



Jyothy Labs Ltd

...Lighten up your portfolio

Rs.215

Buy

Industry	FMCG	BSE/ NSE Code	532926 / JYOTHYLAB
Company P/E	6x FY08	52 Week H/L (Rs)	965 / 215
Market Cap. (Rs)	3200mn	Daily traded volumes	10,000 / 11,000
Face Value	Rs 5	Dividend (FY'08)	200%

Company Profile: Jyothy Labs Ltd (JLL) promoted by MP Ramachandran in 1983 has come a long way from being a single product fabric whitener company (Ujala) to a diversified India centric FMCG player into the business of Fabric Care, Household Care and Personal Care. JLL has 21 manufacturing locations across the country and employs 3500 people and its products are sold across thirty lakh retail outlets in India. The USP of all its products is based on the concept of value for money and quality. The Household care market in India is worth Rs100bn and accounts for more than 10% of the FMCG sector market in India. JLL has a 73% market share in Ujala and a 22% share in Maxo.

Revenue Profile: The Rs4650mn JLL derives 48% of its revenues from fabric care –Ujala, 35% from Mosquito Repellant – Maxo, 11% from Surface Cleaner – Exo and 5% from Incense Sticks – Maya.

Shareholding Pattern: Promoters hold 70%, MF – 10%, Insurance – 8%, FII-6% and Public Holding is only 6%, which explains the rather poor trading volumes, and JLL has announced a stock split from Rs5 to Rs1 to improve trading volumes.

Investment Argument: JLL is a pure India centric FMCG company and even if we assume zero growth for the current fiscal, JLL would post an EPS of Rs36 and given the fact that it is a large consumer of plastics for its fabric care business, the sharp correction in crude prices promises reduction in raw material costs which constitutes 60% of its total cost and this would give the upside in earnings.

Valuation: With the Sensex itself trading at 10x we believe that there is a compelling reason to buy JLL which is trading at 6x with a dividend yield of 4% and above all it is a debt free company (cash per share of Rs65) which came out with its IPO a year back in November 2007 at Rs690 (Rs5 paid up) purely to provide an exit to private equity investors and did not collect any funds for itself. JLL has corrected to Rs215 now from its peak of Rs965 in early January 2008 and at CMP of Rs215 we believe that it is an attractive investment bet for investors with a one-year price target of Rs300, which is a 40% upside from current levels.

Balance Sheet

(Rs Mn)	FY'08	FY'07	FY'06
Equity Capital	73	73	73
Reserves	3220	2865	2475
Deferred Tax	88	55	59
Capital Employed	3381	2993	2607
Gross Block	2180	1353	1074
Depreciation	365	297	240
Net Block	1815	1056	834
Investments	22	16	17
Working Capital	1454	1348	1672
Capital WIP	90	573	84
Capital Deployed	3381	2993	2607

Profit & Loss

(Rs Mn)	FY'08	FY'07	FY'06
Gross Revenues	4650	4340	3660
Net Revenues	3753	3630	3019
Other Income	79	87	60
Total Income	3832	3717	3079
EBIDTA	701	624	510
Depreciation	74	62	52
Taxation	105	46	58
Net Profit	522	516	400
EPS (Rs)	35.75	35.34	27.40
P/E(x)	6.15	6.22	8.03

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