



S H Kelkar and Company Limited

Corporate Office: L.B.S Marg, Near Balrajeshwar Temple, Mulund (W), Mumbai – 400079

Registered Office: Devkaran Mansion, 36, Mangaldas Road, Mumbai 400 002.

S H Kelkar and Company announces Q4 & FY16 results

Total Income up 11% to Rs. 927 crore
EBITDA improves 24% to Rs. 164 crore

Mumbai, 27 May, 2016: S H Kelkar and Company, the largest Indian origin Fragrance and Flavours Company in India, has announced its financial results for the quarter & year ended March 31, 2016.

FY2016 performance overview compared with FY2015

- Total Income grew by 10.9% to Rs. 927 crore from Rs. 836 crore
- EBITDA improved by 23.8% to Rs. 164 crore from Rs. 132 crore
 - EBITDA margin stood at 17.6%, up by 180 bps
- Profit Before Tax and Extraordinary Items increased by 42% to Rs 120 crore from Rs 84 crore
- Profit After Tax came in at Rs. 80 crore compared to Rs. 70 crore, up 13.9%
- Net Operating Profits after Tax (before sale of property and prior period tax credit) was up 44% to Rs. 80 crore from Rs. 56 crore
- Cash Profit increased by 9.9% to Rs. 110 crore from Rs. 100 crore
- The Company had declared an interim dividend of Rs. 1.50 per share (Face Value of Rs. 10 per share) – resulting in a cash outflow of Rs. 26 crore for dividend payment including tax, amounting to a dividend payout ratio of 32.5% for FY2016

Q4 FY2016 performance overview compared with Q4 FY2015

- Total Income grew by 12.9% to Rs. 266 crore from Rs. 236 crore
- EBITDA increased by 35.4% to Rs. 50 crore from Rs. 37 crore
 - EBITDA margin increased by 320 bps to 19%
- Profit Before Tax and Extraordinary Items grew by 81.6% to Rs. 41 crore from Rs. 23 crore
- Profit After Tax was up 24.6% at Rs. 26 crore compared to Rs. 21 crore
- Cash Profit improved by 13.5% to Rs. 110 crore from Rs. 100 crore
- Net Operating Profits after Tax (before sale of property and prior period tax credit) grew by 53.6% to Rs. 26 crore from Rs. 17 crore

Key Developments

- Integration of Hi-Tech Technologies (HTT) acquisition comprising of Flavours Division progressing well
 - Executed a Business Transfer Agreement with HTT for acquisition of its Flavours Division for a total consideration of Rs. 25.1 crore
 - Shifted production to the Company's facility in Vashivali, Maharashtra – expect overall integration to be complete by Q1 FY17
 - Acquisition in-line with the Company's plan to pursue strategic acquisitions to grow the Flavours business – HTT acquisition to almost double the Company's domestic Flavour market share

- Maintenance shutdown of the manufacturing facility at Barneveld, Netherland concluded
 - Conducted a maintenance shutdown of the Company's Fragrance Ingredients facility in April 2016 – included a comprehensive recalibration of Plant & Machinery and maintenance of infrastructure like underground storage tanks. This overhaul is expected to improve productivity going forward
 - The four week shutdown was part of best practices and undertaken every 15 years with the last one conducted in the year 2000. This shutdown is distinct from the annual maintenance program which is less comprehensive and hence, less time consuming

- Acquired Rasiklal Hemani Agencies Pvt Ltd (RHAPL) during the quarter – agent in the Northern Region for the Company's fragrances
 - Acquired 100% of share capital of RHAPL at Book Value – valued at Rs. 28.2 crore as on 31st March 2016. Further, an amount of Rs. 5 crore paid by way of Goodwill. Payback of 2-3 years expected through cost optimization
 - To help consolidate the Company's leadership position in India as it expands the marketing and sales team to address the growing requirements of customers. Directly manage customer relationships in the Northern Region

Commenting on the results, Mr. Kedar Vaze, Chief Executive Officer and Director at SH Kelkar and Company said, *"We are pleased to report solid financial and operational performance in both Fragrance and Flavours businesses driven by improved realizations and volumes. As our business grows going forward, we expect to witness notable operating leverage which should enable us to further improve our operational performance."*

Domestic FMCG industry has been facing some headwinds, however demand is anticipated to pick-up with good monsoons this year. Our endeavor is to sustainably outperform the industry growth rate on the back of our leadership position, comprehensive product portfolio, diverse customer base, and focus on innovation & R&D. Given our strong balance sheet and robust free cash flow generation, we continue to pursue strategic initiatives that we believe will generate significant value to all stakeholders."

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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. 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.

**Source: "Market Study on Fragrances and Flavours" by Nielsen, March 22, 2015*

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