

‘imagine!’

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‘imagine!’
is no glib line.

It is our one-word business driver.

These are the number of things that this commitment to
‘Imagine!’ has helped create in our 24-year history.



The result is that Jyothy Laboratories is one of the fastest growing FMCG companies in the second most populous country in the world.

Reputed for its ability to research, manufacture, market and brand an array of daily household and personal-care products.

Ujala

Flagship Jyothy brand. Popular fabric whitener in India's liquid fabric care segment.

Detergent soap in India's washing powder segment.



Jeeva

Skin-nourishing herbal toilet soap made from pure coconut milk, kasturi, jasmine and milk cream.



Exo

Fast-selling dish washing soap and scrubber in India's surface cleaning segment.



Maxo

Front-running mosquito repellent and insecticide in India's household insecticide segment.



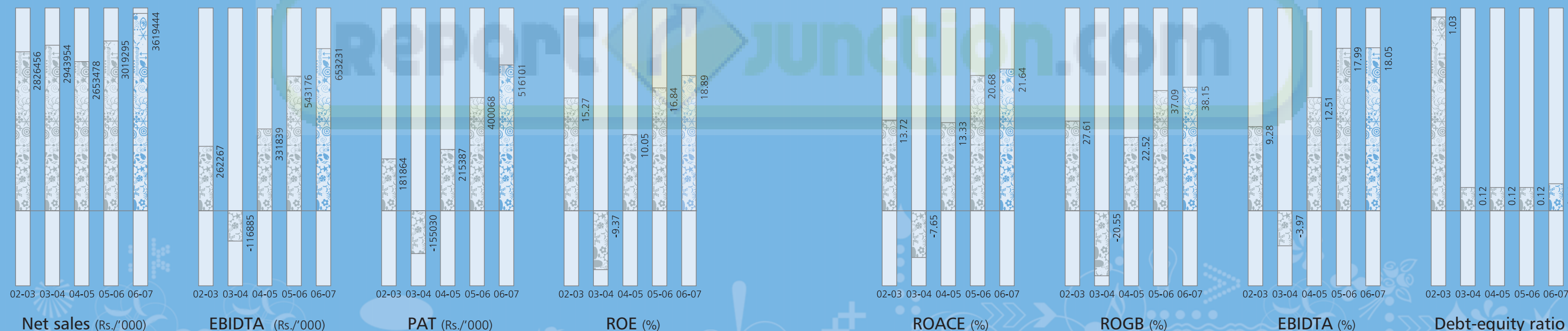
Maya

Incense stick brand.



‘imagine!’ is not about building castles in the air. It is about putting numbers on the ground.

- 19.27% increase in total income from Rs. 3,140.43 mn in 2005-06 to Rs. 3,745.69 mn.
- 20.26% increase in EBITDA from Rs. 543.18 mn in 2005-06 to Rs. 653.23 mn.
- 16.32% growth in net worth from Rs. 2,525.41 mn in 2005-06 to Rs. 2,937.69 mn.
- 29.00% rise in post-tax profit from Rs. 400.07 mn in 2005-06 to Rs. 516.10 mn.
- 26.25% increase in cash profit from Rs. 541.74 mn in 2005-06 to Rs. 651.45 mn.





Managing Director’s overview

“The Rs. 6690.34 cr fabric care segment of the FMCG pie is poised to clock a 8% growth by 2010, touching Rs. 7211.2 cr.”

M.P. Ramachandran, *Chairman and Managing Director*, Jyothy Laboratories Limited, reviews the Company’s performance in FY’07.

A SAYING IN ENGLISH IS ‘AS SURE AS DEATH AND TAXES.’ I WOULD ADD A THIRD PARAMETER – COMPETITION.

And it is in view of this reality that I was pleased with our performance in 2006-07. Even as competition increased during the year under review, even as counterfeit products proliferated, even as raw material costs spiralled, even as markets became increasingly complex, even as brand clutter increased, we reported a higher topline and bottomline, the highest in our existence.

We didn’t just outdo ourselves; we outperformed the Indian FMCG

industry growth of 12% in 2006-07, emphasising our industry competitiveness.

Industry and economy

I must concede that Jyothy leveraged a favourable industry environment.

Foundation for optimism

At Jyothy, we see ourselves perched at the bottom-end of a long ‘J’ curve for the following reasons:

■ **Urban demand:** We feel that a 8-9% annual growth will continue to drive FMCG growth, especially in value terms.

■ **Rural demand:** Around 12% of the global population lives in Indian villages where per-capita consumption is low. We believe that we have reached the tipping point with the annual demand rising at 4%.

■ **Natural world:** We see an increasing preference for natural and ayurvedic products as a counter to synthetic products.

■ **Sophisticated products:** We see a greater propensity to experiment and hence, foresee the off-take of a growing proportion of new-generation, value-added products.

■ **Infrastructure development:** We feel that the planned development of roads, ports, railways and airports will enhance incomes and accelerate FMCG growth.

■ **Low manufacturing base:** We feel that India’s low-cost manufacturing base will enable it to address the growing FMCG demand in Bangladesh, Sri Lanka, the Middle East, Pakistan and other neighbouring countries.

■ **Brand consciousness:** We perceive an increase in brand consciousness as consumers gradually move away from loose and unbranded alternatives.

■ **Favourable tax structure:** We feel that the introduction of VAT in 2006-07 will reduce longstanding tax ambiguities, benefiting companies in

tax-exemption zones. The fringe benefit tax rationalisation on brand ambassadors and celebrity endorsement expenditure as well as tours and travels will also strengthen the FMCG sector.

■ **Modern retail formats:** We see modern retail stores accelerate FMCG off-take.

Our initiatives

Jyothy stands to capitalise on these industry opportunities through the following initiatives:

■ **Capacity expansion:** We expanded our production capacity by 27.80% in detergent and soaps segment and 108.33% in home-care segment in 2006-07.

■ **Product launches:** We re-launched

Jeeva, migrating from the ayurveda product base to natural ingredients such as coconut milk, kasturi, cream milk and jasmine oil; we launched Maxo liquid and aerosols.

■ **Collaborations:** We entered into a joint venture with CCL Products (India) Limited and Ekta Kapoor for marketing and distribution of coffee and spiritual incense sticks.

By widening our revenue spread and climbing the value-chain, we expect to enhance value for our shareholders in a more emphatic way over the foreseeable future.

MP Ramachandran
Chairman and Managing Director

‘imagine!’
generates respect



Visibility = market share = goodwill

Jyothy Laboratories is one of the most respected FMCG companies in India today.

- Ujala enjoyed a 68.9% market share (by value) in the organised FMCG segment for the year ended June 2007 (*source: A.C. Nielsen*). Ujala was bought by 75.4 million households in 2006-07, which was 37% of India's surveyed household population (*source: Marketpulse-IMRB's Household Purchase Panel*).
- Ujala featured among India's 50 most trusted brands. It ranked eighth in the home and fabric care segment and 19th among Class II cities in the Brand Equity Survey (The Economic Times, May 30, 2007 and June 6, 2007).
- Maxo, its mosquito repellent coil brand, achieved a 19.7% share of the domestic market (by value) in 2006-07.
- Exo, its dishwashing bar brand, achieved a 15.5% market share in southern India (by value) in 2006-07 (*source: AC Nielsen*).

‘imagine!’
inspires positioning



Everyday products = middle-class consumer = rapid offtake

Jyothy's brands enjoy middle-class appeal in a country with the largest middle-class in the world.

- Brands integrated into the lives of the rural and semi-urban Indian where an increase in incomes is driving their offtake.
- Maxo (mosquito repellent coils) is popular in areas with erratic electricity supply; it is the market leader in Indian villages. (source: A.C. Nielsen)

Result: Jyothy's growth was derived from rural and semi-urban India in 2006-07, where its brands commanded superior market shares and status.

‘imagine!’ delivers convenience

Distribution = market penetration = turnover growth

Jyothy's products are available where consumers can easily find them.

- A presence right down to villages with a population of at least 10,000 and around a million retail outlets.
- A manufacturing presence across 14 locations in India to cater to moving products from concept to shopfloor to shelf to consumers in the shortest time.
- A recruitment of workers and executives from the locality, enhancing familiarity with local language and customs.
- An arrangement with CCL Products (India) Limited to market and distribute the latter's coffee through the Company's distribution network and formation of a joint venture company (Continental Speciale (India) Private Limited).
- An arrangement with Ekta Kapoor and Shobha Kapoor through a joint venture company, Balaji Telebrands Limited to market and distribute Ekta's Karyasiddhi Graha Shanti Dhoops (incense sticks) to customers with astrological interests.
- An arrangement with Godrej Tea Limited to distribute the Godrej Tea brand across the country.

Result: a 18.50% growth in gross turnover in 2006-07, outperforming the industry average; 3% of income derived from the marketing of non-Jyothy brands in 2006-07.



‘imagine!’ encourages retention

Corporate progress = personal growth = manpower retention

Jyothy provides a challenging workplace environment for its people, reconciling personal and professional growth.

- A strong workforce comprising 3,400 employees marked almost 100% retention in 2006-07.
- A 140-member senior management team has been with the Company for over five years.
- Many of the senior management team has been promoted from within.
- Most of the management cadre comprised members with professional degrees.
- Professional, merit-respecting workplace, sound governance, effective controls and fair labour practices encouraged people retention.

Result: employee retention was almost 100% in 2006-07; turnover per person (field staff) was Rs. 3468292 in 2006-07.

‘imagine!’ inspires continuous improvement

Superior R&D = innovative products = greater offtake

Jyothy has invested in a 104-member R&D facility to strengthen a culture where innovation is respected and pursued.

- Brand extensions of its existing major brands such as Ujala Stiff & Shine, Ujala Detergent, Maxo liquid and Maxo aerosol, Exo dish-wash liquid.
- Reduction in the weight of the Ujala bottle leading to a 4-gram reduction in weight and a huge savings in raw material cost.
- Many new innovative products in the pipeline.

Result: 7.49% of the Company's turnover in 2006-07 was derived from brands not more than three years old.