



Crafting Sensorial Delight

S H Kelkar and Company Limited

Largest Indian-origin Fragrance & Flavour Company

Q1 FY18 Earnings Presentation

August 10, 2017





Disclaimer

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Q1 FY18 Results Overview

Consolidated Summarized P&L Statement

| Particulars (Rs. crore) | Q1 FY18 | Q1 FY17 | Y-o-Y Change (%) |
|---|--------------|--------------|------------------|
| Revenues from Operations (Net of excise & discount) | 233.9 | 254.4 | -8.1% |
| Other Operating Income | 1.1 | 1.4 | -24.6% |
| Total Operating Income | 235.0 | 255.9 | -8.2% |
| Other Income | 3.8 | 3.2 | 19.9% |
| Total Income | 238.8 | 259.0 | -7.8% |
| Total Expenditure | | | |
| ▪ Raw Material expenses | 122.2 | 141.8 | -13.8% |
| ▪ Employee benefits expense | 30.2 | 28.3 | 6.7% |
| ▪ Other expenses | 40.0 | 38.4 | 3.9% |
| EBITDA | 46.5 | 50.5 | -8.0% |
| EBITDA margin (%) | 19.5% | 19.5% | -3 bps |
| Finance Costs | 0.6 | 1.7 | -65.3% |
| Depreciation and Amortization | 5.8 | 4.4 | 32.4% |
| PBT | 40.1 | 44.4 | -9.7% |
| Tax expense | 13.3 | 16.9 | -21.5% |
| PAT | 26.8 | 27.5 | -2.5% |
| PAT Margins | 11.2% | 10.6% | +60 bps |
| Cash Profit | 32.6 | 31.9 | 2.3% |

Q1 2018 Financial and Operational Discussions (Y-o-Y)



Total Income at Rs. 239 crore as against Rs. 259 crore

- The business momentum across the domestic market saw a slowdown due to GST-led cautiousness in trade and other broader market challenges
- International business reported stable performance amid a challenging macro-environment

EBITDA stood at Rs. 46.5 crore; EBITDA margins steady at 19.5%

- Subdued sales performance translated into lower EBITDA at Rs. 46.5 crore as against Rs. 50.5 crore in Q1 FY17
- Gross margins saw healthy improvement in-line with Company's approach to optimize raw material costs

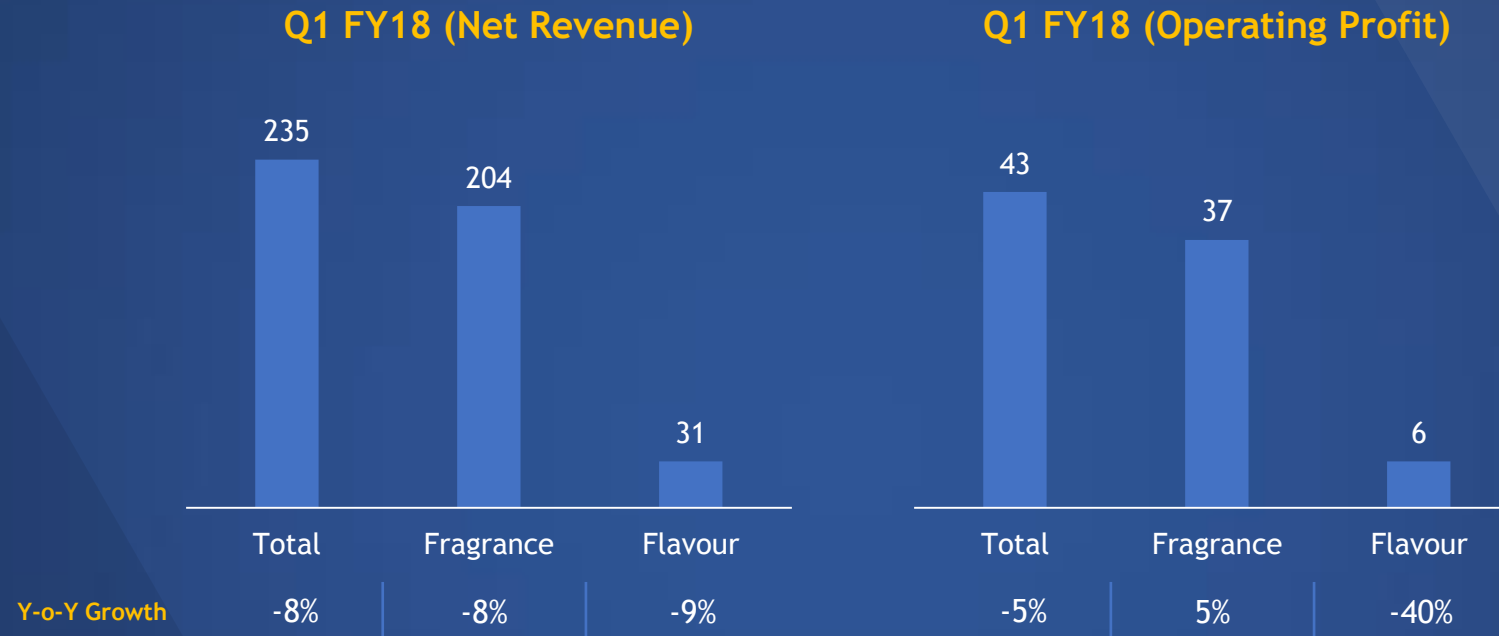
PBT at Rs. 40.1 crore

- PBT is lower by 9.7% at Rs. 40.1 crore as against Rs. 44.4 crore in Q1 FY17

PAT stood at Rs. 26.8 crore as against Rs. 27.5 crore, lower by 2.5%

- PAT margins improve to 11.2%

Revenue & Operating Performance - Q1 FY18

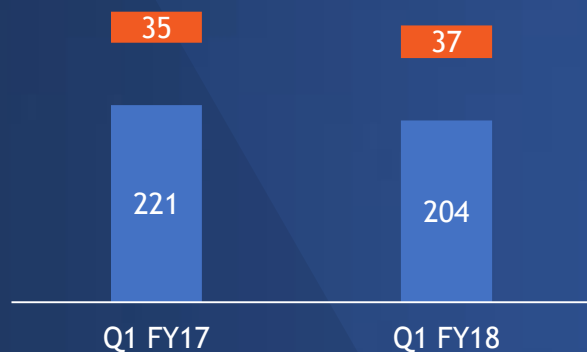


- Q1 FY18 Total Revenue lower by 8%; Constant currency was lower by 7%
 - Lower offtake in the FMCG sector owing to GST resulted in subdued domestic performance during the quarter.
 - Domestic sales declined by 10%
 - Further, weak demand in the international markets impacted overseas performance during the quarter
 - Overseas sales were down 3%
- Fragrance division contributed 87% to Total Revenues and contribution of Flavours division stood at 13%

Fragrance Division

Net Revenue & Operating Profit - Q1 FY18

■ Revenue ■ OP



- Fragrance division reported lower than expected growth during the quarter - domestic revenues declined by 12%, overseas market reported steady growth of 3%
- GST-led destocking across trade and channels led to subdued domestic performance
- Operating profit was at Rs 37 crore, higher by 5%
 - Operating profit margins - at 17.9% in Q1 FY18 vs 15.7% in Q1 FY17

Y-o-Y Growth

Rev. growth -8%

OP growth 5%

Domestic and Overseas Revenue - Q1 FY18



Note: Rs. crore

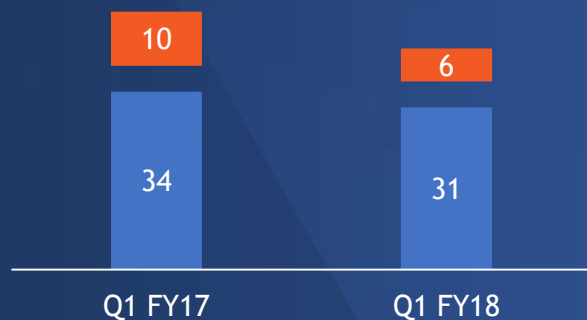
| Y-o-Y Growth (%) | Q1 FY18 |
|------------------|---------|
| Domestic | -12 |
| Overseas | 3 |
| Total Growth | -8 |



Flavour Division

Net Revenue & Operating Profit - Q1 FY18

■ Revenue ■ OP



- Flavour division reported a subdued performance during the quarter. On a half yearly basis, overseas demand is expected to be comparable with last year (demand shift within Q1 & Q2)
- Operating profit margins at 20.1% in Q1 FY18 vs 30.3% in Q1 FY17
 - Additional amortization and one-time costs incurred for integration of acquired business impacted margin performance

Y-o-Y Growth

Rev. growth -9%

OP growth -40%

Domestic and Overseas Revenue - Q1 FY18



Note: Rs. crore

| Y-o-Y Growth (%) | Q1 FY18 |
|------------------|---------|
| Domestic | 8 |
| Overseas | -28 |
| Total Growth | -9 |



Balance Sheet Snapshot - As on 30th June, 2017



842

Networth

325

Fixed Assets

91

Cash & Investments

-20

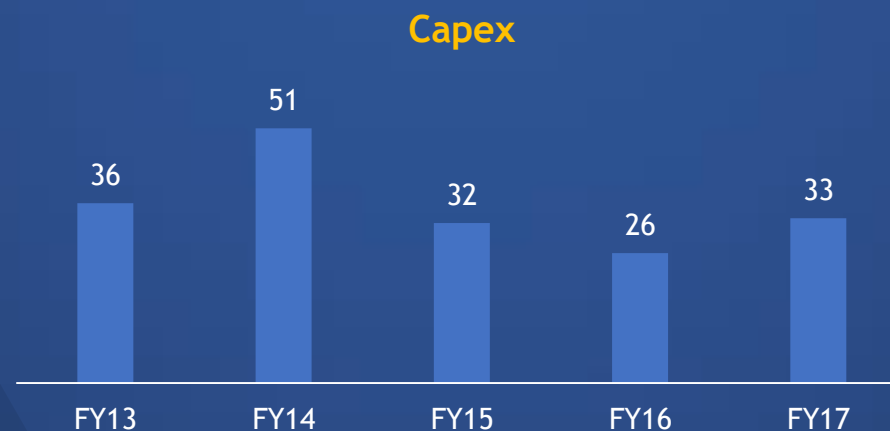
Net Debt

Cash Flow Snapshot



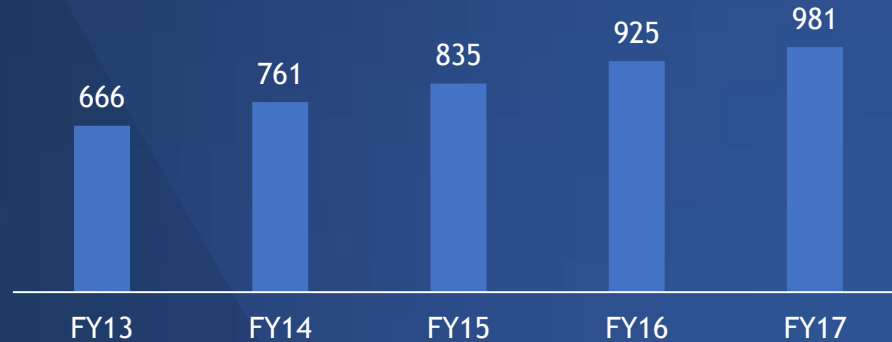
| Particulars (Rs. crore) | FY13 | FY14 | FY15 | FY16 | FY17 | Q1 FY18 |
|-------------------------------------|-------|-------|-------|-------|-------|---------|
| Cash flow from Operations | 103.1 | 32.1 | 61.7 | 86.4 | 103.2 | 30.6 |
| Cash flow from investing activities | -33.3 | -63.7 | -17.3 | -22.4 | -93.0 | -39.1 |
| Net | 69.8 | -31.6 | 44.4 | 64.0 | 10.2 | -8.4 |

Note: Cash and cash equivalent includes investments in mutual fund

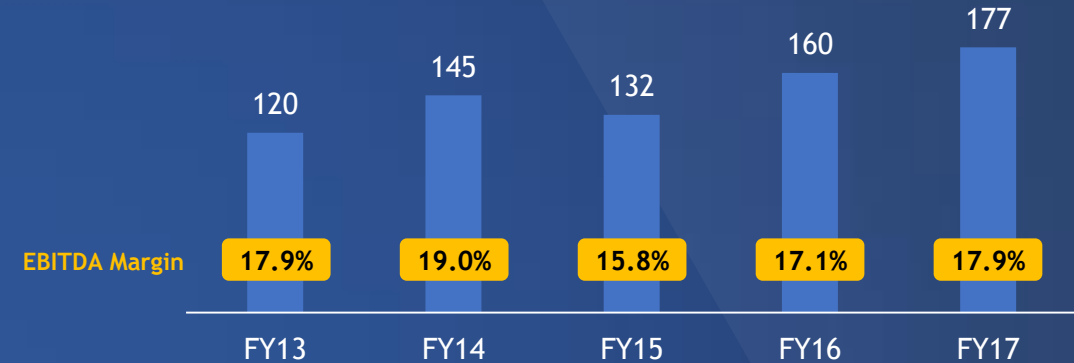


Robust Historical Financial Trend

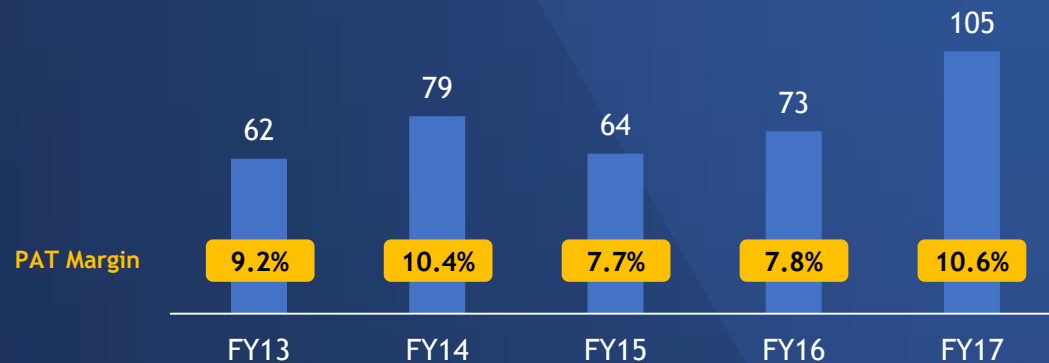
Net Revenue from Operations



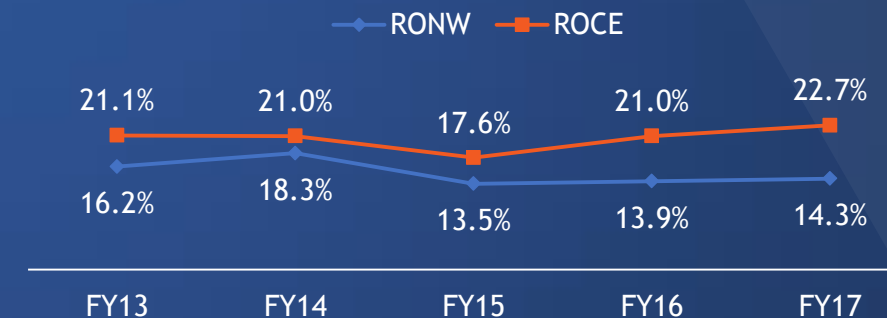
EBITDA



PAT



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



Key Financial Ratios



| Particulars (Rs. crore) | FY13 | FY14 | FY15 | FY16 | FY17 | Q1 FY18 |
|--------------------------------|------|------|------|------|------|---------|
| EBITDA margin (%) | 17.9 | 19.0 | 15.8 | 17.1 | 17.9 | 19.5 |
| PAT Margin (%) | 9.2 | 10.4 | 7.7 | 7.8 | 10.6 | 11.2 |
| 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 | 0.4 |
| Return on Networth (%) | 16.2 | 18.3 | 13.5 | 13.9 | 14.3 | 13.5 |
| Return on Capital Employed (%) | 21.1 | 21.0 | 17.6 | 21.0 | 22.7 | 21.0 |

Note:

1. Return on Networth is calculated as: $\text{PAT} / \text{Average Networth}$
2. Return on Capital Employed is calculated as: $\text{EBIT} / \text{Average Capital Employed}$
3. All figures till FY15 as per IGAAP;

Management Comment



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

"We have begun the fiscal on a steady footing despite broader market challenges and subdued demand in the FMCG sector. GST-led destocking across trade and channels impacted the sector as a whole, which in turn affected our domestic performance. International business performance, however, remained fairly steady as we sustained market share across key geographies.

Over the last many years, we have been constantly working on several cost optimization measures to improve our operating efficiency. In sync with this approach, the Company is implementing a well-thought out cost-saving initiative in the Fragrance division, which will allow us greater flexibility in our backend manufacturing operations and leverage our existing presence in a low cost centre. This initiative is a key area of focus for us and we look forward to reporting an attractive ROI.

Going forward, we anticipate the macro-situation to normalize by the latter half of the fiscal led by a healthy rebound of consumer demand. We remain confident that our business fundamentals, innovation & R&D capabilities, and our leadership position in the niche sector will help upscale Company's performance in the quarters ahead. Moreover, the pro-growth and cost-saving initiatives undertaken by us will also help augment business performance from H2 FY18 onwards."



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Annexure

Conference Call Details



S H Kelkar and Company Ltd.'s Q1 FY18 Earnings Conference Call

| | |
|-------------|---|
| Time | • 12.00 noon IST on Monday, August 14, 2017 |
|-------------|---|

| | |
|-------------------------------|--------------------|
| Primary dial-in number | • +91 22 3938 1071 |
|-------------------------------|--------------------|

| | |
|----------------------------------|---|
| India Local access Number | • +91 22 3940 3977 (Accessible from all carriers) |
|----------------------------------|---|

| | |
|---------------------------------------|---|
| International 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 |
|---------------------------------------|---|

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, 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.

For further information please contact:

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Thank You