

*Jyothy*

LABORATORIES LIMITED

Annual Report 2007-08

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25 years of  
household magic



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The Company assumes no responsibility in respect of forward-looking statements made herein which may undergo changes in future on the basis of subsequent developments, information or events.



Corporate identity	Chairman and Managing Director's overview	Our business philosophy and strengths	
Our vision	Key performance, 2007-08	Milestones across 25 years	Brand review
Management discussion and analysis	Performance analysis	Finance review	Notice
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25 years.

Just two-and-a-half decades for some.

A quarter of a century for many.  
A lifetime for us at Jyothy Laboratories.

Of delighting consumers.

Enriching employees.

Supporting communities.



## Profile

- Founded in 1983
- Engaged across the complete FMCG product cycle -- management: research, manufacture, marketing and branding
- Marketing a range of daily household and personal care products.
- Headquartered in Mumbai with a nationwide office network

## Product segments

- Fabric care
- Mosquito repellent and household insecticides
- Air care (incense sticks/aroma sticks)
- Surface cleaning preparations
- Personal care products

## Prominent brands

- Ujala (flagship): Liquid fabric whitener
- Maxo: Mosquito repellent
- Exo: Dish washing soap and dish washing scrubber
- Ujala Stiff & Shine: Fabric enhancer
- Jeeva: Personal care toilet soap
- Maya: Incense sticks
- Ujala Detergent: Detergent washing powder

## Plants

- 21 manufacturing facilities across 14 locations -- Trichur, Wynad, Roorkee, Pondicherry, Chennai, Hyderabad, Bhubaneswar, Bankura, Guwahati, Baddi, Silvassa, Salem, Jammu and Pithampur -- proximate to consumer locations
- Most plants are ISO 9001 and ISO 1400-certified

## People

- 40 depots to service customer requirements
- Network of more than 2,500 distributors
- Motivated team of more than 1,500 marketing and sales members
- Employee strength of over 3,500

## Presence

- Pan-India presence across large population clusters
- Products accessible across more than 750,000 Indian households
- Exports to 14 countries including Sri Lanka, Bangladesh, Mauritius, Malaysia, UAE, Hong Kong and Saudi Arabia.

## What have we truly achieved over 25 years?

This is our answer: a consumer buys vegetables to eat, clothes to wear and Jyothy products for hygiene and personal care.

Out of habit. Out of respect. Out of convenience.

So Jyothy products are not just products. They are a part of people's lives.

The result is that Jyothy Laboratories is among the fast growing FMCG companies in India today.



Simple everyday needs of people. These five words have represented the rationale of our existence. The result is that after one wakes up, there is a Jeeva soap to refresh with. When one turns to prayer, there is a Maya incense stick to deepen the reverence. When one turns to wash clothes, there is a Ujala liquid fabric whitener and Ujala Detergent washing powder to relieve the drudgery. After one has lunched or dined, there is an Exo dish washing soap and dish washing scrubber to clean up the mess. And when one has switched off for the day, one can always trust a Maxo mosquito repellent to protect through the night.

Jyothy refreshes.

Jyothy cleans.

Jyothy whitens.

Jyothy elevates.

Jyothy protects.



Chairman and Managing Director's overview

"At Jyothy, our principal contribution has been an entry into niche spaces occupied by the unorganised sector, introducing the discipline of the organised sector around the costs of the former, enhancing the consumer experience, widening the market and accounting for its significant share."

Mr. M P Ramachandran, *Chairman and Managing Director*,  
Jyothy Laboratories Limited, reviews the Company's  
performance in 2007-08





It is an opportune time to present this report to you for two reasons – this is the first report of our Company after having completed its IPO in 2007-08 and the completion of 25 years in business. This makes it relevant for me to highlight what Jyothy Laboratories has achieved and look forward to what it is yet to accomplish.

At Jyothy, our principal achievement has been an entry into niche spaces occupied by the unorganised sector, introducing the discipline of the organised sector around the costs of the former, enhancing the consumer experience, widening the market and accounting for its significant share. For instance, our EBIDTA to net sales over the last three years strengthened by 636 basis points to more than 18% in 2008.

Going ahead, we don't see a satiation in the areas of our presence but a widening opportunity for a number of reasons: consumers demand better quality, consumers are open to experimentation, consumers enjoy widening choice, consumers are upgrading their lifestyles to make the complementary use of our products a consistent reality while FMCG offtake at only 4-5% of India's household expenditure holds out a significant growth opportunity.

At Jyothy Laboratories, we are attractively positioned to address the widening opportunity for a number of reasons: our brands are trusted, they enjoy significant shares in the segments of their presence, they continue to emphasise the 'value-for-money' proposition and they address the everyday needs of people everywhere. It is our conviction that the

chemistry of these factors will lead to sustainable revenues and surpluses across the coming years.

#### 2007-08 review

This value proposition manifested during the year under review as well. Our sales increased 7% and our profit before tax increased 17%. This improvement at a time, when inflation began to assert, was a result of the following initiatives:

**New categories:** We were traditionally a single-product - Ujala Supreme liquid fabric whitener - company until 2000. We diversified into other everyday-use products - Ujala Stiff & Shine in fabric care segment, Exo in surface cleaning, Maxo in mosquito repellents, Jeeva in personal care and Maya in incense sticks – that accounted for a significant 61% of our revenues in 2007-08.

**Brand leverage:** We entered new and synergic categories like fabric detergent and fabric stiffener through a prudent leverage of the Ujala flagship brand, resulting in a quicker ownership of the market than the industry average.

**Inorganic initiatives:** We reinforced our longstanding organic approach through the inorganic acquisition of laundry care and after-wash brands (More Light and Ruby), which enabled us to address different products within a product category for diverse consumer segments around different price-points, resulting in a more clarified brand appeal.

**Manufacturing investments:** We continued to invest in manufacturing facilities either proximate to markets of

## Our strategy

- Leverage our dominant Ujala brand with other branded fabric care products
  - Increase Maxo's market share and presence
  - Utilise our wide distribution network and marketing expertise
  - Improve efficiencies and manage our costs
  - Increase focus on supermarket and hypermarket sales
  - Pursue selective acquisitions
- 

consumption or in fiscally-friendly locations. The result is that we possess a manufacturing footprint of 21 manufacturing facilities across pan-India locations, eight in zones with income tax, excise duty and sales tax relief. In an attempt to increase the in-house manufacturing of Maxo coils (contributing approximately 34% of JLL's revenue in 2007-08), we invested Rs. 1118 lacs in a Jammu plant in 2007-08, which will translate into full excise and IT relief from 2008-09 onwards. Following the commissioning of this plant, we expect to manufacture almost 70% of Maxo coils in-house, resulting in attractive savings.

**Outsourcing flexibility:** We outsourced almost 70% of Maxo's production to third-party manufacturers, which enabled us to conserve capex, accelerate our market access and enhance volumes at a short notice – and all this without compromising quality.

## Going forward

At Jyothy, we have identified a number of initiatives to accelerate our momentum:

- Leverage our dominant Ujala brand

- Make prudent Maxo brand extensions and launch new formats.

Increase our presence in supermarkets and hypermarkets, capitalising on superior merchandising, visibility and cost saving opportunities.

Acquire brands that strengthen our portfolio or market share.

Rationalise the chain from material sourcing to product supply, to improve efficiency and manage costs.

- Enter into business-enhancing alliances that enable us to leverage our distribution network more effectively

We are optimistic that as the market widens for our products in India, we will carve out a disproportionately larger share, accelerating our growth and enhancing wealth in the hands of those who own shares in our Company.

**M P Ramachandran**  
Chairman and Managing Director