



Crafting Sensorial Delight

S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour Company

Q3 & 9M FY18 Earnings Presentation

January 16, 2018





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Crafting Sensorial Delight



Q3 & 9M FY18 Results Overview

Management Comment



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

“We are delighted to report a strong operational and financial performance during the period under review. In-line with internal expectations, the second half of the fiscal has begun on a solid note, with our Fragrance segment recording healthy market share gains across customer categories. This growth was primarily driven by enhanced volumes on the back of improving FMCG industry growth trends. Although the quarter saw some short-term raw material disruptions that impacted the global Fragrance & Flavour (F&F) industry, our inventory management strategy helped us meet the demands of our long-term customers.

I am also happy to share that we have announced the acquisition of Creative Flavours & Fragrances (CFF), which is one of the largest Fragrance companies in Italy. This acquisition is value accretive and synergistic opportunity for us, as it further augments SHK’s strategy to expand product offerings particularly in key focus areas of Fine Fragrances and Fabric Care. In addition, it provides the Company access to newer markets, premium customers, global talent and notably enhances SHK’s position and market share in the global Fragrance industry.

We continue to execute many of our planned business initiatives such as enhancing our product portfolio, improving operational efficiencies, and strengthening R&D to capitalize on the large growth opportunity at hand. Overall, we are confident of sustainably outperforming the sector growth rates for years to come on the back of our leadership position and unique business model.”

Consolidated Summarized P&L Statement

Particulars (Rs. crore)	Q3 FY18	Q3 FY17	Y-o-Y Change (%)	9M FY18	9M FY17	Y-o-Y Change (%)
Revenues from Operations (Sales excluding Excise & GST)	281.8	230.6	22.2%	736.5	728.9	1.1%
Other Operating Income	1.3	1.2	7.3%	3.5	4.1	-15.2%
Total Operating Income	283.1	231.9	22.1%	740.0	733.0	1.0%
Other Income	0.7	1.9	-65.6%	6.2	7.6	-18.2%
Total Income	283.8	233.8	21.4%	746.2	740.6	0.8%
Total Expenditure	225.5	192.3	17.3%	604.9	604.1	0.1%
▪ Raw Material expenses	152.5	119.4	27.7%	389.3	397.5	-2.1%
▪ Employee benefits expense	33.1	33.2	-0.3%	94.0	91.7	2.5%
▪ Other expenses	39.9	39.7	0.4%	121.6	114.9	5.8%
EBITDA	58.2	41.4	40.6%	141.3	136.4	3.6%
EBITDA margin (%)	20.5%	17.7%	280 bps	18.9%	18.4%	52 bps
Finance Costs	0.7	0.2	193.9%	2.4	4.3	-44.9%
Depreciation and Amortization	5.8	4.8	21.2%	17.4	14.1	23.0%
Profit before exceptional items and tax	51.7	36.4	42.1%	121.6	118.0	3.1%
Exceptional Items	10.1	-	-	10.1	-	-
PBT	41.6	36.4	14.4%	111.5	118.0	-5.5%
Tax expense	14.4	11.0	31.2%	38.7	40.7	-5.0%
PAT	27.2	25.4	7.2%	72.9	77.3	-5.7%
PAT Margins	9.6%	10.9%	-127 bps	9.8%	10.4%	-67 bps
Cash Profit	33.0	30.2	9.4%	90.2	91.4	-1.3%

Key Developments

Acquires 51% of Italy-based Creative Flavours & Fragrances S.p.A (CFF) - to strengthen global product offerings particularly in Fine Fragrances and Fabric Care segments

- SHK would be acquiring 100% of share capital over two to three years of which 51% share capital to be acquired upfront for approx. Euro 12 million (CFF's revenue from core fragrance business in calendar 2016 was Euro 13.4 million). Remaining stake shall be acquired within three years, consideration for which shall be paid based on the acquired company's performance. The Company proposes to fund the entire investment through internal accruals
- The earnings accretive acquisition is in-line with the Company's growth strategy to expand its international footprint, extend its presence and build talent particularly in the focused categories of fine fragrance and fabric care as well as enhance premium clientele
- Headquartered in Milan, CFF is a leading Fragrance Company in Italy and its products are sold in over 32 countries worldwide with reputable presence in Europe
- Presence in one of the world's most important fashion capitals - Milan along with operating a Fine Fragrance Development Centre in Amsterdam will help consolidate the Company's efforts to grow in this premium category across the global Fragrance industry

Launched first collection of perfumes from recently established Fine Fragrance Development Centre in Amsterdam, Netherlands

- The Company now has a strong base in Europe, which is widely considered a global centre for Fine Fragrances - to enable SHK to track early development in trends and target new business opportunities coming up in the region

Key Developments

Healthy progress marked in the operational reorganization of PFW in Netherlands

- Rationalization of Netherlands manufacturing operations is progressing as per plan
- The cost-saving initiative in the overseas Fragrance division will allow greater flexibility in backend manufacturing operations 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

9M FY2018 Financial and Operational Discussions (Y-o-Y)



Revenues from operations stood at Rs. 737 crore as against Rs. 729 crore

- Topline came in higher led by robust volume growth reported during the quarter
- Strong recovery in demand seen across all key customer categories - witnessing normalization of consumer demand in the domestic market in a post GST environment
 - The Company expects the growth momentum to sustain as trade further stabilizes along with improving macro factors
- Despite volatile raw material prices, the Company's inventory management strategy enabled it to sustain supplies and gain market share across customers
- International business reported stable performance amid a challenging macro-environment prevalent in the Middle East

EBITDA improves by 3.6% to Rs. 141 crore; EBITDA margins at 18.9%

- Better sales mix supported improvement in gross margins during 9M FY2018 - improved to 48% as compared to 46% in the corresponding period last year

PBT at Rs. 112 crore

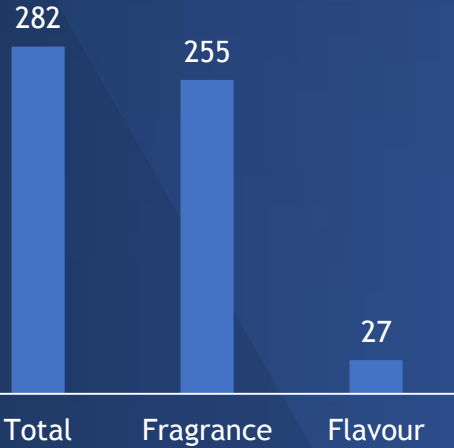
- Profit before exceptional items and tax stood at Rs. 122 crore, higher by 3%
- Exceptional one-time expense of Rs. 10.1 crore on account of operational reorganization of PFW in Barneveld, Netherlands impacted profitability

PAT (excluding one-time exceptional expense) grew by 2.8% to Rs. 79.4 crore from Rs. 77.3 crore

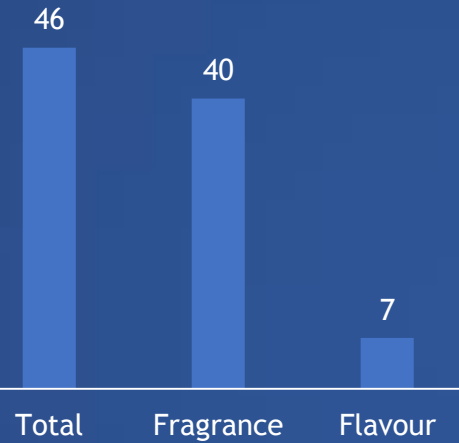
PAT stood at Rs. 73 crore as against Rs. 77 crore; EPS at Rs. 5.04

Revenue & Operating Performance - Q3 & 9M FY18

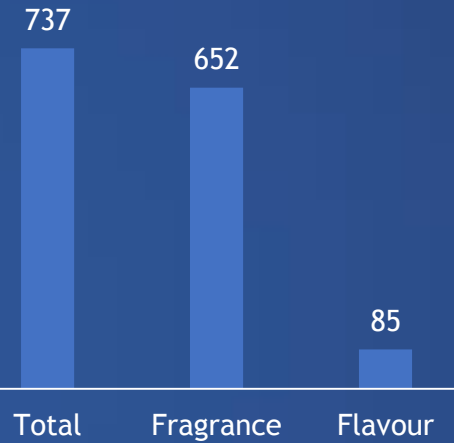
Q3 FY18 (Revenue)



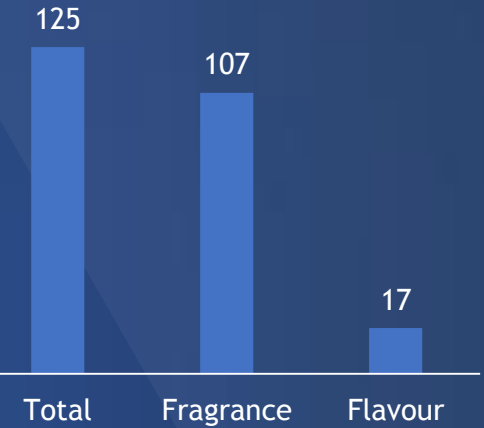
Q3 FY18
(Operating Profit)



9M FY18 (Revenue)



9M FY18
(Operating Profit)



Y-o-Y Growth

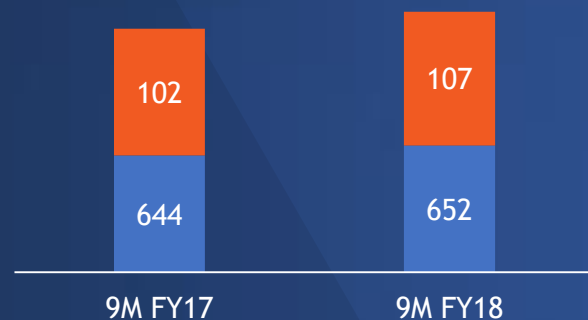
22%	26%	-4%	19%	33%	-24%	1%	1%	0%	1%	5%	-19%
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- For Q3 FY18, revenues improved by 22.2% to Rs. 282 crore; Constant currency revenues was higher by 1.1%
 - Strong uptick in demand from the FMCG sector and stabilizing scenario post-GST supported a healthy performance on the domestic front during the quarter
- Fragrance division contributed 88% to Total Revenues and contribution of Flavours division stood at 12%

Fragrance Division

Net Revenue & Operating Profit - 9M FY18

■ Revenue ■ OP



- Fragrance division delivered strong performance during the quarter
- In-line with internal expectations, international fragrance business also reported healthy financial performance
- Operating profit was at Rs 107 crore, higher by 5%
 - Operating profit margins were higher at 16.5% in 9M FY18 vs 15.8% in 9M FY17

Y-o-Y Growth

Rev. growth 1%

OP growth 5%

Domestic and Overseas Revenue - 9M FY18



Note: Figures in Rs. crore

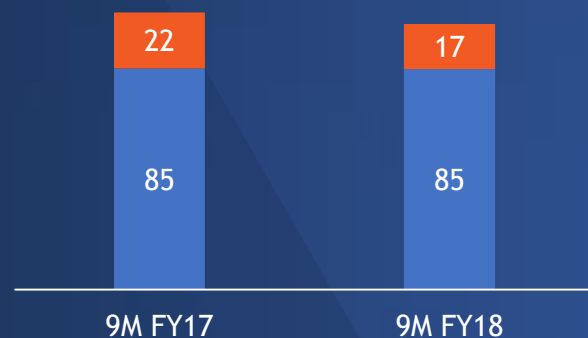
Y-o-Y Growth (%)	9M FY18
Domestic	1
Overseas	3
Total Growth	1



Flavour Division

Net Revenue & Operating Profit - 9M FY18

■ Revenue ■ OP



- Flavour division reported a stable performance during the period
- Domestic segment grew 10%, while overseas business reported de-growth of 12%
- Operating profit margins at 20.5% in 9M FY18 vs 25.3% in 9M FY17
 - Challenging operating environment in the Middle-East region led to subdued performance in the overseas segment

Y-o-Y Growth

Rev. growth 0%

OP growth -19%

Domestic and Overseas Revenue - 9M FY18



Note: Figures in Rs. crore

Y-o-Y Growth (%)	9M FY18
Domestic	10
Overseas	-12
Total Growth	0



Balance Sheet Snapshot - As on 31st December, 2017



825

Networth

357

Fixed Assets

107

Cash & Investments

4

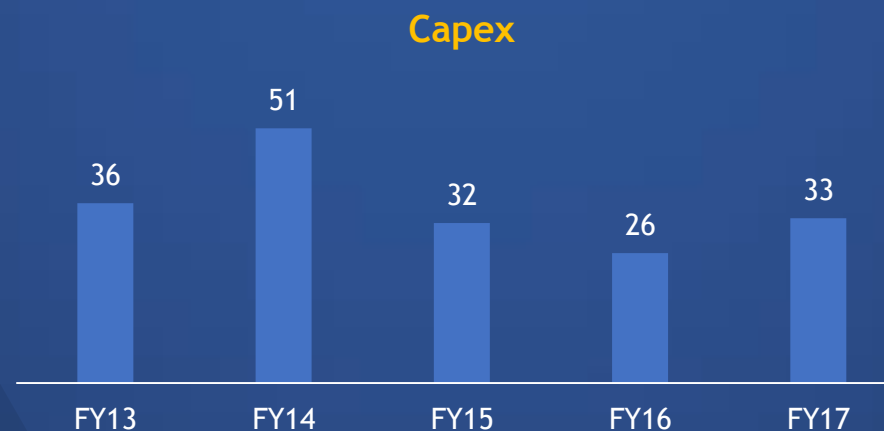
Net Debt

Cash Flow Snapshot



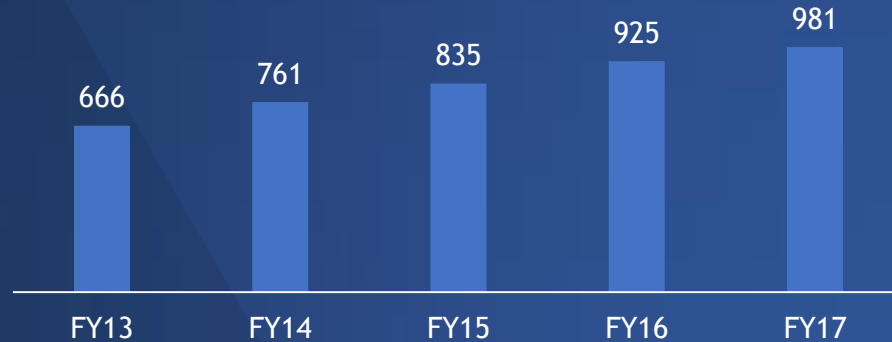
Particulars (Rs. crore)	FY13	FY14	FY15	FY16	FY17	9M FY18
Cash flow from Operations	103.1	32.1	61.7	86.4	103.2	87.9
Cash flow from investing activities	-33.3	-63.7	-17.3	-22.4	-93.0	-94.8
Net	69.8	-31.6	44.4	64.0	10.2	-6.9

Note: Cash and cash equivalent includes investments in mutual fund

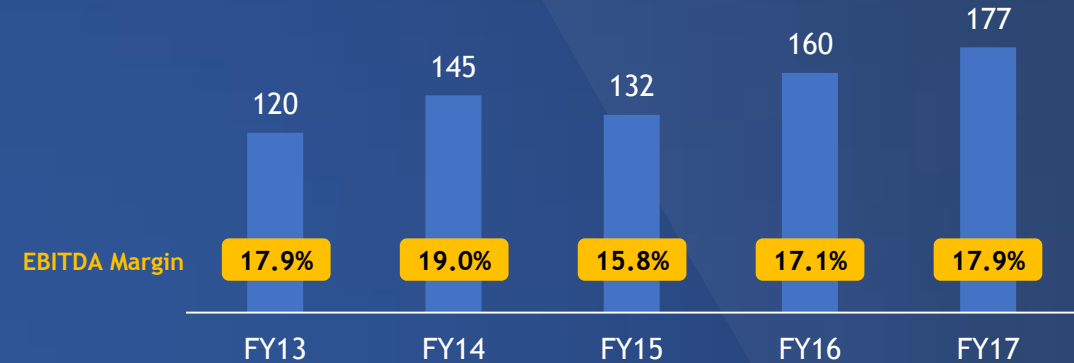


Robust Historical Financial Trend

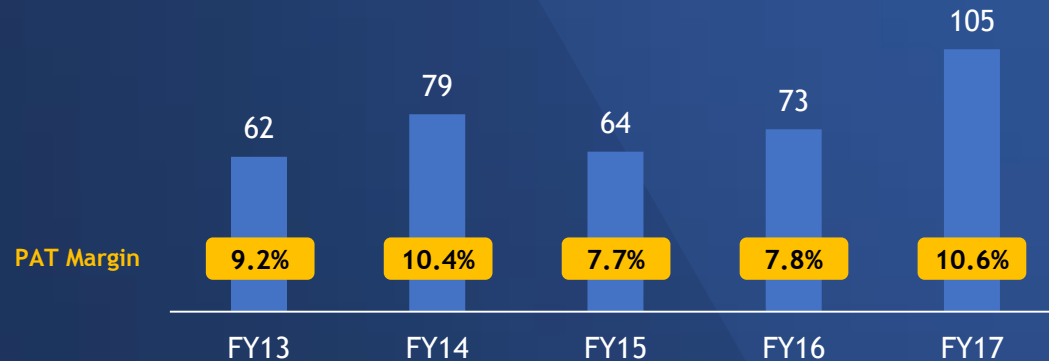
Net Revenue from Operations



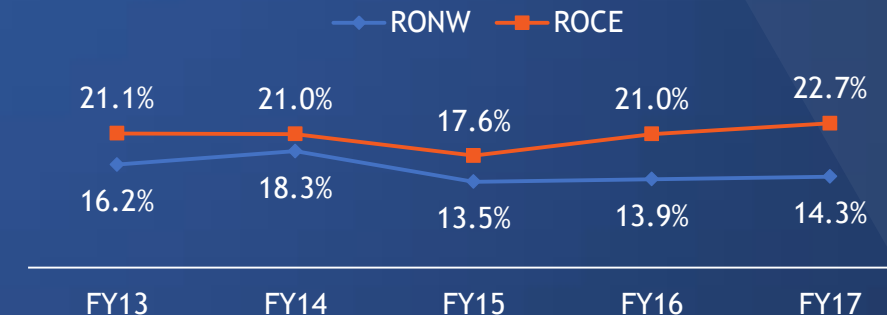
EBITDA



PAT



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



Key Financial Ratios



Particulars (Rs. crore)	FY13	FY14	FY15	FY16	FY17	9M FY18
EBITDA margin (%)	17.9	19.0	15.8	17.1	17.9	18.9
PAT Margin (%)	9.2	10.4	7.7	7.8	10.6	9.8
Debt to Equity	0.3	0.4	0.5	0.1	0.1	0.1
Debt to EBITDA	1.1	1.3	1.8	0.5	0.4	0.6
Return on Networth (%)	16.2	18.3	13.5	13.9	14.3	12.1
Return on Capital Employed (%)	21.1	21.0	17.6	21.0	22.7	19.1

Note:

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 FY15 as per IGAAP;



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Annexure

Conference Call Details



S H Kelkar and Company Ltd.'s Q3 & 9M FY18 Earnings Conference Call

Time	• 12.00 noon IST on Wednesday, January 17, 2018
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Primary dial-in number	• +91 22 3938 1071
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India Local access Number	• +91 70456 71221 (Available all over India)
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	• Hong Kong: 800 964 448
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International Toll Free	• Singapore: 800 101 2045
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Number	• UK: 0 808 101 1573
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	• USA: 1 866 746 2133
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About Us



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 scientists, perfumers, flavourists, evaluators and application executives at its facilities and five creation and development centers 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 of over 4,100 customers including leading national and multi-national FMCG companies, blenders of fragrances & flavors and fragrance & flavor producers.

For further information please contact:

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Thank You