S H KELKAR & COMPANY

RECOMMENDATION: BUY

4/16/2019
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CMP: Rs. 156.00/-
TARGET: RS. 194/-

SENSEX : 39275/-
NIFTY : 11787/-

Market Cap: Rs. 2182 Crs
Book Value: Rs. 59.23/-
Face Value: Rs. 10/-
Stock P/E: 23.72
Industry P/E: 22.20
52 Week High/Low: 263.50/136.65

COMPANY PROFILE:

1. Established over 90 years back in 1922, SHK is one of the largest India fragrance and flavor companies.
2. SHK possess state of the art manufacturing facilities for both domestic and global markets. The company manufactures and markets over 9700 products to over 4100 customers.
3. SHK’s fragrance products and ingredients are used by FMCG companies in personal care, fabric care, hair care, home care, fine fragrances and blended products.
4. The company’s flavors are used in baked goods, dairy products, beverages savory, snacking and pharmaceutical products.
5. The company offers products under SHK, Cobra and Keva brands.
Growth Drivers:

1. The company’s strategy around fire fragrances represented its strongest business investment in a long time. This segment is large and value added.
2. The company introduced the concept of ‘Loyalty bonuses’ for customers who had worked with them for a number of years.
3. The company commissioned studios and embarked on recruitment of professional perfumers.
4. The company filed patents for products and are optimistic that the use of these patented raw materials in fragrance formulations will only enhance our competitiveness.
5. The company strengthened our Research & Development to focus on accelerated molecular development.
6. The company is geared to strengthen its business in FY 2017-18 by commissioning new fragrance Centre in Amsterdam.

VALUATIONS:

On the basis of Discount Cash Flow Valuation Method, we are recommending ‘Buy’ for the stock. Since the stock offers good opportunity, we initiate a ‘BUY’ signal on the stock with 12-month price target of Rs 194/- share an upside of 20% from current levels.
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