kotak Securities

Dated: 30th September 2024

# S H Kelkar and Company (SHKL) – BUY

## Re-Initiating Coverage

| Current Market Price (CMP) | Fair Value (FV) |
|---|---|
| **Rs.296** | **Rs.400** |

## Rationale:

- Flavors & fragrances (F&F) supplier, starting to make inroads into global market.
- SHK is well-placed to drive double-digit revenue growth.
- A small but emerging contender in the vast F&F market.
- SHK has persevered for years before seeing initial success.
- SHK tiny relative to global majors, but its technical capabilities are reputable.
- We reinstate coverage with a BUY rating & FV Rs400 (24X September 2026E P/E).

## Re-Initiating Coverage:

### Positives:

- Growth drivers: Secular growth in F&F market along with market share gains.
- We see a long runway for growth, given its established and sticky relationships.
- The large order win from Unilever bolsters confidence in management guidance.
- High entry barriers in the F&F industry make for an attractive industry structure.
- Potential for margin expansion - higher-margin geographies & operating leverage.

### Negatives:

- Key risks: Economic slowdown, execution slippages.

Click here

For detailed report dated 23rd September 2024. Note: CMP & valuation may differ due to difference in dates.