



S H Kelkar and Company Limited

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S H Kelkar announces Q3 & 9M FY18 results

Q3 FY18

Strong recovery in Fragrance business

Highest ever revenue at Rs. 282 Cr, growth of 22%

PAT* up 33% to Rs. 34 Cr

Mumbai, January 16, 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 nine months ended December 31, 2017.

Q3 FY18 performance overview compared with Q3 FY17

- Revenues from operations higher by 22.2% to Rs. 281.8 crore from Rs. 230.6 crore
- EBITDA higher by 40.6% at Rs. 58.2 crore from Rs. 41.4 crore
 - EBITDA margin at 20.5%
- PAT (excluding one-time exceptional expense) higher by 33.1% at Rs. 33.8 crore from Rs. 25.4 crore
 - Exceptional one-time expense of Rs. 10.1 crore on account of operational reorganization of PFW in Barneveld, Netherlands
- PAT higher by 7.2% to Rs. 27.2 crore from Rs. 25.4 crore
- Strong recovery in demand seen across all key customer categories – witnessing normalization of consumer demand in the domestic market in a post GST environment

9M FY18 performance overview compared with 9M FY17

- Revenues from operations higher by 1.1% to Rs. 736.5 crore from Rs. 728.9 crore
- EBITDA higher by 3.6% to Rs. 141.3 crore from Rs. 136.4 crore
 - EBITDA margin at 18.9%
- PAT (excluding one-time exceptional expense) higher by 2.8% to Rs. 79.4 crore from Rs. 77.3 crore
- PAT lower by 5.7% at Rs. 72.9 crore from Rs. 77.3 crore

**PAT excluding exceptional one-time expense*

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

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

- **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

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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 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 Keval 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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