

# Jyothy Laboratories

Rs 201

**Bright outlook**

BSE Sensex: 38,091

Nifty-50: 11,515

## FINANCIALS: STANDALONE

	SALES	OPM(%)	OP	OTHER INC.	PBDT	INTEREST	PBDT	DEP.	PBT	EO	PBT AFTER EO	TOTAL TAX	PAT	EPS (RS)*
1603 (12)	1540.31	14.8	227.94	16.08	244.02	56.48	187.54	54.21	133.33	0	133.33	58.82	74.51	2
1703 (12)	1631.97	15.9	260.19	11.4	271.59	50.89	220.7	54.74	165.96	0	165.96	-36.09	202.05	5.6
1803 (12)	1639.6	16.9	277.46	12.06	289.52	42.35	247.17	56.59	190.58	17.89	208.47	47.94	160.53	4
1903 (12P)	1887.48	17.4	327.8	11.93	339.72	37.42	302.3	58.44	243.87	0	243.87	59.84	184.03	5.1

\*Annualised on equity of Rs 36.36 crore; Face value of Re 1 each. EO: Extraordinary items PL: Profit to Loss LP: Loss to Profit. EPS is adjusted after EO and relevant tax. Figures in crore. Source: Capitaline Databases

Jyothy Laboratories was founded in 1983 by MP Ramachandran in Thrissur, Kerala. What began as a proprietary concern that manufactured and sold a single product in a single district has grown to become a multi-brand, multi-product company with operations all over the country.

The company currently boasts of brands namely Ujala, Maxo, Exo, Henko, Pril, Margo, Neem, Chek, and Mr White that are well known and well established in their respective categories.

### June 2018 quarter

In June 2018 quarter, net sales jumped 18% to Rs 405.28 crore. OPM improved 240 basis points to 15.1% which saw OP jump 40% to Rs 61.00 crore.

Underlying volume grew 18.5%.

Other income grew 21% to Rs 2.16 crore and interest fell 10% to Rs 7.71 crore.

As depreciation fell 2% to Rs 13.78 crore, PBT soared 83% to Rs 41.67 crore.

As tax jumped 330% to Rs 9.29 crore PAT jumped 57% to Rs 32.38 crore.

June 2018 quarter had the benefit of low base of June 2017 quarter which was affected by GST related issues.

The market scenario is working well with very strong tailwind on herbal and natural segment. As far as the demand scenario is concerned, it is better than the last two years and what seems to be driving it is the rural market.

### FY 2018 PAT affected by jump in tax provision

For FY 2018, net sales stayed at Rs 1639.60 crore. OPM improved 100 basis points to 16.9% which saw OP jump 7% to Rs 277.46 crore.

Other income grew 6% to Rs 12.06 crore and interest fell 17% to Rs 42.35 crore. As depreciation grew 3% to Rs 56.59 crore, PBT went up 15% to Rs 190.58 crore.

EO gains due to sale of fixed assets were Rs 17.89 crore against nil. Thus PBT after EO grew 26% to Rs 208.47 crore.

As tax jumped to Rs 47.94 crore against a write back of Rs 36.09 crore, PAT fell 21% to Rs 160.53 crore.

On consolidated basis, for FY 2018, net sales grew 4% to Rs 1745.860 crore. OPM improved 40 basis points to 15.5% which saw OP rise 6% to Rs 270.81 crore.



### STOCK DATA

BSE Code	:	532926
BSE Group	:	A
NSE Code	:	JYOTHYLAB
Bloomberg	:	JYL IN
Reuters	:	JYOI.BO
Par Value	:	Re 1
52-week High/Low	:	Rs 249 / Rs 163
Sector	:	FMCG

### SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	: 16.45
Institutions	: 6.24
Govt Holding	: 0
Corporate Holding	: 5.44
Promoters	: 66.85
Public & Others	: 5.03
Total:	: 100

\* as on 3/7/2018

Source: Capitaline Databases

Other income grew 20% to Rs 12.77 crore and interest fell 15% to Rs 48.07 crore. As depreciation grew 4% to Rs 31.13 crore, PBT went up 14% to Rs 204.38 crore. EO gains due to sale of fixed assets were Rs 36.35 crore against nil. Thus PBT after EO grew 35% to Rs 240.73 crore.

As tax jumped to Rs 61.864 crore against a write back of Rs 25.50 crore, PAT fell 12% to Rs 178.87 crore.

### **Strong growth across segments**

During the June 2018 quarter, sales from Dishwashing Division grew 20% to Rs 133.47 crore and accounted for 33% of sales. PBIT was up 109% to Rs 14.05 crore and accounted for 27% of total.

Dishwashing includes Dish wash scrubber, scrubber steel, dish wash bar, liquid and powder.

During the quarter, sales from Fabric Care Division grew 4% to Rs 176.73 crore and accounted for 44% of sales. PBIT was up 9% to Rs 32.94 crore and accounted for 64% of total.

Fabric Care includes fabric whitener, fabric enhancer, bar soap and detergent powder.

During the quarter, sales from Household Insecticides Division grew 17% to Rs 32.55 crore and accounted for 8% of sales. PBIT was down 14% to Rs 4.72 crore and accounted for -9% of total.

Household Insecticides includes mosquito repellent coil, liquid, card and insect repellents

During the quarter, sales from Personal Care Division grew 21% to Rs 53.43 crore and accounted for 13% of sales. PBIT jumped 504% to Rs 9.79 crore and accounted for 19% of total.

Personal Care includes body soap, face wash, toothpaste, deo classic, talcum powder, after shave and moisturizer

The company saw a good overall growth across the portfolio in every single segment. At brand level too it has grown well. Ujala in Fabric care registered growth of 12.2%. Growth in Exo which is a dish wash is an excellent 29.6%, Maxo which is in insect control is 28%, Henko which is in Fabric care is 10.9%. Margo grew 29.5% which is the bulk of its personal care business and Pril grew 23.2%.

Henko grew by a very strong volume growth of 18.1%. It introduced Rs 10 pack which it advertised, communicated and that has got in a lot of new users and has helped to build the brand.

Its power brands i.e. the six top brand grew 21.3%.

### **Impressive growth in volume and market share of various brands**

Ujala Fabric has a market share of 80.9% in 1st half of CY18. The market shares continue to rise and it is very comfortably holding that 80% share and is even growing at that 80% base. Prior to this it was at 78% in the year 2016.

Its market share in Ujala detergent powder has been climbing steadily and it is now at 17%. It has been the single largest brand in the state of Kerala. It is priced in the mid-priced segment.

In case of Henko franchise, it has grown 10.9%, but it has been on the back of a volume growth of 18.1% which has been largely led by the Rs. 10 pack.

Dish wash is a very important segment for the company. Overall, the dish wash

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business has grown at 27.9%. In this, the Exo franchise continues to grow very strongly on the back of the campaign which helped it restage the brand and it has been growing distribution as well. Overall Exo bar has grown 26.5%. As far as the Pril franchise goes it has grown 23% in Q1FY19.

In Dish wash it has been talking about the scrubber business in which it has a very strong ambition. It is number two player, but it knows that its strength is that it is the only player to offer not just a dish wash brand but also scrubber and therefore it hopes to leverage that and hence it has proposition of anti-bacteria in scrubber. On Exo, it is beginning to see results. It has also done a lot of activation work and its business now on green scrubber has grown 50% and steel scrubbers has grown 35%.

In household insecticides, Maxo franchise has grown 28%. Liquid vaporizer has grown 42%. The liquid business has grown by 13% largely led by the Genius innovation. In market shares, it is reflecting in a growth from 7.6% in the year 2017 to 8.7% in June 2018 quarter.

Personal care business contribution has grown from 10% to 13%. Margo is still doing extremely well in line what it picked up some time ago of the tailwind on the naturals segment that the entire segment is witnessing. Its proposition of Goodness of 1000 neem leaves is resonating with consumer. It has grown 29.5% in the quarter. It has a unique position here. Though there are plenty of neem soaps in the market but it is the one that offer authentic experience.

When it acquired the Margo brand in 2012 it was around Rs 48 crore but it is now Rs 167 crore brand, a CAGR of 23%. There was a time when Tamil Nadu and West Bengal were the traditional markets. Now those erstwhile traditional market are about 30% of the business which means the company has been growing rapidly in other parts and its noncore growth is 1.5 times that of the core market growth. So overall there is immense potential and going forward it hopes to see a lot of action in this space.

### **Outlook**

Favourable monsoon, government initiatives to boost rural economy, healthy economic growth, favourable demographic profiles, increasing disposable incomes, changing consumer tastes and preferences will support growth in the FMCG sector.

Rural growth is likely to be a major contributor to growth in the FMCG sector in the coming years. With a rise in income levels and increased demand for branded products, the rural market still underpenetrated. Increased government initiatives to improve the rural incomes, provides an apt platform for growth in rural consumption.

Going forward the company hopes to show strong innovation across portfolio which will deliver growth. As far as sales distribution platform goes, it is strengthening its IT connectivity and connecting distributors back to ERP that will make it more efficient in the market place and better at execution.

Lower GST rates on most of the FMCG products provide leeway to raise prices to pass on increasing raw material costs without adverse impact on volume growth.

### **Valuation**

In FY 2019 we expect the company to register EPS of Rs 5.1. The scrip trades at Rs 201 which discounts the projected FY 2019 EPS by 40 times.

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### JYOTHY LABORATORIES: STANDALONE RESULTS

	1806 (3)	1706 (3)	VAR. (%)	1803 (12)	1703 (12)	VAR. (%)
Sales	405.28	343.97	18	1639.60	1631.97	0
OPM (%)	15.1	12.7		16.9	15.9	
OP	61.00	43.64	40	277.46	260.19	7
Other inc.	2.16	1.78	21	12.06	11.40	6
PBIDT	63.16	45.42	39	289.52	271.59	7
Interest	7.71	8.59	-10	42.35	50.89	-17
PBDT	55.45	36.83	51	247.17	220.70	12
Dep.	13.78	14.06	-2	56.59	54.74	3
PBT	41.67	22.77	83	190.58	165.96	15
EO	0.00	0.00	—	17.89	0.00	100
PBT after EO	41.67	22.77	83	208.47	165.96	26
Total Tax	9.29	2.16	330	47.94	-36.09	-233
PAT	32.38	20.61	57	160.53	202.05	-21
EPS (Rs) *	#	#		4.0	5.6	

\*Annualised on equity of Rs 36.36 crore; Face value of Re 1 each. EO: Extraordinary items PL: Profit to Loss LP: Loss to Profit.  
EPS is adjusted after EO and relevant tax. Figures in crore. Source: Capitaline Databases

### JYOTHY LABORATORIES: STANDALONE SEGMENT RESULTS

SEGMENTS	1806 (3)	1706 (3)	VAR. (%)	% TO TOTAL	1803 (12)	1703 (12)	VAR. (%)	% TO TOTAL
<b>Sales</b>								
Dishwashing	133.47	110.77	20	33	512.39	510.27	0	31
Fabric Care	176.73	170.08	4	44	695.02	731.01	-5	42
Household Insecticides	32.55	27.79	17	8	228.44	261.19	-13	14
Personal Care	53.43	44.12	21	13	185.73	159.57	16	11
Others	9.10	9.29	-2	2	36.26	37.64	-4	2
<b>TOTAL</b>	<b>405.28</b>	<b>362.05</b>	<b>12</b>	<b>100</b>	<b>1657.84</b>	<b>1699.68</b>	<b>-2</b>	<b>100</b>
Less: intersegment sales	0.00	0.22			0.35	1.52		
Add: Unallocable sales					0.00	0.00		
<b>Net Sales</b>	<b>405.28</b>	<b>361.83</b>			<b>1657.49</b>	<b>1698.16</b>		
<b>PBIT</b>								
Dishwashing	14.05	6.72	109	27	69.78	59.95	16	29
Fabric Care	32.94	30.09	9	64	146.66	135.36	8	61
Household Insecticides	-4.72	-5.48	-14	-9	3.77	4.07	-7	2
Personal Care	9.79	1.62	504	19	20.35	22.58		
Others	-0.60	1.47	PL	-1	-0.98	1.66	PL	0
<b>TOTAL</b>	<b>51.46</b>	<b>34.42</b>	<b>50</b>	<b>100</b>	<b>239.58</b>	<b>223.62</b>	<b>7</b>	<b>92</b>
Less interest	7.71	8.59			42.35	50.89		
Less unallocable expenditure net of inc.	4.22	4.75			18.28	17.55		
Add: unallocable income	2.14	1.69			29.52	10.78		
<b>PBT</b>	<b>41.67</b>	<b>22.77</b>			<b>208.47</b>	<b>165.96</b>	<b>26</b>	

Figures in crore, PL: Profit to Loss. Source: Capitaline Databases