OCTOBER 20, 2015

CARE REAFFIRMS THE RATINGS ON THE LONG TERM INSTRUMENTS OF JYOTHY LABORATORIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Non-Convertible Debentures – I	50	CARE AA- [Double A Minus]	Reaffirmed
Non-Convertible Debentures –III	400	CARE AA- [Double A Minus]	Reaffirmed
Total Instruments	**450 (Rs. Four Hundred fifty crore only)**		

Rating Rationale

The rating of the long term instruments of Jyothy Laboratories Limited (JLL) continue to take into account established track record of the company along with extensive experience of the promoters in FMCG industry, diversified product portfolio having good brand appeal and pan India presence backed by well-established marketing network. Furthermore, the rating also factors in strength from JLL's robust financial risk profile characterised by consistent growth in revenues and cash accruals, moderate consolidated profitability margins, moderate capital structure along with comfortable liquidity/debt coverage indicators in FY15 and Q1FY16 (refers to the period April 01 to June 30).

The rating, however, is constrained by JLL's modest size of operations, 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, susceptibility of operating margin to raw material price volatility and intense competition especially in the domestic FMCG industry.

Going forward, JLL's ability to achieve improvement in revenues driven by increasing contribution from acquired brands, improve its operating profitability margins, capital structure and liquidity as envisaged remain the key rating sensitivities.

Background

Established in 1983, Jyothy Laboratories Ltd (JLL), promoted by Mr M P Ramchandran, is a mid-sized Indian origin fast moving consumer goods (FMCG) company having its headquarters located in Mumbai. The company commenced its operations as a proprietary concern involved in selling a single product and over the years transformed itself from being a region specific, single product, single brand to a multi-product, multi-brand player having national presence. Presently, JLL 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). Earlier, in FY12 (refers to the period April 01 to March 31), in order to strengthen its position in the FMCG industry and emerge as a strong pan-India player, JLL chose to grow inorganically and acquired 83.66% equity stake in Jyothy Consumer Products (JCPL)-(formerly known as Henkel India Ltd) along with its 96% subsidiary Jyothy Consumer Products Marketing Ltd. – (formerly known as Henkel Marketing India Limited (HMIL). This acquisition helped JLL to broaden its range of products along with an enlarged basket of brands. Hence, among different product segments, JLL's bouquet of

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

brands include its flagship brand **'Ujala'** along with **Henko, Mr.White and Check** (brightener and detergent), **Maxo** (mosquito repellant), **Exo** along with **Pril** (dish washer/floor cleaner), **Jeeva, Margo, Fa, Neem** etc.,(Personal care). The company is predominantly a domestic player and in FY15 the company on a consolidated basis derived around 59% (P.Y.56%) of its overall revenues from Non South India and the remaining from South India.

Besides the FMCG business, JLL also operates laundry business under the name of **Fabric Spa** managed by its wholly owned subsidiary Jyothy Fabricare Services Ltd. (JFSL). It provides laundry services to various institutions, large corporate and retail clients. During FY15, JLL converted its loans and advances aggregating to Rs.135 crore given to JFSL into optionally convertible non-cumulative preference shares and invested additionally Rs.15.00 crore in the same manner in order to support its operations. As on March 31 2015, JLL had three subsidiaries, three step-down subsidiaries and a JV with JFSL. The company operates laundry business under its subsidiaries.

As per FY15, on a consolidated basis, JLL posted a PAT of Rs.120.98 crore (FY14 – Rs. 81.21 crore) on a total income of Rs.1,516.26 crore (FY14 – Rs.1,327.66 crore). Furthermore, during Q1FY16 (un-audited), the company posted PAT of Rs.44.60 crore (Q1FY15 – Rs.42.42 crore) on a total income of Rs.419.32 crore (Q1FY15 – Rs.387.45 crore).

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

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