



NO GUTS NO GLORY

JHS SVENDGAARD
LABORATORIES LIMITED
ANNUAL REPORT
2016-17

CONTENTS

03	Corporate Identity
04	Managing Director's Statement
06	Our eminent Board of Directors
12	Operational review
18	Our performance ambition
20	Track record
22	Business model
24	Corporate Information
25	Directors' Report
50	Management Discussion and Analysis
54	Corporate Governance Report
67	Financial Statements
149	Notice

NO GUTS. NO GLORY.

At JHS Svendgaard

Laboratories Limited, we have demonstrated courage in challenging and competitive spaces.

Just when we had a large quantum of debt on our books and analysts said that this would take years to liquidate, we raised our net worth, liquidated non-productive assets and cleared the debt off our books.

Just when our financial structure was being right-sized and observers advised caution, we embarked on an aggressive capacity expansion that not only increased our capacity to service the growing needs of our key customers but also corrected a longstanding mismatch between complementary product segments.

Just when most experts suggested that we would do well to focus on one business activity (outsourcing or proprietary product manufacture), we addressed both.

The result is that JHS Svendgaard Laboratories Limited strengthened its viability in 2016-17. In doing so, the Company emphasised an overriding point.

**Without guts,
there can be
no glory.**

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

Dependable outsourcing
partner for some of
India's fastest-growing
brands. Also growing
its proprietary oral care
brands.

Inspired by some of the
best global manufacturing
standards.

*Driven by focus,
passion and service.*

Overview

JHS Svendgaard Laboratories Limited (head-quartered in New Delhi, India) offers a one-stop shop for oral care products (toothbrushes, toothpastes, mouthwash, whitening gels, and denture products) for national and global FMCG brands.

The Company was started as a small-scale enterprise called Sunehari Svendgaard Laboratories Limited in August 1997 and was incorporated as JHS Svendgaard Laboratories Limited in October 2004.

The Company started with the manufacture of toothbrushes and gradually widened its product offering to the comprehensive range of oral care products. Apart from contract manufacturing partnerships with domestic

oral care brands, the Company manufactures proprietary brands as well.

The Company currently possesses two ISO-certified state-of-the-art manufacturing facilities at Kala Amb (Himachal Pradesh) with a ready land bank and tax benefits for immediate capacity/category expansion.

The Company is managed by an experienced and energetic team headed by Mr. Nikhil Nanda (Managing Director).

The Company's equity shares are listed on the Bombay Stock Exchange Limited and the National Stock Exchange Limited. The Company's market capitalisation was ₹309.02 crore as on 30th June 2017.

Vision

Aim to be the most preferred contract manufacturer for national as well as global brands having global footprints.

35.51%

Promoters' holding,
March 31, 2017 (%)

3.91%

Institutional holding,
March 31, 2017 (%)

17273

Market capitalisation,
March 31, 2017
(₹lakh)

255

Team size,
March 31, 2017

Mission



● Constantly driving innovations in our products



● Committed to customer delight by combining affordable pricing with best quality



● Increasing awareness for oral hygiene through products, services and media campaigns



No guts. No glory.

Two points have preoccupied my thinking over the last few years. Brands and oral care. It is my conviction that India is at the cusp of explosive growth in branded products in general and oral care in particular.

The brands argument

India finds itself at the intersection of interesting realities.

There is an old India that consumes unorganised and relatively under-branded products. There is another emerging India that will trust organised and branded products even when priced slightly higher on the grounds that the increment is worth paying for enhanced quality and hygienic assurance.

Is this brand revolution a sweeping reality? The answer is no.

Has the brand revolution begun to transpire? The answer is yes.

As a growing proportion of India graduates from the unbranded to the branded, we are faced with an interesting reality.

India is the second largest market in the world by population but one of the most under-consumed markets in the world across

a number of products – not because the market does not possess the resources to buy into branded products but because the market is not offering the range of brands that can possibly convert consumers to a superior consumption quality.

At JHS, we have selected to make brands the pivot of our corporate strategy. We have selected to work with select brands who define their product spaces, are transforming consumer consumption, and are outperforming the market. We believe that the superior brands will not just care out a larger market; they will grow this under-consumed market faster than ever.

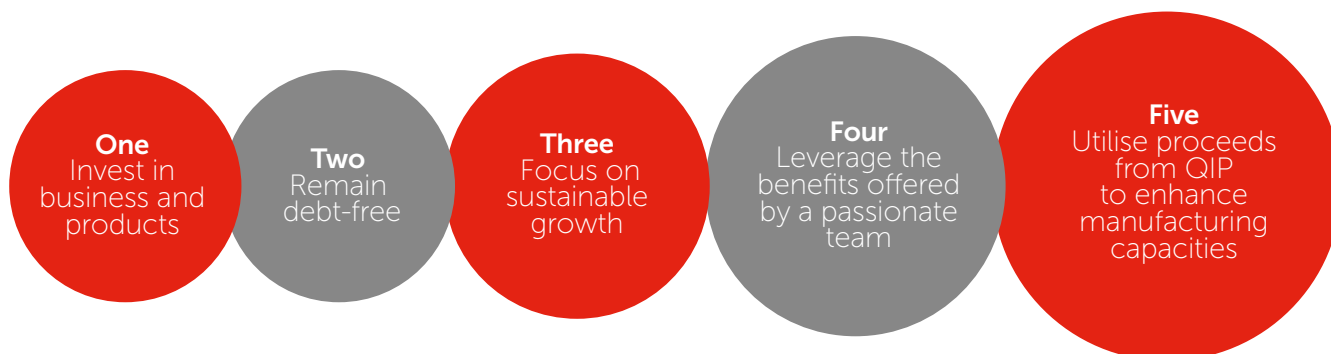
At JHS, we are presently working with four principal brands - two of them are multi-level marketing brands of global repute while the other two are prominent ayurveda and herbal based domestic FMCG companies. We believe that each of these brands has carved out a

niche in a challenging Indian market place, which provides us with the confidence that these brands will grow in a sustainable way across the future. These brands stand for distinctive properties and recalls by virtually transforming the face of the Indian FMCG market in the last few years, emerging as one of the fastest growing companies. One of our ayurveda-based FMCG client is respected as a fast growing company with deep and enduring ayurvedic roots. One of our international clients virtually created the multi-layered marketing concept in India while the other is further extending the multi-layered marketing concept to the rural and remote parts of India .

At JHS, we believe that by working as a back-end partner of these companies, we are enriching our understanding of the oral care market spaces.

Even as we continue to do so, moderating our risk

How JHS is attractively placed to capitalise on the emerging sectoral reality



exposure through back-ended supply, we have taken a small, but, decisive step towards creating our own brand. The business of back-ended supply is predictable, secure and volume-driven; the business of front-end brand ownership is unpredictable but marked by considerably higher margins, credibility and prospects of sustainable growth.

At JHS, we will invest in both business segments around the centrality of a brand play: the success of someone else's brand translating into predictable revenues and the success of our proprietary brands translating into significant outperformance.

Oral care opportunity

For decades, the use of oral care in India was a ritual process with the objective to clean one's teeth. Over the last few years, the nature of product application has evolved: from mere cleaning, the complement of toothbrush and toothpaste has evolved to curing; the subject of mouth freshening has evolved to holistic oral health care.

This evolution has widened the market for a conventional and staid sector. The sector is marked by a wider number of products; branding has evolved from plain marketing to focused branding around desired outcomes.

The result of a larger interplay of players and brands has virtually stirred a monopolistic and sleepy segment of India's FMCG sector into vibrant health. Ayurveda has emerged as a ₹2000 crore category for the first time; the multinational market leader yielded market share for the first time in 70 years.; a market that would grow consistently at 6-7% reported double-digit growth on a larger base.

At JHS, we are riding this market growth by working with market-expanding clients on the one hand through capacity expansion and by prudent products introduction under the proprietary brands on the other.

We believe that this sharp growth, coupled with enduring relationships with some of the largest customer

brands, will enhance margins, profits and shareholder value.

Attractively positioned

At JHS, we are attractively placed to capitalise on the emerging sectoral reality.

One, we will continue to invest in our business to the extent that our Balance Sheet and desired risk appetite will permit. Besides, we intend to invest in a variety of FMCG product ranges across different geographies with the objective to diversify and de-risk our portfolio.

Two, we are debt-free and expect to remain so.

Three, we will focus on sustainable growth as opposed to the fastest growth in a largely under-consumed nation.

Four, we will leverage the benefits offered by a passionate team that has seen through one complete business cycle – crest and trough – and are equipped to drive the business forward.

Five, we will utilise the proceeds from the qualified institutional placement to

enhance our toothbrush and toothpaste manufacturing capacities, likely to generate attractive growth for the next couple of years.

Outlook

At JHS, we believe that guts lead to glory.

Even as the Company was stabilising its financial structure, it selected to expand the capacity of its toothbrush and toothpaste segments, aligning both. The Company expects to commission its capacity expansion by the second quarter of the current financial year and is expecting a 20-25% revenue growth on account of capacity expansion and another 10-15% by way of organic growth in the business.

We believe that these initiatives should increase revenues and widen margins, strengthening our business sustainability.

Nikhil Nanda
Managing Director

Our eminent Board of Directors



Mr. Nikhil Nanda

Managing Director

Mr. Nikhil Nanda, is a first generation entrepreneur with over 25 years of experience in the oral care industry. He holds a Post Graduate Diploma in Business Management – Finance and Marketing from the Fore School of Management, New Delhi. Since 1996, Mr. Nanda has been actively involved in the day-to-day activities of this business. Before joining the family business in 1996, Mr. Nanda was associated with Gillette India Limited as a trainee during his PGDBM course. As the Managing Director of the Company he has been instrumental in growing the Company by devising investment plans, chalking out business strategies, mapping market orientations, widening its international presence and fortifying customer relations.



Vanamali Polavaram

Non Executive Chairman

Mr. P. Vanamali, Independent Director, (IAS Retired), is a MA (English), MA (Political Science) and MBA. He retired as Resident Commissioner, Government of West Bengal. He has also worked with the State Government of West Bengal and Government of India in various administrative positions for over 30 years.



Nikhil Vora

Nominee Director

Nikhil Vora is the founder and CEO of Sixth Sense Ventures; India's first domestic consumer-centric venture fund. Nikhil was earlier the Managing Director and Head of Research at IDFC Securities. Nikhil has been invited by leading consumer brands namely Nestle, Hindustan Unilever, Aditya Birla Group, Marico and Godrej for coming up with strategic road maps. Nikhil was rated by Asiamoney as the best analytical mind in the country as per a 2012 poll. He has also the rare distinction of being voted 'Asia's Best Analyst' by the Wall Street Journal in the same year. Along with advising clients, he also has been a venture capital investor and on the board of a few of his investee companies. A Management Post Graduate, Mr. Vora was a member participant at the Future Leaders Programme at the Saïd Business School, Oxford University, London. He was also bestowed with the 'Thought Leadership' award by IDFC Limited.



Manisha Lath Gupta

Independent Director

Manisha Lath Gupta is an alumnus of IIM Bangalore (1997) and holds a Master's degree in Biotechnology from Jawaharlal Nehru University, New Delhi. Manisha started her career with an eight-year stint (1997-04) at Unilever in India addressing different issues like sales, consumer outreach, brand management and product development. Manisha spent six years (2004-10) at Colgate-Palmolive looking after the marketing department. Subsequently, she switched to the banking industry by joining Axis Bank. After 18 years in the corporate sector, Manisha turned into an entrepreneur with her start-up venture IndianArtCollectors.com, an e-commerce portal aimed at growing the original art market in India. In 2015 this venture was acquired by NDTV.



Chhotu Ram Sharma

Independent Director

Mr. Chhotu Ram Sharma, manages his own financial consultancy company after having served as a senior advisor to the MD/CEO of Centurion Bank (from 2005 to 2008), the MD/CEO of Bank of Punjab Limited (from 2002 to 2005), executive director of Andhra Bank (from 2000 to 2002) and senior manager of Oriental Bank of Commerce in 1978. He has made significant contributions in devising system and procedures relating to credit dispensing, monitoring and updating documentations manuals and matters relating to credit policy guidelines. He presently holds directorships in companies like Sterling Tools Limited, Capital Trust Limited, PNC Infratech Limited and Daawat Foods Limited.

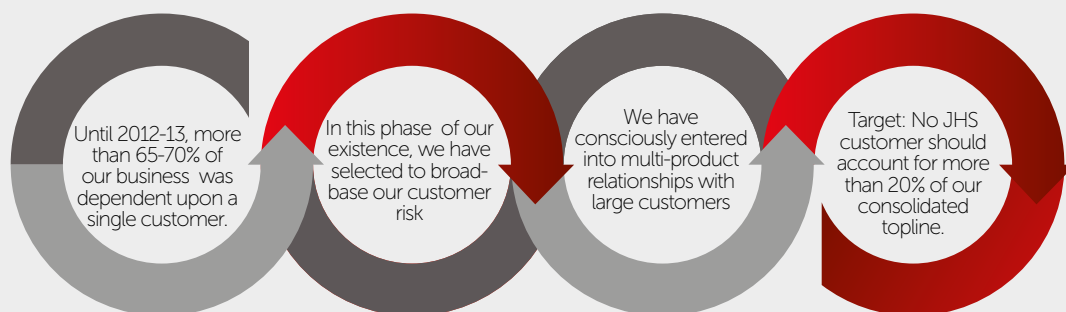


Mr. Mukul Pathak

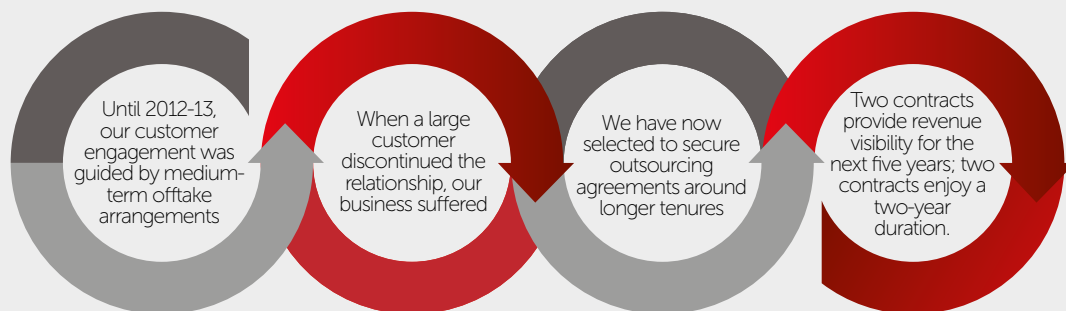
Independent Director

Mr. Pathak is MA in Psychology with an experience of over 20 years in teaching. Mr. Pathak possesses wide-ranging sectoral experience and knowledge of finance having been associated with several reputed institutions.

How we have transformed at JHS



How we rewrote our destiny



How we wrote a new script for our future

