



August 12, 2020

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 Press Release and Earnings Presentation in respect of unaudited financial results for the quarter ended June 30, 2020

Further to the approval of unaudited financial results for the quarter ended June 30, 2020 by the Board of Directors of the Company at its meeting held on August 12, 2020 and submission of the same with the stock exchanges, we submit herewith press release and earnings presentation in respect of financial results.

You are requested to take the above on record.

Thanking you,

Yours faithfully,

For S H Kelkar And Company Limited

Deepti Chandratre
Company Secretary & Compliance Officer

End: As above



S H Kelkar And Company Limited
Lal Bahadur Shashtri 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 Q1 FY21 results

Q1 FY21

Revenues from operations at Rs. 191.4 Cr
Gross margins stable at 44%
EBITDA margins improve to 18%

Mumbai, August 12, 2020: S H Kelkar and Company, the largest Indian origin Fragrance and Flavours Company in India, has announced its financial results for the quarter ended June 30, 2020.

Q1 FY21 performance overview compared with Q1 FY20

- Revenues from operations stood at Rs. 191.4 crore from Rs. 271.5 crore
 - Country-wide lockdown and restrictions owing to COVID-19 pandemic disrupted business operations and impacted the sales performance, especially in the months of April and May
- EBITDA stood at Rs. 35.0 crore as against Rs. 47.8 crore
 - Stabilized raw material environment enabled the Company to report normalized gross margins of 44%
 - Cost-optimization measures executed over the last few quarters resulted in improved EBITDA margins at 18%
- PAT stood at Rs. 14.8 crore as against Rs. 19.0 crore

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

“The quarter gone by started amidst an unpredictable operating environment. The spread of the COVID-19 pandemic and the resultant lockdowns caused overall disruption in manufacturing and business activities, particularly in the months of April and May. However, as the country moved to the Un-lockdown phase, we witnessed encouraging demand pick-up from the last week of May continuing into the month of June. Consequently, we closed the quarter with total revenues of Rs.197 crore.

Operationally as well, we undertook concerted efforts to maintain a strong financial and operating discipline that enabled us to seamlessly support business commitments during this challenging period. In addition, a stabilized raw material environment helped maintain gross margins at 44%. It is also encouraging to note that SHK has further reduced its net debt during the quarter to Rs. 246 crore as on June 30, 2020.

I am pleased to share that in a key strategic development, we have concluded the acquisition of the remaining 49% equity stake in Creative Flavours and Fragrances as on July 28, 2020. The acquisition is highly value-accretive and a synergistic business opportunity for SHK to expand presence into newer markets in Europe within the high-growth categories of fine fragrances, air care, and fabric care segments. Furthermore, through this acquisition, we will continue to broaden our product offerings by cross-selling solutions and sharing R&D & knowledge-base to create and launch innovative products in global markets.

As we look ahead, we are confident of our growth potential and the opportunities across the domestic FMCG space as well as in the international markets, over the medium-to-longer term. Against the current challenging environment, our business fundamentals remain strong and we are hopeful that the demand scenario will remain healthy going forward.”

Key Developments:

Update on Creative Flavours and Fragrances

Acquisition of the remaining equity stake of Creative Flavours and Fragrances

- In January 2018, SH Kelkar had entered into an agreement to acquire 100% share capital of Italy based - Creative Flavours and Fragrances SpA (CFF) in tranches, over two to three years. The Company had acquired 51% stake in the first tranche.
- In the second and final tranche, on July 28, 2020, SHK through its Italian subsidiary — Keva Italy Srl, concluded the acquisition of the balance 49% equity stake in CFF at a consideration of Euros 16 Million (~Rs. 126 crore). The Company financed this investment through local debt raised in Europe in order to avail the benefit of lower interest costs
- The acquisition has enabled SHK to expand presence into newer markets in Europe within the categories of fine fragrances, air care, and fabric care segments. It has also assisted expanding the Company’s international footprint and building additional R&D capability in fabric care & air care

- In addition, through CFF, SHK continues to broaden its product offerings by cross-selling solutions and sharing R&D & knowledge-base to create and launch innovative products in both countries. Overall, the acquisition is value-accretive and a synergistic business opportunity for SHK over the longer-term

Performance Update of CFF: January to June 2020

- Despite a challenging operating environment in Europe due to the spread of COVID-19 pandemic, CFF delivered a steady performance during January to June 2020 period

CFF – Key financials		
	Jan – June CY20 (Mn Euro)	Jan – June CY20 (INR Cr)
Particulars		
Total Revenue	15	123.7
<i>Core Fragrance</i>	8.6	70.8
<i>Contract Manufacturing</i>	6.4	52.8
Gross Margins		
<i>Core Fragrance</i>	55%	55%
<i>Contract Manufacturing</i>	12%	12%
<i>INR/Euro FX rates at 82.5</i>		

Healthy balance sheet profile

- As on June 30, 2020, cash from operations stood strong at Rs.61.48 crore. Strong financial and operating discipline including maintaining a tight working capital cycle and adequate inventories enabled the Company to support its business commitments during this challenging period
- The Company has further reduced its net debt in Q1 FY21 to Rs. 246 crore as on June 30, 2020 as against Rs. 299 crore as on March 31, 2020
- The Company's focus is towards marking a sustainable improvement in its return ratios going forward

Demand Outlook

- The management continues to closely monitor the operating environment and is actively engaging with all its customers
- The Company has been witnessing initial signs of recovery in the FMCG industry and a gradual normalization of the supply chain system from the month of June continuing in July. Accordingly, the Company is undertaking all necessary steps to ensure optimal production levels are maintained throughout the year
- While continuity of the market trend cannot be firmly ascertained at this time, the Company is hopeful that that the business flow will remain steady
- The Company believes that once the operating situation stabilizes, it should be able to deliver healthy revenue growth going forward



About S H Kelkar and Company Limited:

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 flavour 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 India, Singapore, Amsterdam, 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 flavour products for the FMCG, personal care, pharmaceutical and food & beverages industry. The Company has a diverse and large client base including leading national and multinational FMCG companies, blenders of fragrances & flavours and fragrance & flavour 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

Anoop Poojari / Mit Shah
CDR India
Tel: +91 9833090434
Fax: +91 22 6645 1213
Email: anoop@cdr-india.com
mit@cdr-india.com

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.



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S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour Company

Q1 FY21 Earnings Presentation

August 12, 2020





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Q1 FY21 Results Overview

Management Comment



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Operationally as well, we undertook concerted efforts to maintain a strong financial and operating discipline that enabled us to seamlessly support business commitments during this challenging period. In addition, a stabilized raw material environment helped maintain gross margins at 44%. It is also encouraging to note that SHK has further reduced its net debt during the quarter to Rs. 246 crore as on June 30, 2020.

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Consolidated Summarized P&L Statement

Particulars (Rs. crore)	Q1 FY21	Q1 FY20	Y-o-Y Change (%)
Revenues from Operations (Sales excluding Excise & GST)	191.4	271.5	-30%
Other Operating Income	1.1	2.9	-62%
Total Operating Income	192.5	274.4	-30%
Other Income	4.1	1.4	193%
Total Income	196.6	275.8	-29%
Total Expenditure	161.6	228.0	-29%
• Raw Material expenses	108.1	156.1	-31%
• Employee benefits expense	23.2	32.1	-28%
• Other expenses	30.3	39.8	-24%
EBITDA	35.0	47.8	-27%
EBITDA Margin (%)	18%	17%	+ 50 Bps
Finance Costs	4.5	7.0	-36%
Depreciation and Amortization	11.6	12.1	-4%
PBT	18.9	28.6	-34%
Tax expense	4.1	9.6	-57%
PAT	14.8	19.0	-22%
PAT Margin (%)	8%	7%	+ 65 Bps
Cash Profit	26.4	31.1	-15%

Key Developments



Update on Creative Flavours and Fragrances

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Q1FY2021 Financial and Operational Discussions (Y-o-Y)



Revenues from operations stood at Rs. 191.4 crore as against Rs. 271.5 crore

- The spread of the COVID-19 pandemic and the resultant lockdowns caused overall disruption in manufacturing and business activities, particularly in the months of April and May, which impacted performance during the quarter
- As the country moved to the Un-lockdown phase, the Company witnessed encouraging demand pick-up from the last week of May continuing into the month of June

EBITDA stood at Rs. 35.0 crore; EBITDA margins improve to 18%

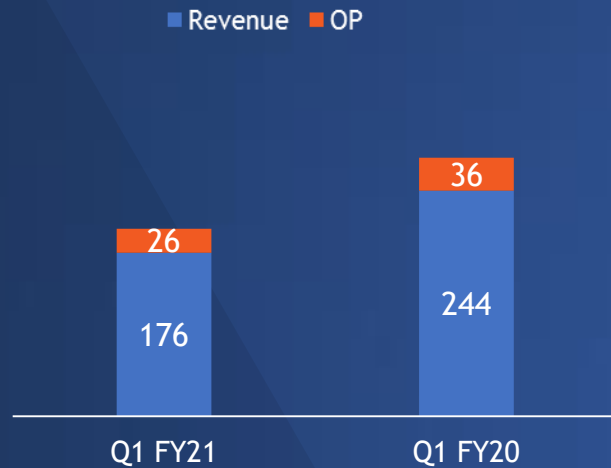
- Stabilized raw material environment enabled the Company to report normalized gross margins of 44%
- Cost-optimization measures executed over the last few quarters resulted in improved EBITDA margins at 18%

Cash Profit stood at Rs. 26.4 crore as against Rs. 31.1 crore

- Reported PAT stood at Rs. 14.8 crore as against Rs. 19.0 crore
- PAT margins improved to 8% as against 7% in Q1 FY20

Fragrance Division

Net Revenue & Operating Profit



Y-o-Y Growth

Rev. growth -28%

OP growth -27%

- Fragrance division reported a de-growth primarily owing to disruptions on account of the Covid-19 pandemic both in domestic FMCG industry as well as in key international markets
 - The segment witnessed strong traction in demand from the last week of May continuing into the month of June, which resulted in better-than-anticipated performance



Domestic and Overseas Revenue - Q1FY21



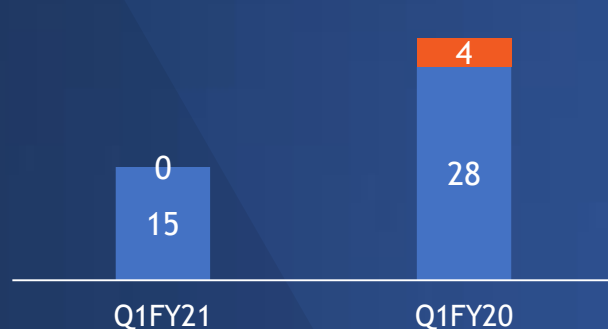
Y-o-Y Growth (%)	Q1FY21
Domestic	-26%
Overseas	-30%
Total Growth	-28%

Note: Figures in Rs. crore unless specified otherwise

Flavour Division

Net Revenue & Operating Profit

■ Revenue ■ OP



Y-o-Y Growth

Rev. growth -47%

OP growth - NA

- Flavour division reported a muted performance on account of disruptions caused due to the spread of COVID-19, especially in the months of April and May
- In June, the segment saw improved momentum in enquiries and leads, which continued in the month of July



Domestic and Overseas Revenue - Q1FY21



Y-o-Y Growth (%)	Q1FY21
Domestic	-58%
Overseas	-37%
Total Growth	-47%

Note: Figures in Rs. crore unless specified otherwise

Balance Sheet Snapshot - As on June 30, 2020



838

Networth

507

Fixed Assets

95

Cash & Investments

246

Net Debt

Cash Flow Snapshot



Particulars (Rs. crore)	FY16	FY17	FY18	FY19	FY20	Q1FY21
Cash flow from Operations	86	102	103	77	205	61
Cash flow from investing activities	-22	-96	-221	-137	-40	-4
Net	64	6	-117	-60	165	57

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

Key Financial Ratios

Particulars (Rs. crore)	FY16	FY17	FY18	FY19	FY20	Q1FY21
EBITDA margin (%)	17.1	17.9	18.0	14.9	14.9	18.3
PAT Margin (%)	7.8	10.6	8.8	8.2	6.4	7.6
Debt to Equity	0.1	0.1	0.2	0.4	0.4	0.4
Return on Networth (%)	13.9	14.3	13.8	12.0	10.0	8.4
Return on Capital Employed (%)	21.0	22.7	20.2	13.5	11.3	9.6

Note:

1. Return on Networth is calculated as: PAT/ Average Networth
2. Return on Capital Employed is calculated as: EBIT/ Average Capital Employed
3. EBITDA adjusted for one-time expense in FY19
4. Impairment of plants and machineries in Netherlands resulted in a one-time exceptional expense of Rs. 36.5 crore in FY20, most of which is a non-cash impairment charge. This, impacted PAT and RoNW in FY20



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Annexure

Conference Call Details



S H Kelkar and Company - Q1 FY21 Earnings Conference Call

Time • 02.00 PM IST on Thursday, August 13, 2020

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:

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

Anoop Poojari / Mit Shah

CDR India

Tel: +91 9833090434

Fax: +91 22 6645 1213

Email: anoop@cdr-india.com

mit@cdr-india.com



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Thank You