



S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour Company



Q3 & 9M FY17 Earnings Presentation

February 14, 2017



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.



Q3 & 9M FY17 Results Overview

Consolidated Summarized P&L Statement



Particulars (Rs. crore)	9M FY17	9M FY16	Y-o-Y Change	Q3 FY17	Q3 FY16	Y-o-Y Change
Revenues from Operations (Net of excise)	728.9	656.3	11.1%	230.6	228.4	1.0%
Other Operating Income	4.1	2.4	70.0%	1.3	1.0	21.7%
Total Income	733.0	658.8	11.3%	231.9	229.5	1.1%
Total Expenditure						
▪ Raw Material expenses	397.5	363.1	9.5%	119.4	120.3	-0.7%
▪ Employee benefits expense	94.7	81.8	15.8%	34.1	29.1	17.4%
▪ Other expenses	111.9	107.2	4.4%	38.8	39.4	-1.5%
Profit before other income, finance cost and exceptional items	128.9	106.6	20.9%	39.5	40.7	-2.9%
Other Income	7.6	5.9	27.4%	1.9	1.8	4.5%
EBITDA	136.4	112.6	21.2%	41.4	42.5	-2.6%
<i>EBITDA margin (%)</i>	18.6%	17.1%	150 bps	17.9%	18.5%	(60 bps)
Finance Costs	4.3	18.8	-77.0%	0.2	4.4	-94.5%
Depreciation and Amortization	14.1	22.0	-35.8%	4.8	7.2	-33.3%
PBT	118.0	71.8	64.4%	36.4	31.0	17.5%
Tax expense	40.7	23.0	76.9%	11.0	9.2	20.2%
PAT	77.3	48.8	58.4%	25.4	21.8	16.4%
<i>PAT Margins</i>	10.5%	7.4%	310 bps	10.9%	9.5%	140 bps
Cash Profit	91.4	70.7	29.2%	30.2	29.0	4.0%

Board of Directors considered and approved the proposal to acquire and develop the Intellectual Property (IP) in Fragrance Encapsulation Technology held by Tanishka Products

- Tanishka Products (TP), a partnership firm in its start-up phase, has been in the business of manufacture and sale of micro-encapsulated fragrances since 2012
- Acquisition of Fragrance Encapsulation Technology (FET) would enable the Company to offer differentiated fragrance products and systems
- Acquisition executed through SHK's wholly-owned subsidiary, Keva Chemicals Pvt. Ltd. (KCPL). The consideration payable towards acquisition of perpetual license for FET and capital investment in TP LLP would be Rs. 3 crore plus an amount payable at the end of 5 years, equivalent to a portion of the revenues of KCPL that would be generated in FET sales using the IP in FET

Total Income expands by 11% to Rs. 733 crore

- Both Fragrance and Flavours businesses contributed to the performance with healthy traction reported in the domestic market
- Strong results delivered by the Flavour segment driven by successful integration of tuck-in acquisitions and growth in existing markets; International Fragrance performance remained subdued

EBITDA improves by 21% to Rs. 136 crore; EBITDA margins at 18.6%

- Gross margins expand on the back of healthy product mix
- Strong growth in profitability of both businesses contributed towards improvement in operating profits
- Margins expand by 150 bps due to better operating leverage and higher profitability in the Flavour business

PBT up by 64% to Rs. 118 crore

- Significant savings in interest cost drives PBT growth ahead of EBITDA
- In addition, change in policy for accounting R&D expenses and depreciation assisted PBT growth

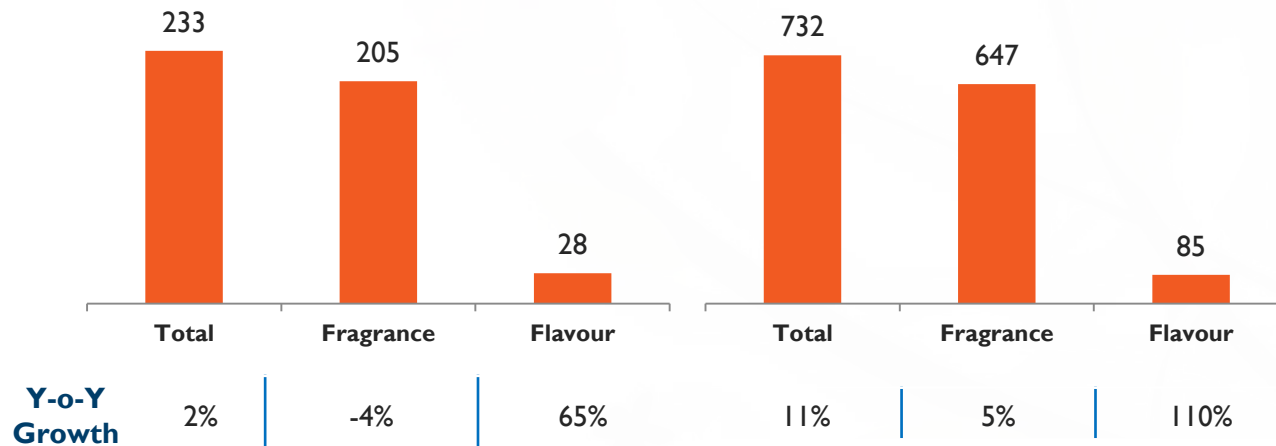
PAT higher by 58% to Rs. 77 crore

Revenue & Operating Performance – Q3 & 9M FY17



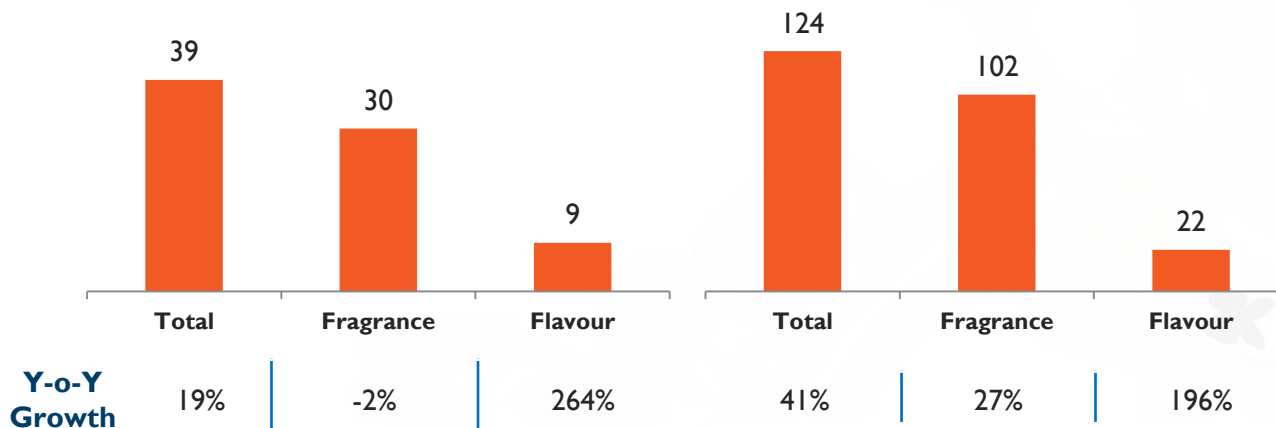
Q3FY17 (Revenue)

9MFY17 (Revenue)



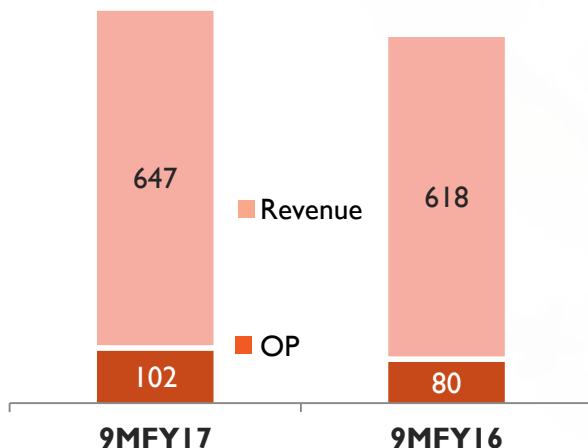
Q3FY17 (Operating Profit)

9MFY17 (Operating Profit)



- 9MFY17 Revenue growth at 11%; Constant currency growth higher at 10.7%
- Fragrance division forms ~88% of Total Revenues. Despite a subdued quarter owing to the challenging environment, the division recorded steady performance in 9MFY17
- Contribution from the Flavours division increased to 12% in 9MFY17 from 6% in 9MFY16. The division registered healthy growth in both revenues and profitability

Revenue & Operating Profit – 9MFY17

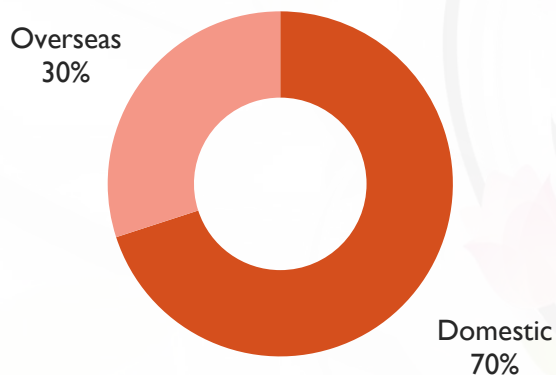


Y-o-Y Growth

Rev. growth 5%

OP growth 27%

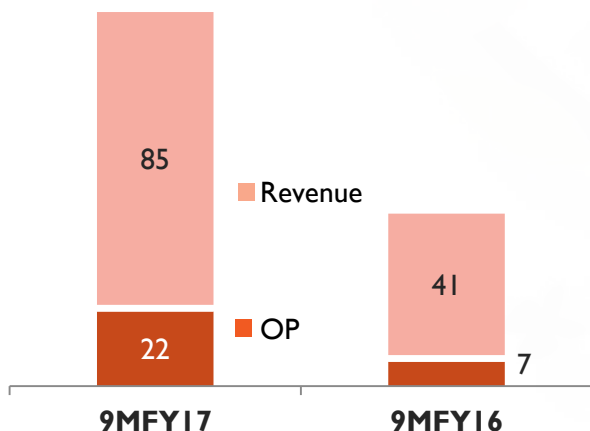
Domestic and Overseas Revenue – 9MFY17



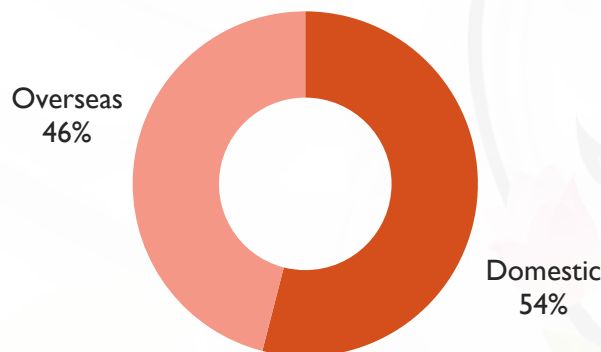
- Division reported 5% growth in 9MFY17 – while domestic revenues improved by 15%, overseas contribution was lower by 13%
 - Challenges in the international market and depreciating foreign currency led to decline in the overseas business
- Operating profit was up at Rs 102 crore with margins improving by 270 bps to 15.7% compared to 13%



Revenue & Operating Profit – 9MFY17



Domestic and Overseas Revenue – 9MFY17



Y-o-Y Growth

Rev. growth 110%

OP growth 196%

- Segment registered a robust growth of 110% in revenues during 9MFY17. Both domestic and overseas segments grew 164% and 70% respectively
 - Successful integration of tuck-in acquisition and strong results reported in existing markets assisted performance
- Improvement in operating profit margins – at 25% in 9MFY17 vs 18% in 9MFY16
 - Margin performance reflect the synergies in acquisitions

Note: Rs. crore



Balance Sheet Snapshot – As on 31st Dec. 2016



792



Networth

271



Fixed Assets

59



Cash & Investments

19

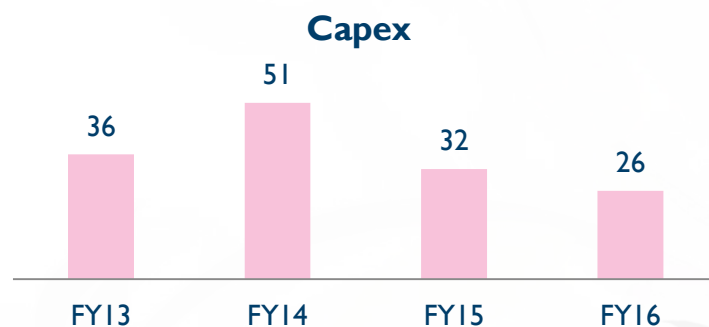


Net Debt

Cash Flow Snapshot



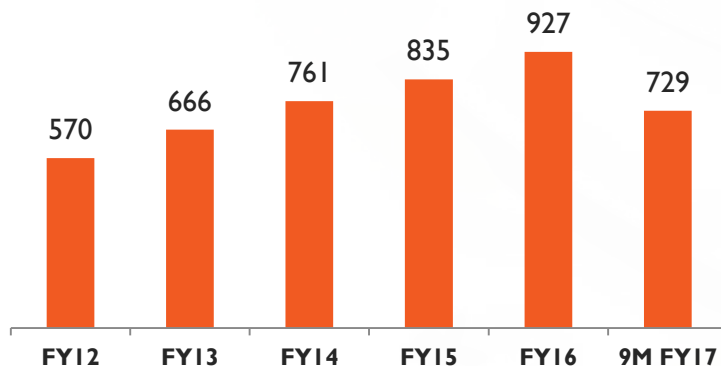
Particulars (Rs. crore)	FY13	FY14	FY15	FY16	9M FY17
Cash flow from Operations	103.1	32.1	61.7	86.4	47
Cash flow from investing activities	-33.3	-63.7	-17.3	-22.4	-99
Net	69.8	-31.6	44.4	64.0	-52



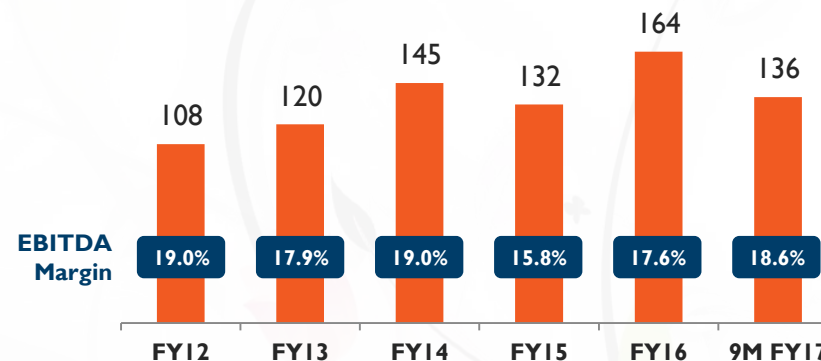
Financial Snapshot



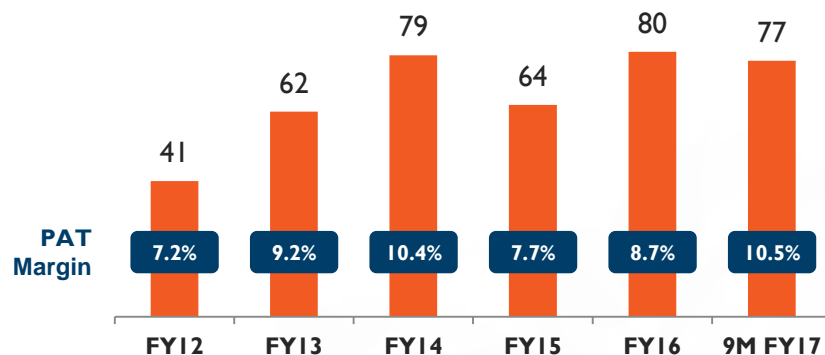
Net Revenue from Operations



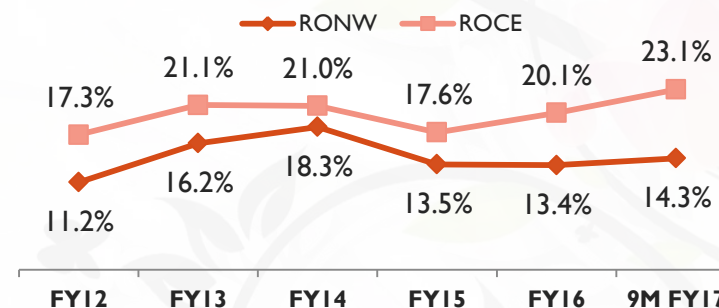
EBITDA



PAT



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	FY16	9M FY17
EBITDA margin (%)	17.9	19	15.8	17.6	18.6
PAT Margin (%)	9.2	10.4	7.7	8.7	10.5
Debt to Equity	0.31	0.38	0.48	0.11	0.10
Debt to EBITDA	1.1	1.3	1.8	0.5	0.43
Return on Networth (%)	16.2	18.3	13.5	13.4	14.3
Return on Capital Employed (%)	21.1	21.0	17.6	20.1	23.1

Notes:

1. Return on Networth is calculated as: PAT/ Average Networth
2. Return on Capital Employed is calculated as: EBIT/ Average Capital Employed
3. All figures till FY16 as per IGAAP; H1 FY17 figures as per Ind-AS



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

“We have reported steady performance during the period under review given the challenging macro-economic environment. Our domestic sales reported healthy growth despite the demonetization impact on the FMCG sector, while we continued to face some headwinds in the international markets.

The performance of our Flavour division has been exceptional with the successful integration of the tuck-in acquisition and robust results reported in our existing markets. This growth has enabled us to substantially increase our market share in the industry. On the back of our strong balance sheet, we remain committed to such strategic initiatives in the future as well that will drive further growth.

We are witnessing an increased level of business activity in our domestic and international markets. So we remain excited about both Fragrance & Flavour segments, and expect these prospects to eventually translate into concrete business going forward.”



Annexure

S H Kelkar and Company Ltd.'s Q3 & 9MFY17 Earnings Conference Call

Time • 11:00 am IST on Wednesday, February 15, 2017

Primary dial-in number • +91 22 3938 1071

India Local access Number • 3940 3977 (Accessible from all carriers)

International Toll Free Number

- Hong Kong: 800 964 448
- Singapore: 800 101 2045
- UK: 0 808 101 1573
- USA: 1 866 746 2133

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. The Company 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.

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 of over 4,100 customers including leading national and multi-national FMCG companies, blenders of fragrances & flavors and fragrance & flavor producers.

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Thank You