

NOTICE

Notice is hereby given that 2nd annual general meeting of the company will held at the registered office of the Company at Trilokpur Road, Kala-Amb, Nahan, Distt Sirmour (H.P.) on Saturday, the 23rd Day of September 2006 at 11:00 am to consider and if thought, fit to pass with or without modification (s) the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as on 31st March 2006 and Profit & Loss account for the year ending 31st March 2006 and Auditors Report thereon and Directors Report attached thereto.
2. To appoint M/s Haribhakti & Co., Chartered Accountants, retiring auditors as the Statutory Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting.

“RESOLVED THAT M/s Haribhakti & Co., Chartered Accountants, the retiring auditors be and are hereby re-appointed as auditors of the Company to hold office until the conclusion of next Annual General Meeting at a remuneration to be fixed by the Board.”

3. To appoint a director in place of Mr. Naveen Breja, who retires by rotation and being eligible has offered himself for reappointment.
4. To appoint a director in place of Mr. Puneet Kumar Manglik, who retires by rotation and being eligible has offered himself for reappointment.

SPECIAL BUSINESS:

1. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED THAT pursuant to section 257 of the Companies Act 1956, Mr. J.K. Rao, who was appointed as an additional director by the Board of Directors of the Company and who as per the provision of section 260 of the Companies Act, 1956 hold office up to the date of this Annual General Meeting and in respect of whom a letter proposing his candidature for the office of director has been received be and is hereby appointed as the director of the company and shall be liable to retire by rotation”

2. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED THAT pursuant to section 257 of the Companies Act 1956, Mr. Mukul Pathak, who was appointed as an additional director by the Board of

Directors of the Company and who as per the provision of section 260 of the Companies Act, 1956 hold office up to the date of this Annual General Meeting and in respect of whom a letter proposing his candidature for the office of director has been received be and is hereby appointed as the director of the company and shall be liable to retire by rotation”

Place: Delhi
Date: 28.08.2006

**By order of Board of Directors
For JHS Svendgaard Laboratories Ltd.**

Sd/-

**Diviy Chadha
(Company Secretary)**

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND A VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME FIXED.
2. Members/proxies should bring the attendance slip duly filed in or attending the meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed herewith in respect of Special Business set out in Item Nos. 1 to 2.
4. Members seeking any information with regards to accounts or operations are requested to write to the company at an early date so as to enable the management to keep the information ready.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956

Item No.1

Mr. J.K. Rao was appointed as an additional director by the Board of Directors of the Company in the Board Meeting held on January 1, 2006. As per the provisions of Section 260 of the companies Act, 1956 Mr. J.K. Rao shall hold office up to the ensuing Annual General Meeting. The company has received a valid notice alongwith a fees of Rs. 500/- from one of the members of the Company under Section 257 of the Companies Act, 1956 proposing his candidature for his appointment as one of the directors of the Company.

In view of the background and valuable experience of Mr. J.K. Rao, it will be in the interest of the Company that he continues to be the Director of the Company.

The Board needs your approval for the appointment of Mr. J.K. Rao as the Director of the Company.

Except Mr. J.K. Rao, none of the Directors are interested in this business.

Item No.2

Mr. Mukul Pathak was appointed as an additional director by the Board of Directors of the Company in the Board Meeting held on January 1, 2006. As per the provisions of Section 260 of the companies Act, 1956 Mr. Mukul Pathak shall hold office up to the ensuing Annual General Meeting. The company has received a valid notice alongwith a fees of Rs. 500/- from one of the members of the Company under Section 257 of the Companies Act, 1956 proposing his candidature for his appointment as one of the directors of the Company.

In view of the background and valuable experience of Mr. Mukul Pathak, it will be in the interest of the Company that he continues to be the Director of the Company.

The Board needs your approval for the appointment of Mr. Mukul Pathak as the Director of the Company.

Except Mr. Mukul Pathak, none of the Directors are interested in this business.

Place: Delhi
Date: 28.08.2006

**By order of Board of Directors
For JHS Svendgaard Laboratories Ltd.**

Sd/-

**Diviy Chadha
(Company Secretary)**

AUDITORS' REPORT TO THE MEMBERS OF JHS SVENDGAARD LABORATORIES LIMITED

1. We have audited the attached Balance Sheet of **JHS Svendgaard Laboratories Limited** ("the Company") as at March 31, 2006 and also the annexed Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 (together "the order") issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ('the Act') and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act, to the extent they are applicable to the Company;
 - (e) on the basis of written representations received from the directors, as on March 31, 2006, and taken on record by the Board of Directors, we report that none of the directors of the Company is prima facie disqualified as on March 31, 2006 from being appointed as a director in terms of section 274(1)(g) of the Act;

- (f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give the information required by the Act, in the manner so required, except that as explained in note no. 18, the details of dues to SSI creditors are not available; the said accounts give a true & fair view in conformity with the accounting policies generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006; and
- ii) in the case of the Profit & Loss Account, of the Profits for the year ended on that date.
- iii) in the case of Cash Flow Statements, of the cash flows for the year ended on that date.

For **Haribhakti & Co.**
Chartered Accountants

Sd/-

Chetan Desai
Partner
Membership No. 17000

Place: New Delhi.
Date: May 8th, 2006

Annexure referred to in paragraph 3 of Auditors' Report of even date to the members of JHS Svendgaard Laboratories Limited on the accounts for the year ended March 31, 2006.

I Fixed Assets:

- 1 The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The Company has a program for phased physical verification of all its fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, certain fixed assets have been physically verified by management during the period. As informed, no material discrepancies were noticed on such verification
- 2 During the period, the Company has not disposed off substantial part of its fixed assets.

II Inventory:

- 3 As explained to us, the inventory of the Company has been physically verified by the management. In our opinion, the frequency of verification is reasonable.
- 4 In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- 5 The Company has maintained proper records of inventory and the discrepancies between the physical stocks and the book stocks noticed on physical verification as mentioned in paragraph 3 above were not material and have been properly dealt with in the books of accounts.

III Loans and Borrowings:

- 6 (a) The Company has taken interest free unsecured loans from two parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is Rs. 838.13 lakhs and the amount outstanding as at March 31, 2006 is Rs. 25.04 lakhs.

(b) The terms and conditions of loans taken by the Company are prima facie not prejudicial to the interest of the Company.

IV Loans taken from 301 parties:

- 7 According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 8 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs.5 lacs in respect of any party during the year have been made at prices which are reasonable having regard to nature and terms of sum contract.

V Internal Control:

- 9 In our opinion and according to information and explanations given to us, the existing internal control procedures for the purchase of inventory and fixed assets and for the sale of goods and services need to be strengthened to be commensurate with the size of the company and nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

VI Transaction with 301 parties

- 10 According to the explanation and information given to us by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Act have been so entered.

VII Internal Audit

- 11 In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

VIII Statutory dues:

- 12 According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on Management representations, undisputed statutory dues if any in respect of Provident Fund, Employees' State Insurance dues, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Cess and other material statutory dues have generally been regularly deposited, by the Company during the year with the appropriate authorities in India except in respect of one of the four units where those dues were not deposited within the stipulated time. Such dues which have remained outstanding for over six months aggregate Rs. 2270/- towards Employees' State Insurance dues and Rs. 8243/- towards Provident Fund dues.
- 13 As at March 31, 2006, there have been no disputed dues which have not been deposited with the respective authorities in respect of Sales Tax, Income Tax, Custom Tax, Wealth tax, Service Tax, Excise Duty and Cess.

IX Financial Position:

- 14 The Company does not have accumulated losses. Also, it has not incurred any cash loss either during the financial period ended on that date, and in the immediately preceding financial period.

X Repayment of dues:

- 15 The Company has not defaulted in repayment of due to a financial institution or bank.

XI Loans and advances:

- 16 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debenture and other securities.

XII Guarantees Given:

17 The Company has not given any guarantee for loans taken by others from banks or financial institutions.

XIII Term Loans:

18 According to the explanation and information given to us by the management and based on our overall examination of the books of accounts, during the year, the Company has not taken any term loans.

XIV Utilisation of funds:

19 On the basis of review of utilisation of funds which is based on overall examination of the balance sheet of the Company, related information as made available to us and as represented to us by the Management, funds raised on short term basis have not been used for long term purpose.

XV Preferential allotment of shares:

20 The Company has made preferential allotment of shares to parties covered in the register maintained under section 301 of the Act, the price of which is not prejudicial to the interest of the Company.

XVI Others:

21 As per the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

22 The following Clauses of paragraph 4 and 5 of Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company and hence are not reported upon:

Clause (vi); Clause (viii); Clause (xiii); Clause (xiv) Clause (xix).and Clause (xx).

For **Haribhakti & Co.**
Chartered Accountants

Sd/-

Chetan Desai
Partner
Membership No. 17000

Place: New Delhi
Date: May 8th, 2006

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting their 2nd Annual Report together with the Audited Accounts for the year ended 31st March 2006.

FINANCIAL RESULTS

The financial results for the year under review is as follows:

Particulars	2005-2006	2004-2005
Gross Sales	30,03,74,822.64	-
Depreciation	42,06,231.67	-
Profit before Taxation	4,51,37,797.59	-
Profit after Taxation	4,02,75,797.59	-

DIVIDEND

As the Company is in the process of setting up a new facility at Kala-Amb, the focus is more on laying infrastructure for the company, which requires heavy investment, therefore the board regrets for their inability to declare dividend.

BUSINESS OPERATION AND OUTLOOK

- ✓ Our Business Strategy is 3 pronged
 - Manufacturing of Dental Care products in India,
 - Proactively setting up advanced technology in India for dental care products to create competitive edge in international and domestic markets,
 - Move to Tax Free Zone with large capacities to be cost effective suppliers.
- ✓ Our approach with regards to manufacturing facility shall be focussed on: -

Leadership through product innovation

- Rationalisation of cost by moving to Kala Amb in Sirmour State of Himachal Pradesh which has cheaper electricity as compared to other States in India. Cost of Electricity constitutes around 20% of the total manufacturing cost of the product.
- Increased capacity would lead to better-cost structure.
- Single point solution for all our customers needs with regard to dental FMCG health care products by continuously enhancing our product portfolio.
- Wider range of products across all price point with one of the largest range of toothbrush handles.
- Niche products to have edge over competition

- ✓ Setting up an advanced technology manufacturing plant in India for Toothbrushes with Anchorfree Technology, which shall provide us an upper hand in meeting most of the demands of our existing customers and also help us to target new customers, thereby widening our customer base in India and abroad. Further through this expansion project we shall be importing other latest technological advanced machineries for manufacturing toothpastes and other oral care products. Following are main features of Anchorfree Technology.

Anchorfree Technology

Anchorfree Technology is a landmark improvement over the conventional manual toothbrush technology other than Electric toothbrushes. Conventionally toothbrushes were manufactured by drilling holes through Bristling Machine in wooden handles. Currently we get preholed plastic handles through injection moulding process. However the current process does not enable the brushes to have shapes and sizes other than a round hole. This is because the Anchor wire cuts through the hole of the handle to hold the bristles in the hole. Current process is preholed through injection moulded plastics handles.

However in case of an Anchorfree technology we can have different shapes and sizes. This has really picked up in USA and most of Europe amongst the Manual as well as Electric toothbrushes since the technology of fixing bristles in the handle is common to both manual and electric toothbrushes. The Key benefits are as below

- We can have a toothbrush tuft with same width as a tooth on sides in order to ensure complete cleaning in single stroke.
- Secondly we can have a thick raised tip at the top of the handle to function as a toothpick for the user.
- Thirdly and one of the important reasons being the better end rounding results on this technology toothbrushes which ensure better brushing and low damage to the enamel. The brushes with bad end rounding are very harmful for the teeth and its enamel.
- Fourthly the aesthetic appeal of the Anchorfree brushes is a lot more than conventional brushes.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the companies Act, 1956 your Directors state that: -

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for that period.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability.
4. The Directors have prepared the annual accounts on a going concern basis.

DIRECTORS

During the year under review, Mr. J.K. Rao and Mr. Mukul Pathak were appointed as Additional Directors on the Board of the Company.

AUDITORS

M/s Haribhakti & Co., Chartered Accountants, the Auditors retire and being eligible and offer themselves for re-appointment.

CORPORATE GOVERNANCE

The Corporate Governance Report of the Company is annexed as Annexure I.

FIXED DEPOSITS

During the period under review, the Company has not invited any fixed deposits from the public in terms of provisions of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

PARTICULARS OF EMPLOYEES

Particulars of Employees, pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particular of Employees), Rules, 1975, as amended, and forming part of this Directors Report are NIL.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The Prescribed information relating to conservation of energy and technology absorption as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure forming part of this report.

INITIAL PUBLIC OFFER

During the year under review, your company has filed its Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) on 14th March 2006. The objects of the issue are as under:

1. To meet the funds for setting up the proposed Anchor free Toothbrush facility and facility for other products at Kala-Amb in Sirmour, Himachal Pradesh;
2. To increase the installed production capacities of existing products at existing NSEZ;
3. General corporate purposes; and
4. To meet the expenses of this issue

The In-principle approvals from the NSE and BSE were received on 9th May 2006 and 12th May 2006 respectively. SEBI has given it's observation via letter no. CFD/DIL/PB/AC/71423/2006 dated July 13, 2006.

PROJECT AT KALA-AMB

During the year under review, your Company has decided to set-up an integrated unit at Kala-Amb, Sirmour, Himachal Pradesh. For this purpose, the Company has decided to raise the money from the public through its IPO. The Company has appointed M/s D.M. Constructions Private Limited, a corporate entity engaged in construction as Architect and M/s Redvalve Constructions as the builder (appointed by M/s D.M. Constructions Private Limited) to carry out the site architectural work. The following is the schedule of implementation of completion of the Kala-Amb project:

Activity	Estimate Time Schedule
Possession of land	Completed
Site Development	Completed
Tender for civil work	Completed
Commencement of civil work	May 2006
Order for imported machineries	July 2006
Order for indigenous machineries	July 2006
Completion of civil work	September 2006
Utilities and electrical	October 2006
Completion of erection of machineries	October 2006
Trial production run	November 2006
Commercial production	November 2006

The Company has also complied with all the statutory compliances related with the setting up of a new unit at Kala-Amb.

ACKNOWLEDGEMENTS

Your Directors would like to express their thanks for the cooperation, assistance, support and guidance extended by the Bankers, Central and State Government, SEBI, Stock Exchanges, Local Authorities and other regulatory authorities.

Your Directors are especially thankful to the Lead Merchant Bankers, Legal Advisors, Registrar and Share transfer agents for the cooperation extended by them in preparing the Due Diligence Report and Draft Red Herring prospectus and getting the clearances from the Regulatory Authorities.

Your Directors express their thanks for keeping the faith in the Company as well as for the co-operation and support extended by all the Business Associates and Investors for growing of the organization upto this extent.

Your Directors also express their appreciation for the dedicated services rendered by all the officers, employees at all levels for the successful and smooth operations of the Company.

At last but not the least, Your Directors express their special Thanks to the HIMACHAL PRADESH Government for their support extended for setting up a new unit at Kala-Amb, Sirmour.

Place: New Delhi

Date: 28th August 2006

For and on Behalf of the Board of Directors

Sd/-

**(Nikhil Nanda)
(Managing Director)**

Sd/-

**(Puneet Kr. Manglik)
(Whole-Time Director)**

ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ending 31st March 2006.

(A) Conservation of Energy

The plant & machinery installed by the Company have the unique features of achieving the optimum level of production with the lesser consumption of energy. Your Company shall also strive to install energy saving equipment wherever necessary in future. The unit details are enclosed as **Annexure "A"**.

(B) Research Development & Technology Absorption

Continuous efforts are being made on research and development to minimize the consumption of power and fuel. The company undertakes from time to time, various studies for process improvement, quality improvement and economies in production cost. These are the combined and ongoing efforts of production and R&D team and to segregate the amount spent on R&D is difficult. The R&D team of the Company is having good experience and is well equipped with all the latest technologies and machines that help the Company to compete with its competitors which exist in both Organised and unorganised sector. Your Company is planning to install the Anchor free technology in its proposed unit at Kala-Amb, Himachal Pradesh. It is the latest technology in manufacturing of toothbrushes, which helps the Company to keep it upfront against the big giants like Hindustan Lever, Gillette etc.

(C) Foreign Exchange Earning and Out Go

Earnings in Foreign Exchange: Rs. 16,31,41,554.64/-

Outgo in Foreign Exchange: Rs. 6,43,75,944.56/-

Annexure "A"

FORM-A

Form for Disclosure of Particulars with respect to Conservation of Energy, total energy consumption and energy consumption per unit of production

Unit I: Sunehari Svendgaard Laboratories

A. Power and Fuel Consumption	2005-2006	2004-2005
1. Electricity		Nil
(a) Purchased		
Unit (KWH)	13,42,369.43	
Total amount (Rs.)	56,37,951.62	
Rate/Unit (Rs.)	4.20	
(b) Own Generation		
Through diesel generator Unit		
Self (KWH)	1,55,074.40	
Hired (KWH)		
Units per Ltr. of Diesel Oil (Cost/Unit)		
Self (KWH/Ltr.)	2.81	
Hired (KWH/Ltr.)		
2. Coal	Nil	Nil
Quantity (MT)		
Total Amount (Rs.)		
Average rate (Rs.)		
3. Furnace Oil	Nil	Nil
Quantity (KL)		
Total Amount (Rs.)		
Average rate per KL (Rs.)		
B. Consumption per unit of production		
Electricity (Units/MT)		Nil
Furnace Oil (Ltr. /MT)	Nil	Nil

FORM-A

Form for Disclosure of Particulars with respect to Conservation of Energy, total energy consumption and energy consumption per unit of production

Unit II: Sunehari Oral Care

A. Power and Fuel Consumption	2005-2006	2004-2005
1. Electricity		Nil
(a) Purchased		
Unit (KWH)	1,58,370.11	
Total amount (Rs.)	6,65,154.48	
Rate/Unit (Rs.)	4.20	
(c) Own Generation		
Through diesel generator Unit		
Self (KWH)	11,160	
Hired (KWH)		
Units per Ltr. of Diesel Oil (Cost/Unit)		
Self (KWH/Ltr.)	1.07	
Hired (KWH/Ltr.)		
2. Coal	Nil	Nil
Quantity (MT)		
Total Amount (Rs.)		
Average rate (Rs.)		
3. Furnace Oil	Nil	Nil
Quantity (KL)		
Total Amount (Rs.)		
Average rate per KL (Rs.)		
B. Consumption per unit of production		
Electricity (Units/MT)		Nil
Furnace Oil (Ltr. /MT)	Nil	Nil

FORM-A

Form for Disclosure of Particulars with respect to Conservation of Energy, total energy consumption and energy consumption per unit of production

Unit III: Jai Hanuman Exports

A. Power and Fuel Consumption	2005-2006	2004-2005
1. Electricity		Nil
(a) Purchased		
Unit (KWH)	64,642.10	
Total amount (Rs.)	2,77,961	
Rate/Unit (Rs.)	4.30	
(d) Own Generation		
Through diesel generator Unit		
Self (KWH)	660	
Hired (KWH)		
Units per Ltr. of Diesel Oil (Cost/Unit)		
Self (KWH/Ltr.)	0.09	
Hired (KWH/Ltr.)		
2. Coal	Nil	Nil
Quantity (MT)		
Total Amount (Rs.)		
Average rate (Rs.)		
3. Furnace Oil	Nil	Nil
Quantity (KL)		
Total Amount (Rs.)		
Average rate per KL (Rs.)		
B. Consumption per unit of production		
Electricity (Units/MT)		Nil
Furnace Oil (Ltr. /MT)	Nil	Nil

Annexure I to Directors' Report

INTRODUCTION

JHS Svendgaard's philosophy of Corporate Governance stems from its belief that the Company's business strategy and plans should be consistent with the welfare of all its stakeholders, including shareholders. Good Corporate Governance practices enable a company to attract financial and human capital and leverage these resources to maximize long-term shareholder value, while preserving the interests of multiple stakeholders, including society at large.

Board of Directors

COMPOSITION OF THE BOARD

As on March 31, 2006 the Company's Board of Directors consists of six Directors.

The Chairman of the Company is Non-Executive and Independent Director. The Managing Director and the Whole-Time Director of the Company is Executive, one Director is Non-Executive and Non-Independent Director and other two are Non-executive and Independent Directors. As more than 50 per cent of the Board consists of Non-Executive Directors and 1/3rd of the Board consists of Independent Director, the composition of the Board is in consonance with Clause 49. Details of the composition of the Board are given below:

Following Table shows the details about Company's Board of Directors / Attendance Record:

<u>Director</u>	Number of Board Meetings		Attendance at AGM	Number of Committee memberships held#	Number of Chairmanships held	Number of outside Directors hips held
	Held	Attended				
Executive Directors					(Excluding Private Companies, Foreign Companies, Section 25 Companies)	
Mr. Nikhil Nanda	25	25	Y	1		
Mr. Puneet Kumar Manglik	25	16	Y			
Non-Executive Directors						
Mr. D.S. Grewal	25	22	Y	2	1	
Mr. Naveen Breja	25	16	Y	2	1	3
Non-Executive & Independent Directors						
Mr. J.K. Rao	25	2	Y	2	1	
Mr. Mukul Pathak	25	6	Y	1		1

Notes:

Membership includes Chairmanship also.

Apart from formulating business strategies, the Board regularly reviews the performance of the Company and ensures that targeted objectives are met on a consistent basis.

BOARD MEETINGS

During 2005-06, the Board of Directors met **25 times**. The longest gap between any two Board Meetings **did not exceed the period of 3 months**.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS

As per Clause 49 of the Listing Agreement entered into with the Stock Exchange(s), an Independent Director means a Director who apart from receiving director's remuneration, does not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect the independence of judgement of the director.

None of the Directors on the Board holds the office of Director in more than 15 companies, nor are they members in Committees of the Board in more than 10 Committees or Chairman of more than 5 Committees. There are no pecuniary relationships or transactions between the Non-Executive Directors and the Company, except for the sitting fees drawn by the Non-Executive / Non-Executive and Independent Directors for attending the meetings of the Board and its Committee(s).

INFORMATION SUPPLIED TO THE BOARD

Board members are given agenda papers along with necessary documents and information in advance of each meeting of the Board and Committee(s). In addition to regular business items, the following are regularly placed before the Board to the extent applicable:

- Annual Operating plans and budgets, Capital Budgets, updates;
- Purchase and disposal of major fixed assets;
- Quarterly and half yearly results of the Company;
- Minutes of the Audit Committee and other Committee meetings;
- Information on recruitment and remuneration of senior officers just below the Board level including appointment or removal of CFO and Company Secretary;
- Any material defaults in financial obligations to and by the Company for substantial non-payments;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- Materially important show cause, demand, prosecution and penalty notices;
- Details of Quarterly foreign exchange exposures and steps taken by the management to limit the risks of adverse exchange rate movement;

- Sale of material nature, of investments and assets, which are not in the normal course of business;
- Details of Joint Ventures and Agreements or variations thereof;
- Quarterly Statutory Compliance Report;
- Directors' Overseas Traveling expenses;
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholder's service such as non-payment of dividend, delay in share transfer etc.;
- Investments strategy/ plan;
- Any issue which involves possible public or product liability claims of substantial nature, including any judgement or order which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company; and
- Significant labour problems and their proposed solutions. Also, any significant development in Human Resources/ Industrial Relations front like signing of Wage Agreement, implementation of Voluntary Retirement Schemes etc.

BOARD LEVEL COMMITTEES

AUDIT COMMITTEE

The Audit committee of the company was constituted on 01.08.2005. The role and terms of the reference of the Audit Sub-Committee covers the areas mentioned in Clause 49 of the listing agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. The committee is required to review the following: -

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings

- e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
 6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
 7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 8. Discussion with internal auditors any significant findings and follow up there on.
 9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 12. To review the functioning of the Whistle Blower mechanism, in case the same exists.
 13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Audit committee comprises of three Directors viz. Mr. J. K. Rao (Independent Director) as its Chairman and Mr. Mukul Pathak (Independent Director), Mr. Nikhil Nanda (Non-Independent Director), as its members.

The Company Secretary acts as the Secretary of the Committee.

REMUNERATION COMMITTEE

The Remuneration committee of the company was constituted on 01.08.2005. It is constituted to determine the remuneration of Directors after taking into account the following:

- Taking into account financial position of the company
- Trend in industry
- Appointee's qualification, experience, past performance, past remuneration
- Striking a balance between interest of company and shareholder

The Remuneration Committee was formed with three directors Mrs. Sushma Nanda as Chairperson and Mr. D.S. Grewal and Mr. Sohan Lal Sharma as members. Mrs. Sushma Nanda and Mr. Sohan Lal Sharma were replaced with Mr. Naveen Breja and Mr. Puneet Kumar Manglik. Mr. D.S Grewal was appointed as Chairman in place of Mrs. Nanda. On 1.1.2006, Mr. Puneet Kumar Manglik resigned from the audit committee and was replaced by Mr. J. K. Rao.

It now comprises of three Directors with Mr. D.S Grewal as its Chairman and Mr. J.K Rao and Mr. Naveen Breja as its members. Details of the Remuneration Committee meetings are as under:

SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

Investor Grievance committee of the company was constituted on 25.11.2005 to perform the following functions:

- a) To deal with investor complaints
- b) To deal with complaints regarding share transfer

It consists of Mr. Naveen Breja and Mr. D.S. Grewal as directors, with Mr. Naveen Breja as chairman.

The Company has an efficient system of dealing with Investors' Grievances. The Chairman and the Managing Director of the Company take personal interest in all matters of concern of investors, as and when necessary. The Committee has no meeting during the year under review.

APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

Mr. Naveen Breja and Mr. Puneet Kumar Manglik, Directors of the Company are retiring by rotation and being eligible, offer themselves for re-appointment.

GENERAL SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING

Date: September 23, 2006

Day: Saturday

Time: 11:00 A.M.

Venue: Trilokpur Road, Kala-Amb, Tehsil Nahan, Dist. Sirmour, Himachal Pradesh

FINANCIAL CALENDAR

Financial year: April 1 to March 31

DIVIDEND PAYMENT

The Company has declared no dividend during the year under review.

LISTING ON STOCK EXCHANGES

During the year under review, your company has filed its Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) on 14th March 2006.

The In-principle approvals from the NSE and BSE were received on 9th May 2006 and 12th May 2006 respectively. SEBI has given its observation via letter no. CFD/DIL/PB/AC/71423/2006 dated July 13, 2006.

Shareholders of the Company

Following shows the Shareholders details of the Company as on March 31, 2006:

Name of Shareholder	Folio No.	Number of Shares	% of Holding
Mr. Nikhil Nanda	001	56,16,075	96.82
Mrs. Sushma Nanda	002	1,73,100	2.97
Mr. J.S. Grewal	003	1,500	0.03
Mr. H.C. Nanda	004	1,500	0.03
Mr. Naveen Breja	005	1,500	0.03
Mr. D.S. Grewal	006	1,500	0.03
Mr. Sohan Lal Sharma	007	1,500	0.03
Mr. Ranjit Sharma	008	1,500	0.03
Mr. Rajinder Kumar	009	1,500	0.03
	TOTAL	57,99,675	100.00

INVESTORS' SERVICES

The Company has Board Level Committees dealing with investor issues. During the financial year, the Company **has not received** any investors' grievances/correspondence.

The Investor Grievance Committee was constituted by the Directors vide their Board meeting held on November 25, 2005. This Committee is responsible for the smooth functioning of the share transfer process as well as redressal of shareholder grievance. The Investor Grievance Committee consists of Mr. Naveen Breja (Chairman) and Mr. Daljit Singh Grewal.

The Investor Grievance Committee has been constituted to look after the following issues:

- Timely transfer of shares.
- Transmission of shares in case of death of shareholder(s).
- Issue of duplicate share certificates in case of lost/misplaced ones.
- Timely redressal of complaints pertaining to the non-receipt of dividends.
- Any other related issue as may be deemed necessary.

Registered Office of our Company

Trilokpur Road, Kala Amb,
Nahan, District Sirmour,
Himachal Pradesh

Tel: +91 1734 325128

Fax: +91 1734 325130

Corporate Office of our Company

B-1/E-23, Mohan Co-operative Industrial Area,
Mathura Road,

New Delhi - 110 044

Tel: +91 11 30885601-02

Fax: +91 11 30885604

PLANT LOCATIONS

Unit No.	Name of the Unit	Location
I	Sunehari Svendgaard Laboratories (SSL)	B-1/E-23, Mohan Co-operative Industrial Area, Mathura, New Delhi-44
II	Sunehari Oral Care (SOC)	B-1/E-13, Mohan Co-operative Industrial Area, Mathura, New Delhi-44
III	Jai Hanuman Exports (JHE)	SDF No. H-3B, Noida Special Economic Zone, U.P.

INVESTORS' CORRESPONDENCE MAY BE ADDRESSED TO

Mr. Arvind Kumar Tiwari, General Manager- Legal Affairs & HR

E-mail: arvind@svendgaard.com

Or

Mr. Diviy Chadha, Company Secretary

E-mail: diviy@svendgaard.com

Or

May be send at the Corporate Office of the Company:

B-1/E-23, Mohan Co-operative Industrial Area
Mathura Road, New Delhi-110044

For and on behalf of the Board

Sd/-

NIKHIL NANDA
MANAGING DIRECTOR
New Delhi

The Board of Directors
JHS Svendgaard Laboratories Ltd.

We have examined the compliance of conditions of Corporate Governance by M/S JHS SVENDGAARD LABORATORIES LIMITED as on 31st March 2006 as stipulated in clause 49 of the Listing Agreement, which is to be entered with the stock exchanges before the listing.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of the information and according to the explanation given to us and the representations made by the Directors and the Management, we certify that the company has complied with the conditions of the Corporate Governance to the extent applicable as on date, being a unlisted company and proposed to be listed with stock exchanges.

We further state compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the company.

For CP Associates

Sd/-

Arun Gupta
Proprietor