

18th | ANNUAL REPORT

2021-22



**JHS SVENDGAARD
LABORATORIES LIMITED**



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JHS Svendgaard Laboratories Limited

- India's largest integrated manufacturer of oral care products.
- Partner to leading Indian and global FMCG brands.
- Entering into other FMCG Product

Established in 1997, the Company is India's leading private label manufacturer of oral care products. The Company's product basket includes a complete range of oral care products that are manufactured at its two ISO-certified, state-of-the-art manufacturing facilities at Kala-Amb (Himachal Pradesh), India.

The Company also manufactures and sell oral care products under its proprietary brand 'aquawhite' and specializes into Kids oral care products.

The Company is headquartered in New Delhi, India. Its business operations are managed by an experienced team of enthusiastic professionals.

Vision

- To be among the most preferred contract manufacturer in the Oral Care Category by leveraging on our manufacturing capability enabling us to offer unique products that disrupt category trends.
- To be one stop solutions for manufacturing FMCG products in India.
- To inculcate the importance of oral hygiene across the country, with a strong focus on children.

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

Shareholder information

BSE Code: 532771

NSE Code: JHS

Face value per share: Rs.10

Book value per share: Rs.29.24

189.77	88.05	42.23	305	133.37
Networth (Rs crore)	Revenue, 2019-20 (Rs crore)	Promoters holding (%)	Team size	Market capitalisation (Rs crore)

Financial progress

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total revenue (Rs. crore)	105.49	145.68	125.44	144.71	102.51	88.05
EBIDTA (Rs. crore)	12.15	21.38	13.20	21.22	9.24	8.32
Net Profit (Rs. crore)	22.00	28.07	3.66	1.77	2.77	(2.44)
Net worth (Rs. crore)	134.80	176.64	179.99	181.50	191.48	189.77

Our edge in our business space

Strategic advantage

- Over 23 years a wealth of experience and expertise in manufacturing toothbrushes, toothpaste and mouthwash, complete range of oral care products.
- State-of-the-art manufacturing facilities at Kala Amb (Himachal Pradesh) with an additional land bank and built up unit to turn around any new initiatives / projects immediately.
- Fully integrated oral care unit to manufacture toothpaste and toothbrushes in the same premises, reconciling completely different manufacturing competencies - mechanical and chemical under one roof.

Customer advantage

- Closely working with reputed FMCG brands domestically and globally.
- Majority of the outsourcing relationships with customers are long-term contracts providing adequate revenue visibility.
- Business with existing clients has been growing with new SKUs being added to the outsourcing basket with the Company.

Financial advantage

- The company is debt free and reliance on external funding has declined substantially except for vehicle loans.

Outline for 2022-23

Private label

- Add smaller clients in the oral care space who have the potential to grow meaningfully in the near-term
- Increase business volumes with existing customers
- Establish a strong presence in the international private label space; add 2-3 international players to the private label client list

Proprietary brand

Adult segment

- Strengthen brand awareness and availability in North India
- Kickstart the Company's presence in the South and West Indian markets through distribution tie-ups
- Branding and advertisement done for the kids segment will have a positive impact on the adult segment too – this would improve sales volumes

Kids segment

- Widen the presence to the North Indian states of Uttar Pradesh, Punjab, Haryana, and Rajasthan – create a strong distribution presence comprising Modern and General trade channels
- Strengthen brand awareness and presence in the Delhi-NCR region by strengthening the entrenching the distribution channel deeper.

Exports

Not an area of focus but will continue to capitalise on interesting business opportunities from time to time.

CHAIRMAN'S MESSAGE:



DEAR VALUED STAKEHOLDERS,

I would like to begin by sincerely thanking you all who have stood with us in these difficult and trying times. The volatile environment mired by the COVID-19 challenges seriously affected our business performance. However, we have been continually making the best of its efforts to make sure that there is least or no more effect of the pandemic on our Company anymore.

On our financial performance, we have recorded a revenue of Rs. 86.25 crores despite these difficult times. Although our revenue collection was lesser than the previous year but as opposed to that, our total expenditure in FY22 was Rs. 87.09 crores which was lesser than last year's expenditure of Rs. 98.85 crores. The Company has been strongly focused on optimum utilization of resources and being cost efficient by keeping a constant check on its expenditure, but lower capacity utilization did have a direct impact on the profitability levels of the Company.

Despite all the challenges that we faced, we continued forth with our strategy of not just focusing on growth but also diversifying our product portfolio. In FY22, our Company added four new clients in the last quarter in the private label business. While adding new clients, the Company also made sure that our healthy relationship continued to be maintained with existing clients.

I am happy to share that recently our Company tied-up with a leading Italian Company 'Artsana' Group to be their exclusive supplier for manufacturing and supply of oral health care products in India. The Company has already commenced production and supply of toothpaste for their Brand 'Chicco'. This marks an important step for us as it not just helps us grow our product portfolio but also more importantly but also in adding leading companies to our expanding customer base. We hope that this alliance leads to more global companies partnering with us as their exclusive suppliers in India and abroad as well. Going forward, we are striving not only to be global partners for Artsana Group but also for other global companies in oral healthcare category.

Our team has always been the most important asset and the members have shown great maturity and sense of belonging by keeping each other motivated in recent trying times. I would like to thank the entire team of JHS Svendgaard Laboratories Limited for their untiring effort, hard work and dedication, as well as all the stakeholders for their undeterred faith in our Company, which motivates us to set and achieve higher benchmarks.

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD LOOKING STATEMENT

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events.

The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company assumes no responsibility to publicly amend, modify or revise forward looking statements, on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include changes in government regulations, tax laws, economic developments within the country and such other factors globally.

The financial statements are prepared under historical cost convention, on accrual basis of accounting, and in accordance with the provisions of the Companies Act, 2013 (the Act) and comply with the Accounting Standards. The management of JHS Svendgaard Laboratories Limited has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements, reflect in a true and fair manner, the state of affairs and profit for the year.

The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the annual report. Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company", "JHS" are to JHS Svendgaard Laboratories Limited.

ECONOMIC OVERVIEW

Global Industry

The oral care market is projected to register a CAGR of 6.32% during the forecast period, 2021-2026. Among all personal care products, hand wash and oral care products are the segments that witnessed major sales growth during the COVID-19 pandemic, whereas other skincare and beauty products continued to suffer. Innovation in the sector further contributed to sales growth during 2020. For instance, Colgate-Palmolive reported strong growth across oral care for Q3 2020, owing to premium oral care innovations like Hum by Colgate, Colgate Optic White Renewal, and Colgate Optic White overnight teeth whitening pen.

The oral care market is highly impacted by product innovations carried out by the key players, along with huge investments in marketing and promotional activities to reach higher customer bases. However, lower consumer awareness about technological innovations is hindering the growth rate.

The market is dominated by the Asia-Pacific region due to the high population in the area, followed by the European and North American regions due to the increased preference for premium oral care products. The consumer preference for electronic toothbrush, mouthwash, and dental floss in Western countries, like the United States, Germany, and the United Kingdom, is expected to drive the market.

The rapidly changing lifestyles and improper diets, including sugar-rich diets, and the increased consumption of alcohol and tobacco, have made oral health one of the major public health problems in almost every part of the world. For instance, according to the World Health Organization, oral diseases pose a major issue for many countries and affect people throughout their lifetime, causing pain, discomfort, disfigurement, and even death. The Global Burden of Disease Study 2017 estimated that oral diseases affect close to 3.5 billion people worldwide, with caries of permanent teeth being the most common condition. Moreover, with the increased expenditure on oral healthcare, consumers across the world have started taking preventive measures, which, in turn, has increased the demand for effective oral care products. Owing to the above-mentioned factors, consumers across the world have started paying immense attention to maintaining their oral health, which has led to an increase in demand for high-quality oral care products worldwide.

Consumers of Asian countries such as China and Japan are well aware of oral health practices, and thus, the demand for oral care products is high in these countries. As per GlaxoSmithKline, there is an increasing awareness about oral health among the Japanese population. The Japanese aging population and youth are highly concerned about their oral care, driving the demand for oral care products in Japan.

Oral health care products in India are mainly driven by Ayurvedic or natural ingredient products. All major companies in India sell Ayurvedic revolution products. Consumers in Singapore are brand conscious and would rather spend more to ensure the safety and efficacy of a product than look for economical options to maintain their oral care. In Australia, e-toothbrushes are

well perceived as efficient oral care products for all age groups and hold a significant country share in the regional market. Owing to these factors, the Asia-Pacific market for oral care products is one of the largest across the world.

Source: <https://www.mordorintelligence.com/industry-reports/oral-care-market>

Indian Industry

India's top fast moving consumer goods companies are expanding their oral care portfolio, entering new and niche categories such as mouth sprays, ayurvedic mouth cleansers and mouthwashes as consumer concerns around general hygiene continue to sustain. India's oral care category is largely built on toothpaste and sales of toothbrushes—something companies are now trying to expand. The category of mouthwashes, big in the western markets, still remains small and urban in India. Now with the pandemic fuelling consumer interest in everything health, immunity and natural, companies are capitalizing on the trend.

India oral care market has shown tremendous growth in the last few years. The market was mainly driven by change in lifestyle of Indian consumers, demand for premium products, rising disposable incomes and awareness regarding hygiene and sanitation. Rise in awareness of oral hygiene has created a huge demand for premium and innovative products in metros and urban cities. Penetration level of oral care products in urban area is high as compared to that of rural area. Low penetration level in rural area poses latent opportunity for global as well as domestic players to grow the presence of their oral care products in India. As a result, players are now focusing more into rural cities and villages to increase the penetration as well as their product sales. Rural Indian consumers have started shifting to toothpaste & toothbrushes from toothpowder. Premium products like mouthwash have gained popularity among rich and upper middle-class consumers. Although the market is growing at a fast pace, per capita consumption of oral care products in India is very low as compared to countries like U.S, China etc. According to "India Oral Care Market Outlook, 2022" the oral care market is categorized into five major categories viz. toothpaste, toothbrush, toothpowder, mouthwash and others. Toothpaste dominates the space as it is a primary product for Indians in their daily oral hygiene care and has huge presence in urban as well as rural India.

Toothbrushes are the second largest category in the oral care market. They have two product types, one is manual and the other is electric & battery powered. Manual toothbrushes have huge potential in Indian oral care market whereas electric toothbrush is a niche product type with limited number of rich people experimenting with it. Toothpowder category is at a declining stage due to changing consumer taste and preferences. Before some years, toothpowder had huge presence in rural India but now even they are shifting towards toothpaste. Mouthwash falls under premium category and comes as a secondary product for oral hygiene. Consumers are bending towards mouthwash products for better oral hygiene. Others products like tongue cleaners and dental floss are expanding gradually in the Indian market. Many global players like Colgate Palmolive India, Hindustan Unilever, Gillette India Limited (P&G), GSK Consumer Healthcare and Johnson & Johnson have strong presence in India. Dabur India and Patanjali Ayurved are the only two strong domestic players in the market.

About JHS Svendgaard Laboratories limited

Started as a small-scale enterprise in August 1997, Sunehari Svendgaard Laboratories Limited moved at a brisk pace and was incorporated as JHS Svendgaard Laboratories Limited on October 8, 2004. By April 2005 the Company took over businesses from Sunehari Svendgaard Laboratories Limited, Sunehari Oral Care and Jai Hanuman Exports. Keeping up with the pace it reached new heights on October 21, 2006 when it was listed at BSE and NSE of India Limited at a price of Rs. 58.00.

Starting with manufacturing of only Toothbrushes the Company widened its scope to Toothpastes, Mouthwash and Denture Tablets and today is amongst leading oral care product manufacturers and exporters. The Company offers Contract Manufacturing Partnership to well-known domestic and international brands in India and international market. Some of the prominent brands with whom the Company has been associated with during its journey includes Amway India Enterprises Pvt. Ltd., Dabur India Limited, Patanjali Ayurved Limited, Hindustan Unilever Limited, Me N Moms Pvt. Ltd., Vestige Marketing Pvt. Ltd., Colgate Palmolive India Ltd., Elder Health Care Limited, J. L. Morison's India Limited, Dr. Fresh Inc., Boots, Lavis, Walgreens, Walmart and many more recognized brands.

Multiple production facilities of the Company are in Kala-Amb, Himachal Pradesh. The Company has over 60 highly qualified managers, engineers, officers and supervisors to manage and maintain the plants effectively. The Company's belief in Human Resource Development ensures the presence of all statutory welfare, recreational and emergency services within the plant.

JHS team is a perfect blend of experienced professionals from technical, commercial and other fields. This combined with the Company's vision ensures in manufacturing of high-quality toothbrushes using the best raw materials and equipment from around the world JHS has grown at a rapid pace to become one of the top Indian exporters and a leading supplier to MNC customers in the Indian market.

JHS' well-established research and development department strives for constant innovation and high-quality oral products. This assures that the Company is well prepared for the future challenges of this vast and growing field. The Company also has complete in house process facilities from injection moulding to bristling and packaging to ensure strict quality control. The presence of a fully equipped Q.C. laboratory with latest gadgets combined with state of the art Vertical & Injection Moulding

machines from Demag and Cincinnati, Tufting & Trimming machines from Zahoransky GmbH, Germany and Blister Packing Machines from Boucherie, Belgium ensures international quality of products.

JHS is today a proxy for India's oral care market being India's largest integrated manufacturer of oral care products. JHS is a one-stop shop solution for oral care products (toothbrushes, toothpastes, mouthwash, whitening gels, and denture products. JHS possesses a fully integrated oral care unit to manufacture toothpaste and toothbrushes in the same premises, reconciling completely different manufacturing competencies - mechanical and chemical under one roof.

The Company is an ISO 9001, GMP, SMETA certified and focuses on both export and domestic market. The company has earned various rewards and recognitions, some of them are listed below:

Awards & Achievements:

- The Company bagged the top exporter award in Toothbrush category from the Plastics Export Promotion Council, Ministry of Commerce and Industry, Government of India, for 5 years in a row from the year 2003-04 onwards.
- The Company has also received the Best Performing Enterprise Award (25-100 crores category) 'Runner-Up' at Plasticon Awards 2009 for complete range of oral care products including toothbrush, dental plate brush toothpaste, mouthwash, mouth rinse, tongue cleaner, denture tablets and tooth powder, etc. from the Plastindia Foundation.
- In the year 2012, the Company was also awarded the certificate of excellence in recognition to exemplary growth by Inc. India, Indian edition of Inc., the leading US magazine that focuses on entrepreneurship and growth.
- The Company has also been ranked 215th among the top 500 India's fastest growing mid-sized companies.
- The Company has been winning the award as the top exporter of toothbrushes from India for five years in a row. The award was given out by the PLEX Council promoted by the Ministry of Commerce, Government of India.
- The Company had been a Government of India recognized Star Export House (SEH) which provided the company a green card clearance which means its goods are cleared for both import and export on self-certification basis.

FINANCIAL OVERVIEW –

The performance of the Company for the financial year ended March 31st, 2022, is as follows:

Particulars	Manufacturing Business		Other than Manufacturing Business		Retail Business	
	Mar-22	Mar-21	Mar-22	Mar-21	Mar-22	Mar-21
Sale to External Customers	7852.48	9453.24	498.20	436.29	274.55	186.99
Revenue with Other Operating Segment	8632.65	10007.24	547.68	527.61	383.91	296.06
Depreciation	589.65	556.43	19.61	20.86	95.97	148.17
Cost of Goods Sold	5547.56	6439.80	279.79	237.80	222.90	156.30
Income Tax Expenses	339.67	43.11	2.96	(31.31)	3.02	(49.25)
Total Assets	21,108.91	21448.30	6,247.06	3233.84	745.12	963.23
Total Liabilities	2,132.32	2300.49	4,690.65	1640.79	375.09	503.54

Resources and Liquidity

As on March 31, 2022, the net worth stood at Rs.185.90 crore and the debt was at Rs. 0.48 crore.

The cash and cash equivalents at the end of March 31, 2022 were Rs. 6.46 crore.

Segment wise Business Performance

The Company is into manufacturing toothpaste, toothbrushes, mouth rinse etc. The Company apart from also having its own proprietary brand also has retail stores at various Airports in India.

Revenue share broad segments are stated below:

Name of the product	% of total turnover of the Company
Toothbrushes	35%
Toothpastes	62%

RISKS AND CONCERNS –

Like every business, the company faces risks, both internal and external, in the undertaking of its day-to-day operations and in pursuit of its longer-term objectives. A detailed policy drawn up and dedicated risk workshops are conducted for each business vertical and key support functions wherein risks are identified, assessed, analyzed and accepted / mitigated to an acceptable level within the risk appetite of the organization. The risk registers are also reviewed from time to time.

The Company faces the following Risks and Concerns:

Credit Risk

To manage its credit exposure, the company has determined a credit policy with credit limit requests and approval procedures. Company does its own research of client's financial health and project prospects before bidding for a project. Timely and rigorous process is followed up with clients for payments as per schedule. The company has suitably streamlined the process to develop a focused and aggressive receivables management system to ensure timely collections.

Interest Rate Risk

The Company has judiciously managed the debt-equity ratio. As on date, the company is relatively debt free with only few vehicle loans and thus the Company has been able to reduce its overall interest cost drastically.

Competition Risk

This risk arises from more players wanting a share in the same pie. Like in most other industries, opportunity brings with itself competition. We face different levels of competition in each segment, from domestic as well as multinational companies. The Company has created strong differentiators in project execution, quality and delivery which make it resilient to competition. Furthermore, the Company continues to invest in technology and its people to remain ahead of the curve. While the company is continuing to diversify into different product categories, a strong, stable client base consisting of large and mid-sized corporations further helps to insulate the Company from this risk. We counter this risk with the quality of our infrastructure, our customer-centric approach and our ability to innovate customer specific solutions, timely and consistent delivery, focusing on pricing and aggressive marketing strategy, disciplined project executions, coupled with prudent financial and human resources management and better control over costs. Thus, we do not expect to be significantly affected by this risk.

Input Cost Risk

Our profitability and cost effectiveness is relatively less affected due to change in the prices of raw materials, power and other input costs as most of the impact is passed over to the clients. Some of the risks that are potentially significant in nature and need careful monitoring are Manpower costs, Power costs, capacity utilization etc.

Liability Risk

This risk refers to our liability arising from any damage to equipment, life and third parties which may adversely affect our business. The Company attempts to mitigate this risk through contractual obligations and insurance policies.

Inventory Risk

This risk refers to the problems with high and low inventory. In case of low inventory or out of stock situation customers would easily switch to use of competitor products. Contrary to the out-of-stock situation, high inventory shows that products are not consumed as expected.

OPPORTUNITIES

Growing awareness of maintaining high hygiene standards to prevent the spread of COVID-19 resulted in a spike in demand for personal care products, especially bar soap, liquid handwash and sanitizers, during March.

Multinationals such as Hindustan Unilever, ITC and Godrej Consumer Products have suspended the manufacturing of most product lines and enhanced the production of necessities, including hygiene products, to ensure there are no supply constraints. These companies are also working closely with the Indian government to provide price cuts for liquid soap, hand sanitizers and bar soap to ensure higher access and affordability.

Changing consumer preferences and growing Industrial base

- With ever changing consumer needs and demands, today consumers are looking for a complete package with good quality product and design.
- With rising income and urbanization, consumer's purchasing power.
- Online retailers are gradually being preferred over traditional distributors, retailers, and pharmacies. The successful sale of oral care products through e-commerce has prompted increasing investment towards these channels by major market players.

THREATS

- Competition from local and multinational players setting up their inhouse manufacturing units due to higher liquidity
- Execution risk
- Regulatory changes
- Input Cost risk
- Attraction and retention of human capital
- Technological Advancements

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company implemented proper and adequate systems of internal control to ensure that all assets are safeguarded and protected against loss from any unauthorized use or disposition and all transactions are authorized, recorded and reported correctly. The Company also implemented effective systems for achieving highest level of efficiency in operations, to achieve optimum and effective utilization of resources, monitoring thereof and the compliance with provisions all laws including the Companies Act, 2013, Listing Agreement, directions issued by the Securities and Exchange Board of India, labour laws, tax laws etc. It also aimed at improvement in financial management, and investment policy. The System ensures appropriate information flow to facilitate effective monitoring. The internal audit system also ensures formation and implementation of corporate policies for financial reporting, accounting, information security, project appraisal, and corporate governance. A qualified and independent Audit Committee of the Board of Directors also reviews the internal control system and its impacts on improvement of overall performance of the Company.

The Company has put in place internal control systems and a structured internal audit process vested with the task of safeguarding the assets of the organization and ensuring reliability and accuracy of the accounting and other operational data. The internal audit department reports to the Audit Committee of the Board of Directors.

Similarly, the Company maintains a system of monthly review of the business as a key operational control, wherein the performance of units is reviewed and corrective action is initiated on timely basis. The Company also have in place a capital expenditure control system for authorizing spend on new assets and projects. Accountability is established for implementing the projects on time and within the approved budget.

The Audit Committee and the Senior Management Team are regularly apprised of the internal audit findings and regular updates are provided of the action taken on the internal audit reports. The Audit Committee reviews the quarterly, half yearly and the annual financial statements of the Company. A detailed note on the functioning of the Audit Committee and of the other committees of the Board forms part of the section on corporate governance in the Annual Report.

During the year, the Company carried out a detailed review of internal financial controls. The findings were satisfactory and suggestions for improvement have been taken up for implementation. Policy guidelines and Standard Operating Procedures (SOPs) continue to be updated where required, to keep pace with business requirements.

HUMAN RESOURCES

The Company's HR philosophy is to establish and build a high performing organization, where each individual is motivated to perform to the fullest capacity, to contribute to developing and achieving individual excellence and departmental objectives and continuously improve performance to realize the full potential of our personnel. As on March 31, 2022, Company is giving employment to 305 permanent employees. Industrial relations are cordial and satisfactory.

Employees are critical to our business. The Company internally assess its employees to periodically identify competency gaps and use development inputs (such as skill up gradation training) to address these gaps. The Company has implemented staff training policies and assessment procedures and intend to continue placing emphasis on attracting and retaining motivated employees.

The Company also plans to continue investing in training programmes and other resources that enhance employees' skills and productivity which will continue to help our employees develop understanding of the customer-oriented corporate culture and service quality standards to enable them to continue to meet the customers' changing needs and preferences.