



October 30, 2021

To
The Manager
The Department of Corporate Services
BSE Limited
Floor 25, P. J. Towers,
Dalal Street, Mumbai – 400 001

To
The Manager
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051

Scrip Code: 539450

Scrip Symbol: SHK

Dear Sir/ Madam,

Sub: Submission of earnings presentation in respect of unaudited financial results for the quarter and six months ended September 30, 2021

Further to the approval of unaudited financial results (standalone and consolidated) for the quarter and six months ended September 30, 2021 by the Board of Directors of the Company at its meeting held on October 29, 2021 and submission of the same with the stock exchanges, we submit herewith earnings presentation in respect of financial results.

You are requested to take the above on record.

Thanking you,

Yours faithfully,

For S H Kelkar and Company Limited



**Deepti Chandratre
Company Secretary and Compliance Officer**

Encl: a/a



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**S H KELKAR
AND COMPANY LIMITED**

Q2 & H1 FY22 Earnings Presentation

October 29, 2021

Disclaimer

Certain statements and opinions with respect to the anticipated future performance of SH Kelkar (SHK) in the presentation (“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 presentation 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 presentation or that this presentation is suitable for the recipient’s purposes. The delivery of this presentation 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.



Scientific
Edge

Q2 & H1 FY22 Results Overview



Artistic
Imagination

Management Comment

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



“We have reported a steady performance in the first half of the fiscal. Our European business registered healthy growth on the back of higher consumption and demand trends during the period. On a consolidated basis, our revenue from operations in H1 grew by 31% on a YoY basis and on a like to like basis, it grew by 15% YoY. H1 FY2021 results included consolidation of CFF for only 2 months, i.e. August and September 2020. So, on a like to like basis, CFF’s core fragrance business grew by 39% in H1 and on a 2-year CAGR it was 10%. In Q2, we have reported muted performance on the back of a challenging macro-environment witnessed in the emerging markets and higher base in the previous quarter last year. Emerging markets sales grew by 9% during the first half of the year.

We continued to witness cost pressures on account of global inflation in raw materials. However, our inventory policy, better product mix, and our ability to pass on price increases enabled us to minimize the impact on margins. In order to efficiently mitigate cost pressures and to normalize our operating margins, we are working with our customers to undertake further price hikes in the future.

In one of the key developments during the quarter, we are happy to share that we won an order in the Home Care segment from a large global MNC player in the domestic FMCG market. This strategic win will enhance our competitive advantage in the domestic markets and will support our endeavour to build presence in the high-potential global MNC space over the longer term.

The Board at the meeting today also approved the buyback of SHK’s fully paid up equity shares. It signifies our confidence on both the balance sheet and our future cash flows over the medium to long term. From an overall demand standpoint, we are encouraged with healthy client engagements and enquiries across the emerging and European markets. In a normalized demand environment, we are confident that our emphasis on growth should enable us to report healthy performance going forward”

Consolidated Summarized P&L Statement

Particulars (Rs. crore)	Q2 FY22	Q2 FY21	Y-o-Y Change (%)	H1 FY22	H1 FY21	Y-o-Y Change (%)
Revenue from Operations	358.3	351.9	1.8%	713.2	543.3	31.3%
Sales	335.0	339.7	-1.4%	666.9	531.1	25.6%
Sales - Contract Manufacturing	23.3	12.2	91.0%	46.3	12.2	279.5%
Other Operating Income	0.5	2.6	-80.8%	1.2	3.7	-69.2%
Total Operating Income	358.8	354.5	1.1%	714.3	547.0	30.6%
Other Income	1.1	6.2	-82.3%	4.5	10.2	-55.6%
Foreign Exchange Gain on Export contracts	-	3.7	-	-	5.4	-
Other	1.1	2.4	-54.2%	4.5	4.8	-6.3%
Total Income	359.9	360.6	-0.2%	718.9	557.2	29.0%
Total Expenditure	305.0	283.4	7.6%	619.1	444.9	39.1%
Raw Material expenses	212.7	198.4	7.2%	418.2	306.5	36.4%
Employee benefits expense	46.8	40.3	16.1%	94.8	63.5	49.3%
Other expenses	45.5	44.6	2.0%	106.1	74.9	41.6%
EBITDA	54.9	77.3	-29.0%	99.8	112.3	-11.1%
EBITDA margin (%)	15.3%	21.4%	-616 Bps	13.9%	20.2%	-627 Bps
Finance Costs	4.1	4.4	-6.8%	7.4	8.9	-17.2%
Depreciation and Amortization	17.4	14.9	16.8%	34.6	26.5	30.5%
Profit before exceptional items and tax	33.5	58.0	-42.2%	57.9	76.9	-24.7%
Share of Profit/(Loss) in equity accounted investee	0.0	-0.1		0.1	0.1	-52.1%
Exceptional Items Gain / (loss)	-6.2	12.5	-149.6%	-6.2	12.5	-149.6%
PBT	27.3	70.4	-61.2%	51.8	89.5	-42.2%
Tax expense	5.2	16.7	-68.9%	-51.8	20.8	-348.8%
Reported PAT	22.1	53.7	-58.8%	103.5	68.8	50.6%
Reported PAT margin (%)	6.1%	14.9%	-874 Bps	14.4%	12.3%	+206 Bps
Cash Profit	45.7	56.1	-18.5%	144.3	82.7	74.4%



Key Developments

Strategic order win in the Home Care segment

- Driven by robust R&D capabilities and innovation strategies, SHK is the only Company of Indian origin to file patents in the field of Fragrance and Novel Aroma Molecules
 - These patented molecules along with SHK's strong & well-known expertise in the Indian fragrance industry paved the way for this order win
- This strategic association will enhance the Company's competitive advantage in the domestic markets and will enable SHK to build its presence in the high-potential global MNC space in the longer term

Resumption of Mahad operations

- On July 22, 2021, SHK had temporarily suspended operations at its unit in Mahad on account of unprecedented rains. The Company had undertaken all necessary steps to resume operations at the earliest
- Accordingly, the Company's operations and production activities at the Mahad unit have restarted in a calibrated manner from August 26, 2021 onwards
- With business continuity plan implemented during the period, SHK continued to cater to customers' demands without any major disturbances. The financial impact due to this disruption was nominal



Key Developments

Update on Debt position

- As per the amended Schedule III of the Companies Act, 2013, the Company has excluded lease liabilities from its total debt position, which are to be disclosed separately
- Accordingly, comparative figures for previous periods are also mentioned henceforth. As on September 30, 2021, the Company's net debt position stood at Rs. 347 crore compared to Rs. 334 crore as on June 30, 2021 and Rs. 324 crore in March 31, 2021

Board approves buyback of shares

- The Board approved the buyback of SHK's fully paid up equity shares of face value of ₹10 each at ₹ 210 per equity share through the "Tender Offer" route
- The total amount of buyback size will be a maximum of Rs. 60.9 crore. The Company proposes to buy back 29 lakhs equity shares at the offer price, representing 9.64% of standalone and 6.65% of consolidated fully paid-up equity share capital and free reserves as per audited financial statement of 31st March, 2021



Financial and Operational Discussions (Y-o-Y)

H1 FY22 Revenues from operations stood at Rs. 713.2 crore

- SHK reported a steady performance during H1. On a year-on-year basis, the Company's performance is not comparable on account of consolidation of CFF and Nova in Q2 & H1 FY22
 - On a like-to-like basis, revenues grew by 15% YoY
 - Emerging markets sales grew by 9% YoY in H1 FY22.
 - H1 FY2021 results included consolidation of CFF for only 2 months., i.e August and September 2020. So, on a like to like basis, CFF's core fragrance business grew by 39% in H1 and on a 2-year CAGR it was 10%
- In Q2 FY22, the Company reported muted performance on the back of a challenging macro-environment and higher base witnessed in the previous quarter last year

H1 FY22 EBITDA stood at Rs. 99.8 crore, with margins at 13.9%

- Gross margins in H1 FY22 stood at 41.5%. The Company saw cost pressures on account of global inflation in raw materials, which impacted margin performance during the period. However, SHK's inventory policy, better product mix, and its ability to pass on price increases enabled it to minimize the impact on margins
- The Company is monitoring the raw material situation that has been evolving in the recent past

H1 FY22 Reported PAT stood at Rs. 103.5 crore

- In Q2 FY22, there was a one-time exceptional loss of Rs. 6.2 crore owing to the expenses related to Mahad facility. Q1 FY22 PAT included a reversal of additional tax provision aggregating Rs 64.5 crore for A.Y 2016-17 to A.Y. 2020-21 consequent to Income Tax Appellate Tribunal (ITAT) order dated August 02, 2021
- Adjusted for the same, PAT stood at Rs. 45.2 crore

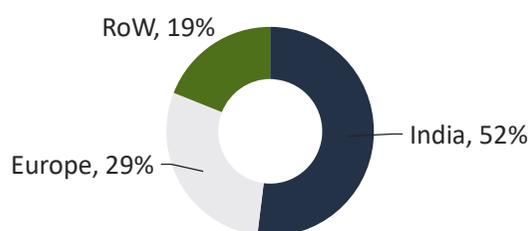


Fragrance Division

Particulars (Rs. crore)	Q2 FY22	Q2 FY21	Y-o-Y (%)	H1 FY22	H1 FY21	Y-o-Y (%)
Revenues from Operations	326.0	321.4	1.5%	656.7	497.8	31.9%
EBIT	35.6	56.3	-36.7%	64.3	82.2	-21.8%
EBIT Margins (%)	11%	18%	-658 Bps	10%	17%	-671 Bps

- Performance during Q2 & H1 FY22 was subdued on account of the second wave of the pandemic
- Europe business reported healthy growth during Q2 & H1 FY22 on the back of higher offtake in Italian and other European markets
- Raw material cost pressures impacted profitability during the period. However, the impact has been limited on the back of a healthy product mix

Region-wise Revenue Break-up – Q2FY22



Revenue Y-o-Y Growth (%)	Q2 FY22	H1 FY22
India	-19.8%	8.3%
Europe	85.0%	158.2%
Rest of the World (RoW)	4.3%	20.4%



Note: Figures in Rs. crore unless specified otherwise

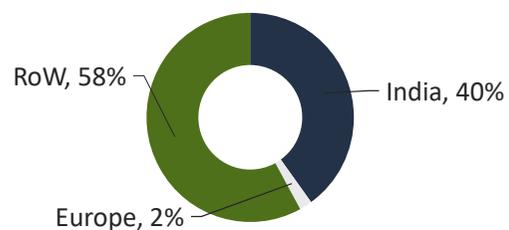


Flavour Division

Particulars (Rs. crore)	Q2 FY22	Q2 FY21	Y-o-Y (%)	H1 FY22	H1 FY21	Y-o-Y (%)
Revenues from Operations	32.3	30.2	7.0%	56.5	45.0	25.6%
EBIT	6.6	8.1	-18.5%	9.7	8.8	10.2%
EBIT Margins (%)	20%	27%	-650 Bps	17%	20%	-240 bps

- Flavour segment reported stable performance on the back of steady demand and enquiries from domestic and international markets
- Margins were impacted on account of the raw material situation

Region-wise Revenue Break-up – Q2FY22



Revenue Y-o-Y Growth (%)	Q2 FY22	H1 FY22
India	3.1%	15.2%
Europe	-5.1%	-17.4%
Rest of the World (RoW)	8.6%	32.8%



Note: Figures in Rs. crore unless specified otherwise



CFF & Nova Performance

Abridged P&L Statement

Particulars	Quarter ending Sept 30, 2021	as a % of Sales
Sales – Core Fragrance	60.0	
Sales – Contract Manufacturing	23.3	
Gross Profit – Core Fragrance	28.2	47.0%
Gross Profit – Contract Manufacturing	2.6	11.0%
EBITDA	10.0	12.0%
PBT	6.3	7.5%
PAT	4.4	5.3%
Cash Profit	7.7	9.2%

B/S

Particulars	Sept-21	Particulars	Sept-21
Networth	47.1	Net Fixed Assets	61.0
Gross Debt	62.1	Net Working Capital	37.8
Cash and Bank	(10.4)		
Net Debt	51.7		
Total Liabilities	98.8	Total Assets	98.8



Note: Figures in Rs. crore unless specified otherwise

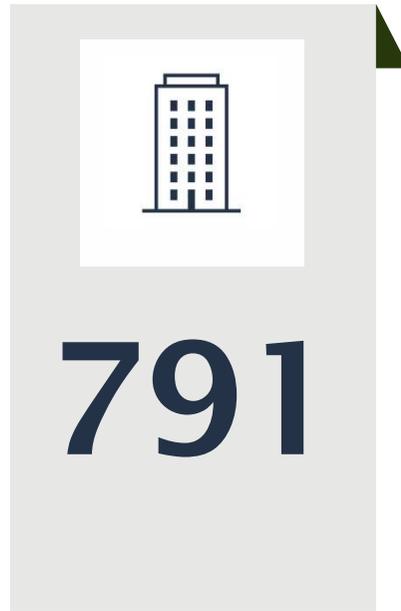
- CFF & Nova delivered robust performance on the back of increasing demand and volume off-take in the European markets
- Core fragrance segment of CFF business grew by 39% YoY in H1
 - The 2-year CAGR was healthy at 10%
- SHK anticipates steady improvement in demand for both entities going forward



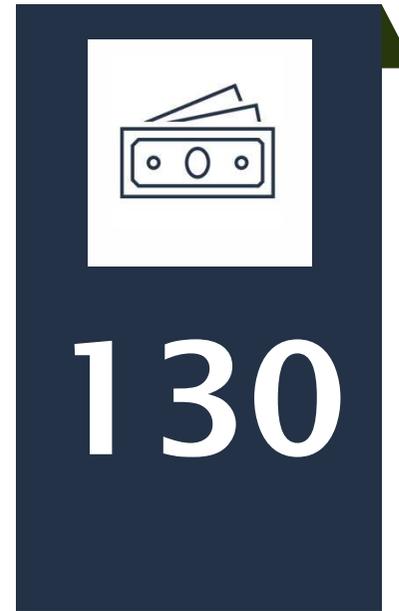
Balance Sheet Snapshot – As on September 30, 2021



Networth



Fixed Assets



Cash &
Investments



Net Debt
&
Net Debt to
Equity



Note:

1) All Figures in Rs. crore

Cash Flow Snapshot

Particulars (Rs. crore)	FY17	FY18	FY19	FY20	FY21	H1 FY22
Net Cash flows from operating activities	102	103	77	205	195	39
Net Cash flow from investing activities	-96	-221	-137	-40	-149	-36
Net	6	-118	-60	165	46	3

Note:

- 1) Net Cash flows from operating activities is net of change in net working capital
- 2) Cash and cash equivalent includes investments in mutual fund

- Low capital intensive business – cash flow generation remains a key strength of SHK’s business model
- Investments are primarily towards in-organic and other cost saving opportunities – benefits to reflect in cash flows



Key Financial Ratios

Particulars (Rs. crore)	FY17	FY18	FY19	FY20	FY21	H1FY22
EBITDA margin (%)	17.9	18.0	14.9	14.8	19.3	13.9
PAT Margin (%)	10.6	8.8	8.2	6.3	9.8	14.4
Debt to Equity	0.1	0.2	0.4	0.4	0.4	0.3
Return on Networth (%)	14.3	13.8	12.0	10.0	17.9	12.1
Adjusted Return on Networth (%)	16.1	16.1	14.6	12.4	17.9	11.3 [^]
Return on Capital Employed (%)	22.7	20.2	13.5	11.3	17.2	11.7

Note:

1. Return on Networth is calculated as: PAT/ Average Networth
2. Return on Capital Employed is calculated as: EBIT/ Average Capital Employed
3. EBITDA adjusted for one-time expense in FY19
4. Impairment of plants and machineries in Netherlands resulted in a one-time exceptional expense of Rs. 36.5 crore in FY20, most of which is a non-cash impairment charge. This, impacted PAT and RoNW in FY20
5. PAT adjusted for one-time exceptional loss and gain in FY20 and FY21, respectively
6. PAT in Q1 FY22 adjusted for reversal of additional tax provision aggregating Rs 64.5 crore from A.Y 2016-17 to A.Y. 2020-21.
7. *Consequent to Income Tax Appellate Tribunal (ITAT) order dated August 02, 2021, PAT and RoNW from FY17 onwards adjusted post reversal of additional tax provision
8. [^] H1 FY22 RoNW adjusted for one-time exceptional loss of Rs. 6.2 crore in Q2 FY22



Annexure



Conference Call Details

S H Kelkar and Company – Q2 & H1 FY22 Earnings Conference Call

Time	<ul style="list-style-type: none">• 11:00 AM IST on Monday, November 01, 2021
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Primary dial-in number	<ul style="list-style-type: none">• +91 22 6280 1141• +91 22 7115 8042
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India Local access Number	<ul style="list-style-type: none">• +91 70456 71221 (Available all over India)
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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
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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 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 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 centres in India, Singapore, Amsterdam, Indonesia and Italy for the development of fragrance and flavour products. The research team has developed 17 molecules over the last five years. The Company has filed 18 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 multinational FMCG companies, blenders of fragrances & flavours and fragrance & flavour producers.



For further information please contact:

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Thank you

