

Kemp & Company Limited

Stock Performance Details

Current Price	: ₹ 475.0[^]
Face Value	: ₹ 10 per share
52 wk High / Low	: ₹ 605.0 / 382.0
Total Traded Volumes:	8 shares [^]
Market Cap	: ₹ 51.3crore [^]
Sector	: Containers & Packaging
EPS (H1 FY16)	: ₹ 2.11per share
Equity Share Capital	: ₹ 1.1crore
P/E (TTM)	: 103.94 (x) [^]
P/BV (TTM)	: 3.15 (x) [^]
Financial Year End	: 1 st April - 31 st March
BSE Scrip Name	: KEMP
BSE Scrip Code	: 506530

[^] As on 1st October, 2015

Shareholding Details - September 2015

Particulars	Shareholding	
	Nos.	(%)
Promoter & Promoter Group Holding	7,72,480	71.51
Total Institutional Holdings (FIIs & DIIs)	1,500	0.14
Public Holdings	3,06,220	28.35
Total	10,80,200	100.00

Background

- Kemp & Company Limited was Incorporated as a public limited company on 27th June, 1882 under the Indian Companies' Act, VI of 1882. It was issued a fresh Certificate of Incorporation dated 30th August 1948 by the Registrar of Companies, Bombay, Maharashtra after Independence.
- After Incorporation, the Company pursued the business of manufacturing and trading of pharmaceutical products in Mumbai and other parts of India. Thereafter, the Company had diversified its business into manufacturing of toys and components, which was discontinued after a few years.
- In the year 1993, Furn Plastic Industries Limited was amalgamated with the Company. It became a division of the Company engaged in the business of manufacturing and marketing Office Furniture System (OFS).
- In the year 2000, the OFS division of the Company was de-merged and vested as a going concern into a new Company named Blow Plastic Ergonomics Limited (since renamed as BP Ergo Limited).
- The Company, after the demerger of its OFS Division, continued with the business of retailing of luggage products and accessories and currently it operates in two segments; The Real Estate Segment, which includes letting out of properties and the Trading Segment, which includes retailing of plastic moulded suit cases, brief cases and vanity cases and other travel goods and accessories.

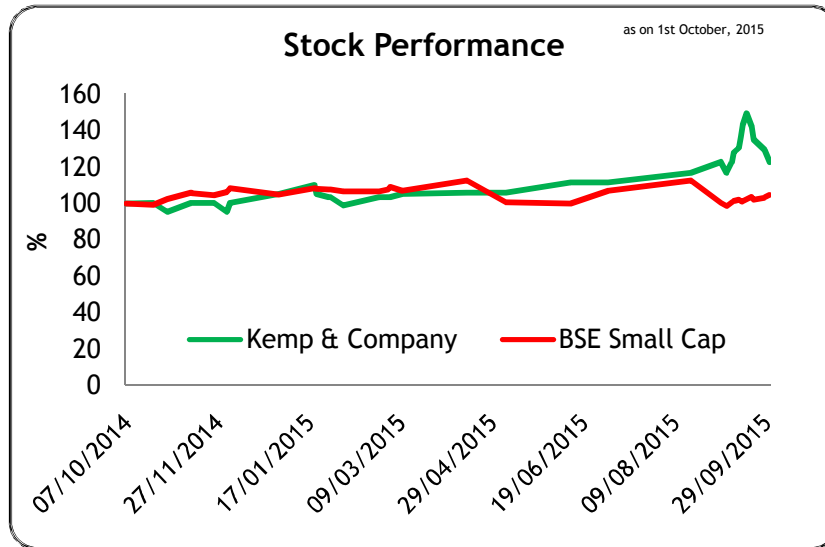
Financial Snapshot

Particulars	Standalone(₹ Million)	
	H1 FY16	H1 FY15
Income Statement		
Income from Operations	25.5	31.8
<i>Y-o-Y Growth (%)</i>	<i>(19.8)</i>	<i>(3.3)</i>
EBITDA	(2.8)	(2.3)
<i>Y-o-Y Growth (%)</i>	<i>(21.7)</i>	<i>(1,050.0)</i>
<i>EBITDA Margin (%)</i>	<i>(11.0)</i>	<i>(7.2)</i>
Net Profit	2.3	4.7
<i>Y-o-Y Growth (%)</i>	<i>(51.1)</i>	<i>(19.0)</i>
<i>NPM (%)</i>	<i>9.0</i>	<i>14.8</i>
Balance Sheet		
Fixed Assets	39.7	32.1
Cash and Bank Balances	3.6	2.5
Inventories	2.8	7.2
Net Working Capital	(3.0)	1.8
Net Worth	165.0	161.3
Balance Sheet Ratios		
<i>ROCE (%)</i>	<i>(0.7)</i>	<i>(0.7)</i>
<i>RONW (%)</i>	<i>1.4</i>	<i>2.9</i>

Source: Capitaline

From the Research Desk of LKW's Gurukulshetra

- On a Standalone basis, the Company's Income from Operations decreased by 19.8% y-o-y to Rs. 25.5 million in H1 FY16 from Rs. 31.8 million reported in H1 FY15. Material Cost dropped to Rs. 11.8 million in H1 FY16 from Rs. 22 million reported in H1 FY15. Employee Benefit Expenses increased to Rs. 4.1 million in H1 FY16 from Rs. 3.7 million reported in H1 FY15. Other Expenses forming 29% of the Net Income from Operations stood at Rs. 7.4 million in H1 FY15.
- In line with the drop in the Net Income from Operations, the Company reported an Operating Loss of Rs.2.8 million in H1 FY16 which was more compared to an Operating Loss of Rs. 2.3 million in H1 FY15.
- Other Income of the Company stood at Rs. 3.4 million in H1 FY16. The Company reported a Profit after Tax (PAT) of Rs. 2.3 million in H1 FY16 as compared to Rs. 4.7 million reported in H1 FY15. As a result, PAT Margins decreased from 14.8% in H1 FY15 to 9% in H1 FY16.
- Inventories fell from Rs. 7.2 million in H1 FY15 to Rs. 2.8 million in H1 FY16, where as Debtors fell from Rs. 1.4 million in H1 FY15 to Rs. 1.1 million in H1 FY16.
- The Company has vacated its New Delhi tenanted shop premises with effect from 31st July 2015 based on the verdict received from Delhi High Court. As a result, the Profit for the current quarter (Q2 FY16) has been reduced as compared to the previous quarter (Q1 FY16). Further, in Q2 FY16, the Purchases are stated net of purchase return as the stock of above premises has been returned back to suppliers.

Performance on the Bourses

Peer Comparison

Kemco & Company Ltd. is engaged in trading of Hard and Soft Luggage and Ladies Handbags. There is no exact comparable peer in the industry. However, the table mentioned below gives a snapshot of the Company's performance vis-à-vis other players in the market which operate in a similar business segment for H1 FY16.

(₹ In millions)

Particulars	Kemp & Company	Safari Industries
Income from Operations	25.5	1,341.8
EBIDTA	(2.8)	210.6
Net Profit	2.3	45.8
EBIDTA Margins (%)	(11.0)	15.7
PAT Margins (%)	9.0	3.4
Book Value Per Share	150.62	185.73
P/E (x)	108.00 [^]	36.54 [^]
P/BV (x)	3.32 [^]	4.58 [^]
RONW (%)	1.4	5.6

Source: Capitaline Financials on Standalone Basis; [^] On a Standalone Basis as on September, 2015 (TTM Basis)

About the Industry

The Indian plastic industry has tremendous potential to contribute to the nation's economic development. India is one of the exporters of plastic to developed countries. The industry has grown and diversified rapidly after making a promising beginning in 1957 with the production of polystyrene. Currently, the Indian Plastic industry is spread across the country, employing about 4 million people and more than 2000 exporters. It operated more than 30,000 processing units of which 85-90% is small and medium Enterprises.

India is a growing market of plastics and consumes about 11 million tonnes annually against a global consumption of 275 million tonnes per year. The industry grew by 13% annually in the last 5 years. The Plastic Industry produces and exports range of raw materials, plastic moulded extruded goods, polyester films, laminates, moulded soft luggage items plastic woven sacks and bags, consumer goods, packaging, electrical accessories, travel ware and others. Demand from Original Equipment Manufacturers (OEMs) and increasing competition in the market have induced the producers to deliver customized products as per the end user's needs.

The Government's plans for large spends on sectors like infrastructure, electronics and chemicals are expected to provide a boost to the plastic industry. Products from the Indian plastic industry are exported to more than 150 countries. In 2014, exports of Indian plastics stood at US \$7,916.94 million as compared to US \$ 7,088.08 million in 2013. Total Exports of plastic and plastic products stood at US \$449.72 million in May 2015. Indian plastic exports have grown at the rate of 11.69% in 2014, compared to the previous financial year. China is a major importer of plastic products from India followed by USA.

Plastic plays a significant role in the key sectors of the economy including telecommunications, automobiles, construction, water management defence and aerospace, computers, electronics and power. Polymer consumption in India is way below the world level which suggests potential. With the increasing usage of plastic in automobiles, consumer packaging and impact of increased infrastructure spending, the industry is expected to continue its growth beyond 2016-17.

Management Outlook

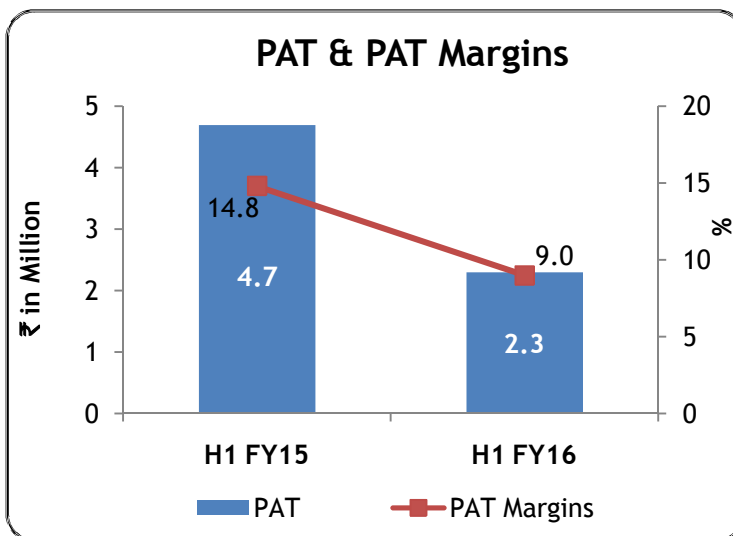
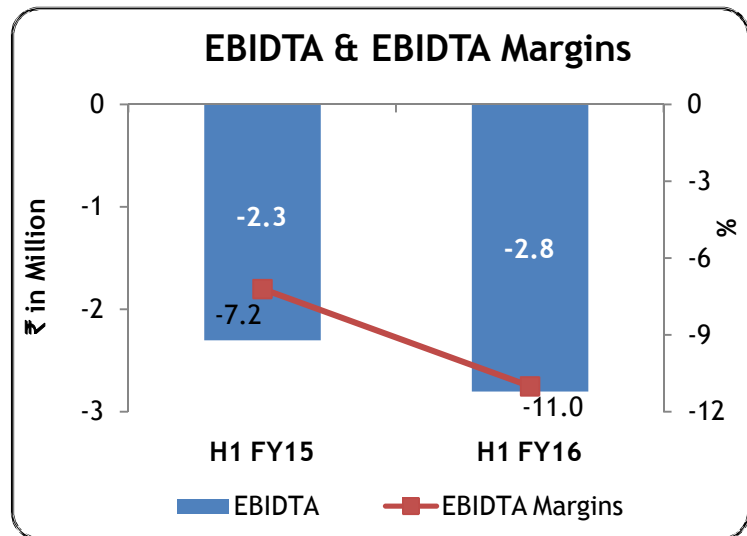
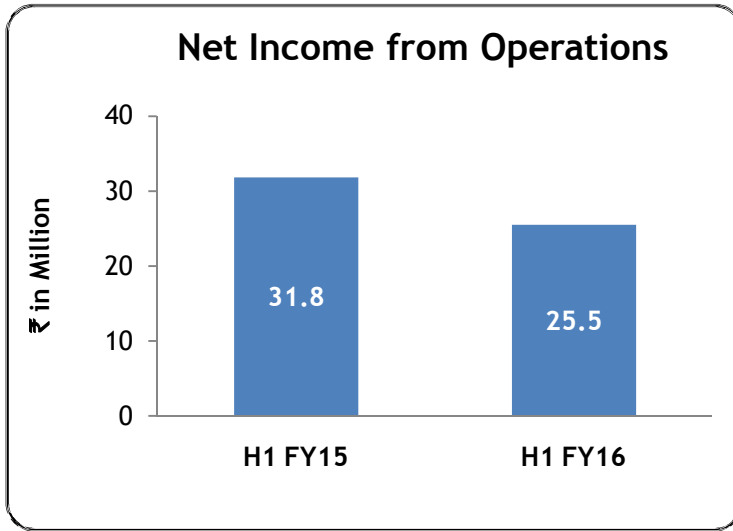
The Plastic industry in the country, offers potential in terms of capacity, infrastructure and cheap labour availability. Among the industry's major strengths is the availability of raw materials in the country. Thus, plastic processors do not have to depend on imports. These raw materials, which include polypropylene, high density polyethylene and low density polyethylene are manufactured domestically.

Plastic materials are gaining notable importance as the per capita consumption is increasing at a fast pace. Due to its moulding capacity, its non-corrosive and moisture resistant properties, physical and chemical strengths and durability in all weather conditions, it has become a material of choice and of universal importance. Continuous advancement and development in Plastic Technology, processing machineries, expertise and cost effective manufacturing is helping it replacing typical materials.

Kemp & Company Limited undergone through various diversifications from time to time including manufacturing and trading of pharmaceutical products, manufacturing of toys and components, manufacturing and marketing Office Furniture Systems and retailing of luggage products. Some of the dispensing outlets of the Company had become landmark locations; for example, Kemps Corner in Mumbai. The Company also earns rental income from its property located at Mumbai.

Certain challenges are faced in the plastic industry one of which is stiff competition from cheap, imported Chinese products. Also local production faces a hit as the country relies heavily on imports. However, with a population over one billion where 40% are under age 15, satisfactory growth opportunities for plastics producers in India exist given the nation's internal consumption of plastic products.

Financial Graphs



Disclaimer

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Disclosure

Each member of the team involved in the preparation of this report, hereby affirms that there exists no conflict of interest.



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About Us

LOTUS KNOWLWEALTH (LKW) commenced business in 1991 and is currently engaged in providing **CAPITAL MARKET RESEARCH, INVESTMENT ADVISORY and STRATEGY** services.

GURUKSHETRA is the Research and Training arm of LKW.

LKW Investment Advisers is the SEBI registered Investment Advisory arm of LKW.

Contact Us

LOTUS KNOWLWEALTH Pvt. Ltd.

Regd. Office: B Wing, 505-506, Fairlink Centre,
Off Andheri Link Road, Andheri (W),
Mumbai – 400 053.

Email: enquiry@lotusknowlwealth.com

Tel: 022- 4010 5482 | 4010 5483

Website: www.lkwindia.com