



January 15, 2019

To  
The Manager  
The Department of Corporate Services  
BSE Limited  
Floor 25, P. J. Towers,  
Dalal Street, Mumbai – 400 001

To  
The Manager  
The Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East), Mumbai – 400 051

**Scrip Code: 539450**

**Scrip Symbol: SHK**

Dear Sir/ Madam,

**Sub: Intimation of Investor meeting pursuant to Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to above mentioned regulation, we wish to inform you about the Investor meeting attended by the Company today, details of which are mentioned below:

Sr. No.	Name of Investors	Location
1.	Mobius Capital Partners	Mumbai

We also enclose herewith Investor Presentation for your record.

We request you to take the same on record.

Thanking you,

Yours faithfully,  
For **S H Kelkar and Company Limited**

  
**Deepti Chandratre**  
Company Secretary & Compliance Officer



**Encl: As Above**



**S H Kelkar And Company Limited**  
**Regd. Office :** Devkaran Mansion, 36, Mangaldas Road, Mumbai - 400 002. (INDIA)  
Phone : (022) 2206 96 09 & 2201 91 30 / Fax : (022) 2208 12 04  
www.keva.co.in  
CIN No. L74999MH1955PLC009593



*Crafting Sensorial Delight*

# S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour Company

Investor Presentation

January 2019







## Disclaimer

Certain statements and opinions with respect to the anticipated future performance of SHK in the presentation (“forward-looking statements”), which reflect various assumptions concerning the strategies, objectives and anticipated results may or may not prove to be correct. Such forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These include, among other factors, changes in economic, political, regulatory, business or other market conditions. Such forward-looking statements only speak as at the date the presentation is provided to the recipient and SHK is not under any obligation to update or revise such forward-looking statements to reflect new events or circumstances. No representation or warranty (whether express or implied) is given in respect of any information in this presentation or that this presentation is suitable for the recipient’s purposes. The delivery of this presentation does not imply that the information herein is correct as at any time subsequent to the date hereof and SHK has no obligation whatsoever to update any of the information or the conclusions contained herein or to correct any inaccuracies which may become apparent subsequent to the date hereof.

# Contents







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## Who We Are

# Who We Are



- *Established 96 years back by SH Kelkar and VG Vaze*
- *Leading Fragrance & Flavour company in India exporting to 52 countries*

- *Global scale, state-of-the-art infrastructure*
- *Leading domestic provider of Fragrance & Flavour to FMCGs*

- *Broad- based board - 50% comprise of Independent Directors*
- *Professional management & leadership team*

# At a Glance



**96**

Years of Market  
Conviction

**9,700+**

Products

**4,100+**

Customers

**849**

Employees

**~12.1%**

8-year Sales CAGR  
(FY2011-18)

**₹ 1,019 cr**

Turnover – FY18

**7**

Manufacturing  
Locations

**4**

Creation &  
Development Centres

## Shareholding Pattern



Note: As on Dec 31, 2018





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## Niche Industry



# Global F&F Market & Key Characteristics

Market Size (US\$ BN)



## Concentrated market

- Consolidated Industry globally
- 10 players control 79% of market share
- Top 4 control 58% of the market in CY17

## FMCG & Innovation play

- FMCG companies greatly depend on the reliability, quality of service and the F&F company's technical know-how
- Typically, long term supply relationships with F&F partner

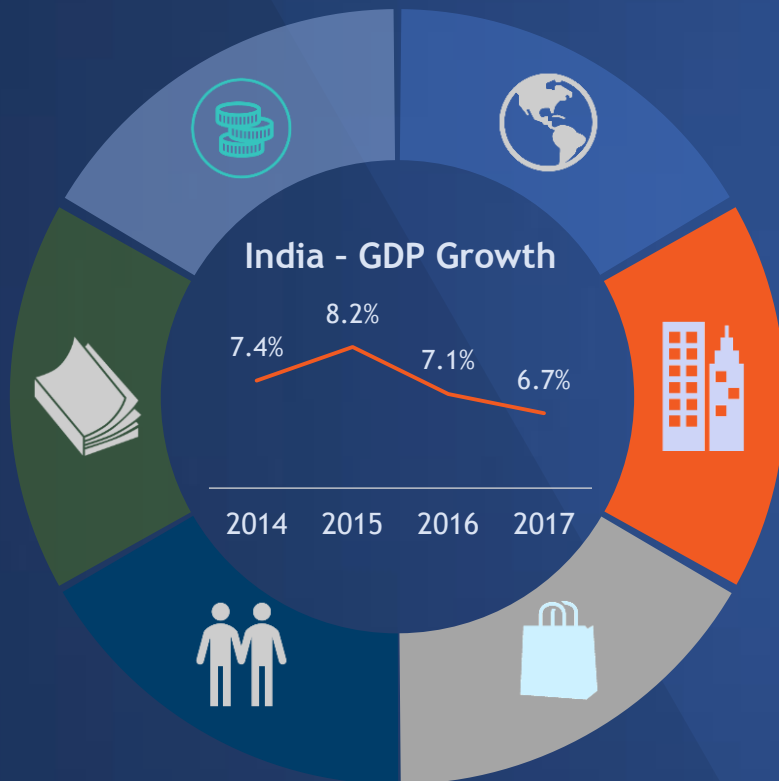
## Increasing consolidation

- Large players continue to consolidate, for scale and differentiated product portfolio
- Top 10 companies in the industry together accounted for nearly 79% of the industry sales in 2017, as compared to 64% in 2000

## Emerging market focus

- Emerging markets continuing to grow with premiumization & broadening of product offerings
- Increasing disposable income in world's emerging markets

# India's Favourable Dynamics Offer Huge Opportunities



## Globalization

- Globalisation to further enhance and influence customer preferences
- To bring in new product concepts and ideas into Indian markets

## Rising young population

- Population of 1.21 bn, growing 1.41% annually
- Young population ~65% below 30 years age
- Growing working population to be large consumer of FMCG products

## Urbanization

- Urbanization in India drives growth especially in the processed food industry
- Urbanization has increased from 29.9% in 2007 to 33.5% in 2017

## Literacy & lifestyle

- Increasing literacy levels impacting consumer awareness and knowledge
- Demand shift for better quality, innovative F&F products
- Greater demand for packaged and processed foods

## Rise of modern retail

- Increasing number of shopping malls and complexes
- Mall culture pick up in Tier 1 and Tier 2 cities across India

## Rising disposable incomes

- Rising disposable income, pivotal for F&F growth
- India is witnessing continuous increase in disposable income

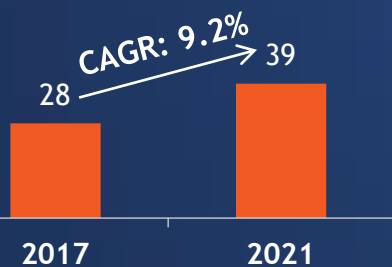
# Indian F&F Market to Outpace Global F&F Growth

Market Size (Rs Bn)

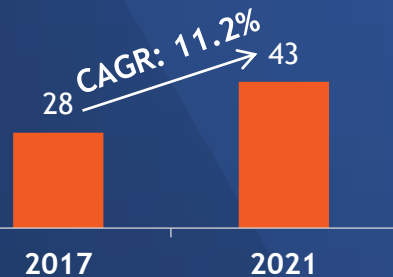


F&F Market Size

Fragrance



Flavour



## High growth in FMCG

- Directly correlated to FMCG growth

## Premiumization in personal care

- Consumers are increasingly buying sophisticated premium personal care products

## Growth in 'naturals' segment

- Major shift in consumer preferences from synthetic to natural fragrances

## Increasing consumption

- All sub-segments within Fragrance and Flavours are witnessing healthy growth

## Increase in private labels:

- Increasing acceptance of private labels in India, with most big brands expanding presence in developing economies
- Consumers are looking to experiment with newer fragrances and flavors

- The Indian market is dominated by large global fragrance and flavour houses which contribute more than 60% of the Indian production of blends
- SHK is the largest Indian player and closely competes with Global MNCs
- Numerous small firms mostly cater to the unorganized market





## F&F Industry - Strong Entry Barriers

High customer acquisition time

Established relationships with customers

Sustained R&D efforts

Availability of key Ingredients

Stringent regulatory compliance



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## Our Business



# Diverse Customer Base backed with Leading Brands

3,600+

Fragrance customers

+

500+ 

Flavours customers

## Brands



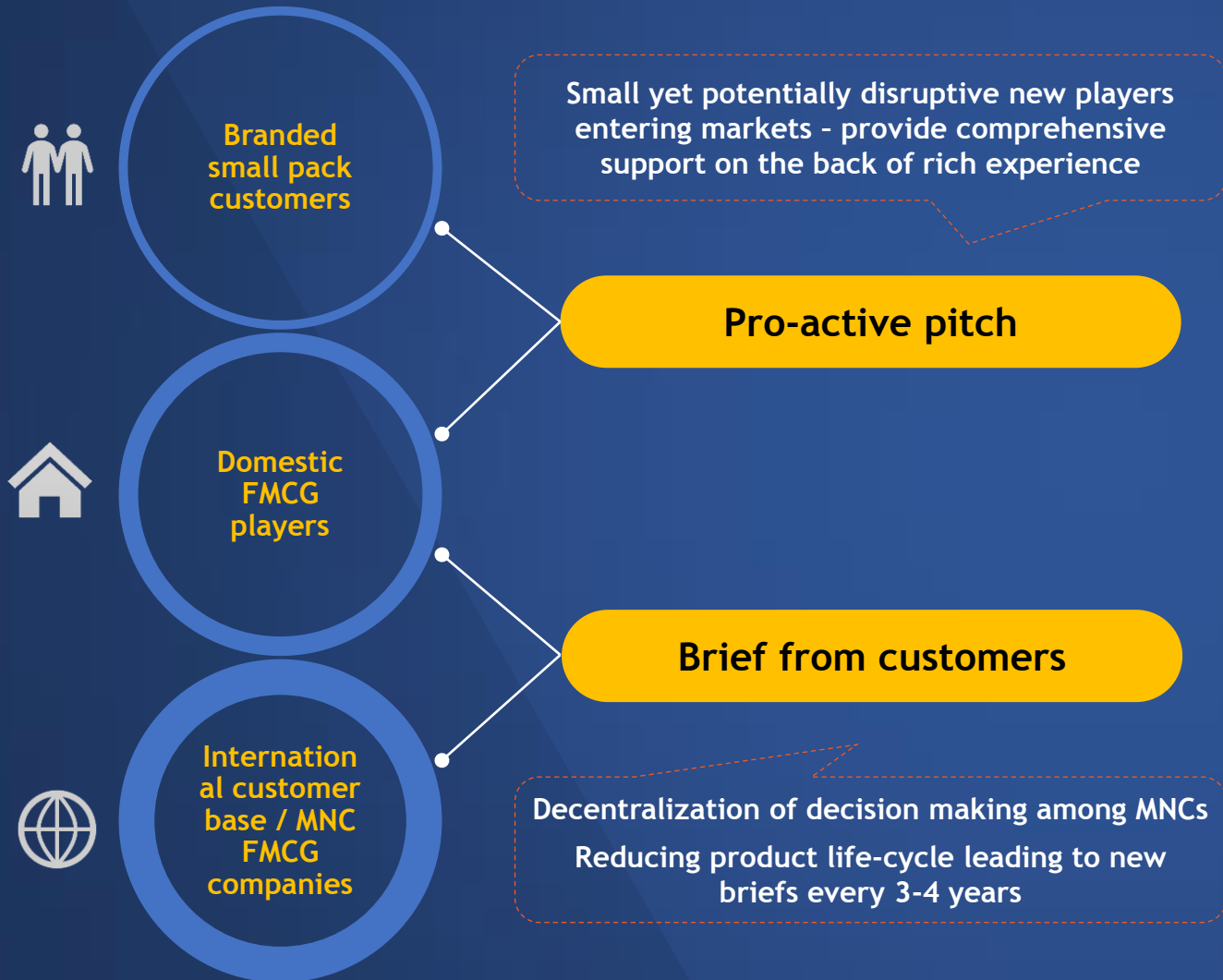
- Over 4,100 customers including,
  - FMCG leaders, domestic companies, trade customers & global corporates
- Diversified and comprehensive portfolio resulting in low concentration on any particular product or customer
- Long term relationships with several customers spanning over 15 years

- Category Leader Brands in the portfolio - SHK, Keva and Cobra
- Branded small pack products “Cobra” sold to hundreds of traders and re-sellers across India

Long term relationships with diversified customers driven by a portfolio of customised products and strong brands



# Client-Brief / Pitch Process



## ■ Technical and Commercial requirement:

- Understanding of customer insight for sensory and technical perspective

## ■ New Product / Product Library / Market Research:

- Development based on the received brief
- Product innovation supported by strong market research
- Over 35,000 formulations form part of library

## ■ Regulatory compliance and counsel:

- In-line with global governing standards for F&F industry

Key to winning: consumer insight combined with local market understanding

# Strong R&D Capabilities

- Focus on creative and consumer-centric research activities
- R&D centre in Mulund recognised by the Government of India's Department of Science and Industrial Research
- Only company of Indian origin to file patents in field of Fragrance and Novel Aroma Molecules



# Creation & Development Centers

- Creation & Development Centers (CDCs) - works in collaboration with customers, as an extended R&D arm
- Strong and dedicated team of perfumers, flavourists, evaluators and application executives
- Established Fine Fragrance Development Centre in Amsterdam
  - Strong base in Europe, along with CFF lab in Milan
  - To track early development in trends and target new business opportunities coming up in the region





# Strong Raw Material Sourcing Capabilities



Strategic investments in inventory -  
hedge against significant volatility in supply & price of key raw materials

46%

International Suppliers

Raw material sourcing nations  
include Indonesia, Germany,  
Brazil, China and US

Library of Raw Materials: 1,200+

54%

Domestic Suppliers

262 Indian Suppliers

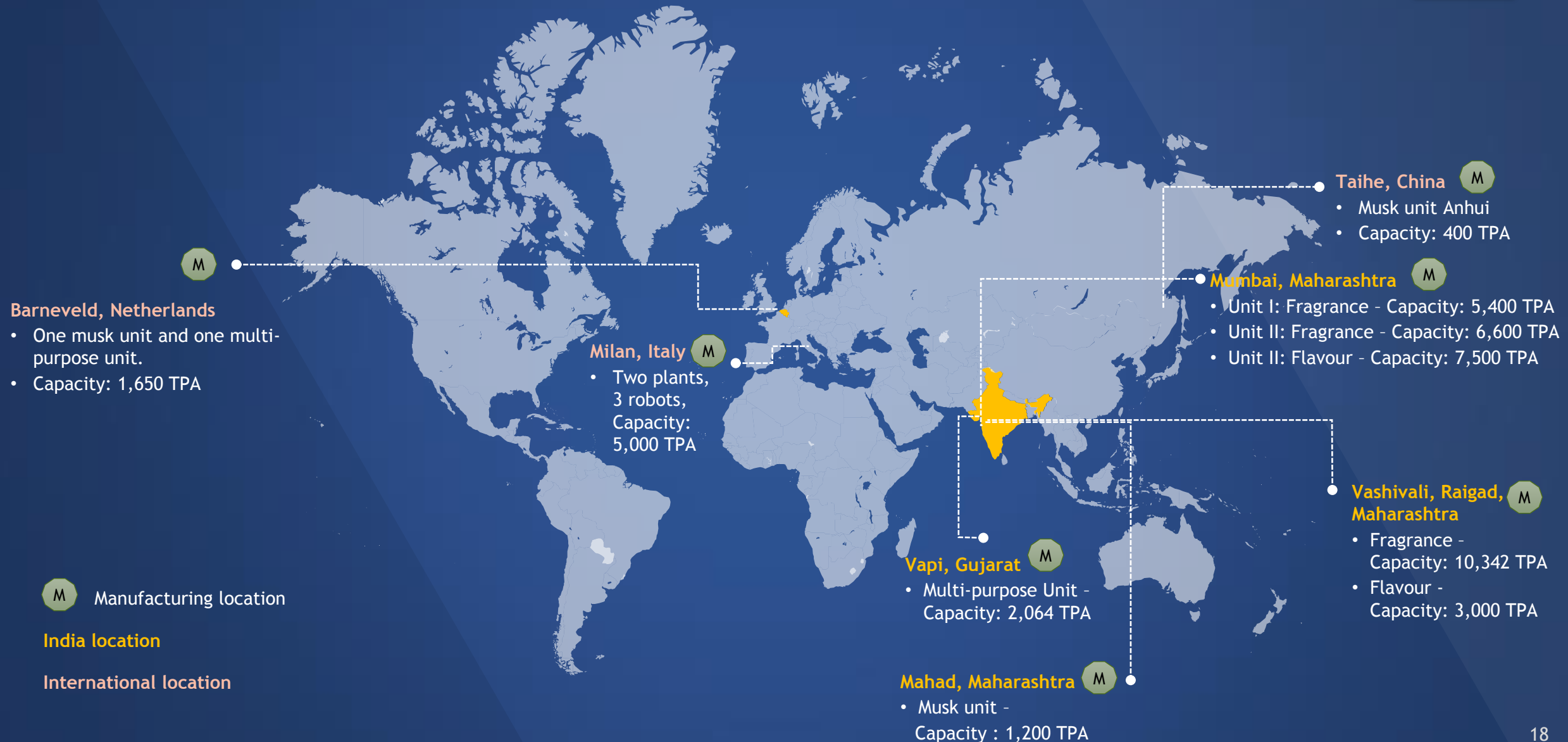
250 ingredients sourced from  
owned facilities

Established Long-term  
partnerships with key suppliers,  
some for over 20 years

Sourced ~ 35% of RM  
requirement from top 10  
suppliers

Implemented SAP ERP for  
collaborative planning, forecasting  
and monitoring of replenishment  
system

# Growth ready manufacturing operations



# Business Strategy



## Continue growth in market share

- Focus on retaining current domestic market leadership and enhancing market share
- Expand presence in the branded small pack portfolio by deepening the distribution network and introducing new products



## 3x3 Strategy

- Strong focus on the three key regions of South Asia (through India), South East Asia (through Indonesia) and Western Europe (through Italy)
- Significant opportunities across these markets for various product lines, particularly Air Care, Fabric Care and Fine Fragrances



## Strengthen innovation platform to enhance product portfolio

- Establish additional creation and development centers both in India and overseas
- Strategy to leverage R&D capabilities to develop and enhance product offerings and increase revenue and improve profit margins



## Supply chain Optimization

- Strengthening sales and operations planning by implementing new processes and tools
- Raw material management and efficient inventory management



## Accelerate growth through strategic acquisitions and partnerships

- Strategic acquisitions to expand current portfolio of products, strengthen technological platform and to provide access to new markets



# Creating Value through Inorganic Growth

Focus on accelerating growth through acquisitions - constantly evaluating value accretive opportunities across key geographies

Key attributes for acquisitions:

Rich intellectual capital, complementary strengths, to fortify customer relationships, and access to newer markets

Strategic approach to pursue tuck-in acquisitions to grow market share

## Recent acquisitions

- Acquired 51% of Italy-based Creative Flavours & Fragrances S.p.A (CFF)
  - To strengthen global product offerings, particularly in Fine Fragrances and Fabric Care segments
- Acquired 67% equity stake in China-based Anhui Ruibang Aroma
  - Provides access to another Tonalid manufacturing facility - to enable SHK to consolidate its market leadership in the segment

*Showcased significant operating leverage through recently executed acquisitions*

# Strong Management Team



## Management Team - Best-in-class experience

Kedar  
Ramesh  
Vaze

*Whole time Director & Group CEO*

Exp. - 20+ Yrs

Pramod  
Davray

*Executive VP - Fragrance India*

Exp. - 40+ Yrs

B.  
Ramkrishnan

*Director Strategy*

Exp. - 35+ Yrs

Luc Malfait

*VP - Fragrances, Europe*

Exp. - 30+ Yrs

Indrajit  
Chatterjee

*EVP & Group CHRO*

Exp. - 20+ Yrs

Amit Gulati

*VP - Aroma Ingredients Division*

Exp. - 25+ Yrs

Makarand  
Patwardhan

*Senior VP - Fragrance Operations & Business Solutions*

Exp. - 33+ Yrs

Anuradha  
Sansar

*VP - Global Fragrance Innovation*

Exp. - 31+ Yrs

Shrikant  
Mate

*Executive VP & Group CFO*

Exp. - 32+ Yrs

Anurag  
Yadava

*VP - Flavours*

Exp. - 22+ Yrs

- Ranked 26th in the 'Dream Companies To Work For' by Times Ascent at World HRD Congress, February 2018, earlier ranked 29th in 2017
- Awarded 'Dream Companies to Work For' in Manufacturing space in 2017
- Received the award for "Best HR Strategy In Line with business" at the Global HR Excellence Awards, 2015
- Received the award for "Dream Companies to Work For (Manufacturing)" by the Human Resource Development Congress in 2015

SHK has placed significant importance on developing human resources through workshops and individual development plans

# Strong governance - Independent Board



## Board of Directors

### Promoter Directors

**Ramesh Vaze**  
*Managing Director*

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**Kedar Vaze**  
*Whole time Director*

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**Prabha Vaze**  
*Director*

### Non Executive Directors

**Amit Dalmia**  
*Director*

---

**Deepak Bindra**  
*Director*

### Independent Directors

**Shrikant Oka**  
*Independent Director*

---

**Dalip Sehgal**  
*Independent Director*

---

**Alpana Parida Shah**  
*Independent Director*

**Jairaj Manohar  
Purandare**  
*Independent Director*

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**Sangeeta Kapiljit  
Singh**  
*Independent Director*

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## Financial Highlights

# Consolidated Summarized P&L Statement

Particulars (Rs. crore)	Q2 FY19	Q2 FY18	Y-o-Y Change (%)	H1 FY19	H1 FY18	Y-o-Y Change (%)
Revenues from Operations (Sales excluding Excise & GST)	282.1	220.8	27.7%	518.1	454.8	13.9%
Other Operating Income	1.4	0.4	282.5%	1.8	0.8	139.5%
<b>Total Operating Income</b>	<b>283.5</b>	<b>221.2</b>	<b>28.2%</b>	<b>519.9</b>	<b>455.5</b>	<b>14.1%</b>
Other Income	6.0	1.9	219.0%	9.3	6.9	34.4%
<b>Total Income</b>	<b>289.5</b>	<b>223.1</b>	<b>29.8%</b>	<b>529.2</b>	<b>462.5</b>	<b>14.4%</b>
Total Expenditure	246.8	186.5	32.3%	450.2	379.4	18.7%
▪ Raw Material expenses	162.9	114.6	42.2%	295.1	236.7	24.6%
▪ Employee benefits expense	37.6	30.7	22.5%	66.7	60.9	9.6%
▪ Other expenses	46.3	41.2	12.3%	88.5	81.7	8.2%
<b>EBITDA</b>	<b>42.8</b>	<b>36.6</b>	<b>16.8%</b>	<b>79.0</b>	<b>83.1</b>	<b>-4.9%</b>
<b>EBITDA margin (%)</b>	<b>14.8%</b>	<b>16.4%</b>	<b>-164 bps</b>	<b>14.9%</b>	<b>18.0%</b>	<b>-304 bps</b>
Finance Costs	1.9	1.1	76.0%	3.4	1.7	103.3%
Depreciation and Amortization	7.6	5.7	32.9%	14.4	11.5	24.6%
<b>PBT</b>	<b>33.3</b>	<b>29.8</b>	<b>11.7%</b>	<b>61.2</b>	<b>69.9</b>	<b>-12.4%</b>
Tax expense	4.9	11.0	-55.6%	14.9	24.3	-38.6%
<b>PAT</b>	<b>28.8</b>	<b>18.9</b>	<b>52.8%</b>	<b>47.5</b>	<b>45.7</b>	<b>4.1%</b>
<b>PAT Margins</b>	<b>10.0%</b>	<b>8.5%</b>	<b>+150 bps</b>	<b>9.0%</b>	<b>9.9%</b>	<b>-90 bps</b>
Cash Profit	36.4	24.6	48.1%	61.9	57.2	8.2%

# Key Developments

## Formal inauguration of aroma ingredients manufacturing facility at Mahad, Maharashtra during the quarter

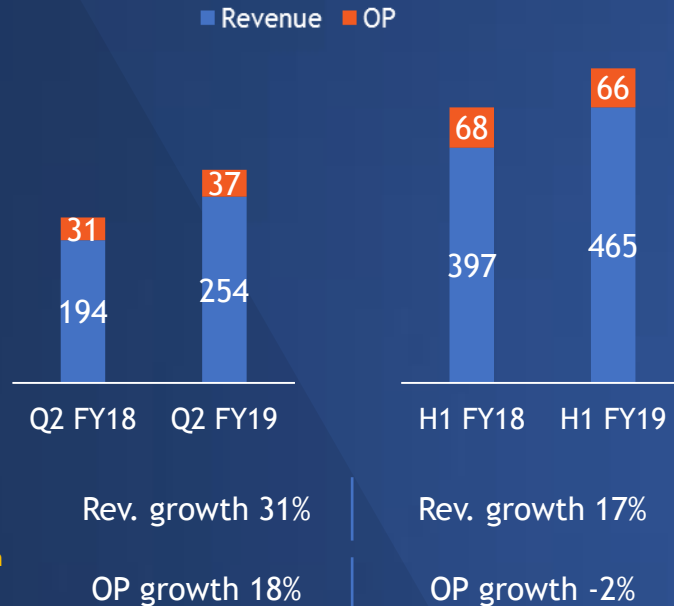
- The state-of-the-art facility will manufacture Tonalid and other key raw materials used in the fragrance industry
- With a total installed capacity of 1,200 MTPA, the facility is one of the largest manufacturing facilities for Tonalid, worldwide
- This is in sync with a previously announced strategic investment plan to shift production of aroma ingredients from Barneveld, Netherlands to a high quality & operationally efficient center like India

## Capacity optimization at the Tonalid manufacturing facility in China

- Following the acquisition of a majority equity stake in Anhui Ruibang Aroma Chemical Co. in May 2018, the Company has optimized the capacity at its Tonalid manufacturing facility in China at nominal capex
- The installed capacity is now optimized to 400 MTPA

# Fragrance Division

## Net Revenue & Operating Profit



- Fragrance division delivered healthy growth in H1 assisted by robust revival in Q2
- Domestic Fragrance business reported solid performance of 24% in H1; while overseas revenues grew by 3%
- Surge in raw material costs impacted profitability on a YoY basis - price increases with improving availability of raw materials should assist operating margins over the long-term

## Domestic and Overseas Revenue - H1 FY19



Y-o-Y Growth (%)	Q2 FY19	H1 FY19
Domestic	36	24
Overseas	20	3
<b>Total Growth</b>	<b>31</b>	<b>17</b>

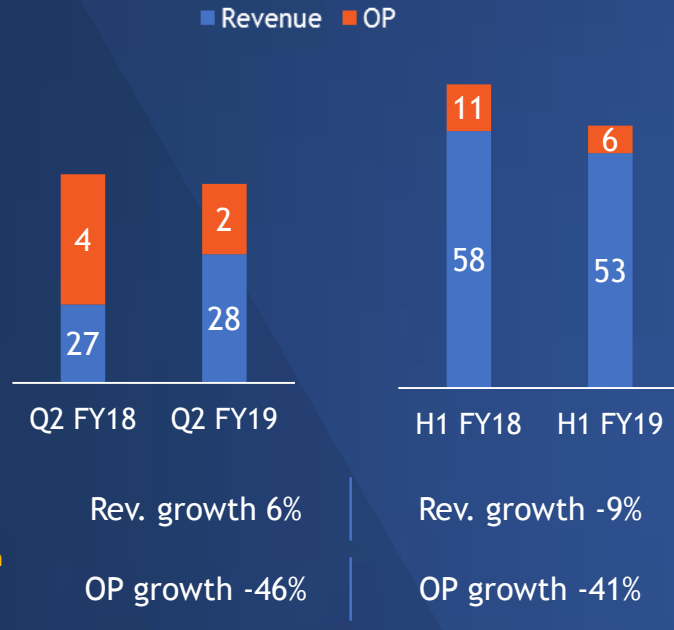
Note: Figures in Rs. Crore unless specified otherwise





# Flavour Division

## Net Revenue & Operating Profit



- Flavour division reported a subdued performance during the period -domestic revenues came in lower by 20% in H1 as a result of supply-side disruptions which led to increased pricing pressures in the domestic market
- Operating profit was at Rs. 6 crore with margins at 12% in H1

## Domestic and Overseas Revenue - H1 FY19



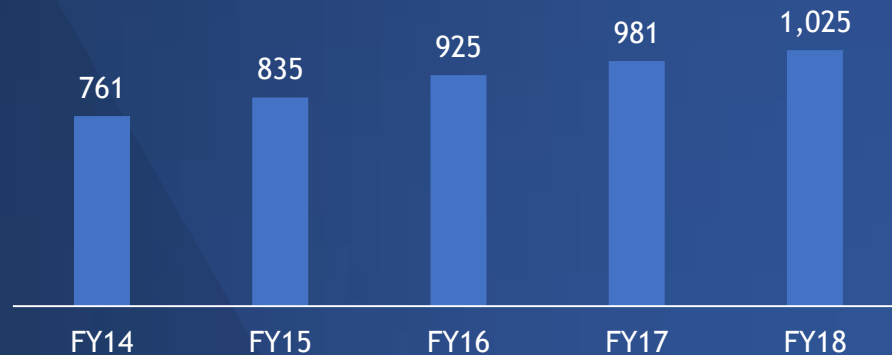
Y-o-Y Growth (%)	Q2 FY19	H1 FY19
Domestic	-3	-20
Overseas	24	12
Total Growth	6	-9

Note: Figures in Rs. Crore unless specified otherwise

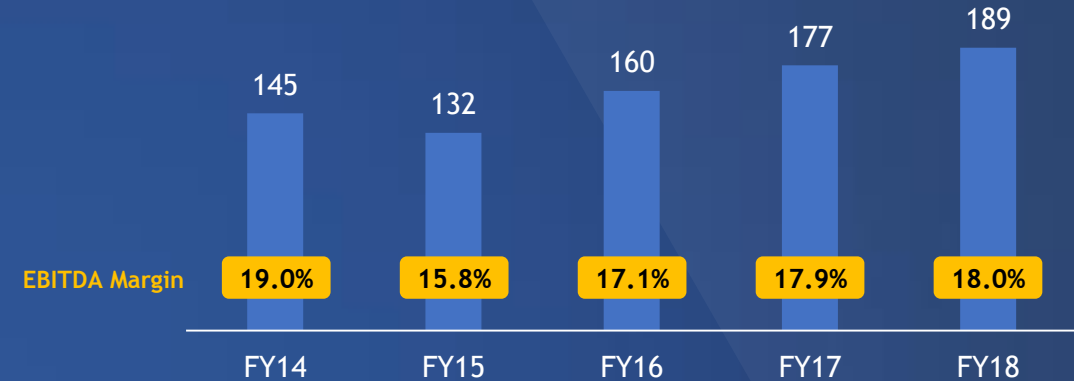


# Robust Historical Financial Trend

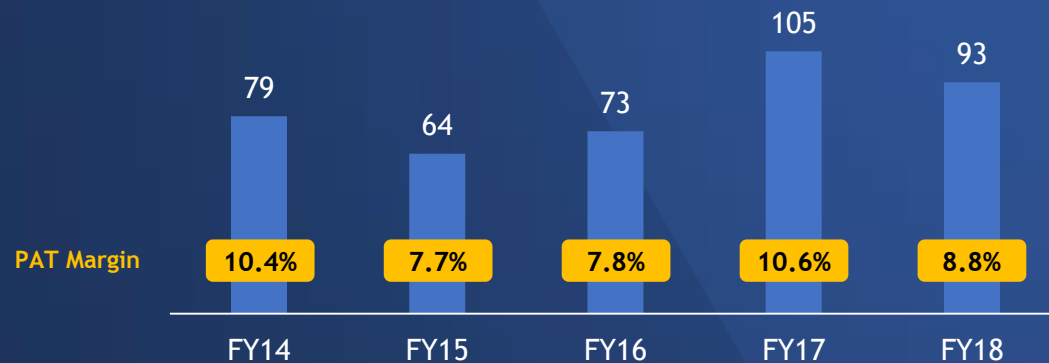
## Total Operating Income



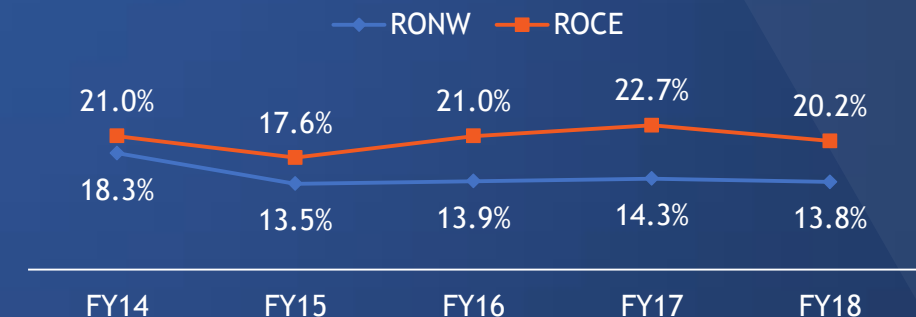
## EBITDA



## PAT



## Return on Net Worth & Return on Capital Employed (%)



# Balance Sheet Snapshot - As on September 30, 2018



857

Networth

465

Fixed Assets

32

Cash & Investments

242

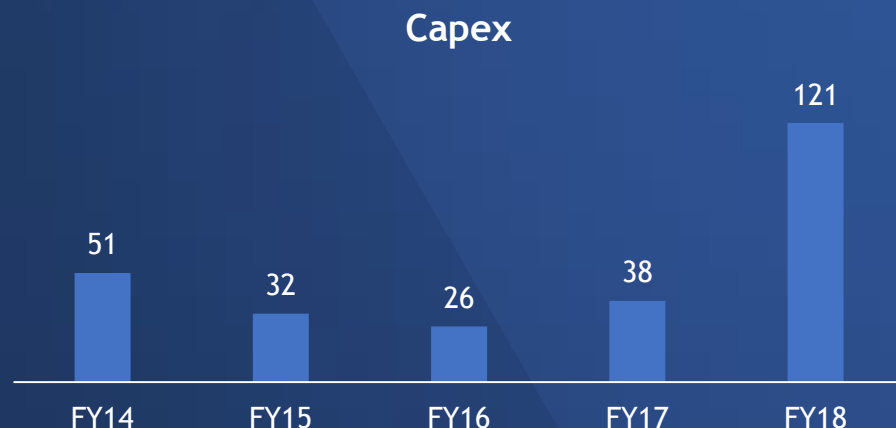
Net Debt

# Cash Flow Snapshot



Particulars (Rs. crore)	FY14	FY15	FY16	FY17	FY18	H1 FY19
Cash flow from Operations	32.1	61.7	86.4	102.3	103.3	41.6
Cash flow from investing activities	-63.7	-17.3	-22.4	-96.0	-220.6	-95.1
Net	-31.6	44.4	64.0	6.3	-117.3	-53.5

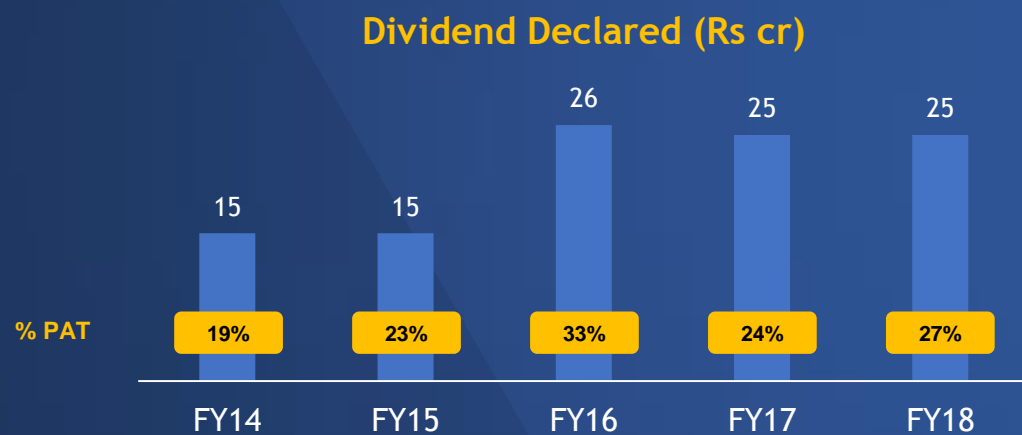
Note: Cash and cash equivalent includes investments in mutual fund



- Low capital intensive business - robust cash flow generation remains a key strength of SHK's business model
- Investments are primarily towards in-organic and other cost saving opportunities - benefits to reflect in cash flows going forward



# Strong Payout Policy



- Committed to rewarding shareholders
- Maintained healthy payout ratio

# Financial Snapshot



Particulars (Rs. crore)	FY14	FY15	FY16	FY17	FY18
EBITDA margin (%)	19.0	15.8	17.1	17.9	18.0
PAT Margin (%)	10.4	7.7	7.8	10.6	8.8
Debt to Equity	0.4	0.5	0.1	0.1	0.2
Return on Networth (%)	18.3	13.5	13.9	14.3	13.8
Return on Capital Employed (%)	21.0	17.6	21.0	22.7	20.2

**Notes:**

1. Return on Networth is calculated as: PAT/ Average Networth
2. FY18 Networth / Capital Employed adjusted for one-time expenses
3. Return on Capital Employed is calculated as: EBIT/ Average Capital Employed
4. All figures till FY15 as per IGAAP



## Key Highlights

# Growth Levers

## High operating leverage

To drive profitability leading to better return ratios

## Consolidation opportunity in the fragmented Flavours industry

On-going prospects in the flavour industry for strategic tuck-in acquisitions



## Expand Branded small pack portfolio

Focus on increasing branded sales in the Fragrance division by introducing new products

## Balance Sheet to further strengthen owing to notable Free Cash Flow generation

Well-positioned to pursue strategic acquisitions and partnerships



# Summary



Established Market Leadership

Favorable Industry Dynamics

Strong Entry Barriers

Growth Ready

Experienced Promoters and Management



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## Annexure

# Key Market Statistics



Key Market Statistics	As on Dec 31, 2018
BSE/NSE Ticker	539450 / SHK
CMP (Rs.)	172
Market Cap (Rs. Crore)	2,485
Number of outstanding shares (Crore)	14.46
Face Value	10.00
52-week High / Low (Rs.)	310.3 / 166.5

## Top Institutional Shareholders

STICHTING DEPOSITARY APG FUND

VIRTUS KAR EMERGING MARKETS

MORGAN STANLEY

HDFC TRUSTEE COMPANY

NEUBERGER BERMAN EMERGING MARKET

MONDRIAN INVESTMENT

ROYCE FUNDS

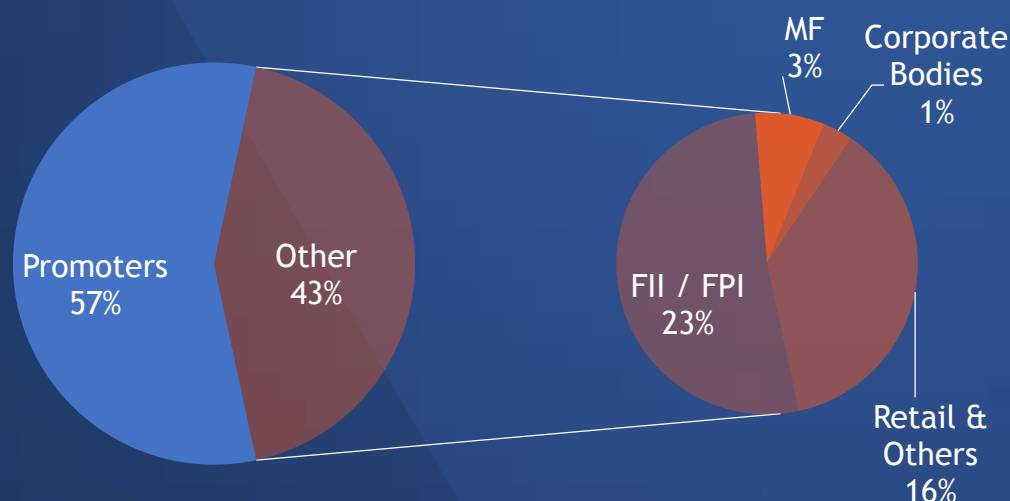
KOTAK INDIA FUNDS

WELLS FARGO EMERGING MARKETS

IDFC

As on December 31, 2018

## Break-up of Floating Stock (%)





# Corporate Social Responsibility

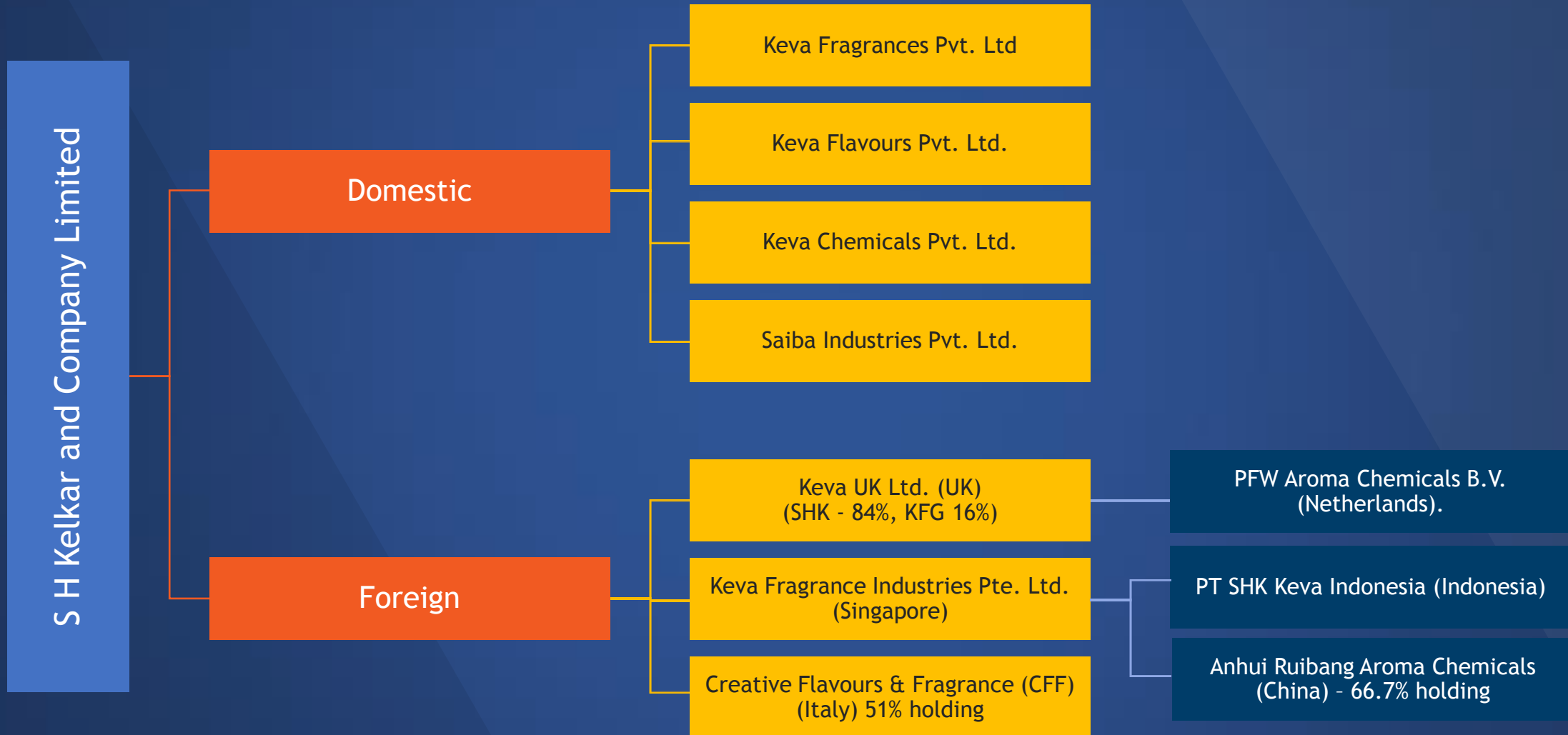
- Recognizes its role and responsibility to deliver superior and sustainable value to customers, business partners, employees and communities
- SHK has been contributing for the cause of economically, socially and physically challenged groups to support their sustainable livelihood

## Key Initiatives

- Initiated a plantation program, which includes approximately 2,100 Australian teak wood trees, 1,000 pink pepper trees over 10 acres of land in Raigad to assist in the creation of a green belt
- Set up Kelkar education trust in 1979, which started Shri V.G. Vaze College of Arts, Commerce and Science in the Greater Mumbai Metropolitan Area in 1984
- SHK also participates in community development projects in small towns and villages to create employment opportunities for the locals
- SHK was conferred the 'Best Corporate Partner Award' in December 2017 by National Society for Equal Opportunities for the Handicapped (NASEOH) for the Company's association for supporting the cause of physically challenged people



# Corporate Structure



# About Us



S H Kelkar and Company Limited (SHK) is the largest Indian-origin Fragrance & Flavour Company in India. It has a long standing reputation in the fragrance industry developed in 96 years of experience. Its fragrance products and ingredients are used as a raw material in personal wash, fabric care, skin and hair care, fine fragrances and household products. Its flavor products are used as a raw material by producers of baked goods, dairy products, beverages and pharmaceutical products. The Company offers products under SHK, Cobra and Keva brands.

The Company has a strong and dedicated team of scientists, perfumers, flavourists, evaluators and application executives at its facilities and four creation and development centres in India, The Netherlands, Indonesia and Italy for the development of fragrance and flavour products. The Company has filed 13 patent applications in respect of molecules, systems and processes developed by it, of which 2 have been commercially exploited in deodorant and fine fragrance categories.

Over the years, SHK has developed a vast product portfolio of fragrances and flavor products for the FMCG, personal care, pharmaceutical and food & beverages industry. The Company has a diverse and large client base including leading national and multi-national FMCG companies, blenders of fragrances & flavors and fragrance & flavor producers.

## For further information please contact:

Ms Deepti Chandratre

**S H Kelkar and Company Limited**

Tel: +91 22 2167 7777

Fax: +91 22 2164 9766

Email: [deepti.chandratre@keva.co.in](mailto:deepti.chandratre@keva.co.in)

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Anoop Poojari / Shikha Kshirsagar

**CDR India**

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Email: [anoop@cdr-india.com](mailto:anoop@cdr-india.com)

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Thank You