

S H Kelkar & Company Ltd: Good Issue

IPO Note: Largest fragrance and flavour companies in India Ranking:***

Issue details

Price band (Rs)	Rs. 173 - Rs. 180
IPO Opening Date	28-10-2015
IPO Closing Date	30-10-2015
Issue Size	Rs. 210.00 Crore

Recommendations

The Indian fragrance and flavour industry includes more than 1,000 Companies, ranging from Multinational Companies, large Indian industrial houses to small-scale units and local manufacturers. The top five fragrance and flavours companies in India are Givaudan SA, Firmenich, S H Kelkar & Company Ltd, International Flavors and Fragrances, Inc. and Symrise SA. Together they contribute approximately 70.0% of the Indian fragrance and flavour industry for the year ended December 31, 2013.

Flexibility to respond to changing business conditions, including research and creation capabilities, is an important element towards maintaining a competitive position in the fragrance and flavour industry. In addition to that they are also affected by competition faced by their customers, specifically, manufacturers of FMCG products. **However, since there is no listed company in India which is engaged exclusively in the business of manufacturing fragrances and flavour, FMCG sector can be used as a reference for the comparison. With continued growth expected in this sector, this IPO is recommended for listing gain and long-term investment.**

Highlights

- **S H Kelkar & Company Ltd (Keva) is the largest fragrance and flavour companies in India by revenue**
- **The company has market share of approximately 12.0%**
- **Company has a large and diverse mix of over 3,500 customers, including leading national and multi-national FMCG companies**
- **For Q1 of current fiscal, it has posted net profit of Rs. 20.66 cr. on a turnover of Rs. 223.97 cr.**
- **The company has total debt of Rs.118 Crore**

Financial Valuations

In FY15, the company has posted net profit of Rs.64.38 on turnover of Rs.860 crore and registered an EPS of Rs.4.87 (consolidated basis). The company has posted an average EPs of Rs. 5.17 for last three fiscals. For Q1 of current fiscal, it has posted net profit of Rs. 20.66 cr. on a turnover of Rs. 223.97 cr. As claimed in RHP by the company, there is no listed peer to compare with. It suffered a setback for the fiscal 2015. If we attribute latest annualized earnings then the asking price is at a P/E of around 40.0 on fully diluted equity post IPO.

Company Introduction

Company Profile

S H Kelkar & Company Ltd (Keva) is the largest fragrance and flavour companies in India by revenue, with a market share of approximately 12.0%. The journey of the company began in 1922 as a manufacturer of industrial perfumes in British India.



www.keva.co.in

Financial Summary

Particulars	FY2013	FY2014	FY2015
Total Income	667.70	769.17	860.33
Net Profit	61.57	79.11	64.38
EPS (Rs)	5.02	5.98	4.87

Source:RHP

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Company has four manufacturing facilities, three of which are located in India and one in The Netherlands, with a total installed manufacturing capacity of over 19,819 tons annually.

Last year company manufactured and supplied over 6,300 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. Company has a large and diverse mix of over 3,500 customers, including leading national and multi-national FMCG companies, blenders of fragrances and flavours and fragrance and flavour producers.

The flavour products produced by the company are used as a raw material by producers of baked goods, dairy products, beverages and pharmaceutical products. Company has over 300 customers for its flavour products.

S H Kelkar dedicated research team of 21 scientists. Company's research team has developed 12 molecules over the last three years of which company has filed patent applications for three.

Issue Proceed

To meet repayment in full or part certain loans of the company and its subsidiary, investment in K V Arochem Pvt Ltd (subsidiary) and meeting other general funding requirements the company is coming out with its maiden IPO of approx 1.17 crore equity share of Rs. 10 each at a price band of Rs. 173-180 to mobilize Rs. 210.00 crore and also having offer for sale of 16565161 equity shares by existing stakeholders. Thus the overall size of the issue is Rs. 508 crore at the upper price band. Minimum application is to be made for 80 shares and in multiples thereon, thereafter. It has made seven bonus issues in the history so far. Its current paid up equity capital of Rs. 132.95 crore will stand enhanced to approx. Rs. 144.62 crore post IPO.

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