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June 05, 2023

To

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

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

Mumbai – 400 001

Trading Symbol: JHS

Scrip Code: 532771

Subject: Outcome of Investors/Analyst meet- Transcript of the Conference Call held to discuss Financial Results for the quarter and year ended on 31st March, 2023

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations 2015

Dear Sir/Madam,

Please find enclosed herewith Transcript of the conference call with analysts and investors held on Wednesday, May 31, 2023 to discuss the Audited Financial Results of JHS Svendgaard Laboratories Limited for the quarter and year ended on 31st March, 2023.

This will also be hosted on Company's website at:
<https://www.svendgaard.com/Earnings%20Call.html>

You are requested to kindly take the above information into your records.

Thanking You,
Yours Faithfully
For JHS Svendgaard Laboratories Limited

Komal Jha
Company Secretary and Compliance Officer

Encl: A/a



“JHS Svendgaard Laboratories Limited
Q4 FY’23 Earnings Conference Call”
May 31, 2023



MANAGEMENT: **MR. NIKHIL NANDA – MANAGING DIRECTOR – JHS
SVENDGAARD LABORATORIES LIMITED**
**MR. ASHISH GOEL – CHIEF FINANCIAL OFFICER –
JHS SVENDGAARD LABORATORIES LIMITED**

MODERATOR: **MR. RUPESH REGE – ADFACTORS PR PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the JHS Svendgaard Laboratories Limited Q4 and FY '23 Earnings 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 the guarantees of future performance and involve risks 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 star then zero on a touch-tone phone. Please note that this conference is being recorded.

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

Nikhil Nanda: Hi, good evening. This is Nikhil Nanda from JHS Svendgaard Laboratories. Thank you for joining the call today and showing your interest in JHS Svendgaard Laboratories. We are a contract manufacturing company specializing in oral care but growing in categories now to include more personal care and subsequently healthcare products in our category. We've been in the contract manufacturing business for the last 26 years now and we had a successful IPO in the year 2006 and then we've been listed.

We've got our manufacturing units in Himachal, which is Kala Amb, which used to have fiscal benefits till 2020 and thereafter we are at par with any other area. This is just a brief background about the people who've joined in new. There are a couple of people I know who've been showing interest in JHS for some time and this is for the benefit of people who've joined in new.

So this is the brief background about the company. The good thing is we've started a new Talcum facility in this quarter in which we've started the first invoicing for the big Talcum brand called Nycil from Zydus Cadila. So that's been a new addition. This is so far as the quarters changes are concerned. If there's any specific questions, we'll be happy to answer those and if there's any more information required, we'll be happy to share with you. Thank you.

Moderator: Thank you very much. Our first question is from the line of Nikhil Arora, who is an investor. Please go ahead.

Nikhil Arora: Sir, what is the company's long-term vision and strategic direction? Can you share the plan to achieve and sustain growth in this evolving market landscape?

Nikhil Nanda: Thank you, Nikhil. What we're intending to do is, as I mentioned, we intend to increase our product portfolio. Currently, we're limited to oral care. We plan to add personal care products in the portfolio and subsequently healthcare. And we're looking at both the opportunities of doing it internally through expansion and externally through mergers or acquisitions. So, we are in the process of evaluating the same with multiple companies. And I think hopefully by the end of the next quarter results, which is June 30th, we should be able to share some information on that.

Nikhil Arora: Okay, sir. And also, is there any new additions in the oral care product segment? If you can throw some light on that?

- Nikhil Nanda:** Yes. So, we've recently added Reliance Retail as one of our customers. So, Reliance is coming big time into personal care and healthcare products, all the FMCG products. So for the oral care, we've started manufacturing for them. And we had our first billing with them in March. So that's been one good addition in our overall portfolio. And we feel that's going to be a very sustainable growing business for us.
- Nikhil Arora:** Okay, sir. Thank you for the answer. And what percentage of exports have you done in this quarter? And what are the plans for the future?
- Nikhil Nanda:** Ashish, can you highlight the percentage export as a percentage of our total sales?
- Ashish Goel:** Yes. So, our overall sales export is still coming less than 1%. And that is one avenue that we are looking forward to increase our share in the overall market from an oral care perspective and personal care.
- Nikhil Nanda:** So just to add to what Ashish said, we've got a substantial inquiry from a U.S.-based company which owns a major brand in the U.S. We've developed a couple of formulations for them. And we were waiting results on the stability study. The products have been approved. So, I think that's going to be a good opportunity for us in the export market in the coming month.
- Nikhil Arora:** Okay, sir. And there has been an increase of I think roughly 33% Y-o-Y rise in the revenue during this quarter. So, what is driving the growth for the same?
- Nikhil Nanda:** So, there are two, three main customers who are growing now. So Leeford Pharma is one of them. And secondly, we've added Talcum as a new category, which is so both of these have jointly contributed to the growth.
- Nikhil Arora:** One balance sheet question, sir, if you don't mind. Our non-current liabilities have increased, if we see, from INR1 crore to I think INR14 crores in FY '23. So, what is that additional INR13 crores comprised of?
- Ashish Goel:** So basically, I like to answer you that question. This is Ashish. So, this increase in this non-current liability is towards basically one of the capital advances which have been given towards the development of the warehouse and services in order to sustain the enhanced volumes that we are foreseeing in the near future. So, the increase is largely on account of that.
- Nikhil Arora:** Okay, got it, sir. And any increase in the personal care plans expected to commence like in the coming future, any brownfield or greenfield expansion that we are hoping to see?
- Ashish Goel:** So yes, Mr. Nanda mentioned, that we are now in terms of adding the product portfolio apart from addition in the clients in the oil case category itself. So personal care is the next area where we will be adding to our overall product mix like the way we have done for Talcum powder.
- Nikhil Nanda:** So, to specifically, let me answer that, Ashish, specific to your question. We have a hair oil line coming up in the next two to three months for which majorly the capital expense has been incurred, the one that you are talking about.

- Moderator:** Thank you. Our next question is from the line of Rohan Mehta, who is an investor. Please go ahead.
- Rohan Mehta:** Hi, good evening, sir. I just wanted to ask about the recent tie-up with Zydus Cadila. If you could just shed some light on that, we'll be manufacturing the Nycil brand of talcum powder. Has it begun, have operations begun and by what timeline can we expect revenues from that particular line to start reflecting?
- Nikhil Nanda:** Yes, the tie-up is for a couple of years. We normally have a one to three year contract period, which keeps getting renewed as we go along. That's been the case with most of our customers, even customers who've been there now for more than two decades. We had our first invoicing for Zydus Cadila in March. Since this is a cyclical product, which sells only during the month of October, November to March, five months, because most of the production happens during actually November to March and most of the sales happens from April to August, September because of the summers.
- So, we've done some sales in March and we've done major sales in this current quarter 1. Now the sales will only happen in quarter 3. So, this is typical of the category, which is talcum and we've got a substantial chunk of their requirements in our new plant. That's all I can share for now.
- Rohan Mehta:** And also, on this, on these new products, apart from outside of oral care, the products that we're getting into like this talcum powder, and you mentioned hair oil, so would these be on a different, would these fetch different levels of margins for us or would it be similar to what we are making on the oral care?
- Nikhil Nanda:** See in general, the margins in contract manufacturing business continue to operate in a certain range. So, whatever category, the range difference is only about 200 basis point, 250 basis point between one and the other. And just one correction, which I would want to make to my statement is, the manufacturing happened in March, the billing started from April only for Zydus Cadila.
- Rohan Mehta:** Okay. So Q1 is when we'll see some little bit of revenue reflection of that and then Q3 straight away.
- Nikhil Nanda:** Correct.
- Rohan Mehta:** Okay, sir. And the raw material prices are also in the same range for these personal care products?
- Nikhil Nanda:** No, raw material prices are very different because it's a different ingredient list altogether. Like most of the contract manufacturing business, we have a pass-through. So, whatever is the cost of the RM, PM which changes, we do a pass-through in the debit credit note on a quarterly basis.
- Rohan Mehta:** Okay. And sir, since we spoke about exploring export opportunities, do we have any particular geographies in mind that we might target to begin with?
- Nikhil Nanda:** Well, Middle East and U.S. are the categories. Or the countries, I would say.

Rohan Mehta: Okay, sir. And our approach to get into them would be through tie-ups or with brands or, you know, get into the supply chain, I mean, just to get your views on what strategy.

Nikhil Nanda: So how normally it happens is that most of these markets, you have people who are well-entrenched in the system there. And they tend to be the sourcing partners for the local brands there. And they do the complete groundwork, and they do the complete sourcing on behalf of the big brands. So, we are in touch with two of such big distributors, sourcing partners who have collaborated and we've developed the products for these brands for the US market and the Middle East market.

Rohan Mehta: Okay, so we'd be competing with local manufacturers over there as well, right?

Nikhil Nanda: Yes. And they are mainly currently sourcing out of China and other parts of the world, even South America. So, we could be one of those suppliers as to de-risk their sourcing.

Rohan Mehta: Right. In fact, there is a lot of China Plus One sentiment in several industries. So that could also be a potential avenue for us.

Nikhil Nanda: Exactly.

Rohan Mehta: Sir, any other risks do you see in terms of the supply chain disruption or anything to do with raw materials that might affect us?

Nikhil Nanda: Not really. I think the world is doing well right now. In fact, there's a growth all across and a huge inflation also. So, to that extent, I think there's a good spending which is happening by people. So as far as my outlook about the consumer market is, it's on a good growth trajectory.

Rohan Mehta: Okay, sir. And also wanted to get your outlook on the competitive landscape for us. If you know who our main competitors would be and what kind of barriers to entry might there be for a new player to get into what we do?

Nikhil Nanda: See, as far as toothpaste is concerned, so fortunately as a category, oral care, we don't have a single competitor. There are companies which do only toothbrushes, there are companies which do only toothpaste. There's not a single company in the country which does both. So that's one big advantage for us because we are able to, or our partners are able to source combo packs and most of the promotional items on toothpaste happens with a free toothbrush. So that's the advantage we bring on the table for our customers, which is a big entry barrier because that's an additional 20% cost for somebody outsourcing it.

Secondly, in case of toothpaste, we have a strong R&D department where we do our own formulations and any formulation stability study is about six months. And then it's very dependent on the markets that you're selling it. So once the stability test is done and dusted, nobody likes to really change, bring about a change by bringing in a new contracting partner because the formulation tend to be ours and we don't share them. So that's one big entry barrier.

Secondly, in case of toothbrushes, it's the molds. So, we bring along new molds, which is another three to six months period of development time. So that's another advantage we bring.

- Rohan Mehta:** Got it. Fair enough, sir. So, so speaking of R&D, do we have like a ballpark range of R&D budget per year or there's no fixed?
- Nikhil Nanda:** Currently there is no fixed budget, but in the current financial year, we are going ahead with a fixed R&D budget. We've increased the team and probably all that information we will be able to share in a more detailed manner because it's still kind of under development, but we've hired a couple of people and they are yet to join once they are in place, the team is in place by next quarter, we'll be able to share in a more concrete manner with you.
- Rohan Mehta:** Okay. Yes, that would be very helpful, sir. Just one last question from my end. Like we've had this Zydus Cadila added to our brand portfolio. We added Chicco sometime back. Any other notable additions or, you know, deletions from our portfolio of brands?
- Nikhil Nanda:** No deletions, but these are the two additions and apart from that, the other big one I mentioned to you is Reliance. Reliance Retail.
- Rohan Mehta:** Right. All right. Okay, sir. Thank you so much for answering my questions. Yes, sir. Thank you.
- Nikhil Nanda:** Just to add in, there is also been a significant growth as far as we have supplies to CSP canteens are considered in the current financial year.
- Rohan Mehta:** So, what products do we supply to the CSPs?
- Nikhil Nanda:** So, Oral Care as of now. As the product portfolio is in place, we've introduced additional categories.
- Nikhil Nanda:** So, there are three toothbrushes that we, three toothbrush SKUs and one toothpaste SKU that is being supplied to CSP. And that's on a roll.
- Rohan Mehta:** So, this would be on a continued basis or it's a per order basis whenever they place orders?
- Nikhil Nanda:** It's a continued basis business. Once you get the entry into CSP, then you're there and depends on how your product is accepted, the growth happens.
- Rohan Mehta:** Okay. Understood. Thank you so much, sir. Thank you and all the best.
- Nikhil Nanda:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Anthony, who is an investor. Please go ahead.
- Anthony:** Hello. Hi. So, I saw in the financials, loans and advances have decreased from some figures. Would you help me to understand or highlight on the decrement of loans? Have you paid off any debt or loans recently?
- Nikhil Nanda:** Ashish.
- Ashish Goel:** I'll take care of that. So basically, these are loans and advances, which have been given by the company rather than being taken. These are on the left-hand side of it. And one of such advances

has been returned to the company. So that is why there has been a reduction from INR15 crores to INR4.5 crores, during the current financial year. Otherwise, the company is debt-free. So, there is no loan from any financial institution on the company.

Anthony: Right. And in terms of cash that we have on our books, are we planning to use the cash in any manner, in terms of capex or any new investment in the business?

Nikhil Nanda: So yes, as we mentioned earlier, we are looking forward to add new product categories, one of which being talcum, which has already come in. And then in the pipeline, we'll see hair oil. And in a similar fashion, we are going to add more categories of personal care as well. So, the cash is largely going to be utilized by.

Anthony: So, you are also planning to enter into hair oil segment, right?

Nikhil Nanda: Yes.

Anthony: Apart from hair oil, which are the other segments where you are planning to enter into in the near future?

Nikhil Nanda: All of personal care and subsequently health care.

Anthony: Okay. And do you target any specific set of customers to manufacture these products into the mentioned segments?

Nikhil Nanda: No, we look at all the prevailing brands and their outsourcing plans and we approach them accordingly.

Anthony: Okay. And also, have we purchased any new assets during the year, in terms of business development?

Nikhil Nanda: I didn't follow the question. Assets for business development means what?

Anthony: In the sense that, I'm talking about fixed assets in the sense that have we purchased any fixed assets to, in order to manufacture or get into a new product segment.

Nikhil Nanda: Yes, there's a complete manufacturing setup for talcum, which has been done in the current financial year. Ashish, would you like to give the details?

Ashish Goel: Yes. So, this capital investment regarding the new categories that has been ongoing for the last two years. So, during the year, the moment that you are interested in these fixed assets is largely on account of capitalization because the talcum powder unit has come into operation in March and also there has been certain purchases directly as well, in the current financial year. So, the enhancement that you're seeing in the fixed assets is on account of that.

Anthony: Okay. According to you, what would be the main reasons or main drivers of revenue this year, as there was around 10% of increase in Y-o-Y. So, what are the main reasons that contributed to increase in the revenue, if you could tell me?

- Nikhil Nanda:** New customers and new categories.
- Anthony:** Okay. And which are those new customers?
- Nikhil Nanda:** Reliance. Zydus Cadila and category is talcum powder.
- Anthony:** And talcum powder. Okay. Well, thank you so much. And last question from my end. So okay. I think I got all my answers. Thank you so much and I wish you the very best.
- Nikhil Nanda:** Thank you. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Rohan Mehta, who is an investor. Please go ahead.
- Rohan Mehta:** Yes. Hi, sir. I just had a couple of follow-up questions. As we spoke about CSP, so just wanted to get your view, how scalable that business could become in terms of revenue and margins, maybe a visibility into the next year or so.
- Nikhil Nanda:** So, we've been growing. I can tell you specifically, we've grown almost 300% in our CSP business between '21- '22 and '22- '23. But that's been on a very small base. So now here on the growth is not going to be the same percentages. But this is a very scalable business to at least grow 5x from where we are today in next four years to five years.
- Rohan Mehta:** Fair enough. That's very promising, sir. And just your rough guidance for top line and bottom line for the next maybe two years to three years or even a longer term, if there is any vision that you could share with us, with the new products that we'll have and if exports also kick in as planned, then any ballpark guidance for the next three years to five years?
- Nikhil Nanda:** See, our internal targets are to at least triple our size in the next five years. And that's the bare minimum, we need to achieve. This is primarily on the back of the new category. As you rightly mentioned, some export and largely on account of the new products that, we are going to introduce in our portfolio, in the next couple of months or years, I would say.
- Rohan Mehta:** All right. Thank you, sir. All the best. Thank you.
- Nikhil Nanda:** Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Nikhil Nanda, Managing Director from JHS Svendgaard Laboratories Limited for closing comments.
- Nikhil Nanda:** Thank you, everyone, for joining in today. It's been a pleasure to have you all. And just wanted to assure you once again that we are doing whatever it needs to be required to be done to grow the company on the lines of the internal revenue targets that we've set. And we've got a lot of SOPs in place in the last couple of months. We've, as you've already been informed, we are adding new categories also. So, by increasing the product portfolio and the new markets, we are going to get onto a growth trajectory in the coming months. And that seems very doable now.



*JHS Svendgaard Laboratories Limited
May 31, 2023*

Thanks for bearing with us for the last couple of months. And we assure you, you're going to see the changes very soon now. Thank you once again, everyone, for joining us.

Moderator:

Thank you. On behalf of JHS Svendgaard Laboratories Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.