



S H Kelkar and Company Limited

Corporate Office: L.B.S Marg, Near Balrajeshwar Temple, Mulund (W), Mumbai – 400080

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

S H Kelkar announces Q3 & 9M FY19 results

9M FY19

Revenues from operations higher by 5% at Rs. 773 Cr
Domestic Fragrance revenue grew 6%
Gross margins at 44% despite RM headwinds

Mumbai, February 6, 2019: 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, 2018.

9M FY19 performance overview compared with 9M FY18

- Revenues from operations stood at Rs. 772.6 crore as against Rs. 736.5 crore, higher by 5% YoY
- EBITDA at Rs. 123.9 crore as against Rs. 141.3 crore
 - Pricing pressures on key raw materials continued to impact profitability on a YoY basis
 - The Company undertook price increases during the period under review to partially cover the unprecedented raw material inflation. This, combined with the several cost-optimization measures undertaken by SHK over the last several quarters, has resulted in stable gross margins, which improved sequentially during Q3 FY19
 - Gross margins in 9M FY19 stood at 44% vs. 47% in 9M FY18
 - The Company expects gross margins to further improve once the Mahad facility operations fully ramp up
 - The employee costs during 9M FY19 increased by 4% YoY owing to a one-time expense of Rs. 5.4 crore incurred towards rationalization of Creative Development Centers (CDC) in Europe
- PAT stood at Rs. 68.9 crore as against Rs. 72.9 crore

- The Company expects growth to normalize from Q1 FY20 onwards as operating parameters stabilize along with improving macro factors

Q3 FY19 performance overview compared with Q3 FY18

- Revenues from operations at Rs. 254.5 crore from Rs. 281.8 crore, owing to a subdued domestic demand in December
- EBITDA at Rs. 45.0 crore as against Rs. 58.2 crore
 - EBITDA margin stood at 17.2% vs 20.5%
 - Gross margins improved sequentially to 45%
- PAT stood at Rs. 21.4 crore as against Rs. 27.2 crore

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

“Over the last 3 years, since the listing of our Company, the business has undergone three high-intensity market disruptions which include Demonetization, GST implementation, and the recent raw material shortage event. However, SHK’s business model and the financial parameters have held strong, enabling the underlying core business to still report gross margins in the range of 43-45% and EBITDA margins within the range 17-20%.

While we witnessed an uptick in consumer demand in the months of October and November during the quarter, the sales performance in the month of December was far below our expectations. The business delivered subdued performance in the domestic segment, especially in certain categories which witnessed a transitory slow-down due to delays in GST refund leading to uncertainty among certain customers. As things get more streamlined, we anticipate business in this segment to recover. Despite this operating environment, our client base remained intact and we witnessed a healthy pace of new client wins during Q3, so we expect the scenario to normalize going forward.

We continue to focus towards enhancing our operational capabilities and are rationalizing costs across business parameters. We believe, in the longer term, this will help bring in higher business efficiencies, and assist us to bounce back strongly when we see normalization of operating parameters. Simultaneously, we are also focusing on optimizing our Greenfield manufacturing facility at Mahad. On the whole, we are confident of delivering improved results as a revival in macros coupled with our strategic initiatives towards strengthening our product offerings and cost saving measures should help augment business performance from FY 2020 onwards.”

Key Developments:

Healthy progress towards ramping up production at Mahad facility

- The state-of-the-art facility at Mahad manufactures Tonalid and other key raw materials used in the fragrance industry
- The facility, commissioned in September, 2018, is expected to reach optimal utilizations levels over the next few quarters
- Operationalization of this facility to help improve availability of key raw materials, business and cost efficiencies going forward

Promoters hike stake in the Company by purchase of 250,000 shares in January 2019

- The acquisition of shares have been made from own liquidity and reiterate the promoter group's commitment towards the business and confidence in the Company's growth outlook
- The recent pledge of shares by the promoter's has been for meeting transitory liquidity gaps from time to time and no draw down has been made so far



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 96 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 flavour 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 four creation and development centres in India, The Netherlands, Indonesia and Italy for the development of fragrance and flavour products. The research team has developed 12 molecules over the last three years. The Company has filed 13 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 flavour products for the FMCG, personal care, pharmaceutical and food & beverages industry. The Company has a diverse and large client base including leading national and multi-national FMCG companies, blenders of fragrances & flavours and fragrance & flavour producers.

For further information please contact:

Ms Deepti Chandratre
S H Kelkar and Company Limited
Tel: +91 22 2167 7777
Fax: +91 22 2164 9766
Email: deepti.chandratre@keval.co.in

Anoop Poojari / Shikha Kshirsagar
CDR India
Tel: +91 22 6645 1211/1243
Fax: +91 22 6645 1213
Email: anoop@cdr-india.com
shikha@cdr-india.com

DISCLAIMER:

Certain statements and opinions with respect to the anticipated future performance of SHK in the press release ("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 press release 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 press release or that this press release is suitable for the recipient's purposes. The delivery of this press release 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.