



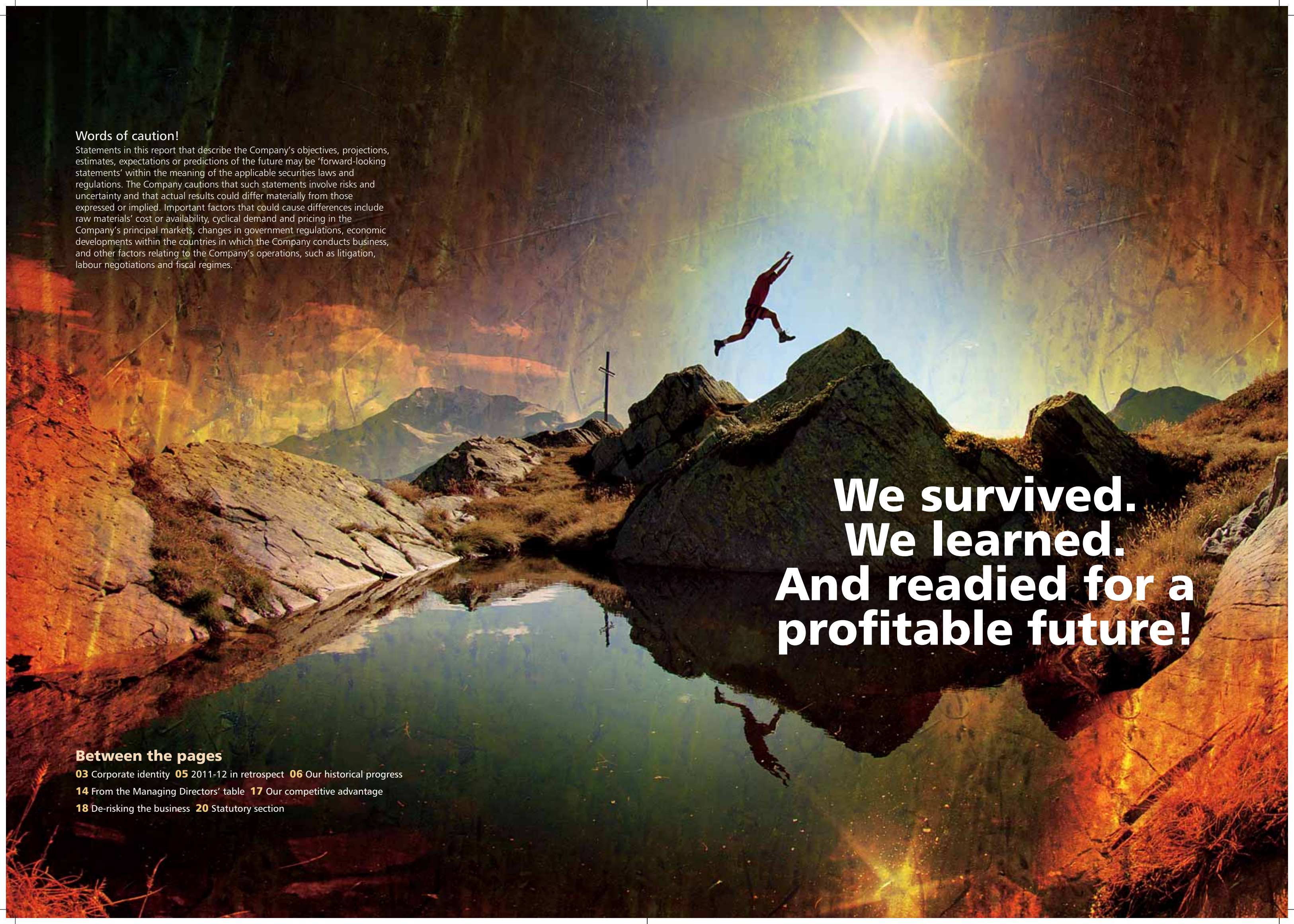
JHS Svendgaard Laboratories Limited  
Annual Report 2011-12

**Survivor!**



### Words of caution!

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.



**We survived.  
We learned.  
And readied for a  
profitable future!**

### Between the pages

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# JHS Svendgaard Laboratories Limited: Making the world smile

JHS Svendgaard is India's largest integrated manufacturer of oral care products.

Headquartered in New Delhi, India, the Company offers a one-stop shop solution for oral care products (toothbrushes, toothpastes, mouthwash, whitening gels, and denture products) for national and global FMCG brands. It also manufactures laundry products.

Established in 1994, the Company has two ISO-certified units spread across Noida SEZ (Uttar Pradesh) and Kala Amb (Himachal Pradesh) managed by an experienced and energetic team headed by Mr. Nikhil Nanda. The Company's equity shares are listed on the Bombay Stock Exchange and National stock exchanges.

## Vision

To be the preferred private label supplier of oral care product for national as well as global brands and to be the most affordable brand for domestic consumers with reach to one and all

## Mission

- Constantly driving innovations in our products leading to their mass appeal
- Committed to customer delight by combining affordable pricing with best quality
- Increasing awareness for oral hygiene through products, services and media campaigns





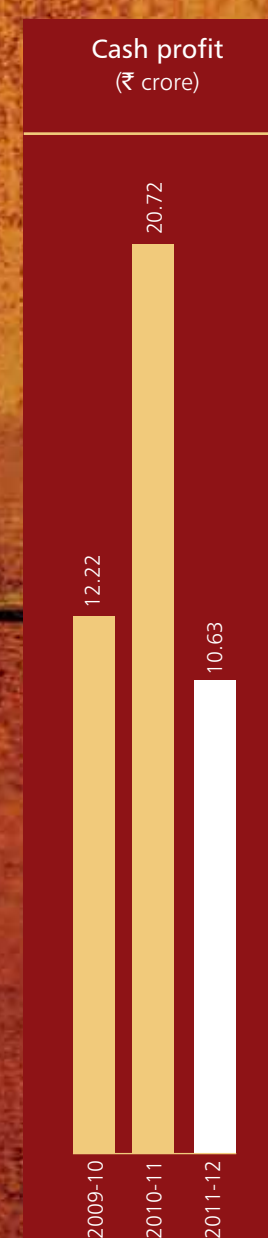
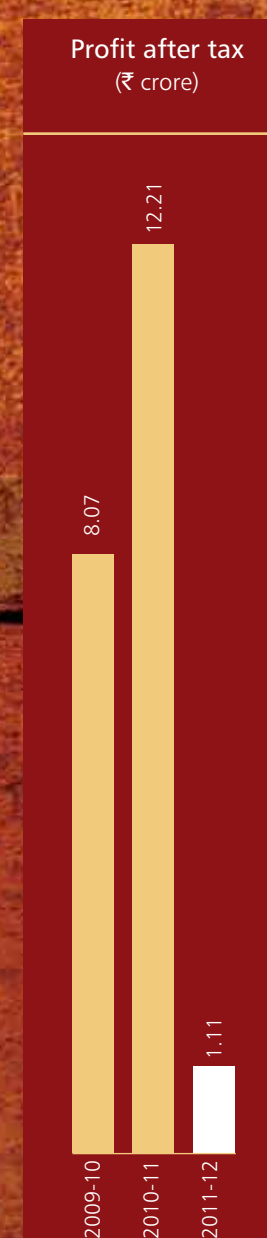
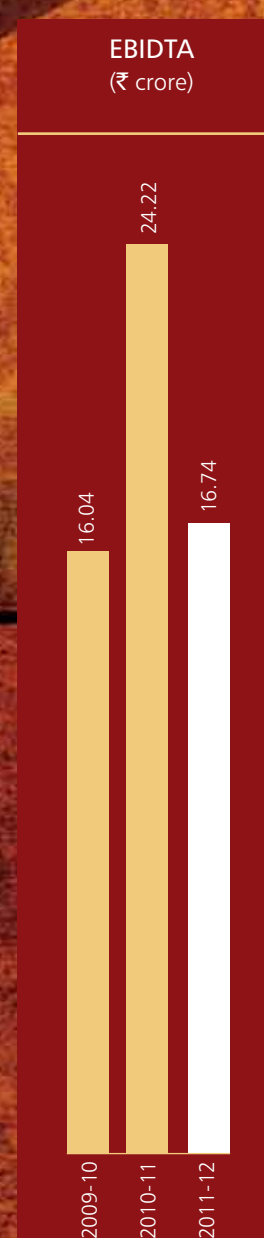
# 2011-12 in retrospect

- Achieved optimum capacity utilisation at the laundry unit
- Endorsed a long term agreement with India's leading FMCG brand for toothbrushes
- Received ₹ 4.89 crore from Mr Nikhil Nanda following the allotment of equity shares on a preferential basis
- New clients added in 2010-11, (a US-company and a global Multi-Level Marketing company) contributed significantly to the Company revenue

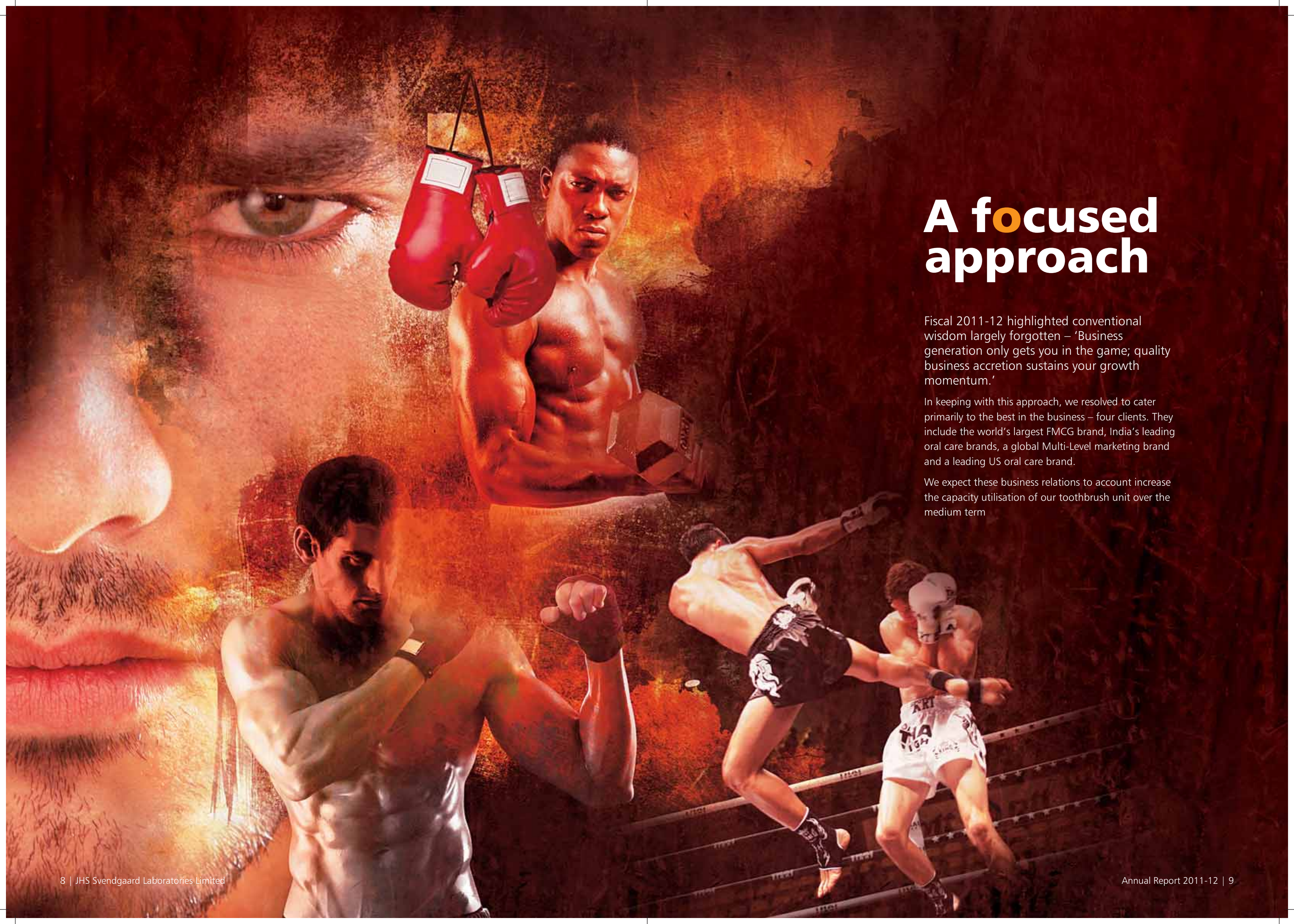




# Historical progress







# A focused approach

Fiscal 2011-12 highlighted conventional wisdom largely forgotten – ‘Business generation only gets you in the game; quality business accretion sustains your growth momentum.’

In keeping with this approach, we resolved to cater primarily to the best in the business – four clients. They include the world’s largest FMCG brand, India’s leading oral care brands, a global Multi-Level marketing brand and a leading US oral care brand.

We expect these business relations to account increase the capacity utilisation of our toothbrush unit over the medium term





# A lean strategy

The year bygone vindicated the criticality of the golden rule 'the cash box should ring at all times.

This realisation mandated an immediate alteration in our operational approach for our key product vertical. We graduated from a product supplier to a conversion specialist – a win-win for both. Our customers partnered our financial requirements. We concentrated on consistent quality-standards and timely delivery.

Our new approach will optimise our financial commitment, derisk business from input price volatility and provide bottomline clarity – converting our net operating loss of 2011-12 to a net operating profit in 2012-13.





# A broad-based foundation

The previous 12 months has made it increasingly clear 'not to put all our eggs in one basket'.

We made definite progress in this direction. We streamlined our laundry unit's operations and achieved the label capacity by March 2012 and exceeded it thereafter. We ensured our presence at every global meet to showcase our capabilities which grew export business. We will commence our toothpaste facility in the current year.

Our organisational growth will be fuelled by multiple growth engines, also de-risking the business from a sectoral downturn.





From the Managing Directors' table

**"We survived one of the most challenging years in living memory and this has strengthened our resolve to create a stable, secure and successful organisation."**

Mr. Nikhil Nanda explains the blueprint of taking the Company out of the woods.

### *Dear shareholders,*

Fiscal 2011-12 was the most challenging year in living memory as external adversities and some incorrect decisions resulted in an abysmal performance. On a consolidated basis our revenue declined by 0.85% to ₹ 126.60 crore and net profit collapsed to ₹ 1.11 crore against ₹ 12.21 crore in 2010-11; on a standalone basis we reported a ₹ 1.49 crore net loss – a first in the last five years.

On the external front, high inflation press drove input prices northwards which could not be completely passed on to our customers. Internally, we went wrong in the selection of our customers for our toothbrush vertical – the key business driver of the Company. We oversold to some customers from whom the fund inflow suddenly stopped resulting in sticky receivable balances. It dried organisational liquidity. The resultant business instability impacted business relations with other clients. They significantly curtailed offtake from the original agreed volumes.

But all was not lost. We did have something to cheer about and this motivated us to pull through the darkest hours of our business history.

- We endorsed an agreement with India's leading oral care brand which over the medium term could transform into large volumes driving business growth.
- We stabilised the operations of laundry unit to reach 100% of label capacity by March 2012. The unit's performance overshot the budgeted estimates. More importantly, in the first quarter of the current year, we operated at 20% higher than the rated capacity.
- TANO MAURITIUS INDIA FVCI invested ₹ 24.44 crore (2500000 equity shares at ₹ 97.75 per share) in our Company during April 2011.
- Our export business recorded a robust growth adding ₹ 20 crore to our topline. This was sweet success for the team's painstaking efforts in ensuring our presence at major global trade shows.

### **The survival strategy**

Shareholders would be keen to know how we would steer the Company out of the woods to a stable and secure position.

We have taken some important steps to streamline our toothbrush operations

First, we will primarily focus our energies to meet the requirement of large and globally-respected clients. They provide large volumes which allow us to operate our plants at optimum utilisation. Being MNCs, the probability of them turning belly up is very remote; it provides stability to our business.

Second, we are moving from a product delivery model to a conversion model. Our clients will provide key inputs and provide financial support for purchase of moulds. This transformation promises important benefits to the Company:

- De-risks the Company from input price variations
- Optimises work-capital requirement allowing us to focus primarily on product quality and timely delivery
- Provides clear visibility on business profitability

Interestingly, most of our preferred clients have agreed to this new arrangement. This is because we provide them an unmatched value-proposition – impeccable quality and location advantage provide sizeable saving allowing them to successfully compete in the market clutter.

This conversion has started yielded benefits. An important global oral care brand has already doubled their toothbrush requirement for the current year over the 2011-12 offtake. We are confident that these alterations will allow us to achieve a high capacity utilisation in the current year. Besides, our new alliances of 2011-12 should generate sizeable business in the current year shoring volumes.

The laundry products unit is operating at higher than label capacity largely due to the intelligent tweaking of operating parameters by our operations team. We hope to maintain the





2012-13 will mark an important milestone for the Company as all its investments of earlier year will start generating returns.

same pace in the current year accelerating business profits.

Having successfully cleared the accelerated stability tests, we hope to start our new toothpaste unit in the 3rd quarter of 2012-13 and thus contribute to the business growth.

2012-13 will mark an important milestone for the Company as all its investments of earlier year will start generating returns. We will utilise the operating profits in cleaning the financial statements of sticky assets and reducing our financial leverage strengthening our financial statement and the intrinsic value of the enterprise.

### Message to shareholders

The darkest hours of the night are over. This year will be the dawn of a new regime where we will work to build the foundation for a stable and secure organisation readying for the big leap in 2013-14. You will be the proud owner of a Company which is the true brand behind global and Indian FMCG brands.

### Acknowledgements

I express my appreciation for your invaluable support and the confidence reposed in us. Your abiding trust and encouragement will go a long way in taking the Company to greater heights. I also take this opportunity to place on record my sincere appreciation for the tireless effort, spirit of dedication and priceless contribution of the entire JHS team. I express my gratitude for the assistance, co-operation and support extended to the Company by our business partners, bankers, financial institutions, officials of central and state governments and vendors. I will not be fulfilling my duties unless I thank all the members of the Board for providing necessary guidance from time to time and successfully steering your Company through choppy waters.

Regards

**Nikhil Nanda**  
Managing Director and CEO



## Our competitive advantage

17

Experience (in years) in manufacturing oral care products

10

Marquee clients comprising reputed FMCG brands (global and Indian).

4

Number of business segments stating the Company's presence, and hence reflecting business diversity

10

A strong R&D team facilitating the development of first-time products for leading FMCG clients

10

The number of years the Company is entitled to sales tax and excise exemption by virtue of being located in Himachal Pradesh (not available to new establishments post March 31, 2010)