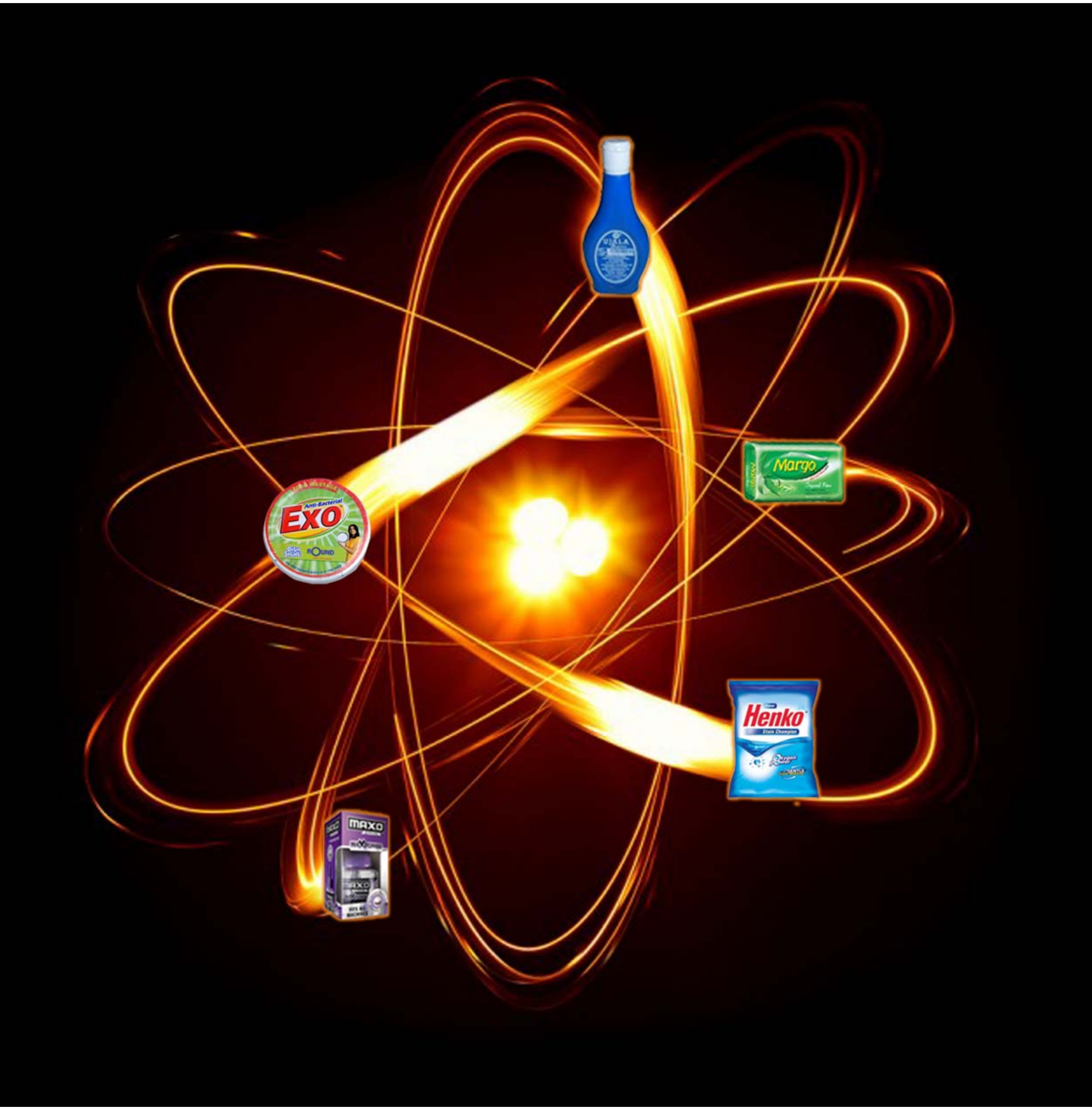
Initiating Coverage | 24 April 2015
Sector: Consumer

Jyothy Labs



Evolving power (brands) play

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Jyothy Labs: Evolving power (brands) play

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Price as on 24 April 2015

Jyothy Labs

BSE Sensex	S&P CNX
27,438	8,305

CMP: INR245 **TP: INR320 (+31%)** **Buy**

Stock Info

Bloomberg	JYL IN
Equity Shares (m)	181.0
MCap (INR b)/USD b)	44.3/0.7
52-Week Range (INR)	314/172
1, 6, 12 Rel. Per (%)	-2/-4/5
Avg Val (INRm)/Vol '000	50/237
Free float (%)	33.2

Financial Snapshot (INR Million)

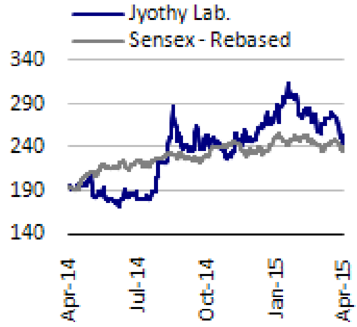
Y/E March	2015E	2016E	2017E
Net Sales	15,134	17,787	20,778
EBITDA	1,585	2,449	2,942
Adj PAT	986	1,853	1,926
EPS (INR)	5.4	10.2	10.6
Gr. (%)	15.2	88.0	3.9
BV/Sh (INR)	42.5	48.0	53.6
RoE (%)	13.1	22.6	21.0
RoCE (%)	10.0	15.5	17.6
P/E (x)	45.0	23.9	23.0
P/BV (x)	5.8	5.1	4.6
EV/EBITDA (x)	31.4	19.9	16.2

Shareholding pattern (%)

As on	Dec-14	Sep-14	Dec-13
Promoter	66.8	66.8	66.8
DII	8.0	9.4	8.4
FII	15.5	14.1	14.5
Others	9.8	9.8	10.3

FII includes depository receipts

Stock Performance (1-year)



Evolving power (brands) play

Foundation laid; set for acceleration

- **Post its acquisition of Henkel India, JYL has transformed into a meaningful player in the Home and Personal Care segment, with a USD5b market opportunity.**
- **Hitherto known for its family-driven organization culture, JYL has made several senior-level recruitments across departments from MNCs in the last 18-24 months.**
- **Softening of raw material prices and operating efficiencies will help drive margin expansion. We expect JYL to reinvest some of the gains in its power brands, for which we see strong potential in the next 3-5 years.**
- **We model 17% sales CAGR, 36% EBITDA CAGR and 40% PAT CAGR over FY15-17. Initiate coverage with a Buy rating.**

USD5b market opportunity

Traditionally, Jyothy Labs (JYL) was a single product mass market player, with *Ujala* being its key offering. JYL's complexion has transformed after it acquired Henkel India -- from being a player operating in only the Home Care segment, it is now a meaningful player in the Home and Personal Care segment (market opportunity has multiplied ~5x to USD5b). With the first leg of Henkel India's turnaround complete, JYL has a portfolio of power brands (*Ujala*, *Exo*, *Pril*, *Henko*, *Maxo* and *Margo*) operating in categories with low penetration and low per capita consumption.

Building blocks in place

Post Henkel India's acquisition, JYL adopted a twin approach to improve profitability, which includes: 1) **Organizational rejig** (refer annexure-1): a) Induction of professional management (roped in Mr S Raghunandan as CEO; he is best known for turning around Paras Pharma and Dabur International's business), b) lean distribution structure (reduce distributor count to 1,700 from 7,000), c) rationalization of trade margins. 2) **Revamp of product offerings:** a) Identification of power brands and new product development (launch of new variants/brand extensions), b) higher brand investments (increased ad spends to sales ratio to 11-12% v/s 8% over the last five years), c) enhanced product reach.

Softening raw material prices, operating efficiencies to drive margin expansion

Sharp correction in crude prices from USD110/bbl in June 2014 to USD60/bbl in March 2015 (LAB and PFAD prices are down 32% YoY and 19% YoY, respectively), could drive significant gross margin expansion for JYL, as crude and crude derivatives form ~50% of total input costs. We build gross margin expansion of 70bp for FY15 and 270bp over FY15-17 (refer Exhibit 14; management has guided 400bp savings due to input cost correction). This coupled with savings from restructuring initiatives could drive 370bp EBITDA margin expansion over FY15-17. We expect JYL to selectively use the gains to reinvest in brands, as it introduces new variants/brand extensions.

Robust fundamentals; valuations attractive

Post Henkel India's integration, JYL is well placed to capture the attractive opportunity its expanded portfolio offers. It now addresses a far bigger market, with better distribution footprint and capability to invest and scale up brands. We are also enthused by JYL's execution track record under Mr S Raghunandan. Given its increasing brand investments and richer portfolio, we expect strong potential for its power brands in the next 3-5 years. We model 17% sales CAGR, 36% EBITDA CAGR and 40% PAT CAGR over FY15-17. We initiate coverage with a **Buy** rating and target price of INR320 (21x FY17E EV/EBITDA; three-year average). We apply EV/EBITDA to value JYL, as reported profits do not reflect the actual profitability due to capitalization of interest expenses on NCD. Heightened competition in its core categories due to lower input costs is a key risk.

Exhibit 1: FMCG coverage universe valuation metrics

Company	Reco	Price	Mkt Cap	EPS Growth YoY (%)			P/E (x)			EV/EBITDA (x)			RoE (%)	Div.
		(INR)	(USD M)	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY15E (%)
Consumer														
Asian Paints	Neutral	772	11,639	16.2	37.4	22.7	51.8	37.7	30.7	34.8	25.1	20.2	32.5	0.9
Britannia	Buy	2,142	4,023	29.0	32.7	25.0	51.1	38.5	30.8	37.2	27.3	21.3	51.2	0.8
Colgate	Buy	2,031	4,343	15.7	23.5	24.2	48.7	39.4	31.8	32.9	25.2	20.4	89.3	1.5
Dabur*	Neutral	269	7,441	15.9	26.3	15.5	44.3	35.1	30.4	35.4	27.9	23.8	35.7	0.8
Emami*	Buy	970	3,461	18.1	28.5	22.6	46.3	36.0	29.4	39.2	29.9	23.8	43.9	0.8
Godrej Consumer	Neutral	1,126	6,024	22.2	36.7	21.0	42.5	31.1	25.7	30.5	23.0	19.5	20.8	0.6
GSK Consumer	Neutral	6,264	4,142	-12.8	19.9	17.6	44.8	37.4	31.8	33.6	27.3	22.6	29.9	0.9
Hind. Unilever	Neutral	890	30,254	5.5	18.0	18.1	50.1	42.5	36.0	74.5	61.6	50.5	109.6	1.5
ITC	Neutral	347	43,408	11.0	10.9	14.9	28.3	25.5	22.2	19.1	17.3	15.2	35.2	2.1
Jyothy Labs	**Buy**	**245**	**715**	**15.2**	**88.0**	**3.9**	**45.0**	**23.9**	**23.0**	**31.4**	**19.9**	**16.2**	**13.1**	**1.2**
Marico*	Buy	398	4,038	18.4	22.9	21.8	44.7	36.4	29.9	29.3	23.3	18.9	32.8	0.3
Nestle	Neutral	6,850	10,384	6.8	20.1	18.8	52.6	43.8	36.9	31.4	26.2	22.2	48.2	0.9
Pidilite Inds.	Neutral	560	4,511	12.9	50.8	17.2	53.5	35.5	30.3	35.5	23.7	20.0	23.7	0.6
United Spirits	Buy	3,413	7,799	LP	151.7	43.5	197.0	78.3	54.5	67.6	46.4	36.1	8.0	0.0

Source: Company, MOSL

Addressing a USD5b market opportunity!

- Traditionally, Jyothy Labs (JYL) was a single product mass market player with *Ujala* being its key offering. Complexion of JYL has transformed post Henkel India's acquisition -- from operating in only the Home Care segment, it now has a meaningful play in Home and Personal Care segment.

Exhibit 2: Category overview – JYL

	Overall market			JYL market share (%)	
Category	Size (INR b)	3-yr CAGR	JYL offerings	2011	2014
Dish wash Bars	25.0	22.0	Exo and Pril	14.1	15.3
Fabric Care	110.0	15.0	Henko, Ujala Detergent Powder, Mr White, Chek	2.4	1.2
Fabric Whitener	5.2	10.0	Ujala	72.0	71.5
Household Insecticide	39.7	11.0	Maxo	9.5	8.3
Skin Cleansing	130	8.0	Margo	2.0	1.2

Source: Industry, Company, MOSL

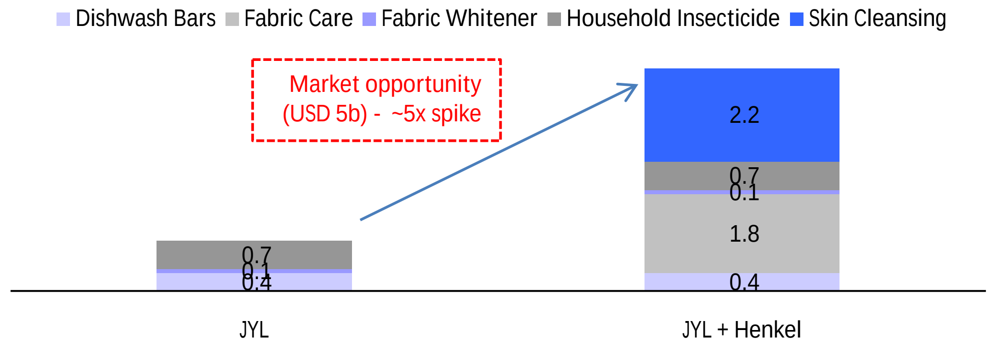
Exhibit 3: Henkel India's acquisition complements JYL's product offerings, provides it with presence in premium segments

	Value	Mid-Premium	Premium	Niche
Detergents	Chek	Ujala	Technobright	Technobright Matic
	Morelight	Mr. White	Henko Champion	Henko Matic
Other Fabric Care		Ujala Whitener		Ujala Stiff & Shine
		Mr White Bleach		
Dish Wash		Exo Bar	Pril Liquid	Exo Scrubber
		Pril Bar	Exo Liquid	
Household Insecticides	Maxo Coil	Maxo Liquid		Maxo Cream Wet Wipe
Personal Care		Jeeva	Fa Deo	Margo
		Nikki	Fa Soap	Neem

Note: Marked in Red are products taken over on Henkel India's acquisition
Source: Company, MOSL

- With the first leg of Henkel India's turnaround complete, JYL has a portfolio of brands (*Ujala, Exo, Pril, Henko, Maxo* and *Margo*) with value-for-money positioning, providing a USD5b market opportunity (~5x spike in market opportunity).

Exhibit 4: Market opportunity increases ~5x post Henkel acquisition



Source: Company, MOSL

Power brands to drive next leg of growth

Constitute ~90% of JYL's revenue

Power brands to the fore: JYL derives ~90% of its sales from the uniquely positioned power brands. Innovation, distribution synergies and category expansion form the cornerstone of its medium term strategy.

Exhibit 5: Power brands constitute ~90% of JYL's revenue

INR m	FY09	FY10	FY11	FY12	FY13	FY14
Ujala	2,196	2,650	2,998	3,008	2,800	3,498
Maxo	1,380	1,785	1,459	1,477	1,690	1,997
Exo	624	944	1,140	1,633	2,018	2,604
Henko	0	0	0	0	1,039	1,220
Margo	0	0	0	0	834	1,068
Pril	0	0	0	0	684	865
Others	300	368	401	510	1,109	1,299
Total	**4,500**	**5,748**	**5,998**	**6,628**	**10,174**	**12,551**

Source: Company, MOSL

Exhibit 6: JYL brands under the BCG Growth – share matrix

Note: Refer Exhibit 2 for category overview

Source: Industry, Company, MOSL

- JYL's brands fare as following under the BCG growth-share matrix, in our view:
  a) Cash Cow: *Ujala* is the mainstay brand for JYL with brand leadership in the Fabric Whitener segment (70%+ market share), category growth of 10% over the last three years. It provides JYL with stable cash ROIs which are used for investing in its other brands.
  b) Star: *Exo* and *Pril* in the dishwashing segment are star performers for JYL growing at 24% CAGR over the last three years (~15% market share). We believe the Dishwashing category could continue to grow in high teens in the medium term, with a gradual shift happening from conversion at the lower end from proxies to dish wash bars and at the top end for conversion to liquids from dish wash bars.
  c) Question Mark: *Henko* and *Margo* are niche offerings in the premium detergents and the natural beauty soaps category with ~1% market share. With new product introductions/brand extensions and increased brand spends, we believe these brands could post high teens growth in the medium term.

Dish Wash - *Exo & Pril* (28% of revenue): Capitalizing on premiumization

- The Dish Wash segment is INR25b in size and posted 22% CAGR over the last three years. The category is dominated by dish wash bars, with HUL's *Vim* being the leader. JYL's twin offerings have ~15% market share, with *Exo* focusing on the Dish Wash Bars segment and *Pril* on the Liquids segment.
- *Exo* is the challenger brand in the category and focuses on differentiation of its offering on the 'anti bacterial' platform. *Exo* forms 75% of the segment revenue for JYL (grew 26.3% over FY12-14 and 19% YTDFY15) with *Exo* dish wash bar offerings extended to the liquid segment and scrubber category (*Exo Safai,* INR2.7b market growing at 15% CAGR).
- With the strong brand equity of *Exo* dish wash bar and *Pril* liquids, JYL has an opportunity to play in both the sub-segments of Dishwashing category (conversion at the lower end from proxies to dish wash bars and at the top end, for conversion to liquids from dish wash bars). With the integration of Henkel India in place, JYL plans to leverage its increased distribution reach and grow the revenue share for *Exo* from non-South states and *Pril's* share in tier 2 and tier 3 cities. We expect the segment to clock 20.8% revenue CAGR over FY15E-17E, led by increased product reach and effective media strategy.

Exhibit 7: Over the last three years, JYL maintained its market share (%), while *Vim* gained share from marginal players

Dishwashing	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Hindustan Unilever (Vim)	49.0	48.0	47.0	46.3	46.7	47.4	52.0	59.5	60.1	60.9
Jyothy Laboratories	**9.2**	**10.5**	**11.2**	**11.2**	**12.3**	**12.9**	**14.1**	**15.5**	**15.7**	**15.3**
Rohit Surfactants (Xpert)	0.0	0.0	2.0	3.0	4.2	4.5	4.8	5.2	6.0	6.0
Ecof Industries (Sabena)	9.0	10.0	10.0	10.0	9.3	8.5	7.7	6.1	4.4	4.0
Pitambari Products	3.5	3.5	4.0	3.0	3.2	3.3	3.3	3.2	3.0	3.0
Others	29.3	28.0	25.8	26.5	24.3	23.4	18.1	10.5	10.8	10.8

Source: Industry, Company, MOSL

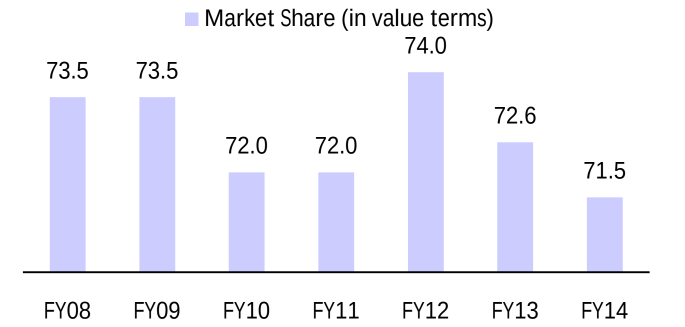
Fabric Care - *Henko* (10% of JYL revenue): Extending the reach in premium Detergent segment

- The Fabric Care (Detergents) segment is INR110b in size and clocked 15% CAGR over the last three years. JYL operates primarily in the premium (20% of the INR110b category) and mid-premium segments, with *Henko* being the key offering (well positioned in southern and northern India). JYL also leveraged the flagship brands equity to launch *Ujala* detergent powder, which currently operates only in the southern states of India (~20% market share in Kerala).
- JYL re-launched *Henko* in Aug'2014 under a new formulation as *Henko LINTelligent* and has rolled out multiple initiatives to drive its penetration: a) increased modern trade and CSD visibility, b) drive trial generation with sachets, c) launched trade engagement schemes and d) attractive consumer offers on bulk packs (refer Annexure III for comparison of *Henko's* pricing to its peers). As per management, the initial response to *Henko's* re-launch has been positive and is meeting internal targets; brand posted 29% growth in 3QFY15.
- On the back of new product introductions/brand extensions and increased brand spends, we expect *Henko* to post 22% revenue CAGR over FY15E-17E.

Fabric Whitener - *Ujala* (28% of JYL revenue): The cash cow

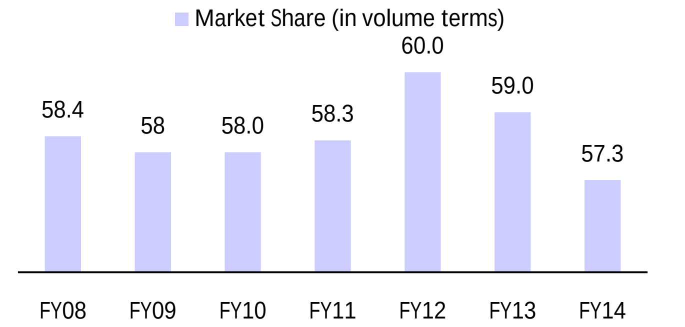
- *Ujala* is the market leader in the INR5.2b fabric whitener category (~35% penetration), which is growing at 10% CAGR over the last three years (revenue market share: *Ujala* - 71.5%, Reckitt *Robin Blue* - 5% and HUL *Rin Perfect Shine* - 3%).
- *Ujala* contributes 28% of JYL's revenue (40% of sales from south India) and a higher share of its profits, given its superior margin profile (70%+ gross margin). Over the years, *Ujala* has strengthened its position by acquiring laundry care and after-wash brands such as a) *More Light* from Modern Chemical India in May 2007 — third-largest fabric whitener brand (3-4% market share) with strong distribution in Maharashtra, Uttar Pradesh, Bihar, Gujarat and Odisha and b) *Ruby Liquid Blue* from Bangalore Detergents and Plastic Company in April 2007 — enabled JYL to enter the economy segment.
- Led by higher ad spends (JYL increased its brand investments for *Ujala* to effectively communicate the brand's whiteness quotient with new packaging), and new low unit offering (launched INR1 sachet in regions where it has low market share), we expect *Ujala* to post 13.5% revenue CAGR over FY15E-17E.

Exhibit 8: *Ujala* has 70%+ market share in value terms…



Source: Company, MOSL

Exhibit 9: …and 57% in volume terms



Source: Company, MOSL

Household Insecticide - *Maxo* (16% of JYL revenue): A mass brand, trying to change complexion

JYL has tactically launched *Maxo* liquid refill bottles which are compatible with any type of vaporizing appliance available in the market

- Household Insecticide (HI) is an INR39.7b category growing at 11% CAGR over the last three years. The category is relatively under-penetrated in India (27%), compared to other emerging markets such as Sri Lanka (60%) and Bangladesh (80%). Top four players within the category account for ~90% market share, with Godrej Consumer's *Goodknight* being the category leader.
- JYL's *Maxo* has ~8.3% market share in the HI category and enjoys market leadership in rural India (South and East India) on the back of *Ujala's* vast distribution network. Due to low electricity connectivity in rural India, the non-electrical format still dominates the HI category.

Exhibit 10: *Maxo* has 15.2% market share in coils segment (~45% of HI category)

Market Share (%)	GCPL *Goodknight*	Reckitt *Mortein*	SC Johnson *All Out*	Jyothy Labs *Maxo*	Others
Coils	41.0	30.2	1.3	15.2	12.3
Mats	77.9	9.8	1.3	0.0	11.0
Liquid Vaporiser	47.7	10.2	37.4	4.5	0.2
Aerosol	75.0	16.7	4.1	0.6	3.6
Home Insecticides	**45.3**	**21.3**	**14.7**	**8.3**	**10.4**

Source: Industry, Company, MOSL

- JYL is employing a two-pronged strategy to improve *Maxo's* performance and grow ahead of market: a) cut promotions and trade margins for *Maxo* coils, (reduced stockist margin to 6% from 8%) and b) grow its share of liquids to 40% from 25% currently (had high single digit share three years ago, liquids is 3x more profitable than coils).
- JYL plans to launch an LV advanced machine (more automation driven) and a Fast Card variant in 1HFY16. Led by these initiatives, we believe *Maxo* could post 16.5% revenue CAGR over FY15E-17E (brand clocked 20% growth during 9MFY15).

Skin Cleansing - *Margo* (9% of JYL revenue): Tapping the latent brand equity

- *Margo* operates in the soaps category, which is INR130b in size and has posted 8% CAGR over the last three years (natural soaps is ~INR20b in size). The brand has 1.2% market share and a strong presence in West Bengal and South India.
- JYL plans a national roll-out of *Margo,* with a strong focus on the neem brand equity. It also extended its product offering to adjacent categories by launching *Margo* face wash in 2QFY15. Driven by increased brand investments and wider coverage, we expect *Margo* to post 17% revenue CAGR over FY15E-17E.

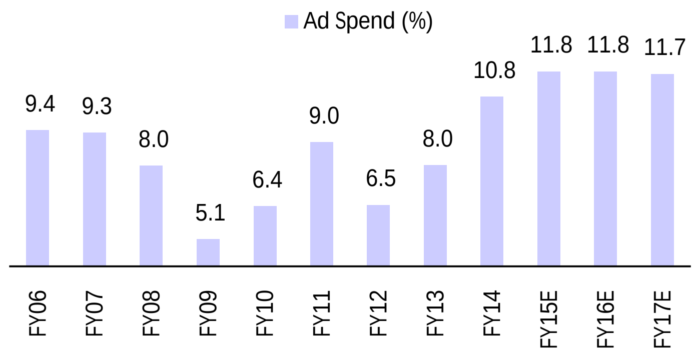
Deodorants - *Fa:* Fragmented market; niche creation is a challenge

- *Fa* operates in the INR20b deodorant category, which posted 40% CAGR over the last three years. JYL re-launched the brand in smaller pack sizes with a new campaign in FY14, positioning it as a women's deo and talc brand. But given the increasing shift in deodorants category from anti-perspirant to strong fragrances, JYL lost considerable market share. Currently, JYL has adopted a cautious stance to hold back further investments in the competitive/fragmented deodorants category.

Scaling up brands through Adpro investments

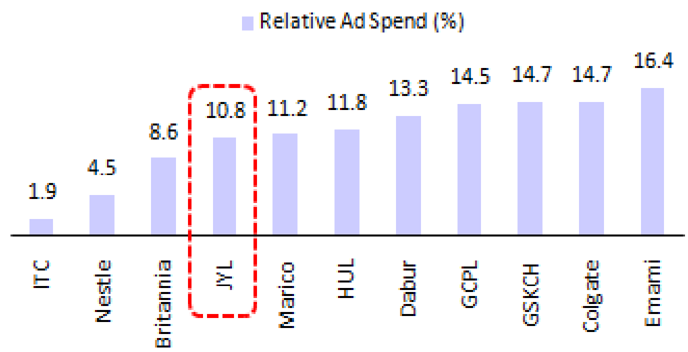
- JYL traditionally maintained a low advertising and promotion strategy relative to its FMCG peers, average of 8% ad-spend to sales over the last five years (vs. 11.3% for peers, excluding ITC and Nestle). Going forward to support its existing offerings and drive the new launch momentum, management has decided to maintain ad-spends in the 11-12% band (11.9% ad spends to sales during 9MFY15). Also, JYL has shifted its focus to above-the-line advertising which would aid in building consumer traction and profitability in the medium term.
- **Change in marketing approach:** Compared to its earlier strategy of ad agencies managing the marketing function, JYL has now roped in brand managers to manage individual brands across categories. This focused approach towards brands could aid in generating incremental RoIs on additional brand spends. JYL has also roped in celebrities (cine stars and locally relevant brand ambassadors) to create aspirational value and increase the mind share for its brands.

Exhibit 11: JYL is planning to drive Adpro investments in the 11-12% band



Source: Company, MOSL

Exhibit 12: JYL's ad-spends are the lowest among peers (FY14)

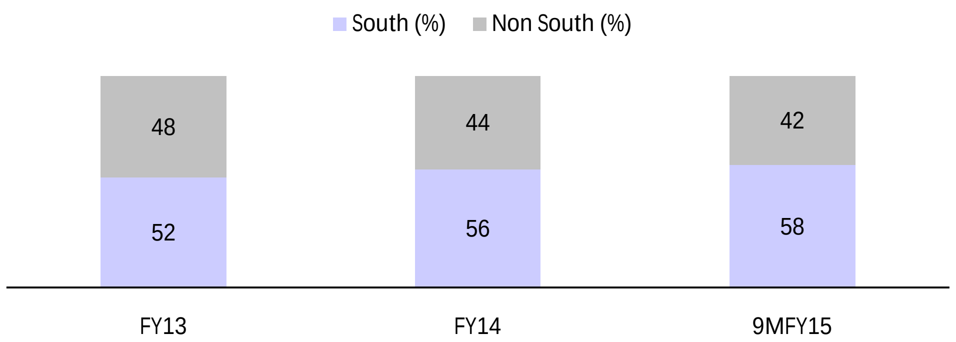


Source: Company, MOSL

Rising contribution from non-South geography

- Traditionally, JYL focused on the rural geography and enjoyed a strong presence in South India, by virtue of its origination there. Post Henkel India acquisition JYL's contribution from non-South India has increased to 58% (Henkel India used to derive 70% revenue from urban India, while JYL got 75% revenue from rural India). With increased reach and product acceptance for its product portfolio in the non-South regions, we believe JYL could further increase its contribution to 65% over the next three years.

Exhibit 13: 3/5th of JYL's revenue is now contributed from non-South regions



Source: Company, MOSL

Sharp correction in raw material prices to drive margin expansion

- Sharp correction in crude prices from USD110/bbl in June 2014 to USD60/bbl in March 2015 (LAB and PFAD prices are down 32% YoY and 19% YoY resp.), could drive significant gross margin expansion for JYL as crude and crude derivatives form ~50% of the total RM cost for JYL. We build in 70bp gross margin expansion for FY15E and 270bp over FY15E-17E (as per 3QFY15 earnings call, management has guided for 400bp savings due to input cost correction).
- Contrary to its peers, JYL would selectively pass on the input cost correction to consumers through price cuts/higher discounts in select channels and brands. We expect JYL to use the gains to invest more in brands, as it introduces new variants/brand extensions.

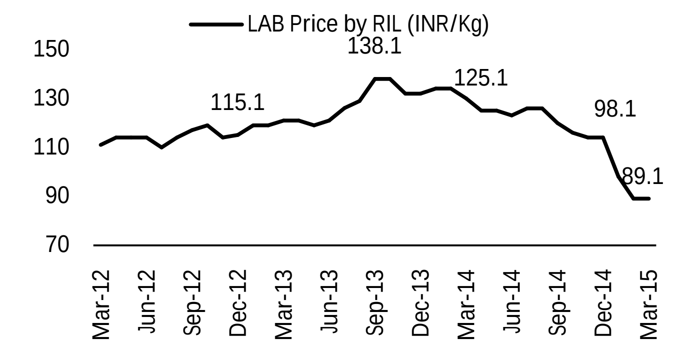
Exhibit 14: Sensitivity to crude prices assuming 30% flow through in crude derivative prices

Scenario	I	II	III	IV	V
Average crude prices (USD/bbl) – FY16	45	55	60	70	80
Gross Margin (%) - FY15	48.1	48.1	48.1	48.1	48.1
Gross Margin expansion: FY15-16 (bps)	7.2	5.5	4.7	2.9	1.2
Gross Margin (%) - FY16	**55.3**	**53.6**	**52.7**	**51.0**	**49.3**
EPS – FY16	13.6	12.3	11.6	10.2	8.9

Note: Average crude prices for FY15 is USD87

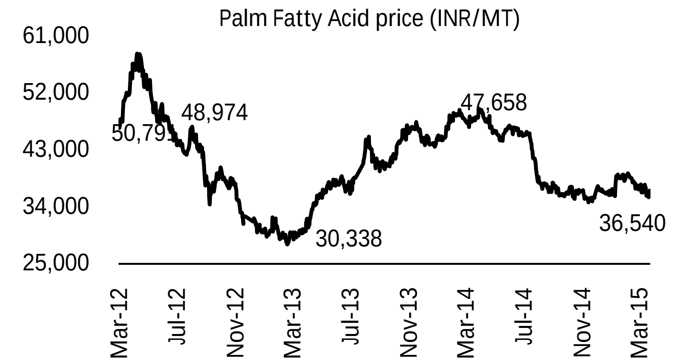
Source: Company, MOSL

Exhibit 15: Lab prices declined 32% YoY



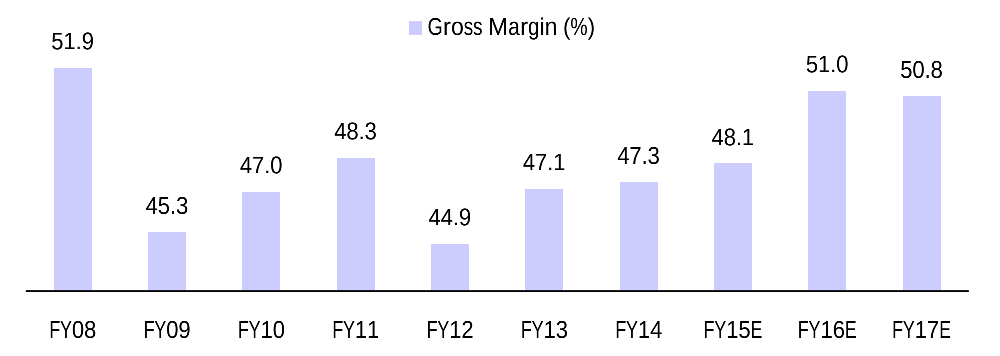
Source: Company, MOSL

Exhibit 16: PFAD prices down 19% YoY



Source: Company, MOSL

Exhibit 17: Gross margin expansion of 270bp over FY15-17E

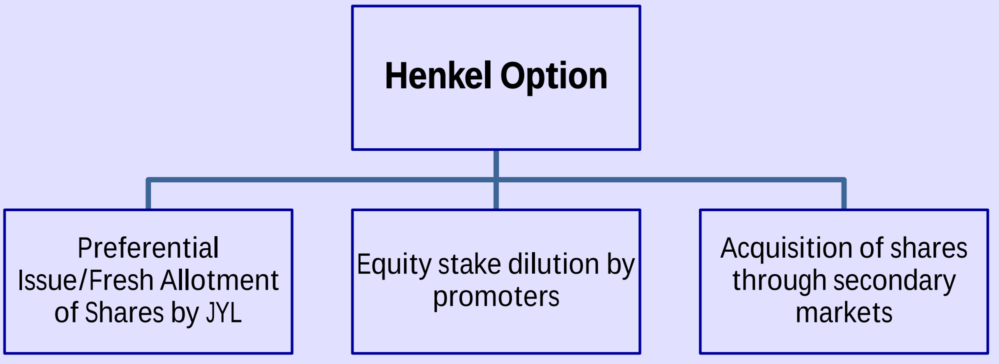


Source: Company, MOSL

Potential catalyst: Henkel AG option to acquire 26%; Preferential allotment could aid in NCD prepayment in FY17

- Henkel AG has the option to acquire 26% of JYL's equity share capital through primary/secondary transaction at a price greater than or equal to the market price after a period of five years (option period is Apr 2016 to Mar 2017), subject to mutually agreeable terms and conditions. Given the turnaround of business under JYL's management and the opportunity available in nascent-stage categories in India (dishwashing and household insecticides), we believe Henkel AG (50% of global revenue from Home Care and Personal Care) would likely ascribe to acquire 26% stake in JYL through multiple routes.
- We believe Henkel's entry into JYL will provide strong long term strategic advantage in expanding JYL's business and portfolio expansion.

Exhibit 18: Henkel AG likely to acquire 26% stake through multiple routes, in our view



Source: Company, MOSL

Robust fundamentals, valuations attractive

Initiating coverage with a Buy rating

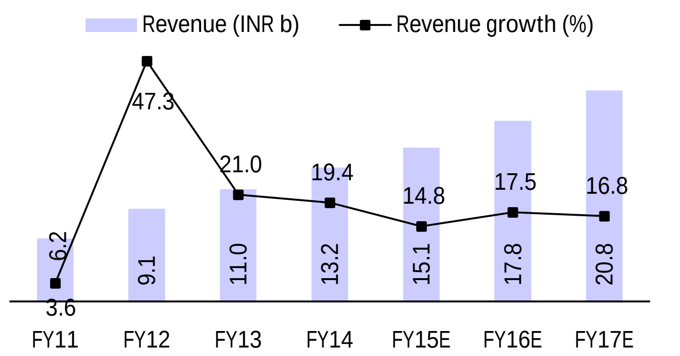
- **JYL to post 17.2% revenue CAGR over FY15E-17E driven by innovation, distribution synergies and aggressive brand spends.**
- **EBITDA margin expansion of 370bp over FY15E-17E led by benign raw material cost and mix improvement, in our view.**
- **With moderate capex requirements of INR300m per year and an improving working capital profile, RoE should improve to 21% (from 13% currently).**
- **We initiate coverage with a Buy rating. Our target price of INR320 implies 31% upside.**

Robust fundamentals

JYL has transformed Henkel India's business and now offers a product portfolio of well recognized brands. We expect JYL to post 17.2% revenue CAGR over FY15E-17E driven by innovation, distribution synergies and aggressive brand investments (ad spends to sales to be in the 11-12% band relative to 8% over the last five years). Sharp correction in crude prices also augurs well for JYL's gross margin as ~50% of the raw material basket is crude or crude derivative (we build in 70bp gross margin expansion for FY15E and 270bp over FY15E-17E). Contrary to its peers, JYL would selectively pass on the input cost correction to consumers through price cuts/higher discounts in select channels and brands. Input cost savings coupled with savings from restructuring initiatives could drive EBITDA margin expansion of 370bp over FY15E-17E, in our view. Interest (proceeds raised through NCD and preference capital issued to promoters) and tax savings (on account of Henkel India's acquisition) would further drive PAT CAGR to 40% over FY15E-17E, in our view (we adjust the premium payable on NCD in P&L instead of balance sheet).

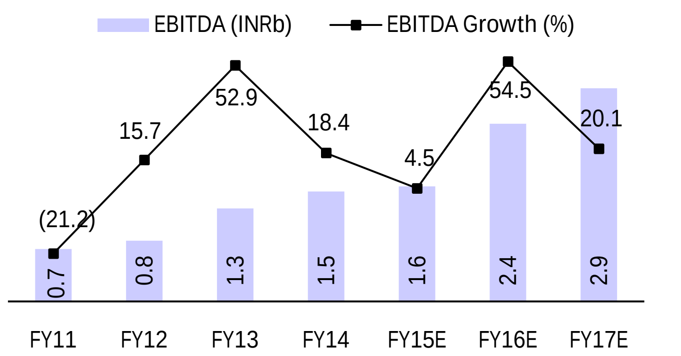
- **Expect 17.2% revenue CAGR over FY15E-17E:** Driven by robust performance of its power brands and incremental growth from new product launches and distribution expansion, we expect JYL to post 17.2% revenue CAGR over FY15-17E.

Exhibit 19: Revenue to post 17.2% CAGR over FY15E-17E...



Source: Company, MOSL

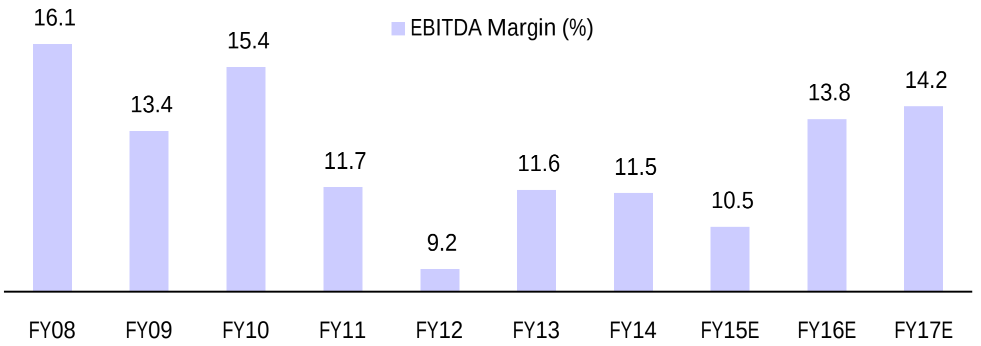
Exhibit 20: ...while EBITDA to grow at 36%



Source: Company, MOSL

- **EBITDA margin to expand by 370bp over FY15E-17E:** JYL's operating margin expanded 230bp over FY12-14 led by consolidation of operations and improved sourcing mechanism (long term purchase contracts in lean season to ensure best average purchase price for the year, shift from conventional negotiation to cost plus model for packing materials, combined strategy of spot and forward booking for highly fluctuating raw materials). With the sharp correction in raw material prices (crude and crude derivatives form ~50% of input costs) and improvement in product mix (higher growth in better margin products namely *Pril, Exo, Ujala Supreme, Maxo Liquid*), we expect EBITDA margin to expand 370bp over FY15E-17E to 14.2%. We note management has guided for EBITDA margin and ad spends to be cumulatively ~25% plus.

Exhibit 21: EBITDA margin to expand 370bp over FY15E-17E, primarily led by RM softening



Source: Company, MOSL

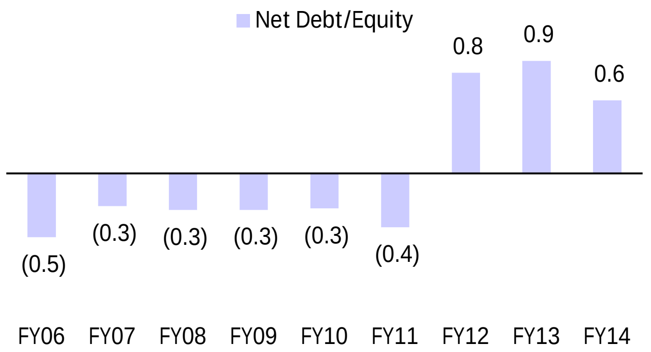
- **Adjusted PAT to post 40% CAGR over FY15-17E:** JYL had taken an INR4.3b debt to fund the Henkel India acquisition which was subsequently replaced with a three-year zero coupon NCD, with interest payable on redemption. This has resulted in savings of ~100bp on the existing term loan from banks (effective rate of interest of 10.7%). Besides this, JYL's promoters had infused INR2.6b (at INR175/share) through a preferential allotment during December 2013. Thus operating margin expansion coupled with savings in reported interest cost (we adjust the premium payable on NCD in P&L instead of balance sheet) and tax savings on account of Henkel India's acquisition, we expect PAT to post 40% CAGR over FY15E-17E.

Exhibit 22: Debt reduction by equity infusion and raising NCD (INR m)

	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14
Term Loan from Banks	4,300	4,130	3,960	-	-
WC @ 11.5%	620	580	1,040	-	-
Short Term loan	-	-	200	500	-
Commercial Paper	650	-	-	-	-
NCD @10.25%	500	500	500	500	500
NCD @9.65%	-	650	650	650	650
Zero Coupon NCD@ 11%	-	-	-	4,000	4,000
Excess Cash	-	-	-	(1,030)	(1,150)
Total	**6,070**	**5,860**	**6,350**	**4,620**	**4,000**

Source: Company, MOSL

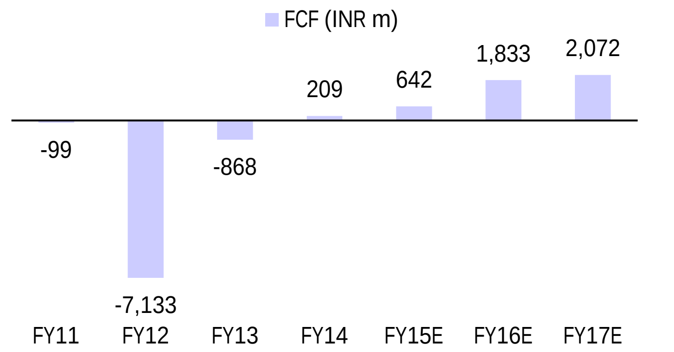
Exhibit 23: Debt rose post Henkel India's acquisition; JYL raised funds via preferential allotment in FY14



Source: Company, MOSL

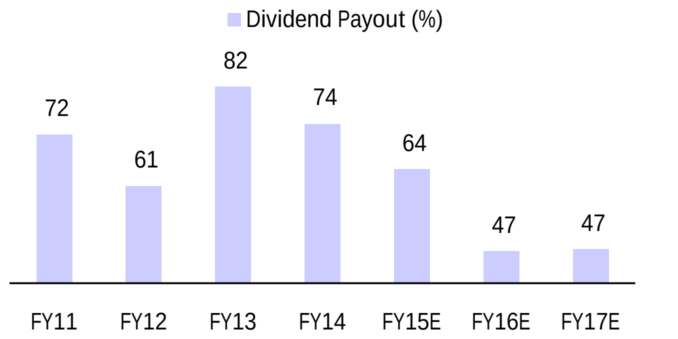
- **Significant improvement in FCF:** Strong growth in PAT coupled with marginal savings in working capital and limited capex requirement (our estimate is INR300m per year) could drive FCF generation over the next two years (3x over FY15-FY17E). However the dividend payout ratio could come off to 50% (management guidance) as JYL accumulates cash reserves for bullet repayment in FY17.

Exhibit 24: FCF to grow by 3x in FY17E



Source: Company, MOSL

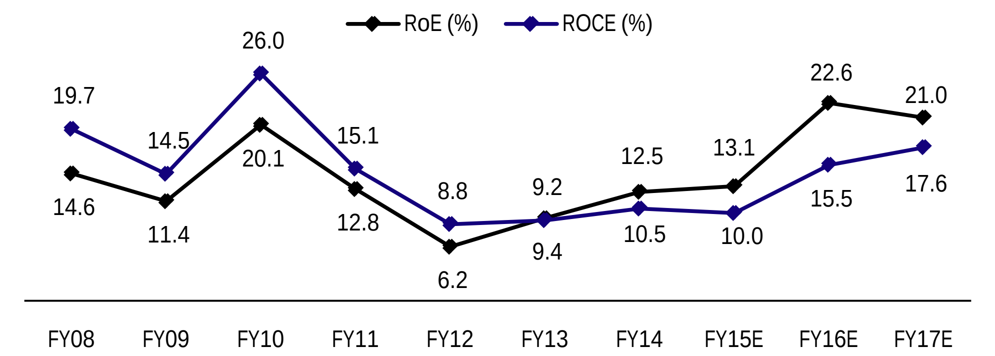
Exhibit 25: Payout to be approx. 50% over FY14-17E



Source: Company, MOSL

- **Margin expansion to drive improvement in return ratios:** Sharp correction in raw material costs and mix improvement could drive 370bp EBITDA margin expansion over FY15E-17E. Our expectation of 40% adj. PAT CAGR coupled with moderate capex requirements (INR300m) and marginal working capital savings could drive RoE from 13% in FY15 to 21% in FY17E.

Exhibit 26: Return ratios to improve over FY15E-17E

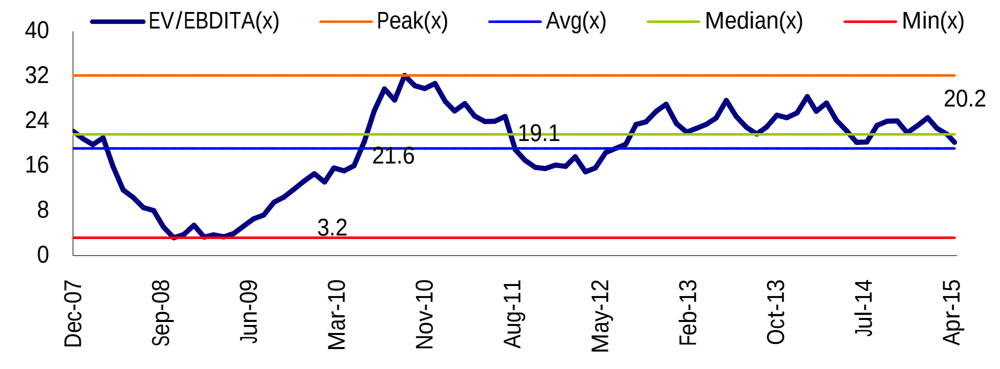


Source: Company, MOSL

Building blocks in place

- Post Henkel India's integration, JYL is well placed to capture the attractive opportunity its expanded portfolio offers. It now addresses a far bigger market size (USD5b market opportunity), with a better distribution footprint and capability to invest and scale up its brands.
- We are also enthused by the execution track record of JYL under Mr S Raghunandan. As JYL ups the ante on brand investments and drives a richer portfolio mix, we expect strong potential for its power brands in the next three to five years.
- We initiate coverage with a **Buy** rating and a 12-month forward target price of INR320 (21x FY17E EV/EBITDA, 3 year average). We apply EV/EBITDA metric to value JYL as reported profits do not reflect the actual profitability due to capitalization of interest expenses on NCD.
- Heightened competition in its core categories due to lower input costs is a key risk in our view.

Exhibit 27: JYL EV/EBITDA



Source: Company, MOSL

Exhibit 28: FMCG coverage universe valuation metrics

Company	Reco	Price	Mkt Cap	EPS Growth YoY (%)			P/E (x)			EV/EBITDA (x)			RoE (%)	Div.
		(INR)	(USD M)	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY15E (%)
Consumer														
Asian Paints	Neutral	772	11,639	16.2	37.4	22.7	51.8	37.7	30.7	34.8	25.1	20.2	32.5	0.9
Britannia	Buy	2,142	4,023	29.0	32.7	25.0	51.1	38.5	30.8	37.2	27.3	21.3	51.2	0.8
Colgate	Buy	2,031	4,343	15.7	23.5	24.2	48.7	39.4	31.8	32.9	25.2	20.4	89.3	1.5
Dabur*	Neutral	269	7,441	15.9	26.3	15.5	44.3	35.1	30.4	35.4	27.9	23.8	35.7	0.8
Emami*	Buy	970	3,461	18.1	28.5	22.6	46.3	36.0	29.4	39.2	29.9	23.8	43.9	0.8
Godrej Consumer	Neutral	1,126	6,024	22.2	36.7	21.0	42.5	31.1	25.7	30.5	23.0	19.5	20.8	0.6
GSK Consumer	Neutral	6,264	4,142	-12.8	19.9	17.6	44.8	37.4	31.8	33.6	27.3	22.6	29.9	0.9
Hind. Unilever	Neutral	890	30,254	5.5	18.0	18.1	50.1	42.5	36.0	74.5	61.6	50.5	109.6	1.5
ITC	Neutral	347	43,408	11.0	10.9	14.9	28.3	25.5	22.2	19.1	17.3	15.2	35.2	2.1
Jyothy Labs	**Buy**	**245**	**715**	**15.2**	**88.0**	**3.9**	**45.0**	**23.9**	**23.0**	**31.4**	**19.9**	**16.2**	**13.1**	**1.2**
Marico*	Buy	398	4,038	18.4	22.9	21.8	44.7	36.4	29.9	29.3	23.3	18.9	32.8	0.3
Nestle	Neutral	6,850	10,384	6.8	20.1	18.8	52.6	43.8	36.9	31.4	26.2	22.2	48.2	0.9
Pidilite Inds.	Neutral	560	4,511	12.9	50.8	17.2	53.5	35.5	30.3	35.5	23.7	20.0	23.7	0.6
United Spirits	Buy	3,413	7,799	LP	151.7	43.5	197.0	78.3	54.5	67.6	46.4	36.1	8.0	0.0

Source: Company, MOSL

Annexure I - Building capability, professionalizing set-up

- **Hiring talent with right capability:** Mr S Raghunandan, best known for turning around Paras Pharma (2x revenue in three years) and Dabur International Business joined Jyothy Labs as CEO in 2012. He has been entrusted with the responsibility to realign Jyothy's business model and set the strategy for the next leg of growth. Hitherto known for its family-driven organization culture, JYL has recruited several senior level talent across departments from MNCs over the last 18-24 months. We believe this is a crucial step and underscores the management's intent to professionalize the set-up, as it embarks on its medium term growth strategy.

Exhibit 29: Mr S Raghunandan – Industry veteran with experience across leading FMCG companies

Year	Designation
1992-2001	Regional Sales Manager at Hindustan Unilever
2003-2006	Executive Vice-President Sales, Dabur
April 2006 - May 2008	CEO, Dabur International
June 2008 - August 2011	Managing Director, Paras Pharma
August 2011 - December 2011	Global category Marketing Director, Reckitt Benckiser
January 2012	Managing Director, Reckitt Benckiser
May 2012 - Till date	CEO, Jyothy Labs

Source: Company, MOSL

Consignment sales agent model: Under CSA model, JYL used to give one-month credit to agents.
C&F model: Stockists can now take delivery of goods only after payment, which will aid in better inventory management for JYL.

- **Revamp of sales and distribution structure:** JYL has rationalized the number of distributors to 1,700 from 7,000 earlier, with distributors now selling its entire product offerings. JYL has also shifted to C&F distribution model, from its earlier commercial sales agent model, with top 20% of the key outlets being serviced directly by company's sales force, while the rest being served by distributor sales person. The company has also invested significant amount in IT systems and brought about automation of secondary sales and order booking. Alongside, JYL has put in place a new sales structure with zonal sales managers (seven zones) responsible for the management of various channels (general trade, modern trade and CSD).
- **Rationalization of trade margin:** With the integration of Henkel India's portfolio, JYL has better bargaining power with its suppliers as it now provides a portfolio of brands. Thus it has rationalized the trade channels' margin, thereby resulting in ~400bp annual savings.

Exhibit 30: Channel margins (%) are rationalized to match industry standards

	Stockist Margin		Retailer Margin	
Brand	Old	Revised	Old	Revised
Ujala	8	6	10-14	10
Exo	6-8	6	8-15	8-10
Maxo	6-8	6	10-20	10
Maya	6-8	6	10-15	10-15
More Light	6-11	6	10-14	10
Industry		**4-5**		**8-10**

Source: Company, MOSL

Henkel India used to source its LAB requirements exclusively from Tamilnadu Petro Products (JV partner for Henkel AG). Post Henkel India's integration, JYL terminated this contract and sources its raw materials at more favorable rates from its existing suppliers

- **Consolidation of manufacturing facilities:** Post Henkel India's integration, JYL has implemented standardization and reorganization of its machinery across locations. JYL has also closed certain facilities (Bhubaneshwar and Chennai) and is employing a judicious mix of manufacturing by low cost contract manufacturers or at its tax free facilities. JYL has also created a R&D lab in Mumbai which will aid in new product development, validation for new technologies and competition benchmarking of its offerings.
- **Gross margin savings:** JYL has employed centralized demand forecasting which enables it in sourcing raw material at favorable prices. It uses the simple cost plus model for pricing its product offerings and has implemented a request for quotation format wherein suppliers bid to supply specific raw materials. Also, JYL employs certain strategies to procure raw material at favorable prices such as: a) long term purchase contracts for lean season to ensure best average price for the year, b) e-auction for bulk commodities and secondary packaging items and c) shift from conventional negotiation to cost plus model for packing materials.
- With the integration of JYL and Henkel India in place, low hanging fruits have been plucked. However, the next phase of benefits -- revenue growth and cost savings from these initiatives will reflect in JYL's performance in the medium term, in our view.

Annexure II – Jyothy Labs – a backgrounder

Jyothy Labs was founded in 1983 by Mr M P Ramachandran in Thrissur, Kerala. Traditionally a single product company (*Ujala Supreme)*, JYL has grown to be a multi-brand, multi-category player, with operations all over India.

Exhibit 31: Key events – JYL, since inception in 1983

Timeline	Details
1983	Mr M.P.Ramachandran started Jyothy Labs as proprietary concern in Kerala by launching Ujala
1984	Ujala sold house to house through team of six sales people in Thrissur and Malappuram districts of Kerala
1987	Commences formal distribution system and ventures out of Kerala into neighboring Tamil Nadu
1995	Launches Nebula, an oil based antibacterial washing soap in Kerala
1997	Launches Ujala pan India
2000	Launches Maxo (mosquito repellant) in West Bengal and Exo in Karnataka, Tamil Nadu and Andhra Pradesh
2001	Launches Maya incense sticks in selected states
2002	Launches Jeeva Ayurvedic Soap
2005	Launches Exo Liquid and Ujala Stiff & Shine in South India
2007	Enters into a deed of assignment of trademark and copyrights for More and Ruby brands
2008	Launches Ujala Stiff & Shine all over India
2009	Foray into service sector through Jyothy Fabricare Services Ltd
2011	Amalgamation of subsidiary Sri Sai Home Care Products Pvt. Ltd
	Acquired 14.9% shares of Henkel India Ltd
2012	Acquired 50.97% shares from Henkel India Ltd in May

Source: Company, MOSL

Exhibit 32: Details of board of directors

Name	Designation	Description
M P Ramachandran	Chairman & Managing Director	Founder of Jyothy Labs and has over 37 years experience in sales, production and general management.
Ullas Kamath	Joint Managing Director & CFO	He spearheaded the acquisition of Henkel India and is responsible for successful setting of Fabric Spa. Under his leadership the company has diversified and become a multi product FMCG company.
S. Raghunandan	Whole Time Director & CEO	He joined JYL in May 2012 and has vast industry experience in areas of sales, marketing and strategic and tactical planning. Previously worked with Paras Pharma, Dabur and Hindustan Unilever.
M. R. Jyothy	Executive Director	She contributes significantly to the sales, marketing and brand communication function of Jyothy Labs.
Nilesh Mehta	Independent Director	Veteran in the field of private equity and mergers and acquisitions. Previously he was the Managing Partner of Aureos Capital.
K. P. Padmakumar	Independent Director	He has more than four decades of experience in the field of Commercial Banking, Treasury Management, Capital Markets and Mutual Funds.
Bipin Shah	Independent Director	Currently he serves on the Board of various companies and Jyothy Labs benefits from his experience with leading FMCG players.
R. Lakshminarayanan	Independent Director	He has worked with leading FMCG conglomerates across product categories and held eminent positions with top notch advertisement companies in India.

Source: Company, MOSL

Annexure III – Pricing dynamics - *Henko* and *Exo*

New *Henko LINTelligent* - Strong digital and in-store promotions

Exhibit 33: *Henko*'s pricing is similar to its competitor offerings in the premium Detergent segment

Fabric Care	SKU	Price (INR)	Price/1kg
Powder			
Wheel Active Lemon & Jasmine	1kg	44.0	44.0
Ujala	**1kg**	**74.0**	**74.0**
Rin	1kg	75.0	75.0
Mr White	**5kg**	**425.0**	**85.0**
Tide Plus	1kg	96.0	96.0
Rin Matic	1kg	115.0	115.0
Ujala Techno Bright	**500gm**	**60.0**	**120.0**
Surf Excel Easy Wash	1.5kg	187.0	125.0
Henko Stain Champion	**1kg**	**130.0**	**130.0**
Ariel Complete/Oxyblue	1kg	185.0	185.0
Surf Excel Quick wash	1kg	185.0	185.0
Henko Lintelligent Wonder Wash	**1kg**	**199.0**	**199.0**
Ariel 24Hour	2kg	399.0	199.5
Henko Lintelligent Top Load	**1kg**	**205.0**	**205.0**
Henko Lintelligent Front Load	**2kg**	**440.0**	**220.0**
Ariel Complete Matic Front & Top Load	1kg	230.0	230.0
Surf Excel Matic Front Load	1kg	230.0	230.0

Source: Company, MOSL

Exo is the challenger brand in the Dishwash category and has effectively differentiated by positioning itself on the anti-bacterial property and usage of the ingredient 'Trichlozene' to reinforce the germ fighting positioning.

Exhibit 34: *Exo* dish wash bars are priced at a premium, despite *Vim* being the category leader

Category	SKU	Price (INR)	Price/100gm
Dish wash Bar			
Vim	200gm	17.0	8.5
Exo Dish Shine Round	250gm	25.0	10.0
Pril	400gm	30.0	7.5
Xpert	95gm	5.0	5.3
Pitambari	400gm	25.0	6.3
Dish wash Liquid			
Vim	500ml	117.0	23.4
Exo	250ml	45.0	18.0
Pril	425ml	105.0	24.7
Dettol	400ml	98.0	24.5

Note: *Sabena* dish wash powder is available at INR3 for 100g

Source: Company, MOSL

Annexure IV – Henkel India acquisition

Exhibit 35: JYL took over Henkel India's brands with sales of INR4b in 2012

Brand	Category	Size (INR m)	Category	Market Share (by Value)	Structure
Henko Champion	Fabric Care	1,400	Detergent	5.1% of the premium segment (1.1% of overall detergent market)	Trademarks for India, Bangladesh and Sri Lanka
Mr. White	Fabric Care	550	Detergent		Trademarks for India, Bangladesh and Sri Lanka
Chek	Fabric Care	200	Detergent		Indian Brands Global rights
Margo	Personal Care	800	Soaps	1.2% of the overall soaps market	Indian Brands Global rights
Neem	Personal Care	100	Toothpaste		Indian Brands Global rights
Pril	Surface Cleaners	700	Dishwashing		On License basis @ 2% royalty on net sales
Fa	Personal Care	250	Deodorants	5% market share	On License basis @ 2% royalty on net sales

Source: Company, MOSL

Exhibit 36: Purchase consideration paid by JYL for Henkel India

Mode of Acquisition	% stake	Amount Paid (INR m)	Average Price (INR)
TPL (Tamilnadu Petrochemicals)	16.66	679	40.8
Henkel AG	50.97	1,430	28.1
Open Market	3.97	189	47.6
Open Offer	12.05	578	48.0
Total Equity cost	**83.65**	**2,876**	**34.4**
Other Transaction cost		279	
Preference capital		426	
Loan repayment		4,250	
Total Acquisition cost	**83.65**	**7,831**	
JYL issued 1 share for 8 shares of Henkel India	16.35	557	34.1

Source: Company, MOSL

Exhibit 37: Goodwill created on Henkel India's acquisition to be amortized over 10 years

Particulars	INR m
Tangible fixed assets	751
Intangible assets (brands)	3,037
Deferred tax assets	153
Loans and advances	132
Other assets	3
Inventories	339
Trade receivables	365
Cash and bank balances	40
Total Assets	**4,820**
Borrowings	1,420
Trade payables	518
Other liabilities	6
Provisions	178
Total Liabilities	**2,122**
Net Assets	**2,698**
Investment in Jyothy Consumer Products Ltd	3,581
Purchase consideration	550
Total	**4,132**
Goodwill	**1,434**

Source: Company, MOSL

Annexure V - Henkel AG – a backgrounder

Henkel & Co KGaA AG is a 140-year-old company based out of Germany, with revenues in excess of Euro 16.4b and operates primarily in three segments:

- **Laundry & Home Care (28% of revenue)**: The Laundry business consists of heavy duty and specialty detergents, fabric softeners, laundry performance enhancers and laundry care products. The Home Care business consists of hand-dishwashing and machine-dishwashing products, cleaners for bath and water closets applications.
- **Cosmetics/Toiletries (22% of revenue):** The segment includes hair cosmetics, body care, skin care and oral care products.
- **Adhesive Technologies (49% of revenue):** This includes adhesives for consumers, craftsmen and building and industrial adhesives.

Exhibit 38: Henkel AG primarily operates in three categories

Businesses	Brands
Consumer Business	
Laundry & Home Care	Persil, Purex, Pril
Beauty Care	Schwarzkopf, Syoss, Dial
Industrial Business	
Adhesive Technologies	Loctite, Teroson, Technomelt

Source: Company, MOSL

Exhibit 39: Revenue breakup by segments

Business Units (Euros m)	2014	% of Total	2013	% of Total	2012	% of Total
Laundry & Home Care	4,626	28.2	4,580	28.0	4,556	27.6
Beauty Care	3,547	21.6	3,510	21.5	3,542	21.5
Total Adhesive Technologies	8,127	49.5	8,117	49.6	8,256	50.0
Adhesives for Consumers, Craftsmen and Building	1,858	11.3	1,924	11.8	1,988	12.0
Industrial Adhesives	6,269	38.2	6,193	37.9	6,268	38.0
Corporate	128	0.8	148	0.9	155	0.9
Total	**16,428**		**16,355**		**16,509**	

Source: Company, MOSL

Exhibit 40: Revenue breakup by region

Regions	2014	% of Total	2013	% of Total	2012	% of Total
Western Europe	5,724	34.8	5,580	34.1	5,610	34.0
Eastern Europe	2,854	17.4	3,034	18.6	2,986	18.1
Africa/Middle East	1,133	6.9	1,080	6.6	1,077	6.5
North America	2,884	17.6	2,928	17.9	3,023	18.3
Latin America	1,029	6.3	1,061	6.5	1,062	6.4
Asia-Pacific	2,676	16.3	2,524	15.4	2,597	15.7
Total of all Regions	16,300	99.2	16,207	99.1	16,355	99.1
Corporate	128	0.8	148	0.9	155	0.9
Total	**16,428**		**16,355**		**16,509**	

Source: Company, MOSL

Financials and valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Total Income from Operations	**5,982**	**6,195**	**9,127**	**11,042**	**13,184**	**15,134**	**17,787**	**20,778**
Change (%)	64.6	3.6	47.3	21.0	19.4	14.8	17.5	16.8
Total Expenditure	**5,063**	**5,471**	**8,289**	**9,760**	**11,667**	**13,548**	**15,338**	**17,836**
% of Sales	84.6	88.3	90.8	88.4	88.5	89.5	86.2	85.8
EBITDA	**919**	**724**	**838**	**1,281**	**1,517**	**1,585**	**2,449**	**2,942**
Margin (%)	15.4	11.7	9.2	11.6	11.5	10.5	13.8	14.2
Depreciation	124	130	247	224	243	314	333	353
EBIT	**795**	**594**	**591**	**1,057**	**1,274**	**1,271**	**2,116**	**2,589**
Int. and Finance Charges	17	20	238	682	553	440	440	440
Other Income	178	238	231	68	136	154	177	204
PBT bef. EO Exp.	**956**	**812**	**584**	**442**	**858**	**986**	**1,853**	**2,353**
EO Items	2	6	0	-430	-43	0	0	0
PBT after EO Exp.	**958**	**818**	**584**	**12**	**815**	**986**	**1,853**	**2,353**
Current Tax	217	161	199	-149	2	0	0	426
Less: Mionrity Interest	3	30	62	35	2	1	1	1
Reported PAT	**744**	**688**	**446**	**197**	**814**	**987**	**1,854**	**1,928**
Adjusted PAT	**739**	**651**	**385**	**591**	**856**	**986**	**1,853**	**1,926**
Change (%)	93.1	-11.9	-40.9	53.6	44.8	15.2	88.0	3.9
Margin (%)	12.4	10.5	4.2	5.4	6.5	6.5	10.4	9.3

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Equity Share Capital	73	81	81	161	181	181	181	181
Total Reserves	3,805	6,230	6,044	6,224	7,163	7,514	8,500	9,517
Net Worth	**3,878**	**6,310**	**6,125**	**6,386**	**7,344**	**7,695**	**8,681**	**9,698**
Minority Interest	5	5	67	49	16	16	16	16
Deferred Liabilities	178	163	161	9	11	11	11	11
Total Loans	130	691	5,660	6,277	6,781	6,633	6,485	6,937
Capital Employed	**4,191**	**7,169**	**12,013**	**12,721**	**14,152**	**14,356**	**15,194**	**16,663**
Gross Block	2,930	3,100	11,743	12,407	12,960	13,210	13,460	13,710
Less: Accum. Deprn.	594	709	1,440	1,783	2,019	2,334	2,667	3,020
Net Fixed Assets	**2,336**	**2,391**	**10,303**	**10,624**	**10,941**	**10,877**	**10,793**	**10,690**
Capital WIP	41	202	145	194	160	90	90	90
Total Investments	**0**	**622**	**15**	**15**	**610**	**350**	**350**	**350**
Curr. Assets, Loans&Adv.	**3,016**	**5,106**	**3,730**	**4,349**	**4,825**	**6,018**	**7,433**	**9,761**
Inventory	730	694	1,220	1,722	1,738	1,967	2,490	2,743
Account Receivables	707	1,053	807	804	668	832	996	1,101
Cash and Bank Balance	1,224	2,809	681	478	706	824	1,641	3,255
Loans and Advances & Others	355	549	1,022	1,346	1,712	2,394	2,306	2,662
Curr. Liability & Prov.	**1,203**	**1,151**	**2,181**	**2,460**	**2,383**	**2,979**	**3,472**	**4,228**
Account Payables	304	231	729	719	622	757	889	1,018
Other Current Liabilities	437	360	1,083	872	920	1,058	1,216	1,468
Provisions	462	560	370	869	841	1,165	1,366	1,742
Net Current Assets	**1,813**	**3,955**	**1,549**	**1,889**	**2,442**	**3,039**	**3,961**	**5,533**
Appl. of Funds	**4,191**	**7,170**	**12,012**	**12,721**	**14,152**	**14,356**	**15,194**	**16,663**

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Basic (INR)								
EPS	**5.1**	**4.0**	**2.4**	**3.6**	**4.7**	**5.4**	**10.2**	**10.6**
Cash EPS	5.9	4.8	3.9	4.9	6.1	7.2	12.1	12.6
BV/Share	53.4	78.3	76.0	39.6	40.6	42.5	48.0	53.6
DPS	2.0	2.5	1.2	2.5	3.0	3.0	4.1	4.3
Payout (%)	45.8	72.0	60.9	82.2	74.3	64.4	46.9	47.3
Valuation (x)								
P/E					51.8	45.0	23.9	23.0
Cash P/E					40.4	34.1	20.3	19.5
P/BV					6.0	5.8	5.1	4.6
EV/Sales					3.8	3.3	2.7	2.3
EV/EBITDA					32.8	31.4	19.9	16.2
Dividend Yield (%)					1.2	1.2	1.7	1.8
Return Ratios (%)								
RoE	20.1	12.8	6.2	9.4	12.5	13.1	22.6	21.0
RoCE	26.0	15.1	8.8	9.2	10.5	10.0	15.5	17.6
Working Capital Ratios								
Inventory (Days)	44.6	40.9	48.8	56.9	48.1	47.5	51.1	48.2
Debtor (Days)	43.2	62.1	32.3	26.6	18.5	20.1	20.4	19.3
Creditor (Days)	35.0	26.3	52.9	44.9	32.7	35.1	37.2	36.3
Working Cap. Turnover (Days)	36.0	67.5	34.7	46.7	48.0	53.4	47.6	40.0
Leverage Ratio								
Debt/Equity	0.0	0.1	0.9	1.0	0.9	0.9	0.7	0.7

Consolidated - Cash Flow Statement (INR Million)

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
OP/(Loss) before Tax	744	688	446	197	814	987	1,854	1,928
Depreciation	124	130	247	224	243	314	333	353
(Inc)/Dec in WC	-144	-557	278	-543	-324	-479	-105	42
CF from Operations	**797**	**246**	**969**	**-274**	**736**	**822**	**2,083**	**2,322**
(Inc)/Dec in FA	-387	-345	-8,102	-594	-527	-180	-250	-250
(Pur)/Sale of Investments	2	-622	607	0	-595	260	0	0
Issue of Shares	0	2,214	-33	190	779	0	501	501
(Inc)/Dec in Debt	125	560	4,969	617	504	-600	-648	-48
Others	5	-1	-302	341	-33	454	0	0
CF from Fin. Activity	**-208**	**2,305**	**4,400**	**664**	**615**	**-781**	**-1,016**	**-459**
Inc/Dec of Cash	**204**	**1,584**	**-2,126**	**-205**	**229**	**120**	**817**	**1,614**
Opening Balance	1,018	1,222	2,806	680	475	704	824	1,641
Closing Balance	**1,222**	**2,806**	**680**	**475**	**704**	**824**	**1,641**	**3,255**

E: MOSL Estimates

NOTES

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