



February 07, 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 earnings presentation on unaudited financial results for the quarter and nine months ended December 31, 2019**

Further to the approval of unaudited financial results for the quarter and nine months ended December 31, 2019 by the Board of Directors of the Company at its meeting today 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 Monday, February 10, 2020 at 11.00 am IST, invite of which has been submitted to the stock exchanges on January 29, 2020.

You are requested to take the above on record.

**For S H Kelkar and Company Limited**

  
**Deepti Chandratre**  
Company Secretary & Compliance Officer



*Encl: As above*



**S H Kelkar And Company Limited**  
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Tal-Khalapur, Dist-Raigad, Pin-410 220.  
Tel : +91 9130020663 / 9130020664  
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Phone : (022) 2206 96 09 & 2201 91 30 / Fax : (022) 2208 12 04  
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CIN No. U74999MH1955PLC009593



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# S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour Company

Q3 & 9M FY20 Earnings Presentation

February 07, 2020







## 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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## Q3 & 9M 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 healthy performance during the quarter, with a 13% growth in revenue from operations and a stable EBITDA performance. The performance was led by steady uptick in demand across our core business categories, increased client engagements and broad-based normalization in the domestic market. This, along with improved performance in international markets, resulted in a growth of 14% in our fragrance business. We have also delivered stable growth in the flavours division during the quarter.*

*Stabilizing market sentiments and improving liquidity conditions witnessed across the industry has resulted in better collections and improved cash flows for the Company during the quarter. Our net debt reduced by Rs. 97 crore, with net debt to equity position improving to 0.37x as on Dec 2019. We anticipate this trend to continue, which will further strengthen our balance sheet and cash flows going forward.*

*In another key development, we initiated the final closure of our Fragrance Ingredients facility and research activity in the Netherlands. This follows the shift of operations from Netherlands to a high quality & operationally efficient center like India. The impairment of plant and machinery and other closure cost resulted in a one-time exceptional expense of Rs. 36.5 crore (net of expected realizable value), which impacted reported profit during Q3. A substantial part of this expense is a non-cash impairment charge. Furthermore, the economic value has already been fully recouped & integrated in our operations with technology worth ~Rs.50 crore already transferred to the group over the years. With global demand for the product rising, I am pleased to share that the replacement facility at Mahad, India has recorded an all-time high production during the quarter.*

*As we look ahead, we continue to see an immense potential across all our business segments over the longer-term. With macros stabilizing, we are further seeing healthy traction in terms of order enquiries and leads, especially from our FMCG customer segments. We believe this along with new product and brand launches in the FMCG sector and the implementation of our strategic growth measures should enable us to report healthy and sustained performance in the domestic and international markets.”*

# Consolidated Summarized P&L Statement

Particulars (Rs. crore)	Q3 FY20	Q3 FY19	Y-o-Y Change (%)	9M FY20	9M FY19	Y-o-Y Change (%)
Revenues from Operations (Net of excise)	287.6	254.5	13%	835.3	772.6	8%
Other Operating Income	2.4	2.0	23%	7.8	5.8	34%
Total Operating Income	290.0	256.5	13%	843.1	778.4	8%
Other Income	2.1	5.0	-57%	5.5	12.3	-56%
Total Income	292.2	261.4	12%	848.5	790.7	7%
Total Expenditure						
Raw Material expenses	165.7	139.3	19%	480.1	434.3	11%
Employee benefits expense	35.9	31.2	15%	107.1	97.9	9%
Other expenses	45.2	46.0	-2%	129.5	134.4	-4%
EBITDA	45.2	45.0	1%	131.9	124.0	6%
EBITDA margin (%)	15.5%	17.2%	- 171 BPS	15.5%	15.7%	-14 BPS
Finance Costs	7.1	4.5	57%	21.2	7.9	168%
Depreciation and Amortization	13.7	8.9	54%	39.0	23.2	68%
Profit before exceptional items and tax	24.5	31.6	-22%	71.7	92.9	-23%
Exceptional Items	36.5	-	-	36.5	-	-
PBT	-11.9	31.6	-138%	35.3	92.9	-62%
Tax expense	-0.7	10.3	-107%	12.6	25.2	-50%
PAT	-11.3	21.3	-153%	22.7	67.7	-66%
PAT margin (%)	-3.9%	8.2%	-1,201 BPS	2.7%	8.6%	-589 BPS
Cash Profit	38.9	30.2	29%	98.1	90.9	8%



# Key Developments

## Strong collections and easing raw material environment witnessed during the quarter enabled improved cash-flows and balance sheet profile

- Stabilizing market sentiments and improving liquidity in the industry resulted in better collections and cash flows during Q3 FY20
- During the quarter, cash from operations stood strong at Rs. 121 crore owing to improvement in the total working capital cycle. This has enabled the Company to reduce its Net Debt as on December 31, 2019 to Rs. 303.1 cr as compared to Rs. 400.0 crore as on September 30, 2019
- Positive trend is expected to continue in Q4 FY20 - further strengthening its balance sheet position

## Initiation of final Closure of Fragrance Ingredients manufacturing facility and research activity in the Netherlands

- Closure part of shift of operations from Netherlands to a high quality & operationally efficient center like India. Following the initiation of the final closure, the plant and machinery at the facility has been impaired and the Company has recorded an impairment charge and other closure cost of Rs. 36.5 crore (net of expected realizable value) during the quarter. A substantial part of this expense is a non-cash impairment charge. This impairment charge resulted in a one-time exception expense which has been fully recognised in Q3 FY20
- Economic value has already been fully recouped & integrated in the Company's operations with technology worth ~Rs.50 crore already transferred to SHK over the years. Furthermore, the Company is exploring various options for maximising the monetization of the plant infrastructure including the way of a slump sale or through a new venture in collaboration with potential investors/ business partners. This will enable the Company to recover some part of the impaired expenses in the future
- The R&D centre based in Netherlands has also be closed after being integrated into the India R&D centres

# Key Developments

## Fragrance Ingredients facility at Mahad marking strong operational progress

- State-of-the-art facility, which manufactures Tonalid and other key raw materials used in the fragrance industry, is operating at optimum utilization levels - the facility recorded an all-time high production of Tonalid during the quarter



# 9M FY2020 Financial and Operational Discussions (Y-o-Y)



**Revenues from operations stood at Rs. 835.3 crore as against Rs. 772.6 crore, higher by 8% YoY**

- A steady demand environment assisted the Company to report a 13% increase in revenues in Q3 FY20
- During the period under review, the Company saw increased momentum in enquiries from existing and new large-sized FMCG customers
  - The Company is also witnessing improved traction across its core business categories, which resulted in improved performance
- The fragrance business reported increased sales during Q3 & 9M led by healthy growth in the International markets
  - In Q3 FY20, the Company's domestic Fragrance business marked a robust increase of 22%, while international segment delivered steady growth
- Flavors business reported a de-growth of 4% in 9M FY20

**EBITDA stood at Rs. 131.8 crore, higher by 6%; EBITDA margins at 15.5%**

- Raw material situation has broadly stabilized. This, in turn has translated into better availability of key ingredients and stable raw material prices. This environment along with the several cost-optimization measures undertaken by the Company will continue to augment EBITDA margins going forward
- Interest costs increased to Rs. 21.2 crore and Depreciation stood higher at Rs. 39.0 crore, primarily owing to the commissioning of new facility at Mahad and the adoption of new accounting standards

# 9M FY2020 Financial and Operational Discussions (Y-o-Y)



Reported PAT stood at Rs. 22.7 crore as against Rs. 67.7 crore; PAT (excluding one-time exceptional cost) stood at Rs. 59.2 crore

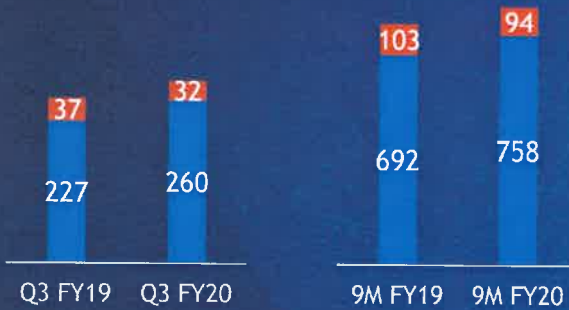
- In Q3 FY20, the Company has initiated the final closure of its Ingredients facility and Research activity in the Netherlands. The impairment of plant and machinery and other closure cost resulted in a one-time exceptional expense of Rs. 36.5 crore (net of expected realizable value), which impacted reported profitability during Q3 & 9M FY20. A substantial part of this expense is a non-cash impairment charge
  - Adjusted for the one-time exceptional expense, PAT stood at Rs. 25.2 crore, higher by 18%
  - The Company is actively pursuing options to maximize the monetization of this infrastructure, which should enable it to partially recover the impaired expenses in the future



# Fragrance Division

## Net Revenue & Operating Profit

■ Revenue ■ OP



Rev. growth 14%

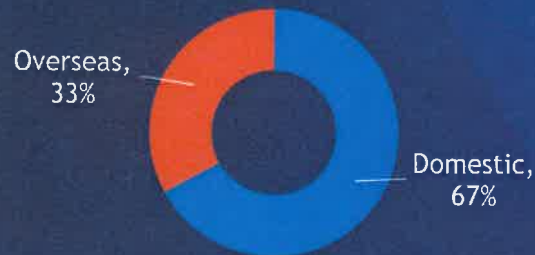
Rev. growth 10%

OP growth -13%

OP growth -8%

Y-o-Y Growth

## Domestic and Overseas Revenue - 9M FY20



Note: Figures in Rs. Crore unless specified otherwise

- Fragrance division delivered an improved revenue growth in Q3 & 9M
- Domestic Fragrance business reported a growth of 8% in 9M and overseas revenues grew by 13%
  - Continued traction with existing and new customers in the domestic and international markets should help improve performance going forward
- As the raw material situation normalizes, the Company expects stabilized operating margins over the long-term

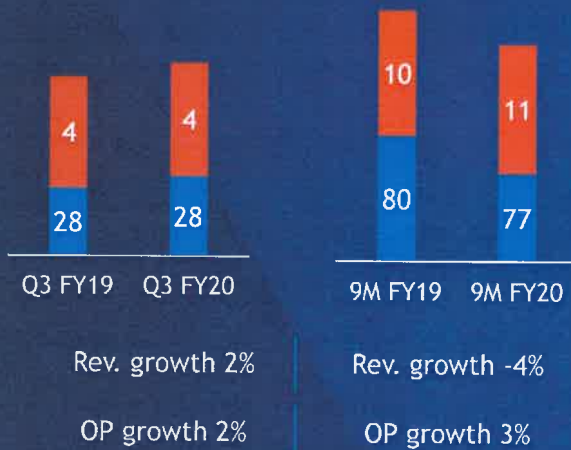
Y-o-Y Growth (%)	Q3 FY20	9M FY20
Domestic	22	8
Overseas	1	13
<b>Total Growth</b>	<b>14</b>	<b>10</b>



# Flavour Division

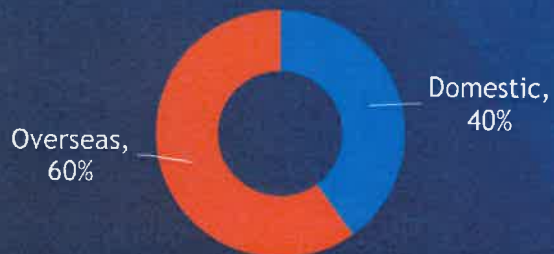
## Net Revenue & Operating Profit

■ Revenue ■ OP



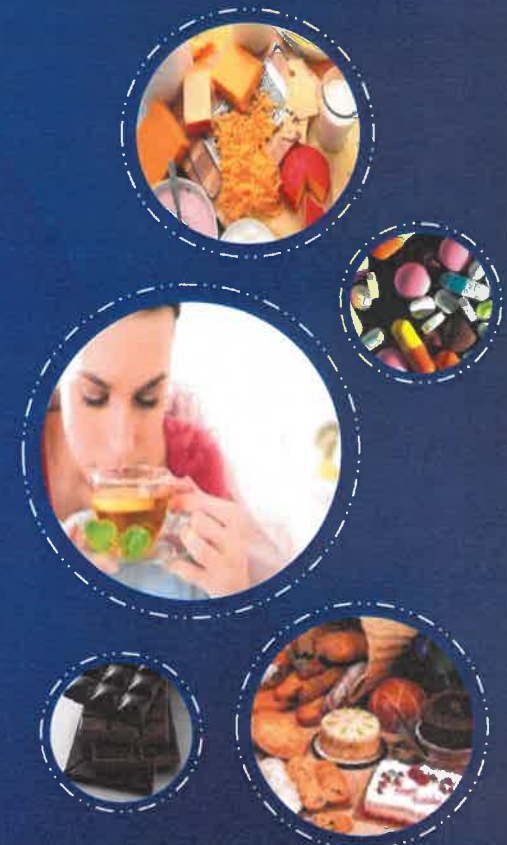
- Flavour division reported a stable performance during the Q3 & 9M period - domestic revenues came in lower by 20% in 9M led by a muted demand environment
- Overseas segment in 9M FY20 reported an improvement of 11% YoY
- Operating profit improved to Rs. 10.7 crore with margins higher at 14% in 9M

## Domestic and Overseas Revenue - 9M FY20



Note: Figures in Rs. Crore unless specified otherwise

Y-o-Y Growth (%)	Q3 FY20	9M FY20
Domestic	5	-20
Overseas	0.2	11
<b>Total Growth</b>	<b>2</b>	<b>-4</b>





# Balance Sheet Snapshot - As on December 31, 2019



**826**

Networth

**474**

Fixed Assets

**37**

Cash & Investments

**303**

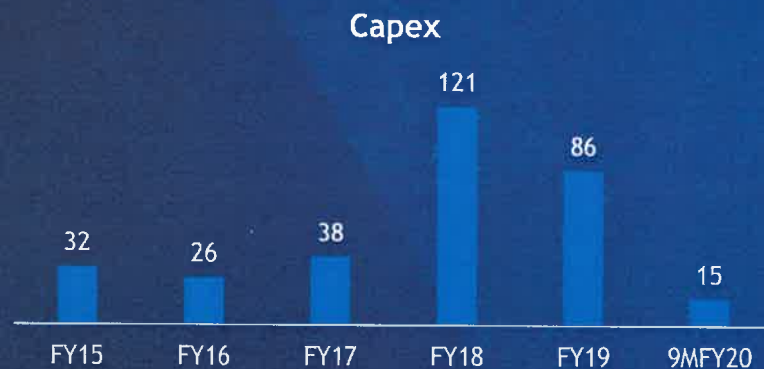
Net Debt

Note: Figures in Rs. crore

# Cash Flow Snapshot

Particulars (Rs. crore)	FY15	FY16	FY17	FY18	FY19	9M FY20
Cash flow from Operations	61.7	86.4	102.3	103.3	40.7	148.6
Cash flow from investing activities	-17.3	-22.4	-96.0	-220.6	-109.5	-9.3
Net	44.4	64.0	6.3	-117.3	-68.7	139.3

Note: Cash and cash equivalent includes investments in mutual fund



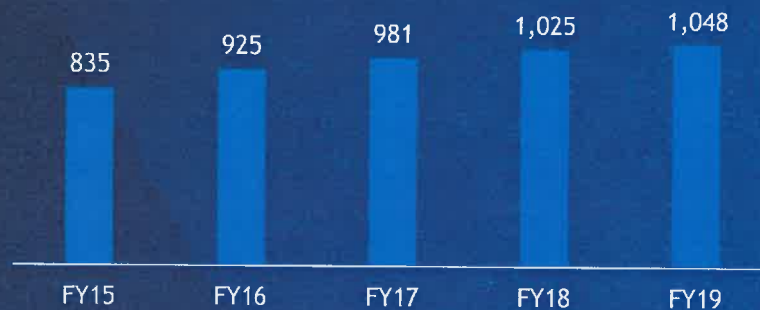
- Low capital intensive business - cash flow generation remains a key strength of SHK's business model
- Investments are primarily towards in-organic and other cost saving opportunities - benefits to reflect in cash flows going forward



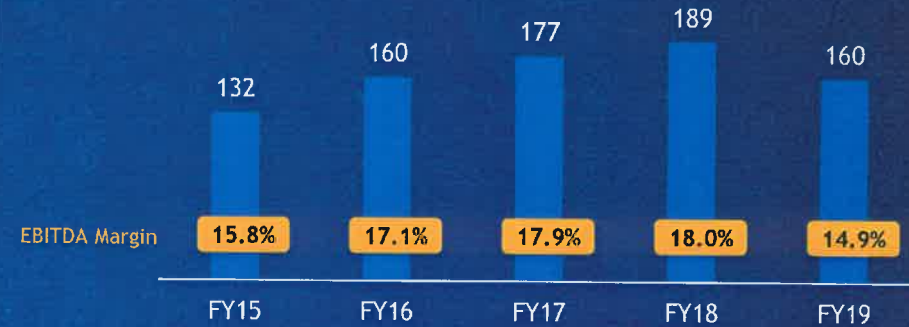


# Robust Historical Financial Trend

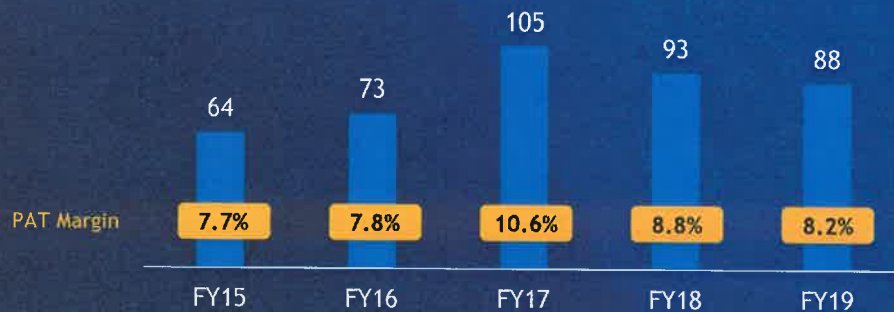
### Total Operating Income



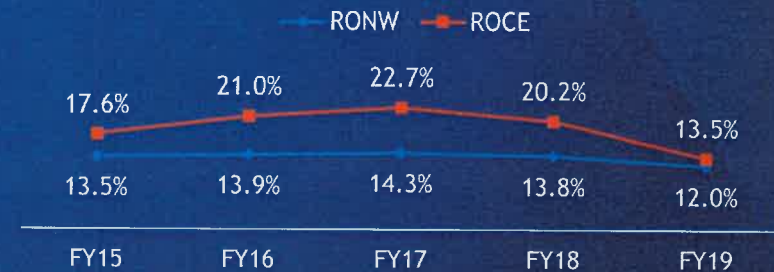
### EBITDA



### 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)	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/ 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. - Q3 & 9M FY20 Earnings Conference Call

Time	<ul style="list-style-type: none"><li>• 11.00 AM IST on Monday, February 10, 2020</li></ul>
Primary dial-in number	<ul style="list-style-type: none"><li>• +91 22 6280 1141</li><li>• +91 22 7115 8042</li></ul>
India Local access Number	<ul style="list-style-type: none"><li>• +91 70456 71221 (Available all over India)</li></ul>
International Toll Free Number	<ul style="list-style-type: none"><li>• Hong Kong: 800 964 448</li><li>• Singapore: 800 101 2045</li><li>• UK: 0 808 101 1573</li><li>• USA: 1 866 746 2133</li></ul>





# 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 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 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 16 novel fragrant molecules till date. The Company has filed 15 patent applications in respect of molecules, systems and processes developed by it, of which 6 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 multi-national FMCG companies, blenders of fragrances & flavors and fragrance & flavour producers.

## For further information please contact:

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Thank You