



May 23, 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: Submission of earnings presentation on audited financial results for the quarter and year ended March 31, 2019**

Further to the approval of audited financial results for the quarter and year ended March 31, 2019 by the Board of Directors of the Company at its meeting held on May 22, 2019 and submission of the same with the stock exchanges, we submit herewith presentation on results being made to investors in the Conference Call scheduled on May 27, 2019 at 11.00 am IST, invite of which has been submitted to the stock exchanges on May 21, 2019.

You are requested to take the above on record.

**For S H KELKAR AND COMPANY LIMITED**

**Ramesh Vaze**  
Managing Director



*Encl: As above*





*Crafting Sensorial Delight*

# S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour Company

Q4 & FY19 Earnings Presentation

May 23, 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.



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## Q4 & FY19 Results Overview

## Management Comment



Commenting on the performance, Mr. Kedar Vaze, Whole Time Director & CEO at SH Kelkar and Company Ltd. said:

*“This has been a challenging fiscal for us as we witnessed multiple macro-headwinds that impacted our performance in certain customer categories. Despite these broader market challenges, I am happy to share that we have gained a higher wallet share in our key customer accounts during the fiscal gone by. Our internal analysis of industry trends post GST implementation also suggests that there has been a structural shift towards larger & mid-sized players, leading to a notable decline in smaller accounts. We believe our revenue base has already been reset in FY19, and we are witnessing healthy traction in mid & large customers, with stronger focus towards enhancing the Company’s business share in these accounts.*”

*On the operational front, I am pleased to share that in the month of May, we have reached optimal utilization levels at our Greenfield manufacturing facility at Mahad. Operationalization of this facility will help improve availability of key raw materials, leading to increased cost efficiencies for SHK, going forward.*

*From a longer-term perspective, we foresee immense potential in our business and have accordingly undertaken several measures towards strengthening relationships with our existing customers, building and developing a robust product portfolio with new customers, and increasing operational and cost efficiencies. On the whole, we look forward to delivering steady growth in our financial and operating performance in FY2020.”*

# Consolidated Summarized P&L Statement

Particulars (Rs. crore)	Q4 FY19	Q4 FY18	Y-o-Y Change (%)	FY19	FY18	Y-o-Y Change (%)
Revenues from Operations (Sales excluding Excise & GST)	268.6	282.7	-5%	1,041.2	1,019.3	2%
Other Operating Income	0.3	1.1	-72%	2.5	1.8	40%
<b>Total Operating Income</b>	<b>268.9</b>	<b>283.9</b>	<b>-5%</b>	<b>1,043.6</b>	<b>1,021.0</b>	<b>2%</b>
Other Income	12.0	16.7	-28%	27.9	25.7	8%
<b>Total Income</b>	<b>280.8</b>	<b>300.5</b>	<b>-7%</b>	<b>1,071.5</b>	<b>1,046.7</b>	<b>2%</b>
Total Expenditure	244.8	258.0	-5%	911.5	862.9	6%
• Raw Material expenses	156.5	173.7	-10%	590.8	562.9	5%
• Employee benefits expense	30.1	31.2	-3%	128.1	125.2	2%
• Other expenses	58.2	53.2	10%	192.7	174.8	10%
<b>EBITDA</b>	<b>36.0</b>	<b>42.5</b>	<b>-15%</b>	<b>160.0</b>	<b>183.8</b>	<b>-13%</b>
<b>EBITDA Margin (%)</b>	<b>13%</b>	<b>14%</b>	<b>- 131 Bps</b>	<b>15%</b>	<b>18%</b>	<b>-263 Bps</b>
Finance Costs	6.1	1.6	281%	14.0	4.0	251%
Depreciation and Amortization	7.9	6.5	22%	31.2	23.8	31%
Exceptional Items	-	2.78		-	12.9	
<b>PBT</b>	<b>22.0</b>	<b>31.6</b>	<b>-30%</b>	<b>114.9</b>	<b>143.2</b>	<b>-20%</b>
Tax expense	1.9	11.9	-84%	27.0	50.6	-47%
<b>PAT</b>	<b>19.6</b>	<b>21.0</b>	<b>-7%</b>	<b>88.5</b>	<b>93.9</b>	<b>-6%</b>
<b>PAT Margin (%)</b>	<b>7%</b>	<b>7%</b>	<b>- 2 Bps</b>	<b>8%</b>	<b>9%</b>	<b>-71 Bps</b>
<b>Cash Profit</b>	<b>27.5</b>	<b>27.5</b>	<b>0%</b>	<b>119.6</b>	<b>117.7</b>	<b>2%</b>

# Key Developments

## **Established a Creation and Development Center (CDC) in Singapore to sharpen focus on certain categories and strengthen foothold in South East Asian markets**

- In addition to this centre, SHK operates three other CDC in India, Netherlands and Indonesia wherein new products are constantly under development in conjunction with customer requirements
- The CDC centre in Singapore will help the team to carry out local market and consumer research, thereby enabling stronger knowledge of local preferences that will help SHK to develop innovative products and further enhance its presence in South East Asia

## **Healthy progress towards ramping up production at Mahad facility during the quarter - the plant is operating at optimal levels in May 2019**

- The state-of-the-art facility at Mahad manufactures Tonalid and other key raw materials used in the fragrance industry
- Operationalization of this facility to help improve availability of key raw materials, thereby enabling enhanced cost efficiencies going forward
- Further, higher production of key ingredients will help boost the revenue performance from FY20 onwards

# FY2019 Financial and Operational Discussions (Y-o-Y)

## Revenues from operations stood at Rs. 1,041.2 crore as against Rs. 1,019.3 crore, higher by 2% YoY

- In FY19, the demand environment witnessed a slowdown across the fragrance and flavours divisions led by multiple macro-headwinds that impacted performance, especially in the domestic market
- The Company's fragrance division, domestically, witnessed a structural shift towards larger & mid-sized players, leading to a decline in demand from smaller customer categories. So, while the Company gained a higher wallet share in the mid and larger customer categories, sales from the smaller accounts saw a significant impact
- Increased momentum in the overseas business - International flavors and fragrance segments, both grew at a healthy rate of 14%

## EBITDA stood at Rs. 160.0 crore; EBITDA margins at 15%

- Pricing pressures on key raw materials continued to impact profitability margins on a YoY basis
- Gross margins in FY19 stood at 43% as against 45% in FY18 due to the change in customer mix

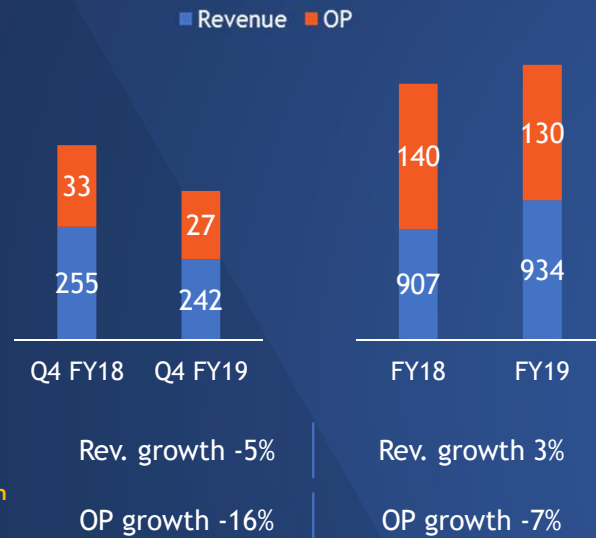
## PAT stood at Rs. 88.5 crore, lower by 6%; EPS at Rs. 6.20

- Interest costs increased to Rs. 14.0 crore from Rs. 4 crore in FY18, primarily owing to the commissioning of new facility at Mahad



# Fragrance Division

## Net Revenue & Operating Profit



- Fragrance division delivered a steady topline growth of 3% in FY19 - domestic revenues were lower by 2% led by a slowdown in the demand environment in certain customer categories
  - Overseas revenues marked a healthy growth of 14%
- Operating profit margins at 14% in FY19 vs 15.4% in FY18; 11.3% in Q4 FY19 vs 12.8% in Q4 FY18

## Domestic and Overseas Revenue - FY19



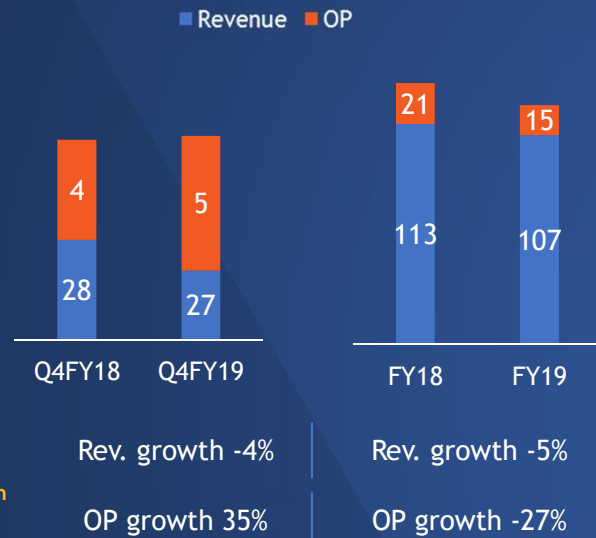
Y-o-Y Growth (%)	Q4 FY19	FY19
Domestic	-20	-2
Overseas	36	14
<b>Total Growth</b>	<b>-5</b>	<b>3</b>

Note: Figures in Rs. Crore unless specified otherwise



# Flavour Division

## Net Revenue & Operating Profit



- Flavour division reported subdued performance during the period with a decline in domestic revenues
- Overseas segment continued to report healthy sales during FY19
- Operating profit was at Rs. 15 crore with margins at 14.4%

### Domestic and Overseas Revenue - FY19



Y-o-Y Growth (%)	Q4 FY19	FY19
Domestic	-5	-19
Overseas	-3	14
<b>Total Growth</b>	<b>-4</b>	<b>-5</b>

Note: Figures in Rs. Crore unless specified otherwise

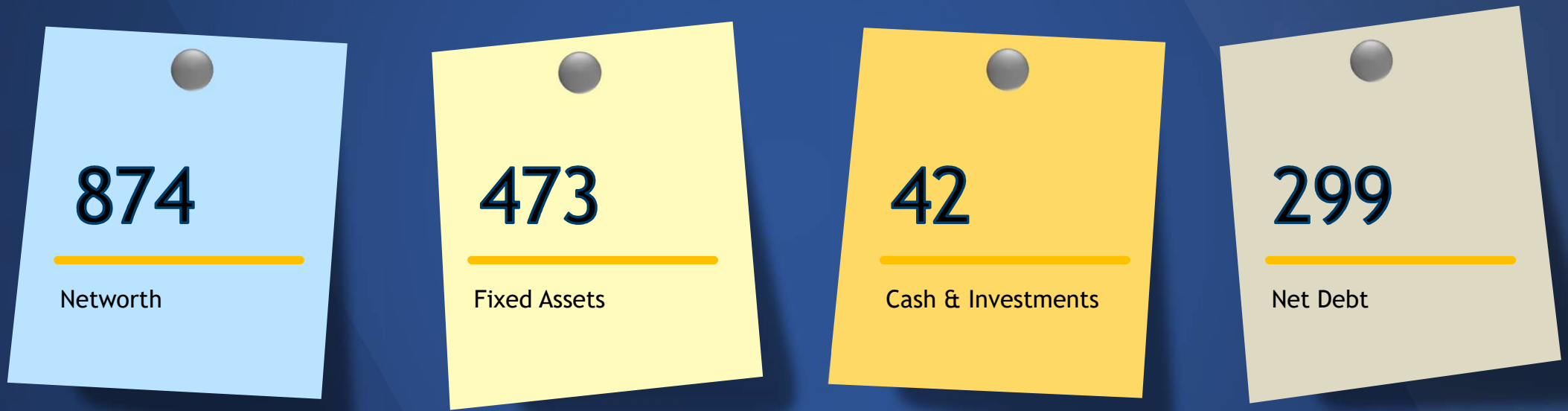


# Consolidated Balance Sheet

Particulars (Rs. Crore)	As at 31st March 2019 (Audited)	As at 31st March 2018 (Audited)	Particulars (Rs. Crore)	As at 31st March 2019 (Audited)	As at 31st March 2018 (Audited)
<b>EQUITY AND LIABILITIES</b>			<b>ASSETS</b>		
Equity			<b>Non-current assets</b>		
Equity share capital	144.6	144.6	Property, Plant and Equipment	369.4	274.4
Other equity			Capital work-in-progress	15.4	35.6
Retained earnings	425.5	368.1	Investment Property	13.8	14.3
Other Reserves	293.2	344.2	Goodwill	39.8	35.6
Equity attributable to owners of the Company	863.4	856.9	Other Intangible assets	38.9	27.5
Non-Controlling Interest	10.8	0.0	Intangible Assets under Development	22.2	24.6
<b>Total equity</b>	<b>874.2</b>	<b>856.9</b>	Equity Accounted Investee	95.8	94.6
			<b>Financial Assets</b>		
<b>Liabilities</b>			Investments*	0.0	0.0
<b>Non-current liabilities</b>			Loans	2.7	2.2
<b>Financial liabilities</b>			Others	1.4	1.4
Borrowings	70.0	48.2	Deferred tax assets (net)	25.5	4.4
Others	2.0	1.3	Other tax assets (net)	28.0	25.2
Provisions	0.9	0.6	<b>Other non-current assets</b>	<b>21.8</b>	<b>41.2</b>
Deferred tax liabilities (net)	17.9	8.2	<b>Total non current assets</b>	<b>674.8</b>	<b>581.1</b>
<b>Total non-current liabilities</b>	<b>90.7</b>	<b>58.3</b>			
			<b>Current Assets</b>		
<b>Current liabilities</b>			Inventories	373.9	347.9
<b>Financial liabilities</b>			Financial Assets		
Borrowings	264.0	116.1	Investments	1.5	1.5
Trade payables			Trade receivables	284.4	276.6
-total outstanding dues of micro enterprises and small enterprises	7.2	8.9	Cash and cash equivalents	37.4	17.4
-total outstanding dues of creditors other than micro enterprises and small enterprises	127.1	146.7	Other bank balances	3.4	6.4
Other financial liabilities	27.1	29.0	Loans	6.2	4.1
Other current liabilities	13.6	25.3	<b>Others</b>	<b>2.2</b>	<b>0.2</b>
Provisions	10.1	12.4	<b>Other current assets</b>	<b>61.1</b>	<b>44.2</b>
Current tax liabilities (net)	31.1	26.0	<b>Total current assets</b>	<b>770.3</b>	<b>698.5</b>
<b>Total current liabilities</b>	<b>480.2</b>	<b>364.4</b>			
<b>Total Liabilities</b>	<b>570.9</b>	<b>422.7</b>	<b>TOTAL ASSETS</b>	<b>1445.1</b>	<b>1279.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1445.1</b>	<b>1279.6</b>			

\*Amount less than Rs. 0.01 crs

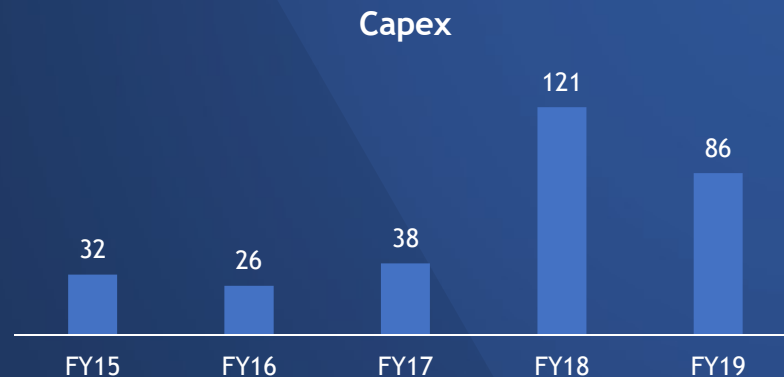
# Balance Sheet Snapshot - As on March 31, 2019



# Cash Flow Snapshot

Particulars (Rs. crore)	FY14	FY15	FY16	FY17	FY18	FY19
Cash flow from Operations	32.1	61.7	86.4	102.3	103.3	40.7
Cash flow from investing activities	-63.7	-17.3	-22.4	-96.0	-220.6	-109.5
Net	-31.6	44.4	64.0	6.3	-117.3	-68.7

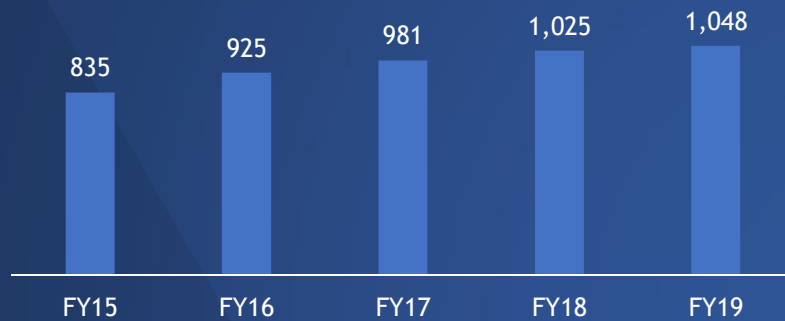
Note: Cash and cash equivalent includes investments in mutual fund



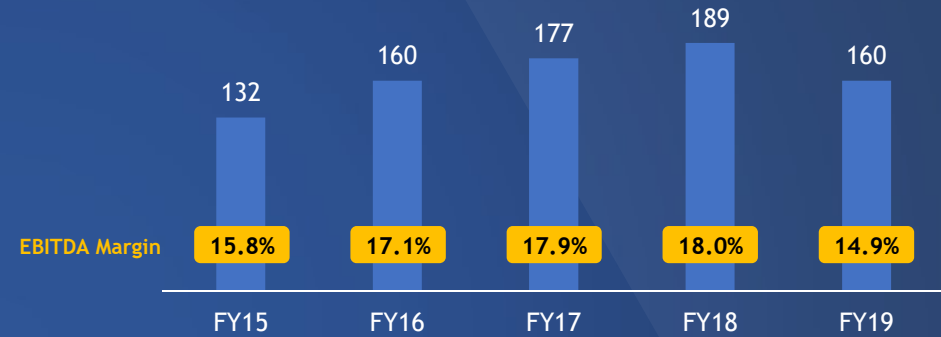
- Low capital intensive business - robust cash flow generation remains a key strength of SHK's business model
- Investments are primarily towards in-organic and other cost saving opportunities - benefits to reflect in cash flows going forward

# Robust Historical Financial Trend (to update)

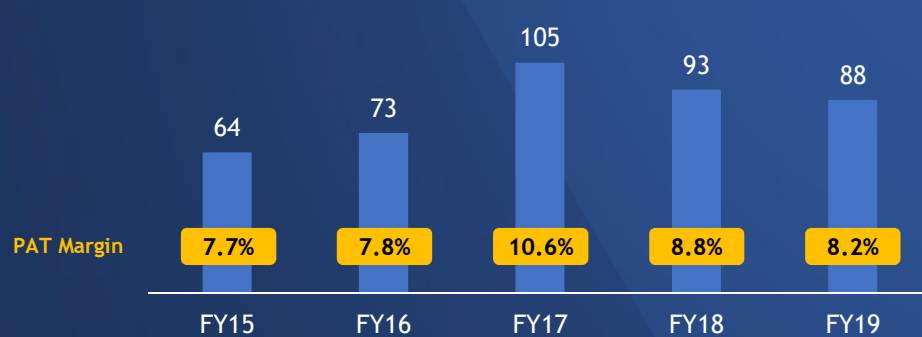
## Total Operating Income



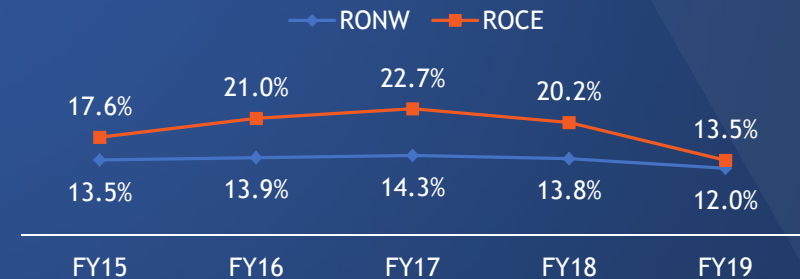
## EBITDA



## PAT



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



Note: Rs. Crore; All figures till FY15 as per IGAAP  
EBITDA adjusted for one-time expense in FY18

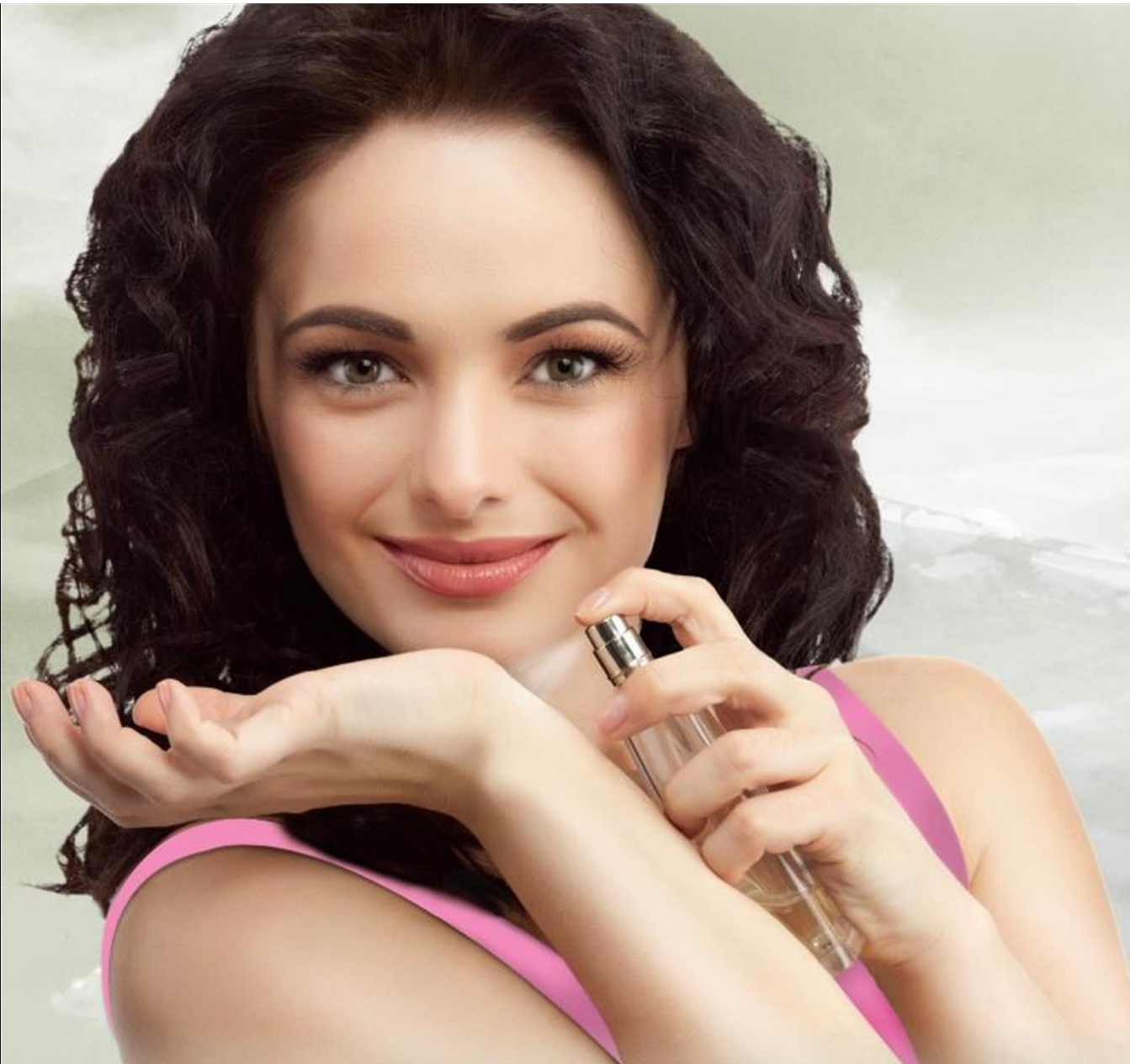
Note: Return on Capital Employed is calculated as  $\left[ \frac{\text{EBIT}}{\text{Net Debt} + \text{Net Worth}} \right]$

# Key Financial Ratios

Particulars (Rs. crore)	FY15	FY16	FY17	FY18	FY19
EBITDA margin (%)	15.8	17.1	17.9	18.0	14.9
PAT Margin (%)	7.7	7.8	10.6	8.8	8.2
Debt to Equity	0.5	0.1	0.1	0.2	0.4
Return on Networth (%)	13.5	13.9	14.3	13.8	12.0
Return on Capital Employed (%)	17.6	21.0	22.7	20.2	13.5

Note:

1. Return on Networth is calculated as:  $PAT / \text{Average Networth}$
2. Return on Capital Employed is calculated as:  $EBIT / \text{Average Capital Employed}$
3. All figures till FY15 as per IGAAP;
4. EBITDA adjusted for one-time expense in FY18



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## Annexure



# Conference Call Details



## S H Kelkar and Company Ltd.'s Q4 & FY19 Earnings Conference Call

**Time** • 11.00 AM IST on Monday, May 27, 2019

**Primary dial-in number** • +91 22 6280 1141  
• +91 22 7115 8042

**India Local access Number** • +91 70456 71221 (Available all over India)

**International Toll Free Number** • Hong Kong: 800 964 448  
• Singapore: 800 101 2045  
• UK: 0 808 101 1573  
• USA: 1 866 746 2133



# 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 94 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 five creation and development centres in Mumbai, The Netherlands and Indonesia for the development of fragrance and flavour products. The research team has developed 12 molecules over the last three years. The Company has filed 10 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:

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Anoop Poojari / Shikha Kshirsagar

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Thank You