

JANUARY 21, 2015

CARE ASSIGNS 'CARE AA-(SO)' RATING TO THE LONG TERM INSTRUMENT OF JYOTHY FABRICARE SERVICES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Non-Convertible Debenture [^]	40	CARE AA-(SO) (In-Principle)* (Double A Minus) (Structured Obligation)	Assigned
Total Facilities	40		

[^]The proposed NCDs are Long Term Redeemable Zero Coupon NCDs having a tenure of three years with bullet repayment at the end of third year from the date of allotment. In Addition, there is a Put Call option at the end of 2 years from the allotment date. ^{*}Backed by unconditional and irrevocable corporate guarantee to be provided by Jyothy Laboratories Ltd. The final rating would be assigned on submission and verification of the guarantee document to the satisfaction of CARE.

Rating Rationale

The above ratings are based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee to be provided by Jyothy Laboratories Limited [JLL, Rated CARE AA-] to the lenders of JFSL.

The rating of Jyothy Laboratories Limited (JLL) continues derives strength from its healthy financial risk profile characterised by steady growth in revenues, improvement in profitability margins and equity infusion by the promoters resulting into improvement in the capital structure and debt coverage indicators in FY14 (refers to the period April 1 to March 31). Furthermore, the rating also factors in strength from JLL's presence in well-diversified product portfolio having strong brand recall and nationwide presence coupled with established track record and rich experience of the promoters in fast moving consumer goods (FMCG) industry.

The rating, however, is constrained by JLL's considerable, though reducing, dependence on its flagship brands across different segments as compared to the various brands acquired from the successful integration of JCPL (formerly known as Henkel India Limited) with itself. The ratings are further constrained by JLL's continued support to its subsidiaries/group companies, susceptibility of operating margin to raw material price volatility and intense competition prevailing in the FMCG industry.

Going forward, JLL's ability to scale up its operations (backed by higher market share) driven by increasing contribution from acquired brands, improve its profitability margins, capital structure and liquidity remain the key rating sensitivities.

Background

Jyothy Fabricare Services Ltd (JFSL), based in Mumbai was incorporated in March 2008 by Mr. M.P. Ramchandran and Mr. Ullas Kamath. The company is a subsidiary of Jyothy Laboratories Ltd (JLL) with JLL holding around 75.10% of stake in JFSL as on September 30, 2014. The company is engaged in providing dry-cleaning and laundry services to retail segment as well as institutional segment. Under the retail segment, the company caters to various premium clients under the brand name '**Fabric Spa**,' to its sub-premium clients at affordable rates under the brand name '**Wardrobe**' and door to door service to convenience seekers under the brand name '**Busy-Easy**'. As on March 31, 2014, the company derives majority of its revenues i.e around 58.59% (P.Y.43.79%) of its overall revenues from providing such services to the retail segment. Under the institutional segment, the company provides such services to railways, airlines, hotels, service apartments,

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

clubs etc. including providing linens on rentals. The company has been entering into time-&-scale-bound contracts with various divisions of Indian Railways for specified periods (in majority of the cases the specified periods being three years) for supply of washed bed rolls to passengers in long distance trains. The Company has been actively participating in the tenders floated by various divisions of Indian Railways. JFSL has its base washing facility at Bangalore.

As on March 31, 2014, JFSL has two (2) subsidiaries namely Four Seasons Dry Cleaning Company Pvt Ltd. and Snowways Launderers and Drycleaners Pvt Ltd. Besides, JFSL also has formed a joint venture with its holding company and operates as a partnership firm M/s. JFSL-JLL. As on March 31, 2014, the company has 103 retail outlets present across various cities in India under the brand names of Fabric Spa (24), Wardrobe (56), Snowways (11), Four Seasons (7), Expert (3) and Dhulai (2). Thus, JFSL and its subsidiaries has its presence in across various cities of India viz, Bangalore, Mumbai, Delhi, Noida, Ghaziabad, Chennai, Pune and Jaipur.

In FY14, JFSL incurred losses of Rs 26.92 crore (as compared to loss of Rs 24.33 crore in FY13) on a total income of Rs 30.34 crore (as compared to total income of Rs 42.29 crore in FY13). Moreover, in H1FY15 (un-audited), the company incurred losses of Rs.13.71 crore on a total income of Rs.15.91 crore.

About Guarantor (JLL)

Jyothy Laboratories Ltd (JLL), incorporated by Mr M P Ramchandran in 1983, is a Mumbai-based fast moving consumer goods company. At the onset of its journey, the company transformed itself from being a regional specific, single product, single brand to a multi-product, multi-brand player having national presence. The company is involved in the manufacturing and marketing of products in Fabricare (Detergents/soaps for clothes), Household Insecticide (Repellent coils/liquid or spray), Utensil care and surface cleaning (liquids/soaps for utensils and floor cleaners), Personal care (soaps/face wash/tooth paste/deodorants/talc for human use) and Others (incense sticks). JLL's bouquet of brands include its flagship brand 'Ujala' along with **Henko**, **Mr.White and Check** (brightener and detergent), **Maxo** (mosquito repellent), **Exo** along with **Pril** (dish washer/floor cleaner), **Jeeva**, **Margo**, **Fa**, **Neem** etc.,(Personal care). The company is predominantly a domestic player and in FY14 the company derived around 56% (52% FY13) of its overall revenues from Non South India and the remaining from South India.

As per FY14, JLL posted a PAT of Rs.106.11 crore (FY13 – Rs44.04 crore) on a total income of Rs.1,311.36 crore (FY13 – Rs.1,065.93 crore). Furthermore, during H1FY15 (un-audited), the company posted PAT of Rs.84.77crore (H1FY14 – Rs52.07 crore) on a total income of Rs.746.97 crore (H1FY14 – Rs.651.25 crore).

Users of this rating may refer detailed rationale of Jyothy Laboratories Limited on our website www.careratings.com

Analyst Contact

Name: Mr. Ravi.kumar Dasari

Tel: 022-67543421

Email: ravi.kumar@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@carerating.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@carerating.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: rahul.jain@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

CIN - L67190MH1993PLC071691