Company Note: Keya Cosmetics Ltd.

October 14, 2014

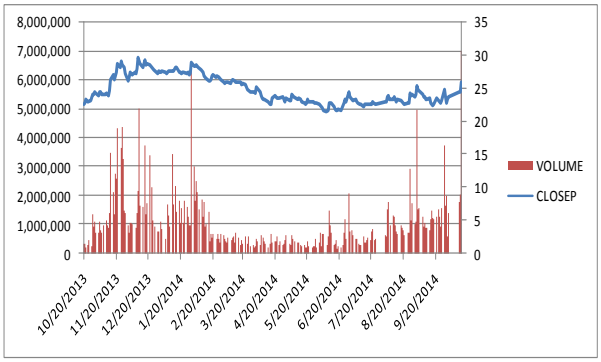
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Keya Cosmetics Ltd. (DSE Ticker: KEYACOSMET) (Figures in BDT mn where applicable)	
Current Market Price (BDT) (14/10/2014)	25.9
52 Week's Range	21.2 - 30.4
Authorised Capital	2,000.0
Paid up Capital	1,791.00
Year of Incorporation	6/18/1905
Year of Listing	2001
Year End	June
Number of Shares Outstanding	179.066674
Market Cap	4,637.8
Market Cap (In USD mn)	59.9
Free Float	82.4%
Public Holding	66.4%
Institutional Holding	16.0%
Foreign Holding	0.00%
Last Year's Dividend	10b
Dividend Yield	N/a

Financials	2012	2013	Q3, 2014
Revenue	2,405.2	2,800.1	1,984.6
Gross Profit	593.5	646.3	551.1
EBITDA	548.8	505.0	
Net Profit After Tax	267.4	252.1	259.0
Total Asset	4,385.8	4,206.8	4,348.6
Total Equity	3,253.8	3,505.9	3,765.0
Net Asset Value	21.99	21.54	21.03
Net Asset Value (Adjusted for Bonus)	18.17	19.58	21.03
EPS	3.51	1.55	1.45
Restated EPS (Adjusted for Bonus)	1.49	1.41	1.45

Performance Analysis	2012	2013	Q3, 2014
Sales Growth	-0.2%	16.4%	-8.61%
Gross Margin	24.7%	23.1%	27.8%
EBITDA Margin	22.8%	18.0%	
Net Profit Margin	11.1%	9.0%	13.1%
Total Asset Turnover	0.7x	0.7x	0.5x
Financial Leverage	1.3x	1.2x	1.2x
Debt to Equity Ratio	0.2x	0.1x	0.1x
Return on Assets (ROA)	7.4%	5.9%	6.1%
Return on Equity (ROE)	11.2%	7.5%	7.1%
Return on Invested Capital (ROIC)	10.6%	8.1%	7.5%

Valuation	
Last Audited P/E	16.7x
Last Audited P/E (Restated based on Bonus)	18.4x
EV/EBITDA	10.0x
Price to Book Value	1.2x
Price to Book Value (Restated based on Bonus)	1.32



Company Profile

Keya Cosmetics Limited, the flagship company of renowned Keya Group, has been engaged in production of several kinds and size soap, saving cream, toothpaste, coconut oil and other cosmetic items since its incorporation. Keya started its commercial operation on 1996 and converted into Public limited company in the year 1999. Company has 82.4% floating shares which are mainly in public hands (66.4%). Currently Company has no subsidiary as it has took over Keya Detergent Limited and Keya Soap Chemicals ltd in the year 2010-11.

Key Revenue Drivers and Insights:

Keya is engaged in manufacturing and selling Cosmetics & Toiletries Products, Detergent Powder and Soap Noodles. Currently company has 21 products in three different lines which are Soaps, Toiletries and detergents. Currently 13new products are under development which is supposed to come in fiscal year.

Financial Performance

The company registered 16.4% revenue growth in the year ended on 30 June, 2013 compared to last year (2012). Its gross profit margin decreased in 2013 compared to last year. Though there is positve growth in the top line but due to the inefficiency in cost management there is a negative growth of 5.7% in the bottom line. Its leverage level has been slightly decrease to 1.2 times which is lower compared to the industry level. The profitability of the company looks poor compared to its peers in terms of Return on Assets, Return on Equity and Return on Invested Capital. ROA decreased to 5.9% from 7.4, ROE decreased to 7.5% from 11.2% and ROIC decreased to 8.1% from 10.% in 2013 compared to 2012.

Most Recent Declaration:

(Q3, 2014): As per un-audited quarterly accounts for the 3rd quarter ended on 31st March 2014 (Jan'14 to March'14), the Company has reported net profit after tax of Tk. 63.96 million with EPS of Tk. 0.36 as against Tk. 51.11 million and Tk. 0.29 respectively for the same period of the previous year. Whereas net profit after tax was Tk. 259.04 million with EPS of Tk. 1.45 for the period of nine months (July'13 to March'14) ended on 31.03.2014 as against Tk. 174.67 million and Tk. 0.98 respectively for the same period of the previous year. (increased by 48.3%)

Analyst's Comment: KeyaCosmatics currently trading on 18.4 P/E which is fully aligned with the market P/E 17.7. But if we compared this with the pharmaceuticals industry P/E (29.6) is quite undervalued. Due to amalgamation to the backward linkage it is experiencing margin improvement which results growth in bottom-line instead of having lower top line. It is currently trading at EV/EBITDA multiple of 10. Currently it is trading at 15% discount to its year high price (BDT. 30.4). But ROE is squeezing gradually which is an warning sign. According to annual report Company had 16.4% growth in revenue but it had 64% growth in Accounts receivable which is suggesting company is aggressively recognizing revenue.