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*Jyothy* LABORATORIES LIMITED

# Jyothy Laboratories Limited

November 9, 2011



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# Company Overview



- A FMCG company with presence in the fabric care, household insecticide, surface cleaning, personal care and air care segments
- Promoted by Mr. M.P. Ramachandran in 1983
  - Mr. Ramachandran has over 38 years of experience in production, sales and management
- Leadership through Key Brands:
  - **Ujala**: #1 in Fabric Care: 73.5% all-India market share by value and 59.9 % by volume for the year ended September 2011\*
  - **Maxo**: 21.5 % all-India market share by value and 24.0 % by volume (No. 2) for the year ended September 2011
    - 30.5% Rural India market share by volume for September 2011\* - No. 1
  - **Exo**: 27.2 % South India market share by value and 24.8 % by volume for year ended September 2011\*  
No. 2
    - 53.6 % Kerala market share by value and 52.0 % by volume for year ended September 2011\* - No 1

# Liquid Blue Category

\*Source: A.C. Nielsen



# Company Overview (Cont'd.)



## ■ Extensive Distribution Network

- Available in ~ 2.9 mn outlets in India as of March 31, 2011 (Source: A.C. Nielson)
- Sales staff of over 1,800 people servicing approx. 3,500 distributors
- Field staff have a direct reach of ~ 1 million outlets
- Strong presence in both rural and urban markets

## ■ Manufacturing

- 28 manufacturing facilities in 16 locations across India – some of these are tax efficient units

Offering Value-for-Money Products to the Common Man



# Financial Summary 2011-12



# Profit & Loss Account



Particulars (Rs. in lacs)	3 months ended 31, Sept 2011	3 months ended 31, Sept 2010	6 months ended 31, Sept 2011	6 months ended 31, Sept 2010	12 months ended 31, March 2011
Net sales	15,465	14,483	27,764	29,615	59,983
Other income	1,515	527	2,739	927	2,760
<b>Total Income</b>	<b>16,979</b>	<b>15,010</b>	<b>30,503</b>	<b>30,542</b>	<b>62,744</b>
Cost of Goods Sold	(8,982)	(7,541)	(15,334)	(14,727)	(31,147)
Employee Cost	(2,074)	(1,785)	(4,042)	(3,780)	(7,479)
Advertisement & Promo Exp.	(1,687)	(1,722)	(2,611)	(2,682)	(5,378)
Other Expenses	(1,983)	(1,874)	(3,965)	(3,718)	(8,074)
<b>EBITDA</b>	<b>2,253</b>	<b>2,087</b>	<b>4,551</b>	<b>5,634</b>	<b>10,666</b>
Depreciation	(360)	(297)	(739)	(601)	(1,079)
Interest and Finance Charges	(199)	(2)	(376)	(3)	(30)
<b>Profit before and tax</b>	<b>1,694</b>	<b>1,788</b>	<b>3,436</b>	<b>5,030</b>	<b>9,557</b>
Tax	(445)	(251)	(785)	(933)	(1,530)
<b>Profit after tax</b>	<b>1,249</b>	<b>1,537</b>	<b>2,651</b>	<b>4,097</b>	<b>8,027</b>
<b>EPS</b>	<b>1.55</b>	<b>2.01</b>	<b>3.29</b>	<b>5.50</b>	<b>10.35</b>



# EBIDTA Analysis



Rs. In lakhs

Particulars	Q2	
	Amount	%
Increase in Raw Material	453	2.93%
Increase in Traded Material	238	1.54%
Employee cost	168	1.09%
Change in Product Mix	52	0.34%
<b>Total</b>	<b>911</b>	<b>5.89%</b>

## Steps taken to improve EBITDA

- Increased in retail price of all the brands by 7 % effective september 2011.
- Savings from change in distribution system expected by 3 to 4%
- Increase Employee cost to justify on annual sales



# Highlights



- Reduced pipeline inventory from Rs.70 cr to Rs.20 cr
- Investment in working capital reduced from Rs.160 cr on March 31 to Rs.89 cr
- Debtors from Rs.103 cr. as on March 31, 2011 to Rs.42 cr.
- 120 days turnaround plan (Phase 1) for Henkel is complete (June to September 2011)
- Ujala was ranked 3<sup>rd</sup> by Brand Equity in fabric care category with Surf and Rin being No.1 and No. 2, while Tide and Ariel secured No.4 and No. 5 respectively





# Category-wise performance





## Category-wise Revenue Mix for 6 M FY2012



# Combined Entity Will Have Market Leading Brands In Multiple Categories



Combined Sales for Analysis  
6 Month Ended September 2011  
Total Rs. 50822 lacs)

**Fabric Care**  
47% (Rs. 23836 lacs)



**Mosquito Repellent**  
11% (Rs. 5757 lacs)



**Dishwashing Products**  
21% (Rs. 10895)



**Personal Care & Others**  
21% (Rs. 10334)

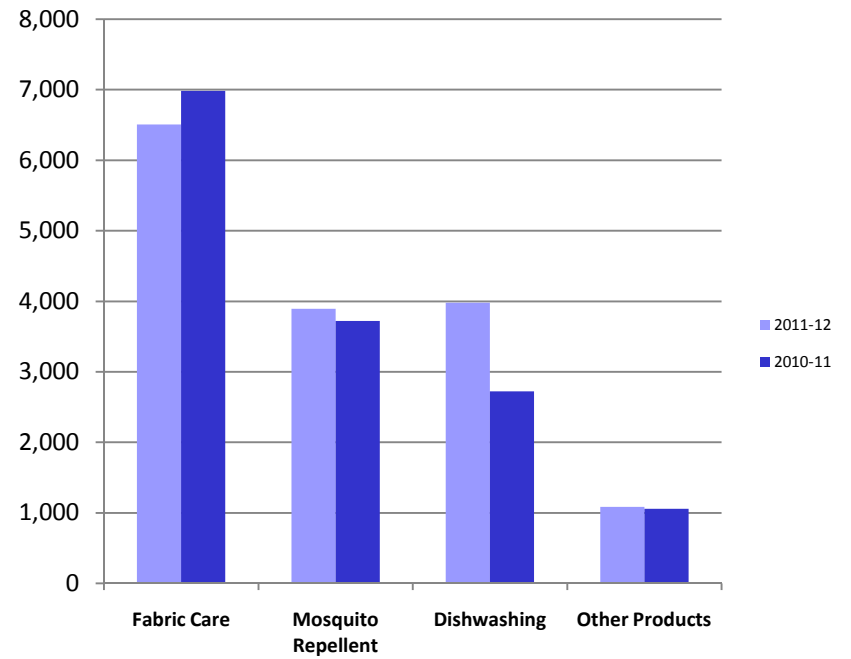


# Financial Snapshot - Sales



## Category-wise Net Sales

Category	3 Months ended September		
	2011-12	2010-11	Growth %
Fabric Care	6,509	6,985	-7%
Mosquito Repellent	3,895	3,719	5%
Dishwashing	3,979	2,721	46%
Other Products	1,082	1,057	2%
	<b>15,465</b>	<b>14,483</b>	<b>7%</b>



# Receivables



Steps taken to reduce debtors from 103 crores as on March 31, 2011 to 42.67 crores as on September 30, 2011 – to align with credit policy of Henkel India (Post merger)

Date	Amount (Rs. In lakhs)
September 30, 2011	4,267
June 30, 2011	4,803
March 31, 2011	10,350
December 31, 2010	9,888

Collection of Rs. 61 crores



# Receivables Scenario



Amount (Rs. In lakhs)

Area	September 30, 2011	June 30, 2011	March 31, 2011	Decemeber 31, 2010
CSA	2,128	2,552	8,300	7,147
Non CSA	2,139	2,251	2,050	2,741
<b>Total</b>	<b>4,267</b>	<b>4,803</b>	<b>10,350</b>	<b>9,888</b>

Note:-

1. Normal credit for non CSA area 21 days mainly due to Institutional supplies
2. Reduction of Rs. 61 crores in CSA area resulting in direct impact on primary sales
3. Secondary sales from Distributors and market share remain intact



# Fabric Care: UJALA



## Largest Brand in Fabric Whitener



### Brand Facts

- ❑ Launched in 1983 – A 27-year old Brand
- ❑ Largest brand in the fabric whiteners segment

### Positioning

- ❑ Positioned as a *liquid* fabric whitener that do not cause the clothes to “blue” or appear patchy

### Market Share

- ❑ #1 in Product Category: 73.5% all-India market share by value for September, 2011\*
- ❑ Kerala – 99.99% by value for March 2010\*

### Brand Extension

- ❑ Washing Powder – Launched in 2003 in Kerala & extended to other southern states in January 2009.
- ❑ Ujala Stiff and Shine – Launched in Kerala in 2005 and nationally in March 2008

### Brand Endorsement

- ❑ SACHIN TENDULKAR – Brand Ambassador for 30 months till March, 2012

### Going Forward

- ❑ Detergent – Rollout in other states underway
- ❑ Looking for Brand Extensions

\* Source: A.C. Nielsen



# Mosquito Repellent: MAXO



## Largest Player in Rural Market



### Brand Facts

- One of the leading brands in the mosquito repellent segment; launched in 2000

### Positioning

- Positioned as a mosquito repellent offering “corner to corner” protection

### Market Share Position

- 30.5% Rural India market share by volume for September, 2011\*- No. 1
- 24.0 % all-India market share by volume for September 2011\* - No. 2

### Brand Extension

- Liquids /Aerosols
- DEPA products for outdoor application

### Going Forward

- Launching advanced version of liquid in Q3

\*Source: A.C. Nielsen





# Dishwashing Products: EXO



\*Source: A.C. Nielsen

## Brand Facts

- ❑ **Exo Dishwash Bar** - India's first anti-bacterial dish wash launched in 2000
  - Features Cyclozan, which gives a protective cover against bacterial contamination of utensils

## Positioning

- ❑ Positioned as a brand giving consumers protection against bacterial contamination of utensils in addition to the promise of “clean and shiny” utensils – EXO Family HEALTHY Family.

## Market Share

- ❑ 27.2 % market share by value in Southern India for September 2011\* - No. 2
- ❑ 53.6 % Kerala market share by value for September 2011\* – No 1

## Brand Extension

- ❑ Dishwashing liquid - **Exo Liquid /Exo Gel**
- ❑ Dishwashing scrubber - **Exo Safai**

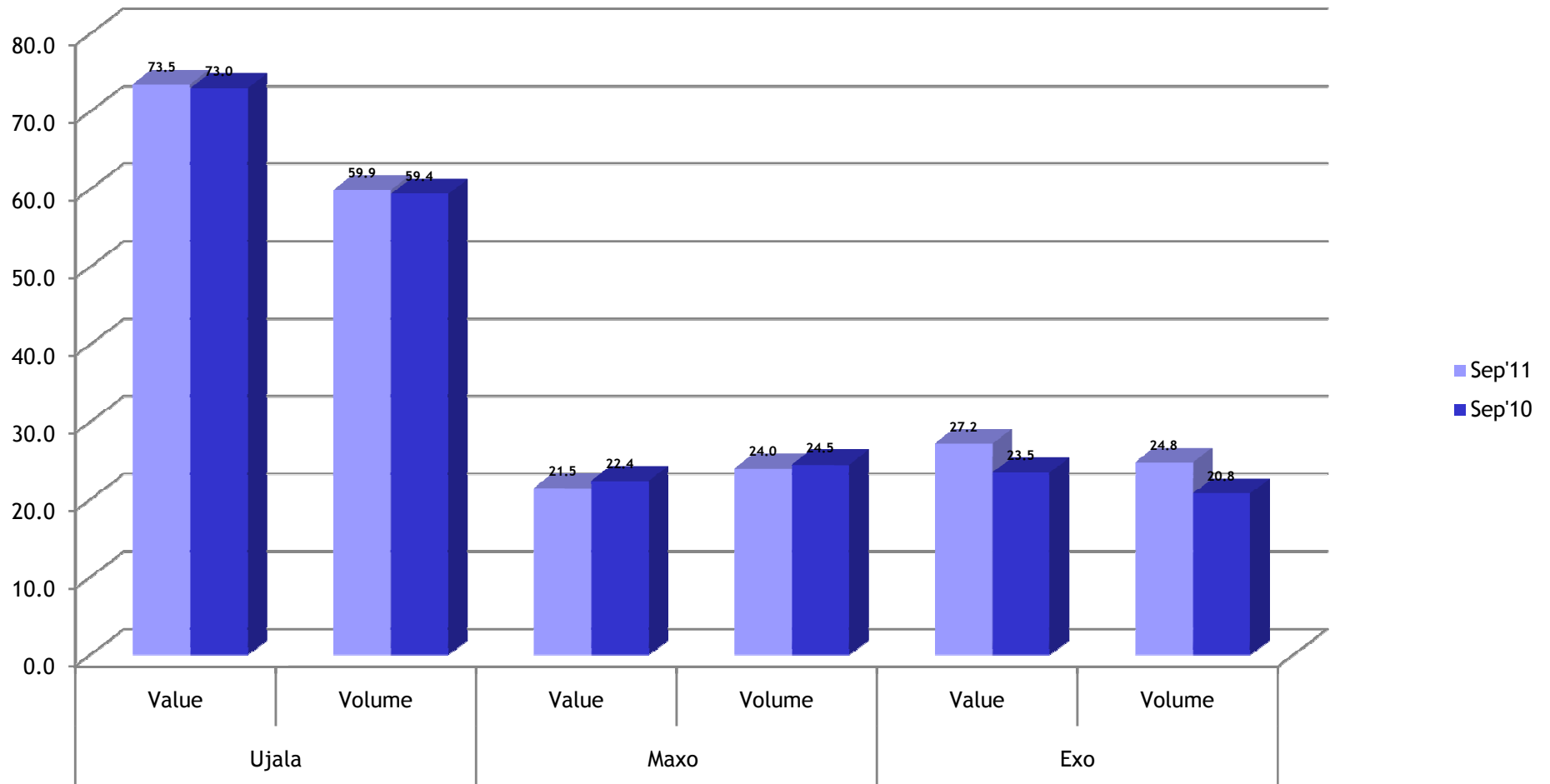
## Going Forward

- ❑ National roll out started in phased manner
- ❑ **Presently available in 0.6 mn retail outlets**

<sup>1</sup> Southern states include T.N., Karnataka, Kerala and A.P.



# Market Shares at a Glance



# Recent Development



# Henkel Acquisition



- Acquired controlling stake in Henkel India Limited
- Board re-constituted on May 31, 2011



Brands very well known amongst consumers and retailers due to superior product quality



# Henkel Acquisition



INR Rs. Cr

Seller	% of shares	Value
TPL	16.66	67.9
Henkel AG	50.97	143.0
Open Market	3.97	18.9
Open offer	12.05	57.8
Other Transaction Cost		27.88
Preference Capital		42.6
Loan Repayment		425.0
Total	83.65	783.0



Open offer closed on August 22, 2011



# Henkel Turnaround Plan – 120 days (Phase 1)



## June to September 2011 - Executed

- ❑ Shifted the corporate office with 30 employees from Finance/Operations/Marketing to Mumbai w.e.f October 2011
- ❑ Employees as on March 31, 2011 was 421 and as on September 30, 2011 - 275



# Henkel Turnaround - 120 days (Phase 1) - Contd



- ❑ Production – taken control keeping only key important manufacturing location
- ❑ All other outsourcing arrangements shifted to JLL manufacturing facilities
- ❑ Purchase/Supply chain shifted to Mumbai w.e.f August 2011
- ❑ Marketing – New Campaign to start from January 2012



# Henkel Turnaround - 180 days (Phase 2)



## October 2011 to March 2012

- ❑ Management team to be in place
- ❑ Takeover of sales of weaker zone i.e., North and West
- ❑ Synergize distribution network of JLL and Henkel
- ❑ Revisit positioning and pricing of Henkel products
- ❑ Merger to commence from 1<sup>st</sup> April, 2012





# Henkel Turnaround Status



Rs. In lakhs

Period	Net Sales	EBITDA %
Jan-Dec'10 (12 months)	53,390	-3.2 %
Jan-Mar'11 ( 3 months)	11,921	-6.4 %
Apr-Jun'11 ( 3 months)	12,311	8.8 %
Jul – Sept'11 (3 months estimate)	10,746	10.6 %



# Our Turnaround Plan For The Business



## Operational Measures

### Clean up (6-12 months)

- Change top management – retain select middle managers handling brands and distribution
- Remove all sales promotions and offers
- Increase retail prices across products appropriate to their positioning
- Remove current advertising agencies

### Revitalize (12-24 months)

- Recruit a fresh field force of 200 sales persons
- Appoint a Special Task Force at Key positions including CEO, Marketing head and Supply Chain
- Transfer a few best-in-class sales heads from Jyothy to drive transformation
- Focus on South & East based stockists / distributors in the first phase and increase their productivity based incentives
- Transfer all manufacturing to single low-cost contract manufacturer / Jyothy's tax free facilities
- Re-launch brands with new creative and positioning in a phased manner

## Expected Financial Impact

	Dec-10	6-12 months	Year 1	Year 2	Year 3	Year 4
<b>Revenue</b>	5,339		5,000	7,000	10,000	12,000
<i>growth (%)</i>	-10%			40%	43%	20%
<b>Gross Profit</b>	2,406		1,500	2,100	3,000	3,600
<i>margin (%)</i>	45%		30%	30%	30%	30%
<b>A&amp;P Spend</b>		Clean up phase; c.15-20% revenue degrowth possible	(800)	(980)	(1,200)	(1,200)
			16.0%	14.0%	12.0%	10.0%
<b>Salaries</b>			(230)	(265)	(304)	(350)
Sales force			(180)	(207)	(238)	(274)
Management			(50)	(58)	(66)	(76)
<b>Overheads</b>			(30)	(33)	(36)	(40)
<b>EBITDA</b>	(169)		440	823	1,460	2,010
<i>margin (%)</i>	-3.2%		8.8%	11.8%	14.6%	16.8%





- ❑ Looks very positive post Henkel acquisition
- ❑ Bangladesh to start operations from April 2012 and Sri Lanka from July 2012
- ❑ Already setup JV in Bangladesh with Kallol Enterprise Limited for setting up state of art manufacturing facility and marketing of detergent powder and toilet soaps
- ❑ Shifting best in class sales staff from West Bengal to Bangladesh and from Kerala and Tamil Nadu to Sri Lanka for 6 months to build the sales in the respective countries











Jyothy Fabricare Services Ltd.

# Jyothy Fabricare Services Limited



- JFSL is now country’s biggest laundry chain
- Current Operation in Bangalore, Delhi, Mumbai, Pune and Chennai
- Hyderabad will be operational by March 31, 2012
- IL & FS has invested Rs.50 cr and balance Rs. 50 cr will come post setting up of Chennai and Hyderabad plants
- IL&FS is making an investment of 100 crs for 25% equity at an Enterprise Valuation of Rs. 400 cr
- Bagged Western Railways – BOOT contract for 10 years (Contract Value – 65 crores)



Service Brand	Location	Retail Outlets
 <p>The Art of Fabric Care. Perfected</p>	Bangalore	10
	Mumbai	1
	Chennai	1
 <p>ಸಣ್ಣವೇಸೆ SNOWAYS LAUNDERS &amp; DRY CLEANERS</p>	Bangalore	25
 <p>Wardrobe DRY CLEANING EXPERTS</p>	Delhi	58
 <p>EXPERT DRY CLEANERS</p>	Bangalore	3
 <p>AKASH DRY CLEANERS</p>	Mumbai	4
 <p>DHULAI LAUNDRY &amp; DRY CLEANING PROFESSIONALS</p>	Pune	2
	<b>Total</b>	<b>104</b>



# JFSL – Turnover



Rs. In lakhs

Location	Turnover			
	Year Ended March 31, 2011	Actual 6 Month ended Sept 11	Projected 6 Month Oct to March 12	Total for 2011-12
Bangalore	941	818	1,414	2,232
Mumbai	-	438	1,217	1,655



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