Jyothy Laboratories Limited

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Jyothy LABORATORIES LIMITED

ANNUAL REPORT 2011-12

Shaping a bright future

The spread
of a truly
Indian multinational.
Jyothy Laboratories Limited

A multi-brand portfolio across fabric care, household insecticides, surface cleaning and personal care.

Index

Corporate Information

M. P. Ramachandran
Chairman & Managing Director

K. Ullas Kamath
Joint Managing Director

S. Raghunandan
Whole-time Director & CEO

M. R. Jyothy
Whole-time Director

Company Secretary
M.L. Bansal

Nilesh B. Mehta
Independent Director

K. P. Padmakumar
Independent Director

Bipin R. Shah
Independent Director

R. Lakshminarayanan
Independent Director

Statutory Auditors
S.R.Batliboi & Associates

Solicitors & Advocates

Law & Prudence

V. Lakshmikumaran

AZB Partners

Bankers

Axis Bank Ltd.

ICICI Bank Ltd.

Kotak Bank Ltd.

The Federal Bank Ltd.

M. P. Ramachandran
Founder, Chairman and Managing Director

Letter from the Chairman

Dear Shareholders

The Backdrop

A year ago, we set out to write a new chapter in our history. We embarked on our plan to reap new opportunities as we acquired controlling stake in Henkel India Limited and commenced the process of integrating newly acquired business of Henkel with our core operations.

I must state here that we remained on track with our planned integration in the midst of an economy which was witnessing high inflationary pressures.

In spite of the present economic turmoil, the opportunities in India is expected to be good and consumer spending in India is expected to grow phenomenally driven by rising incomes and aspirations, widespread media proliferation and better physical reach across the country.

Hence, while the economic scenario remains volatile and uncertain across the globe, we believe that the impact will be relatively lesser in India on companies in the consumer goods space. Due to the large consumer base that India has, excellent opportunities lie ahead.

The Outcome

We continue to focus on the landscape of our business, our products and our consumers to determine where our biggest opportunities lie. We identified our strengths and where improvements could be made, we did that. We also developed key strategic objectives and consciously worked on them. Since then, the results confirm that our strategy is working.

Net Sales grew by 10%, at ₹ 66,278 lakhs on a standalone basis. In terms of profitability the operating profits stood at ₹ 8,266 lakhs and Profit after Tax at ₹ 8,352 lakhs after considering other income. If we account for the entire 12 month period in terms of erstwhile Henkel as well as Jyothy Laboratories' Net sales would be ₹ 107,091 lakhs. The profit growth was flat on account of restructuring of the distribution network from tier 3 to tier 2 model due to which inventory levels was brought down to almost one week stock at CSA level and receivables was brought down to ₹ 4251.55 lakh as on March 31, 2012 from ₹ 10349.89 as on March 31, 2011.

Behind the Scenes

Our integration strategy was divided into phases, which is why the numbers have panned out just as we had planned. We commenced with streamlining the management at Henkel by retaining certain select middle level managers handling brands and distribution.

Looking at the future for the product lines that we acquired, we have rationalised all sales promotions and

offers and brought the advertising under Jyothy Laboratories' umbrella. We have and will continue to increase retail prices across products keeping in mind reasonable profitability, cost of production and other operational costs in line with their positioning, during the year.

We have shifted erstwhile Henkel's corporate office functions from Chennai to Mumbai. The Production activity has been streamlined to ensure procurement, production and logistics efficiencies. The Purchase and Supply Chain activities are centrally undertaken from Mumbai, again to ensure, cost efficiencies. Marketing strategies for the new products brought under our umbrella like Margo, Pril, Henko and Fa which have immense potential, new campaign will be rolled out as we attempt to reposition these flagship products in FY 2012-13.

The trade environment in India is unique with different urban and rural market dynamics. With a strong presence now in urban and rural markets, our product visibility has improved manifold and across the board. The process of having a balanced presence in small stores to modern trade formats is ongoing and the results will be visible over the next few quarters.

Another important step which we have undertaken in the area of distribution is that we made a deliberate move from a three tier to two tier system by phasing out state level super stockists (CSA) resulting into cost savings and higher efficiencies.

The year gone by was like a tightrope walk as we preserved organic growth of Jyothy's product line, even while turning around erstwhile Henkel's business. Moving forward, although we will continue to focus on operational efficiency with expectations of further improvement in our key operating and financial metrics, our primary focus will be on accelerating the growth of our brands and expanded combined portfolio.

Certain measures have already been initiated in this direction, including contemporary packaging, a streamlined product portfolio and regional focus.

Notably, the efforts have been across the spectrum of our business – production, sales, marketing, management bandwidth, supply chain and finance , in a phased manner. This is also evident from our quarter on quarter numbers where in the first quarter of FY 2011-12 we did register a de-growth followed by gradual ascent in the sales figures and eventually turning it around to record 40% growth in the last quarter.

A similar trend has been observed in our EBITDA growth, quarter on quarter. I believe that this is an indication of our integration process bearing fruit and we understand that while there will be some pain initially and the integration and turnaround process will be complete over the next quarters.

Overcoming Challenges

There have been concerns about the Debt which we have taken on our books on account of the Henkel acquisition. Our thought process has been that while we have real estate on hand to sell and pay off to extinguish this debt, we would do it only if required and only at the right price and time.

We are confident that the growth and profits generated by the erstwhile Henkel products itself will help us service this debt. Our focus will be on enhancing our profitability numbers which will, in turn, take care of the debt servicing and repayment.

We have setup a joint venture in Bangladesh with Kallol Enterprise Limited for setting up a state-of-the-art manufacturing facility as we propose to manufacture and market the entire range of our products portfolio in Bangladesh. Needless to say, this will be done in a phased manner.

Growth Story Continues

The Jyothy Fabric Care Services Limited is now the biggest laundry chain with 122 outlets and we are on track with our expansion across the length and breadth of the country with presence in Bangalore, Delhi, Mumbai, Hyderabad, Pune and Chennai. We have grown both organically and through inorganic route here and going forward the potential is immense, especially in the light of new contracts bagged recently.

Shaping a New Future

According to Confederation of Indian Industries (CII), the Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of USD 13.1 billion. Availability of key raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage.

The FMCG market is set to treble from USD 11.6 billion in 2003 to USD 33.4 billion in 2015. Penetration levels as well as per capita consumption in most product categories in India is low indicating the untapped market potential.

The burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert these consumers into using branded products.

With long term structural strengths in the industry, we have stepped forward with confidence and aligned our organisation and infrastructure to support our new corporate strategy. In the process, we reduced non-value-added costs and imposed new financial discipline across the company.

With the acquisition of Henkel, we have emerged as Company with a suite of products across categories like Fabric Care, Surface Cleaning, Household Insect repellents and Personal care. Within each of these categories too we have a diversified portfolio of products across socio-economic categories ranging from premium to niche category products. This widens our presence across FMCG market categories and will be the key growth driver.

Simultaneously, we developed the necessary capabilities to improve our competitiveness and today, we are better positioned to manage our business at enhanced scale and to allocate our resources to the most promising opportunities.

A Vote of Thanks

I extend my gratitude to all of you who have helped us at every step to march forward successfully and continue to shape our bright future —our employees, our consumers, our suppliers, our bankers and our shareholders. I am also grateful to our Executive Leadership Team for its exceptional management skill and commitment of our Board of Directors for their continuing guidance. I do ensure that we will strive hard to continue to earn the trust, confidence and pride of all our stakeholders.

Signed
(CMD)

Financial Review

Profit & Loss Account

(₹ in lacs)

Particulars	Year Ended	
	FY 2012	FY 2011
Net Sales	66,278	59,983
Other Income - Operating	19	693
Total Income	**66,297**	**60,676**
Cost of Goods Sold	(37,259)	(31,147)
Employee cost	(7,802)	(7,479)
Advertisement and Sales Promotion expense	(4,283)	(5,378)
Other expenditure	(8,686)	(8,074)
Total Expenditure	**(58,030)**	**(52,078)**
Operating EBITDA	**8,266**	**8,598**
Other Income - Non Operating	5,701	2,068
EBITDA	**13,968**	**10,666**
Depreciation and Impairment	(1,703)	(1,079)
Interest	(1,943)	(30)
Profit Before Tax	**10,322**	**9,557**
Tax	(1,970)	(1,530)
Profit After Tax	**8,352**	**8,027**
EPS	**10.36**	**10.35**
Book Value Per Share	**83.53**	**80.95**

Balance Sheet

Particulars	As on 31 March 2012	As on 31 March 2011
Share Capital	806	806
Reserves and Surplus	66,544	64,467
Net Worth	67,351	65,273
Long Term borrowings	(43,000)	(17)
Long Term Liabilities	(1,804)	(2,009)
Long Term Provisions	(632)	(466)
Net Block	20,344	20,601
Capital Work in Progress	282	1,016
Non Current Investments	34,547	7,996
Long Term Loans & Advances	54,858	6,714
Long Term Other Assets	24	22
Cash and Bank Balances	5,099	27,789
Current Assets (Excluding Cash)	20,539	19,749
Current Liabilities	(22,906)	(16,123)

Unveiling the emerging Financial picture - Post Acquisition

The Company has undertaken several steps to improve the financial position, and this will be discernible over the next few quarters. Some of the key steps undertaken include:

Working Capital Management:

The Company has undertaken various initiatives to better its working capital management. The pipeline inventory has been reduced from ₹ 70 crores to ₹ 18 crores. This has resulted in reduction in investment in working capital. Further, the Debtors have also come down from ₹ 103 crores as on March 31, 2011 to ₹ 43 crores as on March 31, 2012.

Manufacturing Facilities:

The company has streamlined and restructured the manufacturing facilities by integrating most of Henkel's production facilities in-house and outsourcing wherever it is more economic to do so.

Distribution Network:

The Company has moved from a three tier to a two tier model of distribution, thus eliminating one intermediary and the proportionate cost. While this impacted sales in the near term, given that any new system would require a few months to show results, this too is expected to result into higher sales and reduction in costs over a period of time.

Rationalisation of Advertisement Spends

Advertisement costs have been rationalised and the Company has released new commercials for specific products which it intends focusing on. Furthermore, the strategy will be to consolidate its positioning in the regions where the products have been traditionally strong and then expand the geographies, by rolling out products in a phased manner.

Boosting Top line

The Company has a strong reach in rural and semi urban areas and with Henkel's acquisition , Jyothy's presence in Urban areas and especially the modern trade formats, has increased significantly. This will help the combined entity to boost its top line.

Business Review

(₹ in lacs)

Category	Jyothy FY 2012	% of JLL Sales	Jyothy + Henkel FY 2012	% of total sales (Consolidated)
Fabric Care	31,503	48%	50,765	47%
Household Insecticides	14,773	22%	14,773	14%
Surface Cleaning	16,329	25%	24,085	23%
Other Products	3,673	5%	17,467	16%
Total	**66,278**		**107,091**	

Combined Net Sales for Analysis year ended March 2012
Total ₹ 107,091 Lacs

Fabric Care
47% (₹ 50,765 lacs)

Mosquito Repellent
14% (₹ 14,773 lacs)

Dishwashing Products
23% (₹ 24,085 lacs)

Personal Care & others
16% (₹ 17,467 lacs)

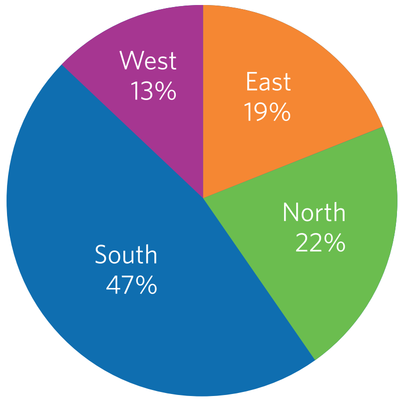
• As per the statutory guidelines, we have integrated only September 2011-March 2012 numbers in our statutory results. The above numbers are for analytical purpose and constitute total sales of erstwhile Henkel and Jyothy Laboratories from April 2011-March 2012.

Geographical Distribution -Pan Indian Presence

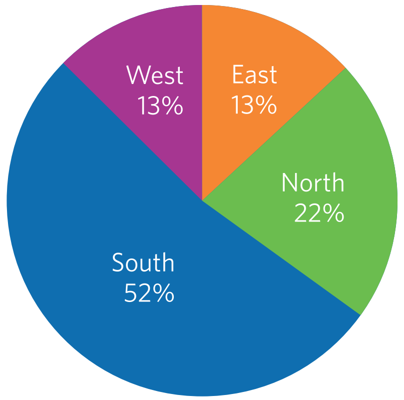
After Henkel acquisition, Jyothy Laboratories has pan Indian presence today with synergies in manufacturing, supply chain and distribution network.

Region	JLL	%	HIL	%	Total	Total % Distribution
EAST	8,716	13%	11,189	27%	19,904	19%
NORTH	14,441	22%	9,084	22%	23,525	22%
SOUTH	34,778	52%	15,025	37%	49,803	47%
WEST	8,343	13%	5,515	14%	13,858	13%
Grand Total	**66,278**		**40,813**		**107,091**	

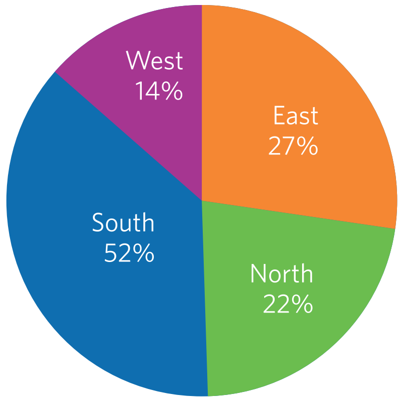
Regional Presence for FY 2011-12



Geographical Distribution - Combined



Geographical Distribution - Jyothy



Geographical Distribution - Henkel

Fabric Care

Product Name : Ujala Fabric Whitener		
Market Share by Value	Market Share by Volumes	Retail Penetration
74.0%	60.0%	72.2%

The segment grew 5%, organically. While it continues to have strong presence in the South, with merger of Henkel, the Company now has widespread presence, in terms of both geography and categories.

Segment	Product portfolio
Popular/Economy	Chek More Light
Mid Premium	Ujala Detergent Powder Mr. White
Premium	Henko Stain Champion Henko Matic Stain Champion Ujala Techno Bright Ujala Techno Matic

Ujala Whitener continues to be the market leader in the 28th year of its existence and grow consistently with a market dominant position.

Ujala Detergent and Ujala Stiff and Shine continue to provide the incremental growth in this category with roll out in various Southern states underway.

Notably, Ujala Stiff and Shine which was launched in Kerala in 2005, has surpassed Ujala Fabric Whitener in terms of sales numbers in absolute terms and with our marketing efforts we expect the growth and visibility to increase.

Henko Stain Champion and Matic, which are premium products are well positioned in the Southern as well as Northern markets. Due to temporary shutdown of Karaikal plant for 61 days on account of labour unrest we saw a loss to our sales. We expect to see the results of the streamlined production facilities this year as we have the right mix of in-house and outsourcing facilities. It is going to be one of the main focus areas of the Company and with efforts already underway to strengthen its sales and minimise costs, it is expected to be a major growth driver going forward. It has been positioned as a superior fabric cleaning solution that not just cleans clothes effectively but also ensures the fabric remains undamaged. Efforts like contemporary packaging, premium and fresh positioning for the brand are underway.

Chek has a strong presence in Eastern and Southern markets and is expected to continue to do well in those regions.

Mr. White : The product continues to do well in the South, North and Eastern states especially in the modern trade formats and is expected to maintain its growth rates.

Household Insecticide

Product Name : Maxo Coils		
Market Share by Value	Market Share by Volumes	Retail Penetration
19.4%	21.5%	32.2%

Segment	Product portfolio
Coil	Maxo A Grade Green Maxo A Grade Red
Liquid vaporizer	Maxo A Grade MaxPower
Aerosol	Maxo A Grade AIK
Wipes and Cream	Maxo A Grade Military

Maxo's performance has been flat given the highly competitive segment in which it operates and due to restructuring exercise undertaken in the distribution network. The Company moved from a three tier to a two tier systems especially in areas in which Maxo was strong which has impacted the sales.

The strategy to remain focused on Liquids and Aerosols and increasing their share in the overall sales mix will continue. At present the share of Maxo's liquid is 11% of the total Maxo sales which will improve going forward. The Company has recently launched the advanced version of liquid – Fit all machines product and this is expected to drive growth across markets, especially through erstwhile Henkel's modern trade presence. New advertisements have already been released to this effect and results should be discernible in the coming quarters. In fact in Q4, FY2012, the category has recorded a 32% growth.

As indicated earlier the target is to reach the 60:40 ratio of sales of coils to liquid aerosols/sprays in line with the industry standard.

The Retail penetration stands at 27% in Urban areas and 35% in Rural areas.

Surface Cleaning

The Surface Cleaning segment is expected to be one of our core growth drivers for the Company. The acquisition of Henkel has strengthened Jyothy's positioning in this segment to a great extent with end to end product in terms of category presence.

Product Name	Market Share by Value	Market Share by Volumes	Retail Penetration
Exo Bar	11.0%	9.6%	18%
Exo Bar (South)	27.7%	25.0	43%
Exo Liquid (South)	5.6%	5.5%	21%
Pril Liquid	26.7%	25.7%	23%

Category	Product portfolio
Utensil cleansing bar	Exo Anti-Bacterial Pril Perfect
Utensil cleansing Liquid	Exo Anti-Bacterial Pril Perfect
Utensil cleansing Gel	Exo Anti-Bacterial
Scrubber & Wipes	Exo Safai
Floor cleaner	Exo Floor Shine

The Company offers **Exo Dish Wash Bar** for the rural markets and Exo Dish Wash Liquid to target the urban audience.

The uniqueness of Company's product lies in Cyclozan which offers protection positioned as a brand giving consumers protection against bacterial contamination of utensils.

The **Exo Round Bar**, which stood out during its launch phase on account of the easy to use packaging , continues to be a major growth driver for this segment.

The products are doing well in the Southern parts of India where they were initially launched in line with the Company policy and with access to Henkel's distribution presence in modern trade it has been doing well in the other parts of India in urban cities.

Further, the National Rollout has begun seeing results as the category grew by 43% and is expected to see similar growth rates.

Pril Bar as well as Liquid are well known brands in the markets and are also expected to boost the sales significantly in light of the new marketing campaigns launched for the same. Additionally, the products have been launched in a new packaging for differentiating purposes.

Internationally, Pril has been positioned as the new benchmark in removing grease from utensils post cooking and eating. This product claim is backed by advanced Active+ molecules, a technological breakthrough from Germany and Pril is one of the market leaders, worldwide. In India too, Jyothy will position it as a premium product and several measures have been undertaken for the same. To build a superior imagery, the packaging was redone across all variants and the communication will be aimed at positioning Pril as a superior brand.

Personal Care Products

With Henkel's acquisition, Jyothy Laboratories has added the Personal care product segment to its product portfolio. The personal care industry is directly aligned with the population base and with the median age at 25 years, India is among the world's youngest nations, resulting in immense potential for this segment. As per researchandmarkets.com, the personal care market in India is one of the fastest-growing with a growth rate of 13 per cent per annum and valued at USD 8.6 billion in 2010; personal care product market at USD 5.7 billion and wellness service market valued USD 2.9 billion in 2010. The sector is expected to reach USD 20.23 billion by 2017.

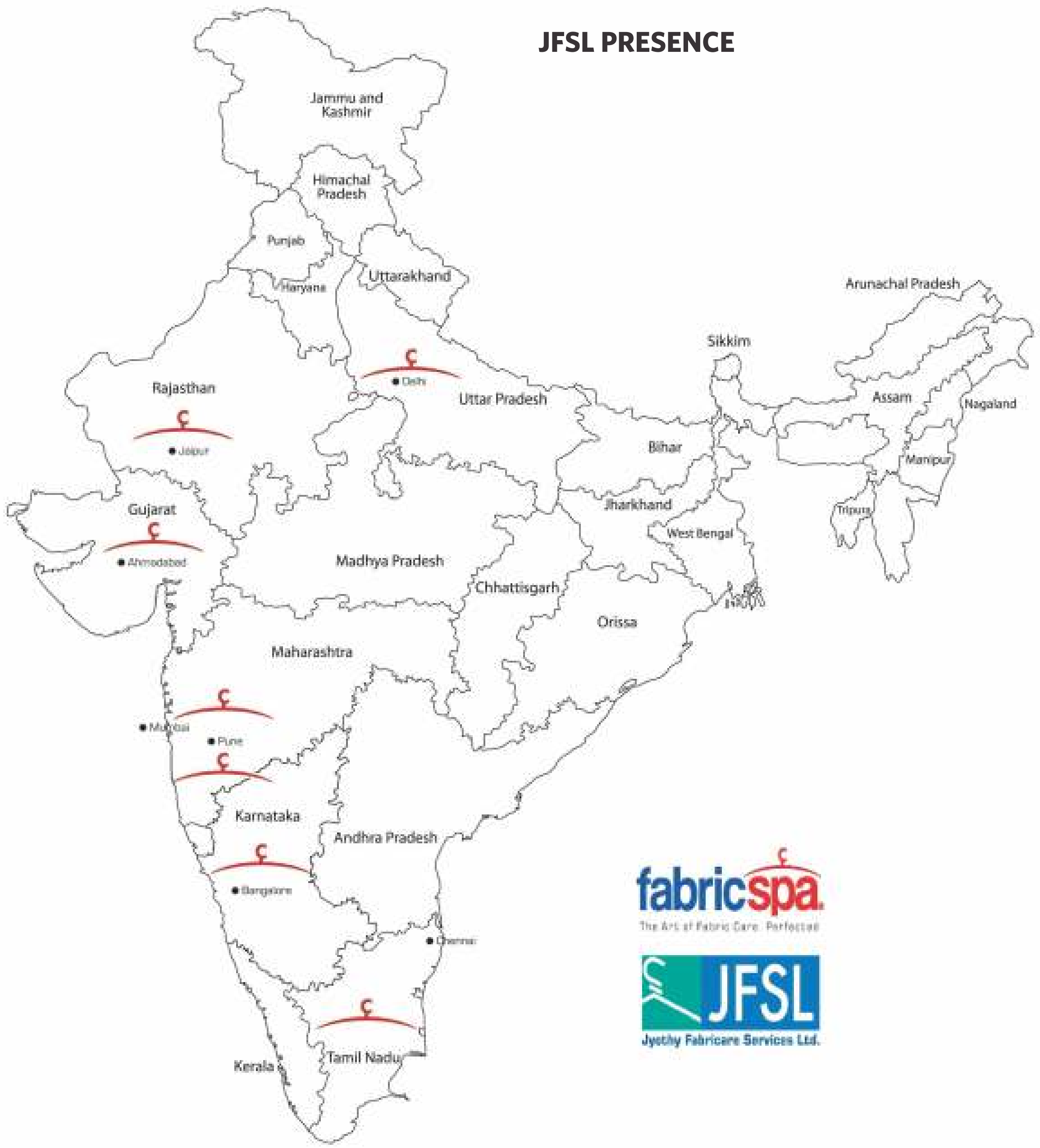
Category	Product portfolio
Soap bar	Margo Fa Jeeva Niki
Face Wash	Margo
Toothpaste	Neem
Deodorants	Fa

Margo , a 95 year brand, with pure neem extracts and made from original neem oil is a well accepted brand in West Bengal and South, especially in the modern trade formats and will be one of the key focus areas for the Company. It has been positioned as a brand for youngsters and extensions are being launched.

Fa is well known for its quality and with new creatives being released for the product, it will be relaunched in a new light. It has a strong presence except in the Eastern markets. The Indian Fragrance Industry, which is growing at a compounded annual growth rate (CAGR) of 40 per cent, is likely to reach a figure of ₹ 10,000 crore by the year 2015. According to a study released by the industry body, the Associated Chambers of Commerce and Industry of India (ASSOCHAM) titled 'Domestic Fragrance Industry: The way ahead', the industry is currently poised at around ₹ 3,700 crores.

These products will be sold by Jyothy's distributors and hence receive wider coverage in addition to renewed marketing thrust.

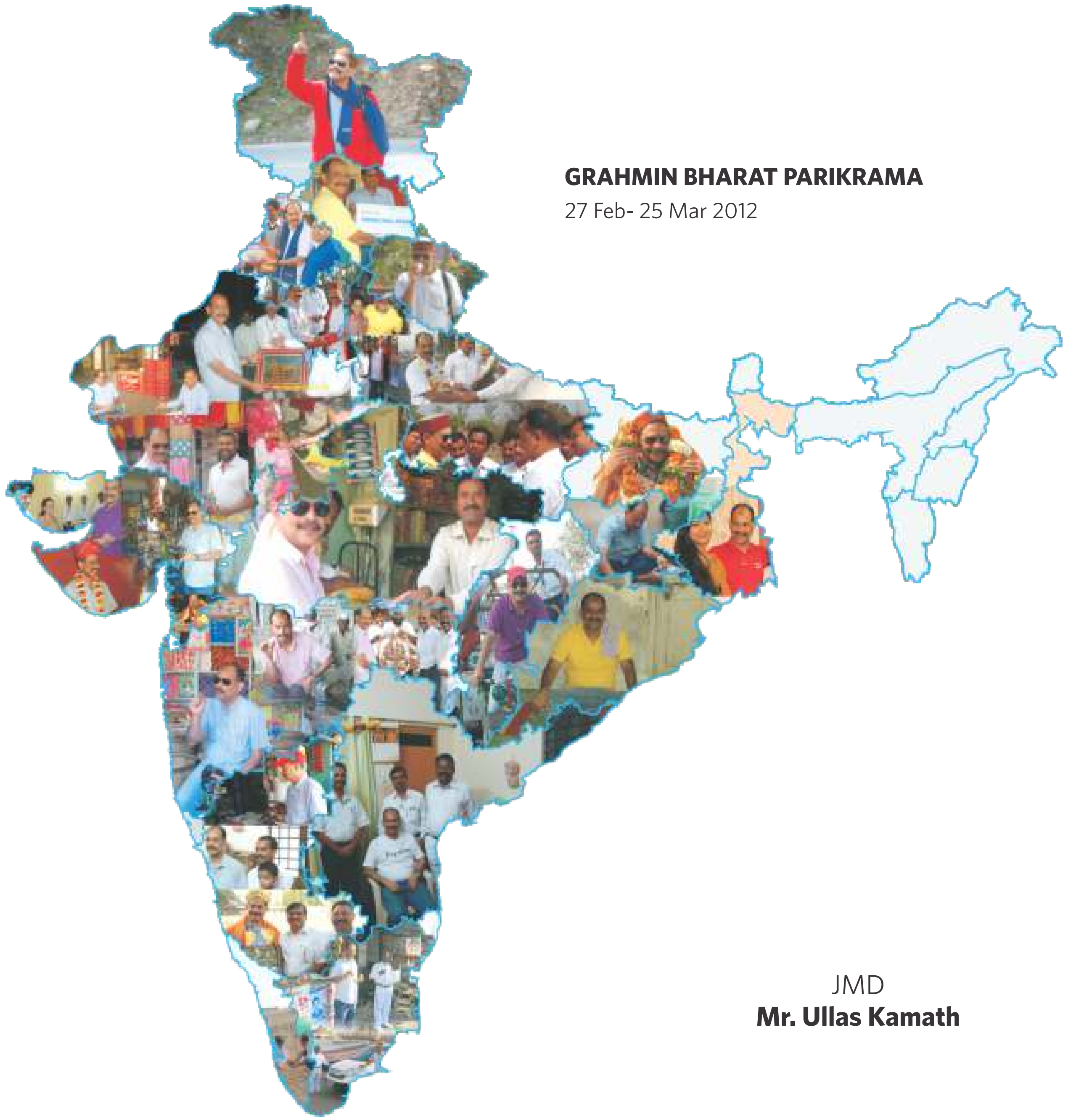
JFSL PRESENCE



Jyothy Fabricare

Highlights:

- Country's biggest laundry chain with 122 retail outlets which service brands like Fabric Spa and Wardrobe.
- Current Operation in Bengaluru, Delhi, Mumbai, Pune and Chennai
- Investments to the tune of ₹ 100 crores made by IL&FS for a 25% equity stake at an Enterprise Valuation of ₹ 400 crores. ₹ 50 crores investment have been made and the balance ₹ 50 crores is expected to come in for Chennai and Hyderabad expansion.
- Bagged Prestigious Western Railways at Ahmedabad– BOOT contract for 10 years
- Bagged Prestigious DIAL (Delhi International Airport Limited) project for 15 years on BOOT basis
- Total turnover of ₹ 3801 lakhs as on 31st March, 2012. (₹ 941 lakhs for FY ended March 2011)



GRAHMIN BHARAT PARIKRAMA
27 Feb- 25 Mar 2012

JMD
Mr. Ullas Kamath

Celebrating a Momentous Journey

GRAHMIN BHARAT PARIKRAMA

The Joint MD of Jyothy Laboratories, Ullas Kamath, undertook a month-long Grahmin Bharat Parikrama, to understand the grassroot level mindset in different states.

The journey encompassing 14,000 km by road across the length and breadth of the country was a part of the Company's strategy to understand the pulse of the markets. The learnings from this journey shall form the basis of its marketing and product strategy going forward.

Ullas Kamath spent a lot of time with retailers, distributors, stockists, Company employees and their families to understand their requirements. We expect this effort in terms of understanding intermediary and customer requirements in addition to building a rapport at the grassroot level will go a long way in making the products of our Company preferred brands.

Ullas Kamath also met lots of villagers in different states to understand their needs as consumers, Government programmes in various states affecting the FMCG Companies.

Shaping a new future – the catalyst

In line with our tradition of conducting a freewheeling interview with our Joint MD, Ullas Kamath, we present hereunder key excerpts from this year's interview wherein he shares his experiences of the year gone by and his outlook for the year to come.

Q1. How has the journey been thus far as regards Henkel's Integration? How do you see Jyothy Laboratories shaping up?

We have completed the integration of Henkel with Jyothy and as I see it, Jyothy Laboratories has now entered the bigger league of FMCG players. In the Fabric Care , Household Insect Repellent and Surface Cleaning segment, we have achieved end to end presence. Alongside, we have added personal care products to our portfolio like Fa and Margo which are known for their quality and hold immense potential.

Our goal in the last financial year was to see improvement in our EBITDA and Topline performance quarter on quarter as we went through the pains of integration. This I believe was a better indicator to gauge the last year's performance (reflected in the following table).

Financial Turnaround Snapshot – Standalone Numbers

Quarter	EBITDA%
Q1	8.84
Q2	4.98
Q3	16.98
Q4	16.64
FY 2012	12.47
FY 2011	14.33

Quarter	Sales FY 2012	Sales FY 2011	Growth %
Q1	12,299	15,132	-19%
Q2	15,465	14,483	7%
Q3	16,631	14,842	12%
Q4	21,883	15,598	40%
Total	**66,278**	**59,983**	**10%**

Operationally we have achieved the fine balance of urban –rural presence and our distribution as well as production facilities have been streamlined. We are thus well positioned for long term growth which is both sustainable and scalable as we are financially strong and are market leaders in many of our core categories that we have presence in and have the right strategies in place to succeed.

Q2. How do you see the product portfolio of Jyothy Laboratories shaping up given that the integration process has been formally completed?

The Fabric Care segment, where have been traditionally strong, has further strengthened with erstwhile Henkel's products. We are now present across economic categories here and it has also given us broad based presence both in terms of geographies and markets. Maxo portfolio remains as it is and we are trying to increase the share of liquid and sprays which should take care of the margins. As regards the Exo Portfolio, it has grown tremendously and we expect it to grow at a good rate given the industry potential. Of the Henkel's basket of offerings, Margo, Fa, Pril and Henko will remain our key focus areas for the next few quarters. We plan to revitalise the marketing strategy for these products to begin with, as we see tremendous potential in the same. The product streamlining and re-positioning efforts will also see new talent being added to the organisation so that they get the focus they deserve in terms of managerial bandwidth. Further, it will be done in a phased manner so that the ground work is strong enough to manage scalability of various products. Notably, all the products of our combined entity fall in one of the top 3 positions in their respective categories.

Alongside Jyothy Fabricare Services continues to grow at the desired rate and I am confident that it will continue to do so.

Q3. What changes have you brought about in the Company in terms of distribution which is the key function of the FMCG industry ?

The trade environment in emerging markets especially the rural areas is often predominantly small stores whereas the urban markets are moving towards modern trade formats. Jyothy Laboratories has traditionally been strong in the rural markets which represent majority of the Indian population. With Henkel integration we have direct access to the urban markets especially the modern trade formats. Hence in terms of distributorship we have evened out our presence to a great extent in the rural as well as urban markets. Our thought process is clear, where we are already strong, we propose to retain it and push erstwhile Henkel's products along with Jyothy's. Where we are weak, we propose to strengthen the team and thereby distribution. From May 2012, the entire distribution network has been integrated and under Jyothy's umbrella and we expect the synergies to bear fruit over a period of time, in a phased manner.

Q4. There have been concerns over the Debt on the books. How do you see the financials shaping up in the future?

As regards our financial performance, our aim as an organisation is to remain ahead of the industry in terms of margins and revenue growth. Therefore, debt servicing and repayment becomes a function of the same. We have the land bank on our books and we would exercise the option of selling the same, if required, at the right price. In the meanwhile, if the new product lines that we have acquired provide the cash flows to service the debt and after that help maintain profitability at a rate higher than that of the industry, we would consider that as an optimal situation. We propose to raise prices across product categories, reposition and market erstwhile Henkel's products which hold potential and complete the streamlining of manufacturing facilities which will boost margins.

We are working towards the same and we believe that the coming financial year we will prove ourselves as a bigger and stronger entity with a complete range of products having pan-Indian presence.

Q5. How has the cultural integration taken place ?

Culturally, the erstwhile Henkel's style of working has been significantly different from ours and one of our major strategic focus areas has been to align the same. We have chosen to retain certain select middle managers in key functions like operations, distribution, marketing and finance. We have already appointed our CEO – Mr. S Raghunandan, who will build the talent pool in the form of Category Heads, Supply Chain Head, etc. This will make us more accountable and process driven as an organisation, which we believe will lay the foundation for our better and new future.

Q6. What is the outlook for the next year ?

The financial year 2012-13 will show the results of integration. On the expenditure side, we have rationalised our advertisement and sales expenses. Steps are underway to strengthen the distribution network while simultaneously streamlining our manufacturing facilities. The management and supply chain functions will be managed from Mumbai while vertical heads are expected to be appointed during the year for focused marketing. Overall, one will see a new entity with the same values showcasing what the new future holds in store for all stakeholders.

Board of Directors

M.P.Ramchandran

Chairman and Managing Director

M.P.Ramchandran remains the driving force behind the company's progress. His vision and understanding of the customer's pulse has led to the company emerging as a formidable player in the FMCG segment.

K.Ullas Kamath

Joint Managing Director

Ullas Kamath has been promoted as the Joint Managing Director from January 2012. A qualified Chartered Accountant and Company Secretary, he has topped it with a Degree in Law and has attended the Advanced Management Programme at Wharton Business School and Harvard Business School. It is under his leadership that the company has diversified and become a multi product FMCG company. He has spearheaded the successful setting up of Fabric Spa and the Henkel acquisition.

S. Raghunandan
Wholetime Director & Chief Executive Officer

S. Raghunandan has a degree in Chemical Engineering from Birla Institute of Technology and Science (Pilani) and has topped it with a postgraduation degree from IIM-Kolkota. Having joined in May 2012, he brings to the table his vast industry experience in areas of sales, marketing and strategic & tactical planning. He has worked with FMCG players in the bigger league which is the space Jyothy has now entered into.

M.R.Jyothy
Wholetime Director

A postgraduate in Management with an additional diploma in Family Managed Business Administration, M.R.Jyothy contributes significantly to the sales, marketing and brand communication aspects of the company. She has recently completed the Owner / President Management Programme from Harvard University.

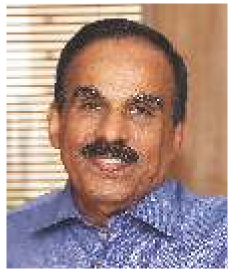
NON EXECUTIVE INDEPENDENT DIRECTOR

Bipin R. Shah

Bipin R. Shah is a Chartered Accountant with a postgraduate degree in Management. He has also attended Senior Executive Programme conducted by Sloan School of Business, Massachusetts Institute of Technology at Boston, USA. Currently he serves on the Board of various companies and the Company benefits from his experience with leading FMCG players.

Nilesh Mehta

Nilesh Mehta was the Managing Partner of Aureos Capital since January 2005. He is a qualified CA with a postgraduate degree from IIM. His experience spans various fields in finance ranging from investment banking, private equity to fund-related activities. He is a veteran in the field of private equity and mergers and acquisitions of mid cap Indian companies.



K.P.Padmakumar

K.P.Padmakumar brings to the table more than four decades of experience in the field of Commercial Banking, Treasury Management, Capital Markets and Mutual Funds. A Graduate in Agriculture and a Certified Associate of Indian Institute of Bankers – CAIIB, Padmakumar has vast experience in the banking and capital markets arena.

Ramakrishnan Lakshminarayanan

An IIT and IIM alumnus, Lakshminarayanan has a string of successes in his career. He has worked with leading FMCG conglomerates across product categories and held eminent positions with top notch advertisement companies in India. He has keen interest in Business Strategy, Brand Strategy, Media Plural Communications and Portfolio management.

Management Discussion and Analysis

Macro Economic Scenario

The UN has cut down its growth forecast for India for the year 2012, predicting a 6.7 per cent growth rate rather than a 7.7 per cent rise predicted earlier, while listing euro debt crisis as the biggest threat to world economy. In its World Economic Situation and Prospects mid-year update, the UN said the global economic situation continues to be challenging and global growth will likely remain tepid in 2012 following a marked slowdown in 2011. However, the Consumer spending in India is likely to grow nearly four times to touch USD 3.6 trillion by 2020, driven by rising incomes and aspirations, widespread media proliferation and better physical reach across the country, according to a joint report titled, 'The Tiger Roars - How a billion plus people consume and shop' by Boston Consulting Group (BCG) and the Confederation of Indian Industry (CII).

The near term outlook however is cautious as reflected in the GDP data showing that the manufacturing sector shrank 0.3 per cent compared with a year earlier. The farm sector grew just 1.7 per cent. Gross domestic product rose 6.5 per cent in the fiscal year to the end of March 2012. Inflationary pressures amidst the backdrop of rising fuel prices and weakened rupee continue to have their overhang on the Indian economy and there does not seem to be a quick respite.

The Fast Moving Consumer Goods (FMCG) Industry

The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of USD 13.1 billion. Further, the availability of key raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage. The FMCG market is set to treble from USD 11.6 billion in 2003 to USD 33.4 billion in 2015. Penetration level as well as per capita consumption in most product categories in India is low indicating the untapped market potential. (www.cii.in)

Urban FMCG Markets: (Modern Trade Formats: Business Monitor International (BMI) has recently released its India retail report for the first quarter of 2012 which projects that total retail sales will grow from USD 422.09 billion in 2011 to USD 825.46 billion by 2015. Explosion of organised retail in a big way is one of the major factors behind such a positive forecast and this is expected to boost the FMCG segment. The Indian consumers' spending on FMCG items at modern retail stores is set to nearly triple to USD 5 billion by 2015 from USD 1.8 billion at present, according to market research firm, the Nielsen Company.

Rural FMCG Markets: It is interesting to note that a mere one per cent increase in India's rural income translates to a large buying power of Rs 10,000 crore (USD 1.79 billion). Nearly two-thirds of all middle-income households in the country are in rural India. According to consulting firm BCG, 50 per cent of the market is made up of bottom of the pyramid consumers while another 24 per cent at present comes from small town and rural India. A report by the National Council of Applied Economic Research (NCAER) shows that rural segment comprises more than 50 per cent of consumers constituting as a prime market for consumer goods. Two-thirds of the country's one billion consumers live in rural India, where almost 50 per cent of the national income is generated. Higher rural incomes have meant larger markets.

Key Industry Trends & Growth Drivers

1. Spike in Raw Material Prices and consequently Selling Prices

The upward trend in raw material costs is expected to continue with companies increasing their selling price across product categories to counter the same. This should result in margin improvements.

2. Rural Demand continues to be the biggest growth driver while modern trade is also expected to grow at a faster rate.

Around 73% of Indian population lives in the rural areas. Rapid urbanisation, increased literacy and rising per capita income are the key growth drivers for the sector. Nielsen estimates that the country's rural FMCG retail landscape will grow from USD 12 billion in 2011 to USD 100 billion by 2025 as per its consumer 360 report.

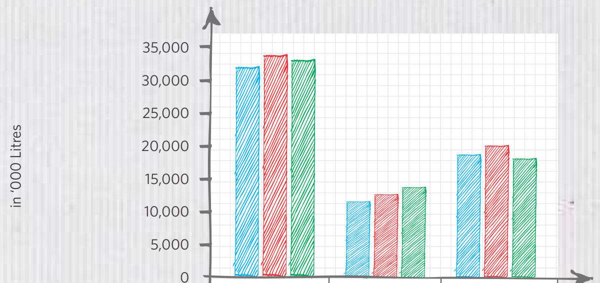
3. Inflationary Trends to continue

Input cost inflation, persistent rise in raw material price, rising fuel costs, fluctuation in the currency, dipping industrial growth, slowing global economy needs to be monitored closely in terms of its impact on volumes.

4. Implementation of Goods and Service Tax: Need of the Hour

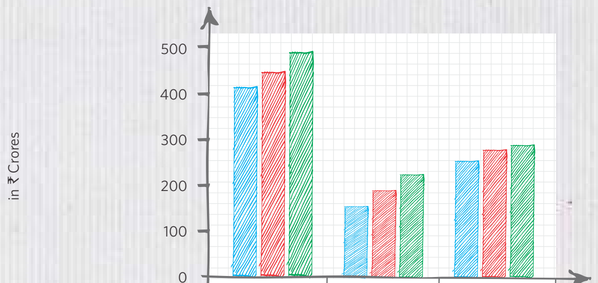
This tax would replace multiple indirect taxes levied on products and would lead to a uniform, simplified and single-point taxation. This helped to reduce prices. GST will be beneficial for the government as consumption growth and improvement in tax compliance would help boost the Government's tax collection kitty.

Liquid Blues - Volumes



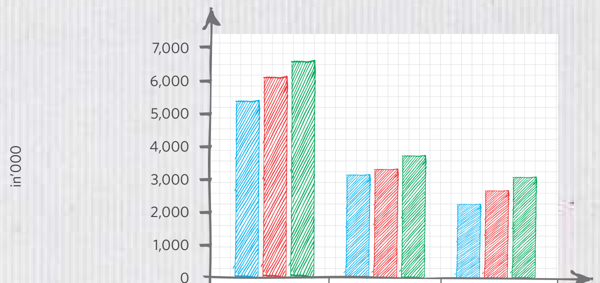
	Total	Urban	Rural
April 2009 - March 2010	33,139	13,178	19,961
April 2010 - March 2011	34,159	13,433	20,726
April 2011 - March 2012	33,671	14,149	19,522

Liquid Blues - Value



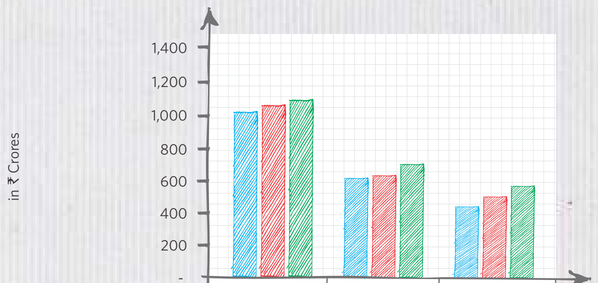
	Total	Urban	Rural
April 2009 - March 2010	406	176	230
April 2010 - March 2011	449	191	258
April 2011 - March 2012	490	218	272

Coils - Volumes



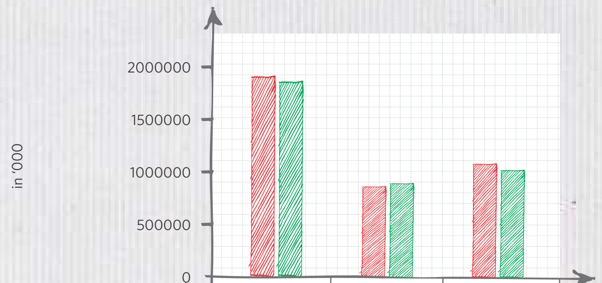
	Total	Urban	Rural
April 2009 - March 2010	5,461	3,106	2,355
April 2010 - March 2011	6,005	3,329	2,676
April 2011 - March 2012	6,571	3,670	2,901

Coils - Value



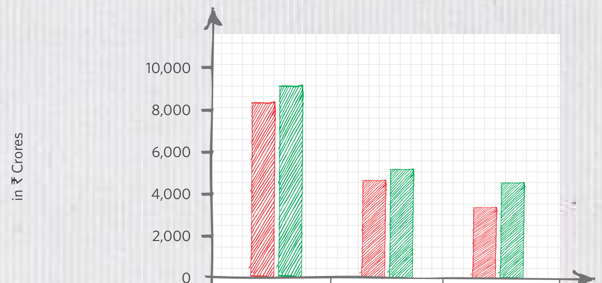
	Total	Urban	Rural
April 2009 - March 2010	1,107	648	459
April 2010 - March 2011	1,203	689	514
April 2011 - March 2012	1,346	775	571

Washing Powder - Volumes



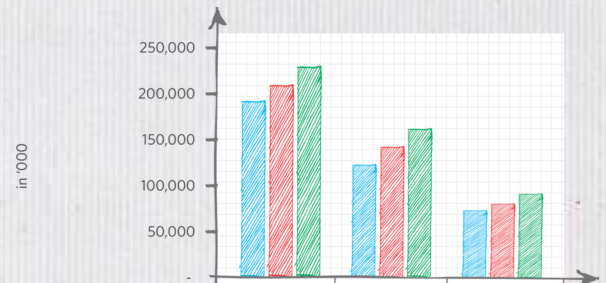
	Total	Urban	Rural
April 2010 - March 2011	1949794	907971	1041823
April 2011 - March 2012	1927088	914163	1012925

Washing Powder - Value



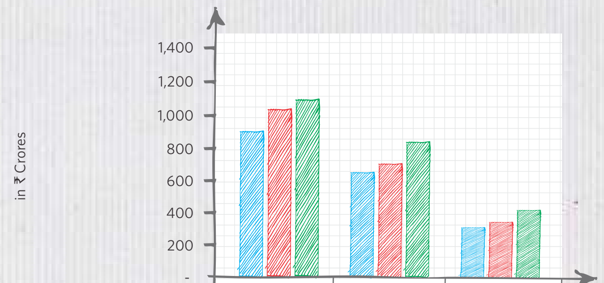
	Total	Urban	Rural
April 2010 - March 2011	8,223	4,403	3,820
April 2011 - March 2012	9,162	4,949	4,213

Dishwash Bars - Volumes



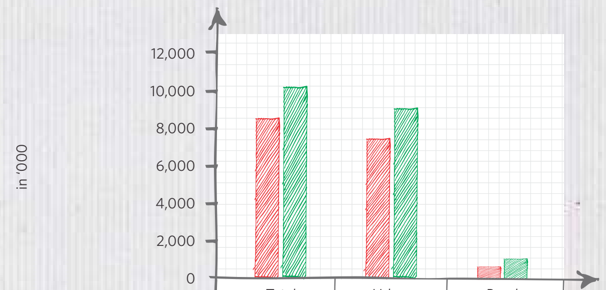
	Total	Urban	Rural
April 2009 - March 2010	191,490	130,432	61,508
April 2010 - March 2011	208,947	142,175	66,772
April 2011 - March 2012	236,888	155,974	80,914

Dishwash Bars - Value



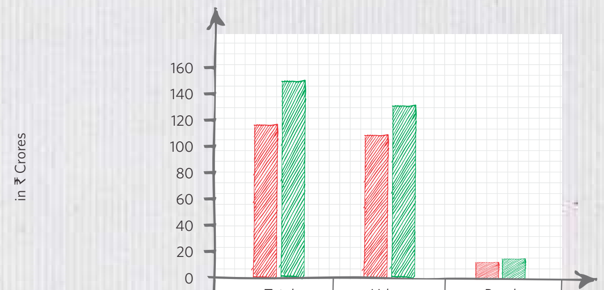
	Total	Urban	Rural
April 2009 - March 2010	943	639	304
April 2010 - March 2011	1005	684	320
April 2011 - March 2012	1217	803	414

Dish Wash Liquid - Volumes



	Total	Urban	Rural
April 2010 - March 2011	8,486	7,811	674
April 2011 - March 2012	10,082	9,169	913

Dish Wash Liquid - Value



	Total	Urban	Rural
April 2010 - March 2011	119	109	10
April 2011 - March 2012	149	134	15

Jyothy Laboratories' Competitive Positioning

- Complete basket of portfolio with integration of Henkel products giving the company end to end presence especially in the Fabric Care and Dish Washing segment.
- Better regional presence in line with access to Henkel's markets both in terms of geographies and rural-urban markets. Henkel's products have strong presence in the Western and Northern region while Jyothy has strong presence in the South and East. Further, with Jyothy's tradionally strong presence it will now find good visibility in modern trade formats.
- Production and Supply Chain synergies will further enhance the cost effectiveness of its Manufacturing activities resulting in production efficiencies.
- The company will have a stronger distribution network as a result of integration with erstwhile Henkel. The company has a Sales staff of over 1,300 people servicing approx. 3,500 distributors and a Field staff have a direct reach of ~ 1 million outlets. Jyothy's products are available in ~ 2.7 mn outlets in India as of December 31, 2011.
- The company has also forayed into the Bangladesh market which will mark its entry into oversees segment. In addition to setting up local manufacturing plants, the company also intends transferring some of its experienced sales team to market the entire range of products in these countries, the results of which should be visible towards end of FY 2012-13.
- With a proven management track record, the company will now have dedicated heads for specific functions, resulting in broader management bandwidth and focused marketing approach. This will also make the organisation more process driven.
- Jyothy Fabricare Services Limited continues to witness good traction as is expected to de-risk the company's business model and drive growth. With new and prestigious orders bagged, the potential for this subsidiary is immense.

Risk Addressal

- Rising Input Costs: The company will derive greater economies of scale as it has shifted Henkel's production to Jyothy's manufacturing facilities. Further, the company plans to raise the price of all its products in a phased manner and also withdraw trade incentives resulting in better prices to counter rising input costs.
- Flat growth in Maxo : Maxo is present in the highly competitive segment. With launch of liquid aerosols and sprays the volumes as well as margins in this

segment are expected to pick up over a period of time.

- Supply Chain Management: With Henkel's integration, supply chain management is expected to further enhance in terms of efficiencies.
- Integration: Given the first phase of integration strategies in place, the company expects the second round of integration to bring in tangible results. Appointment of new functional heads, synergies in distribution, supply chain, manufacturing and product repositioning are some of the areas which will see major efforts in the financial year 2012-13 and bring in results.
- Debt: The Company expects its integrated business model to take care of the debt by providing top-line and bottom-line growth.

Financial Performance

Accounting policy

The Company follows the Generally Accepted Accounting Principles (GAAP) in India, applicable accounting standards and other necessary requirements of the Companies Act, 1956 for the preparation of its financial statements. The Company uses accrual basis of accounting except in cases of assets for which provision for impairment is made.

The Year 2011-12

Total Revenue rose by 14.7% at ₹ 71998.38 lacs on y-o-y 12 months period including non-operating income of ₹ 5701.49 lacs. Net Sales registered a 10.5% growth at ₹ 66278.15 lacs on a standalone basis.

The following table indicates the category wise growth rates for the 12 months period April 1, 2011 to March 31, 2012.

Category	Amount in Rs Lac		Growth
	2012	2011	(%)
Fabric Care	31,503	29,977	5%
Household Insecticide	14773	14594	1%
Surface Cleaning	16329	11398	43%
Other Products	3673	4014	-8%
Total	66,278	59,983	10%

Cost analysis

Total cost (excluding interest and depreciation) of the company grew by 11.43% to ₹ 58,030.42 lacs in the 12 month period ended March 31, 2012 from ₹ 52,078.28 lacs in corresponding period of 2010-11 on account of an increased operational scale.

(₹ in lacs)

Particulars	Year Ended	
	FY 2012	FY 2011
Net Sales	66,278	59,983
Other Income - Operating	19	693
Total Income	**66,297**	**60,676**
Cost of Goods Sold	(37,259)	(31,147)
Employee cost	(7,802)	(7,479)
Advertisement and Sales Promotion expense	(4,283)	(5,378)
Other expenditure	(8,686)	(8,074)
Total Expenditure	**(58,030)**	**(52,078)**
Operating EBITDA	**8,266**	**8,598**
Other Income - Non Operating	5,701	2,068
EBITDA	**13,968**	**10,666**
Depreciation and Impairment	(1,703)	(1,079)
Interest	(1,943)	(30)
Profit Before Tax	**10,322**	**9,557**
Tax	(1,970)	(1,530)
Profit After Tax	**8,352**	**8,027**
EPS	**10.36**	**10.35**
Book Value Per Share	**83.53**	**80.95**

Cost of Goods sold: During the financial year, COGS of the Company increased from ₹ 31,147 lacs in 12 months of FY 2010-11 to ₹ 37,259 lacs in 12 months of FY 2011-12. Cost of goods sold as a per cent of net sales increased from 51.93% over the corresponding period to 56.22% for the 12 month year ending March 2012. This was mainly due to increase in raw material costs and also change in sales mix.

Employee cost: For the 12 month year 2011-12 stood at ₹ 7,802.18 lacs while the corresponding figure for 2010-11 was ₹ 7,479.24 lacs, translating into a 4.32% growth. This was on account of annual increments to the staff. Employee cost as a proportion of total cost was at 13.44% for the year ended March 2012.

Other expenses (excluding advertisement and sales promotion expenses): Other expenses of the Company include power & fuel, rent, legal & profession, freight outwards, communication expenses, repairs, travelling & other miscellaneous expenses. Other expenses increased by 7.58 % from ₹ 8,074.29 lacs in 2010-11 to ₹ 8,686.41 lacs in 2011-12. This mainly on account of increase in freight outwards expenses due to increase in petrol and diesel prices.

Advertisement and Sales promotion expenses of the Company decreased by 20.36% from ₹ 5,378.05 lacs in 2010-11 to ₹ 4,283.02 lacs in 2011-12 due to reduction in Ujala Detergent advertisement expenses.

Margins

EBIDTA margin of the Company has increased by 329 basis points from 17.80% in 2010-11 to 21.07% in 2011-12. This was mainly on account of increase in other non-operating income. Operating EBIDTA of the Company however reduced from 14.33% to 12.47% due to lower gross margins.

The PAT Margins declined by 78 basis points over the same period on account of cascading effect from the operational level also higher interest rate costs on account of debt on the books due to Henkel acquisition.

Given that the first phase of integration is over, we expect our sales to improve the margins going forward.

Taxation

Total tax charge (including current tax, deferred tax, excess provision for tax of earlier year and MAT credit entitlement) for the Company increased by 28.74% from ₹ 1,530 lacs in 12 months of 2010-11 to ₹ 1,970 lacs in 2011-12. Effective tax rate stood at 19.07% for the year 2011-12 as compared to 16.01 in 2010-11.

Capital employed (taken from segment wise revenue and capital employed data)

Total capital employed stood at ₹ 67,350.57 lacs for the 12 month year ending on March 31, 2012. For the 12 month year March 2011, it stood at ₹ 65,272.83 lacs.

Own funds

The net worth of the Company grew by 3.18% from ₹ 65,272.82 lacs as on 31st March, 2011 to ₹ 67,350.57 lacs as on 31st March 2012.

Equity: The equity share capital (issued and subscribed) of the Company consists of 80,632,000 equity shares of ₹ 1 each.

Reserves and surplus: The reserves and surplus of the Company stood at 66,544.25 lacs as on 31st March, 2012. It stood at 64,466.50 lacs as on 31st March, 2011. The increase was on account of transfer from profit and loss account.

Loan funds

The debt portfolio of the Company comprises of bank overdraft, commercial paper & bank term loans amounting to ₹ 55,291.25 lacs as on 31st March, 2012.

Net block

The net block of the company as on 31st March, 2012 stood at ₹ 20,343.58 lacs as compared to ₹ 20,600.75 lacs for the corresponding period of the previous year.

Investments

Investments of the company as on 31st March, 2012 stood at ₹ 37,770.98 lacs as compared to ₹ 7,995.98 lacs for the corresponding period of the previous year. This increase is mainly due to acquisition of controlling stake in Henkel India Limited.

Working capital

Particulars	2011-12	2010-11
Current assets		
Inventories	7,928.19	6,834.69
Trade receivables	4,251.55	10,349.89
Loans and advances	4,914.01	2,342.09
Other assets	221.18	222.71
	17,314.92	**19,749.38**
Current liabilities		
Trade payables	6,326.44	3,952.70
Other current liabilities	1,498.58	1,230.29
Provisions	2,789.82	5,109.09
	10,614.84	**10,292.07**
Net Working Capital	**6,700.08**	**9,457.30**

Net working capital of the Company stood at ₹ 6,700.08 lacs as on March 31, 2012 as compared to ₹ 9,457.30 lacs as on March 31, 2011 due to effective working capital management.

Inventory:

Effective inventory management is an important driver for working capital efficiency. Inventory of the company stood at ₹ 7,928.19 lacs as on March 31, 2012 as compared to ₹ 6,834.69 lacs as on March 31, 2011. Inventory turnover for the company stood at 78 days for 12 months year ending March 2012 as against 80 days against the corresponding period of 2010-2011.

Sundry debtors: There has been a remarkable improvement Debtors position for the Company as on March 31, 2012 as compared to March 31, 2011. Sundry debtors for the Company stood at ₹ 4,251.55 lacs as on 31st March, 2012 as compared to ₹ 10,349.89 lacs as on 31st March, 2011.

Debtor turnover stood at 23 days for 12 month year ending March 2012. For the corresponding period of the previous year, the same stood at 63 days.

Cash and bank balances: Cash and bank balances for the Company stood at ₹ 5,099.40 lacs as on 31st March, 2012 as against ₹ 27,789.46 lacs as on 31st March, 2011.

Loans and advances: Loans and advances for the Company stood at ₹ 59,771.93 lacs as on 31st March, 2012 as against ₹ 9,055.77 lacs as on 31st March, 2011.

Other liabilities and provisions: Other liabilities and provisions for the Company stood at ₹ 5,190.16 lacs as on 31st March, 2012 as against ₹ 7,239.88 lacs as on 31st March, 2011.

Trade Payables: Trade Payables for the Company stood at ₹ 6,326.44 lacs as on March 31, 2012 as against ₹ 3,952.70 lacs as on March 31, 2011.

Dividend

The board has recommended a dividend @ ₹ 2.5/- (250%) per share for the financial year 2011-2012 against the dividend of ₹ 5/- (500%) per share paid for the year 2010-2011.