May 21, 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 Q4 & FY26 results organized virtually by the Company on Monday, May 18, 2026 at 11:00 A.M. IST.

The transcript is also available on the website of the Company at www.keva.co.in/transcript

Please note that no unpublished price sensitive information was shared by the Company during the said conference call.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: 2026.05.21 17:48:34 +05'30'

Deepti Chandratre
Global Legal Counsel & Company Secretary

Encl: As above

S H Kelkar and Company Limited
Q4 & FY 2026 Earnings Conference Call
May 18, 2026

Moderator: Ladies and gentlemen, good day, and welcome to the S H Kelkar and Company Limited Earnings Conference Call, hosted by CDR India.

As a reminder, all participant lines will remain 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 the operator by pressing star then zero on your touch-tone telephone. Please note that this conference is being recorded.

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

Anoop Poojari: Thank you. Good morning, everyone, and thank you for joining us on S H Kelkar and Company Limited's Q4 and FY 2026 Earnings Conference Call.

We have with us Mr. Kedar Vaze, Whole-Time Director and Group CEO; Mr. B. Ramakrishnan, CEO Fragrances, Asia and USA; and Mr. Jagdish Agrawal, Group CFO 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 morning, everyone, and thank you for joining us for the S H Kelkar and Company earnings call for the fourth quarter and financial year 2026.

Financial year 2026 was a year of steady progress for the company as we continued to strengthen the platform for the next phase of growth. Despite a dynamic operating environment, we delivered an encouraging revenue growth supported by resilient demand across all our core categories and steady progress in the new markets.

A key focus during the year was on building capabilities that support growth on the longer term. Our Creative Development Centres across key markets are now playing an active role in new product development, customer engagement, and market-specific innovation. We are encouraged by the level of engagement with new and existing customers as these centres become more integrated into our global innovation and delivery framework.

In our industry, customer conversion and scale-up typically takes time given the nature of product development, testing, approvals, and adoption cycles. At the same time, once relationships are established and products are embedded in the customer portfolios, they tend to be long duration in nature. Therefore, while these centres will contribute progressively, we believe they have the potential to meaningfully transform our business profile over time. As these capabilities mature, they will enhance our global relevance with customers, support higher quality, higher margin growth, and strengthen the company's position across key international markets.

We are also making good progress on our expansion initiatives. The Almere factory at Netherlands, a greenfield facility, is now fully operational, thus debottlenecking our European growth, which was approaching full capacity utilization. The Vanavate facility in Maharashtra is expected also to go on stream in the coming months. These additions will provide us greater operational capacity and support the ramp-up of business across the regions over the next few years. Along with the rebuilding of the Vashivali facility, these capacity additions are expected to address our requirements in the respective geographies for the foreseeable future. They will also strengthen our ability to respond to customer requirements more efficiently as we scale across domestic and international markets.

These capacity additions, together with our investments in customer access, innovation, market-specific capabilities, provide a stronger capex-ready foundation for growth over the coming years.

The broader environment continues to be fluid, evolving geopolitical developments and supply-side dynamics globally. However, our strong customer relationships, diversified presence, and improving operating platform positions us well to navigate these uncertainties and capitalize on the emerging opportunities.

With that, let me hand over to Jagdish to walk you through the financials and key priorities. Over to you, Jagdish.

Jagdish Agrawal: Thank you, Kedar. Good morning, everyone, and thank you for joining this earnings call.

As we know the global environment continues to remain challenging with geopolitical and macroeconomic uncertainty impacting businesses across sectors. Despite this backdrop, the quarterly and annual results we shared last Friday reflect a performance that has remained broadly in line with our stated guidance. In many ways, these results reflect the preparatory actions we have been taking in anticipation of the current market situation. You would have noticed that during the quarter, we reported a one-off sale of approximately INR 35 crores of low-margin products as part of our ongoing portfolio optimization exercise.

We are continuously reviewing our product and customer portfolio and taking conscious decisions to exit transactions that are structurally low margin and unsustainable, particularly in the current inflationary environment influenced by the Middle East situation and broader geopolitical developments.

Our key objective remains clear, protecting margins while ensuring supply security for our customers. The situation remains highly dynamic especially with raw material prices witnessing frequent increases. In several cases, unless orders are blocked immediately, pricing can change materially even by the next day. Therefore, we continue to work very closely with our customers to ensure continuity of supply and operational stability.

This approach may temporarily result in some inventory build-up and a short-term increase in borrowing levels. However, from a medium to long-term perspective our focus remains firmly on cash generation, strengthening the balance sheet, and reducing debt. From a profitability perspective, adjusted EBITDA stood at Rs. 83 crores, with margins at 13.5%, remaining steady on a sequential basis.

As highlighted earlier, the operating environment remains dynamic, with raw material prices witnessing an increase due to geopolitical developments in the Middle East and evolving supply-side conditions. The current quarter did not see a meaningful impact from these pressures, supported by existing inventory coverage. However, these cost increases may reflect in the coming quarters, and we are actively working on appropriate pricing measures and cost optimisation initiatives to protect margins. PAT performance during the year was impacted by a higher effective tax rate at the consolidated level, reflecting the impact of losses in few subsidiaries.

With that, we can now open the floor for questions or any feedback that you may have.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Riddhesh Ram Gandhi from Discovery Capital.

Riddhesh Ram Gandhi: Yes, Hi Sir, you know, we have done about Rs. 350 crore of the capex in the last few years. You know, and despite actually all of this at the EBITDA level we are just not able to show growth. I understand that we have had a few industry headwinds. I understand that there is some amount of expansion for which there are operating actually losses. But I mean just want to understand your little thinking around how long it is going to take until the capex, and the business actually tends to give us the return ratios that typically this industry should be earning given, how sticky and high quality a business this is?

Kedar Vaze: Yes, you are right. And the fact that we are going through the capex cycle in our industry we should also look at the Development Centre opex as a sort of capex because it takes 2 to 3 years before we start to generate revenue on that. So, at this point we have the new initiatives last year which we have started in Germany, Manchester just came on stream this year and the US which came on stream last year. So, three centres which is almost Rs. 70 crore, to Rs. 80 crore of cost per year in opex are also of the nature of capex and they will start generating revenue after progressively, but after three years in term of breakeven.

Riddhesh Ram Gandhi: So, just to understand how much are our losses at the opex level right now? In these new initiatives and developments centres?

Jagdish Agrawal: So, till that time these centres are not going to generate the revenues, these are going to be a cost centre only.

Riddhesh Ram Gandhi: Yes, so just want to understand how large is, how, I am saying how large are the losses which we are bearing in these?

Jagdish Agrawal: It is roughly when you look at all these three combined in the range of Rs. 80 crore to Rs. 85 crore annually.

Kedar Vaze: I would say the investments are to the tune of Rs. 80 crore to Rs. 85 crore because they are not losses, we are producing products, we are giving samples. So, the development work is happening. But it is to the tune of Rs. 80 crore, as Jagdish mentioned.

Riddhesh Ram Gandhi: So, you know, so if we add up the let us say Rs. 350 crore of the capex and let us say another, let us say Rs. 200 crore of operating losses which we are saying should be counted as opex, we are talking about Rs. 500 crore, Rs. 600 crore of investment here. I am assuming on the Rs. 500 crore, to Rs. 600 crore our internal hurdle rates would be to make at least a 18% to 20% return on equity on that investment over and above how much historically our business has been earning. So, is that what we are expecting to play out in the next 1 to 2 years?

Kedar Vaze: That is what we are expecting, but it will not play out in 1 to 2 years, it will take longer than that. We are talking about markets which are 20x bigger than our original Indian market. So, we will take time to build the capability and the market size. But the growth runway is very, very large. We are talking about markets which are 20x to 25x bigger than the Indian markets.

Riddhesh Ram Gandhi: But is there a risk that this does not play out as per our plan or, or I mean is the traction which we are seeing and the response which we are seeing, are we on track, are we slightly behind schedule? Did we anticipate how hard it would be because obviously in these older markets it is also hard to break into these clients, right?

Kedar Vaze: So, on these markets, we are on track. We have also already seen business in the US upwards of 1 million contracted, so we are on track for these markets. We have not anticipated and planned for any large capex in India. And unfortunately, due to the fire incident, we had to do substantial re-look and re-investment in the Indian capex. So, this is the part where we have got a temporary setback when we will be able to build up our factories back this year and be ready to go again.

Riddhesh Ram Gandhi: Got it. And just further, is there any, like, a guidance you can give us for the year ahead?

Kedar Vaze: I think this is a very, I would say, difficult question to answer. We are faced with an uncertain future on what is the raw material supply situation, what is the pricing and inflation as a result of the Iran-USA standoff. And given that, we are not really in a position to give you a full-year view. I think quarter 1 we have secured our business as both price increases as well as supply contracts and inventories, so we are on track for a normal quarter 1.

Quarter 2 as well, I believe we have initiatives ready that are allowing us to maintain our margins and continue to grow. Thereafter, we will keep taking steps to ensure that we remain in line with the inflation and the market environment in all the regions that we are operating. I think, beyond the first half, it is very difficult to give a certain view of where the market is headed or what is the net results on the inflation and the growth rate that we can assume. As of now, we do not see any cause for concern for the first half of the year. We are adequately covered, we see more than enough growth and good win rates in term of our product range developments for last year.

Riddhesh Ram Gandhi: Okay fine. And just to understand, in the event that there are any issues with RM pricing etc., I am assuming we would be able to pass it on as per our contracts, right?

Kedar Vaze: Yes, we are in a position to pass on the raw material price increases. What we have also prepared is in term of raw material situation getting worse. As Jagdish already mentioned, we have transitioned out of Rs. 35 crore, which is roughly translating about Rs. 50 crore of annual business, which was low-margin or negative-margin in the new environment. We have transitioned out of that business with a one-time sale to these clients.

We will continue to observe and closely monitor the sales. Given the raw material expected shortages and current price inflation, we will monitor closely where we are using the raw material. Our overall strategy would be to move the raw material, which I believe globally will not be available in its full entirety, to use the raw material for the right long-term clients and right margin profile clients.

Riddhesh Ram Gandhi: Good. And do we expect the margins at least going forward to now slightly, like, normalize towards the teens, low teens at least?

Kedar Vaze: Yes.

Riddhesh Ram Gandhi: Okay. And this we expect to happen this year itself?

Kedar Vaze: Yes, I think we will reach there quickly.

Moderator: Thank you. We take the next question from the line of Henil Bagadia from Equicorp. Please go ahead.

Henil Bagadia: Given the current situation, sir, what is the impact in terms of your RM price increases given that even the citrus terpenes, that is orange, lemon, grapefruit, also have been impacted and the crude derivatives RMs also have been impacted? And since you spoke that you have taken increases, will there be an aberration what happened in past where we had actually piled up on high-cost inventories and it further took us 1 to 2 quarters to get back to normalize EBITDA even after the situation actually cooled down? So, do you see something like that even happening right now?

Kedar Vaze: Not really. I think the inventory prices are going up, it is very difficult to put an exact number, but upwards of 12%, 13% plus. Pretty much across the Board, there is inflation in operations, in power and fuel, and we expect further inflation on these operating parameters. We are prudently ensuring that we have raw material at the right prices and we have contracts in place and material coming in. And then we are looking to sell to our clients based on the stock in hand rather than any future raw material pricing or contract. So, we are more or less looking at 2 to 3 months of inventory raw materials in hand and communicating and committing to the clients the prices based on those raw materials. And we will continue to do this process every 2, 3 months to ensure that we are not caught with excess inventory and or with mismatch between the selling prices and raw materials.

Henil Bagadia: Okay. Sir, if I come to the international markets, sir, we have seen that the US has actually picked up about a $1 million in terms of revenue. So, what do you see in the timelines where US could be profitable on first at the EBITDA level and second on the PAT level? And also, in the case of US markets, if we see, it is going to take us at least 1.5 years for break-even is according to my estimation on the EBITDA level and much further growth for and much more timelines for even the PAT.

And even if we consider the US market to be homogeneous and a large opportunity, but it is way more competitive even compared to the Europe one. So how do you see our growth strategy other than the inorganic one where it can actually scale the growth in a very significant way given the current headwinds?

Kedar Vaze: So, I mean, if you look at the growth strategy, when we talk about inorganic, we end up paying 12x, 13x of EBITDA, which translates to roughly 5 to 6 years of break-even time. On an organic strategy, what we are investing in the US, we will have a break-even of roughly 4 years or earlier. So, we are well-positioned to make the growth happen. We are seeing very good signs. I mean, disturbances like we are kind of seeing now are good opportunities rather than disturbance because clients will look at alternatives in this environment.

Henil Bagadia: Okay. Sir, so when we entered the US market, we did have some plans to use our some of our patents. So also, there you could allude us to the timelines where the patents that we have filed are due for expiry. And also, if we consider the patents for other F&F companies which is due for expiry, what are the timelines? So, first of all, are we interested in getting into those products and technologies and blends? And secondly, if we are interested, what is the timeline from actually re-engineering the product to the batch orders to actual large commercial orders out there?

Kedar Vaze: So, we are not like in the pharma looking at patents as a way of entering existing market or taking over market share. Our patents are more in line of new innovations and help us to create products that are differentiated for our clients. So, the patents are not products that we sell directly, we use these patented products in our design.

Henil Bagadia: Okay. Sir, coming to the Europe one, since the plant is commercialized, so what kind of timelines do you see where we can actually reach to an optimal level? And given that we have actually added almost the same capacity that we are operating right now, which geographies in Europe, the countries that you plan to as a new entry and secondly as increase in the penetration?

Kedar Vaze: So, as you know, we have started our centre in Germany. We have now fully established the centre with all the capex done, IT system, people, raw material for all the laboratories. So, the labs are fully functional since last couple of months. We have now the additional facility in the Netherlands in Almere. So, we look at Northern Europe, East Europe, Poland, Germany, and the Belgium region for the continued growth.

We have roughly closed the year last year with about 10 million of sales in the Netherlands production site or sale, and then we move this to the new facility. So, on day one, it has already fully operational with that 10 million yearly sale.

Henil Bagadia: Okay. Sir, and lastly, we have seen the anti-trust judgment that have come against the F&F companies and the FMCG companies have also voiced that they are willing to actually invest into joint development with other fragrance companies. So, do you kind of see some kind of a strategic tie-up with some FMCG companies where there is a co-ownership of an IP and we get a framework order or is this just going to take a lot of time?

Kedar Vaze: No, on the bit on the anti-trust, there is no further work that or nothing that we are doing, but we do see that as an effect on some of the buyers so that they look at alternative suppliers. Second question, I mean, there is not a question.

Henil Bagadia: Right. So, you do not see something like a co-ownership with the FMCG companies that we are currently working with?

Kedar Vaze: No, what do you mean co-ownership?

Henil Bagadia: In co-ownership, I mean the large F&F companies actually own the patent or the blend and they do not usually share the formulation secrets and due to which this entire thing is actually propped up. So, these guys want access to the IP blends.

Kedar Vaze: I think we are doing a bit of this in Europe in a tolling manufacturing, but it is not our core business.

Moderator: Thank you. We take the next question from the line of Anurag Patil from Quest Investment Managers. Please go ahead.

Anurag Patil: Thank you for the opportunity. So, sir, what percentage of our raw material is linked to the crude?

Kedar Vaze: So about I would say 40% is directly linked to the crude and another 30% are indirectly linked to the crude in some part. Like freight and logistics etc. will affect across the board.

Anurag Patil: Okay. And sir, if we consider current situation persists on the raw material side, so in the first half, can we maintain this 40% gross margins or there is further risk on the downside?

Kedar Vaze: I believe for the first half, we will be able to maintain this margin. As of now, we are covered the raw material and unless there is anything further, we will be able to continue the business at 40% plus gross margin.

Anurag Patil: Okay. And sir, on the Flavours side, your margins have improved sequentially quite well. So, any specific reason on that side?

Kedar Vaze: No, I think the Flavours growth has kicked in, so the margins are accordingly better. We also have, operating leverage as a result of the rapid growth in the volumes.

Moderator: Thank you. We take the next question from the line of Abhijit Akella from Kotak Institutional Equities. Please go ahead.

Abhijit Akella: Yes, good morning. Thank you so much. First one, just on the revenue growth side, if I adjust for the Rs. 35 crore one-off liquidation, which I believe was for the India geography, it seems like India revenues would have been a little bit down, year-on-year. So, some sluggishness there, across India, maybe a little bit across Europe also if we adjust for the impact of the depreciation in the rupee. So just your comments regarding the demand environment and, revenue growth profile. I mean, how we seeing the market and do we expect to accelerate on this growth in the coming year?

Kedar Vaze: So, let me address this in two parts. On the European side, like we talked even last year and throughout the few quarters, we have seen muted growth largely because our capability to execute, we were reaching to the full capacity level. So, we tried to take only businesses which were meaningful. We have now the new capacity in Europe that will allow us to grow rapidly and restore the double-digit plus growth rates that we want to achieve in the next few years because we have doubled our capacity and I think we can grow that business aggressively.

On the India side also or Asia side, there is demand. There have been some delays in shipments going to Middle East and some uncertainty which came in month of March, which sees the India business slight volume drop. But these businesses have restored, our supplies have continued thereafter, so there is no demand per se reduction as we speak.

We however remain cautious. I think the full impact of inflation in India has not been felt as the oil and petrol and diesel prices have not moved up. But I believe that as we as we see the writing on the wall, we see inflation hitting us. We are prepared for it and the environment of high inflation, our large sort of higher inventory strategy always plays out, and we always see good demand in inflationary environment. So even though overall business growth may be sluggish, in the competitive space, our growth tends to be faster than the market when there is high inflation.

Abhijit Akella: Okay. Just sorry, one clarification here regarding the comment regarding Middle East shipments. So, when we look at the ROW sales for this quarter, they have grown by some 34% year-on-year. So, I am just sort of trying to reconcile that with the comment regarding some disrupted shipments in the month of March?

Kedar Vaze: Yes, so the growth has been strong in the Middle East, it continued to see that growth.

Abhijit Akella: Yes, so Middle East is separate from the India geography, right? I mean, or are there exports from India as well to that region which are shown within the India revenues?

Kedar Vaze: No, Middle East is separate, but it I mean there are people who also buy in India and there are kind of dependent on export to Middle East from their final product.

Abhijit Akella: Okay. And just the other one I had was on the impact of forex. Given the sharp depreciation in the rupee, how should we sort of see the impact on our business from a revenue perspective as well as from the perspective of employee costs and other costs, which we have built up significantly in Europe and the US? And also, is it possible to just call out how much the FX contribution to revenue growth was in the fourth quarter and in FY2026?

Kedar Vaze: Jagdish you may want to take that call?

Jagdish Agarwal: So, it is in the range of 3% Abhijit when we look at either in quarter or in the full year. So, 3% to 3.5% is the revenue gain due to the FX impact.

Abhijit Akella: Okay, 3% to 3.5% for both the quarter and the full year?

Jagdish Agarwal: Yes, more or less similar lines.

Abhijit Akella: Okay. And are we a net beneficiary of rupee depreciation given that we have spent, I mean invested so much in employees and everything in Europe and the US? So, are we still a net beneficiary or would you expect some, you know, pressure on the margin?

Jagdish Agarwal: We do see some pressure on the margin because we do have a dollar loan into our books and that will have a translation impact. Otherwise, when you look at only revenue transactions, we are more or less neutral.

Moderator: Thank you. We take the next question from the line of Debanjana Chatterjee from Spark Capital. Please go ahead.

Debanjana Chatterjee: Yes, Hi, thank you for taking my question. I am just going through the financials, and I can see that if we exclude the current scenario, even for the past three quarters your profitability was quite down even though your revenue increased. So now that this added scenario has come in, so had this scenario not been there, so could we have like expected a growth in profitability in this year?

Jagdish Agarwal: Your voice is breaking Debanjana, but I gather that you are talking about the growth numbers, right?

Kedar Vaze: What the question Jagdish is what if the inflation environment was not there, without this disturbance, where would we ending up the year. So, as we have given our guidance and even if you look at the fourth quarter this year, we are at 13% and something adjusted EBITDA from the sustainable operating business. We would be upwards of 13.5%, 14% adjusted EBITDA in a normal environment. We believe that we have taken adequate steps to keep close to this number at least for the first half of this year and we will wait and watch and see and take corrective steps as necessary to ensure that we do not fall below the 12%, 13% EBITDA level which we want to keep as a minimum.

Debanjana Chatterjee: But for FY26 sir your EBITDA margin was 10.2% for the full year FY2026?

Kedar Vaze: That is correct. I am talking about the fourth quarter this year which with the one-off sales if we adjust for the one-off sales, we are 13.5% in EBITDA and that is what we expect going forward.

Debanjana Chatterjee: So, you expect a 13% of EBITDA margin for coming year as well, right?

Kedar Vaze: For the first half of the year, I am very confident and then we have to wait and watch if there are any major disruption changes, accordingly we will adjust our strategy and tactics. But for the first half of the year, I am very confident to reach these numbers.

Jagdish Agarwal: It is adjusted EBITDA, just to clarify.

Debanjana Chatterjee: But this 13% includes other income, excludes other income and other things or just a core EBITDA number you are talking about?

Jagdish Agarwal: like-to-like when we are talking about adjusted EBITDA, the visibility is that we should be in a position to maintain that in the first half. Definitely first quarter is more clarity, but second quarter wait and watch, but we are driving all the required actions to ensure that at least in the first half we should be able to maintain the adjusted EBITDA at a current level.

Debanjana Chatterjee: Okay, okay. And going forward, can you just list down what are your major growth drivers which will drive the business going on in the coming quarters if you can list down, so if you can just give us a consolidated kind of a remark?

Kedar Vaze: So, let me let me talk about the business in three parts. We have basically the mature businesses where we talk about the India Fragrance and the Flavours business. These are businesses that have been around more than 20 years, we have regular engagement with the clients, these are steady state continuous engagement, continuous growth, there is no major capex requirement, factories are in place, laboratories are in place. So, this is roughly Rs. 1,300 crore, Rs. 1,400 crore of our business. Then we have the Aroma Global Ingredient business which is affected by whatever is the inflation and the global outlook for the business. The areas of Southeast Asia, Middle East are what I would call phase 2. We have been in these markets good period of time, we continue to grow. In Southeast Asia, we built our factory last year, we have the full centres in Jakarta, Singapore, so that is now kind of in the rapid growth phase with the engagement and break-even on that business is there.

Middle East is also growing rapidly in the last few years. European acquisitions we had a slowdown due to the capacity constraint in the last couple of years. We have now the new factory, new development centre in Germany. So, the European business we look at a restoring to a fast growth double-digit growth.

This is the, I would say mature and existing business. Apart from this, we have a centre which we have just starting in Manchester for UK and global accounts and last year which we started in the US. These two are what I call seeds. It will take 3 to 4 years for the revenue to ramp up in these geographies, but these geographies are fairly large markets. They are as I said 20 and 10 times bigger than the market in India. So, these are the growth revenue or growth area for let us say the 10-year horizon. India, Asia will provide us the growth continuing growth that we have, and Middle East, Southeast Asia or Europe and Southeast Asia will give us the interim 3 to 4 years rapid growth.

Debanjana Chatterjee: Okay, so you are saying that Middle East and APAC will give you 3 to 4 years of revenue visibility, India is already there and total this is a 10-year kind of a horizon, right?

Kedar Vaze: Yes, so this is 10-year horizon. We have long-term future investments in UK and USA, mid-term in Germany and Southeast Asia or Europe and Southeast Asia and the short-term growth which continues in India, Middle East, and flavours and ingredients.

Debanjana Chatterjee: Okay. And what kind of borrowings are you planning, capex and borrowings in the in the current fiscal year FY2027?

Jagdish Agarwal: Gross debt end of March we had a Rs. 851 crore and temporarily we do see that it is going to go up a little bit because we are just ensuring a supply security and, in that bargain, we might have to build some inventory. But when you look at a long-term horizon for sure that we are expecting every passing year we should reduce our debt by 10%. That is a target we have.

Debanjana Chatterjee: Reduction of 10% each year?

Jagdish Agarwal: Every passing year, but in a interim we might see in the next 3 to 6 months we might see it is going to go up from where we are as on today.

Kedar Vaze: From capex side, our factory in Almere factory will come in this couple of months and the Vashivali factory thereafter. So, the first 6 months of this year we still have capex completion to be done. There will be some delay between the capex and the insurance amounts coming in, so we will see these debt levels remaining higher and thereafter debt levels should start to come down.

Debanjana Chatterjee: If you can give us a number for both borrowings and capex for FY27?

Kedar Vaze: FY27 capex will be around Rs. 140 crore of capex. This is all the capex, most of it is in front-ended first two quarters.

Debanjana Chatterjee: Right. And borrowings?

Kedar Vaze: Borrowing should remain around the Rs. 800 crore mark.

Debanjana Chatterjee: Okay. And what was your cash conversion cycle? Will it like increase 150 days or will it like remain under the 100 days level? How do you see that?

Kedar Vaze: So, the cash conversion cycle is around 140 days at the moment. We see that remaining like this till the time that the inflation sort of steady becomes a steady state because in the high inflation we are keeping higher inventory levels.

Moderator: Thank you. We take the next question from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: Yes hi, good afternoon and thanks for the opportunity. My first question is when I look at your employee costs and depreciation, they have both continued to increase this quarter as well. So, on a year-on-year basis, there is a big increase almost on employee costs from Rs. 75 crore to Rs. 100 crore and depreciation from Rs. 25 to almost Rs. 40 crore. So, I thought by last quarter end we were saying our CDC investments are largely done and these numbers would start stabilizing. Why are they still continuing to go up?

Jagdish Agarwal: When you look at employee cost on a sequential quarter basis, 93 has gone to 101 and in March quarter we had a one-off impact on a MTM which came into our trust, so around Rs. 6 crore is a one-off impact we have in the March quarter. Our normal employee cost in the range of Rs. 94 to Rs. 95 crore on a quarterly basis at this point of time, which is more or less in line with what we have in December quarter.

Jatin Chawla: And on the depreciation side?

Jagdish Agarwal: Depreciation we have one re-class item which has moved from other expenses. If you look at other expenses is lower compared to what we have in December, so there is a one-off impact of around Rs. 5 crore to Rs. 6 crore that has moved from other expenses to depreciation. So that is a re-classification one we have.

Jatin Chawla: Got it, got it. I think in the last conference call, you had mentioned that you will be putting up a detailed plan as to how your adjusted EBITDA margins can move from 13% to 17% over the next two to three years. We have not seen that yet. Any particular reason for the delay and by when can we see that?

Jagdish Agarwal: I think in last investor call we talk about our three-year outlook. We have stated that our reported EBITDA which is a 10% is going to be 14% by end of FY29. We talk about 400 basis point, but at this point of time the situations are changing every, you know, alternate day and kind of a dynamic situation. We will come back on that, but at this point of time, it is a different priorities and different situation.

Kedar Vaze: Let me just reiterate, I think the environment post 07th or 10th of March has completely changed. So, we are very much focused on ensuring the quarter-on-quarter delivery for the next few quarters rather than the longer-term strategy. Our longer-term strategy is in place, nothing has changed there, so we continue to focus on ensuring that we do not fall behind the costing, pricing, and communication to the clients.

I must say that we are pleased that even the large global accounts have sort of responded and confirmed their commitment to the supply with price increases to us. So we are placed well for the first half of the year and we will continue to keep, you know, monitoring the raw material and communicating with our clients on a weekly, daily basis to ensure we do not have any slippages in order and ensure that we can maintain our margins in this scenario.

Jatin Chawla: Got it. Just a quick follow-up on that. I think last quarter you would also mentioned that some of your lower-cost raw material could not flow through to numbers because the revenue was a little bit lower and you were expecting that latest by 1Q or mostly by 4Q obviously we have seen the results in 4Q it has not happened, but in 1Q we were expecting gross margins to actually start improving given the lower cost RM that we had. So, is it that now we should not expect any gross margin improvement and at best, you know, they should be kind of at the similar 42.5% level that we had in 3Q?

Kedar Vaze: So, I think the gross margin improvement has happened, which is why we see this improvement. In March, especially into the last sort of last few weeks of March, we had to buy some of the solvents and some lower-cost materials at market prices which suddenly shot up. So, we had some small dip in the margin as well, but 42.3% net of one-off we have maintained in the quarter four. We will see that the margin continues to be under pressure, but we will be able to maintain 42% and thereabout for the first half of the year. When you translate this on an inflation basis, this will be better margin because both top line and bottom so cost and revenue both will move up. As a percentage, this will create a pressure on the gross margin percentage, but in term of absolute gross margin and profitability, we are very confident to maintain and push the pricing to our clients accordingly.

Our objective this year is to ensure that we keep the right kind of business and we have already taken big steps to get low-margin business out of the portfolio. So, there will be a portfolio rejig. We are we are planning for good gross margin cash conversion business, so businesses which have long lead times or long payment cycles, low margins, these are all businesses which we want to eliminate. We want to use the raw material that is available for the right kind of clients.

Jatin Chawla: And given that you have given up on almost like you said Rs. 50 crore of business, will that have a negative impact on the growth that we expect in FY27?

Kedar Vaze: My sense is no. I think overall there is strong demand. What we expect is to ensure that the margin portfolio or profile of the business remains in the correct way. I do not expect this Rs. R50 crore to create growth challenge for us. I think we will continue to grow. We have very strong indications in the 45 days of this quarter as well and there is, I mean, there is strong demand and we are preparing this for the worst-case scenario on the raw material that we do not have a sort of a negative margin product in our portfolio at all. This was one of the reasons for, you know, big jump or big dip in the gross margins in inflationary times. So, we have taken structural change, but I do not think this will affect our overall growth because our European growth will now kick in at a faster pace.

Moderator: Thank you. We take the next question from the line of Rohit Nagraj from 360 ONE Capital. Please go ahead.

Rohit Nagraj: Thanks for the opportunity. Sir, first question is given that our industry is dominated by mid and small-sized enterprises and you gave a confident outlook that for the next six months we are secure from raw material supply as well as from the orders front, have we seen any kind of, you know, shutdowns or maybe orders transferring from those mid or small-sized players to us given that we have the capability to serve those customers consistently? Thank you.

Kedar Vaze: So, I do not have an exact let's say an exact number or exact quantum. I think the sense of what has happened in the past is clearly that when the raw material prices jump very quickly because of our higher inventory, our selling price jumps are sort of calibrated and not sudden. We tend to gain market share. I think first few weeks of this quarter also we believe that we have gained market share in the Indian market especially. So yes, I think the smaller you are the less inventory buffer you hold, the more exposed you are to this volatile situation.

Rohit Nagraj: Sure. And second in terms of the outlook front, so FY27 we had absolute EBITDA target of almost Rs. 300 crore on a consolidated basis. This year it has slipped by almost 18% on a year-on-year basis. Do we foresee that FY2027 we will be able to make up the FY2025 numbers or probably it will be slipped to maybe mid FY2028?

Kedar Vaze: I am actually confident that we will hit the Rs. 300 crore plus EBITDA for this year. Very much so for the first half where we have more visibility, but I am confident that we can do better than '25 or at least at the '25 level for this year.

Moderator: Thank you. We take the next question from the line of Tanish Jhaveri from Boring AMC. Please go ahead.

Tanish Jhaveri: Hi, yes. So, my question was more on the demand front. How do we see our demand shaping up over the next year and two? And like you said, that inflation going higher is good for us, but do you think that demand will be impacted because of higher inflation?

Kedar Vaze: I think yes, overall demand will be muted. I do not see the same kind of growth rate as is normal years. Demand will be muted. There will be a transition phase probably first half of the year while the demand the new sort of post-inflation scenario plays out. The overall industry level growth rates will come down, but our benefit in term of the market share gain, we will see normal growth.

Tanish Jhaveri: Okay. So, can you quantify the normal growth in any way in which we can be sure of this, like are you seeing any green shoots in this?

Kedar Vaze: So, we are, I mean we have seen this in various times when there has been big disturbance in the pandemic or in other times. There is a big disturbance, we have seen faster growth.

Moderator: Thank you. We take the next question from the line of Bharat Sheth from Quest Investment Managers. Please go ahead.

Bharat Sheth: Hi Kedar and Jagdish, thanks for the opportunity. First on this optimizing of the portfolio, so this Rs. 35 crore that is end or still there is a room for further optimization of the portfolio? If yes, what extent do we expect?

Kedar Vaze: So, this is an ongoing exercise, Bharat sir, from discussion with the clients in term of pricing and, you know, where we expect the cost and where is the new price and corrections in prices as we as we go along. What we have done is some of the clients which are structurally low-margin, have been low-margin and long lead times, credit crunch, all of the cash conversion cycle and when you look at the sustainability of this business vis-a-vis the inflation, we have taken a call to exit those businesses.

This is also I mean a strong case with some of our clients, and we have happy to commit that we have got price increases with many of the clients, so we have a good situation at the moment. But we will continue to monitor, we have set up a monthly monitoring system that every time there is a production order, the costing and the impact of the inflation is then communicated to the account manager and to the directly or indirectly to the customer. So, we do not fall behind the curve anytime throughout the year. If the inflation continues, we have shortage or supply disruption on any material, we will pass on to the clients as soon as we have information. And we have taken additional inventory in last quarter end to make sure we have additional 30, 40 days of inventory in hand to offset the additional time to pass on the effect of inflation.

Bharat Sheth: Is it fair understanding this as on today there is no further room we I mean optimization we are expecting, correct?

Kedar Vaze: So, I mean we are not expecting any significant quantum. We will continue to work with clients and continue to ensure that there is a fairness in the transaction and dealing. We cannot have a scenario where we see further compression in margin, so we will pass on the cost to the clients and yes, I believe that we will be able to get these increases.

Bharat Sheth: To understand a little more of the commissioning of these new factories that we are expecting in coming months, so when do we really start to I mean it is really reaching the production level that we to make it a positive EBITDA level? And second thing, again on same line, approval, how long it will take approval from the client? So, if you can give some colour, so maybe a one-year time or two-year time?

Kedar Vaze: So, the factory will be up and running hopefully end of this quarter. It will take six months of transitioning from one factory to the other, so it is not that on day one all factory all operations will move into the six months. So, by let us say first quarter next financial, it will be fully operational with all the products transferred and one other factory being sort of moved out and closed. So, in this year, we will have transition between two factories. Next year the one of the factories in Mulund will close.

Bharat Sheth: Okay. And this Vanavate, what is the status, when do we expect to start it?

Kedar Vaze: The Vanavate factory will only start first. The Vashivali factory will take further time. We have basically we are we have restarted the building. So anytime this year, probably third quarter of this year that facility will be available. We may not need it in the current environment as we do not see so much growth, and we will implement that sort of slowly. Again, that factory should be up and running by next year.

Bharat Sheth: Okay. How do we see this now with the European business which you said as again will start, and is that fair understanding that it is a little higher margin business than the other business? So how do we see, and we think of again that can help us in some way in improvement in EBITDA?

Kedar Vaze: Sure, I think the there are two parts of it. One is the cost in Euro because of currency exchange also affect us bigger way. So, the more sales we have in Europe or Euro or USD helps us in protecting our margins and overall operating cost in a better way. We have now the twin growth engines in basically having the Germany creation centre fully ready with sales people joining and taking up East Europe, Germany as a new market for growth and the factory in Almere, Netherlands. So, these two initiatives are now sort of pushing the European business in high growth phase again.

Bharat Sheth: Okay. And you said that from US we have got a one 10 million kind of order, so what will be the implementation time and so over what time frame do we expect converting into revenue?

Kedar Vaze: No, it is 1 million orders, it is already started converting for the year. So, we have some 200,000 odd business in in US already which we have. So, it is it is not sort of to be converted, it is already orders in hand. We expect further orders as we go through the year.

Bharat Sheth: Okay. And last question on this Flavours side, you were anticipating to get an order from large MNC like what we got it on Fragrance side. So, any colour on that?

Kedar Vaze: So, no further update on that. Flavours side we have good position; we continue to see strong growth. There is no specific one-off order, but we are our plant is audited, our plant is approved. So, the sort of the signs and directions are in the right way. I think from Flavours as well, we have some very attractive long-term contracts with sort of our buyer our vendors. Now we are not sure if all the contracts will be honoured in the way that they should be. So far, we have seen that they are honoured and there is no cause for concern. If that is the case in the next two, three months, we will know that the position of our cost structure vis-a-vis competition we will be very well placed.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question and conclude the question-and-answer session. I now hand the conference over to the management for their closing comments.

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

-End-

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