.9)	1.6
P/E (x)	(9.1)	(5.4)	(7.5)	(13.3)	15.7
P/BV (x)	(2.7)	(1.8)	(1.7)	(1.5)	(1.6)
RoE (%)	40.5	40.3	23.1	11.8	9.9
RoCE (%)	(0.2)	(0.1)	0.0	0.1	0.2
EV/Sales (x)	1.1	1.4	1.3	1.4	1.1
EV/EBITDA (x)	(19.0)	(33.5)	42.9	18.0	9.5

*Source: Company, Angel Research, *FY2012 is for 15 months*

JFSL – Breakeven in FY2013E

As per management, JFSL is expected to post a revenue CAGR of 102.4% to ₹193cr over FY2012E-14E. In addition, the company's operating margin is expected to improve substantially by 2,048bp to 26.1% in FY2014E. Further, JFSL is expected to reach its breakeven and start yielding profit from FY2013E, registering profit of ₹30cr in FY2014E.

Exhibit 15: JFSL's growth projection

	FY2012E	FY2013E	FY2014E
Service income	47	100	193
Washing expense	20	38	70
% of service income	*41.6*	*38.1*	*36.3*
Manpower cost	11	20	29
% of service income	*23.4*	*19.8*	*15.2*
Rent	5	12	16
% of service income	*11.6*	*11.8*	*8.1*
Other overheads	8	16	28
% of service income	*17.9*	*16.3*	*14.4*
Total Expenditure	44	86	142
% of service income	*94.4*	*86.1*	*73.9*
EBITDA	**2.6**	**13.9**	**50.2**
EBITDA margin	*5.6*	*13.9*	*26.1*
Interest and Depreciation	5	8	10
% of service income	*10.3*	*7.6*	*5.2*
PBT	(2)	6	40
Tax	-	-	11
% of PBT	-	-	*26.7*
PAT	**(2)**	**6**	**30**

Source: Company's corporate presentation, Angel Research

Outlook and valuation

The synergy of JLL and Henkel is expected to result in substantial growth in revenue and operating margin. On a consolidated basis, we expect JLL's revenue to post a 35% CAGR over FY2011-14E to ₹1,627cr. With stabilizing costs after business consolidation, JLL's operating margin is likely to improve by 119bp to 12.9% and its consolidated profit is expected to post a 36% CAGR to ₹166cr.

We have valued JLL (consolidated) on SOTP basis. JLL (standalone) is valued at a target PE of 15x for FY2014E at a price of ₹204/share; the newly acquired subsidiary, Henkel, has been valued at PE of 19x for FY2014E at a price of ₹26/share for 83.7% stake; and JSFL has been valued by stake sell method, discounted at 50% for 75% stake at a price of ₹19/share. Currently, at ₹169, JLL (standalone) is trading at PE of 12.4x for FY2014E, at a discount of 31.1% to its three-year median.

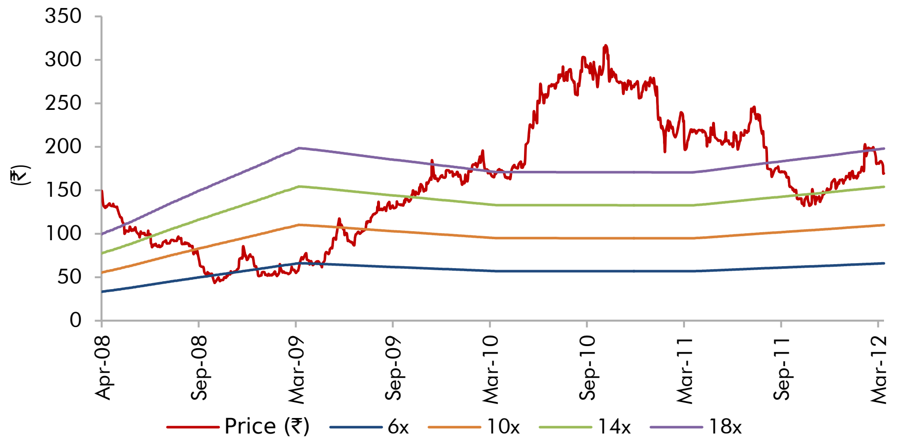
We initiate coverage on JLL with a Buy recommendation and a target price of ₹248, based on SOTP valuation.

Exhibit 16: SOTP valuation of JLL

JLL (Standalone)	
Mcap (in ₹ cr)	1360
Net worth (2014E) (₹ cr)	788
PAT (2014E) (₹ cr)	110
Current PE (x)	12.4
Target PE (x)	15.0
Expected value (₹ cr)	1643
Outstanding shares (in cr)	8.1
Expected price/ share (₹) (A)	**204**
Henkel (Consolidated)	
Mcap (in ₹ cr)	293
Net worth (2014E) (₹ cr)	(180)
PAT (2014E) (₹ cr)	19
Current PE (x)	15.7
Target PE (x)	19.0
Expected value (in ₹ cr) (for 83.7% stake)	298
Outstanding shares (cr)	11.6
Expected price/ share (₹) (B)	**26**
JSFL	
Total EV (in ₹ cr) (including debt of ₹60cr)	400
EV (Discounting at 50%) (in ₹cr)	200
Value for JLL's 75% stake in JFSL (in ₹cr)	150
Outstanding shares (in cr)	8.1
Expected price/ share (₹) (C)	**19**
Target price (₹) (A+B+C)	**248**

Source: Company, Angel Research

Exhibit 17: JLL's one-year forward PE band



Source: Company, Angel Research

Peer comparison on various parameters

On FY2013E basis, JLL (consolidated) is trading at PE of 12.1x, which looks attractive vis-à-vis its peers. The company's EPS stands at ₹13.9 for FY2013E, which is higher than its peers – Marico and Dabur. Further, JLL's ROE stands at 35.8%, which is higher than Marico and Emami; and we expect JLL's ROE to increase to 41.3% in FY2014E. The company is currently going through a transition phase and is set for a turnaround in the coming years on a consolidated basis.

Exhibit 18: Attractively valued as compared to peers

Company	Year end	Mcap (₹ cr)	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/Sales (x)	EV/ EBITDA (x)
JLL – Standalone	FY2012E	1360	685	10.7	76	9.5	11.5	17.8	2.0	2.1	19.4
	FY2013E	1360	796	13.2	89	11.1	12.7	15.2	1.9	1.7	13.1
JLL – Consolidated	FY2012E	1360	955	8.3	85	10.5	18.5	16.0	4.8	2.1	24.9
	FY2013E	1360	1359	10.3	112	13.9	35.8	12.1	4.0	1.4	13.9
Emami*	FY2012E	5992	1500	19.5	264	17.5	34.6	22.7	7.1	4.0	20.6
	FY2013E	5992	1778	19.9	315	20.8	34.4	19.0	5.8	3.4	17.1
Marico	FY2013E	10131	3779	12.7	305	5.0	25.6	33.2	8.5	2.7	21.4
	FY2012E	10131	4341	13.3	390	6.3	25.9	26.0	6.7	2.3	17.2
Dabur	FY2013E	18484	5179	17.8	666	3.8	39.2	27.8	10.9	3.6	20.3
	FY2012E	18484	5919	18.4	795	4.6	42.4	23.2	9.9	3.1	16.6

*Source: Company, Angel Research, * Bloomberg estimates*

Risk factors

Business integration

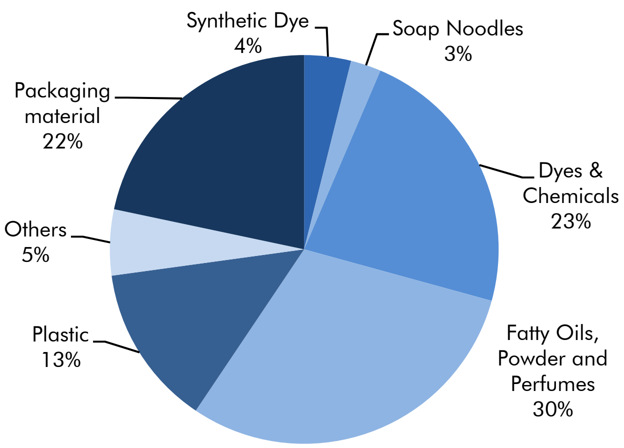
Going forward, the major concern for JLL is the risk associated with the integration of Henkel. JLL and Henkel are in the process of a consolidation – the companies are combining their manufacturing and distribution processes and JLL is set to revive most of Henkel's brands with proper positioning. If things go haywire, JLL's growth could face a serious risk.

Raw-material cost

The company's key raw materials include HDPE, acid slurry, synthetic organic dye, Koylene, LABSA (sulphuric acid), Sumi 1 and Transfluthrin (insecticide) and brown sawdust.

HDPE, which constitutes the largest raw-material expenditure, is a derivative of crude oil and is exposed to great price fluctuation. Currently, the company has only two suppliers for HDPE. For Transfluthrin, there is only one supplier in India; however, one Chinese player is expected to enter the market soon, providing the raw material at a much lower price. Until then, the company is completely dependent on the limited supplier in the market, which restricts the company's bargaining power. Further, JLL does not have any long-term supply contracts with its suppliers. Hence, any further hike in raw-material cost or any disruption in raw-material inflow may pose a risk to the company's business.

Exhibit 19: Raw material break-up



Source: Company, Angel Research

Company background

JLL

JLL is an FMGC company present in the fabric care (*Ujala*), household insecticide (*Maxo*), surface cleaning (*Exo*), personal care (*Jeeva*) and air care segments (*Maya*). The company was started in 1983 as a single-brand company, with *Ujala Fabric Whitener* as its flagship product. However, over time, JLL has grown by diversifying itself, both in terms of its product portfolio and market size across India.

JLL's manufacturing units are strategically present across India to maintain a lower logistics cost. The company has 28 manufacturing facilities in 16 locations across India, of which some are tax-efficient units. JLL's products are available in ~2.9mn outlets in India (as of March 31, 2011). The company has sales staff of over 1,800, servicing ~3,500 distributors.

JLL also operates in the laundry business under the name of JFSL, which has become India's largest laundry chain with 113 retail outlets in Bangalore, Delhi, Mumbai, Pune and Chennai. Further, JFSL's Hyderabad outlet is expected to be operational by March 31, 2012.

Exhibit 20: Product portfolio

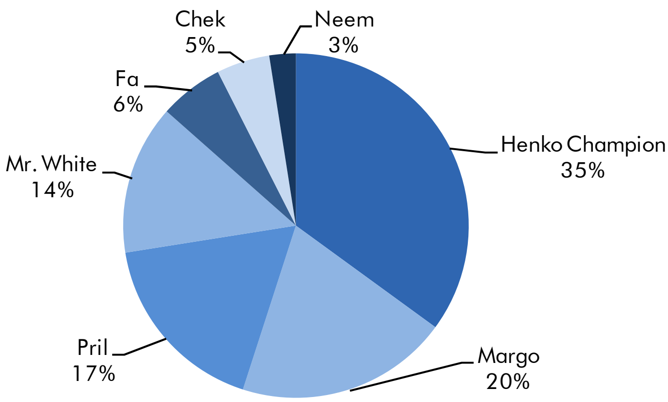
Brand	Positioning	Market Share for Dec'11 (%)		Brand Extension	Outlook
		Value	Volume		
Ujala (Launched in 1983)	Liquid fabric whitener that does not leave clothes blue or patchy	73.6	60.1	• Washing powder launched in 2003 in Kerala and in other southern regions in 2009 • Ujala Stiff and Shine launched in 2005 in Kerala and nationwide in 2008	Focused in Southern India only
Maxo (Launched in 2000)	Mosquito repellant offering 'corner-to-corner' protection	19.8	22	• Liquids/Aerosols • DEPA products for outdoor application	Advanced version of the liquid to be launched in 4QFY2012
Exo (Launched in 2000)	Anti-bacterial dish wash	26.3	23.8	• Dishwashing liquid – Exo Liquid /Exo Gel • Dishwashing scrubber – Exo Safai	National rollout

Source: Company, Angel Research

Henkel

Headquartered at Chennai, Henkel was established in 1987 as a subsidiary of Henkel AG & Co. KGaA, Germany. The company is engaged in the business of laundry, home care, cosmetics, toiletries and hair care. The company comprises brands such as *Pril*, *Henko*, *Fa*, *Mr. White*, *Chek*, *Margo* and *Neem*. In August 2011, JLL acquired an 83.7% stake in Henkel.

Exhibit 21: Revenue contribution – Product wise



Source: Company

JLL and Henkel – Combined product portfolio

Fabric care

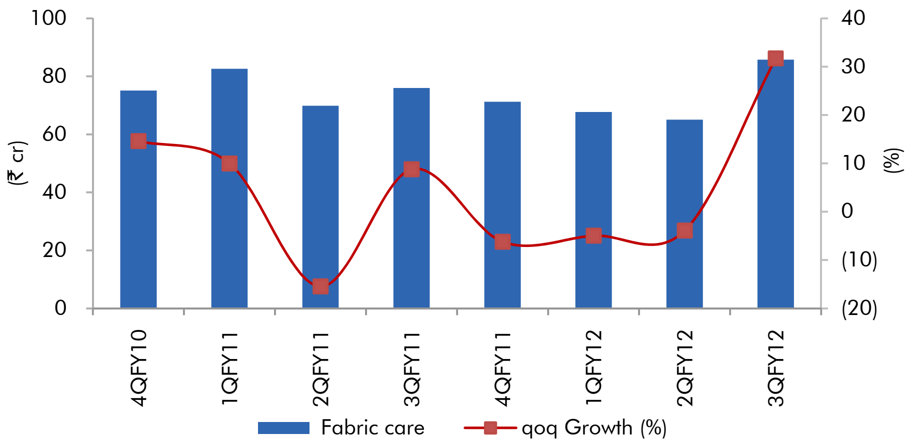
Under the fabric care segment, JLL has *Ujala Supreme*, *Ujala washing powder*, *Stiff and Shine* and *Ujala Techno Bright*. This segment is the core segment for JLL and contributed 54% to its FY2011 revenue. JLL's product range in the segment mainly caters to the mass segment, majorly in South India. JLL plans to keep the sales of Ujala detergent limited to southern India only and rollout and reposition Henkel detergent in other parts of India to avoid any cannibalization. With this, the company will be able to cater to other economic segments as well.

Exhibit 22: Combined portfolio of the fabric care segment

Segment	JLL	Henkel
Value	-	*Check*
Mid-premium	*Ujala, Ujala Whitener*	*Mr. White. Mr. White bleach*
Premium	*Technobright*	*Henko Champion*
Niche	*Technobright Matic, Ujala Stiff & Shine*	*Henko Matic*

Source: Company, Angel Research

Exhibit 23: JLL's core segment witnessing robust growth



Source: Company, Angel Research

Dishwashing

Under this segment, JLL has *Exo* dish wash bar and liquid targeting rural and urban customers, respectively. The brand is positioned as an 'anti-bacterial dish wash', as it contains Cyclozan, which works against bacterial contamination of utensils. The products are doing well in southern India; however, it has been recently launched in Maharashtra, Delhi, Punjab and West Bengal. National rollout is the next step.

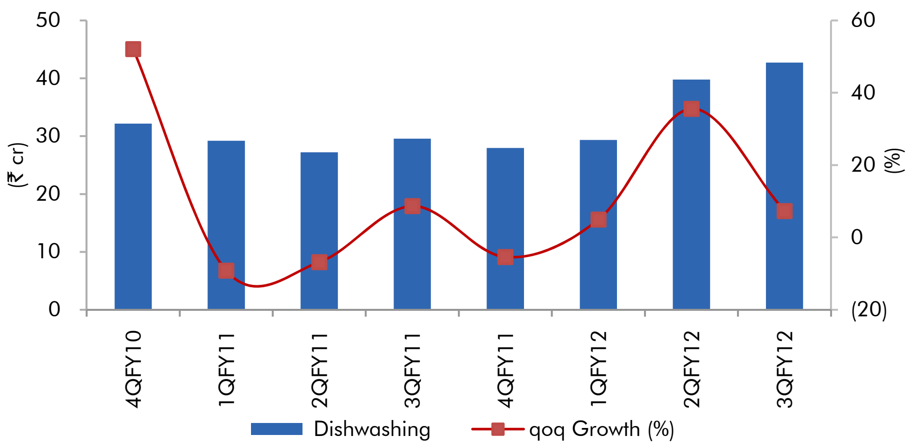
With the addition of Henkel's portfolio, the segment will now be focussing on urban Tier I and Tier II cities.

Exhibit 24: Combined portfolio for the dishwashing segment

Segment	JLL	Henkel
Value	-	-
Mid-premium	*Exo bar*	*Pril Bar*
Premium	*Exo Liquid*	*Pril Liquid*
Niche	*Exo scrubber*	-

Source: Company, Angel Research

Exhibit 25: JLL's dishwashing segment witnessing decent growth

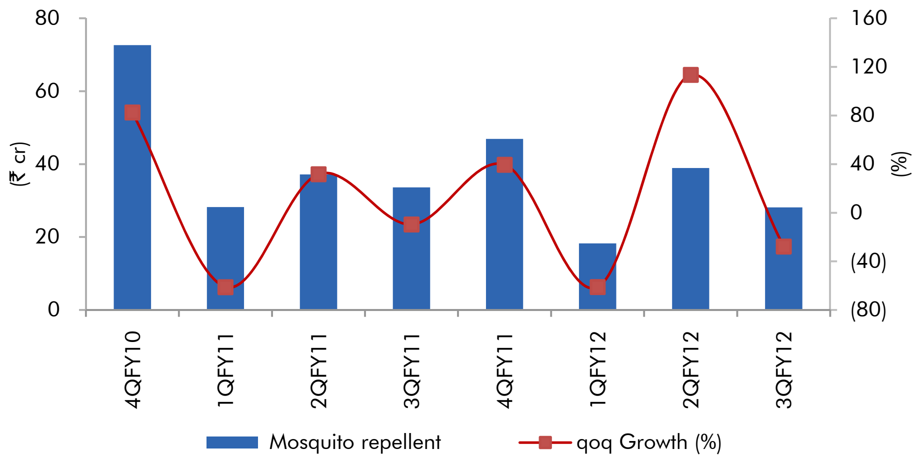


Source: Company, Angel Research

Mosquito repellent

This mosquito repellent segment consists of brands such as *Maxo* coil, *Maxo* vaporiser liquid and *Maxo* aerosol. *Maxo* is facing strong pricing pressure, as it is present in the increasingly competitive market segment. However, the company had chosen to maintain its profit margin even at the cost of losing its top line. The company withdrew the trade schemes and promotions i.e., trade discount by ~7%, which affected the demand negatively, leading to decline in its revenue as well as market share.

Exhibit 26: Maxo's revenue witnessing a decline



Source: Company, Angel Research

JLL launched *Maxo Military* and *Maxo safe & soft* in February 2011, which uses DEPA (Di-ethyl Phenyl Acetamide) and expects these products to boost its revenue and the profit. The launch was in-line with the agreement with Department of Research and Development Organisation (DRDO), which gives JLL the exclusive right to develop DEPA multi-insect repellent.

Further, the segment has lost 2% of its market share in the past one year (on TTM basis). Now, in order to revive the segment and maintain its market share, the company has planned for new ad campaigns, which are expected to start soon.

Personal care

The personal care segment was an unexplored segment for JLL as it has only one brand (*Jeeva*) under it, which contributes the least to the company's sales. However, with Henkel's products, *Fa*, *Neem* and *Margo*, JLL has an opportunity to explore this segment as well.

Exhibit 27: Combined portfolio for the personal care segment

Segment	JLL	Henkel
Value	-	-
Mid-premium	*Jeeva*	*Fa deo, Fa soap*
Premium		*Margo Neem*
Niche	-	-

Source: Company, Angel Research

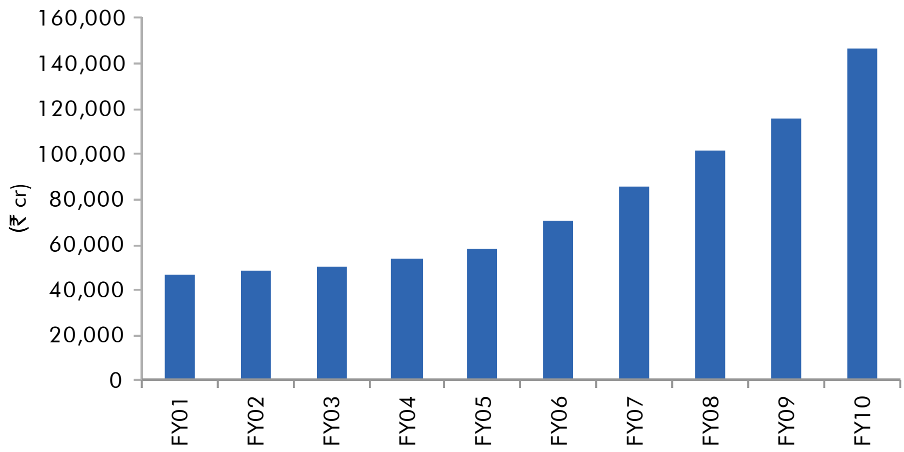
JLL has planned a new campaign for *Margo* to revive and rebrand the product, which will help in repositioning the brand in the consumer's mind. The campaign is expected to be launched in the summer season (April-May 2012).

FMCG industry in India

The Indian FMCG industry has been on a fast growth track, majorly driven by rising incomes driving domestic consumption, changing consumer behavior, improved distribution channel and increasing marketing spends by players.

In the past five years, the annual growth rate of the sector has accelerated to 17% compared to 11% in the last decade. As per AC Nielsen report on the FMCG industry, March 2011, the FMCG market's size stood at ₹1,46,300cr. According to a report by Booz & Company, the industry is expected to report a 12-17% CAGR and become a ₹4,00,000cr–6,20,000cr industry by 2020. Further, the industry is set for a paradigm shift with increasing income levels (both urban and rural India) and changing consumer behavior. However, the industry is also facing lot of pressure on account of high inflation and rising cost of production.

Exhibit 28: FMCG market size – Growth over the past 10 years



Source: Industry, Angel Research

Profit and Loss (Standalone)

Y/E March (₹ cr)	FY2009*	FY2010	FY2011	FY2012E	FY2013E	FY2014E
Gross sales	384	626	665	703	820	955
Less: Excise duty	11	12	20	18	25	29
Net Sales	373	615	646	685	796	926
Other operating income	-	-	-	-	-	-
Total operating income	**373**	**615**	**646**	**685**	**796**	**926**
% chg	*(5.2)*	*64.7*	*5.0*	*6.2*	*16.1*	*16.4*
Net Raw Materials	197	311	311	335	369	411
% chg	*6.6*	*58.1*	*0.1*	*7.5*	*10.1*	*11.3*
Other Mfg costs	11	17	20	21	25	29
% chg	*(7.9)*	*51.1*	*21.3*	*4.9*	*16.1*	*16.4*
Personnel	40	61	67	89	103	120
% chg	*(8.1)*	*51.2*	*11.2*	*32.0*	*16.1*	*16.4*
Other	75	132	167	167	194	226
% chg	*(16.9)*	*75.7*	*26.4*	*(0.2)*	*16.3*	*16.4*
Total Expenditure	323	521	566	612	691	786
EBITDA	**50**	**94**	**79**	**73**	**105**	**141**
% chg	*(20.5)*	*87.8*	*(15.7)*	*(7.6)*	*43.0*	*34.5*
(% of Net Sales)	*13.4*	*15.3*	*12.3*	*10.7*	*13.2*	*15.2*
Depreciation& Amortisation	7	10	11	18	15	16
EBIT	**43**	**83**	**68**	**56**	**90**	**125**
% chg	*(22.1)*	*93.2*	*(18.1)*	*(18.6)*	*61.2*	*39.4*
(% of Net Sales)	*11.6*	*13.6*	*10.6*	*8.1*	*11.3*	*13.5*
Interest & other Charges	-	1	-	22	50	39
Other Income	8	18	28	61	73	77
(% of Net Sales)	*2.1*	*3.0*	*4.3*	*8.9*	*9.2*	*8.4*
Recurring PBT	**43**	**83**	**68**	**34**	**40**	**86**
% chg	*(21.9)*	*93.4*	*(18.0)*	*(50.6)*	*18.7*	*116.9*
PBT (reported)	**51**	**101**	**96**	**94**	**113**	**164**
Tax	10	21	15	18	24	54
(% of PBT)	*20.7*	*20.8*	*16.0*	*19.1*	*21.1*	*33.1*
PAT (reported)	**40**	**80**	**80**	**76**	**89**	**110**
Extraordinary Expense/(Inc.)	-	-	4	-	-	-
ADJ. PAT	**40**	**80**	**77**	**76**	**89**	**110**
% chg	*(15.4)*	*99.6*	*(4.3)*	*(0.2)*	*16.9*	*22.6*
(% of Net Sales)	*10.7*	*13.0*	*11.9*	*11.2*	*11.2*	*11.8*
Basic EPS (₹)	**5.5**	**11.0**	**9.5**	**9.5**	**11.1**	**13.6**
Fully Diluted EPS (₹)	**5.5**	**11.0**	**9.5**	**9.5**	**11.1**	**13.6**
% chg	*(83.1)*	*99.6*	*(13.9)*	*(0.2)*	*16.9*	*22.6*

*Note: *FY2009 was only for 9 months*

Balance Sheet (Standalone)

Y/E March (₹ cr)	FY2009*	FY2010	FY2011	FY2012E	FY2013E	FY2014E
SOURCES OF FUNDS						
Equity Share Capital	7	7	8	8	8	8
Reserves& Surplus	345	392	645	674	717	779
Shareholder's Funds	**352**	**399**	**653**	**682**	**725**	**788**
Total Loans	0	0	64	614	479	379
Deferred Tax (Net)	11	13	16	16	16	16
Total Liabilities	**363**	**412**	**732**	**1,312**	**1,219**	**1,182**
APPLICATION OF FUNDS						
Gross Block	225	249	270	284	298	313
Less: Acc. Depreciation	39	49	62	80	95	111
Less: Impairment	4	5	3	3	3	3
Net Block	**182**	**195**	**204**	**200**	**200**	**199**
Capital Work-in-Progress	6	3	19	29	29	29
Lease adjustment	-	-	-	-	-	-
Goodwill	3	3	3	3	3	3
Investments	17	18	78	376	376	376
Current Assets	219	309	534	824	748	730
Cash	100	121	278	182	88	50
Loans & Advances	33	52	86	536	536	536
Inventory	43	66	66	69	80	93
Debtors	42	70	104	38	44	51
Current liabilities	64	116	107	120	136	154
Net Current Assets	**155**	**193**	**427**	**703**	**612**	**575**
Misc. Exp. not written off	-	-	-	-	-	-
Total Assets	**363**	**412**	**732**	**1,312**	**1,219**	**1,182**

*Note: *FY2009 was only for 9 months*

Cash Flow (Standalone)

Y/E March (₹ cr)	FY2009*	FY2010	FY2011	FY2012E	FY2013E	FY2014E
Profit before tax	51	101	96	94	113	164
Depreciation	7	10	11	18	15	16
Change in Working Capital	(5)	(17)	(77)	(373)	(2)	(2)
Direct taxes paid	(10)	(21)	(15)	(18)	(24)	(54)
Others	(5)	(22)	(13)	(61)	(73)	(77)
Cash Flow from Operations	**38**	**51**	**1**	**(340)**	**29**	**46**
(Inc.)/Dec. in Fixed Assets	(7)	(21)	(37)	(24)	(14)	(15)
(Inc.)/Dec. in Investments	(15)	(1)	(61)	(297)	-	-
Others	7	9	9	61	73	77
Cash Flow from Investing	**(16)**	**(12)**	**(89)**	**(260)**	**59**	**62**
Issue of Equity	-	-	0.8	-	-	-
Inc./(Dec.) in loans	-	-	64	550	(135)	(100)
Dividend Paid (Incl. Tax)	(17)	(34)	(47)	(47)	(47)	(47)
Others	(0)	16	228	-	-	-
Cash Flow from Financing	**(17)**	**(18)**	**245**	**503**	**(182)**	**(147)**
Inc./(Dec.) in Cash	5	21	157	(97)	(93)	(38)
Opening Cash balances	**95**	**100**	**121**	**278**	**182**	**88**
Closing Cash balances	**100**	**121**	**278**	**182**	**88**	**50**

*Note: *FY2009 was only for 9 months*

Key Ratios (Standalone)

Y/E March	FY2009*	FY2010	FY2011	FY2012E	FY2013E	FY2014E
Valuation Ratio (x)						
P/E (on FDEPS)	33.9	17.0	17.7	17.8	15.2	12.4
P/CEPS	29.0	15.0	15.6	14.5	13.0	10.9
P/BV	3.9	3.4	2.1	2.0	1.9	1.7
EV/Net sales	3.3	2.0	1.7	2.1	1.7	1.4
EV/EBITDA	24.8	13.0	13.5	19.4	13.1	9.3
EV / Total Assets	3.5	3.1	1.5	1.1	1.1	1.1
Per Share Data (₹)						
EPS (Basic)	5.5	11.0	9.5	9.5	11.1	13.6
EPS (fully diluted)	5.5	11.0	9.5	9.5	11.1	13.6
Cash EPS	6.5	12.5	10.8	11.7	12.9	15.5
DPS	2.0	4.0	5.0	5.0	5.0	5.0
Book Value	48.6	55.0	80.9	84.6	89.9	97.7
DuPont Analysis						
EBIT margin	11.6	13.6	10.6	8.1	11.3	13.5
Tax retention ratio	0.8	0.8	0.8	0.8	0.8	0.7
Asset turnover (x)	1.7	2.4	1.9	1.0	1.1	1.3
ROIC (Post-tax)	15.2	26.1	17.0	6.4	10.0	11.8
Cost of Debt (Post Tax)	167.7	268.4	1.1	5.3	7.2	6.0
Leverage (x)	(0.3)	(0.3)	(0.4)	0.1	0.0	(0.1)
Operating ROE	65.9	110.5	9.9	6.5	10.1	11.5
Returns (%)						
ROCE (Pre-tax)	0.1	0.2	0.1	0.0	0.1	0.1
Angel ROIC (Pre-tax)	19.1	32.9	20.2	7.9	12.7	-
ROE	11.8	21.3	14.6	11.5	12.7	14.5
Turnover ratios (x)						
Asset TO (Gross Block)	1.7	2.6	2.5	2.5	2.7	3.0
Inventory / Net sales (days)	42	32	38	36	34	34
Receivables (days)	33	33	49	20	20	20
Payables (days)	68	63	72	72	72	72
WC cycle (ex-cash) (days)	53	43	84	278	240	207
Solvency ratios (x)						
Net debt to equity	(0.3)	(0.3)	(0.4)	0.1	0.0	(0.1)
Net debt to EBITDA	(2.3)	(1.5)	(3.7)	0.8	0.1	(0.3)
Int. Coverage (EBIT/ Int.)	116.8	136.8	166.8	2.5	1.8	3.2

*Note: *FY2009 was only for 9 months*

Profit and Loss (Consolidated)

Y/E March (₹ cr)	FY2009*	FY2010	FY2011	FY2012E#	FY2013E	FY2014E
Gross sales	397	650	685	981	1,402	1,678
Less: Excise duty	11	10	18	26	42	51
Net Sales	385	640	667	955	1,359	1,627
Other operating income	-	-	-	-	-	-
Total operating income	**385**	**640**	**667**	**955**	**1,359**	**1,627**
% chg		*66.1*	*4.3*	*43.2*	*42.3*	*19.7*
Net Raw Materials	199	317	320	484	658	756
% chg		*59.7*	*0.9*	*51.2*	*35.9*	*14.9*
Other Mfg costs	14	24	25	32	40	47
% chg		*70.7*	*4.7*	*29.3*	*25.8*	*17.7*
Personnel	44	71	77	110	144	165
% chg		*60.6*	*9.0*	*42.0*	*30.6*	*15.2*
Other	80	136	172	250	378	448
% chg		*70.9*	*26.7*	*44.8*	*51.4*	*18.5*
Total Expenditure	336	548	595	876	1220	1417
EBITDA	**49**	**92**	**73**	**80**	**139**	**210**
% chg		*88.3*	*(21.0)*	*9.6*	*75.3*	*50.5*
(% of Net Sales)	*12.7*	*14.4*	*10.9*	*8.3*	*10.3*	*12.9*
Depreciation & Amortisation	7	12	13	23	25	26
EBIT	**41**	**79**	**60**	**56**	**114**	**184**
% chg		*92.5*	*(25.1)*	*(5.7)*	*104.0*	*60.8*
(% of Net Sales)	*10.7*	*12.4*	*8.9*	*5.9*	*8.4*	*11.3*
Interest & other Charges	**1**	**2**	**2**	**22**	**61**	**50**
Other Income	8	18	24	61	79	89
(% of Net Sales)	*2.0*	*2.8*	*3.6*	*6.4*	*5.8*	*5.5*
Recurring PBT	**41**	**78**	**57**	**34**	**53**	**134**
% chg		*91.6*	*(26.2)*	*(40.7)*	*56.1*	*152.3*
PBT (reported)	**48**	**96**	**81**	**95**	**132**	**223**
Tax	11	21	15	18	24	54
(% of PBT)	*22.4*	*22.5*	*19.0*	*19.1*	*18.2*	*24.4*
PAT (reported)	**37**	**74**	**66**	**77**	**108**	**169**
Minority interest	(1)	(0)	(3)	(6)	(4)	3
PAT after MI	**38**	**74**	**69**	**84**	**112**	**165**
Extraordinary Expense/(Inc.)	-	-	3	(1)	(1)	(1)
ADJ. PAT	**38**	**74**	**66**	**85**	**112**	**166**
% chg		*93.9*	*(11.6)*	*28.9*	*32.3*	*48.1*
(% of Net Sales)	*10.0*	*11.6*	*9.9*	*8.9*	*8.3*	*10.2*
Basic EPS (₹)	**5.3**	**10.3**	**8.2**	**10.5**	**13.9**	**20.6**
Fully Diluted EPS (₹)	**5.3**	**10.3**	**8.2**	**10.5**	**13.9**	**20.6**
% chg		*93.9*	*(20.5)*	*28.9*	*32.3*	*48.1*

*Note: *FY2009 was only for 9 months, #FY2012E includes Henkel numbers post August 22, 2011*

Balance Sheet (Consolidated)

Y/E March (₹ cr)	FY2009*	FY2010	FY2011	FY2012E#	FY2013E	FY2014E
SOURCES OF FUNDS						
Equity Share Capital	7	7	8	8	8	8
Reserves& Surplus	340	381	623	276	335	453
Shareholders' Funds	**347**	**388**	**631**	**284**	**343**	**462**
Minority Interest	0	1	0	(29)	(32)	(29)
Total Loans	1	18	74	624	589	489
Deferred Tax (Net)	10	13	16	16	16	16
Total Liabilities	**358**	**419**	**722**	**896**	**916**	**938**
APPLICATION OF FUNDS						
Gross Block	242	287	306	438	452	467
Less: Acc. Depreciation	43	55	68	138	163	189
Less: Impairment	4	5	3	3	3	3
Net Block	**195**	**228**	**235**	**297**	**286**	**276**
Capital Work-in-Progress	11	4	20	30	30	30
Lease adjustment	-	-	-	-	-	-
Goodwill	5	6	6	538	538	538
Investments	0	0	61	-	-	-
Current Assets	214	302	510	259	310	384
Cash	102	122	281	3	7	22
Loans & Advances	22	35	55	72	102	122
Inventory	47	73	69	114	129	154
Debtors	43	71	105	70	72	86
Current liabilities	68	120	110	228	249	290
Net Current Assets	**146**	**181**	**401**	**31**	**61**	**94**
Misc. Exp. not written off	-	-	-	-	-	-
Total Assets	**358**	**419**	**722**	**896**	**916**	**938**

*Note: *FY2009 was only for 9 months, #FY2012E includes Henkel numbers post August 22, 2011*

Cash Flow (Consolidated)

Y/E March (₹ cr)	FY2009*	FY2010	FY2011	FY2012E#	FY2013E	FY2014E
Profit before tax	48	96	81	95	132	223
Depreciation	7	12	13	23	25	26
Change in Working Capital	(11)	(14)	(61)	93	(27)	(18)
Direct taxes paid	(11)	(21)	(15)	(18)	(24)	(54)
Others	(4)	(21)	(23)	(63)	(85)	(88)
Cash Flow from Operations	**30**	**51**	**(6)**	**130**	**21**	**88**
(Inc.)/Dec. in Fixed Assets	14	(39)	(34)	(675)	(14)	(15)
(Inc.)/Dec. in Investments	0	0	(61)	61	0	0
Others	(17)	1	(148)	(297)	79	89
Cash Flow from Investing	**(2)**	**(37)**	**(243)**	**(911)**	**65**	**74**
Issue of Equity	0	0	0.8	-	-	-
Inc./(Dec.) in loans	0	17	57	550	(35)	(100)
Dividend Paid (Incl. Tax)	(17)	(34)	(47)	(47)	(47)	(47)
Others	80	23	396	-	-	-
Cash Flow from Financing	**63**	**7**	**407**	**503**	**(82)**	**(147)**
Inc./(Dec.) in Cash	91	20	158	(277)	3	15
Opening Cash balances	**11**	**102**	**122**	**281**	**3**	**7**
Closing Cash balances	**102**	**122**	**281**	**3**	**7**	**22**

*Note: *FY2009 was only for 9 months, #FY2012E includes Henkel numbers post August 22, 2011*

Key Ratios (Consolidated)

Y/E March	FY2009*	FY2010	FY2011	FY2012E#	FY2013E	FY2014E
Valuation Ratio (x)						
P/E (on FDEPS)	35.4	18.3	20.7	16.0	12.1	8.2
P/CEPS	29.7	15.7	17.3	12.6	9.9	7.1
P/BV	3.9	3.5	2.2	4.8	4.0	2.9
EV/Net sales	3.3	2.0	1.6	2.1	1.4	1.1
EV/EBITDA	25.8	13.7	15.1	24.9	13.9	8.7
EV / Total Assets	3.6	3.1	1.5	2.3	2.2	2.0
Per Share Data (₹)						
EPS (Basic)	5.3	10.3	8.2	10.5	13.9	20.6
EPS (fully diluted)	5.3	10.3	8.2	10.5	13.9	20.6
Cash EPS	6.3	12.0	9.8	13.4	17.0	23.8
DPS	2.0	4.0	5.0	5.0	5.0	5.0
Book Value	47.8	53.4	78.3	35.3	42.5	57.2
DuPont Analysis						
EBIT margin	10.7	12.4	8.9	5.9	8.4	11.3
Tax retention ratio	0.8	0.8	0.8	0.8	0.8	0.8
Asset turnover (x)	1.7	2.3	2.0	3.1	4.2	4.9
ROIC (Post-tax)	14.0	22.5	14.3	14.7	28.9	42.0
Cost of Debt (Post Tax)	105.9	14.6	3.8	5.1	8.3	7.0
Leverage (x)	(0.3)	(0.3)	(0.4)	2.2	1.7	1.0
Operating ROE	40.9	20.4	9.8	35.8	63.9	77.4
Returns (%)						
ROCE (Pre-tax)	0.1	0.2	0.1	0.1	0.1	0.2
Angel ROIC (Pre-tax)	18.0	29.1	17.6	18.2	35.3	55.6
ROE	11.1	20.3	12.9	18.5	35.8	41.3
Turnover ratios (x)						
Asset TO (Gross Block)	1.6	2.4	2.3	2.6	3.1	3.5
Inventory / Net sales (days)	45	34	39	35	33	32
Receivables (days)	41	32	48	33	19	18
Payables (days)	73	63	71	70	71	69
WC cycle (ex-cash) (days)	42	34	66	10	15	16
Solvency ratios (x)						
Net debt to equity	(0.3)	(0.3)	(0.4)	2.2	1.7	1.0
Net debt to EBITDA	(2.1)	(1.1)	(3.7)	7.8	4.2	2.2
Int. Coverage (EBIT/ Int.)	58.1	46.7	27.7	2.5	1.9	3.7

*Note: *FY2009 was only for 9 months, #FY2012E includes Henkel numbers post August 22, 2011*

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DISCLAIMER

Disclosure of Interest Statement	Jyothy Laboratories
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

Ratings (Returns):	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to 15%)	Sell (< -15%)	