May 26, 2020

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

Dear Sir/ Madam,

Further to the approval of audited financial results for the quarter and year ended March 31, 2020 by the Board of Directors of the Company at its meeting held on May 26, 2020 and submission of the same with the stock exchanges, we submit herewith press release in respect of financial results.

You are requested to take the above on record.

Thanking you,

Yours faithfully,

Encl: As above

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 Q4 & FY20 results

<u>FY20</u>

Revenues from operations at Rs. 1,105.1 Cr, higher by 6%
Fragrance revenues grew by 7% at Rs. 998.1 cr
EBITDA steady at Rs. 166.0 crore, with margins at 15%

Mumbai, May 26, 2020: S H Kelkar and Company, the largest Indian origin Fragrance and Flavours Company in India, has announced its financial results for the quarter and full year ended March 31, 2020.

Q4 FY20 performance overview compared with Q4 FY19

- Revenues from operations stood at Rs. 269.8 crore from Rs. 268.6 crore
  - Country-wide lockdown and restrictions owing to COVID-19 pandemic disrupted business operations and impacted the sales performance to the extent of 10 days in Q4 FY20
  - As per , the revenue impact in March on account of the disruption was ~Rs. 30 crore.
    have largely been in-line with internal business expectations for the quarter and full year
- EBITDA at Rs. 34.1 crore as against Rs. 36.0 crore, lower by 5%
  - Despite the challenging environment, gross margins improved to 44.4%
  - EBITDA margin stood at 12.5% vs 12.8%
    - The Company took additional provisions of around Rs. 3 crore on account of COVID-19, resulting in higher other expenses as compared to Q3 FY20. This, along with lower than anticipated revenues due to COVID-19 impacted EBIDTA margins during the quarter
- PAT stood at Rs. 12.0 crore as against Rs. 20.2 crore
  - Given the improvement reported in gross margins, PAT performance would have been steady, adjusted for Covid-19 related impact on revenues and EBITDA, as compared to Rs. 20.2 crore PAT reported last year

FY20 performance overview compared with FY19

- Revenues from operations higher by 6.1% to Rs. 1,105.1 crore from Rs. 1,041.2 crore
- EBITDA at Rs. 166.0 crore as against Rs. 160.0 crore, higher by 4%
  - EBITDA margin stood at 14.8% vs 14.9%
  - The Company adopted the new Ind AS 116 accounting standard in FY20
- Cash Profit stood at Rs. 122.7 crore as against Rs. 119.0 crore, higher by 3%
- In Q3 FY20, the impairment of plants and machineries in Netherlands resulted in a one-time exceptional expense of Rs. 36.5 crore, which impacted reported profitability during FY20. A substantial part of this expense is a non-cash impairment charge
  - PAT (excluding one-time exceptional cost) stood at Rs. 71.2 crore as against Rs. 87.8 crore
- Reported Profit stood at Rs. 34.7 crore

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

"We began the fourth quarter on a steady note, witnessing increased demand and improved traction in terms of order enquiries and leads, especially from the mid and large sized FMCG customers. This led to good business momentum in the months of January and February. However, a country-wide lockdown and restrictions in the last 10 days of March disrupted business operations and moderated our sales, which would have otherwise been largely in-line with our internal expectations.

In the midst of a challenging operating environment, which is disrupting global economies and markets, our priority was to maintain and secure our business operations, while also ensuring safety and well-being of our employees and business partners. On the operational front, we have resumed production across our facilities recently and are now gradually ramping-up volumes as most of the supply-chain issues are slowly improving. Apart from the operational challenges, the Company did not witness any significant impact on orders from customers during the lockdown period. Accordingly, we are able to steadily improve utilization levels across facilities.

As an organization, we are realizing our cost-optimisation strategies and are deploying working capital measures to conserve cash flows and ensure steady profitability. We reported strong cash flows from operations during the year, which enabled us to notably reduce our Net Debt levels. On the whole, we have a strong balance sheet and a fairly robust liquidity position that will help us tide over these disorderly times.

Looking ahead, the Fragrance and Flavours industry will remain a critical part of the FMCG industry. And it would be our endeavor to sustainably outperform the industry growth on the back of our leadership position, comprehensive product portfolio, diverse customer base, and repeat business wins in existing and new customers. So while there is limited visibility on when the situation will normalize, we remain confident of our growth prospects and believe that in a normalized operating environment, we should be able to deliver healthy performance."

Key Developments:

Covid-19 Impact on Business operations and response

- The Company witnessed healthy demand across the fragrance and flavour categories in the domestic and international markets in the months of January and February. However, in the last 10 days of March, a country-wide lockdown and similar restrictions in many of its overseas markets disrupted movement of goods, supply chain systems and manufacturing processes
    - The approx. revenue impact in March is estimated to be ~Rs. 30 crore. Adjusted for the same, the Company would have been on track to broadly register performance as per internal expectations
- As lockdown measures across domestic markets are easing, the Company is witnessing a steady build-up in demand momentum. The end-to-end supply chain system is also expected to stabilize in the near future
- In response to the global pandemic, the Company is working closely with all stakeholders and has executed business continuity plans
    - The Company has actively engaged with its business partners and customers and has undertaken measures to ensure sustained deliveries and supplies to clients
    - Implemented a risk management strategy to maintain and secure business operations and to mitigate the risks and impact on its employees and business partners
    - The Company has taken several proactive steps to safeguard the health and well-being of its employees and put in place work-from-home arrangements for all the staff members
- Currently, SHK is focused on serving all its customers, especially since Fragrance and Flavours form an important part of the FMCG supply chain
    - W well-diversified product portfolio, it is expected that some categories like Household Products and Personal Wash should see high demand, while some high-end discretionary categories like Fine Fragrances may see weakness. Contribution from Fine Fragrance to revenues is less than 10% in FY20
- Fundamentally, the Company continues to be strong and stable. It remains confident of

  outperform industry growth rates going forward. Overall, in a normalized operating environment, the Company aims to register encouraging growth going forward
- Liquidity and cash flow position of the Company continue to be strong
    - Net Debt position as on May 22, 2020 is below March 31, 2020 levels
    - capital

Healthy balance sheet profile

- As on March 31, 2020, cash from operations stood strong at Rs. 205.0 crore owing to improvement in the total working capital cycle during the year. This enabled the Company to reduce its Net Debt as on March 31, 2020 to Rs. 299.2 crore as compared to Rs. 400.0 crore as on September 30, 2019
    - Notable reduction in debt was achieved after accomplishing buy-back and interim dividend
- The Company has drawn out a minimal capex spends for FY21. It expects its maintenance Capex to be less than Rs. 20 crore in FY21 (excluding Ind AS 116 adjustment) and expects this outlay to remain amidst this range on a sustainable basis, going forward
- going forward

Manufacturing activities partially resume across facilities

- In compliance with government advisories, the Company continues to take all recommended precautionary measures in its business operations. It has temporarily closed operations at its corporate office in Mumbai and implemented Work from Home, following all government directives and the duration of the same shall depend on the Government Policy in this regard
- SHK had also temporarily suspended manufacturing operations across its manufacturing facilities in India for ~33 days. However, pursuant to requisite approvals from the concerned Government Authorities, it resumed manufacturing operations at its Vashivali, Mulund, Vapi and Mahad facilities from April 27, 2020 onwards.
    - While the units are currently operating at low capacity, the Company is undertaking utmost precaution and deploying the highest safety standards as advised by the Government Authorities across all these manufacturing locations. The teams on the ground are also actively in contact with all customers in order to ensure streamlined deliveries and supplies.
- The Company is gradually ramping-up volumes as most of the supply-chain issues are slowly improving. Apart from the operational challenges, the Company did not witness any significant impact on orders from customers during the lockdown period. Accordingly, manufacturing operations and utilization levels across Vashivali, Mulund, Vapi and Mahad facilities are steadily increasing
- On the international front, the manufacturing facilities at China (Anhui Ruibang) and Italy (Creative Flavors and Fragrances SpA) continue to be fully operational

Update on Creative Flavours and Fragrances SpA (CFF)

- CFF performance update for the quarter ended March 31, 2020:
    - Despite a challenging operating environment in Europe due to the spread of COVID-19 pandemic, CFF delivered an encouraging performance during the quarter ended March 31, 2020, led by improved demand witnessed in its core fragrance division

- Revenues from the core Fragrance segment improved by 13.5% YoY
    - Gross margins in core Fragrance segment stood at 54.7%, higher by 580 bps YoY. Lower raw material prices during the period resulted in healthy profitability margins
- CFF witnessed steady sales in the month of April 2020. Going forward, the Company expects to deliver healthy performance in the quarters ahead

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 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 centres in India, Singapore, Amsterdam, 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:

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