

HIGHLIGHTS OF THE RIGHTS OFFER

Highlights of the Company

The Company, Keya Cosmetics Limited (KCL) was incorporated on 14 July 1996 as a private limited company under the Companies Act, 1994

On 20 June 1999, the Company was converted into public limited company through special resolution approved by the Registrar of Joint Stock Companies & Firms

In the year 2001, the Company floated its shares to the general public and was subsequently listed with the Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd.

On 25 May 2011, the Company amalgamated with Keya Detergent Limited, another publicly listed company and Keya Soap Chemicals Limited, a private company.

The Company offers rights share to raise further paid up capital in the year 2011.

Currently the Company has authorized capital of Tk. 2,000,000,000 and paid up capital Tk. 739,944,940

Nature of Business

The Company is engaged in manufacturing of fast moving consumer goods since its incorporation.

Issue Price

The Issue price has been approved in the Annual General Meeting of the Company held on 30 September 2011 at Tk. 30 each including a premium of Tk. 20 per share offered on the basis of 1 (one) Rights Share for 1 (one) existing share held on the record date.

Subsequently, The Board of Directors of Keya Cosmetics Limited in its meeting held on 14 March 2012 considering recent Capital Market scenario and shareholders interest decided to reduce the offer price of rights issue of Keya Cosmetics Limited from existing Tk. 30 per share (Including Tk. 20 per share as premium) to Tk. 20 per share(Including Tk. 10 per share as premium) subject to approval of Securities and Exchange Commission and approval from the shareholders in next General Meeting.

Products & Capacity of the Company

Products & Services of the Company

Following are the major products of Keya Cosmetics Limited:

- | | |
|--|-------------------------------------|
| ✚ Keya Super Beauty Soap | ✚ Keya 777 Laundry Soap |
| ✚ Life Guard Soap | ✚ Keya Refined Coconut Oil |
| ✚ Keya Glycerin Laundry Soap | ✚ Keya Petroleum Jelly |
| ✚ Keya Power Ball Soap | ✚ Keya Lip Gel |
| ✚ Keya Prickly Heat Powder | ✚ Keya Glycerin |
| ✚ Keya Ice Magic Body Cooler Powder | ✚ Keya Pomade |
| ✚ Keya Natural Care Shampoo | ✚ Keya Lemon Detergent Powder |
| ✚ Keya Dandruff Control Shampoo | ✚ Keya White Plus Detergent Powder |
| ✚ Keya Active Tooth Paste | ✚ Keya Super Excel Detergent Powder |
| ✚ Keya Super Saloon Lather Shaving Cream | ✚ Keya Super Jet Detergent Powder |
| ✚ Keya Lather Shaving Cream | ✚ Keya Soap Noodles |

Capacity Utilization

Year	Installed Capacity (MT)	Actual Production	% of Utilization
30 June 2009	33,600.00	26,825.45	79.84%
30 June 2010	33,600.00	26,879.25	80.00%
30 June 2011	33,600.00	27,235.40	81.06%

RISK FACTORS & MANAGEMENT PERCEPTION ABOUT THE RISKS

An investment in equity shares involves a high degree of risk. The Company is operating in an industry involving both external and internal risk factors having direct as well as indirect effects on the investments by the investors. All investors should carefully consider all of the information in this Prospectus, including the risk factors, and management perception thereabout enumerated hereunder before making an investment decision. If any of the following risks actually occur, their business, results of operations and financial condition could suffer, the trading price of their equity shares could decline, and investors may lose all or part of their investment.

(a) Interest Rate Risk and Management Perception

Interest Rate Risk

Interest rate risk is concerned with borrowed funds of short term and long term maturity. Volatility in money market and increased demand for loans/investment funds raise the rate of interest. High rate of interest increases the cost of fund of a company and could adversely affect the business and future financial performance.

Management Perception

Although the consequence of unusual and abrupt increase in borrowing rate cannot be avoided, KCL takes all the appropriate measures to minimize the negative consequences. For instance, due to the recent increase of interest rate in money market, KCL currently pursues a policy under which most of the bank loan will be repaid from the proceed of rights shares that will minimize interest risk resulting from fluctuation of interest rate.

(b) Exchange Rate Risk and Management Perception

Exchange Rate Risk

Exchange rate risk would be relevant to KCL since the Company often requires making large payment to suppliers through foreign currency for its import of raw materials from different countries mainly from England, Finland, Germany, Switzerland, Spain, Singapore, China, India and Sri Lanka. Besides, the Company also exports their products to India, Bhutan, Saudi Arabia, Nepal & Kuwait. The price of raw material in the international market is relatively volatile. Unfavorable volatility or currency fluctuation may affect the profitability of the Company. Moreover, adverse exchange rate movements may cause foreign exchange losses to the Company.

Management Perception

Volatility of Taka against Dollar and recent trend of local currency devaluation may expose foreign currency risk. KCL is flexible to adopt any step as and when required with a view to maintaining its profit. The management of the Company is confident to significantly cushion the foreign currency risk by strategic purchases and through special arrangements/deals made with financial institutions during settlement of import obligations, and at the time of arrival of proceeds of export of finished products.

(c) Industry Risk and Management Perception

Industry Risk

Industry risk refers to the risk of increased competition from foreign and domestic sources leading to lower prices, revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation.

Management Perception

KCL has established a strong supply chain management to mitigate this risk. At present KCL mitigates its demand for raw materials both from the local market and the foreign market. Beside this, it imports raw materials from the most advanced countries of the world and tests the quality of raw materials in its modern quality control laboratory to ensure the quality of raw material.

(d) Market Risk and Management Perception

Market Risk

Market risk refers to the risk of adverse market conditions affecting the sales and profitability of the company. Mostly, the risk arises from falling demand for the product or service which would harm the performance of the company. On the other hand, strong marketing and brand management would help the company increase their customer base.

Management Perception

KCL has strong brand equity in the local market. Due to its strong foreign affiliation; and for a growing economy like Bangladesh, there would always be demand for quality product. KCL like other company may face strong competition which might take place even after taking the most stringent quality control measures. KCL has always been aware of the competitive situation in the market and accordingly, KCL is acting as first mover to face any competition.

(e) Technology Related Risk and Management Perception

Technology Related Risk

Technology always plays an essential role in any business concern that ensures better services to the customers and reduces the cost in various aspects. Any invention of new and more cost effective technology may cause technological obsolescence and negative operational efficiency.

Besides, any severe defects in the plant and machinery may have an effect on productivity and profitability due to additional investment for replacement or maintenance.

Management Perception

The management of KCL always puts emphasis on development and implementation of appropriate technology and is committed to continue to invest in information technology as well. Moreover, the project is equipped with world's modern and latest machineries which ensures its consistent profitability throughout the year.

(f) Risk related to Potential or Existing Government Regulations and Management Perception

Risk related to Potential or Existing Government Regulations

The Company operates under Companies Act, 1994, Income Tax Ordinance, 1984, Income Tax Rules, 1984, Value Added Tax (VAT) Act, 1991, Value Added Tax (VAT) Rules, 1991, Customs Act, 1969 and other related regulations. Any abrupt changes of the policies made by the regulatory authorities may unfavorably affect the business of the Company.

Management Perception

Unless any policy is changed that may negatively and materially affect the industry as a whole, the business of the Company is expected not to be affected significantly. Cosmetics are such kind of products in Bangladesh which have considerable local demand for differentiated product lines. Therefore, it is highly unlikely that the Government will initiate any fiscal measure having adverse effect on the growth of the industry.

(g) Risk related to Potential changes in Global or National Policies and Management Perception

Risk related to Potential changes in Global or National Policies

Changes in the existing global or national policies can have either positive or negative impacts for the company. Any scarcity or price hike of raw materials due to changes in policy in the international market might slow down the productivity and profitability. Moreover, the performance of the company would also be hindered due to unavoidable circumstances both in Bangladesh and worldwide like political turmoil. Since the risk involved with the potential changes in global or national policies is a macro factor, it is beyond the control of Keya Cosmetics Limited.

Management Perception

The management of Keya Cosmetics Limited is always concerned about the prevailing and upcoming future changes in the global or national policy and shall respond appropriately and timely to safeguard its interest. Due to the strong brand equity of the company in the local market; and with deep and profound knowledge, the company will always endeavor to withstand the unexpected changes or any such potential threats. Nevertheless, political stability and a congenial business environment is definitely the best situation in which Keya Cosmetics Limited will achieve its maximum potential. Political turmoil and the disturbance are not good for both the economy and the company.

(h) Operational Risk and Management Perception

Operational Risk

The operational risk is defined by the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The global best practice suggests that any corporate irrespective of its size and business must identify and assess all operational risk against all of its products and services and monitor the same by operationally independent professionals.

Management Perception

The management personnel seem to be competent and experienced to run the operation efficiently. However, better human resources development plan for both officers and workers may increase the efficiency in operation.

UTILIZATION OF PREVIOUS IPO & RIGHTS ISSUE FUND

Utilization of fund raised by Initial Public Offering (IPO)

The Company went for Public Offering in the year 2001 to raise additional paid-up capital of Tk. 50 million to meet expenses of its expansion project. The fund raised through the IPO was fully utilized for meeting the said purpose. The statement of fund utilization is given below:

Break-up of IPO Fund Utilization			
Sl. No.	Particulars	Cost to be incurred Taka	Cost actually incurred Taka
1	Building & civil works	1,090,000	1,087,250
2	Local machinery	1,517,500	1,500,000
3	Vehicles	615,700	650,000
4	IPO expenses	4,500,000	4,400,000
5	Amount employed as working capital	42,276,800	42,362,750
		50,000,000	50,000,000

Utilization of fund raised by Rights Share

Break-up of Rights Issue Fund Utilization		
Sl.	Particulars	Amount in Taka
1	Beauty and laundry soap finishing plant	89,810,768
2	Erection	3,000,000
3	Building expansion and repair	5,000,000
4	Rights Issue expenses	2,400,000
5	Others	2,000,000
		102,210,768
Source of Fund		
1	Rights Issue Proceed	72,000,000
2	Internally generated fund	30,210,768
	Total	102,210,768

STATEMENT OF ANNUAL GENERAL MEETING (AGM) HELD AFTER IPO

Financial Year	AGM Title	Date of AGM	Venue of AGM
2001-2002	6 th	27-Dec-2002	Factory Premises Jarun, Konabari, Gazipur
2002-2003	7 th	26-Dec-2003	Factory Premises Jarun, Konabari, Gazipur
2003-2004	8 th	24-Dec-2004	National Park, Vawal, Gazipur
2004-2005	9 th	29-Dec-2005	Bangladesh-China Friendship Conference Centre, Agargaon, Dhaka
2005-2006	10 th	22-Dec-2006	Bangladesh-China Friendship Conference Centre, Agargaon, Dhaka
2006-2007	11 th	28-Dec-2007	Factory Premises of Keya Spinning Mills Ltd. Jarun, Konabari, Gazipur
2007-2008	12 th	25-Dec-2008	Factory Premises of Keya Spinning Mills Ltd. Jarun, Konabari, Gazipur
2008-2009	13 th	25-Dec-2009	Factory Premises of Keya Knit Composite Ltd. Jarun, Konabari, Gazipur
2009-2010	14 th	25-Dec-2010	Factory Premises of Keya Knit Composite Ltd. Jarun, Konabari, Gazipur
2010-2011	15 th	30-Sep-2011	Factory Premises of Keya Knit Composite Ltd. Jarun, Konabari, Gazipur

Sd/-

Khaleda Pervin
Managing Director**PURPOSE OF THE RIGHTS ISSUE**

Sl.	Particulars	Amount
01	Repayment of Bank Loan	1,022,547,699
02	Working Capital	417,202,186
03	Rights Issue Expense	40,139,995
Total		1,479,889,880

Detail break up is given below:

01 Schedule of Bank Loan repayment

Sl. No.	Name of the Bank	Branch Name	A/C Number	Nature of Loan	Outstanding Amount as on 30-06-2011
1.	Dhaka Bank Ltd.	Foreign Exchange Br.	1318	Long term	34,502,430
2.	Dhaka Bank Ltd.	Foreign Exchange Br.	052760001	-do-	11,723,328
3.	Bank Asia Ltd.	MCB Dilkusha Br.	00835001111	-do-	12,083,847
4.	One Bank Ltd.	Prinicpal Dilkusha Br.	18376024	-do-	7,395,057
5.	Standard Bank Ltd.	Gulshan Br.	010935003959	-do-	7,064,565
Sub total					72,769,227
6.	Sonali Bank	BBA Avenue Br.	556	Short term loan	123,995,764
7.	Sonali Bank,	BBA Avenue Br.	548	-do-	41,131,202
8.	Premier Bank,	Banani Br.	000-523-00	-do-	50,989,701
9.	Premier Bank	Banani Br.	LTR	-do-	59,583,677
10.	Standard Bank	Gulshan Br.	LTR	-do-	81,227,025
11.	Prime Bank Ltd.	Dilkusha Br.	72901328	-do-	27,547,539
12.	Prime Bank Ltd.	Dilkusha Br.	LTR	-do-	9,987,432
13.	Dhaka Bank Ltd.	Foreign Exchange Br.	LTR	-do-	144,663,829
14.	Dhaka Bank Ltd.	Foreign Exchange Br.	203-175-259	-do-	55,509,875
15.	One Bank Ltd.	Principal Br.	LTR	-do-	185,329,919
16.	Bank Asia Ltd.	MCB Dilkusha Br.	LTR	-do-	169,812,509
Sub total					949,778,472
Total					1,022,547,699

02 Calculation of working capital requirement

Current Assets **525,530,222**

Stock of Goods, Materials & Stores 355,208,402

Loans, Advances & Deposits 22,453,649

Trade Debtors 118,366,461

Cash & Bank Balance 29,501,710

Current Liabilities **108,328,036**

Sundry Creditor 96,873,712

Outstanding Liabilities 11,454,324

Net Working Capital Requirements		417,202,186
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03 Estimated Rights Issue Expense

Sl. No.	Description	Basis of Fees	Amount in Tk. (approx.)
1	Manager to the Issue Fee	0.20% on the Issue Size	2,959,779.7
2	DSE & CSE Listing- Initial Fees	@ 0.25% on Tk. 100 million and 0.15% on the rest amount of paid up capital; maximum Tk. 2 million for each exchange	4,000,000
3	DSE and CSE Annual Fee		200,000
4	Application Fee to SEC		10,000
5	SEC Consent Fee	fee @ 0.15% on entire offer	2,219,834.8
6	Underwriting Commission	Commission @ 0.30% on Underwritten Amount	4,439,669.6
7	Bankers to the issue fee	Commission @ 0.1% of Collected	1,479,890
8	Credit Rating Fees		100,000
9	Issue Fee-CDBL	fee @ 0.00025 on entire offer	369,973
10	Annual Fee-CDBL	Actual	50,000
11	Publication of Rights Offer Documents	estimated	1,500,000
12	Publication of Notice	estimated	100,000
13	Printing of Forms & Envelope	estimated	187,500
14	Courier	estimated	200,000
15	Data entry & processing and Refund warrant related expenses	estimated	125,000
16	Tax on premium	@ 3% on premium amount	22,198,348
	Grand Total		40,139,995

BOARD OF DIRECTORS & MANAGEMENT**Board of Directors**

The Board of Directors consists of the following persons:

Sl. No.	Name	Address	Status
1	Mrs. Feruza Begum	House#10, Road#59, Gulshan, Dhaka	Director
2	Mr. Abdul Khaleque Pathan	House#10, Road#59, Gulshan, Dhaka	Chairman
3	Mrs. Khaleda Pervin	House#10, Road#59, Gulshan, Dhaka	Director & Managing Director
4	Mr. Masum Pathan	House#10, Road#59, Gulshan, Dhaka	Director
5	Mr. M Anwarul Ghani	Jarun, Konabari, Gazipur	Independent Director
6	Alhaj Md. Akkas Ali Pathan (Representative of Keya Knit Composite Ltd.)	Jarun, Konabari, Gazipur	Director

Management Team

Sl. No.	Name	Position	Educational Qualification
1	Mrs. Khaleda Pervin	Director & Managing Director	MBA
2	Syed Nurool Alam	Executive Director (Finance) & Company Secretary	M.Com (ACCT)
3	Mr.Md. Homaun Kabir	Chief Financial Officer	M.Com (ACCT), ACA
4	Mr. ABM Golam Mostofa Munshi	Head of Sales	MBA
5	Mr. Parimal Kumar Pramanik	General Manager, Production	B.Sc, M.Sc. (Applied Chemistry)
6	Mr. Kazimuddin	Deputy General Manager, Admin	B.Sc (Hon's) Agriculture, MBA (HRM)

CORPORATE INFORMATION

Registered Office & Factory	Jarun, Konabari, Gazipur, Bangladesh. Phone: 9297779, 9297766, 9297147 Fax: 9297778 E-mail: kgroup@keya-bd.com Website: www.keyagroupbd.com
Dhaka Office	House : 45, Navana Tower Road: Gulshan Avenue Dhaka-1212 Phone: 9899537,9896973 Fax: 8831032
Auditor	G. Kibria & Co. Chartered Accountants Sadharan Bima Bhaban 24-25, Dilkusha C.A Dhaka-1000
Legal Advisor	Mr. Nitai Ray Chowdhury Chowdhury & Associates Advocate Bangladesh Supreme Court
Tax Advisor	Mr. Debasis Roy Chowdhury Chowdhury & Associates Barrister at Law, Advocate Bangladesh Supreme Court
Manager to the Issue	Prime Finance Capital Management Limited 63 Dilkusha C.A Dhaka-1000
Bankers to the Issue	The City Bank Limited City Bank Center 136 Gulshan Avenue Gulshan-2, Dhaka-1212 Bank Asia Limited Rangs Tower 68 Purana Paltan Dhaka-1000 Southeast Bank Limited Eunoos Trade Center (Level 2, 3, 4 & 16) 52-53 Dilkusha C.A Dhaka-1000
Compliance Officer	Mr. Mohammed Mofizul Islam Deputy Company Secretary

Bankers to the issue**Southeast Bank Limited**

Aganagar Br. Dhaka
Ashulia Br. Dhaka
Banani Br. Dhaka
Bangshal Br. Dhaka
Bashundhara Br. Dhaka
Corporate Br. Dhaka
Dhanmondi Br. Dhaka
Gulshan Br. Dhaka
Imamganj Br. Dhaka
Joypara Br. (Rural) Dhaka
Kakrail Br. Dhaka
Karwan Bazar Br. Dhaka
Mohammadpur Br. Dhaka
Mouchack Br. Dhaka
New Elephant Br. Dhaka
New Eskaton Br. Dhaka
Pragati Sarani Br. Dhaka
Principal Br. Dhaka
Sat Masjid Road Br. Dhaka
Savar Br. Dhaka
Shaymoli Br. Dhaka
Uttara Br. Dhaka
Narayanganj Br. Narayanganj
Konabari Br. (Rural) Gazipur
Tongi Br. Gazipur
Rangpur Br. Rangpur
Rajshahi Br. Rajshahi
Chowmuhani Br. Noakhali
Bashurhat Br. (Rural) Noakhali
Agrabad Br. Chittagong
CDA Avenue Br. Chittagong
Halisahar Br. Chittagong
Jubilee Road Br. Chittagong
Khatunganj Br. Chittagong
Madambibir Hat Br. Chittagong
Momin Road Br. Chittagong
Pahartali Br. Chittagong
Cox's Bazar Br. Cox's Bazar
Bogra Br. Bogra

Khulna Br. Khulna
Barisal Br. Barisal
Bandar Bazar Br. Sylhet
Chouhatta Br. Sylhet
Hetimganj Br. Sylhet
Laldighirpar Br. Sylhet
Pathantula Br. Sylhet
Shahajal Uposahar Br. Sylhet
Moulvibazar Br. Moulvibazar
Kulaura Br. (Rural) Moulvibazar
Madabdi Br. (Rural) Narshingdi
Comilla Br. Comilla
Naogaon Br. Naogaon
Feni Br. Feni
Chagalnaiya Br. Feni
Brammon Baria Br. B. Baria

Bank Asia Limited

Paltan Br. Dhaka
Corporate Br. Dhaka
Dhanmondi Br. Dhaka
Gulshan Br. Dhaka
MCB Banani Br. Dhaka
MCB Dilkusha Br. Dhaka
Mirpur Br. Dhaka
Mitford Br. Dhaka
Mohakhali Br. Dhaka
Principal office Br. Dhaka
Scotia Br. Dhaka
Sylhet Main Br. Sylhet
Agrabad Br. Chittagong
Khatunganj Br. Chittagong
Khulna Br. Khulna
Rajshahi Br. Rajshahi

City Bank Limited

B B Avenue Br. Dhaka
Principal Office Br. Dhaka
Dhanmondi Br. Dhaka
Shaymoli Br. Dhaka

Imamganj Br. Dhaka
Johnson Road. Br. Dhaka
Kawran Bazar Br. Dhaka
Newmarket Br. Dhaka
VIP Road Br. Dhaka
Islampur Br. Dhaka
Nawabganj Br. Dhaka
Pragati Sarani Br. Dhaka
Bangabandu Road Br. Narayanganj
Zinzira Br. Dhaka
Tongi Br. Gazipur
Agrabad Br. Chittagong
Jubilee Road Br. Chittagong
Khatunganj Br. Chittagong
Andarkilla Br. Chittagong
Cox's Bazar Br. Chittagong
Chawkbazar Br. Chittagong
Pahartoli Br. Chittagong
Comilla Br. Comilla
Narsingdi Br. Narsingdi
Zinda Bazar Br. Shylet
Bandar Bazar Br. Shylet
Amborkhana Br. Shylet
Moulvi Bazar Br. Shylet
Rajshahi Br. Rajshahi
Bogra Br. Bogra
Rangpur Br. Rangpur
Sirajgonj Br. Sirajgonj
Khulna Br. Khulna
Jessore Br. Jessore
Barisal Br. Barisal

JUSTIFICATION OF THE ISSUE PRICE OF RIGHTS SHARE

Method-1: Equity based value per share

	<u>Amount in Taka</u>
Shareholders' Equity :	1,531,304,164
Share Capital-paid up	739,944,940
Share Premium	24,000,000
Tax holiday reserve	45,744,731
Retained earnings	721,614,493
No. of Shares Outstanding	73,994,494
Net Asset Value Per Share	20.69

Method-2: Earnings based value per share

Sl.	Period	No of Share	Weight	Net Profit After Tax	Weighted Net Profit After Tax
1	2006-2007	28,800,000	0.15	97,839,337	14,893,525
2	2007-2008	28,800,000	0.15	90,555,552	13,784,756
3	2008-2009	28,800,000	0.15	86,612,541	13,184,534
4	2009-2010	28,800,000	0.15	151,378,496	23,043,486
5	2010-2011	73,994,494	0.39	268,379,323	104,963,900
Total			100	694,765,249	169,870,201
6		Number of Share outstanding before Rights Offer			73,994,494
7		Diluted EPS based on weighted average of net profit after tax			2.30
8		Market PE as on 29 February 2012			12.04
9		Earning Based value per share			27.69

Method-3: Average market price of Keya Cosmetics Limited for last six months

Sl.	Months	Market Price (as per DSE Monthly Review)
1	September, 11	86.60
2	October, 11	62.50
3	November, 11	64.30
4	December, 11	71.30
5	January, 12	53.60
6	February, 12	60.20
Average Market Price of Keya Cosmetics Limited		66.42

Summary of different methods:

Sl.	Name of the Method	Offer Price
1	Equity based value per share	20.69
2	Earnings based value per share	27.69
3	Average market price of Keya Cosmetics Limited	66.42

Therefore the offer price is Tk.20 including Tk. 10 as premium would be considered reasonable to the shareholders.

LENGTH OF TIME THE COMPANY HAS CARRIED ON BUSINESS

Keya Cosmetics Limited (KCL) was incorporated in Bangladesh as a private limited company by shares on 14 July 1996 with the Registrar of Joint Stock Companies & Firms, Dhaka, Bangladesh under the Companies Act, 1994. In the year 1997, the Company started its commercial production. Since then, the Company has been carrying its business in the Chemical Sector.

QUANTITY OF SHARES HELD BY EACH DIRECTOR

Sl. No.	Name	Status	No. of shares held	Percentage
1	Mr. Abdul Khaleque Pathan	Chairman	13,395,058	18.10%
2	Mrs. Feruza Begum	Director	270,322	0.37%*
3	Mrs. Khaleda Pervin	Director & Managing Director	502,729	0.68%*
4	Mr. Masum Pathan	Director	475,355	0.64%*
5	Keya Knit Composite Limited -represented by Alhaj Md. Akkas Ali Pathan	Director	9,264,620	12.52%
6	Mr. M Anwarul Ghani	Independent Director	Nil	-

*Management Disclosure

As per Securities and Exchange Commission notification dated 22 November 2011 regarding shareholding of sponsor directors at least 2% of the paid up capital of the company, we are pleased to disclosed herewith that the process of acquiring minimum requirement of shareholding as specified in the said notification is under process.

SHAREHOLDING COMPOSITION OF THE COMPANY

Sl.	Type of Shareholders	No. of Shares	% of total shares
1.	Sponsors/Promoters	24,967,655	33.74
2.	Institution (Financial & others)	4,947,915	6.69
3.	General Public	44,078,924	59.57
4.	Govt.	0	0
Total		73,994,494	100

BENEFICIAL OWNERS HOLDING SHARES 5% OR ABOVE

There are no shareholders holding shares 5% or above in the Company except the following shareholders:

Sl. No.	Name	Status	No. of shares held	Percentage
1	Mr. Abdul Khaleque Pathan	Chairman	13,395,058	18.10%
2	Keya Knit Composite Limited -represented by Alhaj Md. Akkas Ali Pathan	Director	9,264,620	12.52%

PUBLICLY LISTED COMPANIES UNDER COMMON MANAGEMENT

As per rule-8(n) of the Securities and Exchange Commission (Rights Issue) Rules-2006, currently there is no publicly listed company under the common management of the Company.

CLASSIFIED INFORMATION & UNDERWRITERS

Manager to the Issue	Prime Finance Capital Management Limited 63 Dilkusha C.A Dhaka-1000
Auditor	G. Kibria & Co. Chartered Accountants Sadharan Bima Bhaban 24-25, Dilkusha C.A Dhaka-1000
Legal Advisor	Mr. Nitai Ray Chowdhury Chowdhury & Associates Advocate Bangladesh Supreme Court
Bankers to the Issue	City Bank Limited Bank Asia Limited Southeast Bank Limited

Name of the underwriters

Sl.	Name & Address of the merchant Bank	No. of shares	Total
1	Banco Finance and Investment Limited Baitul View Tower (11 th Floor) 56/1 Purana Paltan Dhaka-1000	500,000	10,000,000
2	BRAC EPL Investments Limited WW Tower (9 th Floor) 68 Motijheel C/A Dhaka-1000	3,333,333	66,666,660
3	EC Securities Limited Nafi Tower (6 th Floor) Plot-53, Gulshan South C/A Gulshan-1, Dhaka-1212	500,000	10,000,000
4	Grameen Capital Management Limited Grameen Bank Bhaban Mirpur-2, Dhaka-1216	500,000	10,000,000
5	Green Delta LR Financial Services Limited Hadi Mansion (6 th Floor) 2 Dilkusha C/A Dhaka-1000	500,000	10,000,000
6	ICB Capital Management Limited BDBL Bhaban (14 th Floor) 8 D.I.T Avenue Dhaka-1000	1,000,000	20,000,000
7	IDLC Investments Limited Eunoos Trade Center (Level-21) 52-53 Dilkusha C/A Dhaka-1000	1,000,000	20,000,000
8	MTB Capital Limited Bhuiyan Centre (6 th Floor) 68 Dilkusha C/A Dhaka-1000	1,000,000	20,000,000
9	PLFS Investments Limited Paramount Heights (13 th Floor) 65/2/1 Box Culvert Road Purana Paltan, Dhaka-1000	500,000	10,000,000
10	Prime Bank Investment Limited Peoples Insurance Bhaban (11 th Floor) 36 Dilkusha C/A Dhaka-1000	500,000	10,000,000
11	Prime Finance Capital Management Limited 63 Dilkusha C.A Dhaka-1000	62,161,161	1,243,223,220
12	Southeast Bank Capital Services Limited Eunoos Trade Center (Level-2) 52-53 Dilkusha C/A Dhaka-1000	500,000	10,000,000

Sl.	Name & Address of the merchant Bank	No. of shares	Total
13	Sonali Investment Limited Sara Tower (11 th Floor) 11/A Toyenbee Circular Road Motijheel C/A, Dhaka-1000	500,000	10,000,000
14	Swadesh Investment Management Limited Unique Trade Center Suite # 01, Level # 15, 8 Panthapath, Karwan Bazar, Dhaka-1215	1,000,000	20,000,000
15	Union Capital Limited Noor Tower (5 th Floor) 73 Sonargaon Road Dhaka-1215	500,000	10,000,000
	Total	73,994,494	1,479,889,880

Underwriters' Information and Obligation

If and to the extent that the shares offered to the existing shareholders by a Rights Share Offer Document authorized hereunder shall not have been subscribed and paid for in cash in full by the Closing Date, the Company shall within 10 (Ten) days of the closure of subscription call upon the underwriters in writing with a copy of the said writing to the Securities and Exchange Commission, to subscribe the shares not subscribed by the closing date and to pay for in cash in full, inclusive of any premium if applicable, for such unsubscribe shares within 15 (Fifteen) days after being called upon to do so. If payment is made by Cheque /Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his underwriting commitment under this Agreement, until such time as the Cheque/Bank Draft has been encashed and the Bank's account credited. In any case within 7 (Seven) days after the expiry of the aforesaid 15 (Fifteen) days, the Bank shall send proof of subscription and payment by the underwriters to the Commission.

DIRECTORS TAKE UP IN THE RIGHTS OFFER

Directors are expected to exercise in full their portion of Rights Offer.

Sl.	Name	Status	No. of shares offered for exercise	No. of shares to be subscribed
1.	Mr. Abdul Khaleque Pathan	Chairman	13,395,058	13,395,058
2.	Mrs. Feruza Begum	Director	270,322*	270,322
3.	Mrs. Khaleda Pervin	Director	502,729*	502,729
4.	Mr. Masum Pathan	Director	475,355*	475,355
5.	Keya Knit Composite Limited - represented by Alhaj Md. Akkas Ali Pathan	Director	9,264,620	9,264,620
6.	Mr. M Anwarul Ghani	Independent Director	Nil	Nil

*Management Disclosure

As per Securities and Exchange Commission notification dated 22 November 2011 regarding shareholding of sponsor directors at least 2% of the paid up capital of the company, we are pleased to disclosed herewith that the process of acquiring minimum requirement of shareholding as specified in the said notification is under process.

Accordingly, the number of share to be subscribed by the sponsor shareholders will be changed.

TERMS & CONDITIONS OF THE RIGHTS OFFER

Basis of the Offer

The Company records its share register of members on **12 April 2012** for determining the shareholders who are eligible to receive this offer of shares on rights basis. The ordinary shares are now being offered on a rights basis to the shareholders holding shares on the book closure in the ratio of 1R:1 i.e., one rights share for 1 (one) existing share held.

Entitlement

As a shareholder of the Company on the record date on **12 April 2012**, the shareholders are entitled to this Rights Share Offer. Only the holder(s) of a minimum of one fully paid ordinary share is entitled to receive the Rights Share Offer.

Acceptance of the Offer

A shareholder may accept and apply for the shares hereby offered, wholly or in part by filling in Application "**Form-A**" and submitting the same along with the application money to the Bankers to the Issue on or before the closing date i.e. **28 May 2012**.

Renunciation

A shareholder may renounce all or part of the shares he/she is entitled to in favor of any other person(s) other than an infant or person of unsound mind. He/she can renounce his/her rights/entitlement of shares by signing Renunciation "**Form-B**". Renouncee (s) shall fill in "**Form-C**" appropriately.

General

All applications should be made on the printed form provided by the Company in this Rights Share Offer Documents only and should be completed in all respects. Applications which are not completed in all respects or are made otherwise than as herein provided or are not accompanied by the proper application amount of deposit are liable to be rejected and the application money received in respect thereof shall be refunded.

All communication in connection with the application for the Rights Share should be addressed to the Company quoting the registered folio no./BO ID no. in the form.

Condition of Subscription

One Right share of Tk. 20.00 each including a premium of Tk. 10 each is offered against 1 (one) existing share held by existing Shareholder(s) whose name(s) appeared in the Company's Share Register at the record date as on **12 April 2012**.

Payment of Share Price

Payments for the full value of Shares applied for shall be made with designated branches of Bankers to the issue by Cash/Pay Order/Demand Draft payable to "**Keya Cosmetics Limited**" and crossed. The Pay Order/Demand Draft for payment of share price must be drawn on a bank in the same town to which the application form has been submitted. It is to be noted that all transaction above Tk. 1(One) Lac must be effective through Demand draft/Cross Cheque/Pay order.

SUBSCRIPTION
Opens on : 29 April 2012
Closes on : 28 May 2012
(within banking hours)

Any change or extension regarding subscription period will be notified through national dailies.

Lock-In on Rights Share

The Rights Shares of directors and other shareholders holding 5% or more shares shall be subject to lock-in for a period of three years from the date of closure of the rights share subscription. In the event of renunciation of rights shares by aforesaid persons, the renounced shares shall also be subject to lock-in for the same period.

Others

The application not properly filled in shall be treated as cancelled and deposited money will be refunded. For any reason, no profit/compensation will be paid on the refunded amount. The offer will be deemed to have been declined if completed Application "**Form-A**" with necessary payments have not been received by **28 May 2012** or by such later date as may be notified through national dailies to that effect.

MATERIAL CONTRACTS

Bankers to the Issue

The City Bank Limited, Bank Asia Limited and Southeast Bank Limited are the Bankers to the Issue who will collect the subscription money of the Rights Share Offer. The City Bank Limited, Bank Asia Limited and Southeast Bank Limited will get Commission @ of 0.10% of the amount to be collected as Bankers to the Issue for the services to be rendered by them. The Rights Issue subscription money collected from the shareholders by the Bankers to the issue will be remitted to the Keya Cosmetics Limited's **STD Account No. 2921053408001 Principal Branch of The City Bank Limited** in the name and style of 'High Value Transaction Account'.

Underwriters

The full amount of Rights Offer of KCL as shown in the classified information part of ROD has been underwritten by 15 (Fifteen) underwriters on firm commitment basis. The underwriters will be paid **underwriting commission @ 0.30%** of the underwritten amount by them out of the Rights Issue. Simultaneously, with the calling upon an underwriter to subscribe or procure subscriber and pay for any number of shares, the company will pay no additional commission to that underwriter on the nominal value of shares required to be subscribed by them.

Manager to the Issue

Prime Finance Capital Management Limited is appointed as Manager to the Issue of the Right Issue of the Company. Accordingly, an agreement was made between the Issue Manager and the Company. The Company will pay an **issue management fee @ 0.20%** on the size of rights issue (including premium) excluding VAT.

Vendor Agreement

The Company has no vendor agreement with any person or any other organization to date.

Acquisition of Property

The Company did not acquire any property, plant and equipments in the last year except an advance against a land purchase. The land is located at Gobindabari Mouza, Jarun, Konabari, Gazipur measuring 179.66 decimal. The price per decimal is fixed Tk. 700,000/-. An advance amounting Tk. 12.00 crore has already been paid and the rest of the amount will be paid at the time of registration.

DECLARATION BY THE ISSUE MANAGER (FORM-A)

FORM-A

[rule 5 and 8(t)]

Declaration (due diligence certificate) about responsibility of the Issue Manager in respect of the rights share offer document

This rights share offer document has been reviewed by us and we confirm after due examination that the rights share offer document constitutes full and fair disclosures about the rights issue and issuer and complies with the requirements of the Securities and Exchange Commission (Rights Issue) Rules, 2006; and the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006.

For Prime Finance Capital Management Limited

Sd/-

M. Mosharraf Hossain PhD, FCA
Managing Director & CEO

Place: Dhaka

Dated: 18 March 2012

DECLARATION BY THE UNDERWRITERS (FORM-B)**FORM-B**

[rule 6 and rule 8(t)]

Declaration (due diligence certificate) about responsibility of the underwriter(s) in respect of the rights share offer document

This rights share offer document has been reviewed by us and we confirm after due examination that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006 and also that we shall subscribe for the under-subscribed rights shares within fifteen days of calling thereof by the issuer. The issuer shall call upon us for such subscription within ten days of closure of the subscription lists for the rights issue.

For Underwriters

Sd/- (Managing Director) Banco Finance and Investment Limited Date: Place: Dhaka	Sd/- (Managing Director) BRAC EPL Investments Limited Date: Place: Dhaka	Sd/- (Managing Director) EC Securities Limited Date: Place: Dhaka
Sd/- (Managing Director) Grameen Capital Management Limited Date: Place: Dhaka	Sd/- (Managing Director) Green Delta LR Financial Services Limited Date: Place: Dhaka	Sd/- (Managing Director) ICB Capital Management Limited Date: Place: Dhaka
Sd/- (Managing Director) IDLC Investments Limited Date: Place: Dhaka	Sd/- (Managing Director) MTB Capital Limited Date: Place: Dhaka	Sd/- (Managing Director) Prime Finance Capital Management Limited Date: Place: Dhaka
Sd/- (Managing Director) PLFS Investments Limited Date: Place: Dhaka	Sd/- (Managing Director) Prime Bank Investment Limited Date: Place: Dhaka	Sd/- (Managing Director) Swadesh Investment Management Limited Date: Place: Dhaka
Sd/- (Managing Director) Southeast Bank Capital Services Limited Date: Place: Dhaka	Sd/- (Managing Director) Sonali Investment Limited Date: Place: Dhaka	Sd/- (Managing Director) Union Capital Limited Date: Place: Dhaka

DECLARATION BY THE AUDITOR (FORM-C)**FORM-C**

[Rule 8(h), 8(i) and 8(t)]

Auditors' report to the shareholders

We have audited the accompanying financial statements for the period from 01 July 2010 to 30 June 2011 of **Keya Cosmetics Limited**. In accordance with the International Standards of Auditing as applicable in Bangladesh; and we state that we have obtained all the information and explanations which we have required and after due verification thereof, we report that, in our opinion:

- (a) These financial statements have been drawn up in accordance with the requirements of the Securities and Exchange Rules 1987, as amended; the Companies Act, 1994 and other relevant laws where applicable; and the International Accounting Standards as applicable in Bangladesh;
- (b) These financial Statements which are in agreement with the books of account of the issuer company give a true and fair view of the state of its affairs as at 30 June 2011 and of the result of its operations and cash flows for the year then ended;
- (c) Proper Books of Account have been kept by the company as required by the relevant laws.
- (d) The expenditure incurred was for the purposes of the issuer company's business.

We also certify that the above issuer company has declared the following dividend for each of the following five years immediately preceding the issue of rights share offer document under the Securities and Exchange Commission (Rights Issue) Rules, 2006, and that the company has duly paid off the following amounts of declared dividend mentioned against respective year:

Financial Year	Date of Dividend Declaration	Declared Dividend		
		Rate%	Total Amount (Taka)	Total Paid (Taka)
2006-07	28-Dec-2007	Cash-30%	86,400,000	86,400,000
2007-08	25-Dec-2008	Cash-30%	86,400,000	86,400,000
2008-09	25-Dec-2009	Cash-15%	43,200,000	43,200,000
2009-10	25-Dec-2010	Cash-15%	43,200,000	43,200,000
2010-11	30-Sep-2011	Stock-21%	128,420,190	N/A

Dhaka
Date: 4 October 2011

Sd/-
G. KIBRIA & CO.
CHARTERED ACCOUNTANTS

DECLARATION BY THE DIRECTORS (FORM-D)

FORM-D
[rule 8(t)]

Due diligence certificate by the directors about their personal responsibility in respect of the rights share offer document

This rights share offer document has been prepared, seen, reviewed and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given in the rights share offer document; relevant documents and financial statements submitted to the Commission and others concerned under the Securities and Exchange Commission (Rights Issue) Rules, 2006.

We confirm, after making all reasonable enquiries, that all conditions concerning this rights issue and rights share offer document have been met. We further confirm that we have not concealed any information or statement, which might have any bearing on the information already made.

In case of any default or failure on our part, civil, criminal or administrative action may be taken against us.

Sd/- Mr. Abdul Khaleque Pathan Chairman	Sd/- Mrs. Feruza Begum Director
Sd/- Mr. Masum Pathan Director	Sd/- Mr. M Anwarul Ghani Independent Director
Sd/- Alhaj Md. Akkas Ali Pathan Representative Director of Keya Knit Composite Limited	Sd/- Mrs. Khaleda Pervin Director & Managing Director

Place: Dhaka

Date: 5 October 2011

AUDITOR REPORT IN PURSUANCE OF SECTION -135(1) UNDER PARA-24(1) OF PART-II OF THE THIRD SCHEDULE OF THE COMPANIES ACT, 1994

Auditors' Report in pursuance of Section 135 (1) under para 24 (1) of Part II of the Third Schedule of Companies Act 1994

In pursuance of section 135 (1) of, and Para 24(1) of Part-II of Third Schedule to, the Companies Act 1994, Keya Cosmetics Limited has prepared the statements of financial position and operating results for the years ended 30 June 2007, 2008, 2009, 2010 and 2011, we have duly checked and verified the statements and found that the information have been correctly extracted from the financial statements of the Company for the respective years which have been audited by G. Kibria & Co. Chartered Accountants for the years ended 30 June 2011 and by K. M. Alam & Co. Chartered Accountants for the years ended 30 June 2007, 2008, 2009 and 2010. Accordingly we confirm that:

A. The statement of financial position of the company as follows:

Particulars	30.06.11 Taka	30.06.10 Taka	30.06.09 Taka	30.06.08 Taka	30.06.07 Taka
ASSETS					
Non Current Assets	1,373,509,988	452,363,424	535,615,386	386,906,260	478,243,486
Property, Plant and Equipment	766,630,166	152,012,424	168,264,386	176,906,260	198,053,486
Deferred Expenses	1,654,651				
Investments	605,225,171	300,351,000	367,351,000	210,000,000	280,190,000
Current Assets	1,476,950,336	625,924,765	461,848,165	579,559,778	571,402,379
Stocks of Goods, Materials & Stores	775,178,506	239,225,537	190,009,607	293,786,403	251,481,030
Material-In Transit	32,622,699	860,005	60,082,316	-	-
Loans, Advances & Deposits	279,145,695	205,199,041	163,039,224	118,688,177	184,419,824
Short Term Loan to Sister Concern	-	-	-	9,203,913	4,781,611
Trade Debtors	380,378,450	160,094,731	33,571,891	149,344,629	114,945,870
Other Receivables	60,397	18,903,591	1,500,000	1,500,000	6,240,000
Cash & Bank Balances	9,564,589	1,641,860	13,645,127	7,036,656	9,534,044
TOTAL ASSETS	2,850,460,324	1,078,288,189	997,463,551	966,466,038	1,049,645,865
EQUITY & LIABILITIES					
Shareholders Equity	1,531,304,154	658,689,317	550,510,821	550,298,280	546,142,728
Share capital	611,524,740	288,000,000	288,000,000	288,000,000	288,000,000
Share Premium	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000
Tax Holiday Reserve	45,744,731	-	-	-	-
General Reserve & Surplus		303,489,317	195,310,821	151,898,280	147,742,728
Retained Earnings	850,034,683				
Proposed Dividend		43,200,000	43,200,000	86,400,000	86,400,000
Non Current Liabilities	72,769,227	29,312,386	64,826,695	99,435,720	135,854,010
Liability to Leasing Company & Bank	72,769,227	29,312,386	64,826,695	99,435,720	135,854,010
Current Liabilities	1,246,386,943	390,286,486	382,126,035	316,732,038	367,649,126
Bank Loans & Overdraft	949,778,472	298,749,710	287,739,783	229,073,413	254,282,035
Sundry Creditor	96,336,816	3,983,933	4,958,175	5,021,702	14,908,031
Outstanding Liabilities	12,287,052	3,806,619	11,957,112	9,315,175	9,888,234
Provision for Income Tax	166,106,484	74,430,886	71,653,097	69,165,040	50,948,739
Unclaimed Dividend	4,132,591	5,376,840	1,234,054	1,444,094	31,016,481
Workers Profit Participation & Welfare Fund	17,745,527	3,938,497	4,583,814	2,712,614	6,605,607
TOTAL EQUITY & LIABILITIES	2,850,460,324	1,078,288,189	997,463,551	966,466,038	1,049,645,865

B. The statement of operating results of the company as follows:

Particulars	1.07.10	1.07.09	1.07.08	1.07.07	1.07.06
	to 30.06.11	to 30.06.10	to 30.6.09	to 30.6.08	to 30.6.07
	Taka	Taka	Taka	Taka	Taka
Net Turnover	2,409,785,749	1,028,992,604	1,203,792,823	1,157,417,211	1,207,235,409
Gross Turnover	2,817,514,128	1,177,934,415	1,380,291,047	1,313,063,865	1,377,570,568
VAT & Supplementary Duty	407,728,379	148,941,811	176,498,224	155,646,653	170,335,159
Less: Cost of Goods Sold	1,808,850,555	803,383,532	1,014,171,062	895,652,830	909,655,150
Gross Profit	600,935,194	225,609,072	189,621,760	261,764,381	297,580,259
Less: Operating Expenses	247,673,817	142,900,627	173,282,166	157,082,026	189,038,671
Selling, Distribution & Adm. Expenses	117,475,818	95,215,595	110,383,445	101,730,529	116,562,761
Financial Expenses	130,197,999	47,685,038	62,898,721	55,351,497	72,475,911
Operating Income	353,261,377	82,708,445	16,339,595	104,682,355	108,541,588
Non Operating Income	19,394,691	92,445,210	79,920,500	20,167,397	32,487,751
Net Income Before WPP & WF	372,656,068	175,153,655	96,260,095	124,849,752	141,029,339
Allocation for WPP & WF	17,745,527	3,938,497	4,583,814	5,945,226	6,715,683
Net Income Before Tax	354,910,540	171,215,158	91,676,281	118,904,526	134,313,656
Provision for Income Tax	86,531,217	19,836,662	5,063,740	28,348,974	36,474,320
Net Income for the Year	268,379,323	151,378,496	86,612,541	90,555,552	97,839,337

C. Cash Flow Statement is as follows:

Particulars	1.07.10 to 30.06.11	1.07.09 to 30.06.10	1.07.08 to 30.6.09	1.07.07 to 30.6.08	1.07.06 to 30.6.07
CASH FLOW FROM OPERATING ACTIVITIES					
Cash Received from Customers	2,332,955,456	1,051,411,574	1,496,063,785	1,123,018,453	1,186,087,006
Cash Received from Other Income	38,487,885	75,041,619	79,920,500	24,907,397	35,897,751
Total Cash Receipts from operating Activities	2,371,443,341	1,126,453,193	1,575,984,285	1,147,925,850	1,221,984,757
Cash Payment for Purchase of Raw & Packaging Materials	2,218,686,646	904,109,862	1,102,668,442	804,235,540	1,005,054,700
Payments for Manufacturing & Operating Overhead	-	120,945,339	142,048,416	198,502,851	228,702,351
Payment for Interest	-	47,685,033	62,898,721	55,351,497	72,475,911
VAT Deposit	-	23,500,000	32,500,000	-	-
Payment for Income Tax	-	17,058,873	2,575,683	10,132,672	-
Total Cash Payment for operating Activities	2,218,686,646	1,113,299,107	1,342,691,262	1,068,222,560	1,306,232,961
Net Cash from Operating Activities	152,756,695	13,154,087	233,293,023	79,703,290	(84,248,204)
CASH FLOWS FROM INVESTING ACTIVITIES					
Fixed Assets Purchases	(24,735,106)	(9,300,260)	(18,304,487)	-	(7,041,284)
Sale of Fixed Assets	-	-	-	-	1,165,000
Capital Work in Process	-	-	-	-	(97,047,810)
Deferred Expenses	-	-	-	-	(2,124,381)
Investment	(160,004,588)	67,000,000	(87,161,000)	70,190,000	88,410,000
Net Cash (used)/provided in Investing Activities	(184,739,694)	57,699,740	(105,465,487)	70,190,000	(16,638,475)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Share Capital	-	-	-	-	48,000,000
Share Premium	-	-	-	-	24,000,000
Dividend Paid	(81,927,009)	(47,342,786)	(86,610,040)	(115,972,388)	(18,312,385)
Payment to short term loan	231,599,092	-	-	-	-
Payment of Long-term Liability	(112,070,608)	(35,514,309)	(34,609,025)	(36,418,290)	47,677,252
Net Cash Generated from Financing Activities	37,601,475	(82,857,095)	(121,219,065)	(152,390,678)	101,364,867
Net Increase/(decrease) in Cash and Cash Equivalents	5,618,476	(12,003,268)	6,608,471	(2,497,388)	478,189
Cash and cash equivalents at beginning of the year	3,946,112	13,645,128	7,036,657	9,534,044	9,055,855
Cash and cash equivalents at ending of the year	9,564,588	1,641,860	13,645,128	7,036,656	9,534,044

Place: Dhaka

Date: 4 October 2011

Sd/-
G.KIBRIA & CO.
Chartered Accountants.

AUDITORS' REPORT

We have audited the accompanying Statement of Financial Position of KEYA COSMETICS LTD as of June 30, 2011 and the related Statement of Comprehensive Income, Statement of cash flows, Statement of Changes in Equity for the year then ended. The preparation of these financial statements is the responsibility of Management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), subject to notes to the Accounts give a true and fair view of the state of the Company's affairs as of June 30, 2011 and of the results of its operations for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) In our opinion, proper books of account as required by law have been kept by the Company's so far as it appeared from our examination of those books;
- c) The Company's Statement of Financial Position and Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity dealt with by the report are in agreement with the books of accounts and returns.

Sd/-

G. KIBRIA & CO.

Chartered Accountants.

Place: Dhaka

Date: 21 Aug 2011

KEYA COSMETICS LIMITED
STATEMENT OF FINANCIAL POSITION
AS on 30 June, 2011

Particulars	Notes	30-06-2011
<u>Assets:</u>		
Non Current Assets		1,373,509,988
Property, Plant and Equipment	03	766,630,166
Deferred Expenses	03.2	1,654,651
Investments	04	605,225,171
Current Assets		1,476,950,336
Stock of Goods, Materials & Stores	05	775,178,506
Material In Transit	06	32,622,699
Loans, Advances & Deposits	07	279,145,695
Trade Debtors	08	380,378,450
Other Receivables	09	60,397
Cash & Bank Balance	10	9,564,589
Total Assets		2,850,460,324
<u>Equity and Liabilities:</u>		
Shareholders Equity :		1,531,304,154
Share Capital-Paid Up	11	611,524,740
Share Premium	12	24,000,000
Tax Holiday Reserve		45,744,731
Retained Earnings	13	850,034,683
Non Current Liabilities		72,769,227
Liability to Bank	14	72,769,227
Current Liabilities		1,246,386,943
Bank Loans & Overdraft	15	949,778,472
Sundry Creditor	16	96,336,816
Outstanding Liabilities	17	12,287,052
Provision for Income Tax	18	166,106,484
Unclaimed Dividend	19	4,132,591
Workers Profit Participation & Welfare Fund	20	17,745,527
Total Equity & Liabilities		2,850,460,324
NET ASSET VALUE PER SHARE	27	25.04

Accompanying notes form the integral part of this financial statements.

Sd/-
Abdul Khaleque Pathan
Chairman

Sd/-
Khaleda Pervin
Managing Director

Sd/-
Syed Noorul Alam
Company Secretary

Sd/-
G. KIBRIA & CO.
Chartered Accountants

DATE : 21 AUGUST 2011

KEYA COSMETICS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

Figures in Taka

PARTICULARS	Notes	30-06-2011
Net Turnover		2,409,785,749
Gross Turnover	21	2,817,514,128
VAT & S/Duty		(407,728,379)
Less: Cost of Goods Sold	22	1,808,850,555
Gross Profit		600,935,194
Less: Operating Expenses:	-	247,673,817
Selling, Distribution & Adm. Exp.	23	117,475,818
Financial Expenses	24	130,197,999
Operating Income	-	353,261,377
Non Operating Income	25	19,394,691
NET INCOME BEFORE WPPF		372,656,068
Allocation for WPPF		17,745,527
NET INCOME BEFORE TAX		354,910,540
Provision for Income tax	18	86,531,217
NET INCOME FOR THE YEAR ENDED		268,379,323
(Transfer to the Statement of changes in Equity)		
EARNINGS PER SHARE	26	4.39

Sd/-
Abdul Khaleque Pathan
Chairman

Sd/-
Khaleda Pervin
Managing Director

Sd/-
Syed Noorul Alam
Company Secretary

Sd/-
G. KIBRIA & CO.
Chartered Accountants

DATE : 21 AUGUST 2011

KEYA COSMETICS LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2011

PARTICULARS	30-06-2011	
Cash Flow From Operating Activities :		
Receipts:		
Cash Received from Sales Revenue	2,332,955,456	
Cash Received from Other Income	38,487,885	
Total Cash Receipts	2,371,443,341	
Payments:		
Payment for Purchase of Raw Materials & Expenses	2,218,686,646	
Total Payments	2,218,686,646	
Net Cash(Used)/Provided from Operating Activities	152,756,695	
Cash Flows From Investing Activities:		
Investment	(160,004,588)	
Fixed Assets acquisition	(24,735,106)	
Net Cash (used)/provided in Investing Activities	(184,739,694)	
Cash Flows From Financing Activities:		
Dividend Paid	(81,927,009)	
Payment to Short term Loan	231,599,092	
Payment of Long-term Liability	(112,070,608)	
Net Cash (used)/provided in Financing Activities	37,601,475	
Net Increase/(decrease) in Cash and Cash Equivalents	5,618,476	
Cash and Cash Equivalents at beginning of the year	3,946,112	
Cash and Cash Equivalents at the ending of the year	9,564,588	
Net Operating Cash Flow Per Share	Note 28.0	
	2.50	
Sd/- Abdul Khaleque Pathan Chairman	Sd/- Khaleda Pervin Managing Director	Sd/- Syed Noorul Alam Company Secretary
		Sd/- G. KIBRIA & CO. Chartered Accountants

DATE : 21 AUGUST 2011

KEYA COSMETICS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

Figures in Taka

PARTICULARS	SHARE CAPITAL	SHARE PREMIUM	TAX HOLIDAY RESERVE	RETAINED EARNINGS	SHARE HOLDERS EQUITY
Balance as on 01.07.2010	288,000,000	24,000,000	45,744,731	667,714,960	1,025,459,691
Issue of Share Capital against amalgamation	323,524,740				323,524,740
Net Profit for the Period				268,379,323	268,379,323
Dividend Paid				(86,059,600)	(86,059,600)
Balance as on 30.06.2011	611,524,740	24,000,000	45,744,731	850,034,683	1,531,304,154

Sd/-
Abdul Khaleque Pathan
Chairman

Sd/-
Khaleda Pervin
Managing Director

Sd/-
Syed Noorul Alam
Company Secretary

Sd/-
G. KIBRIA & CO.
Chartered Accountants

DATE : 21 AUGUST 2011

Keya Cosmetics Ltd.
Notes to the financial Statements
For the Year Ended June 30, 2011

1.0 LEGAL STATUS AND NATURE OF THE COMPANY:

a) Legal form of the Company: Keya Cosmetics Ltd. was incorporated in Bangladesh as a private limited company by shares, on 14th July 1996 with The Registrar of Joint Stock Companies & Firms, Dhaka, Bangladesh under the Companies Act 1994. On 7th May 1999 the board of directors passed a special resolution for conversion of its' structure from private limited company to public limited company and the said conversion was approved by the Registrar of the Joint Stock Companies and Firms on 20.06.99. The company is listed both in Dhaka and Chittagong Stock Exchanges of Bangladesh.

b) Background information and Principal Activities of the Company: Keya Cosmetics Limited is engaged in production of several kinds and size of soap, saving cream, toothpaste, coconut oil and other cosmetics items since its incorporation.

During the year 2010-2011, the Company took over, under a Scheme of Amalgamation, erstwhile Keya Detergent Limited, another publicly listed Company (producing several kinds and size of detergent powder) and Keya Soap Chemicals Limited, a private Company (producing soap noodles), the backward linkage industry of Keya Cosmetics Limited of Keya Group.

b) Address of Registered Office and Factory of the Company: The registered office and Factory of the Company is at Jarun, Konabari, Gazipur and the Liaison Office is located at Navana Tower (14th Floor), House No. 45, Gulshan Avenue, Gulshan - 1, Dhaka-1212.

- c) **Nature of Business:** The nature of the company is to manufacture of cosmetics product and sell them to the local & foreign markets. The Company has sophisticated machinery to produce the best quality cosmetics products.

2.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATERIAL INFORMATION:

- a) **Statement of Compliance:** The financial statements have been prepared in conformity with the provisions of the Companies Act 1994, the Securities and Exchange Rules 1987, Accounting Standard (IAS) which is adopted by the Institute of Chartered Accountants of Bangladesh and the relevant rules and regulations.
- b) **Basis of Preparation:** The financial statements have been prepared in accordance with the going concern principle and “Historical Cost” convention the significant basis under mercantile accounting system.
- c) **Recognition of Fixed Assets and Depreciation:** *Fixed Assets are stated at their historical cost less accumulated depreciation in accordance with IAS 16 “Property, Plant and Equipment.” Cost represents cost of acquisition or construction and capitalization of pre production expenses including interest during construction period (IDCP).*
- d) **Depreciation:** No depreciation is charged on land and land development. In case of disposal of fixed assets, no depreciation is charged in the year of disposal. Depreciation of all properties is computed using the reducing balance method in amount sufficient to write off depreciable assets over their estimated useful economic lives. The annual depreciation rates applied to the principal categories are:

Factory Building		5%
Plant and Machinery	10%	
Other Machinery		10%
Laboratory Equipment		10%
Electrical Equipment	15%	
Office Equipment		15%
Furniture and fixture		10%
Vehicles		20%
Fire Fighting Equipment		15%
Software Development		15%
Other Assets		15%

Depreciation has been charged to factory overhead and administrative overhead on usages basis consistently.

e) **Recognition of Lease Property: Disclosure: Under IAS-17**

Property, Plant and Equipment acquired under leases are capitalized and the lease liabilities for those property, plant & equipment are shown in the balance sheet in separate head on principal amount. No lease loan is outstanding as on balance sheet date.

f) **Inventories: IAS-2**

Inventories comprise Raw Material, Packing Material, Work in Progress, Finished Goods, stationery and spare parts. All these are stated at the lower of the cost and

net realizable value in accordance with IAS-2 "Inventories" after due allowance for any obsolete or slow moving items. The cost of inventories is assigned by using weighted average cost formula. Net realizable value is determined after deducting the estimated cost of completion and/or cost to be incurred for affecting the sale from sale price.

g) Sundry Debtors:

These are carried at original invoice amount. This is considered good for collection, and therefore, no amount was written off as bad debt and no debt was considered doubtful to provide for.

h) Cash and Cash Equivalents:

According to IAS-7 "Cash flow Statement", cash in hand and demand deposits and cash equivalent are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. IAS-1 "Presentation of Financial Statement" provides that Cash and Cash Equivalents are not restricted in use. Considering the provisions of IAS-1 & IAS-7, cash in hand and bank balances have been considered as cash and cash equivalents.

i) Creditors and Accrued Expenses:

Liabilities are recognized for amounts to be paid in future for goods and services already received, whether or not billed by the suppliers.

j) Taxation:

The company is a publicly traded company as per Income Tax Ordinance 1984. Therefore, provision for income tax has been made at the existing rate of 27.50% in respect of business income and 20 % on dividend income.

k) Tax-holiday Status:

The company has enjoyed tax-holiday for five years for its for all units which has already been expired on February 2002, December 2002 & March 2005 respectively.

l) Workers' Profit Participation and Welfare Fund (WPPF):

This represents 5% of net profit, after charging WPPF, which is being maintained as per the related Law of the country.

m) Foreign Currency Translation:

Transaction denominated in foreign currencies are translated into Bangladesh Taka and recorded at rates of exchange ruling on the date of transaction in accordance with IAS-21 "The Effects of Changes in Foreign Currency Rates".

n) Turnover from Net Sales:

Net sales comprise the invoice value of goods supplied by the company and consist of Local sales of cosmetics product less 15% Value Added Tax (VAT) & Supplementary Duty on Export sales of cosmetics products which bears no VAT.

o) Revenue Recognition: The revenue are recognized after satisfying all the conditions for revenue recognition as provided in IAS-18 "Revenue Recognition"

- Sales through the distributors are recognized at the time of delivery from depots whether or not billed.
- Other sales are recognized at the time of delivery from factory godown.

p) Basic Earnings

This represents earnings for the period attributable to ordinary shareholders. As there was no preference dividend, minority interest, or extra ordinary items, the net profit after tax for the period has been considered as fully attributable to the ordinary shareholders.

q) Weighted Average Number of Ordinary Shares Outstanding:

This represents the number of ordinary shares outstanding at the beginning of the period plus the number of ordinary shares issued during the period multiplied by a time-weighting factor. The time weighting factor is the number of days the specific shares are outstanding as a proportion of the total number of days in the period.

r) Earning per Share (EPS):

The company calculates Earning per Share (EPS) in accordance with IAS-33 "Earning Per Share" which has been shown on the face of Profit and Loss Account and the computation of EPS is stated in related notes appearing hereinafter.

- **Basic Earnings per Share** –*This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the period.*
- **Diluted Earnings per Share** - *No diluted EPS is required to be calculated for the period, as there was no scope for dilution during the period under review.*

s) Cash Flow Statement:

Cash flow statement has been prepared in accordance with IAS-7 "Cash Flow Statement" and the cash flow from operating activities have been presented under direct method as prescribed by securities and Exchange Rules 1987 and considering the provision of paragraph 19 of IAS-7 which provides that "Enterprises are encouraged to report cash flow from operating activities using the direct method".

t) Advertisement Expense:

To establish brand name and capture market share the company had to spend in advertising and publicity during the year which has been charged to Income Statement as selling expenses in the current year.

u) General Information on Financial Statement:

Responsibility for preparation and presentation of financial statement

The Board of Directors is responsible for the preparation and presentation of financial statements under section 183 of the Companies Act 1994.

v) Components of the Financial Statements

Following are the components of Financial Statements:

- a) Statement of Financial Position
- b) Statement of Comprehensive Income
- c) Statement of Change in Equity
- d) Statement of Cash Flow
- e) Notes to the Financial Statements

w) Proposed Dividend:

This has been considered as “Shareholder’s Equity” in accordance with Companies Act 1994, the Securities & Exchange Rules 1987 and IAS 10 (Original Version) “Contingencies and Event Occurring after the Balance Sheet Date” adopted by ICAB. IAS 10 (Original Version) provides that “Dividend Proposed or Declared after Balance Sheet Date but before approval of the Financial Statements should be either adjusted or disclosed”

x) Reporting Period: 1st July 2010 to 30th June 2011.

y) Reporting Currency:

The figures in the financial statements represent Bangladesh Currency (Taka), which has been rounded off to the nearest Taka.

z) Comparative Information:

During the year 2010-2011, the Company amalgamated with two other Companies under the same group. According to amalgamation, a new Company was formed after amalgamation, which name was fixed as an existing Company, Keya Cosmetics Limited. So, no comparative column has been disclosed in this year.

KEYA COSMETICS LIMITED
Notes to the Financial statement

For the year ended on June 30, 2011

30-06-2011

3.0 FIXED ASSETS **768,284,817**

Details of property, plant and equipment and depreciation as of June 30, 2011 are shown in the Schedule - A . The break up of the balance are as below:

At Cost Less Depreciation	3.1	766,630,166
Deferred Expenses	3.2	1,654,651

3.1 At Cost less Depreciation **766,630,166**

Details of fixed assets and depreciation as of June 2010 are shown in the annexed schedule -A . The break up of the balance are depicted below:

Fixed Assets at cost:		
Opening Balance		1,271,390,845
Addition during the year		27,526,280

Closing Balance **1,298,917,125**

Accumulated Depreciation:		
Opening Balance		456,070,387
Charged during the year		76,216,572

Closing Balance **532,286,959**

Written Down Value **766,630,166**

3.2 Deferred Expenses **1,654,651**

Opening Balance		21,311,885
Written off during the period		(19,657,234)

Management has decided to amortize the deferred expenses of Cosmetics within next 5 (five) years from 2006-2007.

Management has decided to amortize the deferred expenses of Detergent within next 5 (five) years from March 2009.

Management has decided to amortize the deferred expenses of Soap Chemicals within next 5 (five) years from 2006-2007.

4.0 INVESTMENT **605,225,171**

Investment on share	4.1	160,225,171
Share money deposit	4.2	445,000,000

4.1 Investment in Share **160,225,171**

	<u>No. of shares</u>	
Keya Spinning Mills Ltd. (Ordinary Share)	8,380,000	83,800,000
Keya Cotton Mills Ltd.	6,300,810	63,008,100
Port Folio with PFI		1,000,371
Central Depository Bangladesh Ltd. (CDBL)	456,945	7,416,700
Keya Sweaters Ltd.	50,000	5,000,000

4.2 Investment on Share Money Deposit **445,000,000**

Keya Yarn Mills Ltd.	445,000,000
----------------------	-------------

Share money deposit will be converted into share capital and Keya Yarn Mills Limited will issue 44,50,000 fully paid ordinary shares of Tk. 100/- each in favour of Keya Cosmetics Limited.

5.0 STOCK OF GOODS MATERIALS & STORES **775,178,506**

Raw & Packing Materials	5.1	310,655,782
Work in Process	5.2	359,744,378
Finished Stock	5.3	39,685,543
Spare Parts & Stationary Goods		65,092,803

Stock and Stores have been taken valued and certified by the management and consist of the following:

5.1 Raw & Packing Materials **310,655,782**

Raw Materials	257,940,875
Packing Materials	52,714,907

5.2 Work in Process **359,744,378**

Cosmetics	124,211,376
Detergent	40,081,684
Soap Chemicals	195,451,318

5.3 Finished Stock **39,685,543**

Qty. Rate

6.0 MATERIAL IN TRANSIT		32,622,699
7.0 LOANS, ADVANCES AND DEPOSITS		279,145,695
Advance Income Tax	7.1	61,653,506
VAT Current Account	7.2	41,928,125
SD Current Account	7.3	1,050,102
VAT Payment under Sub- Judicial		3,212,239
Advance against land purchases		120,000,000
Advance against Expenses		32,060,313
Advance against Salary		159,999
Advance against House Rent		134,500
Prepaid Insurance		5,365,506
Marginal Deposit A/c		9,823,811
Deposit with Rural Electrification Board (REB)		211,306
Deposit against TNT		15,000
Deposit with BOC		24,000
Prepaid Advertisement Expenses/Film Making Expenses		533,336
Other Advance		400,000
Deposit with TGTDC (Titas Gas)		2,573,952
7.1 Advance Income Tax		61,653,506
As per last year account		8,172,940
Addition during the year		69,175,671
Adjustment for the year		(15,695,105)
7.2 VAT Current Account & Supplementary Duty		41,928,125
Balance as per last account		33,107,463
Paid through challan		59,000,000
Paid on purchase		342,489,648
Paid on Export (DEDO)		15,059,393
Adjustment during the year		(9,518,988)
Payable during the year		(398,209,391)
7.3 SD Current Account		1,050,102
Balance as per last account		2,317,012
Paid through challan		9,500,000
Payable during the year		(10,766,910)
8.0 TRADE DEBTORS		380,378,450
Receivable from Export		69,501,710
Receivable from Distributor		310,876,740
No amount was due by the directors, managing agent, managers and other officers of the company and any of them severally or jointly with any other person. Considered good. No provisions has made against the debtors.		
9.0 OTHER RECEIVABLE		60,397
Others Receivable		60,397
10.0 CASH & BANK BALANCES		9,564,589
Cash in Hand		2,103,098
Cash at Bank		7,461,491
Bank Asia Ltd., CD A/C 00833007207		7,440
Bank Asia Ltd., CD A/C 00833007139		830,759
Premier Bank Ltd. A/C 11100014034		5,320
One Bank Ltd., CD A/C 00118376008		89,812
Dhaka Bank Ltd. For. Exc. Branch CD-4444		49,415
Dutch Bangla Bank Ltd.Gulshan Br.-CD A/C: 116-110-3398		35,374
IFIC Bank Ltd Konabari Br.		10,157
IFIC Bank Ltd., CD A/C 002133007801		29,553
Premier Bank Ltd A/c - ...12791		5,104
Sonali Bank B.B.Avenue CD A/c-33007687		1,828,455
Sonali Bank B.B.Avenue STD A/c-36001134		2,313,639
Sonali Bank Ltd., CD A/C 33011813		71,328
Pubali Bank Ltd., IBB BR. A/C 11015200/0549		122,278
Pubali Bank Ltd., IBB BR. A/C 31000262/2871		1,818,952
Standard Bank-Gulshan Branch, CD A/C 33007895		40,773
Standard Bank Ltd., Gulshan Branch CD A/C 33009652		200,695
Standard Bank Ltd., Gulshan Branch CD A/C 33009644		2,436

Auditors observation :

- 1) Cash in hand as of 30.06.2011 was shown as per books of the company. Our audit was post dated. As a result we could not physically verify cash as on 30.06.2011. However a cash custody certificate was obtained from the Managing Director of the company.
- 2) Bank Balances were reconciled & certified by the respective bank branches as on 30.06.2011 which were found in agreement with books of account.

11.0 SHARE CAPITAL **611,524,740**

Authorized Share Capital:
7,00,00,000 Ordinary Shares @ Tk. 10.00 each 700,000,000

Issued, Subscribed & Paid up Capital:
611,52,474 Ordinary Shares of Tk 10.00 each **611,524,740**

a. Composition of Share holders:

	<u>No. of Shares</u>	<u>% of holdings</u>	<u>Taka</u>
Mr. Abdul Khaleque Pathan	11,070,296	18.10%	110,702,960
Mrs. Feruza Begum	223,407	0.37%	2,234,070
Mrs. Khaleda Parvin	415,479	0.68%	4,154,790
Mr. Masum Pathan	392,856	0.64%	3,928,560
Keya Knit Composite Limited	7,656,711	12.52%	76,567,110
Khaleque & Co. (Pvt.) Ltd.	45,849	0.07%	458,490
Keya Cotton Mills Ltd.	100,000	0.16%	1,000,000
Keya Yarn Mills Ltd.	675,109	1.10%	6,751,090
Keya Sweaters Ltd.	51,416	0.08%	514,160
General Public	40,521,351	66.26%	405,213,510
Total	61,152,474	100.00	611,524,740

At the date of amalgamation, Keya Cosmetics Limited has been issued and subscribed 2,88,00,000 fully paid shares @ Tk 10/- each, in which Keya Detergent Limited holds 54,000 shares which was forfeited according to clause 14 (b) of scheme of amalgamation. That is why, the total number of share stands at 2,87,46,000 shares.

At the same date, Keya Detergent Limited has been issued and subscribed 1,78,59,600 fully paid ordinary shares @ Tk 10/- each in which Keya Cosmetics Limited holds 3,95,000 shares which was cancelled and did not made allotment. According to scheme of amalgamation, the exchange ratio between Keya Cosmetics Limited and Keya Detergent Limited is 1: 1.16694. So total shares of Keya Cosmetics Limited will be issued to the existing shareholders of Keya Detergent Limited stands at 1,49,66,151.

At the same date, Keya Soap Chemicals Limited has been issued and subscribed 3,10,00,000 fully paid ordinary shares @ Tk 10/- each According to scheme of amalgamation, the exchange ratio between Keya Cosmetics Limited and Keya Soap Chemicals Limited is 1: 1.77749. So total shares of Keya Cosmetics Limited will be issued to the existing shareholders of Keya Detergent Limited stands at 1,74,40,323.

As per above details, the total number of share of Keya Cosmetics Limited will be 6,11,52,474.

b. Distribution Schedule – Disclosures under the Listing Regulations of Dhaka and Chittagong Stock Exchange Ltd.:

Holdings of Shares	2010-2011			2009-2010
	No. of holders	Number of Shares	Holding %	Number of Shares
Less than 500	6,531	1,552,170	2.54%	1,056,008
500 to 5,000	4,727	8,256,275	13.50%	5,531,620
5,001 to 10,000	383	2,666,590	4.36%	2,276,829
10,001 to 20,000	268	3,618,018	5.92%	2,232,861
20,001 to 30,000	76	1,845,330	3.02%	1,080,100
30,001 to 40,000	41	1,459,981	2.39%	841,100
40,001 to 50,000	28	1,345,265	2.20%	553,600
50,001 to 100,000	42	2,894,670	4.73%	2,790,200
100,001 to 1,000,000	48	14,096,883	23.05%	6,903,950
Over 1,000,000	6	23,417,292	38.29%	5,533,732
Total	12,150	61,152,474	100.00%	28,800,000

c. Market price per share Taka
Dhaka Stock Exchange 87.00
Chittagong Stock Exchange 86.70

d. There was no foreign shareholding of the company as on 30.06.2011.

12.0 SHARE PREMIUM **24,000,000**

13.0 RETAINED EARNINGS **850,034,683**

Opening Balance 667,714,960
Surplus during the Year 268,379,323
Dividend Declared (86,059,600)

14.0 LIABILITIES TO BANK (LONG TERM LOAN) **72,769,227**

Dhaka Bank Ltd., Foreign Exchange Branch, A/C 1318 34,502,430
Dhaka Bank Ltd., Foreign Exchange Branch, A/C 052760001 11,723,328
Bank Asia Ltd., A/C No. 00835001111 12,083,847
One Bank Ltd., A/C No. 18376024 7,395,057
Standard Bank Ltd. Gulshan A/C 010935003959 7,064,565

The above long term loans are secured by registered mortgage of the factory land and land development and building and other civil works and plant and machinery. The rate of interest is varied from 13% to 15%.

15.0 BANK LOAN & OVERDRAFTS		949,778,472
CC Loans CC(P)556 Sonali Bank, BBA Avenue Branch		123,995,764
CC Hypo CC(H)548 Sonali Bank, BBA Avenue Branch		41,131,202
CC Hypo CC(H) A/c- 000-523-00, Premier Bank, Banani		50,989,701
LTR -Premier Bank		59,583,677
LTR- Standard Bank		81,227,025
Prime Bank Ltd., A/C 72901328		27,547,539
Prime Bank Ltd., Dilkusha Branch, LTR		9,987,432
Dhaka Bank Ltd., Foreign Exchange Branch-LTR		144,663,829
Dhaka Bank Ltd., CC A/C 203-175-259		55,509,875
One Bank Ltd., Principal Branch-LTR		185,329,919
LTR - Bank Asia Ltd.		169,812,509
Auditors observation :		
The above loan balances were certified by the bankers concerned. The excess utilization was due to charge of interest as on 30.06.2011 which has since been adjusted.		
The rate of interest of above short term loans are varied from 15% to 16%.		
16.0 SUNDRY CREDITORS		96,336,816
Creditors for Advertisement		2,272,542
Creditors for Materials		92,769,590
Creditors for Transport Expenses		1,006,285
Creditors for Others		288,399
Auditors observation :		
These are unsecured and falling due within one year and considered good for payment.		
17.0 OUTSTANDING LIABILITIES		12,287,052
Wages & Salary		3,853,081
Gas Bill		2,880,078
AGM Expenses		4,621,165
Audit Fees		100,000
Tax deducted at source :		
From Salary		832,728
18.0 PROVISION FOR INCOME TAX		166,106,484
Opening Balance		135,183,974
Provision this year on Operating Income		82,652,279
Provision this year on Non Operating Income		3,878,938
Adjustment		(55,608,707)
Provision of income tax has been calculated under the Income Tax Rules applicable for the assessment Year 2010-2011		
19.0 UNCLAIMED DIVIDEND		4,132,591
Opening balance		6,038,819
Proposed for the last year		86,059,600
Paid during the year		(87,965,828)
20.0 WORKERS' PROFIT PARTICIPATION FUND		17,745,527
Opening Balance		4,759,951
Add: During the year		17,745,527
Add: Interest		-
Paid during the year		(4,759,951)
21.0 TURNOVER		2,817,514,128
Sales (Local)		
Cosmetics		1,130,984,627
Detergent		455,729,516
Soap Chemicals		1,057,248,233
Sales (Export)		-
Cosmetics		173,551,752
Detergent		-
Foreign exchange earn this period from Export		\$2,479,310.74
22.0 COST OF GOODS SOLD		1,808,850,555
Raw, Packing and Spare Parts Consumed:	22.1	1,658,605,105
Manufacturing Overhead	22.2	146,474,633
Add :Opening Work In Progress		318,068,986
Less: Closing Work in Progress		(359,744,378)
Cost of Goods Manufacture		1,763,404,346
Add : Opening Finished Stock		85,131,752
Less: Closing Finished Stock		(39,685,543)
COST OF GOODS SOLD		1,808,850,555

22.1	Raw, Packing and Spare Parts Consumed:		1,658,605,105
	Opening Stock		192,330,065
	Local Purchase		1,188,852,304
	Import Purchase		588,078,518
	Goods available for use		1,969,260,887
	Less: Closing Stock		310,655,782
			1,658,605,105
22.2	Manufacturing Overhead		146,474,633
	Fuel oil & Lubricant		3,278,179
	Salary and Wages		48,794,202
	Repairs & Maintenance		2,322,473
	Utility Charges-Gas		23,752,890
	Labour Charges & Overtime		657,364
	Carriage Inward		508,310
	Tool Charges		186,145
	Depreciation (as per schedule)		66,975,070
23.0	SELLING & ADMINISTRATIVE OVERHEAD:		117,475,818
	Salary & Allowances		16,622,238
	Director's Remuneration	23.1	4,433,182
	Advertisement		55,144,380
	AGM Expenses		4,526,457
	Audit, Legal & Professional Charges		485,500
	Marketing Meeting Expenses		338,393
	Carriage Outward		734,168
	Conveyance		206,005
	Deferred Expenses written off		19,657,234
	Depreciation as per schedule		9,241,502
	Entertainment		313,846
	Fees & Forms		518,766
	Repairs & Maintenance		380,101
	Electricity		64,719
	Medical Expenses		271,254
	Misc Expenses		29,642
	Postage & Courier		76,576
	Rent, Rates and Taxes		672,404
	Sample Expenses		174,507
	Printing & Stationery		88,393
	TA/DA		1,386,649
	Telephone / Fax / Email Expenses		254,062
	Merger Expenses		1,855,840
23.1	Director's Remuneration		4,433,182
	Abdul Khaleque Pathan - Managing Director		-
	Feruzha Begum - Chairman		1,248,182
	Khaleda Parvin - Director		3,185,000
	Masum Pathan - Director		-
24.0	FINANCIAL EXPENSES		130,197,999
	Bank charge		4,656,954
	Interest on Bank Loan	24.1	125,320,011
	Rental's on Leases	24.2	221,034
24.1	Interest on Bank Loan		125,320,011
	Interest-CC (Hypo & Pledge)		34,793,315
	Interest on bank (Term loan)		18,210,804
	Interest on LIM, LTR & PAD		72,315,892
24.2	Lease Rental paid during the year		221,034
	Prime Finance & Invest. Ltd.		85,472
	International Leasing Co. Ltd.		135,562
25.0	NON OPERATING INCOME		19,394,691
	Dividend from Prefe. Share of KSML for the year 2010		2,000,000
	Dividend from Prefe. Share of KSML for the year 2011		1,166,666
	Dividend Income from KCL		81,000
	Dividend Income from KDL		395,000
	Dividend Income from KCML		15,752,025
26.0	BASIC EARNING PER SHARE (EPS) IAS-33		4.39
	Earning attributable to the shareholders (Net Profit after Tax)		268,379,323
	Weighted average number of shares outstanding during the year	26.1	61,152,474

26.1 WEIGHTED AVERAGE NUMBER OF ORDINARY SHARE

The computation of above is given below:

Period	No. of share	Weight	No. of weighted average share
01.07.2010 to 30.06.2011	61,152,474	365 days	61,152,474
Total			61,152,474

27.0 NET ASSETS VALUE PER SHARE

25.04

Net Worth of the Company	1,531,304,154
Number of Shares	61,152,474

28.0 NET OPERATING CASH FLOW PER SHARE

2.50

Net Operating Cash Flow	152,756,695
Number of Shares	61,152,474

29.0 REMUNERATION TO OFFICERS:

a) Aggregate amount and break-up thereof of remuneration paid to officers under para 4(1) of part (ii) of the Securities & Exchange Rules 1987.

b) Aggregate amount **65,416,440**

c) Break-up

Basic remuneration	35,979,042
House rent allowance	27,474,905
Conveyance allowance	1,962,493

30.0 RELATED PARTY TRANSACTION (IAS -24)

596,808,100

Investment in Share	151,808,100
Share Money Deposit	445,000,000

31.0 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE IAS 32

	Interest Bearing	
	Maturity within one year	Maturity more than one year
Financial Assets	389,943,039	151,808,100
Investment in share	-	151,808,100
Trade Debtors	380,378,450	-
Cash & Cash Equivalents	9,564,589	-
Financial Liabilities	1,058,402,340	72,769,227
Bank Loan & Overdrafts	949,778,472	72,769,227
Sundry Creditors	96,336,816	-
Outstanding Liabilities	12,287,052	-
Net Financial Assets/(Liabilities)	(668,459,301)	79,038,873

32.0 Capital Expenditure Commitment

There was no contingent liabilities as on 30.06.2011 except L/C liabilities. There was no credit facility available to the company under any contract, other than trade credit available in the ordinary course of business and not availed of as on 30.06.2011.

33.0 Payment of Foreign Currency

Import of Machinery & spare parts of the machinery. Import of Raw Materials.

No other expense included consultancy fee, royalty, technical expert and professional advisory fee, interest, etc. was incurred or paid in foreign currencies except as stated above.

34.0 Foreign Exchange Earned

Exported in USD.

No other income included consultancy fee, royalty, technical expert and professional advisory fee, interest, etc. was incurred or paid in foreign currencies except as stated above.

35.0 Commission, Brokerage or Discount against sales

No commission was incurred or paid to distributors, agents nor any brokerage or discount was incurred or paid against sales.

36.0 Credit Facility Not Availed

There was no credit facility available to the company under any contract, but not availed as on 30 June 2011 other than trade credit available in the ordinary course of business.

37.0 Segment Reporting

As there is single business and geographic segment within the company operates as such no segment reporting is felt necessary.

38.0 Attendance Status of Board Meeting of Directors

During the period from 01.07.2010 to 30.06.2011 there were 18 (Eighteen) Board Meetings were held. The attendance status of all the meetings is as follows:

Name of Directors	Position	Meeting Held	Attended
Mr. Abdul Khaleque Pathan	Chairperson	18	17
Mrs. Feruza Begum	Director	18	18
Mrs. Khaleda Pervin	Managing Director	18	18
Mr. Masum Pathan	Director	18	15

For Board Meeting, attendance fees were not paid to the Directors of the Company.

39.0 Disclosure as per requirement of Schedule XI, Part II of the Company Act. 1984

a Disclosure as per requirement of Schedule XI, Part II, Note 5 of Para 3

a(i) Employee Position for Keya Cosmetics Limited (As at 30th June 2011)

Salary Range (Monthly)	Officer & Staff		Worker	Total Employee
	Head Office	Factory		
Below Tk. 3,000/-	-	-	2.00	2.00
Above Tk. 3,000/-	49.00	83.00	405.00	537.00
Total	49.00	83.00	407.00	539.00

b Disclosure as per requirement of Schedule XI, Part II, Para 4

Name of Directors	Designation	Remuneration	Festival Bonus	Total Payment
Mr. Abdul Khaleque Pathan	Chairperson	-	-	-
Mrs. Feruza Begum	Director	1,152,168.00	96,014.00	1,248,182.00
Mrs. Khaleda Pervin	Managing Director	2,940,000.00	245,000.00	3,185,000.00
Mr. Masum Pathan	Director	-	-	-
Total		4,092,168.00	341,014.00	4,433,182.00

b(i) Period of payment to Directors is from 1 July 2010 to 30 June 2011.

b(ii) The above Directors of the company did not take any benefit from the company other than the remuneration and festival bonus.

a. Expense reimbursed to the managing agent - Nil

b. Commission or other remuneration payable separately to a managing agent or his associate - Nil

c. Commission received or receivable by the managing agent or his associate as selling or buying agent of other concerns in respect of contracts entered into such concerns with the company - Nil.

d. The money value of the contracts for the sale or purchase of goods and materials or supply of services, entered into by the company with the managing agent or his associate during the financial year.

e. Any other perquisites or benefit in cash or in kind stating - Nil

f. Other allowances and commission including guarantee commission - Nil.

g. Pensions, etc.-

1) Pensions - Nil

2) Gratuities - Nil

3) Payment from Provident Fund - Nil

4) Compensation for loss of office - Nil

5) Consideration in connection with retirement from office - Nil.

c Disclosure as per requirement of Schedule XI, Part II, Para 7

Details of production capacity utilization

Particulars	Licence Capacity	Installed Capacity in MT	Actual Production in MT from 1st July	Capacity Utilization from 1st July
			2010 to 30th June 2011	2010 to 30th June 2011
Annual Production Capacity	Not mentioned in the Licence	33,600.00	27,235.40	81.06

43.0 (I) Debt considered good in respect of which the company is fully secured :

The debtors occurred in the ordinary course of business are considered good and secured.

(II) Debt considered good for which the company hold no security other than the debtors personal security

There is no such debt in this respect as on 30 June' 2011.

(III) Debt considered doubtful or bad

The company does not make any provision for doubtful debts as on 30 June'2011, because of the fact that sales/export are being made on regular basis with fixed maturity dates.

(IV) Debt due by directors or other officers of the company

There is no such debt in this respect as on 30 June 2011.

(V) Debt due by Common Management

There are no amount due from sister company under common management as on 30 June' 2011.

(VI) The maximum amount due by directors or other officers of the company

There is no such debt in this respect as on 30 June'2011.

44.0 Approval of the financial statements:

These financial statements were authorized for issue in accordance with a resolution of the company's Board of Directors on 21 August 2011.

45.0 General

a Comparative amounts

Wherever considered necessary previous year's figures have been restated, in order to conform to current year's presentation.

b Presentation currency

The annexed financial statements are presented in Bangladeshi currency (Taka), which have been rounded off to the nearest Taka.

46.0 Events after the Balance Sheet date:

47.0 Proposed Dividend

In the board meeting held on 21 August 2011, the management proposed to declare 21% stock dividend for the year 2010-11 subject to the approval by the share holders in AGM.

48.0 Internal Control

The following steps have been taken for implementation of an effective internal control procedure of the Company:

A strong internal control and compliance division has been formed with a view to establish a well designated system of internal control.

Regular review of internal audit reports with view to implement the suggestion of internal auditors in respect of internal control technique.

To establish an effective management system that includes planning, organizing and supervising culture in the factory as well as at Head Office.

49.0 Contingent Liability

There is no contingent liability.

50.0 General Comments and Observations

Previous period's figure have been regrouped/reclassified wherever considered necessary to conform to current period's presentation. Figures

All shares have been fully called and paid up.

Auditor's are paid only statutory audit fees.

No foreign exchange remitted to the relevant shareholders during the period under audit.

No amount of money was expended by the company to recompensating any members of the Board for special service rendered.

There was no bank guarantee issued by the company on behalf of Directors.

Sd/-
Abdul Khaleque Pathan
Chairman

Sd/-
Khaleda Pervin
Managing Director

Sd/-
Syed Nurul Alam
Company Secretary

KEYA COSMETICS LIMITED

Schedule of Fixed Assets

As on June 30,2011

Schedule-A
Figures in Taka

Particulars	Cost			Rate %	Depreciation				Written down value as on 30.06.2011
	Balance as on 01.07.2010	Addition during the year	Adjustment		Balance as on 30.06.2011	Balance as on 01.07.2010	Charged during the year	Adjustment	
COSMETICS									
Land & Land Development	3,133,670	150,000		3,283,670	-	-	-	-	3,283,670
Building	47,508,809			47,508,809	5%	31,444,189	803,231	-	32,247,420
Plant & Machinery	311,631,627	-		311,631,627	10%	205,397,765	10,623,386	-	216,021,151
Laboratory Equipment	347,811			347,811	10%	271,971	7,584	-	279,555
Electrical Equipment	16,690,020			16,690,020	15%	13,745,189	441,725	-	14,186,914
Office Equipment	4,223,776	313,598		4,537,374	15%	2,211,830	325,312	-	2,537,142
Furniture & Fixture	4,840,539	1,377,686		6,218,225	10%	2,569,832	295,955	-	2,865,787
Vehicle	21,922,515	11,549,077		33,471,592	20%	11,293,524	3,280,706	-	14,574,230
Fire Fighting Equipments	93,800			93,800	15%	79,479	2,148	-	81,627
Software Development	4,337,367			4,337,367	15%	1,126,292	481,661	-	1,607,953
Other Assets	5,552,983	11,344,745		16,897,728	15%	555,298	1,600,509	-	2,155,807
Total	420,282,917	24,735,106	-	445,018,023		268,695,369	17,862,217	-	286,557,586
Detergent									
Land & Land Development	10,512,500	-		10,512,500	-	-	-	-	10,512,500
Building	25,049,313			25,049,313	5%	8,638,134	820,559	-	9,458,693
Plant & Machinery	69,078,099	-		69,078,099	10%	36,419,892	3,265,821	-	39,685,713
Other Machinery	11,572,285			11,572,285	10%	5,793,138	577,915	-	6,371,053
Electrical Equipment	467,856			467,856	15%	322,373	21,822	-	344,195
Office Equipment	65,455			65,455	15%	27,377	5,712	-	33,089
Furniture & Fixture	732,630			732,630	10%	378,044	35,459	-	413,503
Vehicle	9,875,875			9,875,875	20%	5,022,829	970,609	-	5,993,438
Software Development	1,596,753			1,596,753	15%	690,962	135,869	-	826,831
Other Assets	549,667	314,520		864,187	15%	82,450	93,672	-	176,122
Total	129,500,433	314,520	-	129,814,953		57,375,199	5,927,436	-	63,302,635
Soap Chemicals									
Land & Land Development	24,460,098	-		24,460,098	-	-	-	-	24,460,098
Building	121,088,013			121,088,013	5%	10,295,853	5,539,608	-	15,835,461
Plant & Machinery	551,545,800	-		551,545,800	10%	107,483,439	44,406,236	-	151,889,675
Electrical Equipment & Gas Line Installator	4,699,231			4,699,231	15%	1,601,545	464,653	-	2,066,198
Office Equipment	400,200	468,547		868,747	15%	176,640	68,675	-	245,315
Fire Fighting Equipments	-	5,100		5,100	15%	-	383	-	383
Furniture & Fixture	337,186			337,186	10%	107,336	22,985	-	130,321
Vehicle	18,659,439	1,581,463		20,240,902	20%	10,192,968	1,851,440	-	12,044,408
Software Development	417,528			417,528	15%	142,038	41,324	-	183,362
Other Assets	-	421,544		421,544	15%	-	31,616	-	31,616
Total	721,607,495	2,476,654	-	724,084,149		129,999,819	52,426,919	-	182,426,738
Grand Total as on 30.06.2011	1,271,390,845	27,526,280	-	1,298,917,125		456,070,387	76,216,572	-	532,286,959

Allocation of Depreciation

Selling & Administrative Overhead	9,241,502
Manufacturing Overhead	66,975,070
Total	76,216,572

AUDITORS' ADDITIONAL DISCLOSURES AS PER Securities and Exchange Commission Letter no SEC/CI/RI-08(part-II)2006/813 dated 17 November 2011

SEC Query No. I:

Details information regarding amortization of deferred expenses (Note 3.2) is required to disclose;

Compliance with Query No. I:

In the accounts of of Keya Cosmetics Limited for the year ended on 30th June 2006-2007, 2007-2008, 2008-2009 and 2009-2010, Deferred Expenses have been shown in the note of Fixed Assets (note no. 3.0). In note no. 3.3 of the said accounts it is clearly shown that the Right Issue Expenses is considered as Deferred Expenses.

In the accounts of Keya Detergent Limited for the year ended on 30th June 2006-2007, 2007-2008, 2008-2009 and 2009-2010, Deferred Expenses have been shown in the note of Fixed Assets (note no. 3.0). In note no. 3.3 of the said accounts it is clearly shown that the Right Issue Expenses is considered as Deferred Expenses.

In the accounts of Keya Soap Chemicals Limited for the year ended on 30th June 2008-2009 and 2009-2010, there were no deferred expenses rather there were Pre-production expenses (note no. 4.0).

The deferred expenses of Keya Cosmetics Limited as on 30th June 2011 are a summation of closing balance of deferred expenses of Keya Cosmetics Limited and Keya Detergent Limited and closing balance of Pre-production expenses of Keya Soap Chemicals Limited. The aggregation of closing balances of the three Company's accounts was made as per clause no. 6 of the Scheme of amalgamation as approved by the Honorable High Court Division of Supreme Court.

The written off portion of Deferred Expenses is shown in the Selling and Administrative Overhead (Note no. 23.0) of audited accounts of Keya Cosmetics Limited for the year ended on 30th June 2011.

SEC Query No. II:

Details information regarding material in transit (Note 6.0) is required to disclose;

Compliance with Query No. II:

The details of Material in transit are as follows:

SI #	L/C #	L/C date	Amount in USD	Amount in BDT
01	215511010142	6/30/2011	36,720.00	2,702,659.20
02	215511010133	6/19/2011	41,500.00	3,031,990.00
03	208511010249	6/23/2011	368,000.00	26,887,749.80
Grand Total			446,220.00	32,622,399.00

SEC Query No. III:

Details information regarding advance against land purchase and other advance (Note 7.0) is required to disclose;

Compliance with Query No. III:

The amount relating to advance against land purchase has been paid to (1) Mr. Zohirul Islam and Others (Gong) and (2) Mr. Abdul Malek. The amount is paid against 179.66 decimal land situated at Gobindabari Mouza, Jarun, Konabari, Gazipur @ Tk 700,000/- per decimal against land sale deed dated 01.06.2011. Total value of the land as per agreement is Tk. 12,57,62,000/- (Taka twelve crore fifty seven lacs sixty tow thousands) only. The land will be registered in the name of the Company after payment of the remaining amount. However, the Company yet to complete the full payment.

The amount relating to other advance has been paid to Azad Enterprise (Super Distributors), 11 Newmarket, Laldighirpar, Sylhet against purchase of covered van, which was already adjusted by 31 October 2011.

SEC Query No. IV:

Details information regarding receivables from export and receivables from distributors (Note 8.0) along with aging thereof is required to disclose;

Compliance with Query No. iv:

The detail of receivables from export is stated as below:

Keya Cosmetics Ltd					
Receivable from Export					
For the year ended on 30 June 2011					
SL NO	Name Of The Party/Customer	Name of the Country	Invoice No	Amount in USD	Amount in BDT
01	R.K.Enterprise	India	KCL/RK/0605/2011	64800	4,471,200
			KCL/RK/0614/2011	64800	4,471,200
			KCL/RK/0621/2011	64800	4,471,200
			KCL/RK/0633/2011	64800	4,600,800
			KCL/RK/0641/2011	64800	4,665,600
	TOTAL=			194400	22,680,000
02	S.B.Enterprise	India	KCL/SB/0610/2011	43200	2,980,800
			KCL/SB/0611/2011	43200	2,980,800
			KCL/SB/0616/2011	43200	2,980,800
			KCL/SB/0615/2011	21600	1,490,400
			KCL/SB/0624/2011	64800	4,471,200
			KCL/SB/0629/2011	21600	1,533,600
			KCL/SB/0628/2011	43200	3,067,200
			KCL/SB/0634/2011	64800	4,600,800
			KCL/SB/0639/2011	64800	4,665,600
			KCL/SB/0637/2011	43200	3,110,400
	TOTAL=			237600	31,881,600
03	Juganta Mitra Associated	India	KCL/JMAI/0617/2011	8640	596,160

	International		KCL/JAMI/0620/2011	8640	596,160
			KCL/JMAI/0623/2011	8640	596,160
			KCL/JMAI/0626/2011	8640	596,160
			KCL/JMAI/0630/2011	8640	613,440
			KCL/JMAI/0631/2011	8640	613,440
			KCL/JMAI/0635/2011	8640	613,440
			KCL/JMAI/0636/2011	8640	604,800
			KCL/JMAI/0638/2011	8640	613,440
	TOTAL=			60480	5,443,200
04	Tsholing Tshongkhang	Bhutan	KCL/TGC/0632/2011	9024	640,691
			KCL/TGC/0640/2011	9312	661,152
			KCL/TGC/0642/2011	8657	631,961
	TOTAL=			26993	1,933,804
05	Bothra International	India	KCL/BI/0627/2011	20400	1,468,800
06	Jain International	India	KCL/JAIN/0625/2011	10200	703,800
07	M/S. Dipak Ghosh and Sons	India	KCL/DG&S/0619/2011	66312	4,509,216
08	R.B.International	India	KCL/RBI/0618/2011	12960	881,280
	Grand TOTAL=			550073	69,501,700

Note: All the receivables are below 6(six) months of aging and collected in the meantime.

The details of receivables from distributors are stated as below:

Sl #	Name of the Party/Customer	Address	Amount in BDT
1	A to Z Marketing Company	H-843/3,Road-6, Baitulaman Housing Society, Adabor, Shamoli, Dhaka-1205	2,010,530.00
2	Abdul Berek & Sons	Dokhinbazar,Kulaura,Moulavibazar	1,250,203.00
3	A.Rob Traders(Super Distributors)	33 monohary Potti,Jhalakathi	14,544,203.00
4	Akhter Store	Razbari, Faridpur	1,245,799.00
5	Al-Amin Store	Ghodaghari Road, Puratan Bazar, Chapainababgonj	1,680,500.00
6	Ayub Traders	1No Moszid Bari Lean,Autpara,Kustia	1,732,987.00
7	Antora Distribution	Patuapary, Beside of Bus Stand, Bogra Road, Natore	3,250,600.00
8	Asim Ray	Notunbazar,Sunamgonj	2,582,600.00
10	Azad Traders	Madarasa Para Allahrdorga,Daulatpur,Kustia	2,210,720.00
11	Azad Enterprise (Jaflong)	Jaflong Bazar,Sylhet	1,589,703.00
12	Azad Enterprise (Super Distributors)	11 Newmarket,Laldighirpar,Sylhet	10,512,705.00
13	Aziz Corporation	36, B Das Road, Dal Putti, Narayangonj	3,065,800.00
14	Balal Store	Puratan Bazar, Birampur, Dinazpur	1,925,488.00
15	Bhai Bhai General Store.	C/46, Rajanigondha Supper Market, Kachukhet, Dhaka Cantt. Dhaka-1206	1,413,504.00
16	Bhai Bhai Enterprise	Station Road, Ishwardi Bazar, Pabna	1,245,899.00
17	Choa Enterprise	Islampur Bazar, Jamalpur	7,578,174.00
18	Choudhury Traders	Atikbarket,Moulivibazar,Sreemongal	7,578,174.00
19	Crystal Media	House # 5 (new), Yeasin Manjil, Dhanmondi, R/A,Dhaka-1205	1,254,800.00

20	Datto Store	Putia Pachani Bazar, Rajshahi	2,154,799.00
21	Dulal Stationary Store	Hazi Shabuddin Market, Baro Bazar, Kishorgonj	1,040,500.00
22	Emran Enterprise	Hazi Abdul Hasan Supper Market, Mouna Chowrasta, Sreepur, Gazipur	3,912,500.00
23	Feni Traders	Islampur Road, Feni	1,250,488.00
24	Foysal Enterprise	Chorehossanpur Bazar, Ishwargonj, Mymensing	4,550,100.00
25	Haji Jahed Ali	Malopara, Rajshahi	1,625,433.00
26	Harun Enterprise	Haqars Market, Chowmohani, Noakhali	2,010,100.00
27	Hazi Dabir Store	Old Hospital Road, Kurigram	1,252,800.00
28	Hazi Enterprise	Kamargonj Bazar, Nababgonj, Dhaka-1320	1,254,600.00
29	Imran Enterprise	Baroaritala Road, Borabazar, Kustia	1,820,350.00
30	Ittadi Biponi	Dhara Bazar Main Road, Haluaghat, Mymensing	2,580,102.00
31	Joynal Brothers	New Main Road, Monglabandar, Bagerhat	2,580,630.00
32	Jahir Store	Langal Banda, Bandar, Narayangonj	2,204,886.00
33	Janani Traders	Habibur Rahman road, Keshob More, Magura	1,245,794.00
34	Janata Store	1No Station Road, Khulna	1,732,980.00
35	Jesmin Store	Zinzira Bazar, Keranigonj, Dhaka	1,054,704.00
36	Kakoli Traders	Kaliakor Bazark, Gazipur	2,890,120.00
37	Karnofuli Traders	380/4, East Rumpura, Bansree Road, Dhaka-1219	1,589,692.00
38	Kashem Store	Rumgopalpur, Rikabi Bazar, Munsigonj	1,454,776.00
39	Katatura Enterprise (Super Distributors)	F.U.A. Budding, Abdulmia Road, Jhialtuli, Faridpur	7,510,300.00
40	Keya Traders	Ferryghat Road, Bara Bazar, Chuadanga	1,520,600.00
41	Kushi International	Allal Chamber, 11th Floor, 11, Matijheel C/A, Dhaka-1000	4,052,607.00
42	Khaja Baba Enterprise	31Bbaria Schoolmarket, Bbaria, 3444	2,682,500.00
43	Kabir Store	Bank Road, Lucksum, Comilla	3,052,600.00
44	Kusiara Traders.	Gouripur West Bazar, Doudkandi	1,124,571.00
45	Laky Enterprise	Gohail Road, Khandar, Bogra	1,925,471.00
46	Lia Enterprise	12/7, West Belashpur, Joydebpur, Gazipur	1,413,486.00
47	M Rahman Traders	Sultanpur Bazar, Sathkhira	2,512,334.00
48	M. K Enterprise (Super Distributors)	House # 7, Road # 01, Line # 05, Block-L, Halisahar R/A, Ctg.	17,085,600.00
49	M.R Traders	223, Bandutia, Manikgonj	7,578,150.00
50	M.R. Traders	Panchaghor bazar, Panchagor	7,578,149.00
51	Ma Enterpriser	Sialkhol, Amtala, Sirajgonj	3,254,774.00
52	Ma Enterprise	Nagarpur, Katcha Bazar, Nagarpur, Tangail	2,265,772.00
53	Ma Traders	Radhanagor Akhura, Bbaria	2,154,771.00
54	Mahabub Enterprise	Pourosuper Market, Maigdeecourt, Noakhali	2,580,100.00
55	Mina Chemicals	Kadamtali, Adamji, Siddirgonj, Narayangonj	1,250,455.00
56	Moni Mukhta Store	Baitul Aman Jame Mosgid Roaj, Thakurgoan	1,625,397.00
57	Monira Traders	Jamalpur Road, Madhupur, Tangail	2,010,063.00
58	Mouly Traders	Gogindagonj, Gaibandah	1,520,300.00
59	Munnaf Siddiky	Sahid Dr. Jahirul Haque Road, Soyodpur, Nilphamari	1,254,561.00
60	New V.I.P Traders	Shop # 219, Kitchen Market, Ist Floor, Kawran Bazar, Dhaka.	2,852,100.00

61	Noor Mohal Store	Purandhangora Bazar, Raygonj Bazar, Sirajgonj	1,254,561.00
62	North Bengal Agency	Puratan Bazar, Lalmonirhat	1,912,600.00
63	Numan Enterprise	Bongshai Road, Mirjapur Bazar, Tangail	1,852,630.00
64	Office Net	131/1, Collectorate Biponi Bitan, Batpottry, Rangpur	2,010,487.00
65	Ornab Enterprise	172/4, Bat tola, Khilkhet, Dhaka-1229	2,562,300.00
66	Ornob Enterprise	F14 Extention Pallabi, Mirpur, Dhaka-1216	1,820,700.00
67	Orpa Enterprise	Mukterpara, Durgapur, Netrokona	2,204,841.00
68	Ovee Traders.	Digambaritala Road, Comilla-3500	1,804,447.00
69	Pabitra Store	Daulatpur Bazar, Khulna	1,732,932.00
70	Pal Business Centre	Kudratullah Road, Moulvibazar	1,054,655.00
71	Partho Traders	Sologhar Bazar, Sreenagar, Munsigonj	1,452,600.00
72	Patwary telecome	1366, B B Road, Vhoirob Bazar, 2350, Kishorgonj	2,852,603.00
73	Prime Foods & Cosmetics	Kopailmoni Bazar, Paikgasa, Khulna	1,454,723.00
74	Pubali Enterprise	59-419, Khilgoan, 362/A, Tilpapara, Khilgoan, Dhaka	2,452,600.00
75	R.I .Enterprise	11, GKMC Saha Road, Mymensing	3,520,609.00
76	Rahman Entreprise	Atani bazar, Muktagasa, Mymensing	2,413,427.00
77	Renu Enterprise	Morshed Road, Tangail.	2,245,820.00
78	Reya Enterprise	Jamemosjid Market, C. Bazar Hobigonj	2,512,273.00
79	Rinky Enterprise	Hotel Bazar, Meherpur	3,778,726.00
80	Roy Store	Poschimbazar Nabigonj, Hobigonj	6,311,632.00
81	Rubel Store	Station Road, Domer, Nilphamari	7,578,085.00
82	S.M Traders.	Rangamati Road, 271/KA, West Khandapara, Norsingdhi	2,425,600.00
83	S.R Entreprise	Halim Super Market, Jamgora, Ashulia, Dhaka	2,265,704.00
84	S.S Entreprise	60, Atish Dipanker Road, Mugdapara, Dhaka	2,154,702.00
85	S.S. Store	Degree college Road, Hazigonj, Chandpur	2,040,401.00
86	Salim Enterprise	Chala Bazar, Belkuchi, Sirajgonj	2,252,700.00
87	Samol Traders	Station Road, Gaibanda	2,132,379.00
88	Sania Traders	Balia para, Arihajar, Narayangonj	4,549,989.00
89	Sayera Traders	41/2, Southpara, Mohakhali, Dhaka	1,825,306.00
90	Shah Amanat Traders	Barakumera Bazar, Sitakundu, Chittagong	2,254,481.00
91	Shahin Store	Sanandabari Bazar, Jamalpur	3,212,509.00
92	Shariza Enterprise	Chhangerchar Bazar, Coolege Road Matlab, Chandpur	2,762,500.00
93	Shathi Enterprise	Rehanuddin Bhuiyan Sarak, Pourashava Road, Laxmipur	1,452,309.00
94	Shohel Enterprise	Station Raod, Jamalpur	2,010,401.00
95	Shorola Enterprise	Bazar Main Road, Bagerhat	4,520,306.00
96	Sikdar Traders	Hatkhola Road, Jessore	2,204,752.00
97	Sree Kishna Bhandar	Gitanjali Sarak, Jinaidah	2,245,658.00
98	Suma Variety Store	39/11, Makim Katra, Rahman Market, Moulivi Bazar, Dhaka	2,326,364.00
99	Suman Bitan	1/137, Bazar Road, Savar, Dhaka	2,732,840.00
100	Sumana Enterprise	Hazi Bohran Udding Market, Biscic Road, Sajhadpur, Sirajgonj	2,054,562.00
101	Sumon Kumar Saha	Bania Patti, Pach Mathar More, Pabna	3,223,460.00
102	Talukder Stationery	Foujia Market, Joypurhat	2,212,603.00
103	Tomal Kumar Gosh	Batasapatti Puranabazar, Chandpur	2,454,626.00
104	Tripty Enterprise	Baro Bazar, Netrokona	4,547,120.00

105	Turag Store	Madrasa Super Market, Tongi Bazar, Gazipur	5,558,720.00
106	United Traders	Madhyobazar, Chhatak, Sunamgonj	4,190,210.00
107	Usha Enterprise	1/7, Section-B, 17 Bhabani Plaza, Nayani Bazar, Sherpur	2,800,883.00
Total			310,876,740.00

All the receivables are below 6 (six) months of aging and collected in the meantime.

SEC Query No. v:

Details information regarding Workers Profit Participation Fund (Note 20.0) is required to disclose;

Compliance with Query No. v:

Workers Profit Participation Fund represents 5% of net profit, after charging Workers Profit Participation Fund (WPPF), which is being maintain as per the related law of the Country i.e. the Labour Law 2006. It is to be mentioned here that in the current year (2010-2011) the WPPF represents the cumulative amount of three amalgamated Company (i.e. Keya Cosmetics Limited, Keya Detergent Limited and Keya Soap Chemicals Limited).

SEC Query No. vi:

Details information regarding Related Party Transaction (Note 30.0) is required to disclose;

Compliance with Query No. vi:

Particulars	Nature of relationship	Types of Transaction	30-Jun-11
<u>Investment in share:</u>			
Keya Spinning Mills Limited	Sister Concern	Investment	83,800,000
Keya Cotton Mills Limited	Sister Concern	Investment	63,008,100
Keya Sweaters Limited	Sister Concern	Investment	5,000,000
Total Investment in (Related Party) Shares			151,808,100
<u>Investment in share Money Deposit:</u>			
Keya Yarn Mills Limited	Sister Concern	Investment	445,000,000
Total Investment in Share Money Deposit			445,000,000
Grand Total of Related party Transaction			596,808,100



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16 JAN 2012

Additional Disclosure by the Auditor as per requirement by Securities and Exchange Commission vide letter No. SEC/CI/Ri-08(Part-II)/2006/998 dated 12.01.2012

Deficiency in the documentations

Query no i:

Applicable tax rate for your company supported by documentary evidence

Auditor's disclosure:

Applicable tax rate for the Company as per (১) (ক) (অ) of অনুচ্ছেদ-৯ under section 60 of part -1 of schedule-III of Finance Act-2011 has been fixed 27.5%. but if the company declare dividend more than 20% then that company will enjoy 10% tax rebate from its applicable tax rate.

Keya Cosmetics Limited has declared 21% stock dividend for the financial year 2010-2011. So the applicable tax rate for the Company will be 24.75% (i.e., 27.5%-10% of 27.5%)

Supporting documents has been attached at annexure-1.

Query no iv:

Comparative financial statement as per BAS-1 is required to submit.

Auditor's disclosure:

Keya Cosmetics Limited was amalgamated with other two sister concern namely Keya Detergent Limited and Keya Soap Chemical Limited as on 30 June 2011 vide verdict of Honorable High Court division of Bangladesh Supreme court. After amalgamation, the amalgamated company treated as a new company.

Being a new Company, Keya Cosmetics Limited has no scope to disclose any comparative figure of its previous financial position.

Query no viii:

Reasons for increasing sales revenue of 135%.

Auditor's disclosure:

Keya Cosmetics Limited was amalgamated with other two sister concern namely Keya Detergent Limited and Keya Soap Chemical Limited as on 30 June 2011 vide verdict of Honorable High Court division of Bangladesh Supreme court.

The sales figure as shown in the Statement of Comprehensive Income of Keya Cosmetics Limited as on 30 June 2011 was cumulative figure of former three individual companies. For that reason in the current year 30 June 2011 it has been increased 135% considering added figures.


G. KIBRIA & CO.
Chartered Accountants





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16 JAN 2012

Auditors' additional disclosure as per requirement by Securities And Exchange Commission vide letter noSEC/CI/Ri-08(Part-II)/2006/998 dated 12.01.2012

Query no i:

Payment to short term loan has been shown as cash inflow under financing activities instead of cash outflow.

Auditor's disclosure:

'Payment to short term loan' is a head of accounts.

Under financing activities of Statement of Cash Flows, payment to short term loan has been shown as inflow due to amalgamation. The separate three Companies loan balance as on the date of the balance sheet added together and resulted figure come to positive one. Since the loan amount increased that contribute an increase to cash inflow.

Query no ii:

Disclosure as required as per BAS -25 regarding investment in shares (note 4.1) showing the portfolio position as well as provision for such investment, if applicable

Auditor's disclosure:

Keya Cosmetics Limited invested in Pre-IPO placement of a Mutual fund for which the company didn't received any instrument till 30 June 2011. So no provision was applicable for the investment.

Query no iii:

Present status of the investment in share money deposit (Note 4.2) is required to disclose.

Auditors' Disclosure:

The status of investment in the form of share money deposit not yet changed.

Query no iv:

No provision is made for deferred tax liabilities.

Auditors' Disclosure:

Since Keya Cosmetics Limited is an amalgamated company which was affected on 30 June 2011 after proper valuation of its assets & liabilities. So there was no scope for computation deferred tax liabilities.


G. KIBRIA & CO.
Chartered Accountants



Keya Cosmetics Limited

Registered Office: Jarun, Konabari, Gazipur, Bangladesh

LETTER OF OFFER FOR RIGHTS ISSUE

Dear Shareholder (s),

We are pleased to inform you that the Board of Directors in its meeting held on 21 August 2011 recommended to issue Rights Share @ 1 (one) Rights share for 1 (one) share held, which was approved by the Shareholders in the 15th Annual General Meeting held on 30 September 2011. Subsequently, considering the current market scenario and shareholder interest, the Board of Directors of Keya Cosmetics Limited in its meeting held on 14 March 2012 decided to reduce the issue price per share from Tk.30 (including Tk. 20 per share as premium) to Tk. 20 (including Tk. 10 per share as premium) subject to the approval of the concerned regulatory authority. As a result total issue size will amount to Tk. 1,479,889,880 offered on the basis of 1R:1 (for one rights share for one existing share). In this regard, we will follow all due legal process in future.

As a registered Shareholder as on **12 April 2012** (Record date for entitlement), you are entitled to subscribe your rights share.

If you wish to accept the above Rights Share in full or in part, you are required to submit completed Application Form-A annexed hereto with necessary payments. You may, however, renounce your rights in respect of all or part of your entitlement in favor of others in which case the Renunciation Form-B and Form-C annexed here to be submitted duly filled in by you and the renouncee(s) along with necessary payments.

The rights cannot be exercised for fraction of a share i.e. below full unit of share.

All the payments for accepted shares are to be made in cash or by P.O/DD/Cheque @ Tk. 20.00 each including a premium of Tk. 10 per share and to be deposited with any of the Branches of Bankers to the Issue during Banking hours from **29 April 2012 to 28 May 2012** (both days inclusive). Any extension of time will be notified through national dailies. Payments through P.O/DD/Cheque, must be payable to "Keya Cosmetics Limited" and must be drawn on a Bank in the same town where the Br. of Bankers to the Issue in which the application form has been submitted is situated. It is to be noted that all transactions above Tk. 1.00 lac must be effected through Demand Draft/Crossed Cheque/Pay Orders.

The offer will be deemed to have been declined if completed Application Form-A and/or Renunciation Form-B and Form-C with necessary payments have not been received by **28 May 2012** or by such later date as may be notified through national dailies to that effect.

A self-explanatory Rights Share Offer Documents is attached for your kind information and evaluation.

By order of the Board

Khaleda Pervin
Managing Director

Bankers to the issue

Southeast Bank Limited

Aganagar Br. Dhaka
Ashulia Br. Dhaka
Banani Br. Dhaka
Bangshal Br. Dhaka
Bashundhara Br. Dhaka
Corporate Br. Dhaka
Dhanmondi Br. Dhaka
Gulshan Br. Dhaka
Imamganj Br. Dhaka
Joypara Br. (Rural) Dhaka
Kakrail Br. Dhaka
Karwan Bazar Br. Dhaka
Mohammadpur Br. Dhaka
Mouchack Br. Dhaka
New Elephant Br. Dhaka
New Eskaton Br. Dhaka
Pragati Sarani Br. Dhaka
Principal Br. Dhaka
Sat Masjid Road Br. Dhaka
Savar Br. Dhaka
Shaymoli Br. Dhaka
Uttara Br. Dhaka
Narayanganj Br. Narayanganj
Konabari Br. (Rural) Gazipur
Tongi Br. Gazipur
Rangpur Br. Rangpur
Rajshahi Br. Rajshahi
Chowmuhani Br. Noakhali
Bashurhat Br. (Rural) Noakhali
Agrabad Br. Chittagong
CDA Avenue Br. Chittagong
Halishahar Br. Chittagong
Jubilee Road Br. Chittagong
Khatunganj Br. Chittagong
Madambibir Hat Br. Chittagong
Momin Road Br. Chittagong

Pahartali Br. Chittagong
Cox's Bazar Br. Cox's Bazar
Bogra Br. Bogra
Khulna Br. Khulna
Barisal Br. Barisal
Bandar Bazar Br. Sylhet
Chouhatta Br. Sylhet
Hetimgonj Br. Sylhet
Laldighirpar Br. Sylhet
Pathantula Br. Sylhet
Shahajal Uposhahar Br. Sylhet
Moulvibazar Br. Moulvibazar
Kulaura Br. (Rural) Moulvibazar
Madabdi Br. (Rural) Narshingdi
Comilla Br. Comilla
Naogaon Br. Naogaon
Feni Br. Feni
Chagalnaiya Br. Feni
Brammon Baria Br. B. Baria

Bank Asia Limited

Paltan Br. Dhaka
Corporate Br. Dhaka
Dhanmondi Br. Dhaka
Gulshan Br. Dhaka
MCB Banani Br. Dhaka
MCB Dilkusha Br. Dhaka
Mirpur Br. Dhaka
Mitford Br. Dhaka
Mohakhali Br. Dhaka
Principal office Br. Dhaka
Scotia Br. Dhaka
Sylhet Main Br. Sylhet
Agrabad Br. Chittagong
Khatunganj Br. Chittagong
Khulna Br. Khulna
Rajshahi Br. Rajshahi

City Bank Limited

B B Avenue Br. Dhaka
Principal Office Br. Dhaka
Dhanmondi Br. Dhaka
Shaymoli Br. Dhaka
Imamganj Br. Dhaka
Johnson Road. Br. Dhaka
Kawran Bazar Br. Dhaka
Newmarket Br. Dhaka
VIP Road Br. Dhaka
Islampur Br. Dhaka
Nawabganj Br. Dhaka
Pragati Sarani Br. Dhaka
Bangabandu Road Br. Narayanganj
Zinzira Br. Dhaka
Tongi Br. Gazipur
Agrabad Br. Chittagong
Jubilee Road Br. Chittagong
Khatunganj Br. Chittagong
Andarkilla Br. Chittagong
Cox's Bazar Br. Chittagong
Chawkbazar Br. Chittagong
Pahartoli Br. Chittagong
Comilla Br. Comilla
Narsingdi Br. Narsingdi
Zinda Bazar Br. Shylet
Bandar Bazar Br. Shylet
Amborkhana Br. Shylet
Moulvi Bazar Br. Shylet
Rajshahi Br. Rajshahi
Bogra Br. Bogra
Rangpur Br. Rangpur
Sirajgonj Br. Sirajgonj
Khulna Br. Khulna
Jessore Br. Jessore
Barisal Br. Barisal

Credit Rating Information and Services Limited

CREDIT RATING REPORT ON KEYA COSMETICS LIMITED

REPORT: RR/995/11

 Report

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Entity Rating
Long Term: A
Short Term: ST-3

Outlook: Stable

**Rating Based on
financials up-to June
30,2011**

**KEYA COSMETICS
LIMITED**

ACTIVITY
Manufacturing of
cosmetics & toiletries
products

**DATE OF
INCORPORATION**
July 14, 1996

CHAIRMAN
Mr. Abdul Khaleque
Pathan

**MANAGING
DIRECTOR**
Mrs. Khaleda Parvin

EQUITY
Tk. 1531.30 million

Total assets
Tk.2850.46 million

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This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's entity rating is valid one year for long-term rating and 6 months for short term rating. After the above periods, these ratings will not carry any validity unless the entity goes for surveillance.
CRISL followed Corporate Rating Methodology published in CRISL website www.crisibd.com

Date of Rating	October 15, 2011	
	Long Term	Short Term
Entity Rating	A	ST-3
Outlook	Stable	

1.0 RATIONALE:

CRISL has assigned 'A' (pronounced as single A) rating in the Long Term and 'ST-3' rating in the Short Term to Keya Cosmetics Ltd. (hereinafter called "KCL") based on audited financial up-to June 30, 2011 and other relevant qualitative and quantitative information up-to the date of rating. The above ratings have been assigned after due consideration to its good fundamentals which include equity based capital structure, good financial and operating efficiency, sufficient fund flow from operation, experienced management team, sound production facilities, etc. The above factors are, however, moderated to some extent, by moderate liquidity, significant financial liability, considerable inventory holding, revenue dependence on few products, etc. as well as other industry specific and macroeconomic factors. CRISL also took into account the recent amalgamation with two other profitable business units of Keya Group (KG) and prospective right offer into rating consideration. CRISL believes that the above move will help achieving economics of scale as well as strengthen the equity based of the company.

The Long Term rating implies that entities rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. The Short Term rating indicates good certainty of timely repayment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.


CRISL also placed the company with "Stable Outlook" in consideration of its consistent business growth and demand for the products.

2.0 CORPORATE PROFILE

2.1 Genesis

KCL, a sister concern of Keya Group, was incorporated as a private limited company on July 14, 1996 under the Companies Act 1994. KG is a Group of six business units having diversified exposure in textile, ready made garments, soap chemicals, cosmetics, detergent and advertising sectors. The Group started its journey in 1987 with a Brick Field Project named Khaleque & Co.(Pvt) Ltd. with the vision of being one of the vertically incorporated business Groups in Bangladesh. KCL started its commercial operation in 1997 as part of the expansion of the Group. The Company was converted into Public Limited Company (PLC) in 1999. KCL went into public offerings in 2001 and since then its shares are listed with both the bourses of the country and are traded as "A category" issue. Since inception of commercial operation, the company has been engaged in producing and marketing cosmetics items.

During FY2010-11 under a scheme of amalgamation the company took over, erstwhile Keya Detergent Limited (the then publicly listed company) and Keya Soap Chemicals Limited (a private limited company). The said scheme of amalgamation was duly approved by Hon'ble High Court Division of Bangladesh Supreme Court. The company is presently operating with a paid-up capital of Tk.611.52 million against an authorized capital of TK.700.00 million. KCL currently engaged in producing several First Moving Consumer Goods items including soap, detergent, shaving cream, toothpaste, coconut oil and other cosmetics items. KCL has


Muzaffar Ahmed, FCMA, FCS
President and CEO
Credit Rating Information and Services Ltd

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CREDIT RATING REPORT ON KEYA COSMETICS LIMITED

CRISL Report

General Public Holds
Majority Shares

6- Members Board

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declared 21% stock dividend and 1:1 right shares to increase its paid-up capital by Tk.2219.83 million. The registered office and factory of the Company is at Jarun, Konabari, Gazipur and the Liason Office is located at Navana Tower (14th Floor), 45 South Gulshan Avenue, Gulshan-1, Dhaka-1212.

2.2 Ownership Structure:

Being a listed public limited company, the ownership structure of KCL falls under three categories e.g. sponsors, institutional shareholders and general public. Presently the company's paid up capital consists of 61.15 million shares of Tk.10 each. General public holds the majority shares (66.26%) followed by institutional sponsors (13.93%) and individual sponsors (19.81%) as on June 30, 2011. As said earlier, Keya Detergent Limited (KDL) and Keya Soap Chemicals Limited (KSCL) was amalgamated with KCL with effect from June 22, 2011 where ratio of amalgamation was 1 share of KCL for 1.16694 shares of KDL and 1.77749 shares of KSCL. The company has the plan to issue 1:1 rights shares with a premium of TK.20 per share. The details of the shareholding, Directors' age and experience are stated below:

Name	Designation	Relationship with the chairman	Share (%)	Experience in various Business (Years)
Mr. Abdul Khaleque Pathan (51)	Chairman	Himself	18.10	24
Mrs. Khaleda Parvin(31)	Managing Director	Daughter	0.68	05
Mrs. Feruza Begum(46)	Director	Wife	0.37	Nil
Mr. Masum Pathan(29)	Director	Son	0.64	Nil
Keya Knit Composite Limited	Shareholder	N/A	12.52	N/A
Khaleque & Co. (Pvt.) Ltd.	Shareholder	N/A	0.07	N/A
Keya Cotton Mills Ltd.	Shareholder	N/A	0.16	N/A
Keya Yarn Mills Ltd.	Shareholder	N/A	1.10	N/A
Keya Sweaters Ltd.	Shareholder	N/A	0.08	N/A
General Public	Shareholder	N/A	66.26	N/A


2.3 Corporate Governance:

The overall corporate governance of the company has been found to be moderate. The corporate governance of the company as reviewed by CRISL is delineated below:

2.3.1 Board and Its Committee:

The Board of KCL consists of six members including four sponsors Directors, the Managing Director and an Independent Director. Mr.Abdul Khaleque Pathan, the founder of the Group, is the Chairman of the Board. The Board deals with the policy issues, business philosophy and guides the management in achieving its desired targets. In order to run the business smoothly, the Board has formed Executive committee (EC) and Audit Committee (AC). The Board held 11 meetings during the period of 2010-11.

The five-member EC is headed by Alhaj Md. Akkas Ali Pathan as the Chairman. The committee deals with monitoring of business performance and providing operational guidance. The four-member AC is headed by Mrs. Khaleda Pervin who is also the Managing Director of the company. The above overlapping responsibilities are not in line with best corporate practice. AC reviews the compliance issues and recommends course of action to internal and external auditors for removing the irregularities referred to it. The AC conducted 04 meetings during 2010-11.


Muzaffar Ahmed, FCMA, FCS
President and CEO
Credit Rating Information and Services Ltd.

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CREDIT RATING REPORT ON KEYA COSMETICS LIMITED

CRISL Report

Experienced Corporate
Management

2.3.3 Corporate Management

Name	Designation	Education	Experience (years)	
			With KCL	Total
Sayed Nurul Alam (49)	Executive Director (finance) & Company Secretary	M.Com (Acc.)	17	25
Mr. Md. Anamul Haque (40)	CFO (KCML and KSML)	CA (Inter)	12	16
Mr. Md. Homaun Kabir (35)	CFO	M.Com (Acc.) ACA	01	10
Mr.ABM Golam Mostafa Munshi(41)	Head of Sales & Marketing	MBA	1.5	18
Mr. Parimal Kumar Pramanik (48)	GM (Production & Development)	BSC(Hon), MSC (App.Chemistry)	15	22
Mr. Kazimuddin (49)	DGM (Admin)	BSC(Agri. Hons), MBA (HRM)	14	25
Mr. Mohammed Mofizul Islam (37)	DGM (Accounts & Finance) & Deputy Company Secretary	M.Com(Acc), CMA (Inter)	02	11

The company also has an 8 members MC headed by Mr. Md. Anamul Haque, CFO (Keya Cotton Mills Limited and Keya Spinning Mills Limited). Responsibilities of the committee include implementations of the Board and Executive Committee's decisions and supervisions of day-to-day business affairs.

2.3.3 Human Resource Management:

Human resource management of the company is yet to take a structured shape. The company is yet to have a board-approved service rule covering various human resource policies. However, a long-practiced set of rules are applied both at head office and factory. The human resource turnover of the company has been found negligible. The company is yet to introduce a structured performance evaluation system and performance incentives for its employees; however, recently the company has Workers Profit Participation Fund (WPPF). Total human resource base of the factory stood at around 550 and all of them are permanent employees. Majority of the workers are female. KCL regularly conducts training program for its workers.

2.3.4 MIS infrastructure and Internal control:

Being a prominent FMCG producing company in Bangladesh, the IT and MIS system of the company has been found to be good. In order to keep pace with the modern world and to adopt the challenging scenario of the business sector, KCL is using Integrated ERP (Enterprise Resources planning) Software – "Matrix" in managing its day to day operations. The system generates different reports for the operating management. The different modules of Matrix include Financial, Materials or Inventory, Sales, Production, HR & Payroll, Import and Export. The software has exclusively been designed for the manufacturing concerns provided by Matrix Infosystem Ltd., India. The contents and quality of MIS report is structured and the workstations are connected with LAN and server.

The company has a separate internal audit department comprising of two members. Internal Audit is being carried out on a continuous basis covering areas across the value chain like manufacturing operations, sales and distribution, marketing, finance etc. Reports of the internal auditors are regularly reviewed by the audit committee and corrective actions are initiated to strengthen the controls and enhance the effectiveness of the existing systems. Summaries of the reports are presented to the audit committee.

3.0 GROUP PROFILE

3.1 Background of the Group

Keya Group of Industries is a renowned business Group in the country. The Group has become popular under the brand name "Keya". At present the Group has six active large and small companies including the public limited company, Keya Cosmetics Ltd. The Group started its journey under the leadership of Mr. Abdul Khaleque Pathan with his brickfield project Khaleque & Co. (Pvt.) Ltd. The Group subsequently expanded its activities in the area of soap chemicals, spinning, knit composite, garments and advertisement firm. Within 17 years of operation, the Group has become one of the renowned business conglomerates in the country.

Page 3 of 15

Muzaffar Ahmed, FCMA, FCS
President and CEO
Credit Rating Information and Services Ltd.

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CREDIT RATING REPORT ON KEYA COSMETICS LIMITED

CRISL Report

Debt based Capital
Structure

Emerging Industry

CRISL

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KG Group is being financed by a good number of banks which include Sonali Bank Ltd., Standard Bank Ltd., One Bank Ltd., Bank Asia Ltd., Premier Bank Ltd., Prime Bank Ltd. Dhaka Bank Ltd. National Bank Ltd. and Dutch-Bangla Bank Ltd. The Group enjoys franchise value in the market and among the stakeholders.

3.2 Business profile of the Group

The details of the business nature and financial position of the different concerns of the Group are delineated below:

As on 30th June 2010(Figures in Million TK.)							
Name of the Companies	Year of Formation	Nature Of Business	Assets	Liabilities	Equity	Sales	Net Income
Khaleque Knitting & Garments Industries (Pvt.) Ltd.**	1993	Knit Garments	4,539.91	2,043.75	2,496.16	240.87	65.46
Keya Cosmetics Ltd	1996	Cosmetics	1,101.90	419.60	682.30	1,028.99	174.99
Keya Spinning Mills Ltd.	1999	Yarn	5,647.92	4,838.49	809.43	1,383.59	95.25
Keya Detergent Ltd.*	1998	Detergent	544.38	160.81	383.57	384.00	55.47
Keya Cotton Mills Ltd.	2004	Yarn	2983.75	1727.67	1256.08	1367.32	2975.05
Keya Soap Chemicals Ltd.*	2002	Soap Noodles	1,591.43	1,015.64	575.79	346.08	25.72
Keya Knit Composite Ltd.	2003	Knit garments	5,561.32	4,085.86	1,475.45	4,225.82	511.50
Khaleque & Co (pvt.)Ltd.	1986	Bricks	40.20	-	40.20	9.05	0.46
Keya Yarn Mills Ltd.	2008	Yarn	3,367.70	3,113.03	254.67	1,268.26	162.64
Total			25378.51	17404.85	7973.65	10253.98	4066.54

* These two companies have been merged with Keya Cosmetics Ltd. in June 2011

** The company has been merged with Keya Knit Composite Ltd. in May 2011

4.0 INDUSTRY OUTLOOK

FMCG industry in Bangladesh is a growing sector with huge local demand for its differentiated product lines. Presently it is considered as one of the largest sectors in the economy. Its principal components are food, personal care, fabric care and house hold products. Industry size of the FMCG products is around TK.18 billion where cosmetics and toiletries market is around TK. 8 billion with approximately 25% annual growth rate. Out of the FMCG market size, food and beverage account for almost 52%, household and personal care products are about 45% and the rest are non-branded products.

During the last 10 years, the use of branded FMCG goods has increased significantly due to people's greater interest in personal grooming, increasing disposable incomes, changing life styles, internet facilities, influence of satellite television, emergence of young working class, branded products and greater product choice and availability. With the demand for FMCG on the rise and the opening up of the market to MNCs, many of the world renowned players with different brand have entered into the market in the early and mid-nineties.

Study reveals that the development of FMCG in the country has a link with the development of the local Ready Made Garments (RMG) since nineties as well as the increasing professionals and students of private universities. Significant number of young girls, employed by a good number of RMG units, is the major promising consumers of branded FMCG products. In addition, quality of life for both urban and rural people, have improved substantially in Bangladesh during the last two decades. Significant portion of the above demand is being met by the multinational companies especially for beauty and cosmetics products. However, some local companies are also operating in the country with its own modern manufacturing plants to cater to the local demand. At present KCL produces beauty soap, laundry soap and detergent powder. Due to monopolistic competitive nature of the products, the quality of local and foreign producers is not very different in some categories like soaps and detergents. As such the brand image plays an important role in determining the market share of the producers.

Penetration level as well as per capita consumption in most product categories in FMCG is indicating an upward trend with more than two times growth during the last two years.

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Growth is also likely to come from consumer upgrading in the matured product categories. The overall economic growth has been accompanied by increased disposable incomes and education level both in rural and urban areas is considered as important factors to choose branded and quality FMCG products.

5.0 INFRASTRUCTURE AND TECHNICAL ANALYSIS

5.1 Infrastructure and Facilities

KCL is a capital intensive company and is offering multiple product lines of various cosmetics and toiletries products. The company established separate production facility for each of its product lines with different capacity. The production facilities are mainly divided into three units:

Soap Chemicals unit:

Soap chemicals unit produces soap noodles which are being used to produce soap. Palm Stearin, Palm karnel oil, Palm oil, caustic soda, sodium chloride etc. are processed in this unit to produce liquid soap which is stored in large containers. This liquid soap is then taken to the dryers to separate the water from the soap and produce soap noodles. This separated water is then processed to produce glycerine. KCL sells this glycerine to various local pharmaceuticals company like Square Group, Marico Bangladesh Ltd., Reckit Bankiger, Beximco etc. All of the machines of this unit were imported from Italy and installed in 1997.

Cosmetics unit:

Cosmetic unit consists of 3 lines of beauty soap plant and 3 lines of laundry soap plant. Soap noodles are used as backward linkage of this unit. The noodles are mixed with perfume, colour and other additives which are then transformed into a bar form. These bars are then used in the soap lines to produce beauty soaps and laundry soaps of various weights. Machines of this unit were imported from Italy. These machines do not need major overhauling except replacement of some parts.

Detergent Unit

Detergent unit is used to produce detergent with two lines facilities. Each of these lines has production capacity of 2 MT per hour. Labsa, Soda Ash, Dolomite, Sodium chloride etc. are processed in these lines to produce detergent powder. This powder is then purified in the next stage to separate the uneven particles. Colour, perfume and other supplements are then mixed with the powder and packed to produce various types of detergent of various weights. Machines of this unit includes fluid bed, bucket elevator, blower etc. These machines were imported from Italy, Taiwan and India. This facility also includes mixing, filling and packing machine of coconut oil, lip gel, petroleum jelly, talcum powder, tooth paste, shaving cream, pomade et and pumpkin hair oil.

Common Infrastructure:

The company has its own power generation system. KCL has installed two gas generators having capacity of 855 KW each. Production of KCL is being interrupted due to irregular supply of gas. KCL requires 16 PSI of gas to run its operation but the company avails 14 PSI in off peak hours. KCL faces acute shortage of gas pressure between 8 am and 2 pm. During this period, the company gets only 3-8 PSI which is much less than its requirement. The production plant is balanced with optimum capacity utilization but they have alternative way to run the boiler by furnace oil. KCL has adopted significant measures to safeguard the company assets. The factory premise is properly hedged. In order to protect the factory from fire, it has adequate number of fire fighting apparatus. The company has all risk insured (ARI) insurance coverage of Tk.929.70 million with Phoenix Insurance Company Ltd (PIL). The insurance has the coverage to protect raw material, building and machinery with a premium of Tk.4.33 million which is valid up to 4th August, 2012.

5.2 Quality Control Measurement

As a part of strong quality control, the company has set up its own testing laboratory equipped with modern quality control products & microbiological lab of latest technology. A

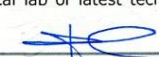
Sound Production
Facility

Irregular Gas Supply

Good Quality Control
Mechanism

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group of qualified professionals including chemist, microbiologist are looking after the product quality. At each stage of production, the company has rigorous testing and quality control process. The finished products are again tested to ensure the desired standard of quality before placing the products in the market. The company also follows "Quality System Procedure" to get ISO certificate. Each product of KCL is certified by Bangladesh Standard Testing Institute for its quality. Again the existing production facility is also environment friendly which is certified by the Department of Environment.

6.0 BUSINESS ANALYSIS

6.1 Business Cycle

6.1.1 Procurement Process:

KCL follows a structured procurement process. The DGM supervises and manages the procurement process in consultation with Procurement Department and Production department for sourcing, bargaining and order placing of raw materials. The Commercial Department is responsible for the procurement. The purchase process is executed through sight L/C, credit or cash basis. The company procures its raw material from both foreign and local sources.

6.1.2 Major Raw Material and its sources:

KCL procures various types of raw materials to run its production. The company purchases palm stearin, palm karnel oil, palm oil, caustic soda, labsa, soda ash dolomite, sodium chloride, color, perfume, jelly etc. as its major raw materials. Backward linkage of the company includes some local suppliers like TK Group., Meghna Group., Mostafa Group etc. and some international suppliers in Malaysia, Indonesia, China, Thailand, Germany, Switzerland, India, Sri Lanka etc. KCL has two warehouses of 96,000 cubic feet and 512,000 cubic feet for raw materials storage. The company has also one detergent finished goods warehouse where the company can store 0.96 million pcs of detergent and one cosmetics finished goods warehouse where 20 million pcs of cosmetics can be stored.

6.1.3 Product Feature and Production

The KCL has been in the market with diversified products such as beauty soap, laundry soap, ball soap, various types of detergent, soap noodles, coconut oil, pumpkin hair oil, talcum powder, petroleum jelly & lip jell, glycerine, shaving cream, toothpaste and others. Keya Beauty Soap series is the largest selling product in the revenue pie with more than 35% of the total revenue.

6.1.4 Distribution Network

KCL has strong presence in all over the country. The company has established its own distribution network in 11 zones. It has a total of 165 distributors. Sales officers (control by the company) collect orders of different lines of product from the retailers and the delivery officers (Control by the Distributor) deliver the goods against those orders from distributor point. The daily order and delivery summary send to Head office from distributor point.

6.2 Market position

KCL enjoys a good market position in its core product lines. KCL holds around 16% of the market share in beauty soap sector whereas market leader Unilever holds 50% of the market. Again in case of laundry soap, KCL holds more than 20% market share where Unilever holds around 40%. For ball soap, KCL holds 35% of market share against 38% of the market leader (Kohinoor Chemicals). The company holds around 16% market share in detergent where the market leader Unilever holds around 50%. CRISL considers that with the existing product lines and business strategy, the company will be able to maintain its growth rate.

Dependent on Imported
Raw Materials

Large Percentage of
Revenue Comes from
Beauty Soap Series

Strong Distribution
Network

Good Market Share

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Moderate Capacity
Utilization

7.0 Business Performance

Indicators	FY2010-11	FY2009-10*	FY2008-09*
Capacity			
Cosmetics (Million Pcs.)	195	195	195
Soap Chemicals (MT)	18000	18000	18000
Detergent (MT)	15600	15600	15600
Production			
Cosmetics (Million Pcs.)	158	156	156
Soap Chemicals (MT)	14035	10471	11323
Detergent (MT)	13200	9548	10750
Capacity Utilization			
Cosmetics (%)	81	80	80
Soap Chemicals (%)	78	58	63
Detergent (%)	85	61	69
Sales Growth (%)	35.91	(14.78)	N/A
COGS Growth (%)	9.62	(20.08)	N/A

* Soap Chemicals and Detergent units were running under a separate company. Soon after the amalgamation, these two companies were abolished and started running under KCL. CRISL considered the pre-amalgamation indicators of those companies with that of post amalgamation units for the purpose of comparison.

KCL has been set up to cater to the local demand of cosmetics products. With the changes in the demand of the products in the local market, the company had to diversify its product lines and increase its existing capacity to meet the market demand. The company has already installed various equipments to produce various products in line with the market demand. Cosmetics unit now has a total achievable capacity of 195 million pcs with more than 80% capacity utilization; soap chemicals unit has now total achievable capacity of 14034.55 MT where its capacity utilization was 78% in FY2010-11. The detergent unit has now a total achievable capacity of 13200.85 MT where its capacity utilization was 84.6%. Although the capacity of the business units remained unchanged over the last three years, capacity utilization of soap chemicals and detergent unit increased during the period indicating increased market demand for the product. However, capacity utilization of cosmetics unit remained unchanged over the years. Among the existing products, beauty soap is the major revenue generating product contributing more than 35% of the total revenue.

8.0 FINANCIAL PERFORMANCE REVIEW

8.1 Analytical Framework

KCL has taken over Keya Detergent Ltd. and Keya Soap Chemicals Ltd. under the scheme of amalgamation in FY2010-11 to attain economies of scale and increase cost efficiency. As the company had been operating as three different entities until FY2009-10, CRISL has combined the financial statements of these three companies for FY2009-10 to develop a single financial statement similar to the amalgamated financial statement. As such the following financial analysis entailed a comparative analysis between the amalgamated financial statement of KCL and combined financial statement of the previous Keya Cosmetics Ltd., Keya Soap Chemicals Ltd. and Keya Detergent Ltd.

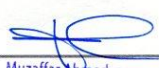
8.2 Profitability and Cost Efficiency:

Profitability Indicators	FY2010-11	FY2009-10*
Gross Profit Margin (%)	24.94	20.40
Net Profit Margin (%)	11.14	10.81
Cost to Revenue (%)	75.06	79.60
Finance Cost to Revenue (%)	5.40	5.66
Administrative & Selling Exp to Revenue (%)	2.53	3.28

* Combined Accounts.

Good Financial and
Operating Performance

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Overall financial performance of the company has been found to be good after amalgamation in FY2010-11. The company registered higher sales in FY2010-11 and the amalgamation helped KCL to attain economies of scale and increased cost efficiency by reducing its overall operating cost. Total salary expenses reduced to Tk.19.71 million which was Tk.45.11 million (combined) in FY2009-10 when the company was operating separately. Employee base of KCL has considerably been reduced after the amalgamation. Cost to revenue ratio and finance cost to revenue ratio also decreased due to the cost efficiency that KCL attained after the amalgamation. On the basis of improved sales and cost efficiency generated from amalgamation, net profit margin and operating profit margin of the company improved in FY2010-11.

9.0 FINANCIAL STRENGTH AND SOLVENCY

Key Indicators	FY2010-11	FY2009-10*
Leverage Ratio (X)	0.86	0.91
Debt Service Coverage Ratio (X)	4.31	2.42
Interest Coverage Ratio (X)	3.73	3.30

* Combined account

Decreasing Leverage

The leverage ratio of KCL improved to stand at 0.86 times in FY2010-11 against 0.91 times in FY2009-10. Retained earnings of the company increased in FY2010-11 due to increased net income and this retained earnings lifted the equity base and the leverage ratio. Out of the total leverage, bank borrowing to equity remained almost unchanged and stood at 0.67 times in FY2010-11 against 0.66 times in FY2009-10. The company has considerable financial burden Tk.89.44 million and working capital limit of Tk.1692.5 million. The leverage ratio of the company is likely to improve to a great extent after successful issuance of rights shares. Debt service coverage ratio of the company improved to 4.31 times in FY2010-11 against 2.42 times in FY2009-10.

10.0 LIQUIDITY AND FUND FLOW ANALYSIS

Liquidity Indicators	FY2010-11	FY2009-10
Current Ratio (X)	1.18	1.17
Quick Ratio (X)	0.54	0.57
Fund Flow from Operation (Tk. in million)	152.76	N/A

Moderate Liquidity

From the above table it is revealed that the overall liquidity position of KCL has been moderate. Quick ratio indicates that the KCL holds bulk inventory which is the least liquid asset. The working capital requirement of the company stood at Tk. 1,476.95 million as on June 30, 2011 which is mainly financed by Tk. 527.17 million from internal source and Tk. 949.78 million from bank financing. While analyzing the cash flow from operations it appears that the company could generate sufficient fund from its operation to discharge the bank liability. On the other hand, long inventory holding period (around 82 days) and long receivables outstanding period (around 29 days) lingered the cash conversion cycle to 103 days.

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11.0 CREDIBILITY AND BANKING RELATIONSHIP

11.1 Liability Position (as on September 30,2011)

Sanction/ Rescheduled Amount Mode		Disbursed Amount/ Limit	Purpose	Outstanding	Overdue amount	Classification Status	Notes
A) Bank Asia Term Loan	70.00	70.00	For taking over partial liability from Dhaka Bank Limited which was originally disbursed for financing in machinery.	8.23	5.04	Standard	11.2.1
L/C (Non-funded)	180.00	180.00	For procurement of raw materials and spare parts	103.93	Nil	Standard	
LTR (Funded)	160.00	160.00	For retirement of import documents against sight L/C	151.04	Nil	N/A	
BG (Non-funded)	5.00	5.00	To provide security to Titas Gas Transmission & Distribution Company Ltd. for supply of gas to the factor	2.08	Nil	N/A	
DL (Funded)	30.00	30.00	To payment of L/C liabilities	31.01	Nil	Regular	
B) One Bank Term Loan	39.50	39.50	For taking over partial liability from Dhaka Bank Limited	5.02	5.02	Regular	11.2.2
Usance LC	50.00	50.00	To Import/refinance raw materials and spare parts	Nil	Nil	Regular	
Sight LC & LTR	200.00	200.00	To Import/refinance raw materials and spare parts	190.70	Nil	Regular	
Bank Guarantee	10.00	10.00	For duty purpose, gas line purpose, safe return of container and any other purpose as required by the Borrower	1.50	Nil	Regular	
C) Standard Bank Term Loan	75.00	75.00	For reshuffling the structure and upgrading the existing machineries in order to overall production development	5.48	2.01 (2 number of overdue)	Regular	11.2.3
Revolving L/C/ LTR (Revolving)	230.00	230.00	For importing (both foreign and local) raw materials, spare parts and ingredients	171.70	Nil	Regular	11.2.4
D) Dhaka Bank TLID	286.81	286.81	To procure machinery	37.77	15.90	Regular	
LC (non-funded)	150.00	150.00	To import industrial raw materials and spares	32.64	Nil	Regular	
LTR (funded)	142.50	142.50	To retire LC liability	144.75	9.56	SMA	
OD(funded)	50.00	50.00	For local procurement, payment of duty, VAT & bearing other day to day expenses	57.90	7.90	Regular	
BG	5.00	5.00	To provide bank guarantee to different authorities	3.16	Nil	Regular	11.2.5
E) Premier Bank Revolving LC (Funded)	120.00	120.00	To import raw materials	67.07	Nil	Regular	
Revolving LC (Non-Funded)/LTR/CC(Hypo)	200.00	200.00	To import raw materials/ meet working capital requirement	96.76	Nil	Regular	11.2.6
F) Sonali Bank CC (Pledge)	120.00	120.00	To meet working capital requirement	123.41	3.41	Standard	
CC (Hypo)	40.00	40.00	To meet working capital requirement	36.51	Nil	Standard	
G) Prime Bank Bai-Muajjal	35.18	35.18	Rescheduling of Bai Muajjal and MP(TR) liability	34.96	Nil	Standard	11.2.6

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Adequate Security Coverage

KCL has currently been enjoying term loan facilities and working capital facilities (both funded and non funded) from Bank Asia, One Bank, Standard Bank, Dhaka Bank, Sonali Bank Ltd. and Prime Bank. The term loan outstanding of the company stood at Tk.56.50 million. The total working capital limit of KCL is Tk.1692.5 million. Review of working capital facilities revealed that Tk.1214.16 million remained outstanding as on September 30, 2011. The total overdue amount of working capital facilities stood at Tk. 39.28 million.

11.2 Security Package against Exposure

Security Package
1) Bank Asia KCL offers registered mortgage (pari-passu basis with other lenders) of 101decimal project land with building. Present and distress value of this security are Tk.75.78 million and Tk.60.60 million respectively as per survey report dated 23.07.2008.
2) One Bank KCL offers registered mortgage (pari-passu basis with other lenders) of 101decimal project land with building. Value of this security is Tk.23.60 million dated 26.06.2007.
3) Standard Bank 1) Lien and pledge of FDR for Tk.50 million standing in the name of Khaleque Knitting and Garments Industries (Pvt.) Ltd. 2) Personal guarantee of all the directors of Keya Cosmetics Ltd. 3) Title of the goods to be imported under the facility will be in favour of the bank.
4) Dhaka Bank KCL offers registered mortgage (pari-passu basis with other lenders) of 101decimal project land with building. Market and distress value of this security are Tk.399.89 million and Tk.283.03 million respectively as valuation report dated 25.07.2007.
5) Premier Bank I) All that piece and parcel of land measuring 32 (thirty two) decimal land situated within Gazipur district. II) All that piece and parcel of land measuring 07 (Seven) decimal land situated along with single storied semi pucca building with C.I sheet roof measuring 8040 sqf within Gazipur district. III) All that piece and parcel of land measuring 67 (Sixty seven) decimal land along with single storied semi pucca building with C.I sheet roof measuring 8040 sqf situated within Gazipur district.
6) Sonali Bank I) Pledge of raw materials and inventory. Raw materials and inventory have to be insured for all risks including fire, RSD, flood and others. II) Hypothecation of raw materials and inventory. Raw materials and inventory have to be insured for all risks including fire, RSD, flood and others. III) Registered mortgage of 1 Bigha land along with 64650 sqf building in Gazipur.
7) Prime Bank Registered Mortgage of 81.24 decimal land building thereon at Jarun, Konabari, Gazipur owned by Mr. Abdul Khaleque Pathan.

12.0 RIGHTS ISSUE UTILIZATION PLAN

The Company is planning to raise capital by issuing 73.99 million right shares at Tk.30 each, including premium of Tk.20 subject to approval from the regulatory authority. The above move will enhance the capital base of the company to a great extent. The proceeds, considering the proposed offer price, have been estimated at Tk.2219.83 million. With the proceeds, the company has planned to pay off bank loan of Tk.1022.6 million. The remaining amount of Tk.1197.29 million has been planned for making investment in working capital and meeting floating expenses.

13.0 RISK ANALYSIS

13.1 Gas Supply Risk

Currently KCL faces crisis of gas which is a very essential requirement for producing power from captive power plant. KCL requires 16 PSI of gas to run uninterrupted operation although the company can avail maximum of 14 PSI. KCL faces acute shortage of gas pressure

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Good Supply Chain
Management

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between 8 am and 2 pm. During this period, the company gets only 3-8 PSI which is much less than its requirement. The company plans to use cylinder gas to mitigate the gas crisis. Hence, CRISL foresees power generation risk emanating from low gas pressure.

13.2 Supplies Risk

KCL has high dependence on imported raw materials i.e. palm kernel oil, perfume, caustic soda etc. CRISL views that there is always a natural resources constraint; moreover the supply of these materials might be affected by any uncontrollable event or country risk. Considering the above factors, KCL has diversified its sourcing through a pool of suppliers from Malaysia, China, and Thailand. Despite the fact, KCL might expose to supplies risk of basic raw materials.

13.3 Market Risk

KCL has been operating in the cosmetics section of the FMCG industry which falls under monopolistic competitive market segment. The company holds good market share in soap and detergent market. Even though new entry is tough in the industry due to its involvement of large capital, KCL finds it hard to increase penetration and market share due to strong market leadership of Unilever. However, KCL always takes initiatives like giving extra commission to the distributors, providing various incentives to the customers and others to increase its sales.

13.4 Price Escalation risk

Raw material price in the international market is relatively volatile for FMCG. This volatility in price can put pressure on KCL since it may not increase its product price accordingly. Being a market leader, Unilever controls the price of the products while other companies enjoy limited pricing freedom. Therefore, any price volatility of raw materials can adversely affect the net margin. However, cost to revenue ratio for the year FY2010-11 and FY2009-10 of KCL shows that the company could absorb the price escalation effect and the recent amalgamation is likely to enhance the absorption capacity.

13.5 Distribution Risk

For any FMCG company, the most crucial wing is the distribution channel. Wide distribution network and control over the network is essential to make the quality product available to the consumer at the right time and at the right price. KCL has strong presence in all over the country in rural and urban area through its distribution partners. The company has employed an efficient supply chain management department to reduce inventory holding cost and ensure timely distribution of goods at the warehouses owned by the distributors. The supply chain management department uses a supply chain management module in the ERP system for efficient management. Through this module, the company can track the inventory movement in the warehouses of the distributors and can devise the delivery mechanism accordingly. Based on the sales orders collected by the sales force and the inventory movement, the company formulates a dispatch plan which ensures efficient delivery of goods.

13.6 Exchange Rate Risk

Exchange rate risk arises from currency fluctuation in international trade. If Bangladeshi Taka is depreciated and/or foreign currency is appreciated then the price of imported raw materials will go up which will decrease the overall profit margin. Since the Government is in favour of devaluing taka against dollar to give exporters a boost, KCL is exposed to exchange rate risk.

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14. OBSERVATION SUMMARY

<p>Rating Comfort:</p> <ul style="list-style-type: none"> • Equity based capital structure • Good financial and operating efficiency • Sufficient fund flow from operation • Experienced management team • Sound production facility • Strong supply chain management • Strong distribution network • Sound IT infrastructure 	<p>Rating Concern:</p> <ul style="list-style-type: none"> • Moderate liquidity • Large financial burden • Considerable inventory holding • Revenue dependence on few products • Exposed to gas supply risk • Exposed to price fluctuation risk • Absence of structured human resource policy
<p>Business Prospects:</p> <ul style="list-style-type: none"> • Opportunity of market growth • Scope of new products development • Diversification in the business • Scope of enhancing capacity utilization 	<p>Business Challenges:</p> <ul style="list-style-type: none"> ○ Political instability ○ Competitive pricing strategy ○ Retention of market image

15.0 PROSPECTS

By and large, Bangladesh market is price sensitive. Cosmetics and health care products producing companies would have to find innovative strategies keeping in view the purchasing power of the mass people. Considering the price-sensitivity of the consumers, many cosmetic and toiletries companies launched their products in smaller packs to make them more affordable. Small packs have proved to be very popular in the market as the concept offers consumers lower purchase costs. A strong brand promotional campaign, good distribution network, constant product innovation, quality improvement, and the ability to provide a variety of quality products are critical factors for the success in the market. Again, understanding the attitudes, preferences and aspirations of the different segments of consumers is crucial in achieving the desired success.


KCL is a public limited company set up and managed under the management of Keya Group of companies. The company has been operating profitably since beginning. The recent amalgamation also had favourable impact on its cost efficiency and profitability. In order to increase dependency on equity, the company is going to issue right shares. KCL will utilize the right issue proceed to pay off its loan which will ultimately assist the company to avoid interest burden. The company has a brand image in the market. CRISL believes that the company would be able to do better if the weaknesses are addressed and appropriate measures are taken to utilize the fund in the way it is planned.

END OF THE REPORT

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[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the SEC rules as prescribed by the Securities and Exchange Commission.]

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16.0 Corporate Information

Date of incorporation : July 14, 1996

Start of Commercial operation: February, 1997

Board of Directors:

Mr. Abdul Khaleque Pathan
Mrs. Khaleda Parvin
Mrs. Feruza Begum
Mr. Masum Pathan

Chairman
Managing Director
Director
Director

Statutory Auditor: **G.Kibria & Company,
Chartered Accountants**

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17.0 FINANCIALS

A) Balance Sheet as on June 30th

Tk. in Million

Balance Sheet	2011	2010
Particulars		
Non-Current Assets:		
Property, Plant & Equipment	766.63	152.01
Investment	605.23	300.35
Other Non-Current Assets	1.65	
Total Non-Current Assets	1373.51	452.36
Current Assets:		
Inventories	807.80	240.09
Trade Debtors	380.44	179.00
Adv. Deposits & Prepayments	279.15	205.20
Total Current Assets Other than Cash	1467.39	624.28
Cash & Bank Balances	9.56	1.64
Total Current Assets	1476.95	625.92
Current Liabilities:		
Short Term Loan	949.78	298.75
Long Term Loan-Current Portion	67.24	24.86
Trade Creditors	96.34	3.98
Proposed Dividend	4.13	5.38
Other ST Liabilities	196.14	82.18
Total Current Liabilities	1313.63	415.15
Net Current Assets	163.32	210.77
Net Assets(Capital Employed)	1536.83	663.13
Non-Current Liabilities:		
Long Term Loan	5.53	4.45
Total Non-Current Liabilities	5.53	4.45
Shareholders' Equity:		
Share Capital	611.52	288.00
Share Premium	24.00	24.00
Capital Reserve		43.20
Other Reserve	45.74	303.49
Retained Earnings	850.03	
Total Shareholder's Equity	1531.30	658.69
Total Equity and LT Liabilities	1536.83	663.13
Total Assets	2850.46	1078.29

B) Income Statement for the year ended at June 30th

Tk. in Million

Income Statement	2011	2010
Sales Revenue	2409.79	1028.99
COGS Excluding Dep.	1741.88	782.51
Depreciation-Manufacturing	66.97	208.72
Cost of Goods Sold	1808.85	803.38
Gross Profit	600.94	225.61
Salary & Allowances	19.71	37.19
Depreciation-Administration	9.24	4.26
Other Administration Expenses	31.93	12.47
Total Administration	60.88	53.91
Selling & Distribution Expenses	56.60	41.31
Profit from Operation	483.46	130.39
Financial Cost	130.20	47.69
Non Operating Income	19.39	9.24
Other Non-Operating Expenses	17.75	3.94
Profit Before Tax	354.91	171.22
Income Tax	86.53	19.84
Profit After Tax	268.38	151.38

Credit Rating Information and Services Limited

CREDIT RATING REPORT ON KEYA COSMETICS LIMITED

CRISL Report

CRISL RATING SCALES AND DEFINITIONS LONG-TERM RATINGS OF CORPORATE

RATING	DEFINITION
AAA Triple A (Highest Safety)	Investment Grade Entities rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of companies.
AA+, AA, AA- (Double A) (High Safety)	Entities rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
A+, A, A- (Single A) (Adequate Safety)	Entities rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
BBB+, BBB, BBB- (Triple B) (Moderate Safety)	Entities rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a company is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations.
BB+, BB, BB- (Double B) (Inadequate Safety)	Speculative Grade Entities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates a company as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category.
B+, B, B- (Single B) (Risky)	Entities rated in this category are adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time through creating external liabilities.
CCC+, CCC, CCC- (Triple C) (Vulnerable)	Entities rated in this category are adjudged to be vulnerable and might fail to meet its repayments frequently or it may currently meeting obligations in time through creating external liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support.
CC+, CC, CC- (Double C) (High Vulnerable)	Entities rated in this category are adjudged to be very highly vulnerable. Entities might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support.
C+, C, C- (Extremely Speculative)	Entities rated in this category are adjudged to be with extremely speculative in timely repayment of financial obligations. This level of rating indicates entities with very serious problems and unless external support is provided, they would be unable to meet financial obligations.
D (Default)	Default Grade Entities rated in this category are adjudged to be either already in default or expected to be in default.

Note: For long-term ratings, CRISL assigns + (Positive) sign to indicate that the issue is ranked at the upper-end of its generic rating category and - (Minus) sign to indicate that the issue is ranked at the bottom end of its generic rating category. Long-term ratings without any sign denote mid-levels of each group.

SHORT-TERM CORPORATE RATING

ST-1	Highest Grade Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding. Safety is almost like risk free Government short-term obligations.
ST-2	High Grade High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
ST-3	Good Grade Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
ST-4	Moderate Grade Moderate liquidity and other protection factors qualify an entity to be in investment grade. Risk factors are larger and subject to more variation.
ST-5	Speculative Grade Speculative investment characteristics. Liquidity is not sufficient to ensure discharging debt obligations. Operating factors and market access may be subject to a high degree of variation.
ST-6	Default Entity is in default or is likely to default in discharging its short-term obligations. Market access for liquidity and external support is uncertain.


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 Credit Rating Information and Services Ltd.