



S H Kelkar and Company Limited

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S H Kelkar announces Q4 & FY18 results

SHK crosses Rs. 1,000 crore revenue milestone

Fragrance business registers strong recovery in H2 FY18

Operating EBITDA margin, adjusted for exceptionals, at 18%

CRISIL upgrades Long term borrowing from A+/ Positive to AA- / Stable

Mumbai, May 25, 2018: S H Kelkar and Company, the largest Indian origin Fragrance and Flavours Company in India, has announced its financial results for the quarter and year ended March 31, 2018.

FY18 performance overview compared with FY17

- Revenues from operations higher by 4.5% to Rs. 1,019.3 crore from Rs. 975.0 crore
- Operating EBITDA higher by 6.4% to Rs. 188.8 crore from Rs. 177.4 crore
 - EBITDA margin stood at 18.0%
- PBT (excluding one-time expenses) at Rs. 161.0 crore from Rs. 152.8 crore, higher by 5.3%
 - The Company incurred a one-time expense of Rs. 12.9 crore in H2 FY18 on account of operational reorganization of PFW in Barneveld, Netherlands
 - Further, it realised one-off expenses of around Rs. 5.0 crore in Q4 FY18 towards recent acquisitions and newly established Fine Fragrance Development Centre
 - These cost saving and business initiatives will contribute to the Company's earnings performance in the coming years
- After a muted H1FY18, the Company witnessed strong growth in H2 on the back of healthy demand recovery in the FMCG industry
- The Board of Directors has recommended a final dividend of Rs. 1.75 per share (Face Value of Rs. 10 per share)

Q4 FY18 performance overview compared with Q4 FY17

- Revenues from operations higher by 14.9% to Rs. 282.7 crore from Rs. 246.2 crore
- Operating EBITDA higher by 16.0% at Rs. 47.5 crore from Rs. 40.9 crore
 - EBITDA margin stood at 15.8%
- PBT (excluding one-time expenses) at Rs. 39.4 crore from Rs. 34.6 crore, higher by 14.0%

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

“We have ended the year on a healthy note backed by strong performance in the second half of the year. We continue to witness high level of raw material supply disruptions across the globe and expect the effect to last few more quarters. Against this backdrop, the Company’s prudent inventory management has helped maintain supplies to customers in the Fragrance segment. Our Flavour’s division continues to face certain raw material challenges, which we are focused on effectively mitigating.

We are seeing a revival in macros led by demand in the FMCG industry. This should enable us to register strong growth in FY19, even as we navigate the challenging raw material scenario in the coming quarters. On the whole, we are executing multiple building blocks towards strengthening our product offerings, improving operational efficiencies and investing in R&D capabilities which will support our earnings growth momentum in the coming years.”

Key Developments:

- **Acquires majority equity stake in China-based Anhui Ruibang Aroma**
 - Headquartered in Fuyang, Anhui Ruibang Aroma is a leading aroma ingredients company in China. SHK would be acquiring 90% equity stake in the company within the next 18 months. In the first phase, SHK would acquire 66.7% for approx. RMB 18 million (~Rs. 18.9 crore). SHK proposes to fund the entire investment through internal accruals. The enterprise valuation of Anhui is RMB 27 million (~ Rs. 28.4 Cr.). Anhui’s revenue in FY2017 stood at 15.3 million (~16.5 crore)
 - This acquisition will give SHK access to another Tonalid manufacturing facility at a time when the operational reorganization in Barneveld is in progress. This will ensure there be no supply disruption to customers and enable it to consolidate its market leadership for Tonalid
 - The Company will spend Rs. 7.6 Cr at the manufacturing facility at Vapi which will augment capacity of Aroma Ingredients division and, *inter alia*, will provide the supply chain more agility to tide over disruption in availability of key raw materials.
 - Work on the aromatic chemicals manufacturing facility at Mahad is on schedule and the commissioning of the facility is expected later this year.

- **Operational reorganization of PFW in Netherlands progressing as per plan and is expected to be complete by second half of FY19**
 - Restructuring of the PFW operations is expected to allow greater flexibility in backend manufacturing leading to better profitability going forward.
 - The Company's R&D center in Netherlands remains fully operational and will be a key focus area for the Company.

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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 94 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 Mumbai, The Netherlands and Indonesia for the development of fragrance and flavour products. The research team has developed 12 molecules over the last three years. The Company has filed 10 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 flavor 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 & flavor producers.

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