Management Discussion & Analysis

JYOTHY LABORATORIES LIMITED STARTED OFF AS A CONSUMER PRODUCT COMPANY WITH OPERATIONS CONCENTRATED IN THE SOUTH INDIAN MARKET. OVER THE YEARS, THE COMPANY HAS EVOLVED AND TRANSITIONED FROM A REGIONAL BRAND TO A NATIONAL BRAND.

7.3%
Growth rate in 2015

7.6%
Growth rate in 2016

ECONOMIC SCENARIO

GLOBAL ECONOMY

The global economy grew 3.1% in 2015 compared to 3.5% in 2014 as slowdown in investments, weakening commodity prices, decreasing capital flows to emerging economies and geopolitical pressures continued to stifle recovery. Despite a fall in growth rate from 4.6% in 2014 to 4.0% in 2015, the emerging nations continued to contribute a majority share in the global growth. A tough macro-economic scenario weakened China's growth from 7.3% in 2014 to 6.9% in 2015. The Indian economy continued to perform strongly as it grew from 7.3% in 2015 to 7.6% in 2016. Brazil and Russia continued to show signs of distress with a negative growth of -3.8% and -3.7% respectively. Advanced economies grew moderately at 1.9% as unfavourable demographics, after-effects of the global financial crisis and low productivity continued to impact growth. However, the Eurozone showed signs of recovery as it grew 1.6% in 2015 compared to 0.9% in 2014.

Global stresses related to macro-economic problems in various parts of the world, falling growth rate in advanced countries, asset market volatility and other non-economic factors could continue to hinder global economic activity, as growth is expected to be around 3.2% in 2016 and then pick up momentum to 3.5% in 2017. (Source: World Economic Outlook, International Monetary Fund)

INDIAN ECONOMY

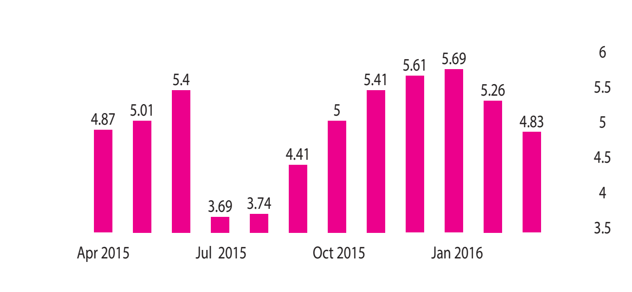
The real GDP in India grew by 7.6% in 2015-16 (from 7.3% in 2014-15), largely driven by growth in private consumption due to low oil prices and higher real income. The agriculture sector witnessed a growth of 1.1% despite poor rainfall. The services sector continued to grow strongly despite a fall in growth rate from 8.8% in 2014-15 to 8.4% in 2015-16. The industrial sector outperformed expectations as rising manufacturing activities led to a growth of 8.8% in 2015-16 compared to 6.5% in 2014-15. Manufacturing grew from 5.5% in 2014-15 to 9.5% in 2015-16. The country's foreign exchange reserves reached an all-time high of USD 361.30 billion as in April 2016.

The fiscal deficit decreased from 4.5% in 2014-15 to 3.99% in 2015-16 and is expected to be 3.5% in 2016-17. Factors that helped the Indian economy were the drop in oil prices; stabilisation of the rupee against the dollar after a sharp slide; and inflation coming under control. A positive atmosphere for manufacturing was created by the 'Make in India' initiative. During the period under review, the country received 424 proposals worth ₹ 48,902 crore from foreign companies (up to January 2016). These companies intended to set up units in sectors where foreign direct investment is permitted. (Source: Rajya Sabha Q&A)

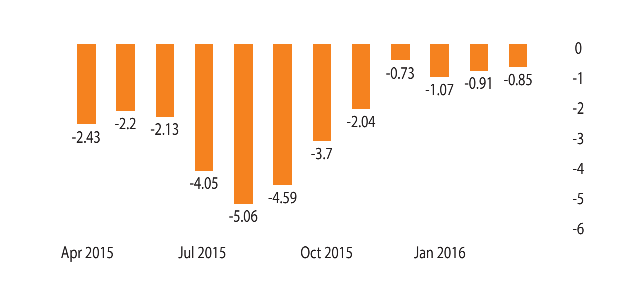
Inflation and wholesale price index: The inflation rate averaged 7.79% during 2012-16, reaching an all-time high of 11.16% in November 2013. However, tight monetary policy, supply side measure and low commodity prices have brought down inflation to desired levels. It is further expected to fall down to targeted levels of 5% in 2016-17. In India, food and beverages is the most important category in the consumer price index, with a weight of 45.86%, followed by housing (10%), transport and communication (8.6%), fuel and light (6.84%), clothing and footwear (6.5%), medical care (5.9%) and education (4.5%). Lower inflation levels are likely to boost consumer spending.

The wholesale price index continued to witness a declining trend due to moderation in raw material prices and weaker demand.

Inflation rate during 2015-16



Wholesale price index during 2015-16



The outlook for the Indian economy is strong, as rising infrastructure spending, commitment to fiscal targets, forecast of above normal rainfall and government's focus on promoting manufacturing, skills and enterprise are likely to boost growth. Real GDP growth for 2016-17 is estimated at 7.6%. (Source: RBI: Monetary Policy Report)

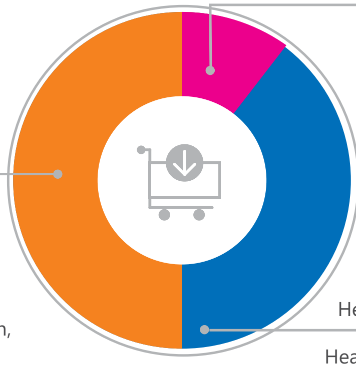
7.6%

Estimated Real GDP growth for 2016-17

INDUSTRY OVERVIEW

The FMCG market in India is the fourth largest sector in the economy and is expected to grow at a CAGR of 11.9% during 2007 to 2016. The revenue from the sector grew from USD 17.8 billion in 2007 to USD 47.3 bn in 2015 and is forecast to become worth USD 49 bn in 2016 and USD 103.7 bn by 2020. The market share of personal care products in the total FMCG market increased from less than 30% in 2000 to about 48% in 2015. The size of personal care market is estimated at USD 22.7 bn in 2015.

FMCG MARKET SEGMENT



Despite the economic recovery from the slowdown of the past decade, the Indian markets are still not entirely predictable, as the monsoon influences rural demand. However, increasing urbanisation and movement of people to cities has seen a pick-up in demand from the urban market. A good monsoon should also see a quick turnaround in rural demand. Overall, the Indian consumer market is expected to witness steady recovery in the next few years starting 2016.

A positive macro-economic scenario, growth in employment levels, expanding product distribution and significant increment in salaries and pensions upon the implementation of the Seventh Pay Commission (which is likely to put additional funds of USD 15 billion in the hands of consumers starting 2016) are expected to drive demand for consumer products. Government schemes like 'Jan Dhan Yojana' and direct transfer of subsidies, coupled with low commodity (especially oil) prices, are likely to bring significant structural changes in the economy. Growing brand awareness, ease of access and aspirational lifestyles would be the key growth drivers for the sector.

Indian consumer confidence remained the highest in the world for four successive quarters. In Q1 2016, the country's consumer confidence was the highest in about 10 years, rising to a score of 134 after three consecutive quarter scores of 131. This was much higher than the US (110 points), China (105), Germany and the UK (97) and Japan (73). The score is based on perceptions of local job prospects, personal finances, and immediate spending intentions. (Source: AC Nielsen)

The Indian consumer markets have shown changes in trend, as FMCG companies have increased focus on rural areas. The Indian rural consumer markets have immense potential, accounting for almost 70% of the country's population. Nearly 50% of the rural spending is on FMCG products. The FMCG market in India is highly fragmented and about half of it is dominated by the unorganised sector. This provides significant opportunities for branded retailers to create new consumer bases. Companies need to strengthen their distribution networks and use that effectively to reach consumers currently using unbranded and unpackaged goods. (Source: Forbes India, Indian Brand Equity Foundation).

Advantage India

Rising demand	Attractive opportunities
• Higher income level • Favourable demographics with huge youth population • Rise in spending of first time modern trade shoppers • Tier II/ III cities are witnessing faster growth in modern trade	• Low penetration levels in rural market • Rising disposable income in rural India • Growing demand for premium and customised products • Export market
Higher investments	**Policy support**
• Market players are spreading to new geographies and categories • Rising investments from venture capitalist and private equity players	• 100% and 51% FDI approval in single brand and multi brand retail respectively • Food security bill and direct transfer of subsidies • Minimum capitalisation for foreign FMCG companies

THRUST ON SUSTAINABLE GROWTH

Jyothy Laboratories Limited started off as a consumer product company with operations concentrated in the south Indian market. Over the years, the Company has evolved and transitioned from a regional brand to a national brand.

Evolution in the past 10 years

2005-06	2015-16
₹ 301.93 cr Revenues	₹ 1,644.73 cr Revenues
2.5 million Outlets	2.9 million Outlets
2,500 Distributors	1,676 Distributors

Over the years, the Company has developed a robust pan-India distribution network and undertaken substantial marketing and brand promotion activities. With this, it has created a sustainable business model that is not dependent on a particular region or product. This strategy has led to strong business growth in the non-south regions of India; growth in the non-south markets has outpaced that in the Company's primary southern market. The Company's revenue grew faster than industry across all product segment.

Today, the proportion of revenues from a single region or a single product is not more than 20% of the total revenues.

The Company increased investments in key business segments and reinforced on-ground relationships with key outlets in the top cities and town of India, leading to overall increase in throughputs. Superior products, pan-India distribution, greater penetration into rural markets, differential positioning and high brand recall enabled Jyothy Laboratories to achieve sustainable growth.

The Company intends to enhance its presence in the rural markets by identifying key districts across the country. The growth strategy in the coming years is based on enhancing shopper's delight through:

- Identifying prospective outlets in tier I towns
- Developing a clear shelf plan
- Reconfiguring systems to enhance service in the outlets
- Building strong relationships with our customers

The Company continues to drive category growth across all markets, leveraging brand core and equity. A robust innovation pipeline, targeted communication for newer users, strategic national / regional rollout of brands, and introduction of products that aid brand extension, e.g. the Pril bar and the Ujala detergent powder, are all part of the sustained growth plan.

KEY TRENDS IN THE INDIAN FMCG MARKET

- **Product innovation, customisation and premiumisation:** The FMCG companies are constantly investing in research to develop newer products that are unique, have better features and are customised to meet specific consumer needs. Buyers are willing to pay higher prices for premium products in the convenience, health and wellness space.

- **Brand preference:** Rising disposable income and customer engagement by companies have drawn consumers towards the most appealing brands.

- **Focus on rural markets:** Companies are focussing on rural markets to tap new consumers and increase the spending of existing consumers by offering wider product range.

- **Expanding distribution network:** In a bid to capture market share in existing markets as well as new markets, FMCG companies have focussed on enhancing their distribution network to enhance channel efficiency, reduce lead time and gain first-mover advantage.

- **Increased hiring in tier II/ III cities:** FMCG companies are hiring field staff across small towns to sell diverse products and enhance brand awareness.

- **E-commerce:** The e-commerce industry in India is growing at an astounding rate from USD 3.8 billion in 2009 to USD 23 bn in 2015. With huge investments from venture capitalist and private equity, the e-commerce industry is expected to grow to USD 119 bn by 2020 with the number of online shoppers increasing from 50 million in 2015 to 320 million in 2020. (Source: The Economic Times, Assocham)

150million
The number of consumers that are expected to be influenced by the digital revolution by 2020

USD 40million
The expected spending of digital consumers in 2020

320million
The expected number of online shoppers by 2020

GROWTH DRIVERS

- **Rising consumption expenditure:** The rising disposable income in the hands of consumers would lead to rise in total consumption expenses in the country, which is expected to grow at a compounded rate of 16.89% during 2014-20 and reach USD 3,600 bn. (Source: Indian Brand Equity Foundation)

- **Rural FMCG growth:** The rural FMCG market is expected to grow at a CAGR of 18.1% from USD 18.92 bn in 2015 to USD 100 bn in 2025. Moreover, the per capita disposable income in rural India is expected to grow at a CAGR of 4.4% from USD 516 in 2015 to USD 631 by 2020, enabling the rural consumers to spend more. (Source: Indian Brand Equity Foundation)

- **Rising modern retail in India:** The modern retail sector in India is expected to grow at a CAGR of 24.57% from USD 60 bn in 2015 to USD 180 bn in 2020. (Source: Indian Brand Equity Foundation)

- **Rising middle class:** The middle class population is the primary consumers for FMCG goods. The population of middle income earners in India is likely to grow at a CAGR of 10.8% to reach 267 million in 2016 from 160 million in 2011.

- **Rising income levels:** The nominal per capita income in India increased at a compounded rate of 5.43% from USD 1,430.2 in 2009-10 to USD 1,702.1 in 2014-15. It is further expected to grow at a CAGR of 7.85% during 2015-19 and reach USD 2,302.5. (Source: Indian Brand Equity Foundation)

Industry size by value

Liquid blue (₹ in lacs)

	2014	2015
Total	**53,861**	**54,315**
Urban	27,030	26,663
Rural	26,831	27,652

Detergent (₹ in lacs)

	2014	2015
Total	**13,40,723**	**14,65,397**
Urban	7,32,307	7,86,917
Rural	6,08,416	6,78,480

Dishwasher bars (₹ in lacs)

	2014	2015
Total	**1,96,783**	**2,13,427**
Urban	1,29,196	1,36,824
Rural	67,587	76,603

Dishwasher liquids (₹ in lacs)

	2014	2015
Total	**31,500**	**36,129**
Urban	29,090	32,687
Rural	2,410	3,442

Mosquito coils (₹ in lacs)

	2014	2015
Total	**1,57,512**	**1,57,263**
Urban	88,051	86,325
Rural	69,461	70,938

Mosquito liquid (₹ in lacs)

	2014	2015
Total	**1,32,367**	**1,46,909**
Urban	1,07,779	1,18,564
Rural	24,588	28,345

Mosquito card (₹ in lacs)

	2014	2015
Total	**11,519**	**30,398**
Urban	8,242	18,094
Rural	3,277	12,304

(Source: AC Nielsen Jan to Dec period)

Industry size by volume

Liquid blue (in '000' litres)

	2014	2015
Total	**29,519**	**28,533**
Urban	13,598	12,659
Rural	15,921	15,874

Detergent (in MT)

	2014	2015
Total	**21,77,059**	**23,17,293**
Urban	10,65,156	11,12,458
Rural	11,11,903	12,04,835

Dishwasher bars (in MT)

	2014	2015
Total	**2,89,637**	**3,13,616**
Urban	1,88,398	1,98,464
Rural	1,01,239	1,15,152

Dishwasher liquids (in'000' litres)

	2014	2015
Total	**18,600**	**21,332**
Urban	17,162	19,099
Rural	1,438	2,233

Mosquito coils (in millions)

	2014	2015
Total	**6,608**	**6,320**
Urban	3,596	3,368
Rural	3,012	2,952

Mosquito liquid (in millions)

	2014	2015
Total	**9,952**	**10,537**
Urban	8,081	8,478
Rural	1,871	2,059

Mosquito card (in millions)

	2014	2015
Total	**1,154**	**3,139**
Urban	826	1,855
Rural	328	1,284

(Source: AC Nielsen Jan to Dec period)

OUTLOOK

The overall consumer sentiments remain positive and the FMCG industry is expected to grow at a CAGR of 20.6% during 2016-20 and reach USD 103.7 bn. Smaller towns and cities would play a decisive role in determining the future of the industry, and the digital medium would increasingly play a key role in engaging and influencing consumers.

Increasing rural penetration, product innovation, premiumisation, customisation, growth in distribution network, attractive variations in size and design of packaging, and consumer focus on eco-friendly products are all likely to contribute to FMCG growth. Moreover, there is a huge opportunity to leverage the low-cost advantage of India and develop it into a sourcing hub for catering to international FMCG markets.

The implementation of GST is one of the most anticipated changes for industries in India. It would change market dynamics for the better, facilitating easier movement of inventories across states, enhancing operational efficiencies. Moreover, it would lead to reduction in logistical costs, making goods more affordable for the masses.

The above normal forecast for monsoon in 2016 is again a key factor governing demand for FMCG goods in rural markets, as agricultural growth would lead to higher income for farmers.

COMPANY OVERVIEW

Jyothy Laboratories Limited, founded in 1983 in Kerala, is a consumer product manufacturing company that focusses on touching people's lives through its range of world-class products. Over 33 years, through sheer hard work and focus on innovation and delivering value for money, we have become one of India's leading and most trusted companies in the FMCG industry. The Company operates in the segments of fabric care, dishwash, household insecticide, personal care, and laundry services.

In 2011, the Company acquired Henkel India with the objective of widening its product portfolio, reaching out to the premium segment of consumers.

Leadership through key brands

UJALA FABRIC WHITENER

77.6%
All-India market share by value

62.36%
All-India market share by volume

EXO BAR

10.43%
All-India market share by value

9.20%
All-India market share by volume

PRIL LIQUID

16.69%
All-India market share by value

15.40%
All-India market share by volume

MAXO COIL

18.43%
All-India market share by value

21.51%
All-India market share by volume

26.94%
Rural India market share by volume

MAXO LIQUID

6.69%
All-India market share by value

7.13%
All-India market share by volume

9%
Rural India market share by volume

HENKO

5.0%
All-India market share by value

5.6%
All-India market share by volume

Corporate strategy

POST WASH
- Extending dominance

LAUNDRY
- Establishing uniqueness
- Building for future

DISH WASH
- Leveraging brand portfolio
- Strengthening position

HOUSEHOLD INSECTICIDE
- Increasing footprint
- Winning through innovations

PERSONAL CARE
- Reinvigorating brand
- Relevant extensions

FOCUS ON INNOVATION

Jyothy Laboratories Limited puts utmost emphasis on product and process innovation. Through product innovation, we constantly focus on enhancing the quality of existing products and develop new ones that meet the expectation generated by changing lifestyles of consumers. Through process innovation, we focus on using new techniques to optimise production with the aim of reducing operational cost. This enables us to offer value for money brands and ensure customer delight.

R&D initiatives

The Company has a state-of-the-art R&D centre at Mumbai, equipped with advanced lab instruments enabling sustained experimentation and product development. The Company constantly monitors the production process, right from the raw material stage to the finished goods stage, to ensure that the highest quality standards are met. Our plants are ISO 9001 certified for manufacturing quality.

The Company also hires qualified and skilled professionals having domain expertise. Our focussed R&D approach is reflected in our unique brand characteristics, advanced formulations and diversified product offerings that are available at affordable price points. The Company has strategically devised a new product development (NPD) pipeline. This initiative has resulted in Powerbrand offerings such as Maxo Genius and Henko Matic LINTelligent.

HUMAN RESOURCES

The human capital (on-ground workforce and employee) is a key factor driving growth at Jyothy Laboratories. The Company has devised a human resource policy that ensures a conducive and productive work environment. Systems are in place to help employees enhance their skills and motivate them to work towards the goals of the Company based on fairness, openness and mutual respect. Performance-based incentives and promotions boost employee morale. The Company takes the responsibility to upgrade employee skills and assign them to suitable roles when manufacturing processes are automated.

The Company provides various insurance, medical and accident cover plans for employees and their family members. The Company also provides the facility for employees to cover their parents at very nominal rates. These plans are equal for all employees without any differentiation on the basis of pay or designation.

We intend to become a part of the government's 'Skill India' programme, which focusses on skill training for individuals to encourage entrepreneurship. Under this plan, the Company plans to provide skill training to the individuals and make them job ready. These skills would also allow those trained to become employable elsewhere other than Jyothy.

As on March 31, 2016, the Company has 1,978 sales personnel, who ensure continuous supply of products across 6,00,000 retails in India.

Building an agile and high performance culture

At Jyothy Laboratories Limited, we promote the highest levels of professional ethics, personal decorum, adherence to deadlines, compliance with standards and customer service. The following attributes are imbibed across every function of the organisation:

- **Accountability**
- **Integrity**
- **Commitment**
- **Initiative and positive attitude**

Employee engagement

The Company attains employee engagement through various initiatives that nurture talent, excellence and job skills. The employees are driven by motivation and passion to work towards the ambitious growth plans of the Company. Area sales managers hold regular training sessions to enhance field staff's skills. Employees are also provided periodic soft skill training and advanced MS-Excel training.

The Company encourages employees to work as a team, share new ideas and give feedback for improving work processes and practices. All necessary safety standards are complied with across all plants to ensure employee welfare.

Competition is a way to stimulate and encourage personal growth and help people to excel in something they enjoy as well as giving them sense of achievement and togetherness. Given this premise, this year the Company organised programmes like 'Talent ka Challenge' which was high energy, fresh, innovative cultural theme programme and 'play-sport' which include sporting events like football, cricket and indoor games to enhance employee engagement and encourage team spirit.

INFORMATION TECHNOLOGY SYSTEMS

IT platforms for business and human resources

Jyothy Laboratories Limited has invested in a superior IT infrastructure as a tool to improve work efficiency, reduce errors/ duplication, enhance business relationships, manage an extensive business network (1,660 stockists/ super stockists managed through 40 CFA locations), manage inventories better, and cut down on internal administrative delays.

The major IT initiatives undertaken by the Company during the year include:

- Invested in SAP S/4HANA, which is a next generation business suite that is built on an in-memory computing platform. The platform is designed with the modern SAP Fiori user experience; the new suite helps to drive instant business insight across business functions and roles. We plan to covers all critical business processes and have integrated functions across various business lines. This suite is expected to be operational from April 2017.
- We implemented next phase of our 'Connect' 3P Suite, that along with providing daily reports on production and dispatch compliance, now also provides added benefits of capturing third party costing.
- Launched 'JConnect', an online employee self-service platform. This captures employees' complete profile and enables them to add information about new skills/ qualification, update personal details, and apply for and approve leaves. Employee can also download his Payslips and Form 16 from Jconnect. The platform provides a seamless and paperless workflow without any human intervention.
- Launched mobile apps for staff medical insurance and Modern Trade Merchandizers. The medical app allows staff to carry Insurance Card 24*7 for emergencies, check claim status and find cashless hospitals listed under their insurance policy. The Merchandizer app allows the Company to digitally track products on shelves and their display arrangement at various Modern trade outlets.
- Initiated Distribution Management System for roll out across India at all Super Distributors Point.

The existing IT infrastructure of the Company includes:

- A robust centralised ERP (enterprise resource planning) system capable of covering business functions across finance, inventory management/ procurement, transportation/ logistics and HR & payroll. The system can be connected easily from anywhere. The Company has also deployed MS Business Intelligence Layer, which provides a wide range of data analysis facilities.
- Connected 'Disha' suite to the main ERP for supply chain automation by providing demand forecasting, dispatch/ production and material planning functions. This has automated most of the supply chain planning and processes through auto-generated reports. The Company keeps adding new features to this suite, such as trade-claim process and discount module, to further enhance supply chain automation.
- 'Lakshya', a secondary sales system, for tracking distributor secondary sales and inventory.

Cost synergies and best-in-class practices

The IT infrastructure has enabled the Company to streamline operations, resulting in centralised processing of data and timely information sharing. Real-time data transfer, lean inventory management, automation and demand-driven supply chain means significant cost and time savings. More importantly, it helps us to address customer problems and attain greater customer satisfaction.

6,00,000

retail outlet reach in India

FINANCIAL PERFORMANCE

ACCOUNTING POLICY

The Company follows the Generally Accepted Accounting Principles (GAAP) in India. These are the accepted accounting standards of the Companies Act, 1956, and amended provisions of the same in 2013 for the preparation of the Company's financial statements. The Company uses accrual basis of accounting except in cases of assets for which provision for impairment is made.

REVIEW OF FY 2015-16 (ON CONSOLIDATED BASIS)

Net Sales registered a 9.26% growth at ₹ 1,644.73 crore, other operating income decreased to ₹ 1.83 crore. The following table indicates the segment revenue for the 12-month period from April 1, 2015 to March 31, 2016.

The profitability of the 'Soaps and Detergents' segment stood at ₹ 194.11 crore in FY 2015-16 from ₹ 147.71 crore in FY 2014-15. The profitability of the 'Home Care' segment further improved to ₹ 21.86 crore from ₹ 8.22 crore in the previous year. The laundry services division recorded a loss of ₹ 14.54 crore, compared to a loss of ₹ 13.07 crore in the previous year.

(₹ in crores)

Particulars	2015-16	2014-15
Soaps and Detergents	1,199.87	1,117.94
Home Care	387.42	332.30
Others	16.18	18.18
Laundry Services	43.06	42.05
Inter Segment Revenue	(1.80)	(5.18)
Net Sales	1,644.73	1,505.29

Note: Soaps and detergents include fabric whitener, fabric detergent, dishwash bars and beauty soaps. Home care products includes household insecticides, incense sticks and scrubbers. Others include body care. Laundry services include dry cleaning and laundry.

COST ANALYSIS

Total cost (excluding interest, ESOP Expenses and depreciation) of the Company grew 6.49% from ₹ 1,323.11 crore in 2014-15 to ₹ 1,408.97 crore in 2015-16.

(₹ in crores)

Particulars	2015-16	2014-15
Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment	234.69	172.93
Finance Cost	(6.03)	(13.77)
Depreciation, Amortisation and Impairment	(31.40)	(32.55)
Exceptional Item	-	(2.09)
Profit Before Tax	**197.26**	**124.52**
Provision for tax		
- Net Current tax including Deferred Tax	(39.31)	0.58
Short tax provision / MAT credit reversal of earlier years	-	(4.12)
Profit After Tax	**157.95**	**120.98**
Minority Share (Share in Loss)	-	0.14
Profit After Tax and Minority Share	157.95	121.12

Cost of Goods Sold

During the financial year, COGS of the Company increased 2.79% from ₹ 777.46 crore in FY 2014-15 to ₹ 799.13 crore in FY 2015-16 due to rise in operations.

Employee Cost

The Employee Cost grew 10.54% from ₹ 150.26 crore in FY 2014-15 to ₹ 166.10 crore in FY 2015-16. Employee Cost as a proportion to total cost was at 11.79% in FY 2015-16 compared to 11.36% in FY 2014-15.

Other Expenses

(Excluding Advertisement and Sales Promotion Expenses)

The Company's other expenses (comprising power and fuel, rent, legal and profession, freight outwards, communication expenses, repairs, travelling and other miscellaneous expenses) grew 12.95% from ₹ 214.42 crore in 2014-15 to ₹ 242.18 crore in 2015-16. Other Expenses as a percentage to Net Sales increased from 14.24% in FY 2014-15 to 14.72% in FY 2015-16.

Driven by an objective to generate a greater brand-pull, the Advertisement and Sales Promotion Expenses of the Company increased by 11.38% from ₹ 180.97 crore in FY 2014-15 to ₹ 201.56 crore in FY 2015-16. Further, advertisement expenditure as percentage to net sales increased to 12.25% in FY 2015-16 compared to 12.02% in FY 2014-15.

Margins

Operating EBIDTA margin of the Company grew 170 basis points from 12.7% in FY 2014-15 to 14.4% in FY 2015-16 owing to change in sales mix and decrease in raw material and packaging prices. PAT stood at ₹ 157.95 crore in FY 2015-16 as compared to ₹ 121.12 crore in FY 2014-15 on account of better operating profit and lower finance costs.

Equity

The equity share capital (issued and subscribed) of the Company consists of 18,11,19,680 equity shares of ₹ 1 each.

Reserves and Surplus

The reserves and surplus of the Company stood at ₹ 828.02 crore.

Own Funds

The net worth of the Company increased by 8.53% from ₹ 780 crore as on March 31, 2015 to ₹ 846 crore as on March 31, 2016.

Return on Net Worth of the Company for a 12-month period ending March 2016 increased to 18.7% as compared to 15.5% for the corresponding period of the previous year.

Loan Funds

The debt portfolio of the Company comprises secured, redeemable, non-convertible debentures amounting to ₹ 450.82 crore.

Net Block of the Company as on March 31, 2016 stood at ₹ 1,067.78 crore.

Net Working Capital of the Company stood at ₹ 62.5 crore as on March 31, 2016. This translates to 14 days of working capital as against 17 days in FY 2014-15.

Working Capital

(₹ in crores)

Particulars	2015-16	2014-15
Current Assets		
Inventories	182.65	185.20
Trade Receivables	94.11	57.42
Loans and Advances	25.62	31.74
Other Assets	6.57	5.04
	308.95	**279.40**
Current Liabilities		
Trade Payables	160.84	132.46
Other Current Liabilities	50.02	42.48
Provisions	35.59	33.67
	246.45	**208.61**
Net Working Capital	**62.50**	**70.79**

Sundry Creditors for the Company stood at ₹ 160.84 crore as on March 31, 2016, against ₹ 132.46 crore as on March 31, 2015

Inventory

Inventory of the Company stood at ₹ 182.65 crore as on March 31, 2016 compared to ₹ 185.2 crore as on March 31, 2015. Inventory turnover for the Company stood at 41 days for as in March 2016 as against 45 days as in March 2015.

Sundry Debtors

Sundry debtors for the Company stood at ₹ 94.11 crore for a 12-month period ending March 2016. Debtor turnover stood at 21 days for a 12-month period ending March 2016. For the corresponding period of the previous year, the same stood at 14 days.

Cash and Bank Balances

Cash and bank balances for the Company stood at ₹ 61.20 crore.

Loans and Advances

Loans and advances for the Company stood at ₹ 262.61 crore as on March 31, 2016, against ₹ 208.20 crore as on March 31, 2015.

Other Liabilities and Provisions

Other liabilities and provisions for the Company stood at ₹ 126.61 crore.

SUSTAINABILITY PRACTICES

At Jyothy Laboratories Limited, sustainability is not just about developing a profit-driven business model; it is also about the Company's commitment to give back to the community by channeling funds in a precise manner. We recognise the importance of making prosperity scalable and sustainable for our stakeholders, employees, suppliers, business partners and society at large. The most effective way of doing this is by reinforcing our business model on the one hand, and utilising the proceeds to improve the lives of people on the other. The Company's CSR initiatives unify business and social interests. We also work towards reducing our environmental footprint by procuring raw materials from sustainable sources.

During the year, the Company sent financial aid to earthquake victims in Nepal and flood victims in Chennai. In Chennai, we also undertook responsibility of distributing the Company's products.

RISK MANAGEMENT

Risk is an inherent feature of any business. We analyse the uncertainties in our business arising out of various internal and external factors and their impact on our profitability. Risk management is an integral part of our Company and involves strengthening operations through adequate planning and undertaking actions with a focus on growth and enhancing shareholder value.

- **Economic risk:** A tough macro-economic scenario results in low employment levels, high inflation and less money in consumers' hand, leading to lower demand. The current macro-economic scenario in the country is stable and positive with low inflation. Moreover, the Company has a diversified product strategy, enabling it to understand cash flow cycle of Indian consumers.

- **Compliance risk:** The Company ensures it follows all statutory and regulatory compliances, including changes in tax laws as and when needed.

- **Raw material risk:** Inability to procure raw materials in time and at a low cost would hamper production and lead to reduction in margins. The Company employs individuals having solid experience in vendor management to ensure the steady supply of raw materials for smooth operations. Our long-term business relationships with leading suppliers enable us to negotiate the lowest possible prices. Further, the Company has also entered into long-term contracts with raw material and packaging material suppliers to achieve cost savings and ensure regular supply.

- **Supply chain risk:** The Company has invested in developing advanced information technology software that is capable of demand forecasting based on historical data. This is aligned with raw material sourcing and manufacturing, leading to improved inventory management, optimum utilisation of resources for manufacturing, smooth distribution of products and improvement in the Company's working capital. The Company has also introduced a transport module for service level improvement and better control. We initiated focus on channel-wise service level to ensure minimal stock outs.

- **Competition risk:** The Company ensures manufacture of high quality products with superior performance and undertakes extensive marketing and advertising activities to create awareness and recall. The Company utilises diverse communication media for its Powerbrands.

- **Human resources risk:** The Company constantly motivates and provides training to its employees, especially the sales force, to improve performance standards and contribute towards growth.

- **Seasonal risk:** The Company has a well-diversified product portfolio that helps counter seasonal ups and downs in any one category.

INTERNAL CONTROL AND SYSTEMS

The Company has adequate internal control systems and procedures in place for effective and smooth conduct of business and to meet exigencies of operation and growth. The key business processes have been documented. The transactions are recorded and reported in conformity with generally accepted accounting practices. The internal control systems and procedures ensure reliability of financial reporting, compliance with the Company's policies and practices, governmental regulations and statutes. Internal Audit is conducted by independent firm of auditors. Internal Auditors regularly check the adequacy of the system, their observations are reviewed by the management and remedial measures, as necessary, are taken. Internal Auditors report directly to the Chairman of the Audit Committee to maintain its objectivity and independence.