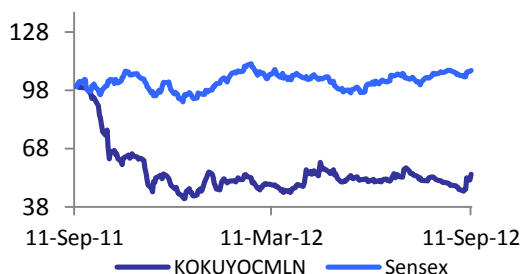


September 11, 2012

CMP	Rs. 39.9
BSE Code	523207
BSE ID	KOKUYOCLMN
High/Low 1Y (Rs.)	72.9 / 30.8
Average Volume (3M)	21,337
Market Cap (Rs. Cr.)	275

Shareholding %	Jun-12	Mar-12
Promoters	63.97	63.97
DII [#]	0.01	0.01
FII [#]	4.74	5.23
Public & Others	31.28	30.79

Stock Chart (Relative to Sensex)



Stock Performance (%)	1M	6M	1Yr
KOKUYOCLMN	6.5	11.6	-45.2
Sensex	1.2	1.5	8.2

Financials	FY10	FY11	FY12
Revenue	330.9	359.1	385.7
Y-o-Y	16.7%	8.5%	7.4%
EBITDA	26.8	26.2	12.9
Y-o-Y	40.9%	-2.3%	-51.0%
Net Profit	11.6	8.6	-0.1
Y-o-Y	90.3%	-26.3%	PL
EPS (Dil.)	1.93	1.41	-0.01
EBITDA Margin	8.1%	7.3%	3.3%
Net Profit Margin	3.5%	2.4%	PL
P/E(x)	20.7x	28.3x	-

Financial year ends at March 31. All figures in Rs. crore except for per share data

[#]FII^s- Foreign Institutional Investors

[#]DII^s- Domestic Institutional Investors

PL - Profit to Loss

LP - Loss to Profit

KOKUYO CAMLIN LTD.

Company Overview

Kokuyo Camlin Ltd. started its business in 1931 as Dandekar & Co. with Horse brand ink powders and tablets. The popular fountain pen ink of India 'Camel Ink' appeared just thereafter and soon became a household brand. In 1946 it was incorporated as a private company in the name of Camlin Private Ltd and in 1988 became a public limited company. The company is engaged in production of art materials and stationery items for students, professionals and office usage. The company has collaborations with Pilot Corporation, Winsor and Newton, U.K. The head office is located at Andheri, Mumbai, Maharashtra.

In May 2011, Kokuyo S&T Company Ltd., a subsidiary of the leading Japanese stationery, furniture and mail-order giant Kokuyo Co. Ltd., acquired controlling stake in Camlin Ltd. and the company is now known as Kokuyo Camlin Ltd.

Company Fundamentals

Strong brand equity and consumer preference

With over 80 years of experience in the business, Kokuyo Camlin Limited has a strong brand presence in India being a household name for stationery and art materials.

Established Distribution Network

The company leverages on its strong pan-India network penetrating 55 million households through over 3 lac retail outlets in the country.

Operational Performance (For FY12)

During FY12, the company has reported marginal growth of 7.4% in revenue on Y-o-Y basis and stood at 385.7 crores. However company has reported a net loss on account of increase in employee cost and other expenses during the year.

Strategic business alliance

The business alliance with Kokuyo S & T Company Ltd. has resulted in two-pronged benefit. The company stands to gain from Kokuyo's advanced technical knowhow and R&D in product development and design. Leveraging on this, Kokuyo Camlin will foray its products into other geographies, especially the Asian market where Kokuyo S&T Company Ltd. already has an established presence.

Key Strengths

- Quality products and affordability across all strata of Indian users
- Strong distribution network across the country to reach the consumers directly
- The parent company 'Kokuyo S & T company Ltd' (a wholly owned Subsidiary of Kokuyo Co., Ltd., Japan) has overseas presence which the Company is expected to enter.
- Rigorous QC processes and R&D investment planned for F.Y. 2012-13

Company Business

Camlin Ink, the ink brand that was synonymous with fountain pen usage in India came into production around 1931 from the house of Camlin. The company entered into an expansion phase in 1947 to cover a gamut of stationery items such as chalks, rubber stamp, pads, adhesives, gums. It forayed into art materials, such as water colour, poster colour, geometry boxes, wax crayons, oil pastels in 1962. In the year of 1988, Camlin became a Public Limited company. Kokuyo Camlin entered into collaboration with Pilot Corporation, Japan to manufacture 0.5 mm high polymer leads for push button pencils. Marketing collaboration with Winsor and Newton, UK was established in 1995 to produce artist colours. A manufacturing facility was also started in the same year for adhesives and synthetic emulsion. Glass colour was introduced in 1999. The company factories are located at Tarapur, Tajola and Vasai, Maharashtra and Jammu.

The company has become a subsidiary of Kokuyo S & T Company Ltd, Japan in 2011 and Camlin Ltd. came to be known as Kokuyo Camlin Ltd from January, 2012. Dilip Dandekar, the Chairman and Managing Director of Camlin is the President of Indian Merchants Chamber and the honorary Consul of Mangolia.

Kokuyo S&T Co., Ltd. is a 100% subsidiary of Kokuyo Co., Ltd. which was founded over 100 years ago in Osaka, Japan. It is a leading Company that manufactures and markets office stationery and supplies, furniture for offices, public spaces. Both these are under the brand name KOKUYO. It also has a retail mail-order business under the KAUNET brand. Kokuyo S&T Co., Ltd. is leader in office stationery products with particular strength in notebooks and office supplies. Its KOKUYO brand is well known both in office stationery and office furniture segments.

Kokuyo S & T Company Ltd after this acquisition would accelerate its business expansion in the rapidly growing Indian stationery market like notebooks, organisers, office stationery and supplies like pens and pencils leveraging Camlin strong distribution network throughout the country. Kokuyo and Camlin will jointly augment new product development and design capability through this acquisition. Products like scholastics colours, artist colours, school stationery and technical instruments have been a forte with Company. These products will now be exported to many other geographies where Kokuyo S&T Co., Ltd. has a strong presence.

The strengths and synergies of both business houses will result in a win-win situation. Key strengths of Company include a strong and established brand name in India – CAMLIN, backed with a pan-India reach serviced through over 3 lac touch-points. Company has been a leader in scholastic colours, artist colours and selected school stationery like math-sets and mechanical pencils. Similarly, Kokuyo S&T Co., Ltd. is leader in office stationery products with particular strength in notebooks and office supplies. Its KOKUYO brand is a well known both in office stationery and office furniture segments. Kokuyo group follows an 'axial' model whereby product development, manufacture, marketing and distribution are all integrated to maximise customer value.

The synergies will result in numerous benefits that include lowering of costs, expansion of product portfolio, expansion to new geographic markets (especially in Asian countries), faster rollouts of new products developed through joint design and R&D.

Product range covers Artistic Materials, Hobby Colours, Scholastic Colours, Scholastic stationery products, Office stationery products and writing instruments with over 2100 products.

In order to improve its supply chain process and customer service, The Company is now managing its inventory across India by adding four regional hubs i.e. at Mumbai, Delhi, Kolkata and Bangalore for effective movement and management of finished goods.

All India Camel colour contest (AICCC) is a social endeavour from this company which is attended by aspiring students/ artists across all over India. Camel Art Foundation is an attempt by Kokuyo Camlin Ltd. to promote showcase regional talent by providing opportunities to promising artists in the country.

Industry Overview

Over the past decade, the Indian economy has tripled in size. Its GDP growth, savings and investment rates have reached historic highs, and now far exceed the average rates for emerging markets. One of the main contributors to the economic rise in India is the improved education system. India is considered to be the world's largest market in terms of growth in the young population with a significant population under the age of 25 years. This is a clear indication of the huge potential in the Indian education sector.

The education sector has grown at an accelerated rate over the last few years. Also, the expenditure on education as a proportion of GDP has increased from 2.72% in 2006-07 to 3.11% in 2011-12. Budgetary allocation for education has also been increased by 21% to 74,000 crores in 2012-13, which is expected to drive the demand for the stationery market. The Government has initiated several schemes such as Sarva Siksha Abhiyan (SSA), Rashtriya Madhyamik Shiksha Abhiyan (RMSA), Model Schools Scheme and Saakshar Bharat (SB)/Adult Education as part of its focus on education sector.

The growth in education sector has been the significant growth driver of the stationery market in India. The primary and secondary education sector in the country is expected to grow at a CAGR of 14% to US\$ 50 billion in 2015 from US\$ 24.5 billion in 2008.

The size of the stationery industry in India revolves around INR 11,000 crores out of which INR 5,000 crores have been occupied by notebooks. The Indian stationery market has observed an annual growth of 10%. The rising focus of government towards education is helping the student user segment to grow very significantly. That said, the rise in use of scholastic art materials consumers look very promising. Again with the rise in industrial and commercial sector, the office supplies segment is also witnessing rapid growth.

Users of Indian art materials market can be classified into three categories. Professional artists and serious users are inclined towards high end materials to be at par with international artists and art market. The hobby users are mostly interested into in glass colours etc. While high-end products are becoming more acceptable by buyers as consumers become more discerning, the Indian art material industry is also now facing hard competition from cheap imported art materials especially from the Chinese and Korean brands. International players like Faber and Castle are making stamping their presence in the Indian art market. As buyers are attracted towards cheap imported products, relatively higher priced branded materials are on high competition. Another challenge is that the consumer preferences for these kinds of products are very dynamic forcing the players to become innovative in order to stay afloat.

(Source: 'Education in India: Securing the demographic dividend' by Grant Thornton; Kokuyo Camlin Annual Report FY 2011-12)

Competitor Analysis

We have compared Kokuyo Camlin with its close peers in the stationery and art materials industry.

Company	Year End	CMP*	M Cap	Revenue (FY12)	EBIT Margin (FY12)	EPS (FY12)	P/E
Kokuyo Camlin Ltd.	Mar-12	40	275	384	1.9%	-0.2	199.5x
Linc Pen	Mar-12	47	60	275	2.2%	1.3	38.8x

Source: BSE, Capitaline, Market cap and Revenue in Rs. Crore, *CMP as on 11 Sept 2012

Summary Financials

Particulars (Rs crore)	FY10	FY11	FY12
Net Sales	330.3	357.1	382.3
Other Op. Revenue	0.5	2.0	3.4
Total Revenue	330.9	359.1	385.7
<i>Growth (%)</i>	<i>16.7%</i>	<i>8.5%</i>	<i>7.4%</i>
Cost of Goods Sold	-222.5	-240.2	-254.6
Gross Profit	108.3	118.9	131.1
Employee Costs	-30.9	-35.3	-42.0
Other Expenditure	-50.7	-57.3	-76.3
EBITDA	26.8	26.2	12.9
<i>Growth (%)</i>	<i>40.9%</i>	<i>-2.3%</i>	<i>-51.0%</i>
Depreciation	-5.2	-6.7	-7.3
EBIT Profit	21.6	19.5	5.6
Finance cost	-5.8	-7.3	-6.6
Other Income	0.2	0.1	0.7
Exceptional Items	0.0	-0.5	0.5
PBT	15.9	11.8	0.1
<i>Growth (%)</i>	<i>66.7%</i>	<i>-26.1%</i>	<i>-98.8%</i>
Income Tax	-4.3	-3.2	-0.2
Profit after Tax	11.6	8.5	-0.1
Extra Ordinary Items	0.1	0.0	0.0
Net Profit	11.6	8.6	-0.1
<i>Growth (%)</i>	<i>90.3%</i>	<i>-26.3%</i>	<i>PL</i>
Rep. Basic EPS	1.93	1.41	-0.01
Rep. Diluted EPS	1.92	1.39	-0.01
Equity Capital	6.0	6.1	6.9
Face value	1	1	1

Ratio Analysis	FY10	FY11	FY12
Margins			
EBITDA Margin (%)	8.1%	7.3%	3.3%
Net Profit Margin (%)	3.5%	2.4%	0.0%
Valuation			
P/E (x)	20.7	28.3	-
P/BV (x)	3.9	3.5	2.1
Profitability			
ROCE (%)	35.0%	26.7%	4.3%
RONW (%)	18.8%	12.2%	-0.1%
Solvency Ratio			
Debt/ Equity Ratio (x)	0.7	0.6	0.3
Interest Cover (x)	3.7	2.7	0.8

Bifurcation between Long Term and Short Term Debt is not available for FY10

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