



October 25, 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 and press release on unaudited financial results for the quarter and half ended September 30, 2019**

Further to the approval of unaudited financial results for the quarter and half year ended September 30, 2019 by the Board of Directors of the Company at its meeting held on October 25, 2019 and submission of the same with the stock exchanges, we submit herewith press release and presentation on results being made to investors in the Conference Call scheduled on November 06, 2019 at 11.00 am IST, invite of which has been submitted to the stock exchanges today.

You are requested to take the above on record.

**For S H KELKAR AND COMPANY LIMITED**

  
Deepti Chandratre  
Company Secretary and Compliance Officer



*Encl: As above*



**S H Kelkar And Company Limited**

Lal Bahadur Shastri Marg, Mulund (West), Mumbai - 400 080. Tel : +91 22 2167 7777

**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



## S H Kelkar and Company Limited

Corporate Office: L.B.S Marg, Near Balrajeshwar Temple, Mulund (W), Mumbai – 400080

Registered Office: Devkaran Mansion, 36, Mangaldas Road, Mumbai 400 002.

### S H Kelkar announces Q2 & H1 FY20 results

#### H1 FY20

**Revenues from operations at Rs. 547.7 Cr, higher by 6%**  
**Fragrance revenues grew by 7% at Rs. 498 cr**  
**EBITDA higher by 10% at Rs. 86.6 crore**  
**EBITDA margins stable at 16%**

**Mumbai, October 25, 2019:** S H Kelkar and Company, the largest Indian origin Fragrance and Flavours Company in India, has announced its financial results for the quarter and half year ended September 30, 2019.

#### **H1 FY20 performance overview compared with H1 FY19**

- Revenues from operations higher by 5.7% to Rs. 547.7 crore from Rs. 518.1 crore
- EBITDA at Rs. 86.6 crore as against Rs. 79.0 crore, higher by 9.7%
  - EBITDA margin stood at 15.6% vs 14.9%
- PAT stood at Rs. 34.0 crore as against Rs. 46.4 crore

#### **Q2 FY20 performance overview compared with Q2 FY19**

- Revenues from operations at Rs. 276.2 crore from Rs. 282.1 crore
- EBITDA at Rs. 38.9 crore as against Rs. 42.8 crore,
  - EBITDA margin stood at 13.9% vs 14.8%
  - In Q2 FY20, the Company expensed non-recurring costs of approximately Rs. 4 crore, which resulted in higher employee costs and other expenses, thereby impacting profitability during the period
- PAT stood at Rs. 15.0 crore as against Rs. 28.4 crore

**Commenting on the performance, Mr. Kedar Vaze, Whole Time Director and Group CEO at SH Kelkar and Company said,**

*“We have reported a stable performance during the quarter despite subdued sentiments witnessed in the FMCG segment. In the domestic market, we saw increased client engagements in the existing and new FMCG customer segments, including private labels, which led to higher account wins. As these new launches grow in the market, we anticipate higher sales volumes in the future. During H1 FY20, our International sales grew by 20%, while domestic sales remained steady.*

*On the raw material situation, we are happy to share that the environment is increasingly attaining normalcy. This, in turn led to better availability of key ingredients and stable raw material prices during the quarter. Going ahead, we believe, a normal raw material situation along with the several cost-optimization measures will enable us to report improved financial performance.*

*Overall, the Company has delivered an encouraging performance during the first half of the fiscal. Looking ahead, various pro-growth measures undertaken by the Government to boost demand and investments in the country and the upcoming festive season should lead to better consumption and enhanced consumer sentiments in the domestic market. On the back of an improving macro-environment along with the Company’s strategic growth initiatives, we remain confident of delivering healthy performance across our business categories in the second half of the fiscal.”*

**Key Developments:**

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**Robust new business wins witnessed across new and existing large customers**

- Despite a subdued environment, the Company is witnessing an improved traction in terms of order enquiries and leads in its core fragrance business from existing and new large sized FMCG customers, including private labels
- During the quarter, the Company saw a strong growth in business wins across product categories of Beauty & Personal Care, Car fresheners, Air fresheners and Soaps
  - Based on the performance of these new product launches in the market, the Company expects better sales contribution from these wins in the future

**Raw Material situation witnessing normalcy**

- The raw material situation in the global markets saw early signs of stabilisation during the first quarter of the fiscal. By September 2019, the raw material pressure had largely eased out and is currently at a state of normalcy
- This, has led to stable raw material prices and better availability of key raw material ingredients

- A healthy operating environment along with the several cost-optimisation measures undertaken by SHK should enable the Company to deliver a healthy financial performance and better profitability margins in the second half of the fiscal.

**Promoter group revoke pledged equity shares and hike stake in the Company during the quarter**

- During the quarter, the promoter group released 55.5 lakh pledged shares
  - Owing to certain procedural formalities, balance 33,000 shares (representing 0.04% of the total promoter holding) are yet to be revoked – these are also expected to be revoked in due course
- Promoters hike stake in the Company by 2.05 lakh shares in September 2019
  - This reiterates the promoter group's confidence in SHK's strong business model and future growth outlook
- Promoters now hold 57.5% in the Company



### About S H Kelkar and Company Limited:

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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 research team has developed 12 molecules over the last three years. 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:

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### DISCLAIMER:

*Certain statements and opinions with respect to the anticipated future performance of SHK in the press release ("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 press release 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 press release or that this press release is suitable for the recipient's purposes. The delivery of this press release 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.*



*Crafting Sensorial Delight*

# S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour Company

Q2 & H1 FY20 Earnings Presentation

October 25, 2019





## Disclaimer

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# Q2 & H1 FY20 Results Overview



# Management Comment



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

*“We have reported a stable performance during the quarter despite subdued sentiments witnessed in the FMCG segment. In the domestic market, we saw increased client engagements in the existing and new FMCG customer segments, including private labels, which led to higher account wins. As these new launches grow in the market, we anticipate higher sales volumes in the future. During H1 FY20, our International sales grew by 20%, while domestic sales remained steady.*

*On the raw material situation, we are happy to share that the environment is increasingly attaining normalcy. This, in turn led to better availability of key ingredients and stable raw material prices during the quarter. Going ahead, we believe, a normal raw material situation along with the several cost-optimization measures will enable us to report improved financial performance.*

*Overall, the Company has delivered an encouraging performance during the first half of the fiscal. Looking ahead, various pro-growth measures undertaken by the Government to boost demand and investments in the country and the upcoming festive season should lead to better consumption and enhanced consumer sentiments in the domestic market. On the back of an improving macro-environment along with the Company’s strategic growth initiatives, we remain confident of delivering healthy performance across our business categories in the second half of the fiscal.”*

# Consolidated Summarized P&L Statement

Particulars (Rs. crore)	Q2 FY20	Q2 FY19	Y-o-Y Change (%)	H1 FY20	H1 FY19	Y-o-Y Change (%)
Revenues from Operations (Net of excise)	276.2	282.1	-2%	547.7	518.1	6%
Other Operating Income	3.1	2.4	29%	5.9	3.8	55%
Total Operating Income	279.3	284.5	-2%	553.7	521.9	6%
Other Income	0.6	5.0	-88%	2.0	7.3	-73%
Total Income	279.9	289.5	-3%	555.7	529.2	5%
Total Expenditure	241.0	246.8	-2%	469.0	450.2	4%
Raw Material expenses	158.3	162.9	-3%	314.4	295.1	7%
Employee benefits expense	38.4	37.6	2%	70.5	66.7	6%
Other expenses	44.4	46.3	-4%	84.2	88.5	-5%
EBITDA	38.9	42.8	-9%	86.6	79.0	10%
EBITDA margin (%)	14%	15%	-88 BPS	16%	15%	+ 66 BPS
Finance Costs	7.1	1.9	277%	14.1	3.4	315%
Depreciation and Amortization	13.1	7.6	73%	25.3	14.4	76%
PBT	18.6	33.3	-44%	47.2	61.2	-23%
Tax expense	3.6	4.9	-26%	13.3	14.9	-11%
PAT	15.0	28.4	-47%	33.9	46.4	-27%
PAT margin (%)	5%	10%	-446 BPS	6%	9%	-265 BPS
Cash Profit	28.1	36.0	-22%	59.2	60.7	-2%

# Key Developments

## **Robust new business wins witnessed across new and existing large customers**

- Despite a subdued environment, the Company is witnessing an improved traction in terms of order enquiries and leads in its core fragrance business from existing and new large sized FMCG customers, including private labels
- During the quarter, the Company saw a strong growth in business wins across product categories of Beauty & Personal Care, Car fresheners, Air fresheners and Soaps
  - Based on the performance of these new product launches in the market, the Company expects better sales contribution from these wins in the future

## **Raw Material situation witnessing normalcy**

- The raw material situation in the global markets saw early signs of stabilisation during the first quarter of the fiscal. By September 2019, the raw material pressure had largely eased out and is currently at a state of normalcy
- This, has led to stable raw material prices and better availability of key raw material ingredients
- A healthy operating environment along with the several cost-optimisation measures undertaken by SHK should enable the Company to deliver a healthy financial performance and better profitability margins in the second half of the fiscal.

# Key Developments

## Promoter group revoke pledged equity shares and hike stake in the Company during the quarter

- During the quarter, the promoter group released 55.5 lakh pledged shares
  - Owing to certain procedural formalities, balance 33,000 shares (representing 0.04% of the total promoter holding) are yet to be revoked - these are also expected to be revoked in due course
- Promoters hike stake in the Company by 2.05 lakh shares in September 2019
  - This reiterates the promoter group's confidence in SHK's strong business model and future growth outlook
- Promoters now hold 57.5% in the Company

# H1 FY2020 Financial and Operational Discussions (Y-o-Y)



## **Revenues from operations stood at Rs. 547.7 crore as against Rs. 518.1 crore, higher by 6% YoY**

- Despite subdued sentiments in the FMCG market, the Company reported a stable performance in Q2 & H1 FY20
- During Q2 FY20, the Company saw higher business wins from existing and new large-sized FMCG customers, including private labels
  - As these new product launches grow in the market, the Company anticipates higher growth in sales volumes in the future
- The fragrance business reported steady sales during H1 FY20 led by healthy growth in the International markets
  - The Company's international segment registered a growth of 20% YoY, while the Domestic Fragrance business grew by 2%
- The flavors business reported a de-growth of 7%

## **EBITDA stood at Rs. 86.6 crore, higher by 10%; EBITDA margins at 16%**

- EBITDA margins grew by 66 bps YoY at 16%
- In Q2 FY20, the Company expensed non-recurring costs of approximately Rs. 4 crore, which resulted in higher employee costs and other expenses, thereby impacting profitability during the period
- The raw material situation is increasingly attaining normalcy. This, in turn is resulting in better availability of key ingredients and stable raw material prices. This environment along with the several cost-optimization measures undertaken by the Company will help improve profitability going ahead

# H1 FY2020 Financial and Operational Discussions (Y-o-Y)

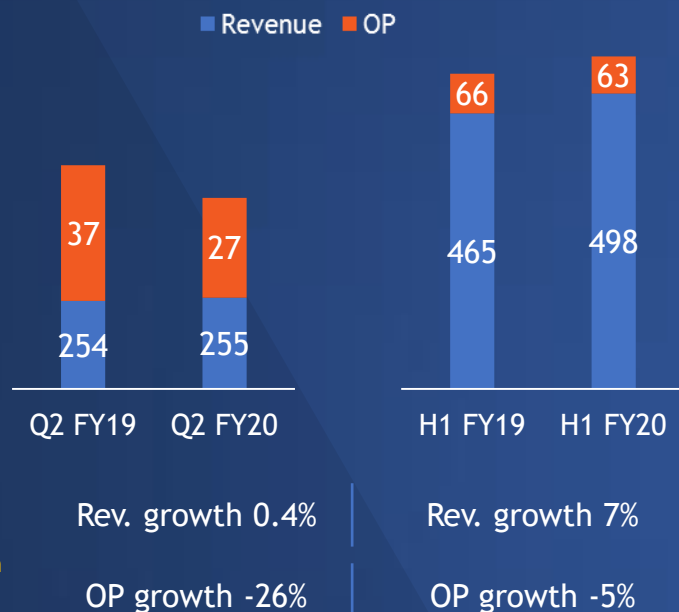


**PAT stood at Rs. 33.9 crore, lower by 27%; EPS at Rs. 2.40**

- Interest costs increased to Rs. 14.1 crore and Depreciation stood higher at Rs. 25.3 crore, primarily owing to the commissioning of new facility at Mahad and the adoption of new accounting standards

# Fragrance Division

## Net Revenue & Operating Profit



- Fragrance division delivered a stable growth in H1
- Domestic Fragrance business reported a growth of 2% in H1 and overseas revenues grew by 20%
  - New wins in existing and new large customers in the domestic markets should help improve performance going forward
- As the raw material situation normalizes, the Company expects stabilized operating margins over the long-term



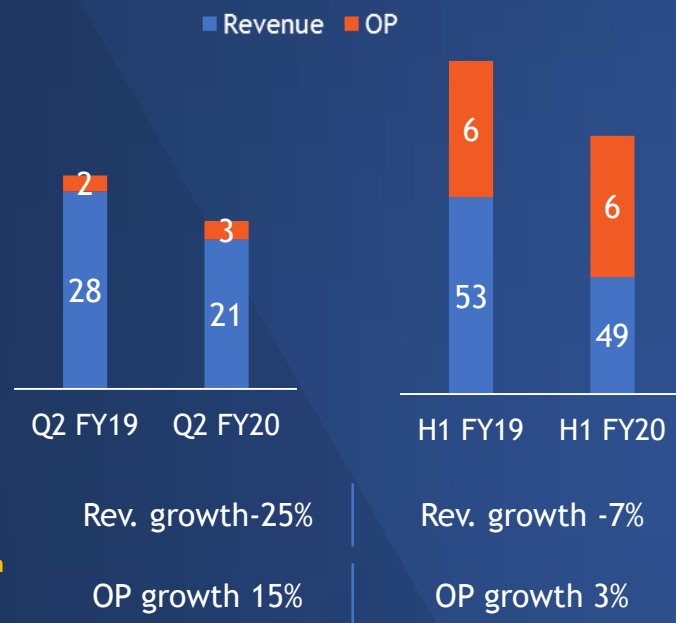
## Domestic and Overseas Revenue - H1 FY20



Y-o-Y Growth (%)	Q2 FY20	H1 FY20
Domestic	-6	2
Overseas	15	20
<b>Total Growth</b>	<b>0.4</b>	<b>7</b>

# Flavour Division

## Net Revenue & Operating Profit



- Flavour division reported a subdued performance during the period - domestic revenues came in lower by 28% in H1 led by a muted demand environment
- Operating profit was at Rs. 6 crore with margins at 13% in H1

### Domestic and Overseas Revenue - H1 FY20



Y-o-Y Growth (%)	Q2 FY20	H1 FY20
Domestic	-54	-28
Overseas	20	20
<b>Total Growth</b>	<b>-25</b>	<b>-7</b>

Note: Figures in Rs. Crore unless specified otherwise





# Consolidated Balance Sheet



EQUITY AND LIABILITIES	CONSOLIDATED	CONSOLIDATED
Particulars (Rs. Crore)	As at 30th September 2019 (Unaudited)	As at 31st March 2019 (Audited)
<b>Equity</b>		
Equity share capital	141.1	144.6
Other equity		
Retained earnings	455.6	425.5
Other Reserves	236.8	293.2
Equity attributable to owners of the Company	833.5	863.4
Non-Controlling Interest	10.9	10.8
<b>Total equity</b>	<b>844.5</b>	<b>874.2</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
<b>Financial liabilities</b>		
Borrowings	52.0	70.0
Others	1.1	2.0
Provisions	0.3	0.9
Deferred tax liabilities (net)	17.3	17.9
<b>Total non-current liabilities</b>	<b>70.7</b>	<b>90.7</b>
<b>Current liabilities</b>		
<b>Financial liabilities</b>		
Borrowings	376.1	264.0
Trade payables		
-total outstanding dues of micro enterprises and small enterprises	2.5	7.2
-total outstanding dues of creditors other than micro enterprises and small enterprises	84.4	127.1
Other financial liabilities	39.7	27.1
Other current liabilities	20.1	13.6
Provisions	9.8	10.1
Current tax liabilities (net)	31.1	31.1
<b>Total current liabilities</b>	<b>563.6</b>	<b>480.2</b>
<b>Total Liabilities</b>	<b>634.3</b>	<b>570.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1478.8</b>	<b>1445.1</b>

ASSETS	CONSOLIDATED	CONSOLIDATED
Particulars (Rs. Crore)	As at 30th September 2019 (Unaudited)	As at 31st March 2019 (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	414.2	369.4
Capital work-in-progress	4.7	15.4
Investment Property	13.6	13.8
Goodwill	39.1	39.8
Other Intangible assets	39.7	38.9
Intangible Assets under Development	18.7	22.2
Equity Accounted Investee	96.0	95.8
<b>Financial Assets</b>		
Investments*	0.0	0.0
Loans	3.4	2.7
Others	1.4	1.4
Deferred tax assets (net)	24.6	25.5
Other tax assets (net)	31.1	28.0
Other non-current assets	23.8	21.8
<b>Total non current assets</b>	<b>710.2</b>	<b>674.8</b>
<b>Current Assets</b>		
Inventories	357.7	373.9
<b>Financial Assets</b>		
Investments	1.5	1.5
Trade receivables	291.1	284.5
Cash and cash equivalents	39.7	37.5
Other bank balances	2.7	3.4
Loans	7.3	6.2
Derivatives	0.0	0.0
Others	2.7	2.2
Assets for Current Tax (Net)	0.0	0.0
Other current assets	66.0	61.1
<b>Total current assets</b>	<b>768.6</b>	<b>770.3</b>
<b>TOTAL ASSETS</b>	<b>1478.8</b>	<b>1445.1</b>

\*Amount less than Rs. 0.01 crs

# Balance Sheet Snapshot - As on September 30, 2019



**844**

Networth

**504**

Fixed Assets

**44**

Cash & Investments

**400**

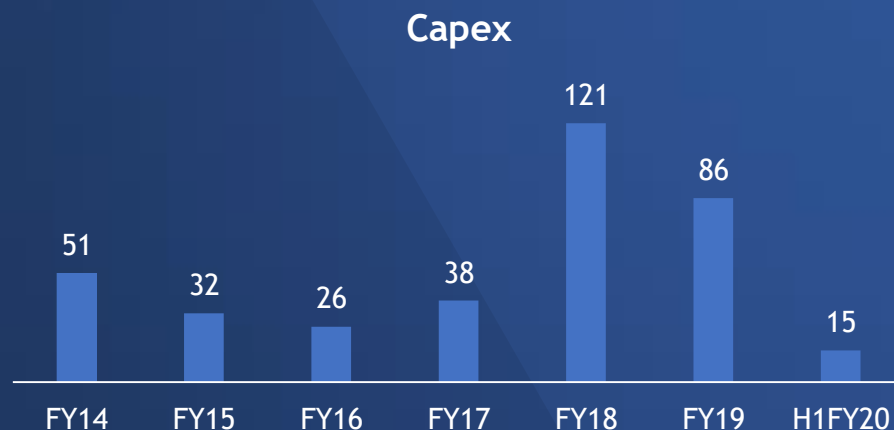
Net Debt

# Cash Flow Snapshot



Particulars (Rs. crore)	FY14	FY15	FY16	FY17	FY18	FY19	H1 FY20
Cash flow from Operations	32.1	61.7	86.4	102.3	103.3	40.7	27.6
Cash flow from investing activities	-63.7	-17.3	-22.4	-96.0	-220.6	-109.5	-12.8
Net	-31.6	44.4	64.0	6.3	-117.3	-68.7	14.8

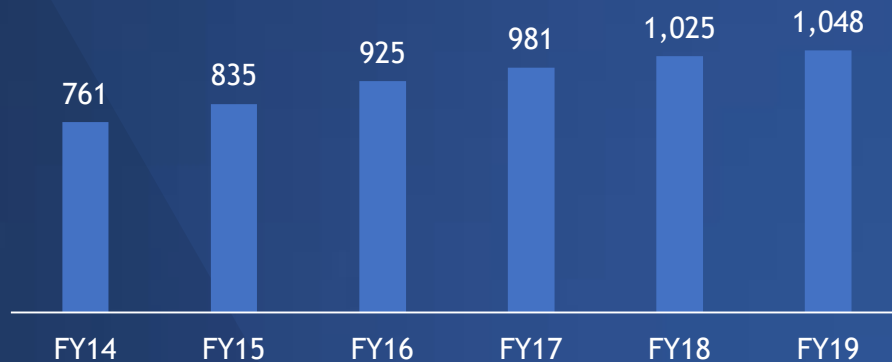
Note: Cash and cash equivalent includes investments in mutual fund



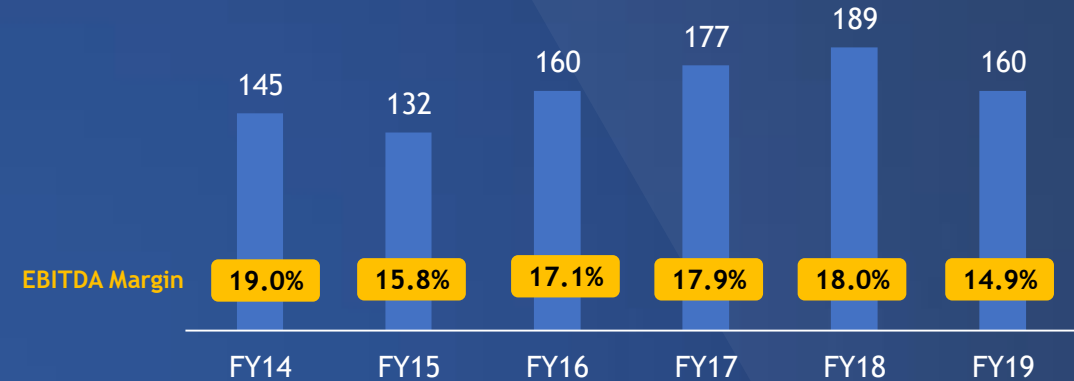
- Low capital intensive business - cash flow generation remains a key strength of SHK's business model
- Investments are primarily towards in-organic and other cost saving opportunities - benefits to reflect in cash flows going forward

# Robust Historical Financial Trend

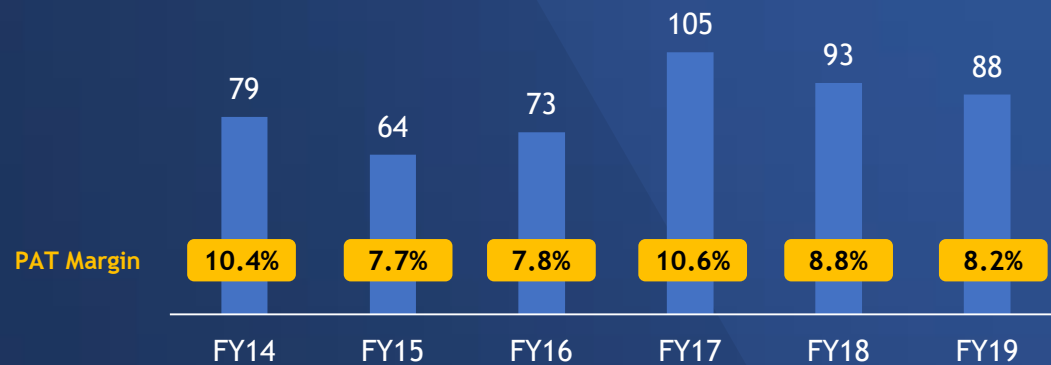
### Total Operating Income



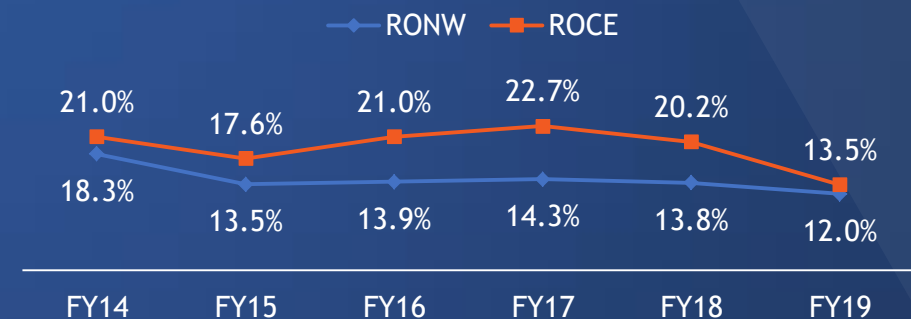
### EBITDA



### 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 FY19

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)	FY14	FY15	FY16	FY17	FY18	FY19
EBITDA margin (%)	19.0	15.8	17.1	17.9	18.0	14.9
PAT Margin (%)	10.4	7.7	7.8	10.6	8.8	8.2
Debt to Equity	0.4	0.5	0.1	0.1	0.2	0.4
Return on Networth (%)	18.3	13.5	13.9	14.3	13.8	12.0
Return on Capital Employed (%)	21.0	17.6	21.0	22.7	20.2	13.5

Note:

1. Return on Networth is calculated as: PAT/ Average Networth
2. Return on Capital Employed is calculated as: EBIT/ Average Capital Employed
3. All figures till FY15 as per IGAAP;
4. EBITDA adjusted for one-time expense in FY19



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Annexure

# Conference Call Details



## S H Kelkar and Company Ltd.'s Q2 & H1 FY20 Earnings Conference Call

**Time** • 11.00 AM IST on Wednesday, November 6, 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



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## For further information please contact:

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





*Crafting Sensorial Delight*



Thank You