



May 26, 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 audited financial results for the quarter and year ended March 31, 2020

Further to the approval of audited financial results for the quarter and year ended March 31, 2020 by the Board of Directors of the Company at its meeting held on May 26, 2020 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, 2020 at 11.00 am IST, invite of which has been submitted to the stock exchanges on May 14, 2020.

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**

Encl: As above



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Crafting Sensorial Delight

S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour Company

Q4 & FY20 Earnings Presentation

May 26, 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.



Q4 & FY20 Results Overview

Management Comment



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

“We began the fourth quarter on a steady note, witnessing increased demand and improved traction in terms of order enquiries and leads, especially from the mid and large sized FMCG customers. This led to good business momentum in the months of January and February. However, a country-wide lockdown and restrictions in the last 10 days of March disrupted business operations and moderated our sales, which would have otherwise been largely in-line with our internal expectations.”

In the midst of a challenging operating environment, which is disrupting global economies and markets, our priority was to maintain and secure our business operations, while also ensuring safety and well-being of our employees and business partners. On the operational front, we have resumed production across our facilities recently and are now gradually ramping-up volumes as most of the supply-chain issues are slowly improving. Apart from the operational challenges, the Company did not witness any significant impact on orders from customers during the lockdown period. Accordingly, we are able to steadily improve utilization levels across facilities.

As an organization, we are realizing our cost-optimisation strategies and are deploying working capital measures to conserve cash flows and ensure steady profitability. We reported strong cash flows from operations during the year, which enabled us to notably reduce our Net Debt levels. On the whole, we have a strong balance sheet and a fairly robust liquidity position that will help us tide over these disorderly times.

Looking ahead, the Fragrance and Flavours industry will remain a critical part of the FMCG industry. And it would be our endeavour to sustainably outperform the industry growth on the back of our leadership position, comprehensive product portfolio, diverse customer base, and repeat business wins in existing and new customers. So while there is limited visibility on when the situation will normalize, we remain confident of our growth prospects and believe that in a normalized operating environment, we should be able to deliver healthy performance.”

Consolidated Summarized P&L Statement

Particulars (Rs. crore)	Q4 FY20	Q4 FY19	Y-o-Y Change (%)	FY20	FY19	Y-o-Y Change (%)
Revenues from Operations (Net of excise)	269.8	268.6	0%	1,105.1	1,041.2	6%
Other Operating Income	1.4	1.2	19%	9.2	7.0	31%
Total Operating Income	271.2	269.7	1%	1,114.2	1,048.1	6%
Other Income	2.4	11.1	-79%	7.8	23.4	-66%
Total Income	273.5	280.8	-3%	1,122.1	1,071.5	5%
Total Expenditure						
Raw Material expenses	150.9	156.5	-4%	631.0	590.8	7%
Employee benefits expense	30.6	30.1	1%	137.7	128.1	7%
Other expenses	58.0	58.2	0%	187.4	192.7	-3%
EBITDA	34.1	36.0	-5%	166.0	160.0	4%
EBITDA margin (%)	12.5%	12.8%	-34 Bps	14.8%	14.9%	-14 Bps
Finance Costs	3.5	6.1	-42%	24.7	14.0	77%
Depreciation and Amortization	12.5	7.9	58%	51.5	31.2	65%
Profit before exceptional items and tax	18.1	22.0	-18%	89.8	114.9	-22%
Exceptional Items	-	-	-	36.5	-	-
PBT	18.1	22.0	-18%	53.3	114.9	-54%
Tax expense	6.1	1.9	226%	18.6	27.0	-31%
PAT	12.0	20.2	-40%	34.7	87.8	-60%
PAT margin (%)	4.4%	7.2%	-279 Bps	3.1%	8.2%	-511 Bps
Cash Profit	24.5	28.1	-13%	122.7	119.0	3%

Consolidated Balance Sheet



EQUITY AND LIABILITIES			ASSETS		
Particulars (Rs. Crore)	CONSOLIDATED As at 31st March 2020 (Audited)	CONSOLIDATED As at 31st March 2019 (Audited)	Particulars (Rs. Crore)	CONSOLIDATED As at 31st March 2020 (Audited)	CONSOLIDATED As at 31st March 2019 (Audited)
Equity			ASSETS		
Equity share capital	141.32	144.62	Non-current assets		
Other equity			Property, Plant and Equipment	327.13	369.42
Retained earnings	441.93	425.50	Capital work-in-progress	2.78	15.42
Other Reserves	240.72	293.23	Right of use asset	46.12	-
Equity attributable to owners of the Company	823.96	863.35	Investment Property	13.37	13.83
Non-Controlling Interest	10.58	10.81	Goodwill on Consolidation	40.23	39.84
Total equity	834.55	874.16	Other Intangible assets	45.64	38.86
Non-current liabilities			Intangible Assets under Development	15.00	22.22
Financial liabilities			Equity Accounted Investee	97.00	95.84
Borrowings	54.40	69.97	Financial Assets		
Others	1.09	1.98	Loans	2.96	2.70
Provisions	0.78	0.87	Others	2.31	1.39
Deferred Tax Liabilities (net)	23.65	17.92	Deferred tax assets (net)	32.57	25.51
Total non-current liabilities	79.91	90.74	Other tax assets (net)	40.04	28.00
Current liabilities			Other non-current assets	16.52	21.77
Financial liabilities			Total non current assets	681.68	674.80
Borrowings	288.09	264.00	Current Assets		
Trade payables			Inventories	336.96	373.94
-total outstanding dues of micro enterprises and small enterprises	7.79	7.18	Financial Assets		
-total outstanding dues of creditors other than micro enterprises and small enterprises	165.33	127.13	Investments	0.00	1.53
Other financial liabilities	52.96	27.09	Trade receivables	317.39	284.45
Other current liabilities	14.35	13.64	Cash and cash equivalents	62.55	37.45
Provisions	10.81	10.08	Other bank balances	3.00	3.44
Current tax liabilities (net)	36.15	31.07	Loans	6.57	6.16
Total current liabilities	575.47	480.19	Others	2.33	2.24
Total Liabilities	655.38	570.93	Other current assets	51.91	61.08
TOTAL - EQUITY AND LIABILITIES	1489.93	1445.09	Total current assets	780.71	770.29
			Assets Held for Sale	27.54	6
			TOTAL - ASSETS	1489.93	1445.09

Key Developments

Covid-19 Impact on Business operations and response (1/2)

- The Company witnessed healthy demand across the fragrance and flavour categories in the domestic and international markets in the months of January and February. However, in the last 10 days of March, a country-wide lockdown and similar restrictions in many of its overseas markets disrupted movement of goods, supply chain systems and manufacturing processes
 - The approx. revenue impact in March is estimated to be ~Rs. 30 crore. Adjusted for the same, the Company would have been on track to broadly register performance as per internal expectations
- As lockdown measures across domestic markets are easing, the Company is witnessing a steady build-up in demand momentum. The end-to-end supply chain system is also expected to stabilize in the near future
- In response to the global pandemic, the Company is working closely with all stakeholders and has executed business continuity plans
 - The Company has actively engaged with its business partners and customers and has undertaken measures to ensure sustained deliveries and supplies to clients
 - Implemented a risk management strategy to maintain and secure business operations and to mitigate the risks and impact on its employees and business partners
 - The Company has taken several proactive steps to safeguard the health and well-being of its employees and put in place work-from-home arrangements for all the staff members
- Currently, SHK is focused on serving all its customers, especially since Fragrance and Flavours form an important part of the FMCG supply chain
 - Within the Company's well-diversified product portfolio, it is expected that some categories like Household Products and Personal Wash should see high demand, while some high-end discretionary categories like Fine Fragrances may see weakness. Contribution from Fine Fragrance to revenues is less than 10% in FY20

Key Developments

Covid-19 Impact on Business operations and response (2/2)

- Fundamentally, the Company continues to be strong and stable. It remains confident of the industry's resilience & its growth prospects and believes it should be able to outperform industry growth rates going forward. Overall, in a normalized operating environment, the Company aims to register encouraging growth going forward
- Liquidity and cash flow position of the Company continue to be strong
 - Net Debt position as on May 22, 2020 is below March 31, 2020 levels
 - SHK has negligible term loan and most of the Company's debt is for working capital

Healthy balance sheet profile

- As on March 31, 2020, cash from operations stood strong at Rs. 205.0 crore owing to improvement in the total working capital cycle during the year. This enabled the Company to reduce its Net Debt as on March 31, 2020 to Rs. 299.2 crore as compared to Rs. 400.0 crore as on September 30, 2019
 - Notable reduction in debt was achieved after accomplishing buy-back and interim dividend
- The Company has drawn out a minimal capex spends for FY21. It expects its maintenance Capex to be less than Rs. 20 crore in FY21 (excluding Ind AS 116 impact) and expects this outlay to remain amidst this range on a sustainable basis, going forward
- The Company's focus is towards marking a sustainable improvement in its return ratios going forward

Key Developments

Manufacturing activities partially resume across facilities

- In compliance with government advisories, the Company continues to take all recommended precautionary measures in its business operations. It has temporarily closed operations at its corporate office in Mumbai and implemented Work from Home, following all government directives and the duration of the same shall depend on the Government Policy in this regard
- SHK had also temporarily suspended manufacturing operations across its manufacturing facilities in India for ~33 days. However, pursuant to requisite approvals from the concerned Government Authorities, it resumed manufacturing operations at its Vashivali, Mulund, Vapi and Mahad facilities from April 27, 2020 onwards
 - While the units are currently operating at low capacity, the Company is undertaking utmost precaution and deploying the highest safety standards as advised by the Government Authorities across all these manufacturing locations. The teams on the ground are also actively in contact with all customers in order to ensure streamlined deliveries and supplies
- The Company is gradually ramping-up volumes as most of the supply-chain issues are slowly improving. Apart from the operational challenges, the Company did not witness any significant impact on orders from customers during the lockdown period. Accordingly, manufacturing operations and utilization levels across Vashivali, Mulund, Vapi and Mahad facilities are steadily increasing
- On the international front, the manufacturing facilities at China (Anhui Ruibang) and Italy (Creative Flavors and Fragrances SpA) continue to be fully operational

Key Developments

Update on Creative Flavours and Fragrances

- CFF performance update for the quarter ended March 31, 2020:
 - Despite a challenging operating environment in Europe due to the spread of COVID-19 pandemic, CFF delivered an encouraging performance during the quarter ended March 31, 2020, led by improved demand witnessed in its core fragrance division
 - Revenues from the core Fragrance segment improved by 13.5% YoY
 - Gross margins in core Fragrance segment stood at 54.7%, higher by 580 bps YoY. Lower raw material prices during the period resulted in healthy profitability margins
 - CFF witnessed steady sales in the month of April 2020. Going forward, the Company expects to deliver healthy performance in the quarters ahead

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



Revenues from operations stood at Rs. 1,105.1 crore as against Rs. 1,041.2 crore, higher by 6% YoY

- The Company witnessed increased demand and improved traction in terms of order enquiries and leads, in the months of January and February. However, a country-wide lockdown and restrictions in the last 10 days of March disrupted business operations and moderated sales during Q4 & FY20
 - As per the Company's assessment, the revenue impact in March on account of the disruption was ~Rs. 30 crore. Adjusted for the same, the Company's performance would have largely been in-line with internal business expectations for the quarter and full year
- The fragrance business reported increased sales during the year and grew by 6.8%, despite a challenging macro-environment
 - Core domestic Fragrance business grew by 7.9% and international segment registered a growth of 4.7% in FY20
- Flavors business reported a steady performance during FY20

EBITDA stood at Rs. 166.0 crore, higher by 4%; EBITDA margins at 14.8%

- Despite the challenging environment, gross margins were as per expectation at around 43% in FY20
- In Q4 FY20, the Company took additional provisions of around Rs. 3 crore on account of COVID-19, resulting in higher other expenses as compared to Q3 FY20. This, along with lower than anticipated revenues due to COVID-19 impacted EBITDA margins during the quarter
- The Company adopted the new Ind AS 116 accounting standard in FY20

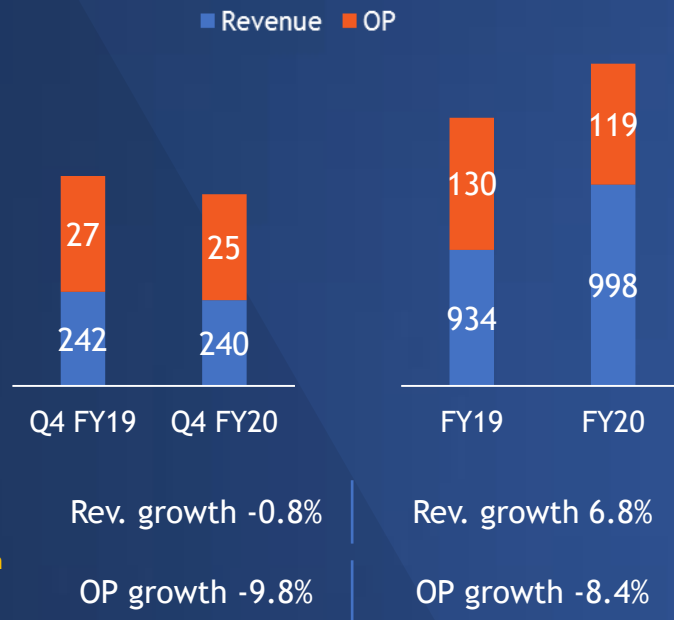
FY2020 Financial and Operational Discussions (Y-o-Y)

Cash Profit stood at Rs. 122.7 crore as against Rs. 119.0 crore, higher by 3%

- Interest costs during the FY20 stood at Rs. 24.7 crore and Depreciation stood higher at Rs. 51.5 crore. The increase was primarily on account of commissioning of the new facility at Mahad and adoption of new accounting standards
- In Q3 FY20, the impairment of plants and machineries in Netherlands resulted in a one-time exceptional expense of Rs. 36.5 crore, which impacted reported profitability during FY20
 - A substantial part of this expense is a non-cash impairment charge
- PAT (excluding one-time exceptional cost) stood at Rs. 71.2 crore as against Rs. 87.8 crore
 - Given the improvement reported in gross margins in Q4 FY20, PAT performance would have been steady, adjusted for Covid-19 related impact on revenues and EBITDA, as compared to Rs. 20.2 crore PAT reported in Q4 FY19
- Reported PAT stood at Rs. 34.7 crore

Fragrance Division

Net Revenue & Operating Profit



- Fragrance division delivered an improved performance in FY20
 - Domestic Fragrance business reported a growth of 7.9% in FY20 and overseas revenues grew by 4.7%
 - Fragrance division delivered an improved performance in FY20
- Overseas segment reported a de-growth primarily owing to disruptions witnessed on account of Covid-19 pandemic
 - Adjusted for the impact, the segment would have registered steady performance

Domestic and Overseas Revenue - FY20

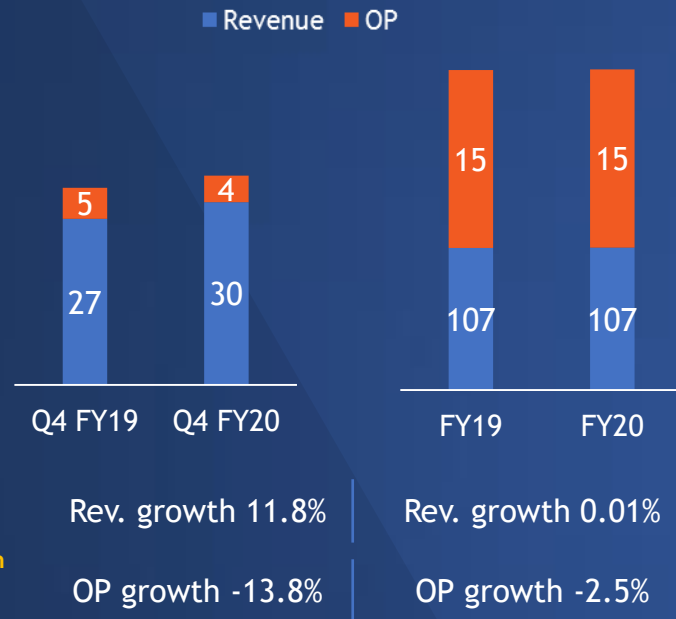


Y-o-Y Growth (%)	Q4 FY20	FY20
Domestic	8.1	7.9
Overseas	-15.4	4.7
Total Growth	-0.8	6.8



Flavour Division

Net Revenue & Operating Profit



- Flavour division reported a stable performance during FY20
 - Disruptions owing to Covid-19 resulted in de-growth of domestic revenues in Q4 FY20 - adjusted for the impact, the segment would have registered performance as per internal estimates
 - Overseas segment in FY20 reported an improvement of 17% YoY

Domestic and Overseas Revenue - FY20



Y-o-Y Growth (%)	Q4 FY20	FY20
Domestic	-11.0	-17.9
Overseas	34.6	16.9
Total Growth	11.8	0.02



Balance Sheet Snapshot - As on March 31, 2020



835

Networth

491

Fixed Assets

66

Cash & Investments

299

Net Debt

Cash Flow Snapshot



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

Note: Cash and cash equivalent includes investments in mutual fund

*Includes Rs. 14 crore on account of Ind As 116 adjustment

- 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

Key Financial Ratios

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

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. EBITDA adjusted for one-time expense in FY19
4. FY20 PAT margins and RoNW adjusted for exceptional expense



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Annexure

Conference Call Details



S H Kelkar and Company Ltd.'s Q4 & FY20 Earnings Conference Call

Time • 11.00 AM IST on Wednesday, May 27, 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



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 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 multi-national FMCG companies, blenders of fragrances & flavours and fragrance & flavour producers.

For further information please contact:

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Thank You