OCTOBER 21, 2016

CARE REVISES THE RATING ASSIGNED TO THE LONG TERM INSTRUMENT OF JYOTHY LABORATORIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Non-Convertible Debentures	400	CARE AA [Double A]	Revised from CARE AA- [Double A Minus]
Total Instruments	**400 (Rs. Four Hundred crore only)**		

Rating Rationale

The revision in rating takes into account Jyothy Laboratories Ltd.'s (JLL) strengthened financial risk profile on consolidated basis characterised by consistent growth in revenues and cash accruals, improvement in profitability margins and capital structure in FY16 and Q1FY17 (refers to the period April 01 to June 30). Furthermore, the ratings continue to derive strength from JLL's long track record and rich experience of the promoters in the FMCG industry, diversified product portfolio having good brand appeal and pan India presence backed by well-established marketing network.

The rating, however, is constrained by JLL's modest size of operations, considerable dependence on its flagship brands across different segments, 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 resulting into lower dependence on flagship brands, improve its operating profitability margins, capital structure and having adequate arrangements in place to meet the upcoming sizeable repayments in the near term as envisaged remain the key rating sensitivities.

Background

Incorporated 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 nationwide 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). Post-acquisition of 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) by JLL in FY12, the company emerged as one of the leading and dominant players in the mid and economy segments in the domestic FMCG industry as it benefitted from its broad range of products along with an enlarged basket of brands. Hence, among different product segments, JLL's bouquet of 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 FY16 the company on a

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

consolidated basis derived around 60% (P.Y.59%) 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 subsidiary Jyothy Fabricare Services Ltd. (JFSL). It provides laundry services to various institutions, large corporate and retail clients. As on March 31 2016, JLL had three subsidiaries, two step-down subsidiaries and a JV with JFSL. The company operates laundry business under its subsidiaries.

As per FY16, on a consolidated basis, JLL posted a PAT of Rs.157.96 crore (FY15 – Rs.120.98 crore) on a total income of Rs.1,650.87 crore (FY15 – Rs.1,516.26 crore). Furthermore, during Q1FY17 (un-audited), the company posted PAT of Rs.44.94 crore (Q1FY16 – Rs.25.76 crore) on a total income of Rs.443.17 crore (Q1FY16 – Rs.409.29 crore).

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****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.

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