



February 12, 2026

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: Transcript of Conference Call for Investor and Analysts**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the conference call for investors and analysts on the Q3 & 9M FY26 results organized virtually by the Company on Monday, February 09, 2026 at 03:00 P.M. IST.

The transcript is also available on the website of the Company at <https://keva.co.in/investor-updates/#92-251-q3-1767161230>.

Please note that no unpublished price sensitive information was shared by the Company during the said conference call.

This intimation is also being uploaded on the Company's website at [www.keva.co.in](http://www.keva.co.in).

You are requested to take the same on record.

Thanking you,

Yours faithfully,

**For S H Kelkar and Company Limited**

**Deepti Chandratre**  
**Global Legal Counsel and Company Secretary**

*Encl: As above*



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**S H Kelkar and Company Limited**  
**Q3 & 9M FY 2026 Earnings Conference Call**  
**February 09, 2026**

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**Moderator:** Ladies and gentlemen, good day, and welcome to SH Kelkar and Company Limited's Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you, Mr. Poojari.

**Anoop Poojari:** Thank you. Good afternoon, everyone, and thank you for joining us on SH Kelkar and Company Limited's Q3 and 9M FY 2026 earnings conference call.

We have with us Mr. Kedar Vaze, Whole-Time Director and Group CEO; and Mr. Jagdish Agarwal, Group CFO of the Company. We will begin the call with opening remarks from the management, following which we will have the forum open for a question-and-answer session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Kedar to make his opening remarks.

**Kedar Vaze:** Good afternoon, everyone. For the order of matter of details, I would also like to inform that Mr. Ramakrishnan, CEO of Fragrances, Asia and U.S.A., is also with us



on the call. With that, good afternoon, everyone. Thank you for joining our earnings call. On behalf of the management team, I am pleased to welcome Jagdish to his first earnings call with the Company. He brings over 28 years of experience across manufacturing, telecommunications, banking and a strong record in strengthening financial governance, driving operational efficiencies and supporting business transformations. His appointment reinforces the Company's focus on enhancing financial discipline and execution capabilities.

Jagdish will begin with the overview of the financial performance and outline the key financial priorities. Over to you, Jagdish.

**Jagdish Agarwal:**

Thank you, Kedar. Good afternoon, everyone, and thank you for joining us for SH Kelkar's earnings call for the third quarter and the 9 months ended financial year 2026.

Let me begin by saying that I am excited to be with SH Kelkar at a time when the Company is investing to build the next phase of growth. As the largest India origin Flavour and Fragrance company with a steadily expanding global footprint, it is a leadership business with a strong customer relationship and deep capabilities. And I personally see a significant opportunity to further strengthen execution and financial outcomes over time.

With that context, let me now walk you through our financial performance for the period and outline the key priorities from a finance perspective, after which I will hand the call back to Kedar to share his perspective on the strategic direction of the Company.

During the 9 months ended, the Company delivered consolidated revenue of Rs. 1,718 crore, reflecting a Y-o-Y growth of 10% despite a challenging operating environment across certain markets. Demand remains resilient across our core categories, supported by continued traction with both existing and new customers. Our performance during the quarter was a relatively softer, reflecting a subdued environment and slower ramp-up in certain product categories.

From a margin perspective, gross margin remained broadly stable during the quarter. EBITDA margin, however, reflected the current phase of execution with

costs associated with scaling strategic initiatives and strengthening organizational capabilities. On an adjusted basis, excluding the impact of new growth led investments and high insurance cost, the EBITDA margin stood at around 13%.

One of the key focus areas for me will be to sharpen our approach to cash flow and balance sheet management. As we progress through the current investment phase, debt levels may see a near-term increase aligned with our strategic initiatives and capacity expansion plans. At the same time, we see scope to improve working capital efficiency, which will be a critical lever in reinforcing balance sheet strength and moderating leverage over time.

Another priority will be to enhance our cash conversion and improve the translation of operating results into bottom line performance, supported by cost discipline, tighter capital allocation and improved working capital execution. Ensuring discipline and well prioritized capital deployment across the business will remain an important focus as we continue to invest for growth. While these initiatives will take time to fully play out, our approach will be structured and disciplined with the benefits expected to emerge progressively over the medium to long term.

It is like 2 months into this organization, whatever little insights I have, I feel that our focus is at the right place. We are investing for future. Many times, we do not see a quarter-to-quarter improvement, but definitely the initiative which laid across the organization to drive future sustainable, profitable growth is definitely going to pay out. It is a matter of time, maybe medium term to near future, we see that these growth initiatives are going to play in favour of the Company.

With that, I will now hand over the call to Kedar for his comments.

**Kedar Vaze:**

Thank you, Jagdish. Building on his comments, the investments we are making today are aimed at positioning the Company for the next phase of growth, especially in the global Fragrances and Flavours market, strengthening our global Creative Development Centres, expanding capacity and investing in capabilities that enhance innovation, execution and customer engagement, especially across new markets such as USA, U.K. and Europe.



As discussed earlier, a key objective of these investments is to strengthen our competitiveness and positioning. The markets we are currently investing include U.K., Germany, U.S., UAE together account for nearly 75% of the global fragrance market, while India represents a relatively small share of around 5%.

While the domestic market continues to offer attractive growth opportunities, we expect to participate in broad based on underlying FMCG growth, expanding and scaling our presence in these international markets provides access to significantly larger opportunity in time and supports a more balanced growth profile.

We recognize that this is an organic build-out and will take time with a horizon of over 2 to 3 years as capabilities scale and customer relationships deepen. Our experience in the Flavours business, where earlier investments are now translating into stronger growth gives us confidence that a similar trajectory can play out in Fragrances over time.

As part of this broader strategy, we have made encouraging progress in the U.S. During the quarter, our U.S. Creative Development Centre secured its first customer order, marking an important milestone in our entry into the world's largest Flavour and Fragrance market.

While this remains an initial step, customer interactions have been encouraging, and the centre is increasingly integrated into our global innovation and delivery framework to support both the regional and other multinational clients.

Our 102-year heritage, we are now building stronger and more scalable operating platform with benefits expected to accrue progressively as capabilities mature. We believe that this is the right phase in the cycle to invest with conviction. As these capabilities scale, they will enhance our ability to capture opportunities, strengthen our competitive position and enable us to drive consistent value creation for many decades to come.

With that, I would now request the moderator to open the floor for questions.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Jatin Chawla from RTL Investments. Please go ahead.

**Jatin Chawla:** Hi, good afternoon and thanks for the opportunity. My first question is, you mentioned in your opening remarks and in your presentation as well that you see this is the right time to invest in this growth initiative. What specifically do you mean when you say this is the right time to invest?

**Kedar Vaze:** So, if you look at the global competitive landscape, a couple of large companies, in particular, IFF and Firmenich have undertaken large M&A transactions in the last few years, and they are now sort of reorganizing themselves, and this gives opportunity for mid-sized and the next level of companies to grow into these markets.

We see that the market is over consolidated with 3 or 4 players and the business opportunity is more and more with large number of smaller clients with the direct-to-consumer online, e-commerce businesses coming over or taking over or starting over in many parts of the world.

We see the opportunity landscape, both from resources and opportunity for mid and small clients across the world at a very opportune time. This is kind of the cycle where new green shoots are seen in the FMCG business.

**Jatin Chawla:** Got it. That is very useful. My second question is, at the start of the year, you had mentioned that the gross margins will be impacted in the first half. But in the second half, we will start seeing an improvement. But even in the December quarter, when I look at your gross margins, they are very similar to the gross margins in the first half. So now is this the new normal for gross margins? Or do you see an improvement? And if you do see an improvement, by when should we expect an improvement on gross margins?

**Kedar Vaze:** So, let me divide this into 2 parts. There is gross margin improvement on the underlying raw material availability and supply. As you know, the sales have been slightly muted compared to what we originally expected for this quarter, so part of

the gross margin improvement will shift into the subsequent quarter as raw material at the older prices gets used up.

So underlying business, as I look like-for-like, the gross margins have improved. This quarter, we have seen some business, particularly Global Ingredients having a little bit of negative headwinds, which has affected the overall gross margins. But we see the gross margin from a raw material point of view stabilizing and improving. Probably this Jan, Feb, March quarter onwards, we will see improvement or definitely April onwards, we will be back on a very strong gross margin level.

Partly currency exchange rates have also dampened some of the Indian rupee businesses from a gross margin point of view. While the dollar prices have come down, the rupee prices have not come down as much as we expected a few months ago.

**Jatin Chawla:** So, do we expect to go back to the 45% kind of gross margin that we used to enjoy earlier or that will take some more time?

**Kedar Vaze:** I think 45% last year was sort of the up cycle of the raw material where we saw a very good jump. It will progressively improve, whether it will reach 45% or a little bit tad lower than that, it all plays out, too many variables based on the geopolitical and currency and so on and so forth. So, I do not want to comment on that. I think directionally, gross margins are improving across the board, and we will see benefit flowing in. We are at 42.4% or something, we are at the lower end of the gross margin range that the business will operate at.

**Jatin Chawla:** Okay. And just one last question. India has signed a number of trade deals with U.K., EU and with the U.S. also some sort of deal has been signed. So, any benefit that we as a Company see from these deals?

**Kedar Vaze:** It is a bit early to know. I think when we get the fine print and we understand the dynamics of if any change has happened for our industry or related industries, we will be able to comment. So, it is good news that we have these FTAs announced and in the news. The fine print is, the devil is in the details, so once we have the detail, we will know if there is any specific benefit that we will derive out of this.

**Moderator:** Thank you. Next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

**Dhaval Shah:** Sir, my question is basically on the allocation of capital. So, if you can help us understand over the last 2 years and going forward, how much capital – how much have we deployed and planning to deploy further in various geographies in the centre of excellence, as we call it, and as you see a lot of opportunity in those countries. So, if you divide between U.S., Europe, India, at various locations where you see there is a lot of opportunity, so how much capital has been deployed and how much more are you planning to deploy there? That is my first question.

**Jagdish Agarwal:** Okay. So good afternoon, Mr. Shah. Let me answer this question. So, when you talk about capital deployment, you mean capex?

**Dhaval Shah:** So, yes, capex or acquisitions, what we have done. So, for example, in Europe, we have invested Rs. 80 crore so far, right? Also, yes, I mean the expenditure you do in the R&D and capex, yes. So, both, if any large money which is not giving you revenue immediately, so that sort of expenditure. Yes.

**Jagdish Agarwal:** Okay. So, when I look at outside India, we had capex going on into Europe, and we have committed almost EUR7 million to EUR8 million on that. A major part of that is already done. So, I do not expect a much outflow out of India in the next 6 to 12 months. It is going to be in the range of EUR 2 million to EUR 3 million, or that is what we are expecting.

When I look at inside the country, you know that we had a fire two years back and then two of our facilities in Maharashtra - Vanavate and Vashivali - are going on for construction phase and that outflow will be there. But out of India, the expected outflow would be in the range of EUR2 million to EUR3 million and India would be in the range of Rs. 70 crore to Rs. 80 crore.

**Dhaval Shah:** So, India capex, you are expecting Rs. 70 crore to Rs. 80 crore and what time frame?

**Jagdish Agarwal:** This we are expecting in next maybe 12 to 18 months.

**Dhaval Shah:** Okay. In 12 to 18 months. Okay. And all of this is going towards rebuilding Vashivali?

- Jagdish Agarwal:** Vashivali and Vanavate - two facilities are there.
- Dhaval Shah:** Yes. Okay. These two facilities. Got it. And next?
- Kedar Vaze:** Just to add to that discussion, when the new second facility is built, we will close down one of the older facilities and some operating savings on lease and other things will come down. So opex costs will reduce. This facility is a replacement, second is a new facility, which will replace the old facility in Mumbai.
- Dhaval Shah:** Yes. Understood. So, this Europe, another EUR 2 million - EUR 3 million, which will come to around say Rs. 25 crore, Rs. 30 crore and Rs. 80 crore in India. So totally Rs. 110 crore, Rs. 120 crore is what we are going to invest over the next 2 years, right, from the balance sheet?
- Jagdish Agarwal:** Yes, we can say from now to 12 to 18 months.
- Dhaval Shah:** 12 to 18 months. Okay. And in the U.S., how much money have we put in so far beyond developing centres or any other capex there in the U.S.?
- Jagdish Agarwal:** In U.S., our development centre is also already put in place, and that is sort of operational. We are starting our leased facility for the production. But in development centre, we had invested approx \$1.5 million. \$1.5 million to \$2 million.... in range of \$1.5 million to \$2 million.
- Dhaval Shah:** Okay. Got it. And any more expenditure there in the U.S. side?
- Jagdish Agarwal:** No. So, we are starting this leased facility for production, so those are going to be business as usual. But I do not think that whatever we have as on today, that will continue.
- Dhaval Shah:** Got it. So now coming to the second leg of this question is, the debt number which you have mentioned in presentation regarding will be a slight increase. So, we are currently at around Rs. 800 crore of debt and Rs. 90 crore – Rs. 100 crore of cash on the book. And if we see over the last 3, 4 years, except for this the large fire we had, that has eaten up a lot of our cash flows, so what is the trajectory going forward? I mean, you are going to peak at around another Rs. 100 crore of debt on this and how should we understand it, because our debt equity ratio is really getting

impacted. And on the other side, we are investing money for growth. But how are you trying to strike a balance? Because we are unable to make ultimately the ROCEs, which as an investor, you would want to see in this Company. It is completely under pressure. Because I have been tracking this Company since past couple of years, initially, we had things were going right. We had plans to achieve 17%, 18%, 19% kind of EBITDA margin. It did happen also in between for a few quarters. And again, we are down.

So, can you help us understand that what sort of time frame should we keep in mind to look at those numbers? What sort of balance sheet over the next 2 years should we think? And what sort of ROCEs can it generate? Because we have done a lot of investments. And as per your business plan, where will be this Company 2-3 years down the line?

**Jagdish Agarwal:**

So, with limited insights and understanding I have in the last 2 months, I can talk about more realistic situation, what I feel. You are right, debt level, our gross is almost Rs. 800 crore. And very frankly, we really have to do a detailed exercise to come back what will be the right number. But I think it is going to be range bound, maybe somewhere in this range or maybe 20, 30 plus or minus kind of a range, at least in the immediate future, I see 3 to 6 months. For sure, for sure. When you look at the long term, the things are definitely going to come back.

**Kedar Vaze:**

We are working out the detailed plan on this, so I do not want Jagdish to put out his neck in kind of a month time into the Company. I think we are 13% adjusted EBITDA as we speak. It will take 2 years of time for all the investments we have done over this year to start to generate positive cash flow revenues in Europe and America, particularly, including U.K. and these markets.

So currently, this quarter, what we call adjusted EBITDA without new initiatives is roughly 13%. I expect that to be 17% over the next 2 years. And we will put out a detailed like a quarter-on-quarter, year-on-year execution plan in a couple of weeks, maybe 4 weeks, 6 weeks as part of our budgeting exercise.

I would just say that all the infrastructure that we need to operate is in place and the opportunities are in place. Now we understand that the cash flow and debt

situation, we may not be able to take all the opportunities, so we will need to focus on a few or defocus or kind of defer our few opportunities. So, we will take that up and create a strong growth plan probably by April for the next 3 years.

**Dhaval Shah:** Got it, sir. And sir, one last suggestion, several investors who have been with the Company since some time and after the fire incidence and this investment phase, our market cap has also taken a big hit. If promoter could show some sort of more confidence by doing some creeping in the Company, that would really restore a lot of faith in the Company. So that is just a small suggestion.

**Kedar Vaze:** So, I am tempted every day. I have been asked, in fact, in reverse that do not invest or divest, just keep it steady, do not come in. But I am tempted every day at these values. So, we will surely look at this feedback more strongly in the future.

**Dhaval Shah:** Yes. And sir, last this 10 lakh shares pledge which was created, what was the reason for this?

**Kedar Vaze:** This is an old pledge, only it is because the market price came down, there is a trader.

**Dhaval Shah:** A trader of share pledged more shares.

**Kedar Vaze:** Yes. Again, it may be undone because the market has bit gone up. I mean, this is old loans which are already standing. These pledges will go up and down based on the market cap.

**Moderator:** Thank you. Next question is from the line of Henil Bagadia from Equicorp Partners. Please go ahead.

**Henil Bagadia:** Thank you for the opportunity. Sir, just a few questions. Sir, if you could also allude a little more clarity on the cost in U.S., both on the fixed cost side that is coming from the new Creative Fragrance centre that we have and the new leased tolling facility that we have there? And how much time will it take or how many contracts or the size value contracts will it take to, I mean, reach a breakeven point in the U.S. market?

**B. Ramakrishnan:** I am Ramakrishnan here. So basically, I think our investment in U.S. has been more by way of opex than capex. There is very limited or no capex involved. So, we have taken even the manufacturing facility on an operational lease for 5 years. We have already started winning business in the U.S. and our road plan is that by the end of next year, we should be able to win about \$2 million, \$2.5 million worth of business.

**Henil Bagadia:** So, what will be the fixed cost for, I mean, the fixed operating cost for both the creative fragrance centre facility and the leased tolling facility?

**B. Ramakrishnan:** Between \$3.5 million to \$4 million.

**Henil Bagadia:** Okay. Sir, also secondly, on the cash flow side, since you are going to put about Rs. 70 crore to Rs. 80 crore in Vashivali as well as the new replacement unit we had. So, we are going to actually file an insurance claim for this particular thing, right? So, the cash flow is going to be from our end initially, and then we will file the insurance claim to see and probably get most of it from the insurance side, if I am not wrong.

**Jagdish Agarwal:** Yes. So, insurance claim is already in the process, and we expect that should get settled in the next 6 to 12 months.

**Kedar Vaze:** Some incremental cost will be there for the second facility, probably Rs. 30 crore to Rs. 40 crore, but that will be not in the immediate year, the year after.

**Henil Bagadia:** Okay. And what would be the savings in the lease cost that we have, that we will save from the Mulund facility once we, I mean, should close it down?

**Kedar Vaze:** Rs. 3 crore to Rs. 4 crore of lease we will save in the Mulund facility.

**Henil Bagadia:** Okay. Sir, lastly, on the European side. So, is the facility on-stream? Because I think so the existing facility is completely used, so we were actually planning to expand the facility and increase the capacity due to bottlenecks?

**Kedar Vaze:** Quarter 4, the new facility will be operational, maybe end of quarter 4, March is the current expected timeline. So, quarter 1, I expect both the new facility in Europe as well as the new facility in India to be operational. And by quarter 2 or quarter 3, they should be fully up and running and the older ones, we will sort of the transition

in between quarter 1 and quarter 3 when both are operating. And end of quarter 3 next year, quarter 1 calendar or quarter 4 financial, we should have the new facilities taking over the full manufacturing.

**Henil Bagadia:** Okay. Sir, lastly, just an insight. So, since we are also doing business with the small and medium players as well as the new emerging start-ups, which come on to e-commerce and they are scaling up their business, so when there is an acquisition that happens by any of the large MNCs for these particular accounts, so what exactly happens post-acquisition? Are they integrated into the existing supply chain for the MNCs or the existing vendors supplying Fragrance, Flavours, etcetera, are retained and there is a periodic integration that happens?

**Kedar Vaze:** So, I think the integration with the bigger company, we have 1 or 2 examples like that. We have some companies which are acquired by Marico, or which are acquired by Unilever and others. And our general business has continued. It has actually grown. We have been able to consolidate that and continue to grow. So, there is no risk for us in the bigger companies acquire. Some of the start-ups do have suppliers who are much smaller or not, let us say, professionally organized, in which case that business does present opportunity for us for additional growth in this acquisition of any small brand.

**Moderator:** Thank you. Next question is from the line of Riddhesh Gandhi from Discovery Capital Management. Please go ahead.

**Riddhesh Gandhi:** Hi, sir. Just want to understand when we internally look at our, like, capex and investments, what typically are the hurdle rates we look at? Do we look at payback period, equity, IRR? I just want to understand that and how we look at it.

**Kedar Vaze:** So, normally, we look at a 20% hurdle rate. However, some of the strategic, like, for example, the investments we are making now are on, say, 10x to 12x bigger market size than where we are currently operating. So obviously, the investments are large in relation to the current business, so we will have longer gestation time. But we normally look at a steady state after 3 years, which will be the kind of buildup phase that the businesses should run at 20% ROI or ROCE subsequent to the 3 years period.

**Riddhesh Gandhi:** Got it. Sir, and the other thing is, just wanted to understand, Sir, obviously, this is an industry where clients are reasonably sticky and the barriers to entry are reasonably high, and it has obviously helped us with our own India business. But as we look at expanding outside and especially in the States, is that going to be a hindrance and the difficulties? I just wanted to know from the initial reaction of the clients, the customers, are things going as per plan, ahead of plan, behind plan? I just wanted to understand that.

**Kedar Vaze:** So initial feedback is quite on plan, I would say. We have the first orders now. We expect them to be executed in the fourth quarter this year and first quarter next year onwards. The U.S. market, which was the first external or new market initiative, we are now in 18 months starting to see business.

Similarly, for Europe and U.K., we will start to see more business coming in. So, we are on plan. I think we have a good sense on the market where there is green shoots, a lot of business cycles also play a point. So, there have been a lot of investments and a lot of growth with the big FMCG.

And I think globally and even in India, some of the innovation now is being done by smaller brands which have access to the market with the e-commerce or direct-to-customer approach. So, a lot of innovation and a lot of small clients are mushrooming up, and this is a sort of phase where there are new green shoots. So it is, in a way, a Fragrance business springtime. A lot of small businesses are springing up at this time. So, it is a good opportunity for us to catch them. As you know, existing businesses are quite sticky. So only when there is a wave of new businesses coming up that we see this as a good opportunity.

**Riddhesh Gandhi:** Got it. Sir, the other question was, historically, if we have seen a lot of our global competitors have extremely high ROCEs, even M&As that happened in the space have happened at reasonably rich valuations. Whereas our ROCE right now appears to be depressed. But this, in your view, is just a reflection of the timing of this capex and expansion being done right now, which you think should normalize over the next year or two?

**Kedar Vaze:**

Yes. So, I think one is the expansion investments. Second is the effect of the fire, which has come about the same time when we have sort of looked at the big expansion. So, if we had a kind of a hindsight 2020, we may have staggered our investments in the expansion. So, we have taken a big bet expansion, and we are also suffering from the fire incident, which we need to pay attention and capex to recover and to restore.

So, I think it is a bit of both. Purely, if it had been normal running in the domestic, we would not have seen such a big stretch on our financials. And we are now well placed. While it is a low position where we are today, I think the market situation and the growth expectations are in place.

If you look at the history of the Company, we have done some inorganic investments in Europe in the past. We have now looked at organic expansion, both in Southeast Asia, America, U.K. and Germany. So, we are confident to take up entire market without having to overpay or start up with an inorganic sort of approach.

So, I think the confidence is there that we will be able to turn around and grow in these markets. So, lot of the difficult investments around new molecules, captives, processes, innovation platforms that we need for these markets, we have been continuing to build them over the last 2 decades. We have more than 25 patents in all these countries already with us. So that gives us a very strong base when we enter these markets.

It is not that we are starting today. So, the first patents in the U.S., for example, are running out in 2030. So, we have now only 4 or 5 years to capitalize on these patent cycle before they become kind of public domain. So, we see that this is the right opportunity, which gives us 5 to 7 years of trying to push the technology-based, innovation-based business growth in these markets.

**Riddhesh Gandhi:**

Got it. Sir, and how much is the receivables that we are expecting from the insurance? And just want to understand, is this a normal? How long the timelines are typically to receive it? And are there any risks to that?

**Jagdish Agarwal:** So, we are expecting in and around Rs. 100 crore, and we do not see a risk on that. The quantum may be plus or minus, but I think we are pretty positive we will get this money within 6 to 12 months.

**Kedar Vaze:** So, second question, yes, general sense when I talk to some other companies, yes, it does take 18-20 months. In fact, our first claim has come earlier than many other companies in the similar situation. So, we are happy about that it has progressed well. We will still work on it, make sure that it is done timely and we get the cash flow as soon as we can.

**Moderator:** Thank you. Next question is from the line of Madhav Marda from Fidelity International. Please go ahead.

**Madhav Marda:** Yes. Any thoughts on the top line growth? It has been a bit softer recently. Any specific reasons why that is happening? And when do you expect it to sort of go back to the 12% CAGR, which we guide on a steady-state basis?

**Kedar Vaze:** Yes. I think the 12% CAGR is still intact. We have seen a bit of softness in the early part of the year in Europe when the tariffs and some of the geopolitical situations were there. Most of this business softness is more from a timing issue. The kind of orders got postponed by a month. So, this year is kind of 11 months in the European context. But we are still seeing sales is at the same level as it was earlier in Euro terms.

India, I had more expectations of faster growth and demand revival in the second half given the GST changes that were announced in the beginning of the year or second quarter of the year. We have not seen that play out. So, we did see some uptick during the Diwali. But after that, we are not seeing a broad-based demand jump as what we were expecting. In any case, I think the market position we have, we are quite strong. We will be able to recover our sales momentum in India fairly shortly.

**Madhav Marda:** I mean, this year, I mean, we are at about 11%. It also has 1Q which had the low base impact, so going ahead, which markets do you think could do better? Any specific drivers for growth to get to the 12%, next 2-3 years?

**Kedar Vaze:** So, Middle East, Southeast Asia, all these markets are growing very fast, I mean, this quarter itself by end of March, probably 12% looks a bit difficult. But probably next year will be faster than 12%. I think the 12% CAGR growth still is a long-term thing which we expect to grow.

**Madhav Marda:** Okay. And then I just wanted to check on two more things. One was on the margin side, obviously, we are looking to front-end opex and spending on these developmental initiatives. So, the journey to get to the 17% in 2 years' time, is that all operating leverage coming in? Or is it also gross margin? Like what helps us move from, let us say, 13% like you are saying right now to get to 17%?

**Kedar Vaze:** Yes. So, I think the gross margin, it is a combination of operating lever and gross margin. We are at the low point cycle last year and we are improving. As we go quarter-on-quarter we will see gross margin slightly better and operating leverage, both of that coming in.

Plus, on the operations, particularly in India, once we stabilize and bring it back to our new factory, there are a lot of logistics and additional costs, which we will, kind of, go back to more efficient operating parameters. So, I see these are all operating leverage plus new factory coming on stream, which should benefit us as we look forward. The new markets, as we alluded, first order in the U.S. We are also seeing green shoots in other markets. So, when that sort of kicks in, we will see further improvement in the EBITDA.

**Madhav Marda:** Sir, have we already reached the peak opex spend for some of these new initiatives? Or is there some more cost which is yet to come into the P&L?

**Kedar Vaze:** No, we have reached the peak opex. I think the opex number in INR may change in the currency fluctuations to some extent. But in dollar-euro terms, we are at peak opex. So, when we say peak opex, there is 20 people, couple of people come, couple of people go, this will continue to happen. But there is no big jump which is expected. 2%-3% plus or minus around these levels.

**Madhav Marda:** And the last question just on the insurance cost. One is, when do we expect the pending receivables which we yet to receive from the insurance company? When do we expect that? And secondly, I think even the insurance cost, which is a bit

elevated right now, when do you see that coming down, normalizing to like a more steady state level?

**Jagdish Agarwal:** So, we have already answered that, that we are expecting in the next 6 to 12 months to get the insurance money claim with us. And the higher premium, maybe, I mean, we are trying, but it looks like that it might go for a year or so again.

**Madhav Marda:** And sir, how much is the money which is due still pending from the insurance company?

**Jagdish Agarwal:** We are expecting in and around Rs. 100 crore plus/minus.

**Madhav Marda:** Okay. And the higher premium, Sir, how much are we spending, which is more than the normal, the premium which you are spending?

**Jagdish Agarwal:** So roughly around Rs. 13 crore to Rs. 13.5 crore, we are spending higher than normal in a year.

**Moderator:** Thank you. Next question is from the line of Abhijit Akella from Kotak Institutional Equities. Please go ahead.

**Abhijit Akella:** Yes. Good afternoon and thank you very much for taking my questions. Just the foreign currency impact on the revenue growth this quarter, would it be possible to quantify that? How much of the revenue growth was actually driven by the rupee depreciation?

**Kedar Vaze:** So, vis-a-vis last quarter, I do not think there is much change. Vis-a-vis last year, it is about 10% on the export revenue. So that is been a big jump up. But this quarter, we have done 3% growth year-on-year on the European underlying business in euro terms.

**Abhijit Akella:** Okay. Got it. No, that is helpful. And the ROW portion of the Fragrances, that seems to have grown quite well in the 9 months from about Rs. 215 crore to about Rs. 282 crore or something like that. Are there any specific geographies where this growth is coming from? And what is your outlook for this side of the business?

**Kedar Vaze:** So, Middle East, Africa areas, Central Asia, these are the areas where we are seeing strong growth. And this is linked to also the markets in these areas growing accordingly. So strong double-digit growth is happening in the Middle East area.

**Abhijit Akella:** All right. And Mr. Ramakrishnan was kind enough to highlight the total investments on the U.S. side of the business as well as the expected revenue budget over the next year or so. Would it be possible to similarly call out the investments and the revenue projections for the Europe side, the two centres we are setting up there?

**Kedar Vaze:** So, we have already set up the centres. The centres are in place. We have roughly EUR 2.5 million extra cost in the centres, new initiatives that we have taken. And this will support the EUR 45 million to EUR 50 million, somewhere around that, which we will end up in this year for the European business.

Our new factory is expected to be ready in this quarter. So, we expect by quarter 1, probably quarter 2, it stabilizes in full operations. That gives us another position to aggressively grow the market because right now, we are almost at 85%-90% capacity, so we are not aggressive on all the businesses in Europe for growth. Once we are ready with the new factory, we will be aggressive on the growth rates that we can achieve there.

**Abhijit Akella:** Okay. And the increase in employee cost this quarter that we see, Rs. 93 crore compared to Rs. 85 crore last quarter. Is that largely driven by headcount addition? Or is it more to do with foreign exchange movements?

**Jagdish Agarwal:** It is a mix of all 3, Abhijit. It is a mix of some headcount addition, it is a currency impact, and there is some true-up impact as well.

**Abhijit Akella:** Yes. Sorry, the last component I missed.

**Jagdish Agarwal:** True-up impact on the social contribution.

**Kedar Vaze:** New Labour Code.

**Abhijit Akella:** Okay. Understood. And from here on, I mean, how much of a further increase would you expect in the next quarter or so before all the investments fall into the base in employee cost?

**Kedar Vaze:** I think this quarter is fairly representative from the all-in cost on the new initiative. So, all the centres are manned. You will see a couple of people joining, 1 or 2 people kind of moving. This is a normal churn. But we do not have any very large sort of additions expected. We do see some relocation movement of people as we have different centres, some people will move from one location to another location, this kind of thing. But overall cost impact, I do not see additions. I see re-organization, where the opportunity is there, we will move the people.

**Moderator:** Thank you. Next question is from Debanjana Chatterjee from Spark Capital. Please go ahead.

**Debanjana Chatterjee:** Yes, hi. Good afternoon, Sir. I just wanted to understand the linkage between your CDCs and manufacturing facilities. So, what I sense is that you have basically three growth engines, one being your manufacturing facilities, second being your CDCs and the third being your global sales, right? So, does the demand arise from the CDCs and the products are manufactured from your manufacturing facilities and then transferred over? Is that how the whole scenario works?

**Kedar Vaze:** Yes. So, CDCs are the Creation Development Centres, which work together with sales and marketing in these centres to develop new business. Operations then satisfies that business. So, the operational growth is capex and manufacturing facility that supports the growth. But the actual growth comes from the CDCs. So, we have put in three new initiative CDCs that will generate additional businesses in different geographies and different customer categories. To fulfil that business, we have expanded our manufacturing footprint in Europe as well as in India and Asia.

**Debanjana Chatterjee:** Sir, currently, what is the installed capacity, if I may ask, overall, the Company and the utilization rates?

**Kedar Vaze:** So, in Europe, we have installed capacity, which is catering to the 50 million, and it is about 90% utilized. We will double the capacity or at least sort of 1.5x the capacity in this quarter by end of this year or first quarter next year.

In India, we have about let us say, 20,000 tons of current capacity. We will expand by another 9,000 tons in the first quarter next year and build another 15,000 tons thereafter. We have good amount of headroom within India to continue to grow.

So, there is no capacity constraint within India, while the 2 factories currently are pushing together. And we have additional capacity built in Southeast Asia for 3,600 tons, which will give us another 5 million to 7 million of turnover sales in Southeast Asia.

**Debanjana Chatterjee:** Okay. And the 12% CAGR that you spoke about is between what timeframe? Is it between FY '26 to '29 or FY '26 to '28?

**Kedar Vaze:** So FY'24-'25 is the base year, and we will grow at 12% year-on-year.

**Debanjana Chatterjee:** 12% is your Y-o-Y growth being FY '24-'25 the base year, right?

**Kedar Vaze:** That is correct.

**Debanjana Chatterjee:** And return ratios are still on single-digit levels at around 6% to 7%. Are we going to see a double-digit growth post FY '28 coming these fructify?

**Jagdish Agarwal:** ROCE, you are talking about return on capital employed?

**Debanjana Chatterjee:** I am sorry?

**Jagdish Agarwal:** You are talking about ROCE?

**Debanjana Chatterjee:** Both ROE and ROCE. So ROE is in single -- higher single digits, so are we going to see some mid-teens by FY '28-'29 once these things stand up?

**Kedar Vaze:** Yes.

**Debanjana Chatterjee:** Okay.

**Kedar Vaze:** I expect around 14% is where we will end up in the business.

**Debanjana Chatterjee:** By FY '29?

**Kedar Vaze:** Yes. In fact, 2 or 3 years when the new initiative starts to generate cash break-even, we will reach the 14%.

**Debanjana Chatterjee:** All right. And my last question is regarding the EBIT. So, what I am noticing is over the past couple of years, your Fragrance EBIT margin has remained under higher

single digits at around 6% to 8%. And your Flavours has quite increased to 20%, 22%, and it has maintained. So, are we going to see this kind of EBIT margins at least till FY '27-'28 and then maybe growth levels?

**Kedar Vaze:** Flavours, as you have mentioned, we had a couple of years back quite heavy investments, and we sort of re-oriented the business for the next phase of growth in India. So now Flavours is at a steady state. India business, we have put in place all the development centres, manufacturing capacity we need. There may be some incremental cost capex as we grow, but it is a steady-state business.

If we compare Fragrances in India, it is very similar and very steady state. The EBIT in Fragrances is now depressed and looks different with our investments outside India, and that will take 2, 3 years, 4 years to play out, and we expect that to then be more steady state. It will not be at the same mature level as the India business, but we expect it to be clocking 13%, 14% EBITDA and improving year-on-year as we add operating leverage.

**Debanjana Chatterjee:** So, this you are talking about EBIT, right? Because I am concerned about the EBIT margins. So, for Fragrance, you say it will become 13% to 14% by say in another 2 to 3 years?

**Kedar Vaze:** As outside India businesses ramp up, it will be 13% to 14% EBIT.

**Debanjana Chatterjee:** And blended EBIT considering both India and domestic?

**Kedar Vaze:** 17%, 18%, somewhere around it, it is EBIT.

**Debanjana Chatterjee:** EBIT. So, 17% to 18% is your blended EBIT in Fragrance, right?

**Kedar Vaze:** Yes. We will be EBITDA level 17%. I just got corrected by Jagdish. At the EBITDA level, I am talking 14% and 17%. At the EBIT level, it will be 2% to 3% higher.

**Debanjana Chatterjee:** From current 8%, right, in Fragrance?

**Kedar Vaze:** Yes.

**Debanjana Chatterjee:** Okay. And this Flavours is going to remain at around 20% to 22%, if I am not wrong, because it is steady kind of.

- Kedar Vaze:** Flavour is a steady state till we are now addressing the India market and some of the exports. At some point, if we look at the Southeast Asia, Middle East or European business, then we will invest. Once the Fragrance investments have started to play out, we can look at expanding the Flavours business globally.
- Moderator:** Thank you. Ladies and gentlemen, we will take the last question from the line of Bharat Sheth from Quest Investment Managers.
- Bharat Sheth:** Hi. Kedar, you said this, which new factory will start which I mean Q1 and the one which was under fire will start, when do we expect to start?
- Kedar Vaze:** So, first, the new facility will start in Q1 and the one which is in the fire, we probably have and when we migrate the first factory, then probably next year, first quarter or fourth quarter next year, we will start the migration.
- Bharat Sheth:** Okay. And to understand more on this gross margin, how much pricing power do we really have?
- Kedar Vaze:** Yes. So, most of our products, 85% of our products are proprietary. So, we have very good pricing power on being able to pass on the cost increases to our clients.
- Bharat Sheth:** What is the real issue that we are not able to really improve the gross margin as you were anticipating?
- Kedar Vaze:** There is no real issue. Things are improving. I mean the numbers are a bit time lag, but otherwise, things are improving.
- Bharat Sheth:** One question for Jagdish. You have amount of outstanding GST receivable?
- Jagdish Agarwal:** I get your question. You are talking about GST receivable, right?
- Bharat Sheth:** Yes.
- Jagdish Agarwal:** Okay. So, we are working on that, and I do expect we should see some positive on that in 3 to 6 months' time.
- Kedar Vaze:** Yes. So Bharat bhai, what was stuck, I think the orders are in our favour and the GST refunds have started to come. At the high point, roughly INR50 crore of GST for



exports was stuck in the appeal or in the clarity on the basis. I think the GST refunds have started to come in. So, this may be every month, every 2 months, we are getting refunds and this Rs. 50 crore is expected to be brought down to normal levels in a couple of months, maybe 6 months.

**Moderator:** Thank you very much. With this, I now hand the conference over to the management for closing comments.

**Kedar Vaze:** Thank you. I hope we have been able to answer your questions satisfactorily. Should you feel any further clarifications, please reach out to the company or feel free to contact our team or CDR India. Thank you once again for taking the time to join us on this call.

**Moderator:** Thank you very much. Thank you. On behalf of SH Kelkar and Company Limited, that concludes this conference. Thank you for joining us, and you may now disconnect. Thank you.

**-End-**

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