"JHS Svendgaard Laboratories Limited
Q2 and H1 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Q2 and H1 FY2022 Earnings Conference Call of JHS Svendgaard Laboratories Limited. This conference call may contain forward-looking statements about the company, which are based on 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhil Nanda, Founder & Managing Director. Thank you and over to you Sir!

Nikhil Nanda: Good afternoon everyone. I would like to wish all of you a very warm welcome to JHS Svendgaard Laboratories Limited earnings conference call for the half year ending September 2021. I would like to express my gratitude to all of you for taking the time to join us today. I also have on call, our Investor Relations, Bridge IR and our Group CFO, Ashish Goel, and our CFO, Neeraj Mittal from my team.

Since this is our maiden earnings conference call I will give you all a brief overview about the company from the year we started till date and the recent developments, which we are undertaking, so you get a fair idea about the business model of the company and what we intent to do.

JHS Svendgaard Laboratories was founded by me in 1996 as a proprietary firm while we were manufacturing toothbrushes. Initially we were focused on exports because Russia was a big export market at that point in time. Subsequently Oral-B owned by Gillette India planned to come into India with their brand Oral-B and we were the initial partners for Gillette to get Oral-B into India. There has been a tremendous growth in the initial years and things were going very well and that is the time when we also added a few more customers like Amway, Dabur, and at that point of time Sahara, which used to have a big consumer products division.

Going forward, Gillette got sold to Proctor & Gamble and there was a time lag when there was restructuring the whole organization and the business was relocated from us to other locations, but we continued manufacturing for other brands. Subsequently P&G came back with the Oral-B sometime in 2010. We also added Patanjali continued to grow very well. Somewhere in the year 2012-2013 is when we set up our complete large toothpaste facility also; one with the Ayurvedic license and one with the cosmetic license. So, currently we manufacture the Dabur Babool, Promise and Babool Ayurvedic toothpaste. We also manufacture the Dentassure and the Close-Up toothpaste. Dentassure is owned by a multilevel marketing company called Vestige and Close Up is owned by Unilever.

Apart from these toothbrushes we continue to manufacture for most of the major brands like Patanjali, Dabur, Leeford Pharma, Amway India, Vestige and recently we have also started manufacturing for kids brand called Mee-Mee.

We are the only facility in India which is an integrated Oral care manufacturing facility. Most of the other contracting sides are either toothbrush manufacturing sites or they are toothpaste manufacturing sites. There is not a single unit in the country which is an integrated facility with both brushes and paste and that gives us a lot of leverage and advantage with the brands which want to run promotions like just to give you an example, Dabur has been continuously giving a toothbrush free with their toothpaste and that has been the major reason for the volume growth in Babool and they get a saving of almost close to 10% having an inside facility for both brushes and toothpaste.

Currently, we are speaking to at least four or five different brands all big ones for whom we are developing toothpaste. We have a very strong R&D center and we are doing some toothbrush development also for them, which is also underway and we hope to see some traction and getting converted into real numbers in the last quarter of the financial year and the first quarter of the next financial year.

As we all know in the last one and a half years, COVID-19 has caused a lot of disruptions in the businesses and we witnessed I would say both ways unprecedented numbers where because of the lockdown a few months had to be shutdown while because of the tendency to hold the daily essential items we have seen a huge shoot in the consumer pattern where volumes have gone up majorly; however, this pattern has mainly been in the last financial year. Things seem to be more settled in the current financial year.

We are continuing to cater to the industry and we have been going through the cycle as most of the other FMCG brands; however, as a business, we have realized that from oral care we need to probably grow twofold one is in terms of our geographical reach because in the post-GST times, what is important is the availability of the material locally because most of these big FMCG brands for whom we work have already a distribution so as long as we are able to provide them deliveries locally, the business can grow further. So, geographical reach is very important because no longer the tax benefits of Himachal or Uttarakhand exist. So in order to create our advantageous and our leverages, we need to have a larger geographical presence along with that we are also adding product lines, so talcum powder is one of the categories where our facility has already commenced installation and we should be able to produce talc for one of the leading multinational brands from January of 2022.

So that is going to scale up subsequently. That is a new category which we have added in our product line. Apart from that in order to have a geographical outreach, we are evaluating, we already have an investment banker on board who is talking to a couple of smaller contract players in the FMCG categories which are creams, lotions, oils, soaps, so we still have not got anything completed but we are speaking to a lot of companies in that.

We intend to have in the next nine to 12 months at least one facility either in the south or the central part of the country. This is the background and the current developments, which we are undergoing and undertaking in the company. Apart from that in order to give you a detailed brief about the financials of the company, I would ask Ashish our Group CFO to take you through the half-yearly numbers and give a detailed brief on that. Thank you.

Ashish Goel: Thank you Nikhil Ji for giving that overview. First of all I would like to thank all the participants and I would take you through the half-yearly numbers for the financial year 2022.

So, we reported a revenue of 46.22 Crores during first half of financial year 2022 as against 48.44 Crores in the first half of financial year 2021. The marginal decline in revenue in half-yearly year-on-year is mainly on account of change in demand patterns of company's multilevel marketing clients due to restrictions of public gatherings impacting customers demand at large.

While if we compare it on quarterly basis, so whereas there was an increase of almost 28.59% recorded during Q1 there is a decline of 22.2% recorded during Q2, but these effects combined had yield towards decline of 4.58% in first half of financial year 2022.

This as we understand is primarily because during the first wave of COVID-19 in the last year in financial year 2021, FMCG companies like almost all of us who were not prepared for the disruption rather it has been unprecedented for almost all of us on this call. The supply chains had dried up during Q1 which was subsequently replenished in Q2 of financial year 2021 leading to an immediate increase in sales in Q2 of previous financial year whereas in financial year 2022 the current financial year the length of lockdown was short and scattered across states unlike previous financial year where it was a country wide lockdown.

FMCG companies as well as consumers were prepared and the bulk buying and hoarding as mentioned by Mr. Nanda came down significantly and buying pattern was largely uninterrupted across the two quarters during the current financial year unlike previous year. This was the main reason for decline in year-on-year quarterly sales in Q2 specifically for the current financial year.

Our EBITDA for the first half of the year stands at 44 lakhs which is an increase of 87 basis points despite the marginal decline in the revenue, so we have rationalized them in our cost. EBITDA margins is at 0.95% for the half-year. This is largely due to the cost rationalization as well as the sales mix between the different product categories.

Our PAT during the first half of the year as been reported at 18 lakhs as against a loss of 1.62 Crores during the first half of the previous financial year. PAT margins stood at 0.4% which has improved by 374 basis points whereas EPS has been reported at 0.1 paisa. That is all from our side and we are happy to take the questions here onwards.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Aniket Redkar an individual investor. Please go ahead.

Aniket Redkar: Good afternoon Sir. Sir, I have a couple of questions; can you give a revenue split up product wise and segment wise for the quarter and the half-year ended?

Nikhil Nanda: For the current financial year half-year the product wise break up across the different categories which is toothbrushes, toothpaste and other allied oral care category is like mouthwash, tongue treatment and all, is we are doing around 30% of the revenues are coming from the toothbrush and approximately 65% is coming from toothpaste segment and another 5% is from the other categories combined and if we talk about segment wise, because we have three separate segments. The third party, private label business, is contributing the largest approximately 90% of the revenues are from that line and another 6% to 7% is coming from the proprietary brand which is into a step-down subsidiary for now and remaining is coming from the retail business, which is specifically at the airports.

Aniket Redkar: Sir, as we can see there is a decrease in the revenue to 24 Crores as compared to the last quarter 31 Crores, I mean from 31 Crores to it is going to decrease to 24 Crores, what is the main reason for this?

Nikhil Nanda: As I mentioned initially during the call that whereas if we just see the numbers at a quarterly level, yes there is a decline, but unlike previous years when the disruption was there, so there was an increase in Q1 as compared to the previous year because last year the supply chains were not prepared to handle this kind of disruptions so the impact of increase versus decrease, the combined effect of Q1 and Q2 there is a marginal decline. So, if we compare the quarterly numbers so whereas we have reported a revenue of 48 Crores during the previous financial year we have reported a revenue of 46.22 Crores during the financial year.

Aniket Redkar: So, QoQ has increased by 14%, but YoY if we can see it has decreased to 22%?

Nikhil Nanda: Yes so YoY in the quarter yes there is a decline.

Aniket Redkar: Are we facing any raw material price as increases as we recover in the market? So, are we facing any problems in terms of raw material?

Ashish Goel: Very relevant question. So, as I mentioned that the large part of the revenue right now is through the third-party private label business, where there is a clear pass through over to the customers. There is a monthly and quarterly where we pass the cost differential both ways to the clients so we have largely safeguarded this. The little exposure that we have is only on the branded side and in private label that is taken care off.

Aniket Redkar: Sir, is there any new products addition or if it is there, new products, is there any or when are you going to launch such products, if you have any new addition in your pipeline?

Ashish Goel: So, first of all as far as the new product within the oral care category that is a continuous process so as and when the new clients is added, we do the complete R&D for them and then that is being offered to the clients. As far as the new product category is considered, as mentioned by Mr. Nanda, so we are adding talcum powder as an additional product category which is likely to be up in operational in January of 2022.

Aniket Redkar: Sir, can you give a brief about how many products are in the R&D phase right now?

Nikhil Nanda: If we talk about in the R&D phase for the active enquiries and the customers that we have, there are 12 SKUs combined of toothbrushes and toothpastes which are right now under the development stage and talcum category is a new product category which will be up and running for which we already have an agreement with the customer in place.

Aniket Redkar: Sir, related to this only, what is our R&D budget right now? Do we plan to increase it or further expansion?

Nikhil Nanda: Along with the new facility we have a large R&D facility also coming up. Currently, our R&D budget is less than 0.5% which we intent to increase to close to 2%. So, lots of investment in terms of equipment and people both are being undertaken, which should be in place by the Q1 of next year. As we intent to add more categories of products in our portfolio we need to have a strong R&D base for that, which we are working on. I hope this answers your question?

Viral Shah: How do you see the Aquawhite for the further quarters? What kind of developments are happening in this Aquawhite?

Nikhil Nanda: Recently we got involved and approved in CSD and we expect our revenue in Aquawhite to double in next financial year primarily on basis of the CSD and CPC which is going to be huge institutional sales coming into our product portfolio.

Aniket Redkar: Sir, as far as expansion is concerned, what are our plans in terms of marketing? I mean do we have any plan to expand our business development and the marketing team and what is the budget for the same?

Ashish Goel: Yes, we are already evaluating to have a few people on board in order to have the new facilities running, we need to have business also. So, we are already finalizing on two new key employees from the various IIMs and the process of short-listing is already done. We just need to finalize on the two key people that we would be having and the idea is all the new products and the R&D that we are putting up that needs to be presold while we go into the market with the facility.

Aniket Redkar: Sir, as you can see the market is recovering and everything is going smoothly, slowly, slowly, so what kinds of demands we are getting for our products right now?

Nikhil Nanda: As a category we are in oral care, which is growing at about 4% to 6% only. That is the reason we are very keen on adding new product categories because most of our customers just to give you an example, we work for Dabur for both toothbrushes and toothpaste but they also have a huge range in Vatika, they also have a huge range in oil creams, so if we have a running facility, we would be able to get some business from them especially in south because they also do not have a manufacturing base or a supplier base in south, so somebody who is associated with them for last two decades, we have been working for the last 20 years, I am sure they will be happy to pass on business and new categories if we have a south based facility. So those are the kind of things, which we are trying to do where we compliment 1) our existing customers with new products, 2) with new locations and 3) we are able to get new customers because of the new products categories that we would be adding and 4) with the acquisition we are able to immediately increase our revenue because currently we are a totally debt free company with cash reserves in the bank. So, we are going to use them productively to acquire some new facilities with contracted volumes.

Aniket Redkar: Sir, do we have any new client addition to our portfolio? Who are the major three or four top competitors for us?

Nikhil Nanda: Last year we added Close Up which is Unilever, this year we have added Mee-Mee which is very popular kids brand and we have already signed up with a multinational for the talc where we put up a Greenfield facility, which would be up in running in the last quarter of the current financial year. So, these are the new developments, which will add to the numbers. Unfortunately, while we added the business here, two of our key customers who are in multilevel marketing their volumes have degrown by almost 70% to 80% primarily because of COVID their business model is dependent on assimilation of people and having conferences of people and then doing this product sales, which is not happening. So, that 80% decline in the volumes actually took the sheen off the growth that we would have got from the new customers.

Aniket Redkar: Sir, can you give a projected topline and bottomline for the year end?

Nikhil Nanda: Let me tell you one thing by the end of the year we will hit a run rate of 150 Crores to 180 Crores on no addition in terms of any acquisitions. If we are able to conclude something like that that is only a number which would be there once we also know about it.

Aniket Redkar: Do you think is there any strategic acquisition can come up in line?

Nikhil Nanda: Businesses are ever changing and ever dynamic. We never say no to anything. We always keep looking at opportunities in all the ways.

Aniket Redkar: Thank you. This is from my side. Happy Diwali and great year ahead. Thank you so much.

Moderator: Thank you. The next question is from the line of Resha Mehta from GreenEdge Wealth Services. Please go ahead.

Resha Mehta: Thanks for the opportunity. I am very new to the company. A couple of very basic questions; currently oral care forms a bulk of our revenue. So, could you just talk a little bit about your focus in terms of oral care versus let us say you are expanding to other personal care categories? How do we see the revenue mix shaping up and what really are the margins in both these categories? That is one. Second in terms of I can see that there is a B2B part of the business and then there is a B2C part which is your branded Aquawhite business. So here again, what is the focus? How do you see that shaping up and again, in the branded space, I see that is loss making, so with heavyweights in this industry having their own brands, what really is your right to win here and how do you see these losses kind of coming off and the numbers moving. So, these are the first two questions that I have.

Nikhil Nanda: I will go one by one. The first is the margins and the new category and our focus, so margins primarily in the contract manufacturing business remains similar. I would not say same, but similar across categories wherever you are present. Oral care market currently is about 13000, 14000 Crores category, which is on a retail MRP. So, on a company transfer price it will be half of that and talcum which we are entering is about a 3000 Crores category and the revenue share would depend on the category itself; however, there are a much larger number of players in the talc and the brand, loyalty is much lower in talc as compared to toothpaste, probably I would say it is similar to a toothbrush. A consumer generally changes his toothbrush easily but does not change the toothpaste very easily. Similarly talc brand also they are fairly easier to change. So, we have a lot more opportunities in terms of smaller brands. This is as far as your first question is concerned. Second about our own brand Aquawhite which is the kids oral care brand. If you would have seen earlier there used to be one single category of the white toothpaste, but over the years, we have seen Sensodyne created a niche category of sensitive toothpaste, Dabur Red and Patanjali creating a subcategory of the ayurvedic toothpaste, similarly we are a young country, we have about 22% population, which is below 10 years of age, internationally there are kids oral care products available, but in India they are not. That is how we thought of launching the kids oral care range. We did raise some private equity. We tried to set up a distribution. The product acceptability is very good, but distribution is a different ballgame altogether. It does not jell with our DNA that is why we changed the strategy and we have already turned profitable from, I would not say profitable, but we turned to breakeven in the own brand category with the new CSD business coming in and we are focusing only on institutional sales, which is CSD, CPC, and the second is the online sales. So, we are creating a team. We have already got a small team in place, which is doing online sales. We have got a good traction there. We intend to make that bigger and focus our brand only in institutional and online sales rather than investing any further into the distribution channels. We have got to cut to losses from here and I think Q4 onwards, we will be turning out some marginal profits even in the own brand businesses, but the focus continues to remain on the contracting business with new products and new categories.

Resha Mehta: So, going ahead with addition of new categories like talc and even your Aquawhite business probably breaking even or let us say becoming marginally profitable, can you just give some indications in terms of how do we see our numbers, shaping up both the topline as well as your EBITDA margins, because you know if I look at your historical performance in terms of margins it has been quite volatile, it makes it difficult to kind of phantom anything because like from a 10% EBITDA margin to now it is 1%, 2% odd?

Nikhil Nanda: I understand from where you are coming from and we have had our own set of challenges in the last couple of years where we set up a huge Greenfield project for one of the leading multinationals of the world, which had launched the Oral-B toothpaste in India and we had a very watertight agreement in terms of margins, volume, everything but unfortunately the product did not do well in the Indian market and they had to pull out the Oral-B toothpaste out of the Indian market which kind of created four, five years of volatility and our whole business model; however, going forward that was more than covered up by the Patanjali business which started picking up very well from 2014 onwards and peaked in about 2017 and then dropped real fast for the next two years. So, I would say that the contract manufacturing business has been kind of dependent on our customers and that too just in one category which is oral care. That is the reason we are now focusing to derisk the business, 1) by having other product categories, 2) by having a larger consumer base and probably also add some businesses and just to give you an example, currently we do not make any products for Himalaya but Himalaya has got a huge vendor base in South of India who is supplying to Himalaya and if we are able to acquire one of those companies and supply the creams, lotions, the different range of products that Himalaya sells, we might also be able to supply them the toothbrushes and the toothpaste from our facility here. So, those are the kinds of things or the kinds of complimentary strategies which we intent to deploy going forward and I can say what you asked the predictability we would be able to have a lot more predictable numbers in the next two to three years and by the end of the current financial year we should be hitting a run rate of about 150 Crores to 180 Crores on topline and we should be doubling our profit, net profit, PAT from the last year.

Resha Mehta: The other bit, in terms of since oral care forms a large part of your revenue pool right now, so how are these contracts kind of structured. The reason I am asking this question is because in our past history we have been volatile because of maybe let us say getting one new account and losing another account or so and so forth. So, what are the nature of these contracts, what are their tenures? Do we get firm commitments? How well in advance? How does the price hikes or the price movements happen with these accounts?

Nikhil Nanda: As I mentioned businesses are ever dynamic in nature and going with our experience of the last two decades, we had a customer like Dabur where the contracts are for two years and we have been renewing every two years. It has been 20 years now. While there was a contract with P&G which was watertight for seven years with fixed volumes, fixed margins and their product bombed in the market and they could not honor the terms of the agreement. So, the predictability to that level even the best of the contracts may fail and even the loosely contracted volumes may continue to stay there; however, having said that every business and every investment need some kind of a predictability. I would say that most of the contracts currently are between two to three years and they have a fair amount of volume prediction with a 10% to 15% volume volatility already built into the contracts. Any increase in the raw material prices is a pass through and the conversion cost is something that we take up on an annualized basis for revision.

Resha Mehta: How much would let us say your top two customers contribute to your topline?

Nikhil Nanda: We have been very conscious to ensure none of our single customer is now more than 25% of our revenue. We took our learning from the P&G business while P&G was about 70% of our overall revenue stream. Currently none of our customers, single customer is more than 25% of our revenue.

Resha Mehta: And the top two customers would be contributing how much to your topline?

Nikhil Nanda: About 40%, 45%.

Resha Mehta: Understood. Would it be fair to say that probably P&G business was exited back in 2012-ish?

Nikhil Nanda: 2013, yes.

Resha Mehta: 2013, okay. Probably you added Patanjali in 2015?

Nikhil Nanda: We have been producing for Patanjali since 2010. Their business picked up in 2014. They had a huge almost 150% growth annually from 2014 to 2016.

Resha Mehta: Typically let us say the Dabur or the HULs of the world how much will be the max vendor share that they have a cap on?

Nikhil Nanda: In general, 50%, but again it depends on the category and the size of the business. At times, they cap it at 20% also if the volumes are rarely high.

Resha Mehta: Talking about our category which is Oral care, would that still be at 20%?

Nikhil Nanda: Well, Colgate has a 20% because they own 55% of the market. Colgate has a 20% cap per vendor, but Unilever is a much smaller player in the oral care category so currently they do not have any such cap, but we are a new addition to their vendor list.

Resha Mehta: Typically all of this is outsourced by these FMCG companies, right, the toothpaste, toothbrush manufacturing or do they have something in-house also?

Nikhil Nanda: No. Like Colgate for 75 years has never produced a single toothbrush in-house and they have produced 100% toothpaste in-house. However, in the last four year, 2017, in the last four years, they have set up a facility of their own to manufacture toothbrushes and they have started outsourcing some of the Cibaca volumes, still not Colgate but the Cibaca volumes to different vendors.

Resha Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.

Rishikesh Oza: Sir, you said that by FY2022 end, you will reach about 150 Crores 180 Crores of run rate, so I assume this will be continuing in FY2023, so the topline you can reach 180 Crores, 200 Crores, is this fair to assume that kind of a range in FY2023?

Nikhil Nanda: Well that is a fair assumption assuming that we have no addition in terms of an acquisition, which I am pretty confident in the next nine to 12 months we would be having at least one acquisition happening as I mentioned, we are totally debt free and we have cash in the bank with us and that is ready to be deployed for a fruitful acquisition.

Rishikesh Oza: Could you share the capacity utilization numbers?

Nikhil Nanda: Toothbrush is about 65% and toothpaste is about 50%. In that 50% ayurvedic is only about 25%.

Rishikesh Oza: Sir, like we almost have a double kind of potential if we can say from the current revenues that we have done, correct?

Nikhil Nanda: Without any capex, from the current facility, we can double.

Rishikesh Oza: At full capacity, you are talking?

Nikhil Nanda: Correct.

Rishikesh Oza: Sir, if you could indicate what kind of EBITDA margins we can do, so like earlier we used to be doing some quarters, we used to do 9%, 10% of EBITDA margins, 6% to 9% was generally for our trade and last two, three years it has been like 1% or 2% somewhere around. So, if you can indicate what margins can we do going ahead?

Nikhil Nanda: When we lost the P&G business and capacity utilization was down to 10%, we did take up some business and we continued to do that at much lower EBITDA margins, but all the new customers are being added at close to 10% EBITDA margin, so that is a slow and progressive change which is happening and I think in the next two to three years our EBITDA margins would come back in the double-digit with all the new customers in place.

Rishikesh Oza: Sir, the acquisitions that we are doing about adding any new facility that we will be funding by cash that you have correct?

Nikhil Nanda: Right.

Rishikesh Oza: That is it from me. Thank you.

Moderator: Thank you. The next question is from the line of Rohan Mehta an individual investor. Please go ahead.

Rohan Mehta: Good afternoon Sir. Thank you for the opportunity. Some of my questions have already been answered, but just I had a few more. You mentioned about your R&D budget being approximately half a percent as of now and going towards a target of around 2%. So by what kind of time frame are we looking at if we would have an R&D project of 2% and what would be the revenue level at that?

Nikhil Nanda: By the end of next financial year we will be at 2% and our revenue at that point of time should be between 150 Crores and 180 Crores as was mentioned.

Rohan Mehta: Sir, this primarily as you mentioned would go into new machinery facilities and for the new product lines that we are getting into like talcum and other, right Sir?

Nikhil Nanda: It will be for all the products that we would be manufacturing at that point of time.

Rohan Mehta: Sir, any guidance on specifically which product lines we would be looking at in the next one year in terms of new categories that you spoke about?

Nikhil Nanda: What we have invested is in talcum powder. What we currently have is oral care, tooth brushes, paste, mouthwash, denture tablets. There is a small facility which we have setup is also for creams and lotions, but that is a very small facility. We will be using R&D to develop new innovative products in all these categories and then reach out to the market for having a presell before we actually set up a facility or maybe depending on what acquisition we finally end up doing whatever product line is there, we will be utilizing it for that.

Rohan Mehta: So would there be some amount of capex for these new products or would it only be out of the existing facilities and any acquisitions that may happen?

Nikhil Nanda: It will be out of the existing acquired facility or the existing facility for which we have already done the capex.

Rohan Mehta: Sir, as we spoke about margins and acquisitions and plans, any specific targets that you have as you mentioned in south or anywhere else that you have specific targets for revenues?

Nikhil Nanda: Too premature, but we are talking to a couple of companies there.

Rohan Mehta: So, this also we will be looking at a timeframe of maybe next financial year, would that be correct Sir?

Nikhil Nanda: The target is to have acquisition in the next nine to 12 months.

Rohan Mehta: Thanks. Sir, as you were mentioning the capacity utilization across different products, that would also probably increase once everything stabilizes like defects and whatever volatility was there, would we expect reaching higher capacity utilizations in the next six months or so?

Nikhil Nanda: That is already underway. We have signed a couple of contracts.

Rohan Mehta: Lastly, just wanted to know your marketing budget roughly for the year or the next year?

Ashish Goel: Marketing budget per se since large part of the business is through private label, third party and as far as our own branded business in the overall segment is more to do with the institutional sales so, it is not something that we are not looking at more than 1% to 2% of the marketing budget per se. What would be spent is more is to do with the R&D to offer new products and formulations to our customers.

Rohan Mehta: Sir, you also mentioned expanding your team as such. Even year-on-year this quarter our employee costs as a percentage of revenue have also been higher. So, do you see if you expand your team with new recruits and all would that impact your EBITDA level margins or that is factored in considering the growth in revenue and other operational efficiencies and capacity utilization will increase. Would that offset the impact of higher employee costs?

Nikhil Nanda: Going forward from here onwards, that would obviously offset it. The current increase is largely because of the impact that has been there during the COVID period so even the minimum statutory increase that is there, so that has come in a combined manner in the current financial year that is why it is looking higher, but going forward it will all be factored in.

Rohan Mehta: Sir, new manufacturing facilities is it on track, going on or any sort of timelines, is it scheduled for the year end to get operational?

Nikhil Nanda: That is on time. It is expected to be up and running in January 2022.

Rohan Mehta: Thanks a lot Sir. That was all from my end. All the very best. Thank you.

Moderator: Thank you. The next question is from the line of Sharad Khandelwal an individual investor. Please go ahead.

Sharad Khandelwal: Good afternoon. My simple question is what part of your turnover is contributed by exports?

Ashish Goel: Mr. Khandelwal for the current financial year majority of the business or rather whole of it so far as been from the domestic side of it and till pre-COVID period financial year 2019-2020 it used to form a larger part of our overall business.

Sharad Khandelwal: Is there any separate reason why that has got curtailed?

Ashish Goel: That is one of the reasons for the overall revenue numbers to come down as compared to pre-COVID levels, but that is likely to gradually ramp up and it will obviously be part of the run rate that Mr. Nanda has mentioned for the current financial year. It will of course start forming part of it.

Sharad Khandelwal: If everything falls in place as per the plans that you have deployed in the concall till now, so what is the kind of turnover you would expect by FY2023 and what is the kind of profitability you would expect?

Ashish Goel: In terms of EBITDA margins? For the export business you are saying, the share of it?

Sharad Khandelwal: Well, everything, export business, potential acquisition, ramp up of production and sales to current customers and new customers, I mean, just an overall projection, guidance coming from management that you are looking at and you have already mentioned 150 Crores to 180 Crores for FY2022. So, what is it that you are looking at by FY2023?

Nikhil Nanda: FY2022 is the run rate. By the end of FY2022 is the run rate.

Sharad Khandelwal: Understood. If you could propose for FY2023 based on everything falling in place?

Nikhil Nanda: Run rate will continue for the full financial year next year. If the acquisition comes into place we expect another 50 Crores to 100 Crores depending on what is the size of acquisition will further add into the overall business of the company.

Sharad Khandelwal: The reason I am asking is I am a new investor in JHS and based on the commentary coming from the management would be my decision to add more or continue invested as much as I am right now. So, this would be very helpful. I am pretty encouraged by your plan.

Nikhil Nanda: We are very happy to have investors like you with us and it will be our endeavor to ensure that we live up to all the expectations.

Sharad Khandelwal: Our congratulations. Best wishes for doing much better in future.

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

Nikhil Nanda: Thank you everyone for joining us today and making this maiden conference with our investors a very success. We are really glad that all of you could take out time and join us today. I ensure on behalf of JHS and my team that we will be making all the efforts and striving much more than what we have done earlier. We will put in all the hard work which will ensure that our company, your company moves forward and grows irrespective of the market conditions and please stay in touch. Our Investor Relations team would definitely be available to you for any further questions anytime you have. Thank you everyone once again. A very Happy New Year and a Happy Diwali belated to everyone. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of JHS Svendgaard Laboratories Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines.