November 06, 2026

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

Scrip Code: 539450

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

Scrip Symbol: SHK

Dear Sir/ Madam,

Sub: Transcript of Conference Call for Investor and Analysts

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the conference call for investors and analysts on the Q2 & H1 FY27 results, organized virtually by the Company on Tuesday, November 03, 2026 at 02:00 P.M. IST.

The transcript is also available on the website of the Company at https://keva.co.in/investor-docs/262/q2/157191/transcript-of-concall-q2-fy27.pdf.

Please note that no unpublished price sensitive information was shared by the Company during the said conference call.

This intimation is also being uploaded on the Company's website at www.keva.co.in.

You are requested to take the same on record.

Thanking you,

Yours faithfully,

For S H Kelkar and Company Limited

DEEPTI S CHANDRATRE
Digitally signed by DEEPTI S CHANDRATRE
Date: 2026.11.06 11:18:09 +05'30'

Deepti Chandratre
Global Legal Counsel and Company Secretary

Encl: As above

S H Kelkar and Company Limited

Q2 & H1 FY 2027 Earnings Conference Call

November 03, 2026

Moderator: Ladies and gentlemen, good day, and welcome to S H Kelkar and Company Limited Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you, Mr. Poojari.

Anoop Poojari: Thank you. Good afternoon, everyone, and thank you for joining us on SH Kelkar & Company Limited's Q2 and H1 FY 2027 Earnings Conference Call.

We have with us Mr. Kedar Vaze, Whole-Time Director and Group CEO; Mr. B. Ramakrishnan, CEO, Fragrances, Asia and U.S.A.; and Mr. Jagdish Agarwal, Group Chief Financial Officer of the company.

We will begin the call with opening remarks from the management, following which we will have the forum open for a question-and-answer session. Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Kedar to make his opening remarks.

Kedar Vaze: Good afternoon, everyone, and thank you for joining us for the S H Kelkar and Company Earnings Call for second quarter and first half of financial year 2027.

Our first half performance has been encouraging with good momentum across our businesses. The Fragrance segment reported revenue growth of 11.9% in the first half of 27, driven by India and international markets. Excluding the impact of the low-margin business we hived off in quarter 4 of 26, the annual revenue of which was roughly Rs.50 crore, the underlying growth was about 14%. Our priorities remain to leverage our creative and technical expertise, respond to evolving

customer requirements and strengthen our presence across key markets, especially new investment areas in Europe and America.

The Flavour business continued to perform well, recording strong growth of 47% during the first half. Business has benefited from demand across domestic and international markets. We continue to see significant long-term potential in this segment and remain focused on expanding our contribution to this business through innovation and continued development in application centers.

Over the past few years, you know we have invested significantly in building the global creative technical and manufacturing capabilities across developed markets in Europe and America. Our focus now to consolidate these gains, harness them for sustained growth by bringing new products to the market at a faster pace.

Looking ahead, while the external environment is likely to remain dynamic, our strategic direction remains unchanged. We remain focused on reinforcing our position as a globally competitive technology-led Fragrance and Flavour company to leverage our innovation capabilities and scientific expertise and integrated global platform to deliver sustainable, profitable growth over the long term. Our continued research in proprietary molecules, formulation technologies and sustainable ingredients will be our key differentiator as we grow confidently to the new geographies that we are expanding.

With that, let me hand over to Jagdish to take you through the financial performance in greater detail. Over to you, Jagdish.

Jagdish Agarwal: Thank you, Kedar. Good afternoon, everyone, and thank you for joining us.

Let me take you through the financial performance for the second quarter and first half of FY27. The consolidated revenue from operations grew by 15% Y-o-Y to Rs.636 crore in second quarter of FY27, taking H1 revenue to Rs.1,299 crore, an increase of 14%.

EBITDA for the first half increased by 33% to Rs.168 crore with EBITDA margins improving to 13%. At the consolidated level, gross margins remained broadly stable during first half of FY27 amid volatility in raw material prices and global sourcing conditions.

Protecting profitability has remained a key priority, supported by proactive raw material planning, appropriate pricing actions, operational efficiencies and continued cost optimization. These measures have helped us manage input cost pressures and maintain operating performance in a challenging environment.

Within the Fragrance segment, H1 revenue grew by 11.9% Y-o-Y to Rs.1,088 crore. Growth was broad-based across geographies. The Flavour segment maintained its

strong growth trajectory with H1 revenue increasing by 47% on a Y-o-Y basis to Rs.184 crore.

The Flavours performance was supported by sustained demand and deeper customer engagement across domestic and international markets. The higher revenue base also contributed to an improvement in segment profitability. While we remain encouraged by the performance of this business, the pace of growth may vary across quarters depending on the timing of customer orders.

Moving to the balance sheet. Net debt stood at Rs.911 crore as of September 30, 2026. During the first half, we constantly maintained high inventory levels to ensure supply continuity and meet customer commitments amid uncertainties in global sourcing and raw material availability. This increased working capital. We expect September debt level to represent a peak for the year with the reduction anticipated by March 2027 as we optimize inventory levels. Given the current financial year, our objective is to progressively improve cash generation and reduce debt on a year-on-year basis, thereby strengthening our balance sheet and enhancing financial flexibility.

Looking ahead, our focus will remain on sustaining operating performance, protecting profitability and improving working capital efficiency. We believe these priorities will support continued business growth while strengthening our financial position over the long term.

With that, I would request the moderator to open the forum for questions. Thank you.

Moderator: Thank you very much. Your first question comes from the line of Abhijit Akella from KIE. Please go ahead.

Abhijit Akella: Hi, good afternoon. Thank you so much for taking my questions. First one was just if you could please share an update on the major capex projects, the new projects underway, both in India and abroad. What are the timelines for these? And yes, how you see the ramp-up going?

Kedar Vaze: The capex in Europe is almost all done. So, the factory is put to use since May. We have seen second quarter it is fully operational. The capex projects in India, particularly the Fragrance factory renewal is expected to complete by end of this year, kind of put to use in quarter 4. And thereafter next year, we will transition the factories out from Mulund to the new factory.

The second factory is also expected in financial year 27-28. Incremental capex will be included. And the second factory in Mulund will then transition out to the second factory in Vanavate or Vashivali. This is likely to happen. So, first factory put to use in quarter 4 this year and the second one put to use in quarter 4 next year, which

would conclude our large capex expansion as we complete our domestic requirements on Fragrance and Flavour growth for the next few decades.

Abhijit Akella: And the other aspect was just on these overseas development centers that we have set up across three markets. Any update there in terms of progress in terms of customer discussions? Any traction in project inflows?

Kedar Vaze: The first half, we have done budgeted sales in the U.S. So, U.S. market, we already started generating revenues. The numbers are small. It will take a couple of years to ramp up, and there is active momentum. We also have our first sales in Germany and the first sales in the U.K. market. So, we are on track to start to monetize our investments, which we have concluded in the last two years.

Abhijit Akella: Got it. And just the last one from me was on the demand scenario across regions. If you could please just characterize how things are looking from a customer demand standpoint and your ability to pass through whatever input cost pressures, you may be seeing?

Kedar Vaze: So as of now, I am quite optimistic that the supply chain issues and the sort of Middle East oil crisis should abate or stabilize at least to wherever the results of the U.S. elections midterms and net effect of that. We are putting in our paradigm that we will see some stabilization of cost and thereafter rapid growth across Asia and continued growth in European markets. So, we expect the markets to rebound and have very strong demand in the second half of the year.

I think the biggest risk factor to this is the ongoing situation in the Middle East. And we expect to have some better understanding of where that is headed in a few days from now when the U.S. midterm election results and any net or any changes in the policies do occur. But we are very hopeful and very optimistic that we will see stabilization of the raw material prices and rapid demand. We do not expect any subdued markets. First half of the year, the Middle East market has been low-key. While we have continued to grow, it is lower growth rates than what we have been experiencing previous years. So, I expect that growth rates to probably also resume on a better rate in the second half.

Moderator: Thank you. Your next question comes from the line of Bharat Gupta with Fair Value Capital. Please go ahead.

Bharat Gupta: Hi, I hope I am audible. I have a couple of questions. One was in regard to the domestic demand. You mentioned that the demand has been resilient. But if you look on the numbers, it has been a 9% kind of a growth in the domestic Fragrance side. So, can you just split the growth across the volume versus the overall value addition side, how the bifurcation has been?

Kedar Vaze: Roughly 5% is the growth in cost and 4% is the growth in volume.

Bharat Gupta: Right. And when we have been reading across the comment being shared by the FMCG companies, so they have reported a double-digit growth across this space. So, how we see the growth bifurcation with respect to our Tier 1, Tier 2, Tier 3 clients, where we have been able to gain the market share?

Kedar Vaze: No, I think the growth reported and the manner of growth, we have also seen rapid growth with the large clients. We have seen lesser growth with the smaller clients. So, the typical higher inflation, the larger brands and the larger companies are better placed to pass on the sort of cost and have the inventory and contracts. So, we have seen this time and again when there is inflation and higher pricing that the bigger brands gain some volume share. But this is very transient. So, we expect that as the market pricing stabilizes, we will end up with, again, growth on the mid and smaller sector.

Bharat Gupta: So primarily, the moderate growth which we are seeing across the domestic space has largely been because of, we can say muted performance from the small and Tier 2 clients?

Kedar Vaze: We also are mindful that about Rs.25 crore of revenue, we have intentionally exited low-margin categories. So, to that extent, it is not a like-for-like growth. Like-for-like growth is more towards 12%.

Bharat Gupta: And just on the second coming on to the RFQ space. So, can you just share an update about the progress of RFQs, which are currently under evaluation? And has there been any meaningful developments in terms of new customer wins, conversions or any incremental wallet share opportunity?

Kedar Vaze: There is no specific RFQs that we are participating. This is an ongoing one-to-one engagement with large number of clients. We continue to engage with clients in all the markets and bigger clients, midsized clients, increase our market wallet share with existing clients as well as add new clients. So, it is an ongoing process. We have more than 5,000 clients across the world, which we are servicing, and we are adding new clients as well as new product wallet share with the existing clients.

Bharat Gupta: Just last bit, like in terms of the expenditure, which has been going around on the CDC side. So, what kind of expenditure are we looking out for this fiscal year as well as for the next fiscal year?

Kedar Vaze: So, we have completed our hiring and put to use all the CDCs in Germany, Manchester and in the U.S. So, we are now kind of first half is indicative of all cost in. And of course, there will be some marginal people coming in and going as things evolve. But there is no investment in any center. So, all the centers are manned. They are in put to use. As I mentioned, both Germany, U.K. as well as U.S.A. have their first sales in. So, things are now on its way.

Bharat Gupta: And just on the margin side, so Flavours have done continuously well. There has been a strong improvement in demand as well as when we look at the margins. So, do you think that kind of margin remains on a sustainable side? And will there be any improvement in their margins as well because CDC spending will moderate over the subsequent quarters?

Kedar Vaze: So, in terms of the gross margin side, I do not expect anything substantially different. We are seeing some inflationary and availability issues continuing in the market. If things ease out, as I mentioned, we are closely watching the geopolitical developments and we will plan accordingly. But if things ease out, we can probably see some 0.5% improvement in the margin profile. Otherwise, margins, gross margins are expected to be in the 43% range. As far as the EBITDA level, I think the operating leverage as we grow sales, so our fixed costs on CDCs are more or less in place. And as we grow, our operating leverage will start to kick in below the gross margin in terms of EBITDA percentage.

Bharat Gupta: And with the RM pricing on a higher side and the inflationary headwinds continues to be in place. So, when we speak about the net debt reduction, so do we stick to the objective of sticking below the FY26 levels? Or there can be some increase in the inventory because of the geopolitical scenario?

Kedar Vaze: No, we are already carrying high levels of inventory given what is happening. So, we do not expect any further increase in inventory. In fact, we have planned to subsequent quarters to reduce the inventory intensity and working capital intensity of the business.

Moderator: Thank you. Your next question comes from the line of Riddhesh Gandhi with Discovery Capital. Please go ahead.

Riddhesh Gandhi: Hi, sir. Sir since 2019, just looking at your ROCE, all except for 2021, which was a COVID year, our ROCEs have been under 12%. I understand that there is a reasonable amount of growth in the capex that we are doing. And once that gets utilized, it should go up. But just given the sort of specialty nature of the business, the high barriers to entry, the lead we have had over the years, just want to understand what is it that is driving this sustained period of almost eight years of a return on capital under your cost of capital?

Kedar Vaze: I think we need to define what is the ROCE metrics that we are looking at. If we look at the mature markets, which is India and which we have been operating for more than two, three decades, our ROCEs are in 20% range. We are adding markets which are 20 to 30x bigger than our Indian market. And we are investing proportionate or disproportionately higher quantum of monies to penetrate these markets in the last many years. So, the ROCEs will remain subdued. And as we grow the business, the ROCEs will start to look healthy.

Riddhesh Gandhi: But how do we get the comfort that this expansion that we are doing outside of our home market is going to yield the results that we are actually looking for because it has been a reasonably long time of actually investing happening. I just wanted to understand what is giving us the confidence to kind of continue to expand?

Kedar Vaze: What we need to look at, it is not that we are investing only in one thing. We have been continuing to invest. Our objective is to be one of the top global Fragrance and Flavour companies. We started with India market, which is 5% or less of the global market, and we want to take the remaining 95% of the global market as we grow.

So, the investments will be continual. We have taken a very big jump in 2024 because of the environment of other competitive opportunities where the bigger companies had mergers and there was good opportunity for midsized companies. So, as the industry offered us opportunity, we have taken big jumps in U.S.A. and Europe in terms of our investment portfolio.

And unfortunately, we had a fire incident two years ago. So, we have a little bit of negative capex or double capex in the domestic market as we are recovering from that incident. So this is not the, I would say, the healthiest situation. It is not the ROCE when everything is going well. This is the ROCE as we have continued our expansion despite having some setbacks in our domestic business. And we expect by next year, the domestic business, capital employed and new factory to start to push our ROCEs back to normal levels.

Having said that, if you want to do a quick assessment, we have roughly Rs.80 crore of spend in our CDCs, which are not generating any meaningful revenue yet. If you deduct Rs.80 crore and add it to the profitability, you can see the underlying ROCEs of our mature business.

Riddhesh Gandhi: Got it. And just to know when do you think there will be enough revenue to recover these losses?

Kedar Vaze: I think we are not making losses. I would say we are investing for the future from our profits of the existing business into new markets. It will take a good three to four years before we are breakeven in those markets by themselves and then another further three to four years as we continue to grow to generate meaningful returns on this investment. It is a long haul. It will take seven, eight years before these businesses are then generating a good return on investment.

Riddhesh Gandhi: Got it. So, and just to understand this EBITDA margin of about 12% to 13%, which we have had for the last couple of quarters, is this a sort of sustainable number which will go up from here? Or is there any little bit of an exceptional because of holding some low-cost inventory or anything of that nature?

Kedar Vaze: So, the 13% is actually at the lower side of the sustainable EBITDA, which we are doing. It is on the subdued side. We expect it to improve.

Riddhesh Gandhi: All right, sir. And last thing, just going forward over the next two to three years, is there any kind of guidance you can give us both in terms of revenue and margins?

Kedar Vaze: So, we look at continuing to grow more than 12% on the revenue side. It will be depending on the inflation and volume, but 12% to 13% growth on the top line, we expect on a continuing basis. We also are looking at slightly higher than that on the EBITDA growth. So, we expect 14% on a 12% revenue growth, 13% to 14% EBITDA growth year-on-year in the next 2-3 years.

Riddhesh Gandhi: And just given the Indian market, I am assuming is growing at a low double digit and we are of a very low base offshore, should not our growth rate be materially higher than the 12% given all the investments we have done?

Kedar Vaze: Yes. I think that it would ramp up. The base of some of the older businesses are not kind of growing at a rapid pace. So effectively, the 12% is 25% on the new business and having a mass of existing business, which is steady state, which is mature penetrated markets.

Riddhesh Gandhi: You are saying that the growth should ideally be quicker, you are saying?

Kedar Vaze: The growth has two components. We are not growing only new products. Our existing products which are in the market for multiple decades are now growing at 5%, 6%. They are not growing faster than that. They are fully market penetrated. They are growing, but they are not going to grow at 20% growth. So, the business growth comes from the new products and new categories, which are growing at 25%. So, the composite comes to 12%.

Moderator: Thank you. Your next question comes from the line of Pranav Tendolkar with Rare Enterprises. Please go ahead.

Pranav Tendolkar: Hi, sir. Thanks a lot for the opportunity. Sir, how is scaling up Germany and U.K. and U.S. geographies shaping up? Any new client additions, et cetera, that you can throw light on?

Kedar Vaze: So basically, Germany, U.K. we have new clients. We do not have any existing Fragrance clients in these markets. The entire business with new products and new clients.

Pranav Tendolkar: Right, sir. So, you had previously mentioned that Germany will break even this year and grow faster. So, any such milestones for other geographies you can provide where we have invested in?

Kedar Vaze: We have not alluded that it will break even. It is basically starting to generate revenues. So, we are now in the scaling up the revenues. So, last year and 1.5 years was basically putting the team, getting the system, getting product out to the client, starting the first, first move. We are now seeing revenues in all these three markets starting to generate. They will be meaningful as we go. It will take another 12 months to 18 months to ramp up to significant numbers on the overall scheme of the company. 100%, but the base is very small. So, we see that it will ramp up rapidly, but it will be meaningful. It will take at least 12 to 18 months for these revenues to be meaningful in the overall revenues of the company.

Moderator: Thank you. Your next question comes from the line of Jatin Chawla with RTL Investments. Please go ahead.

Jatin Chawla: Hi, good afternoon and thanks for the opportunity. I think you mentioned that you see this 13% margin as the lower end of the range that you see. And I think in the past, you have said 15% is more like the base you would like to have. So over what period do you see yourself getting to that 15% margin? Should that happen in FY28 or beyond?

Kedar Vaze: I think it is a bit uncertain from the point of view what do we track in terms of inflation. Last six months, we have very high base inflation given all the disturbances. If we are at a steady state, I think in 12 months' time, we should reach the 15% EBITDA. If we continue to have further inflation, probably it takes two years. But somewhere between 12 to 18 months, we will see the operating leverage kicking in, and our target of 15% EBITDA plus will come in picture.

Jatin Chawla: Got it. And I think on Flavours, first quarter, there was some large order. But the 2Q Flavours kind of run rate of Rs.72 crore on revenue that you see that as a sustainable run rate?

Kedar Vaze: Yes. I think the Q2 run rate is a bit lesser than the normal run rate. Q1 was much higher. So, I think the average is somewhere in the middle. I think 72 or 73, which is the.

Jagdish Agarwal: Rs. 72 crore for Q2. And H1 is Rs. 180 crore.

Kedar Vaze: I think probably Rs.90 crore per quarter is the correct run rate. Q2 has been below the run rate. Q1 has been above the run rate.

Jatin Chawla: Got it. Also, when I look at the first half, you have already done 13%, 14% growth. We are broadly seeing some revival in consumption in India, so growth should pick up. And with all the investments that you have done in CDC, your overseas business should also kind of grow faster. So why is it that we are looking at only like a 12%, 13% growth going forward and not 15% kind of growth?

Kedar Vaze: I think if we look at midterm basis, we have seen 15% kind of growth year-on-year for a few years, and then we have seen macro events, some pandemic or something happening where there is a six-month or nine-month flat growth. So, we do not want to overestimate the CAGR growth. I think 12%, 13% growth year-on-year. We may see years where we are doing 15%, 16%, maybe even higher growth rate. But on an average year-on-year, I think 12% to 13% from here is what we see.

If we compare with some of our global peers, the very large global companies, they are doing 2% to 3% average growth in these markets. So global average of 3% to 4%, if we are doing 13%, 14%, we will be at a good clip. And we are not talking about 12%, 13% on a sort of like-for-like. So, we expect 12%, 13% growth even in Euro terms and in Euro like-for-like currency. So double-digit growth like-for-like currency, if we have benefit of currency exchange and that we are not counting in the 12% to 13% growth.

Flip side on that is what is the inflation assumption. I think anybody's assumption of last year to this year is the inflation has been much higher than any predicted number. So, we see net volume impact on that. The inflation remains sort of neutral or in normal range. Growth rates can revive beyond the 12%-13%.

Jatin Chawla: Got it. Got it. Just one last question. So, when I look at your other expenses, they are now kind of stable at that Rs.95 crore level broadly for the last three quarters. But our interest cost and depreciation are still increasing. And I would assume that with new capex getting commissioning, they would probably increase a little bit further. So, what do you see as the kind of sustainable run rate on interest and depreciation costs?

Jagdish Agarwal: When you look at the interest, I think this quarter interest is almost Rs.17.5 crore, which looks more or less at a peak level. But the rate of interest are going up. And even though we are going to reduce the debt, which we are targeting to reduce. The interest for the second half is going to remain more or less in the range of Rs.16 crore, Rs.17 crore per quarter. When we talk about depreciation, once we do capitalization for the new facility, the depreciation will go up slightly. So, we are expecting roughly the range of depreciation and amortization annualized basis around RS.145 crore to RS.150 crore.

Jatin Chawla: Got it. Got it. Thanks a lot.

Kedar Vaze: I just want to add that the amortization of some of our acquisitions that have been done in Europe at some point over the next two, three years, those amortizations will start to reduce.

Jatin Chawla: Any indicative timeline on that?

Kedar Vaze: No, sir it is a 10-year amortization. So, when the first acquisition in 2018, that will start to reduce 2028 onwards.

Moderator: Thank you. Your next question comes from the line of Tanish Jhaveri with FYERS Asset Management Company. Please go ahead.

Tanish Jhaveri: Hi, yeah. I want to ask about the inventory build. By when do we see this unwind and we go back to our better working capital cycle? That is my first question?

Kedar Vaze: Over the next six months, we have progressively started the process. Already October, we have reduced some inventory. The next six months, we will continue to reduce our inventory intensity. So, we do not expect inventory in total to come down dramatically. But as we ramp up the sales, we will have the lower inventories managing higher sales.

Tanish Jhaveri: Sure. And when do we expect our insurance claim to be closed? Like I think some amount is still pending, right?

Jagdish Agarwal: Yes, in this financial year by March 2027.

Tanish Jhaveri: Okay. And the last question from my side would be on our liabilities. Most of it is going into overdraft or short-term liabilities. Is there any way of reducing like structuring this into a 3- to five-year loan to reduce the rollover dependence? Or is this all towards working capital?

Jagdish Agarwal: It is mostly towards working capital. So, it depends on the nature of uses.

Moderator: Thank you. Your next question comes from the line of Bharat Sheth with Quest Investment Managers Private Limited. Please go ahead.

Bharat Sheth: Hi, good afternoon Kedar and Jagdish and thanks for the opportunity. Kedar most of my questions have been answered, but I would like to understand, I mean, on the particularly Flavour side, the kind of numbers that we are saying. So, this year will be having a substantial growth. So how do we see this growth momentum sustaining? And where do we think a potential Flavour business that one can look for?

Kedar Vaze: So, I think on the Flavour, of course, 40% plus growth is quite anomalous growth. We have a sustainable quarter-on-quarter 20% growth, which is the underlying growth. We have seen additional sales, particularly in exports given the freight and disturbances in the Middle East and other markets. That has generated a large additional revenue in the first quarter, and we see this as more as a one-off transaction where the customers have increased their inventory levels given higher lead times, uncertainty on logistics, et cetera. So, it is not a consumption. It is additional sales. So, the pipeline on the inventory between us and the clients' usage has increased.

Apart from that, I think 20% plus is a sustainable Flavour growth. As we have seen after the pandemic, particularly huge movement towards packaged food in the industry growth on the sort of processed food has been substantial, apart from the 7%, 8% growth in volume consumption as the population grows. We have seen additional Flavour usage due to the packaged food or Flavoured products.

If you take simple products like dairy, previously, and even now, I think we are at roughly 3% of the dairy being Flavoured or processed in the totality. But as things are moving to more and more packaged and bottled milk and Flavoured milk and Flavoured products, this ratio is increasing. Every aspect of food industry and food consumption in India is getting more and more into processed food and factory production.

Multiple small bakeries across the country, they are now able to reach many more customers through the D2C platform. So, some of them are expanding their reach geographically through using the D2C basis. and many of the small retail outlets have closed down. So, the total consumption of food and the consumption of sort of processed food in the overall bucket is growing fast. We are quite small in terms of market share. So, we expect to continue to grow at 20% or thereabout year-on-year.

Bharat Sheth: So, do we expect that this expanded base in '27, there could be some degrowth in '28 and then we will grow 20% or whatever base we have built up, because the people have built up our inventory.

Kedar Vaze: Yes. I wouldn't take the 40% as the base. I would take in this year also the 20% if you about Rs.20 crore of business in the first quarter we can say as a one-off in terms of inventory purchase from the clients and then subsequent consumption as we end up with something like 127% for the first half on a sustainable basis. And we will continue to build it in progressive manner. We have actually increased our development strength within Flavours also almost by double what it was two years ago. So, we have the capability, capacity as well as the development team ready to increase the rate of increase.

Bharat Sheth: Okay. Great. And one more question for Jagdish. So, Jagdish, what is the capex pending, I mean, as on today in cash flow terms, considering both the factories.

Jagdish Agarwal: It is going to spill over to the next year. So, when we talk about this year, the remaining capex for this year for financial year '27 is in the range of Rs.30 crore, Rs.35 crore. When we move to 27-28, we some capex is moving to the next year as well.

Bharat Sheth: So how much that would be for '28? Can you give some broader colour?

Jagdish Agarwal: Yes. So 27-28 in the range of Rs.75 crore to Rs.80 crore.

Kedar Vaze: Rs.30 crore this year and Rs.50 crore next year.

Bharat Sheth: And what will be the sustenance capex apart from this?

Jagdish Agarwal: Which capex operational capex?

Bharat Sheth: Yes, maintenance and.

Jagdish Agarwal: Which is like around RS.15 crore roughly.

Moderator: Thank you. Your next question comes from the line of Raghuram Kuchi with Bestpals Research & Advisory LLP. Please go ahead.

Raghuram Kuchi: Yeah, Kedar sir, just wanted to understand about your investments in the CDC because these are mature markets, Europe and U.S. what is giving you the confidence or what is our right to win in this market? Just wanted to understand on that aspect because both the markets are mature and how are we able to get a foot into this market? And what is the reason for getting orders in these markets? And whom are we supplying to? Will we be to serving to large customers or in the SME or mid segment? Just wanted to get an understanding about the market?

Kedar Vaze: Two dynamics which are playing out globally in the developed markets in Europe and America. One, which is a global trend is a lot of small brands with the advent of direct-to-consumer and Internet-based marketing, a lot of small brands are able to reach bigger market. So, the market share of smaller clients in the total Fragrance is actually increasing. So, this is opportunity for smaller players like us in America and Europe.

The other thing which has happened in the industry in the last, it is a continuing trend, but in the last 10 years, which has reached a little bit of saturation is a tremendous amount of consolidation. So today, three or four companies are, let us say, five companies, which are multibillion-dollar companies. And then there are almost no companies in between our size and the multibillion-dollar companies because they have all been acquired or merged or they have got consolidated in Europe and America.

So, there is a wide space, open space for midsized and smaller company clients, which we are looking to undertake. While at the same time, we are one of the only midsized and smaller company that has a global technology and First-to-the-World innovation platforms. So, we are sort of competing with midsized companies across Europe and America with offerings that the large-sized global companies are able to give. We are combining the technology advantage of a global company and the agility and cost of a small-sized company. This is our offering. It is exactly where the market is growing and what the market needs.

Raghuram Kuchi: And what would be the market size because you said like the markets are 20x that of India. But I am assuming that the market that you are referring to here is different you are the same thing, 20x of India business?

Kedar Vaze: Fragrance market in these markets is even 35x that of India size. So, we are talking about USD20 billion to USD24 billion market in Europe and America in total on the Fragrance. If we eliminate some of the ingredient and the sale of that, we are still talking about a USD10 billion available market in U.S.A. and Europe.

Raghuram Kuchi: So, you are setting aside what the top four players are supplying, apart from that, you are saying that there is a $10 billion market available?

Kedar Vaze: Entire all formulations to the market in these two regions, about USD10 billion revenue.

Raghuram Kuchi: Got it, sir. And thanks a lot sir. Thank you very much. Can you talk a little bit more on the Southeast, how your investments are shaping up and how the market is growing for Kelkar?

Kedar Vaze: So Southeast Asia, in the past, especially during the pandemic, we had supply chain issues because we were trying to supply from India and their shipping lines, logistics was not efficient. We are now operating since last year, our factory in Jakarta, which is doing exceedingly well. It is in full operation since September last year. We are now in a situation to have low lead times to our clients, and we are seeing the growth as a result of that with the midsize and larger clients now giving us business opportunities with much more confidence than previously. So Southeast Asia, as a business, we see good green shoots. It continues to grow, and we are well poised to catch this growth.

Raghuram Kuchi: 12% growth, is it sustainable over a period of three to five years? Like what are the investments we have already done that will take us for the next few years, 12% growth on top line?

Kedar Vaze: Yes. I think the percentage growth looks big, but the market size is much bigger than the Indian market. Our absolute growth numbers are not that big. We talk about 2 million, 3 million increase per annum. So, we are very confident we can do that or exceed that.

Moderator: Thank you. Your next question comes from the line of Praveen Agarwal, an Individual Investor. Please go ahead.

Praveen Agarwal: Yeah. Hi, sir. I have just a couple of questions. First is on this FTA, so does that benefit us in any form or manner once the European FTA gets into these?

Kedar Vaze: I do not think that it is likely to be very material in our industry. We anyway have low duties on the finished products both ways. So, it is not material. The FTA will not create any opportunity or lack of opportunity.

Praveen Agarwal: Sir, second was, when I look at your stand-alone numbers and that contributes 50% of the business roughly, some of the margins on the standalone business, and I am assuming this is largely India business, is significantly lower. If I look at the track record, historically, at least on the reported basis, it was around 14%, 15% per annum. And for the last two years, even considering this year, it has gone down to 2%, 3% in the standalone numbers. So just trying to understand what is happening here?

Kedar Vaze: See, as a result of the fire incident, all our operations has moved to the subsidiary companies in KFG and KFL, which is the factories we are now operating. So, the standalone numbers are not reflective of the actual business. So, we need to combine the operation cost and the margins of the subsidiaries into the standalone. I think next year when the business moves back to direct operations, that numbers will restore.

Praveen Agarwal: Understood. Sir, one more question. Sir, there are the smaller players, and I know this is not a like-to-like comparison in India like Privi and then there is another very tiny company called Sacheerome. Their margins and the growth are significantly higher. So, what are they doing? And we are the market leaders in this space. So, what are they doing where, how they are able to grow faster than us basically?

Kedar Vaze: I think we are talking about two different type of companies, one which you talked about Privi. Privi is now at sort of full investment, full growth basis. Its primary business is in India. It is an export-based specialty chemical. Given the sort of the ingredient business has seen very good tailwinds, given that the China currency versus India currency devaluation, Chinese producers are less competitive, or Indian producers are more competitive. So, we have seen that play out. Privi in specific has done exceedingly well in the last two, three years. So that is a dynamic of ingredient business, the inflation and the shortages have helped them. You talked about another company I think that I do not have much knowledge on that.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference back to the management for closing comments. Over to you, sir.

Kedar Vaze: Thank you. I hope we have been able to answer your questions satisfactorily. Should you need any further clarifications or would like to know more about the company, please feel free to contact our team or CDR India. Thank you once again for joining us on this call.

Jagdish Agarwal: Thank you.

Moderator: Thank you, members of the management. On behalf of S H Kelkar and Company Limited, that concludes this conference. Thank you, everyone for joining us, and you may now disconnect your lines. Thank you.

-End-

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