



S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour company



Q3 & 9M FY2016 Earnings Presentation

February 09, 2016

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Consolidated Summarized P&L Statement

Particulars	9M FY16	9M FY15	Y-o-Y Change (%)	Q3 FY16	Q3 FY15	Y-o-Y Change (%)
Revenues from Operations	658.1	598.3	10.0%	229.0	195.4	17.2%
Other Operating Income	2.4	1.5	61.8%	1.0	0.4	131.8%
Total Income	660.5	599.8	10.1%	230.1	195.9	17.5%
Total Expenditure	552.3	514.2	7.4%	188.7	179.4	5.2%
- Raw Material expenses	362.3	326.4	11.0%	120.3	118.7	1.3%
- Employee benefits expense	82.2	84.5	-2.6%	29.1	27.6	5.5%
- Other expenses	107.8	103.3	4.3%	39.3	33.2	18.5%
Profit before other income, finance cost and exceptional items	108.2	85.6	26.3%	41.4	16.4	151.8%
Other Income	5.0	9.3	-46.4%	2.4	1.4	75.0%
- Exchange gain (net)	3.1	7.4	-58.4%	1.6	1.1	39.6%
- Others	1.9	1.9	-0.5%	0.8	0.3	232.0%
EBITDA	113.2	94.9	19.2%	43.8	17.8	146.0%
<i>EBITDA margin (%)</i>	17.1%	15.8%	131 bps	19.0%	9.1%	994 bps
Finance Costs	13.0	12.9	1.0%	3.2	3.4	-5.6%
Depreciation and Amortisation	21.8	20.5	6.1%	7.1	7.9	-9.4%
PBT before extraordinary items	78.4	61.5	27.4%	33.4	6.5	414.0%
- Sale of Property	0.8	10.2	-91.8%	-	-	-
PBT after extraordinary items	79.2	71.7	10.5%	33.4	6.5	414.0%
Tax expense	25.1	22.2	12.9%	10.0	2.0	412.8%
PAT	54.1	49.5	9.4%	23.4	4.6	414.5%
<i>PAT Margin (%)</i>	8.2%	8.2%	(5) bps	10.2%	2.3%	785 bps
Net Operating Profits after Tax (Before Sale of Property and Prior period Tax credit)	53.3	39.2	36.1%	23.4	4.6	413.4%

Board of Directors consider and approve the acquisition of Hi-Tech Technologies (HTT) comprising of Flavours Division

- HTT is a Mumbai-based entity and in the business of Manufacturing and Sales of Flavours – it has a manufacturing facility in Daman with FSSA licence and has presence throughout India
- HTT's forecast revenue for FY 2016 is Rs. 22 crore with margin in line with industry benchmarks
- Acquisition would be on a slump sale basis, for a net aggregate consideration of Rs. 28.6 crore. Acquisition is targeted to close in Q1 FY 2017
- Acquisition in-line with the Company's plan to pursue strategic tuck-in acquisitions to grow the Flavours business

9M FY2016 Financial and Operational Discussions

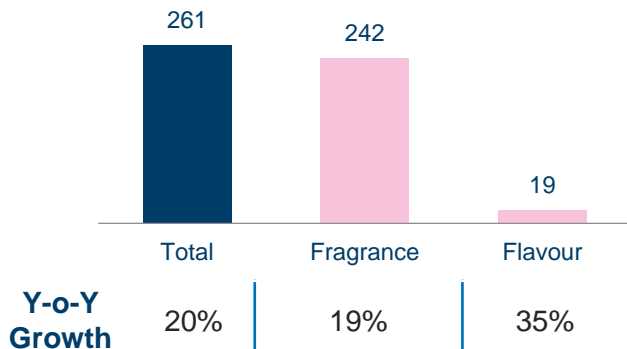


- **Total Income increases by 10% to Rs. 661 crore; growth on constant currency basis is 13%**
 - Y-o-Y growth of 14% in domestic and 7% in overseas markets contributed to results
 - Performance driven by the Fragrance segment – registers a growth of 11% in the segment led by healthy performance in the domestic and overseas markets
- **EBITDA stood higher at Rs. 113 crore, up by 19%**
 - EBITDA margins improve to 17.1%, higher by 131 bps as compared to 15.8% in the same period last year primarily owing to better realizations witnessed in the overseas markets. In addition, control on expenses which grew by 1.2% Y-o-Y assisted improved performance in margins
- **PBT (before extraordinary items) improves by 27% to Rs. 78 crore**
 - Extraordinary items in previous nine month period included one-time income of Rs. 10 crore from sale of real estate property
- **Net Operating Profits after Tax (Before Sale of Property and Prior period Tax credit) higher by 36% to Rs. 53 crore**
- **Balance sheet position significantly strengthened post IPO – Net Debt of Rs. (21) crore as of 31 December 2015**
 - Successfully completed an IPO in November 2015, the proportion of fresh share issue resulted in inflow of Rs. 210 crore
 - IPO proceeds to be used for paying down debt – full impact to be witnessed in the coming quarters

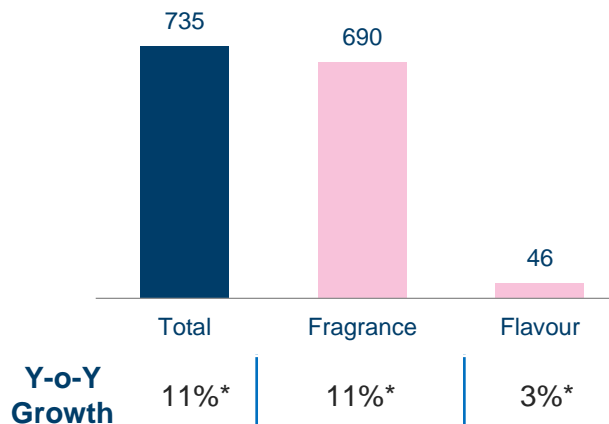
Revenue & EBIT Performance – Q3 & 9MFY16



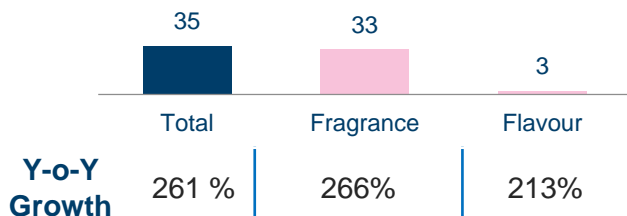
Q3 FY16 (Revenue)



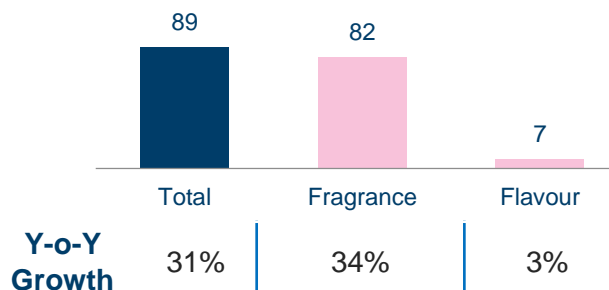
9M FY16 (Revenue)



Q3 FY16 (EBIT)



9M FY16 (EBIT)



* Includes Inter company

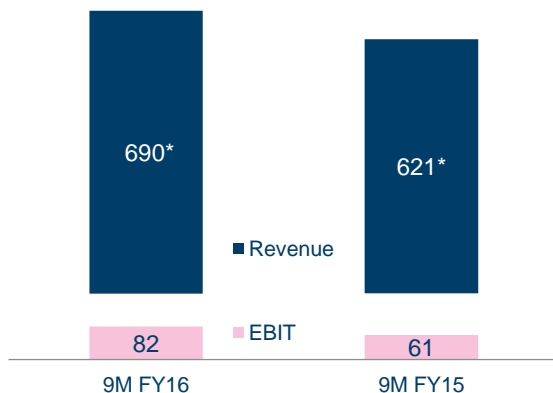
- Fragrance division forms ~94% of Total Revenues – key revenue driver for the period under review
- 9M FY16 Revenue growth at 10%; Constant currency growth higher at 13% – fragrance overseas business recorded lower rupee realisations owing to depreciating Euro
- Registered strong growth in profitability led by better realizations witnessed in the overseas markets and better cost controls

Fragrance Division



Revenue & EBIT

(Rs. crore)

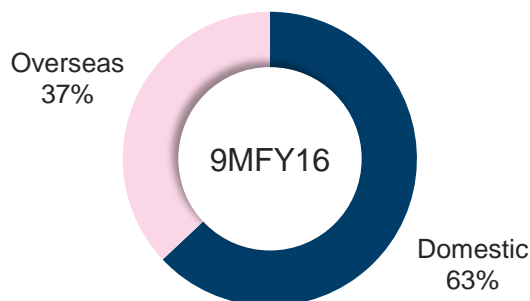


**Y-o-Y
Growth**

Rev. growth 11 %

EBIT growth 34%

Domestic and Overseas Revenue



- Division reported 11% growth in 9M FY16 – domestic and overseas revenues up 14% and 7% respectively
- Overseas business recorded lower rupee realisations owing to depreciating Euro
- Segment registered healthy growth in EBIT margins – at 12% in 9M FY16 vs 10% in 9M FY15

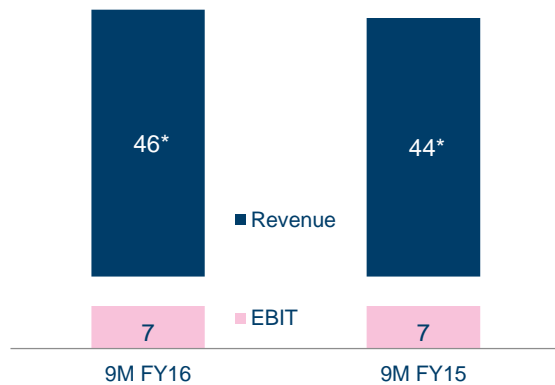
*Includes Inter company

Flavour Division



Revenue & EBIT

(Rs. crore)

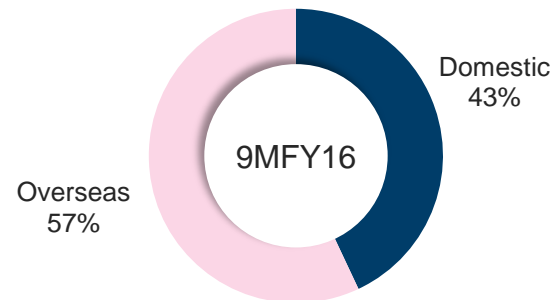


**Y-o-Y
Growth**

Rev. growth 3 %

EBIT growth 3%

Domestic and Overseas Revenue



- Segment registers 3% increase y-o-y – domestic business grew 12% however exports adversely affected due to political and economic scenario in Middle East
- EBIT margins stable at 16% in 9M FY16

* Includes Inter Company



Post IPO Balance Sheet Snapshot

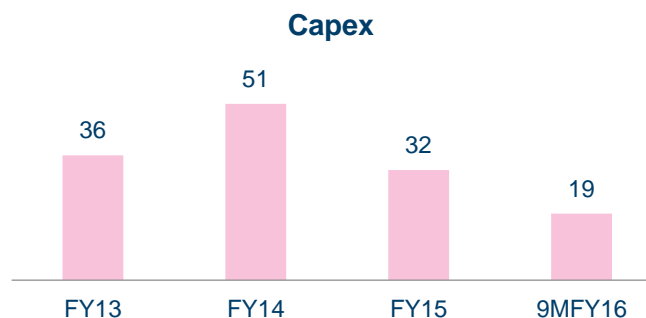


• Networth	764
• Fixed Assets	207
• Cash & Investments	103
• Gross Debt less Cash and Cash equivalent	(21)

Cash Flow Snapshot



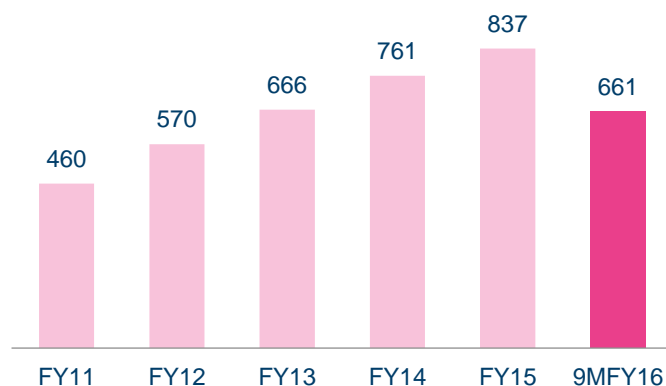
Particulars (Amount in Rs Crores)	FY13	FY14	FY15	9MFY16
Cash flow from Operations	103.1	32.1	61.7	37.2
Cash flow from investing activities	-33.3	-63.7	-17.3	-18.2
Net	69.8	-31.6	44.4	19



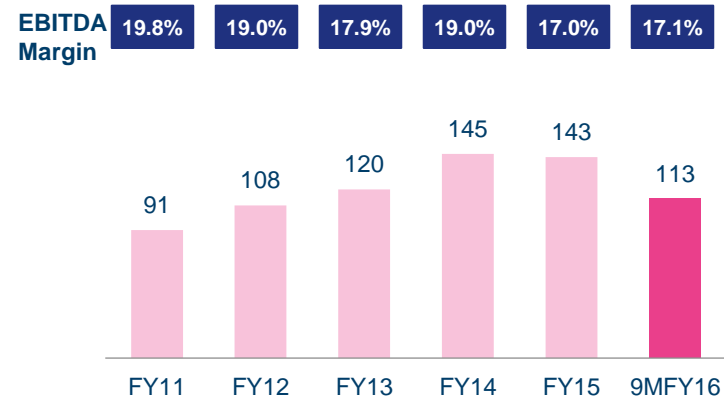
Financial Snapshot



Net Revenue from Operations



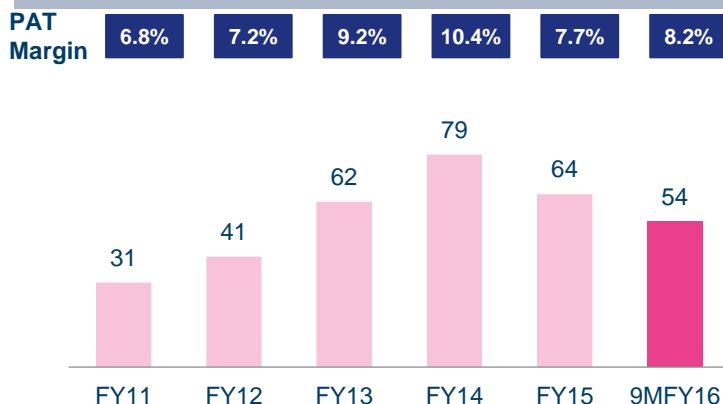
EBITDA



EBITDA
Margin

19.8% 19.0% 17.9% 19.0% 17.0% 17.1%

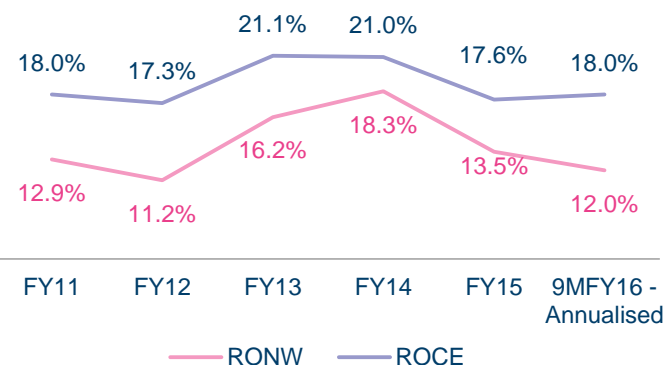
PAT



PAT
Margin

6.8% 7.2% 9.2% 10.4% 7.7% 8.2%

Return on Net Worth & Return on Capital Employed (%)



Note : Return on Capital Employed is calculated as $\left[\frac{\text{EBIT}}{\text{Net Debt} + \text{Net Worth}} \right]$

Key Financial Ratios



Particulars	FY13	FY14	FY15	9MFY16
EBITDA margin (%)	17.9	19	17	17.3
PAT Margin (%)	9.2	10.4	7.7	8.2
Debt to Equity	0.31	0.38	0.41	0.11
Debt to EBITDA	1.1	1.3	1.5	0.5
Return on Networth (%)	16.2	18.3	13.5	12
Return on Capital Employed (%)	21.1	21	17.6	18

Notes:

1. Return on Networth is calculated as: PAT/ Average Networth. PAT annualized for 9M FY16 calculation.
2. Return on Capital Employed is calculated as: EBIT/ Average Capital Employed. EBIT annualized for 9M FY16 calculation.
3. No net Debt at end of Dec 2015



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

"I am delighted to report continued strong operational and financial performance in our first publicly reported results post listing. I welcome all our public shareholders and look forward to their participation and support in our journey of sustained growth and progress.

We are the largest Indian-origin Fragrance & Flavor Company with a solid R&D backbone. It is our endeavor to continually raise our market share, enhance the portfolio of our products, expand our customer base and strengthen the bond that we have with our existing customers. Post IPO we have further augmented our Balance Sheet to become a Net Debt free company. With adequate capacities already in place and a business that generates healthy free operating cash flows we are comfortably poised to pursue our strategic initiatives and are excited about our future and our growth prospects."

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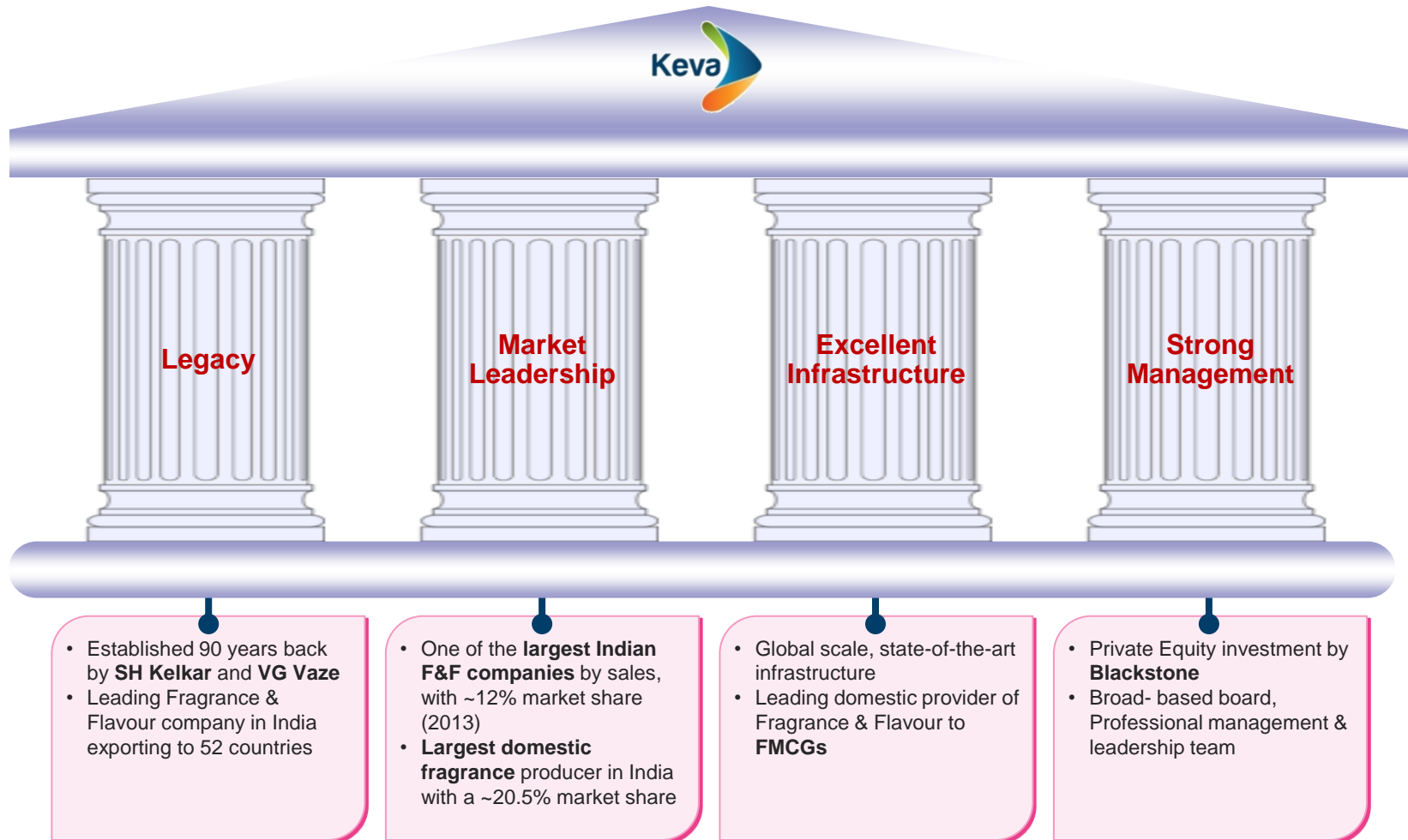
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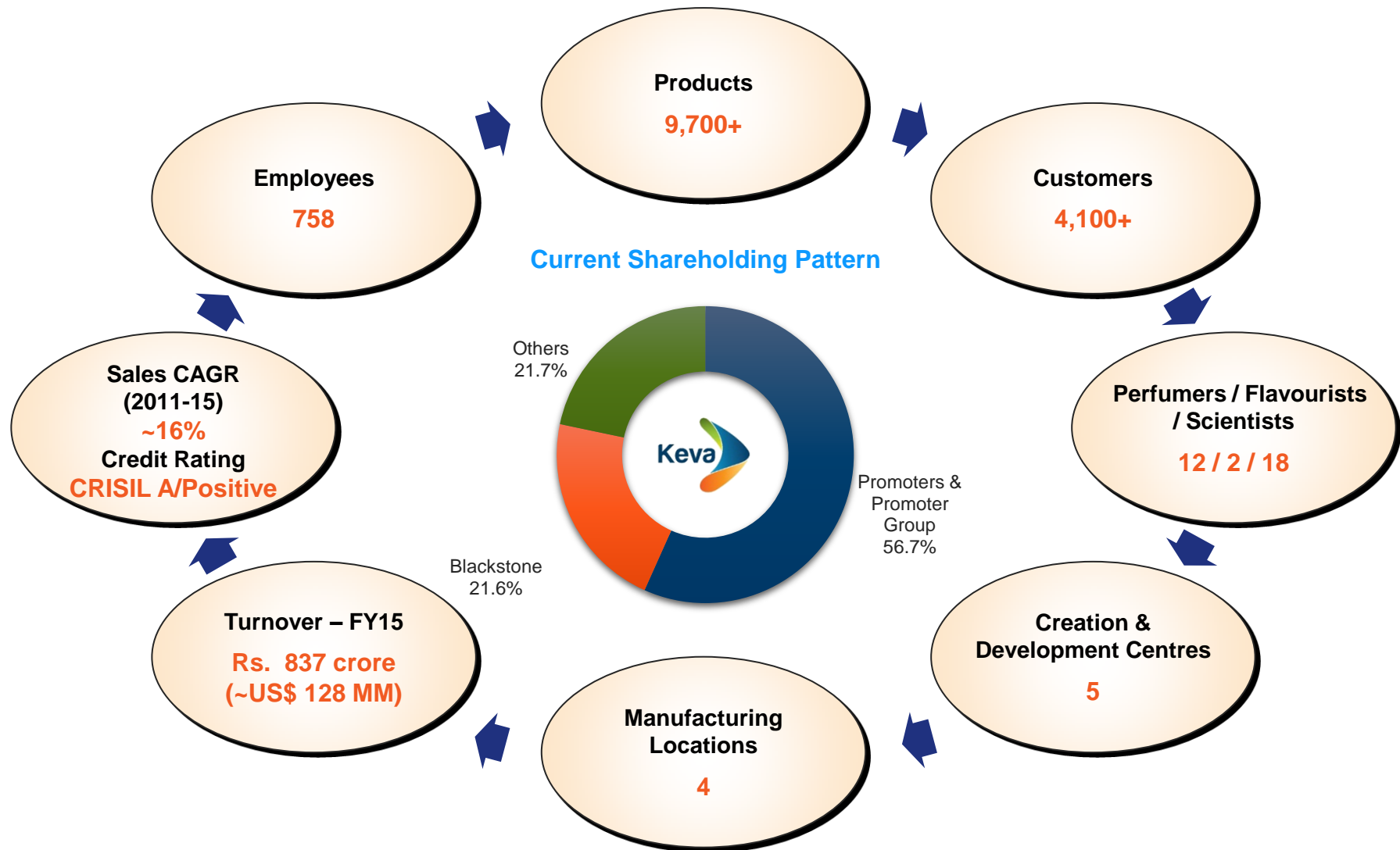
Who We Are



S H Kelkar and Company Limited



Who We Are



Our Business



Fragrances Business



Flavours Business



Product Applications

- Used by FMCG companies in personal wash, fabric care, skin care and hair care products; production of fine Fragrances and F&F Blends
- Fragrance Ingredients used in production of F&F

- Used in production by bakeries, pharmaceutical manufacturers, dairy industry and beverages manufacturers

Customer Mix

- National and Multi-national FMCG players
- Fragrance and Flavour Blends
- Direct consumers
- Fragrances and Flavours companies

- National and Multi-national FMCG players
- Fragrance and Flavour Blends
- Regional and local manufacturers

Geographic Presence

- Manufacturing plants located at Raigad and Mumbai in Maharashtra
- Manufacturing plants located at Vapi in Gujarat and Barneveld in Netherlands

- Manufacturing plant located at Raigad in Maharashtra

Sales Drivers

- Long standing relationships with several customers
- Innovations and new product development by FMCG players
- Strong presence in Branded Small Pack segment

- Increasing demand for ready-to-eat food products, fortified juices and milk products
- High growth in FMCG industry to boost demand

Key Competitors

- MNCs: Givaudan, Firmenich, Symrise, IFF

- MNCs: IFF, Givaudan, Symrise, Firmenich

Global F&F Market & Key Characteristics



Concentrated market

- Consolidated Industry globally, with 12 players controlling 83% of market share and Top 4 controlling 57% of the market in CY13

Increasing consolidation

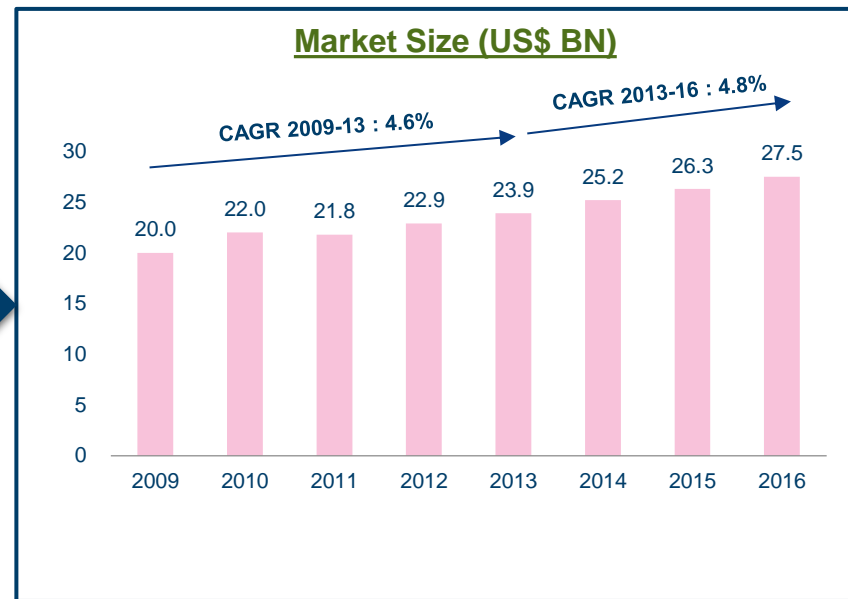
- Large players continue to consolidate, for scale and differentiated product portfolio
- Top 10 companies in the industry together accounted for nearly 80% of the industry sales in 2013, as compared to 64% in 2000

FMCG & Innovation play

- FMCG companies greatly depend on the reliability, quality of service and the F&F company's technical know-how
- FMCG companies typically have long term supply relationships with F&F partner

Emerging market focus

- Emerging markets continuing to grow with premiumisation & broadening of product offerings
- Increasing disposable income in world's emerging markets



India's Favourable Dynamics Offer Huge Opportunities



Globalization

- ✓ Globalisation to further enhance and influence customer preferences
- ✓ To bring in new product concepts and ideas into Indian markets

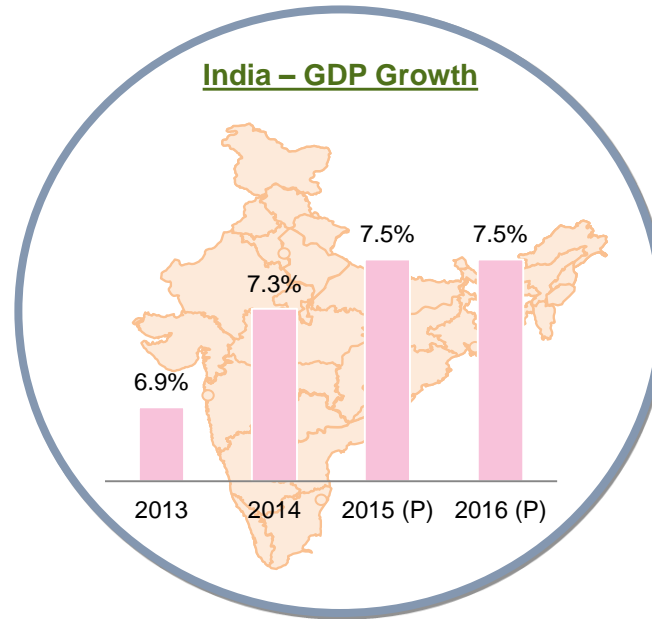
Urbanization

- ✓ Urbanization in India drives growth especially in the processed food industry
- ✓ Urbanization has increased from 27.8% in 2001 to 31.2% in 2011

Rise of modern retail

- ✓ Increasing number of shopping malls and complexes
- ✓ Mall culture pick up in Tier 1 and Tier 2 cities across India

India – GDP Growth



High growth in FMCG

- ✓ Directly correlated to FMCG growth
- ✓ FMCG market is expected to grow at a CAGR of ~14.7% from 2012-2020 to reach US\$ 37 BN

Rising young population

- ✓ Population of 1.21 bn, growing 1.41% annually
- ✓ Young population ~65% below 30 years age
- ✓ Growing working women population to be large consumer of FMCG products

Literacy & lifestyle

- ✓ Increasing literacy levels impacting consumer awareness and knowledge
- ✓ Demand shift for better quality, innovative F&F products
- ✓ Greater demand for packaged and processed foods

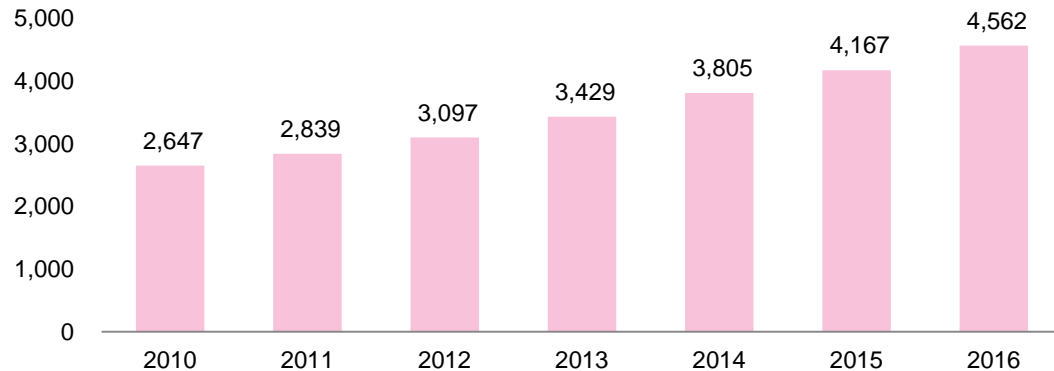
Rising disposable incomes

- ✓ Rising disposable income, pivotal for F&F growth
- ✓ India is witnessing continuous increase in disposable income, to be US\$ 1,808 bn in 2015

Indian F&F Market to Outpace Global F&F Growth

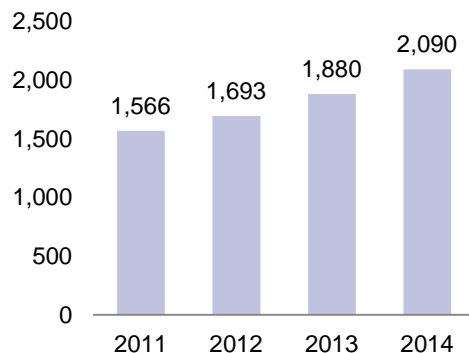


Market Size (Rs Crs)

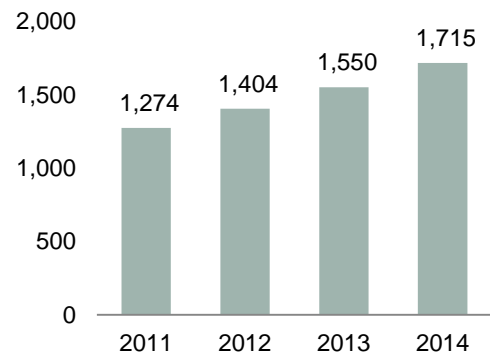


Overall F&F Market Size

Fragrance (including Blend)



Flavour



Indian F&F market to grow at ~10% vs ~5% of global market (2013-16)



Indian market comprises of more than 1,000 players



Top 5 players control ~70% of Indian F&F industry



Global MNC F&F houses have a market share of ~60%

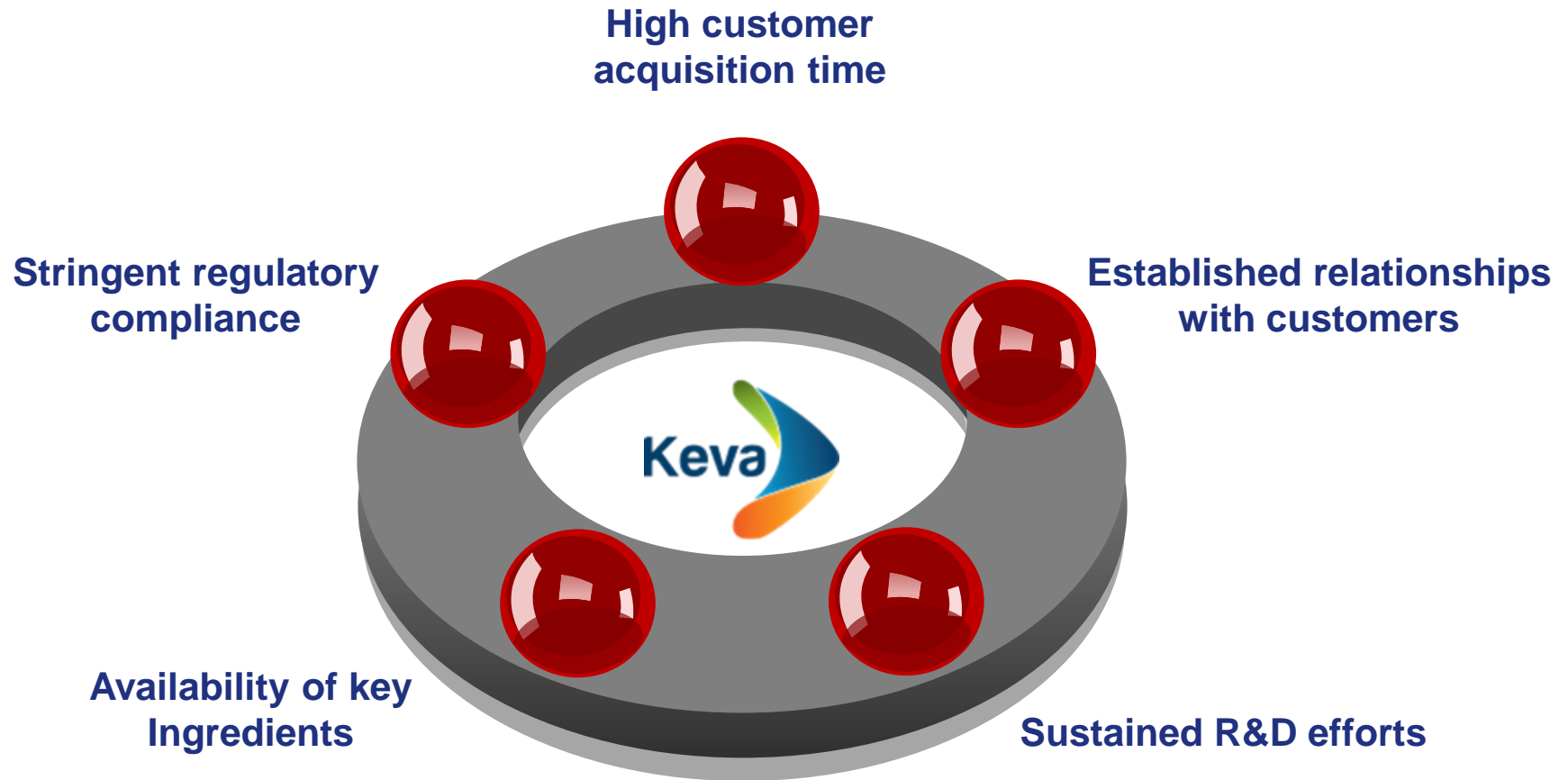


SHK is the largest Indian player and closely competes with Global MNCs

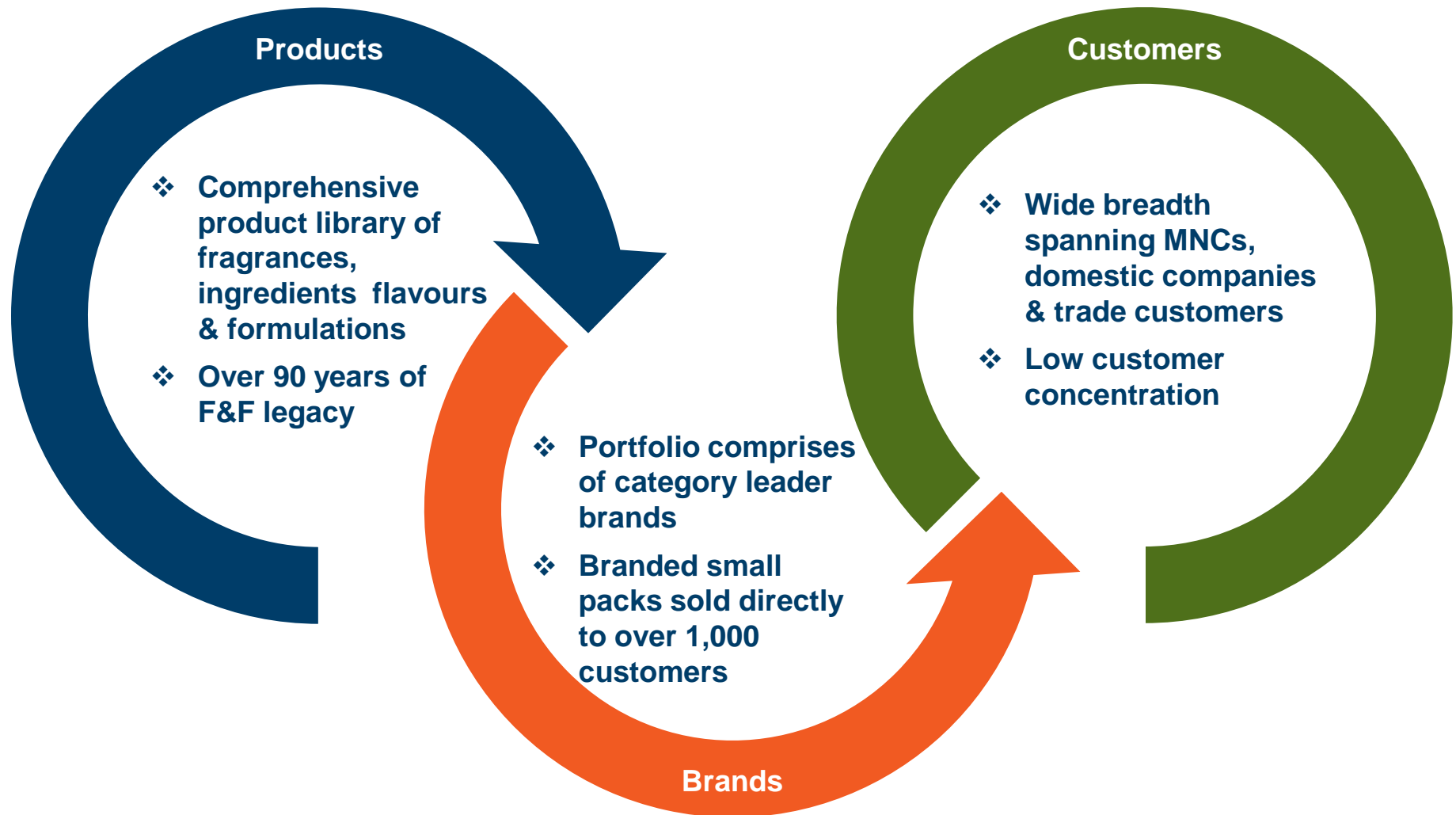


Numerous small firms mostly cater to the unorganised market

F&F Industry - Strong Entry Barriers



Perfect Mix of Products, Brands and customers



Comprehensive Product Portfolio



Fragrance Products



Personal Wash
(Toilet Soap, Shower Gel, Hand Wash...)



Hair Care
(Shampoo, Hair Oil...)



Skin Care
(Creams, Lotions..)



Fabric Care
(Detergents, Fabric Softeners)



Household Products
(Air Care, Floor Cleaner, Toilet Cleaner...)



Fine Fragrances
(Deodorants, Eau De Perfumes...)

Flavour Products



Tea



Dairy Products



Pharma



Bakery & Confectionary



Diversified and comprehensive portfolio resulting in negligible concentration on any particular product or customer



Full service supplier of over 9,700 F&F products & ingredients with a large library of product formulations



Created, manufactured and supplied over 8,000 F&F products & ingredients in FY15 itself



Revenue from products launched in last 3 financial years was 14.3% while contribution of emerging markets which includes Asia (Ex-Japan) and MENA was 83.7% of the FY15 Net Sales

Diverse Customer Base backed with Leading Brands



More than 3,700 Fragrance customers



More than 400 and increasing Flavours customers



Over 4,100 customers including global corporates, domestic companies and trade customers



Very low customer concentration - Largest customer contributed to 2.9% of sales in FY15



Long term relationships with several customers spanning over 15 years

Brands



Category Leader Brands in the portfolio - SHK, Keva and Cobra



Branded small pack products “Cobra” sold to hundreds of traders and re-sellers across India and contributed ~6% of Sales in FY15



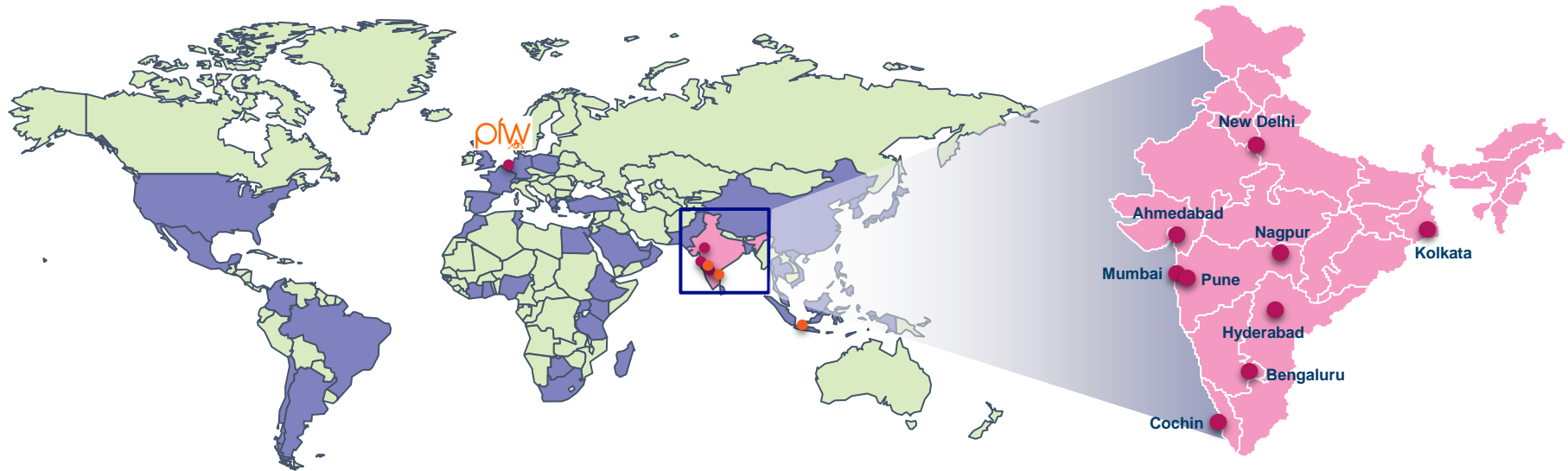
Branded small pack is a focus segment for SHK unlike its MNC competition and has resulted in overall sales to branded small pack customers of ~14% in FY15



Aims to further expand the small pack category by deepening its distribution network and developing new sales strategy

Long term relationships with diversified customers driven by a portfolio of customised products and strong brands

Extensive Sales and Marketing Network



● Manufacturing Facilities ● Creative Centres ● Countries Served



SHK has established its International presence post acquisition of PFW Aroma in November 2010



Exports fragrance products to 52 countries across the 5 continents and flavour products to 15 countries



Offices in Singapore, Indonesia, Thailand & Netherlands



Team of 11 personnel for overseas fragrance operations



Sales and marketing teams operate from 9 centers located in India



India Team comprises of 84 personnel



Dedicated teams for different customer categories

Strong R&D Capabilities + Creation & Development Centers



Strong R&D Capabilities

- SHK's R&D forms the technological basis for its products and solutions to focus on creative and consumer-centric research activities
- Strong and dedicated research team of 18 scientists operating in Mumbai and Barneveld
- Recognised by the Government of India's Department of Science and Industrial Research



Creation & Development Centers

- An enhanced version of in-house R&D center which works in collaboration with customers, as an extended R&D arm
- Operates 5 creation and development centers in Mumbai, Bengaluru, The Netherlands and Indonesia
- Comprises 12 perfumers and 2 flavourists, and a team of evaluators and application executives



Developed over 502 new fragrance and flavours compounds in FY15 which were sold commercially



Research team has developed 12 molecules over the last three years



Only company of Indian origin to file patents in field of Fragrance and Novel Aroma Molecules

Well Equipped Creative Centers



Cosmetic Lab



Fragrance Creation



Application and Evaluation



Quality Control Lab



Market Research



Application and Evaluation



Areas of Strategic Focus



Future Strategy



1 Continue growth in market share

- Focus on retaining current domestic market leadership and enhancing market share in Fragrance industry in India and emerging markets like Asia, Africa & Middle East
- Introduction of new products in both the fragrance and flavour segments
- Investment in sales resources and infrastructure in the emerging markets of Asia and MENA
- Strengthening of technology platforms to increase impact and longevity of product delivery

2 Strengthen innovation platform to enhance products portfolio

- New product innovations and developments through close coordination between the research and marketing teams
- Establish additional creation and development centers both in India and overseas
- Strategy to leverage its research and development capabilities to develop and enhance product offerings and increase revenue and improve profit margins

3 Expand presence in the branded small pack portfolio

- Increase the number of branded small pack customers by deepening the distribution network and implementing a new sales strategy
- Introduction of new products to its branded small pack customers

4

Supply chain optimisation

- Dynamic finished product forecasting to anticipate customer orders
- Strengthening sales and operations planning by implementing new processes and tools
- Product portfolio rationalisation
- Raw material management

5

Accelerate growth through strategic acquisitions and partnerships

- Strategic acquisitions to extend its current portfolio of products, strengthen technological platform and broaden the flavour business
- New acquisitions to provide access to new markets and help increase market share in Indian and global fragrance and flavour industry
- Acquired PFW in Netherlands in 2011, and plans to exploit its strong potential comprising business capabilities, experience and database

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S H Kelkar and Company Ltd.'s Q3 FY2016 Earnings Conference Call

Time	<ul style="list-style-type: none">• 04.30 pm IST on Tuesday, February 9, 2016
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Conference dial-in	<ul style="list-style-type: none">• Primary number: +91 22 3938 1071• Secondary number: +91 22 6746 8354
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Toll Free Number	<ul style="list-style-type: none">• Hong Kong: 800 964 448• Singapore: 800 101 2045• UK: 0 808 101 1573• USA: 1 866 746 2133
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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 90 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. It offers products under SHK, Cobra and Keva brands.*

The Company has a strong and dedicated team of 18 scientists, 12 perfumers, two flavourists, evaluators and application executives at its facilities and five creation and development centers in Mumbai, Bengaluru, The Netherlands and Indonesia for the development of fragrance and flavour products. Their research team has developed 12 molecules over the last three years, of which the Company has filed patent applications for three.

In FY2015, SHK created, manufactured and supplied over 8,000 fragrances, including fragrance ingredients and flavours for the personal and home care products, food and beverage industries, either in the form of compounds or individual ingredients. The Company has over 3,700 customers for fragrance and fragrance ingredients products, including, among others, Godrej Consumer Products Limited, Marico Limited, Wipro Consumer Care and Lighting Limited, Hindustan Unilever Limited, VINI Cosmetics Private Limited and J.K. Helen Curtis Limited.

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Thank you