



August 04, 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: Business Update on acquisition of Creative Flavours and Fragrances S.p.A ('CFF')

Further to our disclosure dated July 28, 2020 regarding completion of acquisition of balance 49% equity stake of CFF, please find enclosed herewith a business update on the said acquisition.

We request you to kindly take the same 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
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SHK – Business Update – CFF Acquisition

S H Kelkar and Company Ltd (SHK), the largest Indian origin Fragrance and Flavours Company in India, would like to share the following business update on the CFF acquisition:

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. The remaining stake was to be acquired within three years
 - CFF is a leader in the production and distribution of fragrances in Italy. Headquartered in Milan, CFF products are sold in over 32 countries worldwide with reputable presence in Europe, Middle East and Africa, with in-depth strength in fragrances for fabric & home care
- 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
- Total investment towards the CFF acquisition stands at Euros 28 million (~Rs. 223 crore)
- 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
- In 2019, CFF's core fragrance division generated Euro 17.48 million (~Rs. 138 crore) with gross margins similar to SHK's core fragrance division. Following the acquisition of the remaining stake, the Company anticipates CFF's PAT margins to remain stable and continued growth in revenues in line with CAGR trend. In addition, capex of Euro 1.5 million has already been undertaken to enhance the production capacity.

| CFF – Abridged P&L Statement | | | | | | |
|---|---------------------------|---------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| Particulars | 2017 (Mn Euro) | 2018 (Mn Euro) | 2019 (Mn Euro) | 2017 (INR Cr) | 2018 (INR Cr) | 2019 (INR Cr) |
| Total Revenue | 27.4 | 32.8 | 31.0 | 201.2 | 264.8 | 244.5 |
| <i>Core Fragrance</i> | 13.8 | 16.4 | 17.5 | 101.8 | 132.3 | 137.8 |
| <i>Contract Manufacturing</i> | 13.5 | 16.4 | 13.5 | 99.4 | 132.5 | 106.7 |
| Gross Profit | 7.5 | 9.8 | 9.7 | 55.4 | 79.3 | 76.3 |
| <i>Core Fragrance</i> | 5.3 | 8.3 | 8.6 | 38.8 | 66.9 | 67.6 |
| <i>Contract Manufacturing</i> | 2.2 | 1.5 | 1.1 | 16.5 | 12.3 | 8.7 |
| Gross Margins (%) | 28% | 30% | 31% | 28% | 30% | 31% |
| <i>Core Fragrance</i> | 38% | 51% | 49% | 38% | 51% | 49% |
| <i>Contract Manufacturing</i> | 17% | 9% | 8% | 17% | 9% | 8% |

- *Note: INR/Euro FX rates (Source: Statista)*
 - 2017 – 73.53
 - 2018 – 80.73
 - 2019 – 78.84