kotak Securities

Dated: 13 Nov 2025

S H Kelkar and Company (SHKL) - BUY

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.180	**Rs.370**

Rationale:

- Poor Q2FY26 results were attributable mainly to further increases in opex amid growth investments and fire aftereffects.
- Quarterly comparisons were distorted by last year's fire incident, so half-yearly comparisons may be more appropriate.
- The lack of adequate forewarning has been disappointing.
- Yet, the growth outlook remains healthy and margins should mean revert at the very least, with scope for more if costs are managed efficiently.
- We do believe margins should be at a trough & should mean revert gradually; valuations corrected sharply: stock trades at just 14.4X revised FY27E EPS.
- We cut estimates on lower margin assumptions & reduce FV to Rs370; Retain BUY.

Positives:

- SHK delivered 12.0% yoy revenue growth in H1FY26.
- Management guided to a ~15% revenue CAGR for the next 3-4 years.
- Growth as well as margins are seen recovering in H2FY26, and EBITDA margins are seen moving toward 18% in coming years.
- We do expect SHK's heavy investments in growth initiatives to help the company scale up in coming years amid promising industry opportunities.
- We do believe there is ample scope for increased cost efficiencies.

Negatives:

- Lingering pressure on gross margins after the spike in prices of natural oils in H2FY25.
- QoQ increase in opex was due to additional spending on the creative centers and annual increments to employees.

(CAGR – Compound Annual Growth Rate; EPS – Earnings Per Share; EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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