



JHS Svendgaard Laboratories Limited

Registered office: Trilokpur Road, Kheri (Kala-Amb), Tehsil-Nahan, District- Sirmour, Himachal Pradesh -173030

Corporate Office: B-1/E-23, Mohan Co-operative Industrial Area, Mathura Road, New Delhi-110044

we make the
world smile

JHS Svendgaard Laboratories Limited | 6th Annual Report 2009-10

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Corporate Information

Members of the Board

Chairman:	Daljit Singh Grewal DIN 00051627
Managing Director:	Nikhil Nanda DIN 00051501
Whole-Time Director:	Gopal Krishan Nanda DIN 01490288
Independent Directors:	Vanamali Polavaram DIN 01292305
	Mukul Pathak DIN 00051534
	Guninder Bhalla DIN 01987186

Company Secretary & Compliance Officer

Anshu Kumar Chakravarty

Registered Office

Trilokpur Road, Kheri (Kala-Amb), Tehsil-Nahan,
District-Sirmour, Himachal Pradesh-173030

Corporate Office

B-1/E-23, Mohan Co-operative Industrial Area,
Mathura Road, New Delhi-110044
Ph: 011-30885601/06/40
Fax: 011-30885604

Statutory Auditors

Haribhakti & Company,
Chartered Accountants
42-43, Free Press House, 215,
Nariman Point
Mumbai 400 021
Tel 022-56308232
Fax 022-22876249

Registrar and Transfer Agent

Link Intime India Private Limited
A-40, Naraina Industrial Area,
Phase-II, Near Batra Banquet Hall,
New Delhi - 110028
Ph: 011-41410592
Fax: 011-41410591
Email: delhi@intimespectrum.com

Bankers

ICICI Bank Limited

Unit I

Sunehari Oral Care
B-1/ E-13, Mohan Cooperative Industrial Area,
Mathura Road, New Delhi-110044

Unit II

Jai Hanuman Exports
H- 3, SDF, NSEZ, Noida Phase II,
Dadri Road, Gautam Budh Nagar,
Uttar Pradesh – 201305

Unit III

JHS Svendgaard Laboratories Limited
Trilokpur Road, Kheri (Kala-Amb),
Tehsil - Nahan, District-Sirmour,
Himachal Pradesh-173030

We have aligned with market leaders to grow...

Together.

Convenience for one. Growth for the other.

National demand is rising across most FMCG product categories.

- Incomes are rising.
- Preferences are evolving.
- Lifestyles are upgrading.

India's toothbrush and toothpaste penetration is poised to correct towards the global average. Faster than before.

This correction is already happening.

National demand is rising across most FMCG product categories. Already.

With MNCs intending to increase supply of their FMCG products and expand market share faster than before, outsourcing is no longer an option; it is a business necessity. Besides, the outsourcing company is no longer perceived only as a vendor; it is a partner positioned to take the client's business ahead.

A number of dynamic realities inspired MNCs to enlist Indian contract manufacturing partners across various product segments. Many globally successful and respected FMCG brands are already doing so while many are entering the business in pursuit of attractive growth.

Why are global players outsourcing?



What makes JHS a preferred outsourcing partner?



We enjoy a near
25%
share of India's
toothbrush market.

We are more than just a product manufacturing company.

We are a specialised oral care and personal hygiene products outsourcing partner. For a good reason: we are the only company of its kind in the world to manufacture toothpastes and toothbrushes in the same premises, reconciling completely different manufacturing competencies – mechanical and chemical – under one roof.

We possess a rich, 15-year experience in manufacturing toothpastes and toothbrushes for more than 25 reputed FMCG brands in India and across the world. The result: we enjoy a near 25% share of India's toothbrush market.

We are located in Kala Amb, Himachal Pradesh with excise and sales tax benefits for 10 years and income tax benefits for five years. The state is one of the few in India with an energy surplus; industrial power is available for ₹2.80 per unit, considerably lower than the national average.

In view of these capabilities and competencies, our clientele enjoys long-term engagements with us; recently, a globally leading brand associated with us as its exclusive Indian business partner for multiple product categories.

Resulting in sustainable growth prospects for your Company for years.

What prospects will emerge from this arrangement?

The business arrangement will account for almost

50%
of our revenue.

The attractiveness of our outsourcing arrangement is based on a simple reality: each partner will focus on what it does best. For instance, the FMCG brands will focus on marketing the brand

without worrying about manufacturing complexities; we, at JHS will focus on maximising throughput without corresponding marketing responsibilities.

Our recent tie-up with a global giant represents a win-win arrangement that is expected to translate into large volumes. The business arrangement will account for the offtake of toothbrushes, toothpaste and laundry products, estimated to account for almost 50% of our revenue in the next three years.

The scope and scale of this arrangement could widen for a good reason.

■ Products being outsourced by the FMCG major to us could

extend beyond existing segments to other nascent or mature product categories

■ Sales from these existing categories could rise appreciably as the Indian market matures and our global business partner enhances its market share

These existing and probable developments augur well for your Company's revenue; global majors could emerge as our largest customers over the next few years.

Leading to prospects of sustainable revenue growth over the long-term.

Why is an outsourcing arrangement important for MNCs and Indian FMCG companies?

We can offer fiscal benefits estimated at around

US\$ **100** mn
to domestic and global players

FMCG product outsourcing arrangements with our Company hold out attractive cost, scale and growth implications for MNCs and large Indian FMCG companies.

For a good reason – our competitiveness is derived from the best of medium scale, geographical advantage, entrepreneurial innovation, technology selection and efficiency management. In turn, this translates into enhanced value for MNCs and Indian FMCG partners.

Our manufacturing presence in Himachal Pradesh translated into attractive fiscal benefits and a correspondingly superior value proposition for our customers. Beside this, the government withdrew the fiscal incentive for all new manufacturing facilities in the state

commencing operations after March 31, 2010, narrowing competing outsourcing options for FMCG players in India.

The superior value proposition for our customers from the geographical advantage prompted them to invest time and financial resources into our projects for lateral growth. One prominent FMCG giant, an important JHS customer, deployed a 30-member team from across the globe at our site to accelerate project completion in a record 10 months against an average project commissioning cycle of 24–30 months, facilitating the commissioning of our facilities well before the stipulated deadline.

As a result, we can offer fiscal benefits estimated at around US\$100 mn to domestic and global players over a ten-year period in addition to process and scale efficiencies from the outsourcing arrangement.

What invisibles will JHS gain from the outsourcing arrangement?

A benchmarking with global best practices, especially the demanding

USFDA
standards

There are a number of benefits that have already begun to emerge from the outsourcing arrangement with our FMCG global partner, which will only strengthen our Company's business model.

One, greater industry respect for partnering a global leader in the oral care segment, leading to more business opportunities, in India and abroad.

Two, an opportunity for the JHS team to enrich its knowledge repository in existing business lines – around technology, product evolution, market trends and consumer insights.

Three, benchmarking with global best practices, especially the demanding USFDA standards.

Four, customer support to extend cost effectively into other business verticals.

Five, stronger financial growth, along with enhanced shareholder value, leading to the prospect of sustainable growth.

More importantly, the outsourcing arrangement provides our Company with a robust foundation to graduate from a modest domestic private label oral care product manufacturer to a global multi-product player.



JHS Svendgaard Laboratories.

*The world's ninth-largest toothbrush manufacturer.

India's largest and first oral care products manufacturer with integrated facilities.

Mission

We aim to become the India's largest oral care manufacturing company with one-stop solutions for all private label needs for our customers and their oral care range

Vision

We aim to be the preferred oral care product supplier to companies in India and across the globe.

Lineage

- Established in 1994 as a proprietary firm engaged in small scale toothbrush manufacture
- Incorporated as a company on October 8, 2004
- Headed by Mr. Nikhil Nanda (Managing Director)
- Promoters hold a 44.07% stake in the Company and foreign investors 0.37% as on September, 2010
- Stock listed and actively traded on the Bombay Stock Exchange and National Stock Exchange

Presence

- Headquartered in New Delhi, India
- Four manufacturing units in Delhi, Noida SEZ and Kala Amb (Himachal Pradesh)



Product offering

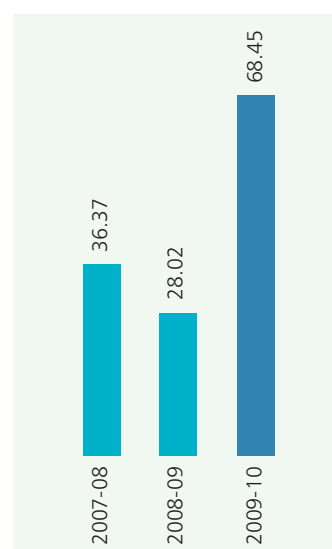
- Manufactures a range of ISO 9001:2000-certified oral and dental products for elite international and national brands
- Offers a rich portfolio comprising toothbrushes, toothpastes, mouthwash, whitening gels, denture products and laundry products
- Established state-of-the-art dental clinics (T 32 Dental Spa) for a complete dental solution

Certification

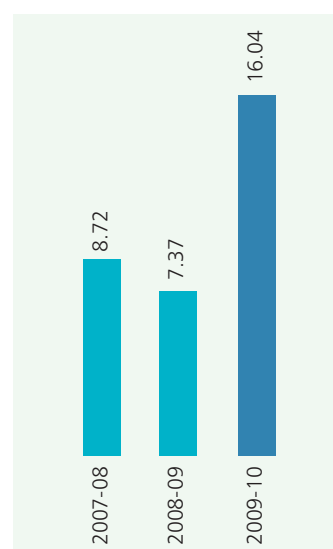
- Certified as the top exporter of toothbrushes and dental plates from India by PLEX Council (sponsored by Ministry of Commerce) for four consecutive years from 2003 onwards
- Awarded the status of Star Export House by the Government of India

* As per internal research by the Company

Revenue (₹ Crore)



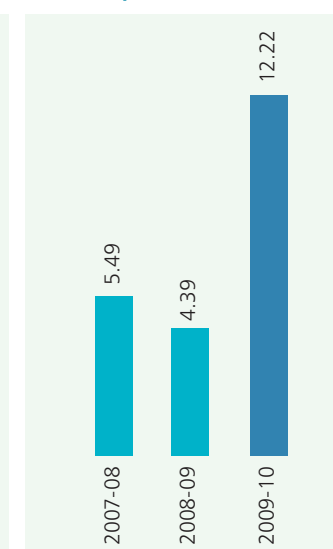
EBIDTA (₹ Crore)



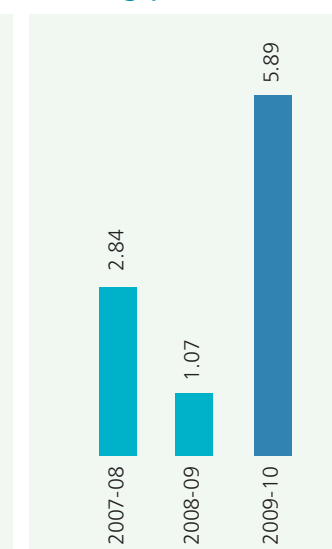
Net profit (₹ Crore)



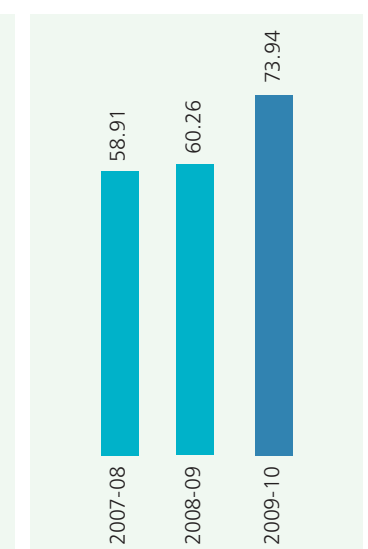
Cash profit (₹ Crore)



Earning per share (₹)



Book value (₹)



Financial

- Revenues grew 144% to ₹68.46 crore
- Net profit increased 460% to ₹8.07 crore
- Dividend proposed of Re. 0.50 per share

Marketing

- Added reputed domestic customers like Modicare (toothpaste), Himalaya (tooth brush)

and Bharti Wal-Mart (toothbrushes) and Dynarex (denture adhesive)

- Increased business with Apollo Pharmacy, Dabur and Elder

- Entered a new business area through the production of Odonil
- Attained the exclusive right to market Infectiguard, a hand

sanitiser in six different packs under the JHS brand

Post-balance sheet development

- The Board of Directors, at its Board Meeting held on July 7, 2010, considered and approved the Scheme of Amalgamation of JHS Svendgaard Hygiene

Products Limited and Waves Hygiene Products (a partnership firm) with your Company.

- The amalgamation will result in an integrated operation which qualifies the Company to participate in the market of fast moving consumer goods, besides providing synergic benefits to existing operations.

- The growth of the laundry products segment will enhance volumes. The 2010-11 first shift operations were started at the beginning of the first quarter and all shifts are expected to start by Q4/2010-11

- Toothbrushes to be

manufactured by your Company are expected to receive quality certifications from our global business partner resulting in higher volumes from Q4/2010-11

- Dabur increased its toothbrush requirement by 25% in 2010-11

Oral-B

The Oral-B range enjoys a 16% share of the Indian toothbrush market while 'Shiny Clean' toothbrushes are the largest sub-brand within this range. From 2010-11, JHS will manufacture this brand at its facilities.

Highlights, 2009-10

Revenue drivers of 2010-11

Post balance sheet development

