

April 08, 2021



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 (E ast), Mumbai – 400 051

**Scrip Code: 539450**

**Scrip Symbol: SHK**

Dear Sir/ Madam,

**Sub: Disclosure pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**1. Acquisition of Nova Fragranze S.r.l.:**

We are pleased to inform you that Keva Italy S.r.l. ("Keva Italy"), Italy and Creative Flavours & Fragrances S.p.A. ("CFF"), Italy, subsidiaries of the Company have entered into an agreement for acquisition of 70% equity stake of Nova Fragranze S.r.l. ("Nova"), Italy on April 07, 2021. Keva Italy and CFF shall be acquiring 28% and 42% stake respectively of Nova. The effective date of acquisition shall be April 01, 2021 as per the agreement.

Incorporated in year 1992, Nova is an Italy-based company specialized in the fragrance development and marketing with focus on premium customers in hair care/beauty care segments. The acquisition would enable broadening of the group's fragrance business in Italy. Nova's approx. revenues for last 3 years are as under:

Million Euros		
FY 2018	FY 2019	FY 2020
2.31	2.43	2.41

The consideration to be paid for acquisition of 70% stake is Euros 1.52 million. The acquisition is planned to be funded from internal resources. No additional debt is envisaged to be taken on.

Depending on the Nova's business performance in next 3 years, the Company may decide on acquiring remaining 30% through one of its aforementioned subsidiaries in next 3 years. Requisite approvals and consents in connection with the acquisition have been obtained.

The promoters/promoter group have no any interest in Nova.

There is a common director (not belonging to promoter group) on the Board of the acquiring entities (CFF & Keva Italy) and Nova. The Seller of Nova had nominated the said director on Nova's Board. Owing to the fact of a common director, the acquisition could be construed as a related party transaction at group level though not at standalone SHK entity level.

We wish to confirm that regardless of the above, the terms of acquisition have been worked out on arm's length basis.

**2. Q4 FY 21 - Business Update:**

We also enclose herewith business update for Q4 FY 21.

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**  
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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.

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### Quarterly Business Update

**Mumbai, April 8, 2021:** 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 for Q4 FY 2020-21.

#### Operational Update:

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- The Company saw healthy demand and enquiries during Q4 FY2020-21, with normalization seen across both domestic and international markets. Client engagements and wins remained robust across the mid & large sized FMCG customers. Creative Flavours and Fragrances (CFF), the Company's 100% wholly-owned subsidiary, also delivered steady performance during the quarter. On a consolidated basis, sales in Q4 FY 2020-21 stood at ~Rs. 397 crore (*Note: 1. Provisional and unaudited figures; 2. including consolidation of CFF performance*). On a like to like basis, the revenues stood healthy at Rs. 329 crore (*excluding CFF contribution*), delivering a solid growth of 22% YoY
- During the quarter, some of the Company's raw materials saw moderate inflation. However, the SHK's prudent inventory management philosophy enabled it to efficiently manage the situation. This, in addition with a healthy product mix enabled the Company to maintain profitability margins at healthy levels during Q4 FY2020-21
- In a key development, SH Kelkar's wholly-owned subsidiaries - Keva Italy and CFF, entered into an agreement for acquisition of 70% equity stake of Nova Fragranze S.r.l. (Nova). Incorporated in the year 1992, Nova is an Italy-based company specializing in fragrance development and marketing with focus on premium customers in the high-end product segments of hair care and beauty care. In the year 2020, Nova's revenues stood at EUR 2.4 million, with a solid gross margin profile of 60%+. In addition, the Company operates an asset-light business model with a healthy balance sheet profile.
  - As per the agreement, Keva Italy and CFF shall be acquiring 28% and 42% stake, respectively of Nova. The consideration to be paid for the acquisition of 70% stake is EUR 1.52 million (~Rs. 13.4 crore). The Company proposes to fund the investment through internal accruals and no additional debt is envisaged to be taken on. This value-accretive and synergistic acquisition is in-sync with SHK's growth strategy to expand its addressable market in Italy and Europe, expand its product offerings and diversify into newer high-margin product segments. This acquisition will further strengthen SHK's business capabilities and enhance its position in the global fragrance industry.
  - The effective date of acquisition shall be April 01, 2021 as per the agreement.
- On the balance sheet front, the Company was able to significantly lower its total debt during the quarter owing to robust collections, strong cash flows, and normalizing inventory levels.

The net debt position decreased by ~Rs. 113 crore and stood at ~Rs. 379 crore as on March 31, 2021 (Note: 1. provisional and unaudited figure) compared to Rs. 492 crore as on December 31, 2020. This reduction in debt levels is in-sync with management commentary and guidance in the earlier communications.

- The total net debt at ~Rs. 379 crore includes consolidation of CFF debt and the debt availed for payment of the second and final tranche of the CFF acquisition.
- Going forward, given that there is no major capex plans on hand and the focus remains on healthy free cash flow generation, SHK should be able to significantly strengthen its Balance Sheet position in the upcoming fiscal
- In another development during the quarter, SH Kelkar has become the exclusive distributor for Isobionics Santalol in India. The new fragrance ingredient is the first joint product from BASF and Isobionics and is now available for the Indian market through SHK. The new fragrance ingredient is an alternative to sandalwood oil and is produced on a biotechnological basis from renewable raw materials.
- On the macro-environment, while there are concerns related to the second/third wave of COVID-19 in India and certain international markets, the Company remains fairly confident of delivering healthy growth in overall operations on the back of steady demand environment anticipated in the FMCG industry. The Company is also undertaking all measures to mitigate risks and ensure safety of its employees and is constantly monitoring operations such that it poses minimal risk for spread of this disease.

*Note: Euro to INR FX rate at 88.5*

<Ends>



## 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:

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## DISCLAIMER:

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