

June 07, 2022

To

The Listing Department
Bombay Stock Exchange Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street

Mumbai – 400 001

The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Mumbai – 400 051

Trading Symbol: JHS

Scrip Code: 532771

Subject: Intimation under Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: Transcript of the Earnings call.

Pursuant to Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find enclosed the Transcript of the Earnings call held on Tuesday, May 31, 2022.

Please note that the transcript of the earnings call will be on the Company's website under the following link: www.svendgaard.com.

Request you to kindly take the same record.

Thanking You

Faithfully

For JHS svendgaard Laboratories Limited

Ashish Goel

Chief Financial Officer





“JHS Svendgaard Laboratories Limited Q4 FY22 Earnings Conference Call”

May 31, 2022



MANAGEMENT: **MR. NIKHIL NANDA – FOUNDER & MANAGING DIRECTOR**
MR. ASHISH GOEL – GROUP CFO
MR. NEERAJ MITTAL – CFO
MR. JAYANT JAIN – VICE PRESIDENT FINANCE



*JHS Svendgaard Laboratories Limited
May 31, 2022*

Moderator: Ladies and gentlemen, good day and welcome to Q4 and FY22 JHS Svendgaard Laboratories Limited Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touch tone phone. Please note that this conference is being recorded

I now hand the conference over to Mr. Nikhil Nanda – Founder & Managing Director from JHS Svendgaard Laboratories Limited. Thank you, and over to you Sir.

Nikhil Nanda: Good afternoon, everyone. I would like to wish you all a very warm welcome to JHS Svendgaard Laboratories Limited Earning Conference Call for the 4th Quarter and audited full year ending 31st of March 2022. I would like to begin by expressing my gratitude to you all for taking the time to join the call today.

On call with me, I have Ashish Goel – our Group CFO, Neeraj Mittal – our CFO and Jayant Jain – our Vice President Finance. And of course, Bridge which is our investor relations and the team assisting the Bridge, which is Savli, I would like to share a brief overview of our company which Ashish Goel would be sharing with you and then I would be discussing about the strategy going forward and would be very happy to take whatever questions any one of you would have about the company. Thank you, Ashish over to you.



Ashish Goel:

Thank you, sir, good afternoon, everyone, to begin with I will take you through the brief background about the company, about the group. JHS Svendgaard Laboratories Limited was established in 1996, as a manufacturer of toothbrushes. During the nascent years, the company partnered with various industry giants like Janet and Amway, among others who manufacture toothbrushes and a range of oral care products. Subsequently during the 2000s, we expanded our portfolio by adding three more facilities to manufacture toothpaste, mouthwash, and denture tablet and other allied oral care products.

Over the years, we have further expanded and several prestigious different CG brands to our portfolio, including clients like Dabur, Amway, Patanjali and most recently we have added the largest consumer company in India Hindustan Unilever. The company has also had its proprietary brand by Aquawhite, which specializes in the kids' oral care products.

Today, we are India's largest integrated manufacturer of oral care products with a diverse product portfolio for adults as well children. JHS today has six manufacturing units sprawling across 20 acres in Himanchal Pradesh leading to two units each for toothbrushes and toothpaste handling different formulations, ayurvedic and cosmetic. We also have an upcoming plant for personal care and products like soap bars, lotion, and shampoos.

There is likely to functional by for two next financial year. The company has a strong in-house R&D function and a well-established sales and distribution network across India. We also have strategic access to export markets covering US, Europe, Middle East and Southeast Asia, which though after COVID has seen a change, which we will discuss as we progress in the call. With the dynamic and experienced leadership



*JHS Svendgaard Laboratories Limited
May 31, 2022*

team JHS establish itself as a trusted player in its segment and is well-positioned to grow in the future.

Moving forward towards key developments over the current financial year, going forward, we aim to grow our business in a multi-pronged manner. Our focus is on further expanding geographical footprint to Southern and Central parts to the country, possibly through MNA, ground field and greenfield expansions. We are already expanding our product portfolio by adding talcum powder and also plan to expand product folio to include soap bar and personal care products. This would enable us to expand our share of products with our existing clients as well. These endeavors would be supported by strong R&D and enhanced capacity for our tradition in ayurvedic products. We are also focusing on adding new clients and not only rely on existing clients for business. This should helps us to expand and reach newer geographies has planned. This quarter we have added four new clients in the private label business, along with this year also making sure to keep our relationship existing clients strong enough to attract more and repeat business from them.

Now to take you through the financial performance during the quarter ended 31st March 2022. We had recorded a revenue of 19.11 crores in the quarter 4 of financial year, 2022 as against 25.38 crores in the corresponding quarter previous year. The reduction in the revenue to the tune of almost 24.69% is largely on account of the reduction in the third-party business, relevant to the toothpaste category.

Our EBITDA for the period stands at a negative (-) 15 lakhs, the decline majorly on account of the reduction in the capacity utilization. Although we have kept a constant check on our expenses and have been able to arrest at this level. Our EBITDA margin is (-) 7.76% a decline of 97 basis points. Quarter 4 financial year 22, PAT stood at a loss of 4.43

crores, which as we go and discuss as we progressed further in the call. PAT margin stood at (-) 23%, PPF for the period is at (-) 68%.

As a full-year performance of 31st, March 22 for the financial year 22, we have recorded a revenue of 86.25 crores during financial year 22 as against 100.77 crores in the previous year. Decline, as I mentioned earlier is largely on account of a reduction in the third-party business across the toothpaste category and which is coupled with the impact of the business on the companies MLM client.

Our EBITDA for the period declines majorly again due to the reduction in capacity utilization. Our PAT during this year is at loss of 4.3 crores as against the profit of 1.34 crores in the previous year. Absence of exports and lower than optimum capacity utilization continues to impact the profitability. However, the company is keeping the constant check on the expenditure and also adding new clients to the portfolio. The PAT margins stood at (-) 4.97%, EPS for the financial year 22 stands at (-) 63%. So, that's all from our side in terms of the financial performance.

We happy to take questions and discuss about the future of the company.

Moderator: The first question is from the line of Rohan Mehta an individual investor, please go ahead.

Rohan Mehta: Good afternoon, sir. I had a couple of questions, but just if you could shed some light on the status of our talcum and ayurvedic formulation related facility, which was scheduled to go live by December or so. What are the plans over there, sir?

Nikhil Nanda: Yes, the talc facility is now live as we speak. There has been some delay primarily because in January we had the third wave of COVID and our trials and everything, the IR and OR which is required for establishing the facilities, compliance with the quality systems was delayed having

said that in March, we did conduct the final trials by April we established and now in May we are starting production on that facility.

Rohan Mehta: Okay, so I guess from Q1 or maybe Q2 onwards we get the news in the coming, right?

Nikhil Nanda: We will have some numbers on Q1, but the upscaling or what we say the shift production will happen from Q2.

Rohan Mehta: Okay, and you mentioned about the inorganic extensions and as well as brownfield and greenfield expansion. So, we have any MNA related opportunity, insight that is under process.

Nikhil Nanda: When there are three companies that we have been talking to for the last almost 4 - 4(1/2) months and most of the points we have kind of aligned on except that the internal due diligence of pending for which that e-mistaking a little extra time in terms of creating due diligence room and a compliance room where we could work along with them. Being I think, smaller companies that resource crunch or some things not very sure, but we are on it. I think another couple of months we should be able to come out with something, at least from one of them.

Rohan Mehta: I was just asking quickly about that question. Would any extension initiative be funded through internal accruals or some sort of combination of debt or any other source?

Nikhil Nanda: Purely internal accruals. We have got cash reserves with us. We will be utilizing them for both organic and inorganic growth for now. In case something bigger comes up and we need to raise funds will probably take a call at that point of time.



*JHS Svendgaard Laboratories Limited
May 31, 2022*

Rohan Mehta: Understood sir and just on the R&D front, what kind of budget would we have specific dedicated to R&D and are there any products currently in the R&D pipeline under development?

Nikhil Nanda: Yes. We always have a multitude of products under development, because I'm sure you would understand R&D is something that you keep developing a range of products and only 2 or 3 out of 100, which actually see the commercial light of the day. So, we are in the process of developing those products regularly. That's ongoing process and you said budget, we have about 1% of our sales as the budget for R&D.

Rohan Mehta: Similarly, is there sort of fixed budget for the marketing as well?

Nikhil Nanda: Marketing is very dynamic in nature. Depends on multitude of parameters, so depending on them, we keep shifting the marketing budget, like this year we have increased the marketing budget because the trade shows and promotions are back in Vogue. So, we are very actively participating in a lot of these trade shows, which gives us the exposure, both for the domestic and the export markets.

Rohan Mehta: Okay and congratulations on the new client edition, I mean, a Unilever. Are there any other also clients that we can see tying up with in the near future?

Nikhil Nanda: Well, we have actively started pursuing new categories and new clients as probably in the last call, I do not show up where in quarter 2 not last to last call. We mentioned that couple of years, we were trying to establish our kids' brand, which we have refocused back on contracting business completely.

Rohan Mehta: Aquawhite Sir?

Nikhil Nanda: Yes, so we now focusing mainly on the contracting business and that's how we actively pursue new clients and adding new products categories so that our portfolio can enhance. So, we going to be having some new customers this year definitely.

Rohan Mehta: That's great to hear, sir, just lastly, in terms of geographical split, also, if you could shed some light, I believe we have more of revenue coming in from the Northern regions.

Ashish Goel: Yes. We are actually looking at having manufacturing facilities across the four directions of the country, so that in the GST regime we are able to service our customers more efficiently and more effectively. So, one of the facilities that we are evaluating in our acquisition is based out of south.

Rohan Mehta: You mentioned during the speech that revenues this year suffered due to a third-party business going slightly down. Is that likely to continue into Q1, Q2 or can we expect some improvement on that front?

Ashish Goel: See, contracting is one business where you actually work on brands, which the other companies select. So, in this case, it's not that they have moved any business out of us. It's just that they have own product or the brand has suffered a decline in the market share. So, that's something which we really won't be able to predict.

Moderator: The next question is from the line of Aniket Redkar an individual investor, please go ahead.

Aniket Redkar: I have a couple of questions. As you just said that the new birth out there in the pipeline, so when are we going to plan to launch these products?

Nikhil Nanda: We already manufacturing in May 2022, one of the new categories, which is talcum powder.

Aniket Redkar: Is there any plan to expand over our business development and the marketing team for the current plan?

Ashish Goel: Basically, so as far as the businesses development and marketing teams are considered, it's a very much scalable model because in private business we have to handle the key accounts. So, a limited team can handle linear larger part of these accounts, but as far as opening of the new areas of business as Mr. Nanda mentioned that we are looking forward for participation for expanding our export category so that is where we are looking forward to do some more engagement with respect to our business development team.

Aniket Redkar: Is there any recent development happening in Aquawhite?

Nikhil Nanda: Aquawhite, what we have done is we have focused in on institutional sales only. We have got Aquawhite registered in CSD, and CPC and online sales is anyways on. We are going to limit it to that. We not going to really continue building our sales force and reaching out to the retail market like we were earlier and we going to concentrate primarily on our contracting business.

Aniket Redkar: Okay. Got it, can you share the names of 4 clients that we added under the private label division?

Ashish Goel: No, because we are bound by the contracting agreement where we are not to publicly share their names, but once the products are out in the market, you will get to see them. And probably we would be able to let you know, you could pick up the product and see if it would say manufactured by.

Aniket Redkar: Can you share the revenue split or segment wise for the quarter and the full year?

Ashish Goel: From a mix perspective, approximately 35% to 37% is on account of the toothbrushes business and another 62% is on account of the toothpaste category and rest is mouthwash and the other which is as of now for the FY22.

Aniket Redkar: And for quarter?

Ashish Goel: Doubles broadly on the similar line.

Aniket Redkar: What about the EBITDA margins for the sale?

Ashish Goel: The EBITDA margins overall, again as I mentioned that due to a lower capacity utilization, we have reported a negative EBITDA. But in terms of, I would say ranking them across the category toothbrush has the highest followed by mouthwash and then toothpaste. But toothpaste as I mentioned, it's a relatively on a value basis is a much higher base.

Aniket Redkar: Also, as far as talcum powder, creams and all is concern, what are the margins are we expecting from these new products?

Nikhil Nanda: Contracting in general, the business has a similar margin stream. It's primarily the innovation, which is a responsible for increasing your margins but otherwise a contracting business is a very stable and a similar margin stream business across categories.

Aniket Redkar: What is the export contribution for this year? What is our plan to grow in the export market? Do you see any growth in the export post-COVID?

Nikhil Nanda: Fortunately, export market is looking at a very positive signals in terms of outsourcing from India because China is slightly quite in doldrums. So, India is emerging, as a big alternative to China sourcing and we are seeing a lot of active inquiries for them to get converted, it takes a little time, but we see a lot of opportunity there. And that's why we actively participating in a lot of trade shows internationally so that our exposure

with the customer base there increases. In case of export numbers Ashish can you throw some light?

Ashish Goel: In terms of numbers for FY22, there has been almost nil contribution on account of exports, but yes, with the activities in terms of participation in the exhibition and kind of queries that we have from the US and the European market, we are looking forward for almost 10% to 12% kind of a market share going forward in our revenues.

Aniket Redkar: There is a decrease in the cash balance by 50 crores in FY22. So, where are we use these funds basically?

Ashish Goel: Larger part of the cash utilization is towards the capital expenditure, towards the new categories that we are building.

Nikhil Nanda: So, there is land that we have purchased in Jammu & Kashmir for setting up a new facility, there is new talc facility which has come up in the existing campus. There is new cream lotion facility which is coming up in the same campus. So, we are utilizing most of it towards capitals.

Aniket Redkar: And this other income has gone up by 24%. So, what it comprises of basically?

Ashish Goel: Basically, this largely comprises of the government grants that on the investments that we have done post '17-'18 financial years. So, under the capital subsidy scheme, that government grant has been realized in the current financial year and that is something which is reflecting along with the exchange fluctuation gains that company has accrued during the current financial year.

Aniket Redkar: One last question as in the capital WIP is increased from Rs. 8 crores to Rs. 19 crores, just wanted to understand.



*JHS Svendgaard Laboratories Limited
May 31, 2022*

Ashish Goel: This is again on account of the talcum powder and ayurvedic facility which as mentioned by Mr. Nanda, is going to be commercialized in effective May. So, in Q1 larger part of it should be capitalized, which is currently under....

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to Mr. Nikhil Nanda for closing comments.

Nikhil Nanda: I would like to thank everyone for attending the call today and showing the interest in JHS. We look forward to your active participation and we assure you we are working diligently to ensure that the company gets back on the growth path, and we will keep you informed of all the decisions and all the opportunities that we are exploring and moving towards. Thank you so much. Thank you everyone.

Moderator: Thank you, ladies and gentlemen, on behalf of JHS Svendgaard Laboratories Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.