BP WEALTH

SH Kelkar & Company Ltd

Initiating Coverage Report

Spreading Aroma of Pleasant Future

July 2019

Table of Content

S H Kelkar and Company Ltd.

Buy

BP WEALTH

Specialty Chemicals | Initiating Coverage

04th July 2019

Company Background

S H Kelkar and Company (SHK) is a Fragrance and Flavour manufacturer in India ~13% market share. It is the largest domestic fragrance producer with ~23% market share, exporting products to 52 countries. In the flavor space, it is an emerging producer in India with ~2% market share, exporting products to 15 countries. The company has seven manufacturing facilities – three in India and one each in the Netherlands, Italy and China. The company has a diverse and large client base of over 4100 customers including national and multinational FMCG companies, blenders of Fragrance& Flavor producers.

Investment Rationale

Dominant player in domestic F& F market with diversified product portfolio

SHK is the largest domestic player with ~13% market share in Flavour and Fragrance market with ~23% market share in the domestic fragrances market and the company along with Givaudan and Firmenich control more than 60% market. The fragrance market is highly consolidated with the top 5 players controlling ~85% of the total market. F&F constitutes key components of a variety of consumer products and hence are critical raw metrical for FMCG companies. It is a key ingredient behind developing different variants of consumer products and suppliers of particular ingredients are usually not changed during the lifecycle of the product. On account of the significance of this raw material, consumer companies largely deal with only established suppliers and this act as a barrier for new entrants to break in. The sticky nature of the business thus acts as a moat for the company. Currently, the company has product basket of over 9,700 products, which they supply to 4,000 customers in the fragrance and flavours segment including long-term relationships with global MNCs (2% of client base), as well as with domestic players We believe, due to intensifying competition among FMCG companies, product innovation is expected to gain traction. The company's products, which are used as raw materials in many FMCG companies, thus will be a critical component of product success. SHK derived 15-20% of its revenue from products launched in past 2-3 years. Additionally, we believe entering into new categories would help the company register revenue CAGR FY19-21E of 10.4%.

Creating value through inorganic route

In line with its strategy to grow though the inorganic route, SHK has done 8 acquisitions in last two years. As the F&F industry is characterized by high level of customer stickiness, we believe growing inorganically is the quickest way to not only increase market share, but also gain access to new clients. To expand its global presence, the company recently acquired 51% stake in Italy-based Creative Flavours & Fragrances (CFF) in Jan 18 and expect to acquire reaming stake in Sep 19. The acquisition to strengthen SHK's global product offering (particularly in fine fragrances and fabric care segments) and would help in gaining access to the European markets. At present, SHK caters to major geographies such as Asia, Africa and the Middle East. It has also acquired 67% stake in China-based Anhui Ruibang Aroma. The acquisition will give it access to another Tonalid manufacturing facility, enabling SHK consolidate its market leadership in the segment. SHK derives over 80% of its revenue from India EM (including Asia ex-Japan and MENA regions) as against MNC players which derive slightly over 40% from developing countries. SHKL will focus on nine countries in the ASEAN and MENA regions with similar demographics, income patterns and aspirations like India. We believe SHK is well placed in terms of geographical exposure, which have high growth potential.

Strategic shift in ingredients and exports business to drive margins

In the past, up until recently, the company has been conducting research and manufacturing activity of ingredients at the Netherlands facility through its subsidiary PFW Ingredients Ltd. This activity is very critical for the company as it forms the backbone of the F&F business. Total ingredients sales from the Netherlands facility stood at ~INR1.6bn (FY18).However, EBITDA margin of the business was negative as it operates from the high cost facility in the Netherlands. Strategically, SHKL has shifted production to its Mahad facility (part of VNCC acquisition) and continues with just R&D in the Netherlands. The Mahad facility was commissioned in sep 2018 and is currently operating at optimum utilization levels. SHKL will also focus on requirements for in-house consumption with incremental R&D spends. By shifting production to India (Mahad) ,we expect 100bps of improvement in gross margins. Additionally, low labour costs and operating expenses would also result in higher EBITDA margins going ahead. We expect the company to improve its EBITDA margins to15% in the near term, and gradually take it to 18-20% levels over the next 3-5 years.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook **Positive**

Stock

CMP (Rs)	130
Target Price (Rs)	188
BSE code	539450
NSE Symbol	SHK
Bloomberg	SHKL IN
Reuters	SHKE.BO

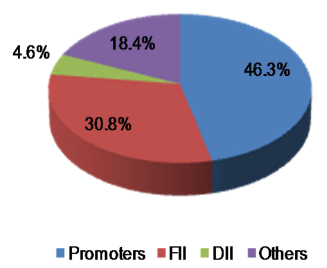
Key Data

Nifty	11,788.
52 Week H/L (Rs)	248/109
O/s Shares (Mn)	144.6
Market Cap (Bn)	18.8
Face Value (Rs)	10

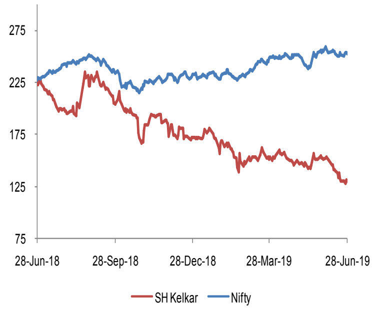
Average volume

3 months	4,07,847
6 months	5,85,561
1 year	3,92,490

Share Holding Pattern (%)



Relative Price Chart



Research Analyst
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Financial performance to improve further

SHK had witnessed revenue growth of 6.5% CAGR over FY14 to FY19 , whereas profit has grown at 2.3% CAGR over the same period . During this timeframe, the EBITDA margin remained in the range of 13-17%. Raw material supply disruption had impacted the company's gross margins in FY18/FY19 (contracted by 437bps from FY17 levels). However, SHK management expects easing RM pressure, improving availability post lifting of force majeure on most products and ramp up of Mahad facility optimal utilization levels to aid gross margin by 150 bps in FY20. We expect 200bps improvement in gross margins over FY19-21E. With improving operating efficiency, we also expect the EBITDA margin to expand at a higher rate than the gross margin due to cost rationalization measures taken at Netherland plant with improving utilization levels. Going ahead, the management expects the tax rate to remain at 30% level (In line with 5yr Avg). There has been deterioration in RoE/RoCE from 16.5% to 10.2% and 18.2% to 10.7% respectively over FY14-19, on the back of slower earnings growth in last two years. Given that there are no capex requirements for next 2–3years – with the exception of maintenance capex (~INR250-300mn) and better utilization levels, we expect INR 1,158mn FCF generation in FY20/21. With asset turnover ratio improvement and margin expansion, we expect RoCE to improve from 10.7% in FY19 to 16.5% in FY21E. We expect SHK to record CAGR of 10.4% and 20.9% in revenues and PAT, respectively, over FY19–21E.

We apply 50% discount to global peers while valuing and assign 1x PEG (P/E of 21x of Its FY21E earnings). We initiate coverage on the stock & recommend 'BUY' rating with a target price of INR188 per share. (potential upside of 45% from CMP) for an investment horizon of 12-15 months.

Why we like this stock & valuation methodology

We believe SHK would be a major beneficiary of increasing demand from FMCG companies specifically present in personal care, packaged foods & dairy products. We expect the company to post 10.4% revenue CAGR over FY19-21E led by steady growth in end user industry. We forecast 417bps of EBITDA margin expansion over FY19-21E driven by (a) shift in composition of exports in favor of high value added items and(b) shift in production base of ingredient business from high cost region of the Netherlands to the low cost region in India and (c) normalization of Input cost increase .We estimate ~21% PAT CAGR on the back of better operational performance. Considering the expected strong growth in profitability, healthy balance sheet, improving return ratios and good corporate governance practices, we are optimistic about the long-term growth prospects of the company. At the CMP (INR 130), the stock is trading at 18.0x its FY20E EPS of INR 7.2 and 14.5x its FY21E EPS of INR 8.9. Global peers are trading at PEG ratio of 2x (2yr CAGR), as they enjoy better margin and global leadership position compared to SHK, we apply 50% discount to global peers, while valuing and assign 1x PEG (P/E of 21x of Its FY21E earnings). We initiate coverage on the stock & recommend 'BUY' rating with a target price of INR 188 per share..

Key Financials							
YE March (Rs. mn)	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20E**	**FY21E**
Revenue	**8,355**	**9,249**	**9,805**	**10,480**	**10,436**	**11,506**	**12,731**
Revenue Growth (Y-oY)	*9.7%*	*10.7%*	*6.0%*	*6.9%*	*(0.4%)*	*10.3%*	*10.6%*
EBITDA	**754**	**1,511**	**1,669**	**1,635**	**1,321**	**1,775**	**2,142**
EBITDA Growth (Y-o-Y)	*(42.7%)*	*100.4%*	*10.4%*	*(2.0%)*	*(19.2%)*	*34.4%*	*20.7%*
Net Profit	**704**	**731**	**1,048**	**942**	**885**	**1,046**	**1,294**
Net Profit Growth (Y-o-Y)	*(11.0%)*	*3.8%*	*43.5%*	*(10.1%)*	*(6.1%)*	*18.2%*	*23.7%*
Diluted EPS	**4.9**	**5.1**	**7.2**	**6.5**	**6.1**	**7.2**	**8.9**
Diluted EPS Growth (Y-o-Y)	*-11.0%*	*3.8%*	*43.5%*	*-10.1%*	*-6.1%*	*18.2%*	*23.7%*
No of Diluted shares (mn)	**145**	**145**	**145**	**145**	**145**	**145**	**145**
Key Ratios							
EBITDA (%)	**9.0%**	**16.3%**	**17.0%**	**15.6%**	**12.7%**	**15.4%**	**16.8%**
NPM (%)	8.4%	7.9%	10.7%	9.0%	8.5%	9.1%	10.2%
RoE (%)	**14.2%**	**11.9%**	**13.7%**	**12.8%**	**10.2%**	**11.6%**	**13.2%**
RoCE (%)	6.7%	16.2%	17.9%	16.0%	10.7%	14.1%	16.5%
Tax Rate %	**25.5%**	**33.8%**	**31.4%**	**35.3%**	**23.5%**	**30.0%**	**30.0%**
Book Value Per share (Rs.)	35.2	49.5	56.1	59.3	59.7	64.8	71.0
Valuation Ratios							
P/E (x)	**26.7x**	**25.7x**	**17.9x**	**20.0x**	**21.2x**	**18.0x**	**14.5x**
EV/EBITDA	26.8x	12.4x	11.3x	12.4x	16.5x	12.0x	9.8x
P/BV (x)	**3.7x**	**2.6x**	**2.3x**	**2.2x**	**2.2x**	**2.0x**	**1.8x**
Market Cap. / Sales (x)	2.3x	2.0x	1.9x	1.8x	1.8x	1.6x	1.5x

Source: Company, BP Equities Research

S H Kelkar & Company Ltd. — Initiating Coverage

Investment Rationale

Dominant player in domestic F& F market with diversified product portfolio

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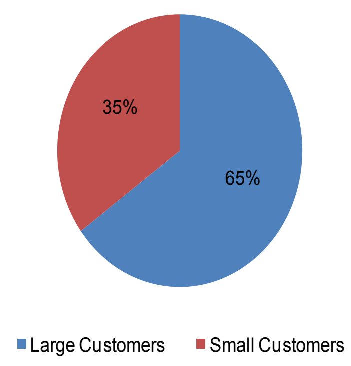
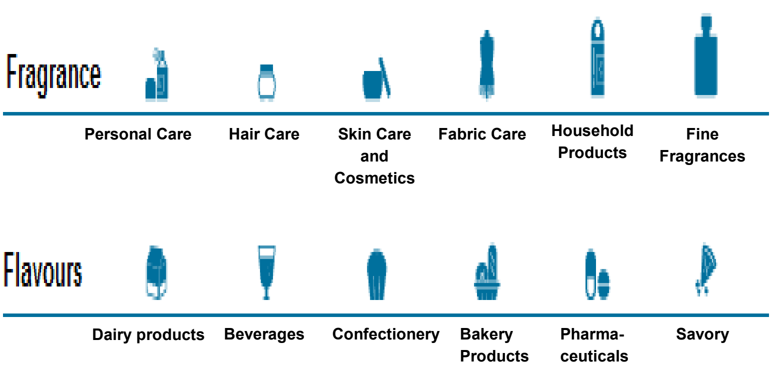
Client wise Breakup in %



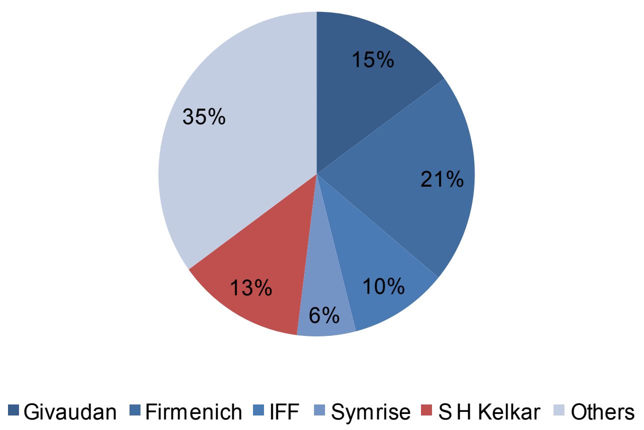
Large Customers: MNCs and Domestic FMCG companies

Small Customers: Branded small Pack Customers

SHK Presence in Downstream Sectors



Market Share of Major F&F Players in India (2016)



Source: Company, BP Equities Research

In India, the top 5 F&F players constitutes around 65% of total market while the balance is held by smaller players with less than 1% market share. The fragrance segment is more consolidated , though , relative to Flavours with top 5 players constituting 85% of the former segment relative to 58% for the latter. We believe the Indian F&F industry would also see consolidation in future which provides opportunity for companies like SHK to expand their presence through acquisitions in different category -such as the acquisition of Hitech technologies and Gujarat Flavours Ltd in its flavours business.

Global F & F market

Globally, the F&F market is USD 27.1bn in size, expected to grow at 6.4% over the next 5 years, to reach USD 37.0bn by 2021. The growth drivers for this market are as follows:

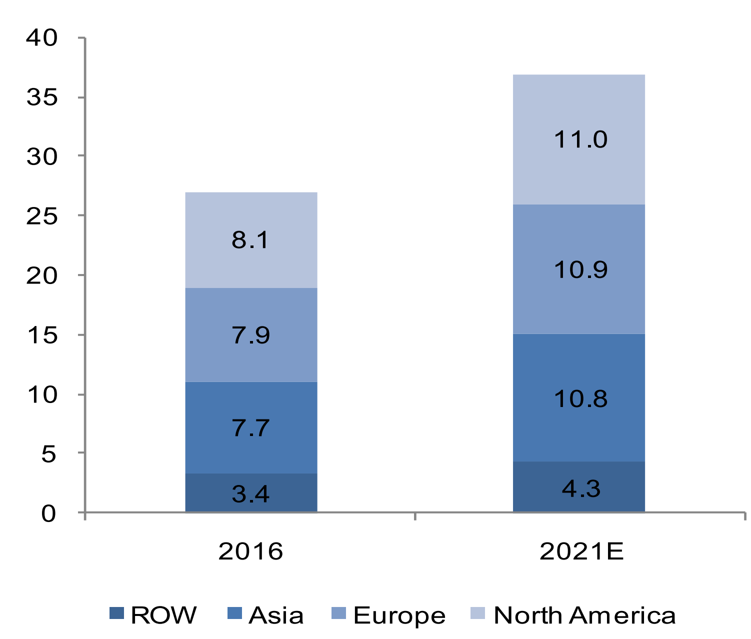
Growth in processed foods – With an evolving lifestyle and increase in disposable income, more people are moving towards processed foods. This growth is especially pronounced in the developing markets which has witnessed a growth of 3% in this category as compared to 2% globally. This has led to a significant increase in demand for flavours for these foods.

Consumers' inclination to experiment – Consumers in developed markets with rising disposable income are more willing to experiment with different flavours and fragrances. They are more willing to spend on unconventional non-essential products across food and personal care categories. For example, there is a wide variety of shampoos available today – ranging from dry shampoos to beer shampoos which are increasingly being purchased by customers globally.

Change in perception of fragrances – Fragrances have traditionally been considered as a good-to-have rather than a must-have attribute for products. This perception is slowly changing, especially with the advent of premium personal care products. The fragrance of a product has a huge impact on its perception and has gradually become more of a necessity than a luxury. This has helped to significantly open up the market for F&F blenders.

The growth in the F&F market is largely driven by the Asian market as illustrated in the graph presented alongside:

Global F&F Market Size by Region (USD bn)



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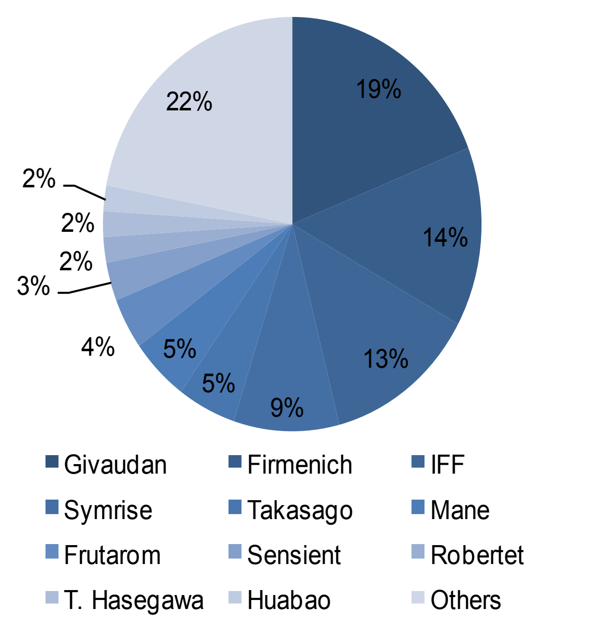


Source: Industry

Domestic F&F market

The organized Indian F&F production market is USD 1.1bn in size, close to 30% of which is exported. The Indian market, just like the global F&F market is dominated by the MNCs, with the top 4 global players (Givaudan, IFF, Firmenich and Symrise) constituting over 50% of the market. S H Kelkar is the only Indian player of scale, with the Ultra group having created a sizeable business as well. After these two, the scale of Indian companies drops off sharply, with the remaining F&F outfits being USD 30mn or lesser in size.

With FMCG industry expected to grow at 11-12% CAGR over the next 5 years, organized F&F players expected to grow at same pace over the same period

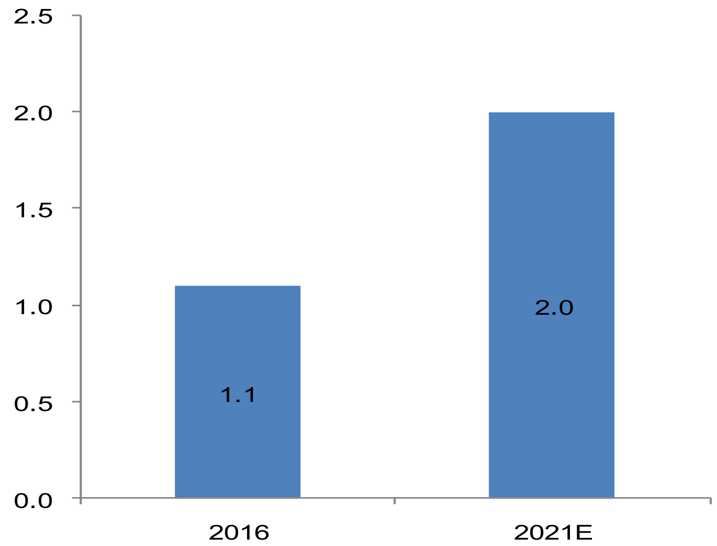
The growth drivers of F&F in India are as follows:

⇒ **Strong end-user growth, driven by increased penetration, rising affordability –** F&F blends are mainly used by industries like F&B and FMCG. In the recent past, with rising disposable income in India, these segments have seen explosive growth. Penetration of FMCG majors like HUL, P&G in rural areas has also been a significant contributing factor.

⇒ **Premiumization of FMCG products –** Indian consumers are moving towards using high end personal care products like hair gels, lotions, skin creams and so on. These products, on an average, use a higher quality of flavours and fragrances than the usual soaps and detergents. Segments like fruit based drinks and air care market are expected to grow at +30% p.a.

⇒ **Rising exports –** Most of the major F&F houses have manufacturing plants in India from where they supply blends to their customers across the world. Even Indian players like S H Kelkar are increasingly supplying to customers outside India, with exports constituting 35% of their total sales.

F&F Production Market in India (USD bn)



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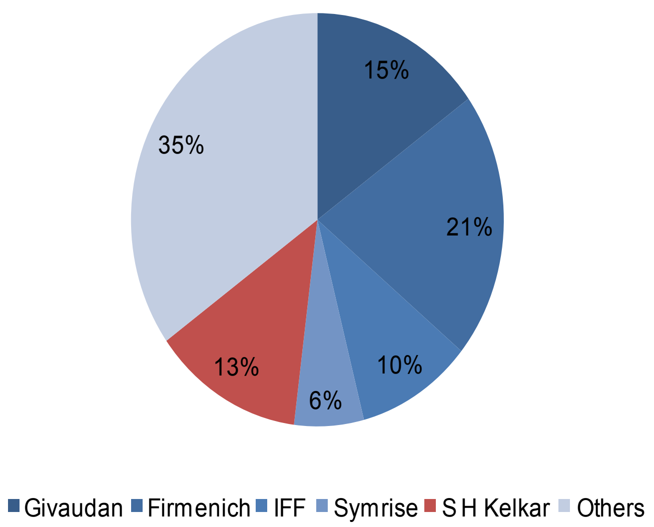
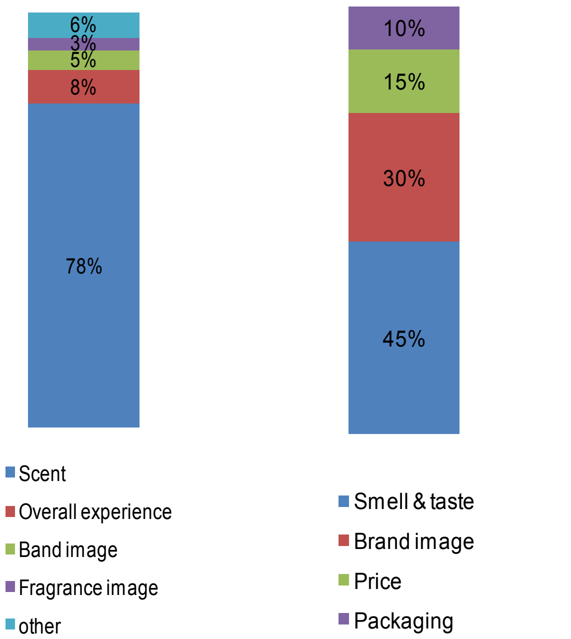


Source: Industry, BP Equities Research

Scent & taste determine customer decisions …



Source: AC Nielsen (European) study, Givaudan presentation.

… and represent only a minor fraction of costs

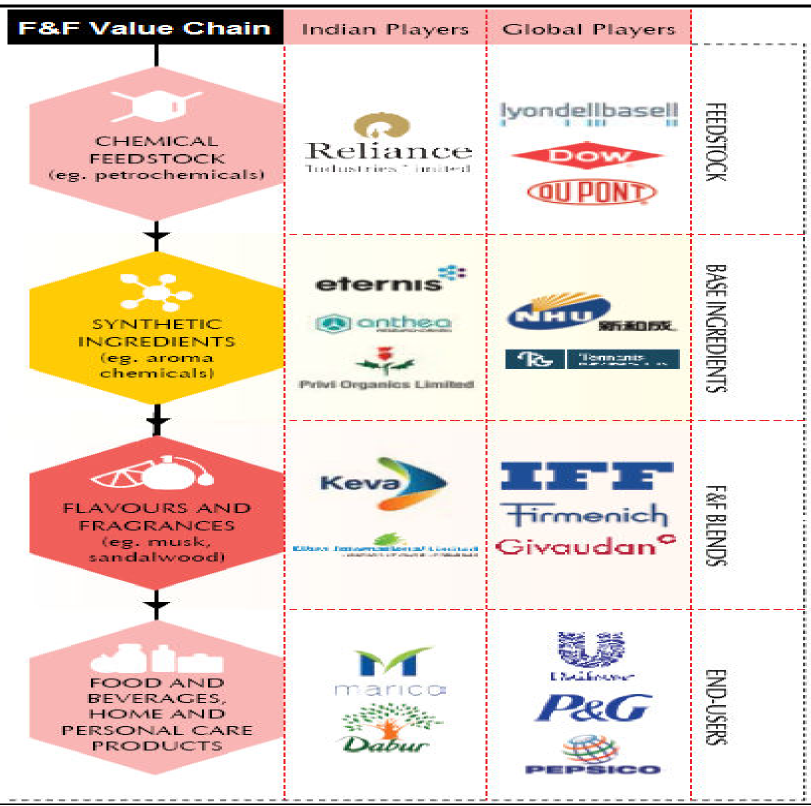
Share of F&F ingredients in customer's COGS

F&F ingredients usually represent a **very minor portion of the end product costs** ,while having **significant influence on the repurchase decisions of the consumer**

Consumer goods producers have **no incentive to compromise on the quality of F&F ingredients** as they are **key drivers of market success**

Consequently, F&F ingredients are a **key ingredient to consumer goods producers**

Flavour & Fragrance Flow chart



Source: Avendus report, Industry

Creating value through inorganic route

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Acquisitions done by SH Kelkar in recent years

Year	Company	Description	Amount (INR mn)
Feb-16	High Tech Technologies Pvt ltd	To pursue strategic acquisitions route to expand its presence in flavours segment.	286
Mar-16	Rasiklal Hemani Agencies Pvt Ltd	Expansion of Marketing and field activities in Northern region	300
Aug-16	Gujarat Flavours Pvt Ltd(GFPL)	The company, through its affiliate Keva Flavours Pvt. Ltd, would acquire the the flavour unit of the GFPL, marketed under the brands Three Birds and Wheel.	145
Apr-17	Tanishka Fragrance Encapsulation Technology	Technology transfer agreement	
Sep-17	VN Creative Chemicals Pvt Ltd	Flexibility in backend manufacturing operations and leverage existing presence	135.9
Jan-18	Creative Flavours & Fragrances S.p.A (CFF-Italy)	To strengthen global product offerings, particularly in Fine Fragrances and Fabric Care segments	939 (51% stake)
May-18	Anhui Ruibang Aroma (China)	Provides access to another Tonalid manufacturing facility-to enable SHK to consolidate its market leadership in the segment	189.3 (66% stake)
Nov-18	Purandar Fine Chemicals Ltd.	Business of manufacturing and trading of aroma ingredient (manufacturing facility at Jejuri)-180 tons	(50% stake)

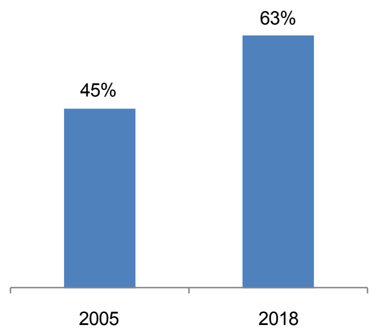
Source: Company, BP Equity Research

A Wave of Global M&A Activity in F & F market

From a competitive standpoint, the F&F industry can best be described as consolidating, global and yet still fragmented with plentiful opportunities for mid-sized and smaller players. In 2005, the top 4 manufacturers controlled about 45% of the global market. Today, the "Big 4" F&F manufacturers, consisting of Givaudan/Naturex, IFF/Frutarom, Firmenich and Symrise, collectively have an estimated 63% market share. The trend is reminiscent of the paints and coatings industry in the 1990s and early 2000s, in which a rapid pace of consolidation led to the top 5 coatings companies controlling over half of the market today. In F&F, the wave of M&A activity has persisted for several years, culminating in two recent blockbuster transactions. In May 18, IFF announced the planned acquisition of Frutarom for $7.1 billion. During same year, Givaudan picked up a 40.5% stake in Naturex at an implied enterprise value of $1.6 billion, with plans to acquire the remaining shares. The rationale for these acquisitions is typical of major mergers in other chemical segments: greater purchasing power, manufacturing and corporate synergies, broader global footprint, deeper penetration of the small and mid-sized customer base and a broader product portfolio to offer to large multinational customers. That last point is key. The Big 4 can extract significant leverage from bolt-ons due to cross-selling opportunities to large consumer packaged goods ("CPG") and food companies that prefer fewer suppliers.

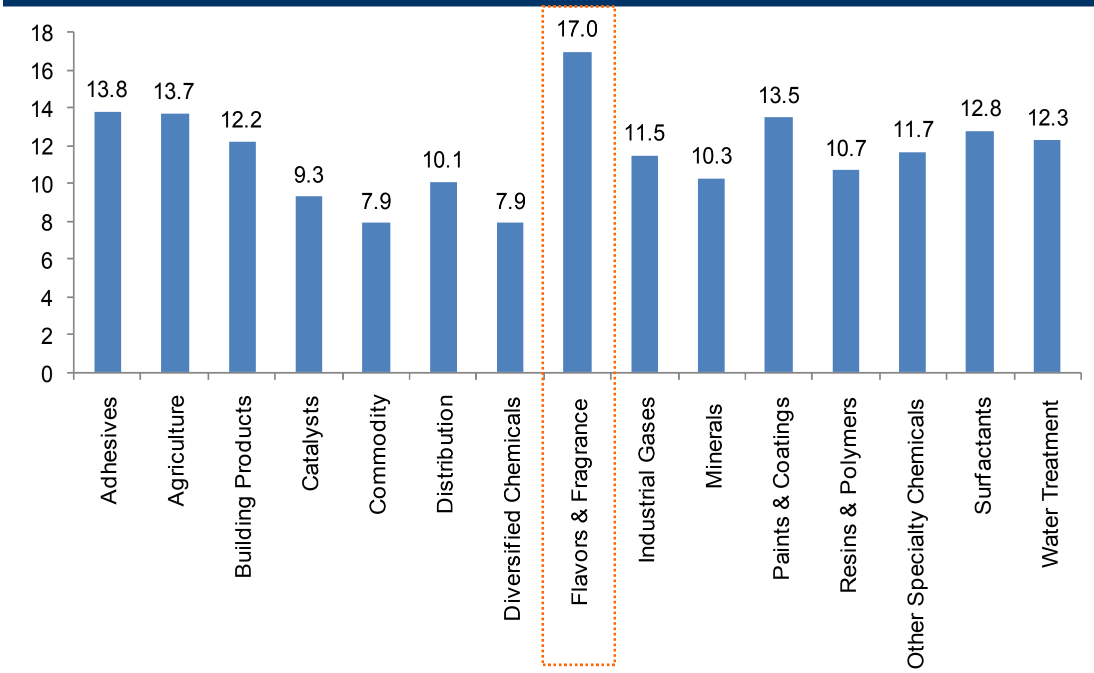
Our observation about M&A activity in the F&F sub-sector is that it's increasingly global in nature. One look at the list of recent F&F transactions on page 10 and this becomes obvious. 80% of the transactions listed are cross-border. A big driver of acquirers' international focus is to gain immediate access to local markets and products that already have the necessary regulatory approvals.

Market share of Big 4 F&F Manufacturer in %



Source: Industry BP Equity Research

EV/EBITDA Multiples by Sub-Sector (Global Companies)



Source: Company, BP Equity Research

Selective transactions in recent past Flavors, Fragrances, and Specialty Ingredients space

Year	Acquirer / Target	Description	Enterprise Value	EV / Sales	EV / EBITDA
Jul-17	Eurazeo (France) / Iberchem (Spain)	Flavors and fragrances for homecare and personal care products	$474	3.5x	**16.2x**
Aug-17	Frutarom Industries (Israel) / Enzymotec (Israel)	Bio-functional lipid ingredients	$226	4.8x	
Aug-17	Frutarom Industries (Israel) / Mühlehof-Gewürze (Switzerland)	Savory flavors, seasoning blends, marinades and ingredient	$7	2.0x	
Aug-17	Frutarom Industries (Israel) / Flavours and Essences (United Kingdom)	Flavors and natural colors	$20	1.1x	
Aug-17	Corbion (Netherlands) / TerraVia Holdings (United States)	Food, nutrition and specialty ingredients from algae	$20	2.4x	
Sep-17	Givaudan (Switzerland) / Centroflora Group, Nutrition Division (Brazil)	Botanical extracts and dehydrated fruit for food, beverage and consumer goods sectors	$55	3.2x	
Sep-17	Reward Group (China) / Le Chatelard 1802 (France)	Home-made fragrances			
Oct-17	Frutarom Industries (Israel) / Mighty International Co. (Thailand)	Savory taste ingredients, seasonings, spray-dried specialty products and culinary infused oils	$20	1.3x	
Oct-17	Freudenberg Chemical Specialties (Capol Business) (Germany) / Colarome (Canada)	Natural food and nutraceutical ingredients			
Nov-17	Innophos Holdings (United States) / Nutra-Genesis (United States)	Nutraceutical ingredients for food and beverages	$28	2.3x	
Nov-17	Aakash Chemicals and Dyestuffs (United States) / Calico Food Ingredients (Canada)	Food colorants and additives			
Dec-17	Frutarom Industries (Israel) / Bremil Industria De Produtos AlimentIcios (Brazil)	Food ingredients	$54	1.3x	
Dec-17	Frutarom Industries (Israel) / Fabryka Substancji Zapachowych Pollena-Aroma (Poland)	Flavors, fragrances and specialty ingredients for aromatherapy and natural cosmetics industries	$9	1.7x	
Dec-17	Givaudan (Switzerland) / Expressions Parfumées (France)	Custom blended fragrances for branded fine consumer products	$199	3.2x	
Jan-18	Eurofragrance (Spain) / Fragrance Design (United States)	Body care and household fragrances			
Jan-18	S H Kelkar and Company (India) / Creative Flavours & Fragrances (Italy	Specialty fragrances and perfumes			
Mar-18	Givaudan (Switzerland) / Naturex (40.6% stake) (France)	Natural ingredients in food, health and beauty products	$1,600	3.2x	**20.1x**
Apr-18	Zhejiang Jiaao Enprotech Stock (China) / Jiangyin Huachang Food Additive (China)	Taurine and taurine based products	$76	2.1x	
May-18	International Flavors & Fragrances (United States) / Frutarom Industries (Israel)	Flavors and fine ingredients in food, beverage, cosmetics and personal care products	$7,080	4.9x	**24.2x**
May-18	Iberchem (Spain) / VERSACHEM (South Africa)	Food flavor and color blends			
Jul-18	Sensient Technologies (United States) / Mazza Innovation (Canada)	Patented systems for the extraction of phytochemical from plants			

Source: Industry, BP Equity Research

Strategic shift in ingredients and exports business to drive margins

In the past, up until recently ,the company has been conducting research and manufacturing activity of ingredients at the Netherlands facility through its subsidiary PFW Ingredients Ltd. This activity is very critical for the company as it forms the backbone of the F&F business. Total ingredients sales from the Netherlands facility stood at ~INR1.6bn (FY18).However, EBITDA margin of the business was negative as it operates from the high cost facility in the Netherlands. Strategically, SHKL has shifted production to its Mahad facility (part of VNCC acquisition) and continues with just R&D in the Netherlands. The Mahad facility was commissioned in sep 2018 and is currently operating at optimum utilization levels. SHKL will also focus on requirements for in-house consumption with incremental R&D spends. By shifting production to India (Mahad) ,we expect 100bps of improvement in gross margins. Additionally, low labour costs and operating expenses would also result in higher EBITDA margins going ahead. We expect the company to improve its EBITDA margins to15% in the near term, and gradually take it to 18-20% levels over the next 3-5 years.

Shifting production to India (Mahad) expect to add 100bps improvement in gross margin

⇒ **EBITDA margin to catch up going forward**

Global players like Givaudan, IFF and Symrise enjoy EBITDA margins in the range of 20-22%. Global leader Givaudan has the highest EBITDA margin of ~21%. Our analysis on historical performance of these stocks suggests that 24-25% EBITDA margins are achievable in F&F industry. SHKL also enjoys ~23% EBITDA margin in the flavor business. However, volatility in exports and lower margins in the ingredients business (-12.8%) have been a drag. Thus, its blended level EBITDA margin was at 12.7% in FY19. The company is taking corrective measures in exports and the ingredients business (discussed earlier), which should allow it to expand margins gradually.

Higher contribution from Flavours resulting superior margin for MNC players

Revenues	CY13/ FY14	CY14/ FY15	CY15/ FY16	CY16/ FY17	CY17/ FY18	CY18/ FY19
Givaudan SA (CHF in bn)	4.4	4.4	4.4	4.7	5.1	5.5
Flavours	52%	52%	52%	52%	54%	54%
Fragrances	48%	48%	48%	48%	46%	46%
IFF US (USD in bn)	3.0	3.1	3.0	3.1	3.4	4.0
Flavours	48%	47%	48%	48%	48%	44%
Fragrances	52%	53%	52%	52%	52%	56%
SH Kelkar (INR in bn)	7.6	8.3	9.2	10.5	10.4	10.4
Flavours	5%	7%	6%	13%	11%	10%
Fragrances	95%	93%	94%	87%	89%	90%

Source: Company, Bloomberg, BP Equities Research

Indian subsidiaries of MNC F&F players (like Givaudanand Firmenich) are posting 5yr avg EBITDA margins of 10% compared to SHK which generate slightly higher margins in domestic market.

⇒ **Increasing utilization to provide operating leverage benefits**

SHKL invested ~INR3bn over FY15-19 to expand capacities for future growth. The current capacity utilization rate stands at ~45%. SHKL has one work shift, which can be raised to three during peak times. We expect improving utilization to provide operating leverage benefits. Consequently, we expect overall EBITDA margin to improve from 16.7% in FY16 to 20.5% in FY19.

Background on issue related to raw materials disruption

SHK -Raw material broad category	% of RM	Sourcing place
Alpha Pinene or Turpentine derivatives	25%	Domestic, Florida and China
Petrochemicals	25%	Domestic, BASF (Germany), and China and Europe
Citrus oils	25%	Florida
Aroma extracts	25%	Domestic/Import

Within Alpha Pinene and Petrochemical, roughly half of these products are sourced locally as the downstream processing happens in India. So, out of our total bucket, 50% by value is purchased domestically and 50% by value is purchased outside India. But the 50% produced in India is also dependent on Petrochemical and Alpha Pinene prices, which are a global phenomenon.

Disruptions had started with the hurricanes in Florida which have affected both the source of Alpha Pinene and the citrus oils in Sep 17, particularly as the citrus oils are seasonal and these are once a year crop. Alpha Pinene has been affected in China with the number of units being asked to close in Sep17. The shutdown of some of these plants combined with the Florida hurricanes had led to acute shortage of materials already in the end of Sep17. Historically, when the industry has experienced such events in the past it has happened more or less in isolation, where in there has normally been additional supply or additional capacity which is taken care for by the petrochemical or other alternate feed-stocks. During Jan18, the company had a situation where both Alpha Pinene and products out of China and petrochemicals production both in China and Europe were affected. In Feb 18 and April 18, there were a series of incidents in Indian Aroma Chemical factories, which further completely disturbed and completely stopped the supplies in the first few weeks of May. This was the overall scenario. Although as an industry and as a company, SHK is not dependent on 1 or 2 key materials or key sources, products like Terpineol and so many others derived from Alpha Pinene have been hit very severely, products like Linalool also from the volume point of view, almost 75% of the volume requirements of the company's products have been affected by these force majeure events.

Visible impact on margins across players

SHK management is seeing early signs of easing RM pressure and improving availability post lifting of force majeure on most products. Further, SHK's Mahad facility that produces Tonalid, a key RM for the F&F business, has ramped up to optimal utilization levels which the management expects to aid gross margin by 100 bps. Additionally , 50bps improvement in gross margin can be achieved due to stabilization in RM prices.

Our analysis on most of the global players indicates 3-5% decline in EBITDA margin due to RM side disruption. During the same period SHK's margin declined by 440bps, which was also led by GST implementation.

EBITDA margin %	CY14/ FY15	CY15/ FY16	CY16/ FY17	CY17/ FY18	CY18/ FY19	Margin change in last 2 years
Givaudan SA	23.9%	24.3%	24.1%	21.6%	20.7%	-3.4%
IFF US	21.6%	21.2%	21.5%	20.9%	18.9%	-2.6%
SH Kelkar	9.0%	16.3%	17.0%	15.6%	12.7%	-4.4%

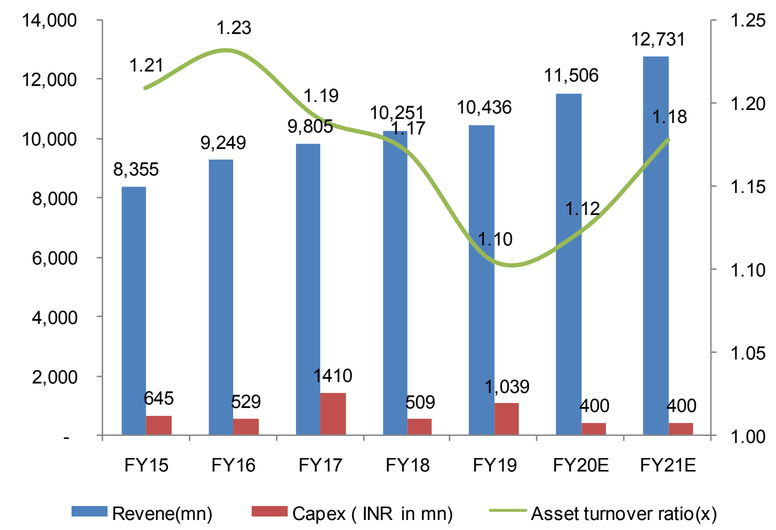
Source: Company, Bloomberg, BP Equity Research

Financial performance to improve further

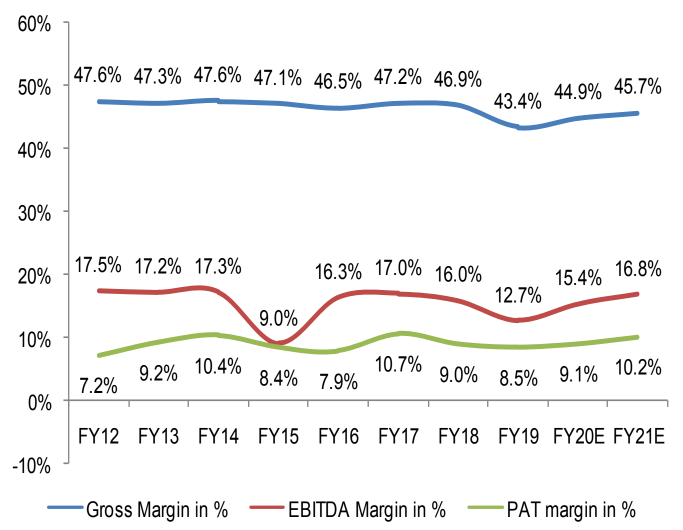
SHK had witnessed revenue growth of 6.5% CAGR over FY14 to FY19 , whereas profit has grown at 2.3% CAGR over the same period . During this timeframe, the EBITDA margin remained in the range of 13-17%. Raw material supply disruption had impacted the company's gross margins in FY18/FY19 (contracted by 437bps from FY17 levels). However, SHK management expects easing RM pressure, improving availability post lifting of force majeure on most products and ramp up of Mahad facility optimal utilization levels to aid gross margin by 150 bps in FY20. We expect 200bps improvement in gross margins over FY19-21E. With improving operating efficiency, we also expect the EBITDA margin to expand at a higher rate than the gross margin due to cost rationalization measures taken at Netherland plant with improving utilization levels. Going ahead, the management expects the tax rate to remain at 30% level (In line with 5yr Avg). There has been deterioration in RoE/RoCE from 16.5% to 10.2% and 18.2% to 10.7% respectively over FY14-19, on the back of slower earnings growth in last two years. Given that there are no capex requirements for next 2–3years – with the exception of maintenance capex (~INR250-300mn) and better utilization levels, we expect INR1,158mn FCF generation in FY20/21. With asset turnover ratio improvement and margin expansion, we expect RoCE to improve from 10.7% in FY19 to 16.5% in FY21E. We expect SHK to record CAGR of 10.4% and 20.9% in revenues and PAT, respectively, over FY19–21E.

Improving operating performance with No major capex for next 2-3 years , helps to generate

Operational performance to improve going forward

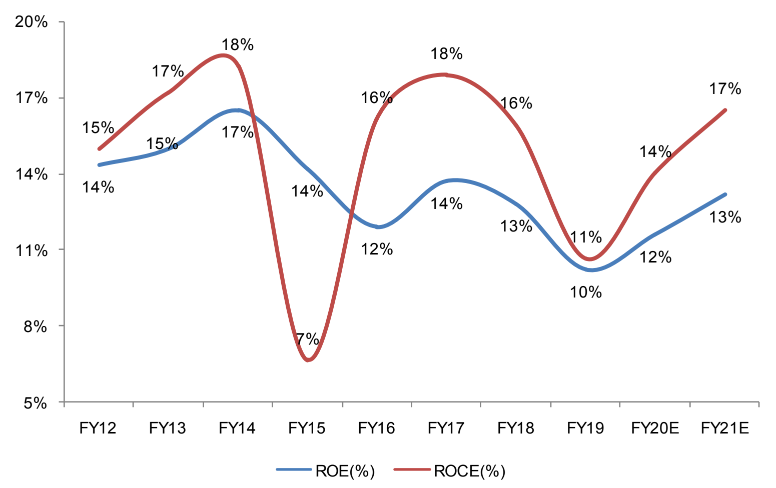


EBITDA margin to bounce back to its previous level

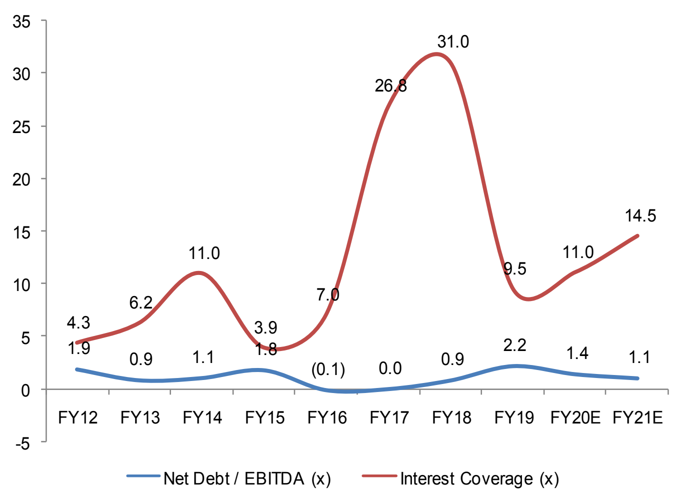


Source: Company, BP Equities Research

Return ratios to progress upward



Comfortable financial leverage ratios

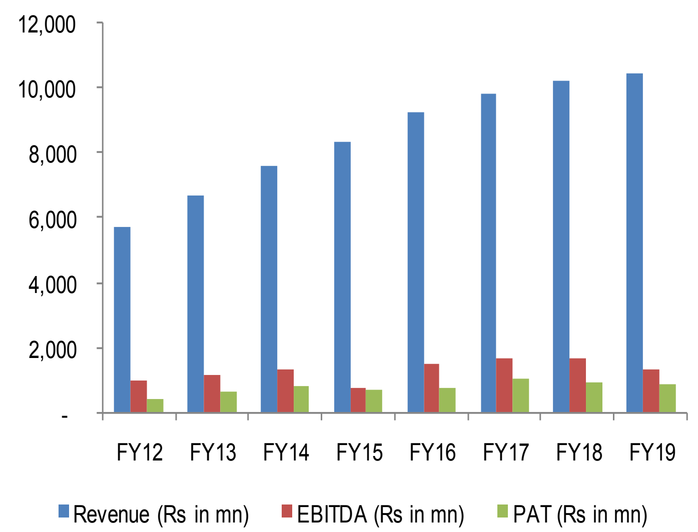


Source: Company, BP Equities Research

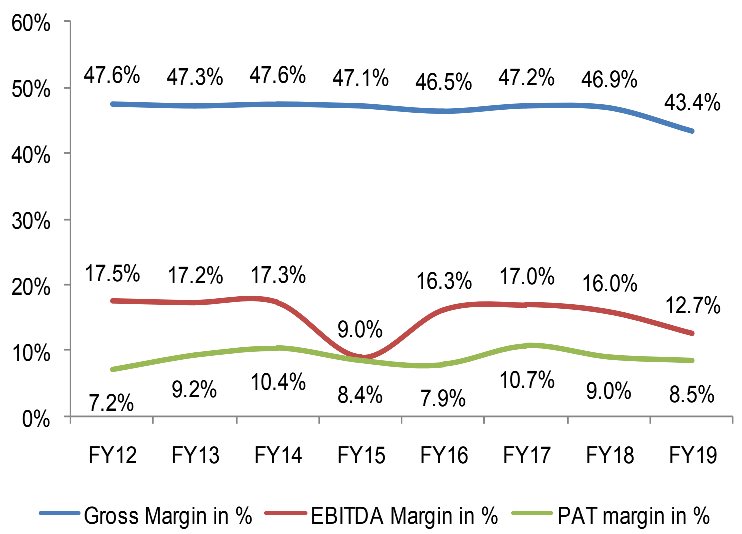
Company Background

SHK is the largest Indian-origin F&F company in India with over 90 years of experience. Its fragrance products and ingredients are used as a raw material in personal wash, fabric care, skin & 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 in the small pack segment. The company has a strong and dedicated team of scientists, perfumers, flavourists, evaluators and application executives at its facilities and five Creation & 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 past three years, of which SHK has filed patent applications for three and commercialized sales from one molecule. Over the years, SHK has developed a vast product portfolio of F&F products for FMCG, pharmaceutical and F&B industries. The company has a diverse client base of over 4,100 customers including leading national and multi-national FMCG companies, blenders of fragrances & flavours and its producers.

Operational Performance trend

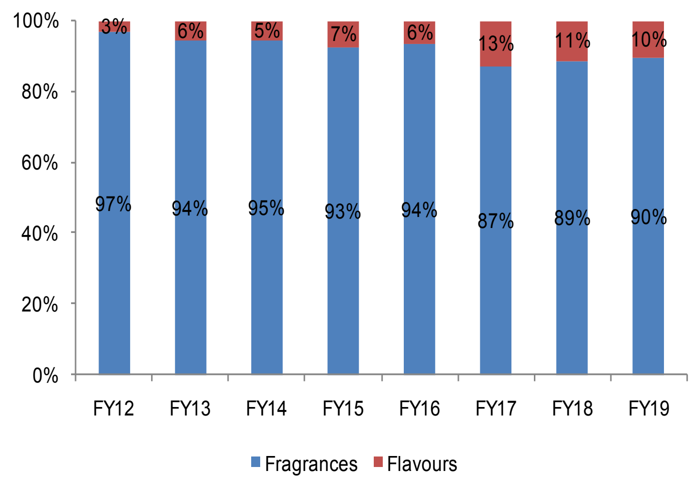


Margin profile trend

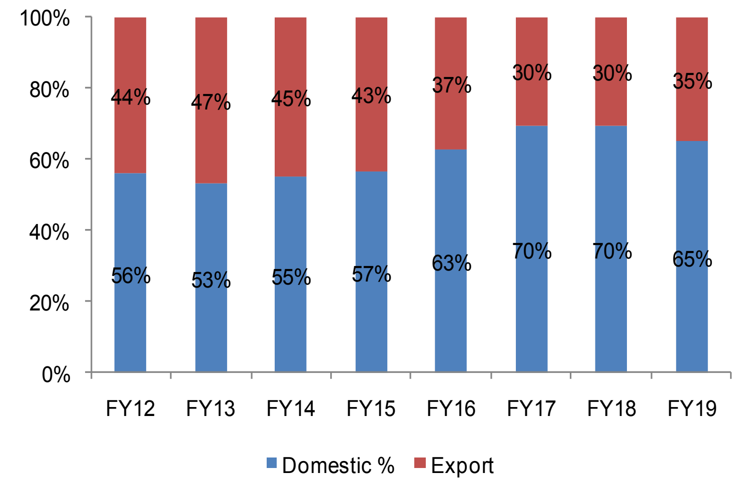


Source: Company, BP Equities Research

Segment wise Revenue contribution



Geography wise revenue breakup



Source: Company, BP Equities Research

Key Milestones	
1955	Incorporated as SH Kelkar and Company Ltd
1960	Establishment of the R&D centre and manufacturing facility at Mulund
1979	Establishment of the manufacturing unit of Vapi
1980	Incorporation of Keva Flavours Private Limited
1981	Expansion of the R&D centre at Mulund
1984	Establishment of the export-oriented Keva Fragrances Private Limited and Expansion of the manufacturing facility at Mulund
1994	Establishment of the manufacturing facility art Mulund for EOU
2000	Expansion of the R&D centre in Mulund for Fragrances
2007	Establishment of the manufacturing facility at Vashivali
2010	Acquisition and integration of PFW Aroma Ingredients BV
2012	Investment by Blackstone ,Acquisition of Saiba Industries Private Limited, Establishment of additional R&D centre at Mulund
2013	Incorporation of PT SHK Keva Indonesia
2014	Investment in Vapi plant to scale and modernise capacities
2015	Listing of shares of the Company on BSE & NSE.
2016	Acquisition of flavours business undertaking from High-Tech Technologies, Acquisition of Rasiklal Hemani Agencies to strengthen base in the northern India region, Acquisition of flavours business undertaking and brands 'Three Birds' and 'Wheel' from Gujarat Flavours Private Limited, Expansion of fragrance manufacturing facility at Mulund for EOU, Expansion of flavours manufacturing facility at Vashivali
2017	Acquisition of Fragrance encapsulation technology from Tanishka Fragrance Encapsulation Technologies LLP, Acquisition of VN Creative Chemicals Pvt. Ltd, Establishment of Fine Fragrance studio in Amsterdam
2018	Acquisition of 51% stake of Italy-based Creative Flavours & Fragrances SpA, Agreement to acquire 90% stake in Anhui Ruibang Aroma Co Ltd.

Source: Company, BP Equities Research

SH Kelkar Ltd - Management Committee Details

Name	Designation	Details
Ramesh Vaze	Chairman and Managing Director	He is a managing director of the company since 2010 .He holds a bachelor of Science degree from Uni versity of Mumbai.He is a trustee of Kelkar Education Trust.
Kedar Vaze	Director and Chief Executive Officer	He is a whole time director and the chief executive officer of the company.He holds a degree of Master's in Science in Organic Chemistry from IIT,Bombay.He has a total experience of more than 19 years also he has been a director since 2010
B.Ramkrishnan	Director-Strategy	He has three decades of experience. Prior to SHKL, he was CEO at Privi Organics and also headed Givaudan's Flavor business. He holds a degree in Chemical Engineering. Mr. Ramkrishnan took over as Director, Strategy, in October 2014. He is responsible for the company's long-term strategy development, M&A, and equity/debt raisingactivities. Previously, he was Group CEO, responsible for SHKL's business across geographies. Mr. Ramkrishnan has been with the company since 2010.
Shrikant Mate	Executive Vice President and Group CFO	He has over 32 years of experience and has worked in various sectors such as Manufacturing,IT and Services.He is a Chartered Accountant and Company secretary.At keva, Earlier he was VP- strategist ,Now Mr.Mate is an Executive Vice president and Group CFO. He is responsible in driving Keva's IPO and Acquisitions

Source: Company, BP Equities Research

⇒ Manufacturing Facilities

Location	Barneveld, Netherlands	Milan, Italy	Vapi, Gujarat	Vashivali, Raigad, Maharashtra	Taihe, China	Mahad, Maharashtra	Mumbai, Maharashtra
Capacity (TPA)	1,650	5,000	2,064	Unit I : Fragrance - 10,342 Unit II : Flavour unit - 3,000	400	1,200	Unit I: Fragrance - 5,400 Unit II: Fragrance - 6,600 Unit III: Flavour - 7,500

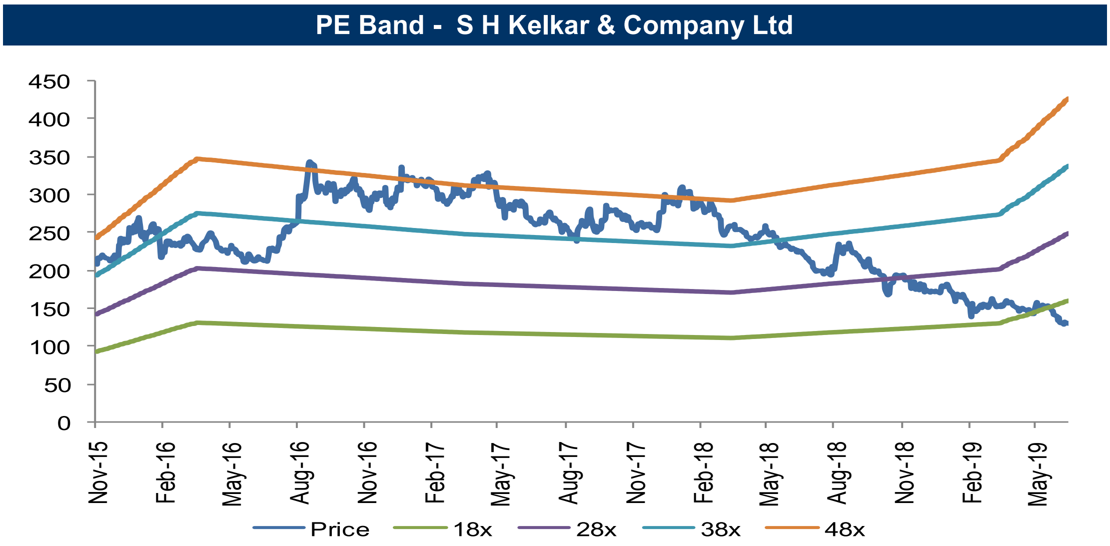
Source: Company

⇒ Peer group comparison

Company	CMP	M Cap	P/E		EPS		EV/EBITDA		RoE (%)	
	(INR/USD#)	(INR/ USD#. Bn)	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
SH KELKAR & CO LTD	130	19	18.0	14.6	7.2	8.9	12.0	9.8	11.6	13.2
GIVAUDAN*^#	2735	25	30.9	28.5	88.4	96.0	21.3	19.8	20.5	21.4
INTL FLVR & FRAG*^#	143	15	22.5	20.7	6.3	6.9	17.3	15.8	9.9	10.4
SYMRISE*^#	85	11	34.6	29.0	2.4	2.9	17.9	16.0	14.0	14.2

*Source: BP Equities Research, * Bloomberg estimate ,^ CY19-20 EPS and EV/EBITDA considered*

⇒ PE Band



Source: BP Equities Research, Ace Equity

⇒ Key Risks and Concerns:

Sharp changes in raw material prices could adversely impact profitability

In manufacturing of F&F , SHK uses1200+ raw materials from 4 broad category essential oil fruit extract flowers, wood etc. The prices of these raw materials have been volatile in the recent past and adversely impact its operating margin during same period. Similar adverse changes in the raw material prices could have a negative impact on earnings.

Foreign exchange risk

SHK's overseas revenue and a portion of raw material expenditures (~50% of RM) are in foreign currency, mostly USD and Euro. SHK's received 35% of its revenue from exports in FY19. Thus, the company is highly exposed to the risk of fluctuation in foreign exchange rates.

Increasing competitive intensity may erode pricing power

SH Kelkar faces completion from global companies like Givaudan, IFF, Firmenich and Symrise which collectively hold around 60% shares in Indian F&F market. The foreign companies have stronger financial strength and larger scale of operations coupled with higher investment in R&D (8-9% vs 2-3% by SHK) and hence represent major threat to the company's operations.

Valuation & Outlook

Valuation	Basis	FY19	FY20E	FY21E
EPS		6	7	9
Growth in EPS (YoY %)		-6%	18%	24%
Implied PE		21.2	18.0	14.5
Assigned PE	(21x PE)	21	21	21
Target Price		**128**	**152**	**188**
(Implied PEG Ratio considering next 2years: 1)				
CMP		130	130	130
Upside Potential (%)				**45%**

Source: Company, BP Equities Research

We apply 50% discount to global peers while valuing and assign 1x PEG (P/E of 21x of Its FY21E earnings). We initiate coverage on the stock & recommend 'BUY' rating with a target price of INR188 per share. (potential upside of 45% from CMP) for an investment horizon of 12-15 months.

We believe SHK would be a major beneficiary of increasing demand from FMCG companies specifically present in personal care, packaged foods & dairy products. We expect the company to post 10.4% revenue CAGR over FY19-21E led by steady growth in end user industry. We forecast 417bps of EBITDA margin expansion over FY19-21E driven by (a) shift in composition of exports in favor of high value added items and(b) shift in production base of ingredient business from high cost region of the Netherlands to the low cost region in India and (c) normalization of Input cost increase .We estimate ~21% PAT CAGR on the back of better operational performance. Considering the expected strong growth in profitability, healthy balance sheet, improving return ratios and good corporate governance practices, we are optimistic about the long-term growth prospects of the company. At the CMP (INR 130), the stock is trading at 18.0x its FY20E EPS of INR 7.2 and 14.5x its FY21E EPS of INR 8.9. Global peers are trading at PEG ratio of 2x (2yr CAGR), as they enjoy better margin and global leadership position compared to SHK, we apply 50% discount to global peers, while valuing and assign 1x PEG (P/E of 21x of Its FY21E earnings). We initiate coverage on the stock & recommend 'BUY' rating with a target price of INR 188 per share..

Profit & Loss A/c (Consolidated)							
YE March (INR. Mn)	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20E**	**FY21E**
Revenue	**8,355**	**9,249**	**9,805**	**10,251**	**10,436**	**11,506**	**12,731**
Growth %	*9.7%*	*10.7%*	*6.0%*	*4.5%*	*1.8%*	*10.3%*	*10.6%*
Total Revenue	**8,355**	**9,249**	**9,805**	**10,251**	**10,436**	**11,506**	**12,731**
Less:							
Raw Material Consumed	4,418	4,945	5,176	5,444	5,908	6,341	6,910
Employee Cost	1,122	1,119	1,225	1,252	1,281	1,307	1,372
Other Expenses	2,061	1,674	1,736	1,920	1,927	2,084	2,306
Total Operating Expenditure	**7,601**	**7,738**	**8,136**	**8,616**	**9,115**	**9,732**	**10,588**
EBITDA	**754**	**1,511**	**1,669**	**1,635**	**1,321**	**1,775**	**2,142**
Growth %	*-42.7%*	*100.4%*	*10.4%*	*-2.0%*	*-19.2%*	*34.4%*	*20.7%*
Less: Depreciation	293	297	194	238	312	334	356
EBIT	**461**	**1,214**	**1,475**	**1,397**	**1,009**	**1,441**	**1,786**
Growth %	*-59.1%*	*163.4%*	*21.4%*	*-5.3%*	*-27.7%*	*42.8%*	*24.0%*
Interest Paid	195	216	62	53	140	161	148
Non-operating Income	679	105	116	216	279	208	197
Extraordinary Income	0	0	0	(129)	0	0	0
Profit Before tax	**945**	**1,103**	**1,528**	**1,432**	**1,149**	**1,488**	**1,835**
Tax	241	372	480	506	270	446	551
Net Profit	**704**	**731**	**1,048**	**942**	**880**	**1,046**	**1,294**
Adjusted Profit	**704**	**731**	**1,048**	**1,070**	**880**	**1,046**	**1,294**
Reported Diluted EPS Rs	**4.9**	**5.1**	**7.2**	**6.5**	**6.1**	**7.2**	**8.9**
Growth %	*-11.0%*	*3.8%*	*43.5%*	*-10.1%*	*-6.1%*	*18.2%*	*23.7%*
Adjusted Diluted EPS Rs	**4.9**	**5.1**	**7.2**	**7.4**	**6.1**	**7.2**	**8.9**
Growth %	*-11.0%*	*3.8%*	*43.5%*	*2.1%*	*-17.8%*	*18.8%*	*23.7%*

Source: Company, BP Equities Research

Common Sized Profit & Loss Account							
YE March (INR. Mn)	**FY15**	**FY16**	**FY17**	**FY18**	**FY19E**	**FY20E**	**FY21E**
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Less:							
Raw Material Consumed	52.9%	53.5%	52.8%	53.1%	56.6%	55.1%	54.3%
Employee Cost	13.4%	12.1%	12.5%	12.2%	12.3%	11.4%	10.8%
Other Expenses	24.7%	18.1%	17.7%	18.7%	18.5%	18.1%	18.1%
Total Operating Expenditure	**91.0%**	**83.7%**	**83.0%**	**84.0%**	**87.3%**	**84.6%**	**83.2%**
EBITDA	**9.0%**	**16.3%**	**17.0%**	**16.0%**	**12.7%**	**15.4%**	**16.8%**
Depreciation	3.5%	3.2%	2.0%	2.3%	3.0%	2.9%	2.8%
Interest Paid	2.3%	2.3%	0.6%	0.5%	1.3%	1.4%	1.2%
Non-operating Income	8.1%	1.1%	1.2%	2.1%	2.7%	1.8%	1.5%
Extraordinary Items	0.0%	0.0%	0.0%	-1.3%	0.0%	0.0%	0.0%
Profit Before Tax	**11.3%**	**11.9%**	**15.6%**	**14.0%**	**11.0%**	**12.9%**	**14.4%**
Current tax	2.9%	4.0%	4.9%	4.9%	2.6%	3.9%	4.3%
Profit After Tax	**8.4%**	**7.9%**	**10.7%**	**9.2%**	**8.5%**	**9.1%**	**10.2%**
Adjusted Profit	**8.4%**	**7.9%**	**10.7%**	**10.4%**	**8.4%**	**9.1%**	**10.2%**

Source: Company, BP Equities Research

Cash Flows (Consolidated)							
YE March (Rs. Mn)	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20E**	**FY21E**
PBT	**945.0**	**1,103.0**	**1,527.8**	**1,431.6**	**1,148.5**	**1,488.0**	**1,835.4**
Depreciation	293.0	296.9	194.4	238.4	311.5	333.9	356.3
Interest & Finance Charges	185.2	143.8	51.6	39.7	(94.0)	(77.0)	(94.0)
Other Adjust	(146.8)	1.3	(39.9)	(103.4)	0.0	0.0	0.0
Direct Taxes Paid	(284.0)	(406.6)	(462.9)	(360.7)	(270.0)	(446.4)	(550.6)
(Inc)/Dec in WC	(375.0)	(274.6)	(247.6)	(212.3)	(699.0)	(310.1)	(577.5)
Net Cash Generated From Operations	**617.4**	**863.8**	**1,023.4**	**1,033.3**	**397.0**	**988.4**	**969.6**
(Inc)/Dec in Fixed Assets	(218.5)	(238.3)	(381.3)	(1,207.6)	(1,192.3)	(400.0)	(400.0)
Free Cash Flow	**398.9**	**625.5**	**642.1**	**(174.3)**	**(795.3)**	**588.4**	**569.6**
(Pur)/Sale of Investments	2.8	(542.8)	(686.6)	(465.9)	(4.0)	0.0	0.0
Others	42.2	10.9	29.6	37.3	234.0	246.0	268.0
Net Cash Flow from/(used in) Investing Activities	**(173.5)**	**(770.2)**	**(1,038.3)**	**(1,636.2)**	**(962.3)**	**(154.0)**	**(132.0)**
Inc/(Dec) in Total Loans	321.9	(1,583.8)	(101.4)	925.6	1,697.0	(250.0)	(250.0)
Inc/(Dec) in Equity	0.0	2,099.8	0.0	0.0	0.0	0.0	0.0
Dividend Paid	(150.0)	(441.1)	0.0	(304.7)	(256.0)	(312.5)	(385.4)
Other Financing Activities	(38.1)	(149.4)	(6.5)	(304.8)	(567.0)	0.0	0.0
Less: Interest Paid	(183.2)	(161.5)	(50.8)	(39.3)	(139.5)	(160.7)	(147.7)
Net Cash Flow from Financing Activities	**(74.9)**	**(236.0)**	**(158.7)**	**276.8**	**734.5**	**(723.2)**	**(783.1)**
Others	**(25.1)**	**205.6**	**(94.1)**	**10.0**	**1.2**	**0.0**	**0.0**
Net Inc/Dec in cash equivalents	**343.9**	**63.2**	**(267.7)**	**(316.1)**	**170.4**	**111.2**	**54.5**
Opening Balance	415.2	759.1	822.3	554.6	238.5	408.9	520.1
Closing Balance Cash and Cash Equivalents	759.1	822.3	554.6	238.5	408.9	520.1	574.6

Source: Company, BP Equities Research

Balance Sheet (Consolidated)							
YE March(Rs. mn)	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20E**	**FY21E**
Liabilities							
Equity Capital	1,415	1,446	1,446	1,446	1,446	1,446.2	1,446
Reserves & Surplus	3,682	5,714	6,671	7,126	7,187	7,928.2	8,908
Equity	**5,097**	**7,161**	**8,117**	**8,572**	**8,634**	**9,374.4**	**10,354**
Preference Share Capital	0	0	0	0	0	0.0	0
Net Worth	**5,097**	**7,161**	**8,117**	**8,572**	**8,634**	**9,374.4**	**10,354**
Minority Interest	0	0	0	0	108	108.1	108
Others	55	67	51	57	(47)	(47.4)	(47)
Total Loans	**2,136**	**732**	**624**	**1,643**	**3,340**	**3,089.7**	**2,840**
Capital Employed	**7,288**	**7,959**	**8,792**	**10,272**	**12,034**	**12,524.8**	**13,255**
Assets							
Gross Block	5,349	2,700	3,459	4,320	5,561	5,961	6,361
Less: Depreciation	2,612	427	495	945	1,256	1,590	1,946
Net Block	**2,737**	**2,273**	**2,964**	**3,376**	**4,305**	**4,371**	**4,415**
Capital WIP	105	181	24	356	154	154	154
Investments	244	194	620	640	493	542	596
Other Non Current Assets	103	123	103	60	46	0	0
Intangible Assets	0	0	50	246	398	398	398
Others - A	0	0	0	1,092	1,097	1,097	1,097
Current Assets							
Inventories	3,175	3,352	3,502	3,480	3,739	4,123	4,562
Sundry Debtors	1,945	2,288	2,170	2,766	2,845	3,136	3,470
Cash and Bank Balance	759	822	555	238	409	520	575
Current Investments	0	354	497	16	15	15	15
Loans and Advances	205	381	158	399	571	630	697
Other Current Assets	71	60	90	86	123	136	150
Total Current Assets	**6,155**	**7,257**	**6,971**	**6,985**	**7,703**	**8,561**	**9,469**
Less: Current Liabilities & Provisions							
Sundry Creditors	962	1,633	1,107	1,556	1,343	1,695	1,876
Provisions	296	64	218	384	101	111	123
Other Current Liabilities	797	372	615	543	718	792	876
Total Current Liabilities & Provisions	**2,055**	**2,069**	**1,940**	**2,483**	**2,162**	**2,598**	**2,875**
Capital Applied	**7,288**	**7,959**	**8,792**	**10,272**	**12,034**	**12,525**	**13,255**

Source: Company, BP Equities Research

Key Ratios (Standalone)							
YE March (Rs. mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Key Operating Ratios							
EBITDA Margin (%)	9.0%	16.3%	17.0%	16.0%	12.7%	15.4%	16.8%
Tax / PBT (%)	25.5%	33.8%	31.4%	35.3%	23.5%	30.0%	30.0%
Net Profit Margin (%)	8.4%	7.9%	10.7%	9.2%	8.5%	9.1%	10.2%
RoE (%)	14.2%	11.9%	13.7%	12.8%	10.2%	11.6%	13.2%
RoCE (%)	12.4%	11.4%	17.1%	16.9%	13.2%	12.4%	15.3%
Current Ratio (x)	3.0x	3.5x	3.6x	2.8x	3.6x	3.3x	3.3x
Dividend Payout (%)	23.2%	29.7%	24.1%	26.9%	26.9%	26.9%	26.9%
Book Value Per Share (Rs.)	35.2	49.5	56.1	59.3	59.7	64.8	71.0
Financial Leverage Ratios							
Debt/ Equity (x)	0.4x	0.1x	0.1x	0.2x	0.4x	0.3x	0.3x
Interest Coverage (x)	3.9x	7.0x	26.8x	31.0x	9.5x	11.0x	14.5x
Net Debt / EBITDA (x)	1.8x	-0.1x	0.0x	0.9x	2.2x	1.4x	1.1x
Growth Indicators %							
Growth in Net Block (%)	8.9%	(16.9%)	30.4%	13.9%	27.5%	1.5%	1.0%
Sales Growth (%)	9.7%	10.7%	6.0%	4.5%	1.8%	10.3%	10.6%
EBITDA Growth (%)	(42.7%)	100.4%	10.4%	(2.0%)	(19.2%)	34.4%	20.7%
Net Profit Growth (%)	(11.0%)	3.8%	43.5%	(10.1%)	(6.1%)	18.2%	23.7%
Diluted EPS Growth (%)	(11.0%)	3.8%	43.5%	(10.1%)	(6.1%)	18.2%	23.7%
Turnover Ratios							
Debtors Days	85	90	81	98	99	99	99
Creditors Days	42	64	50	66	54	54	54
Inventory Days	139	132	130	124	131	131	131

Source: Company, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

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