November 15, 2013

CARE ASSIGNS 'CARE AA-' RATINGS TO THE PROPOSED LONG TERM NCD ISSUE OF JYOTHY LABORATORIES LIMITED

Ratings

Facilities/ Instrument	Amount (Rs. crore)	Ratings[1]	Remarks
Proposed Long-term Non Convertible Debenture*	400.00	**'CARE AA-' [Double A Minus]**	Assigned
Total	400.00		

**The proposed NCDs are Zero coupon NCDs having tenure of three years with bullet repayment at the end of third year from the date of allotment.*

Rating Rationale

The rating reaffirmation derives strength from the proposed equity infusion by the promoters, steady growth in operations coupled with improvement in profitability margins in H1FY14 (refers to the period April 1 to September 30). The rating also further continues to derive strength from extensive experience of the promoters of Jyothy Laboratories Limited (JLL) in fast moving consumer goods (FMCG) business with more than three decades of operational track record, attained economies of scale pursuant to completion of amalgamation of Jyothy Consumer Products Ltd (JCPL) with itself, healthy operating margins and its diversified product portfolio coupled with assortment of strong brands having pan-India presence and favourable growth potential for FMCG business in India.

However, the ratings are constrained by increase in debt levels resulting in deterioration in gearing levels in H1FY14 (refers to the period April 1 to September 30) and yet to span out synergies on a long term basis as expected 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, margins susceptible to fluctuations in raw material prices and highly competitive nature of the FMCG industry.

JLL's ability to improve its capital structure, successfully integrate JCPL's operations with itself (resulting into increase in scale of operations backed by higher market share) and improvement in operating profit margins in the face of intense competition are the key rating sensitivities.

Background

Incorporated in 1983, Jyothy Laboratories Limited (JLL) is one of the leading players in the Indian FMCG industry. The company was promoted by Mr. M.P Ramachandran to manufacture a liquid fabric whitener under the brand name - 'Ujala' and it expanded its operations to manufacture detergents, soaps (bar and liquid), repellent coils/liquid or spray and various other products over the years. The company has manufacturing facilities in various parts of India. Presently, With the acquisition of 83.66% in JCPL (formerly known as Henkel India Ltd), along with its 96% subsidiary Jyothy Consumer Products Marketing Ltd (formerly known as Henkel Marketing India Limited) in FY12, JLL has enlarged its basket of products as well as brands. Within the different product segments, various brands offered by JLL 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). During FY13, JLL has amalgamated its subsidiary JCPL w.e.f *April 01, 2012* in accordance with the *High Court order received in May 2013*. Post this amalgamation, the company continues to operate under the same

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

name and Jyothy Consumer Products Marketing Ltd (JCPML) has now become a direct subsidiary with 96% shareholding by JLL. As on September 30 2013, JLL had four subsidiaries, two step-down subsidiaries and a JV with JFSL.

As per unaudited financials for six months ended September 30, 2013, JLL registered a PAT of Rs.49.57 crore on total income of Rs.651.24 crore as compared to PAT of Rs.15.43 crore on a total income of Rs.535.25 crore during the six months ended September 30, 2012.

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