



77th ANNUAL REPORT 2017-18



SUSTAINABILITY & SOCIAL RESPONSIBILITY



Smt. V.L. Indira Dutt was conferred Honorary Doctorate (Honoris Causa) by the Saveetha Institute of Medical and Technical Scinces, Chennai.



KCP Cement Unit-II, has been presented the “Best Improvement in Electrical Energy Performance Award” for 2015-16

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KEY FINANCIAL HIGHLIGHTS - THE K.C.P. LIMITED

(Rs. in Lakhs)

	Year Ended									
	31-3-18	31-3-17	31-3-16	31-3-15	31-3-14	31-3-13	31-3-12	31-3-11	31-3-10	31-3-09
SHARE CAPITAL	1289	1289	1289	1289	2089	2789	3289	3289	3289	1289
RESERVES & SURPLUS	45289	39768	36652	34592	34250	34458	33168	29542	27189	22780
NET WORTH	46578	41057	37941	35881	36339	37247	36457	32831	30478	24069
FIXED ASSETS (NET)	90710	72223	71838	69486	66453	60639	54374	50668	33448	13147
GROSS INCOME	110709	95476	86582	70893	75723	88971	72654	37626	42289	41788
EBITDA	19669	14835	14965	10680	8002	11348	15208	8224	11052	11369
DEPRECIATION	4903	4861	3912	3431	3409	3197	2935	1233	1056	914
INTEREST	3529	4725	4541	4886	4473	3812	3795	1394	949	671
PROFIT BEFORE TAX	11237	5249	6512	2363	120	4339	8478	5597	9047	9784
PROFIT AFTER TAX	8127	3381	4286	1587	127	3046	6153	4135	6002	6591
OTHER COMPREHENSIVE INCOME	-27	-266	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	8100	3115	-	-	-	-	-	-	-	-
EARNINGS PER SHARE (Rs.)*	6.30	2.62	3.32	1.17	-0.04	2.16	4.56	2.99	45.88	51.13
BOOK VALUE PER SHARE (Rs.)*	36.13	31.85	29.43	27.84	27.57	27.34	26.73	23.92	220.93	186.72
DIVIDEND ON EQUITY (%)	100	200	100	75	10	100	150	100	100	100
DEBT EQUITY RATIO	1.03	1.01	1.04	0.89	0.86	0.54	0.51	0.71	0.33	0.27

KEY FINANCIAL HIGHLIGHTS - THE K.C.P. LIMITED GROUP

(Rs. in Lakhs)

	Year Ended									
	31-3-18	31-3-17	31-3-16	31-3-15	31-3-14	31-3-13	31-3-12	31-3-11	31-3-10	31-3-09
SHARE CAPITAL	1289	1289	1289	1289	2089	2789	3289	3289	3289	1289
RESERVES & SURPLUS	72324	66251	59473	51896	48425	47574	46890	41684	33434	26791
NET WORTH	73613	67540	60762	53185	50514	50363	50179	44973	36723	28080
FIXED ASSETS (NET)	116408	98078	97512	76542	74502	67124	61561	57821	40750	22401
GROSS INCOME	152952	137118	141450	129229	118246	133590	115004	72100	69471	60401
EBITDA	25558	22855	24140	17990	14766	18316	23625	15288	17298	15428
DEPRECIATION	7051	6259	4829	4821	4713	4442	4104	2233	2167	2015
INTEREST	4234	4993	5234	5146	4631	3971	4154	1565	1336	1279
PROFIT BEFORE TAX	14273	11603	14077	8023	5422	9903	15367	11490	13795	12134
PROFIT AFTER TAX	8951	7655	9335	5037	3449	6524	10605	7874	9076	8118
OTHER COMPREHENSIVE INCOME	-291	-869	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	8660	6786	-	-	-	-	-	-	-	-
EARNINGS PER SHARE (Rs.)*	6.94	5.94	7.24	3.84	2.54	4.89	8.01	5.89	69.70	62.98
BOOK VALUE PER SHARE (Rs.)*	57.11	52.40	47.14	41.26	38.57	37.91	37.38	33.33	269.38	217.84
DIVIDEND ON EQUITY (%)	100	200	100	75	10	100	150	100	100	100
DEBT EQUITY RATIO	0.76	0.76	0.78	0.60	0.60	0.39	0.38	0.53	0.42	0.07

* During the year 2010-11 the Equity Shares of Rs.10/- each were sub-divided into 10 Equity Shares of Re.1/- each. EPS and Book Value per Share are reworked accordingly.

Figures for FY 2016-17 have been restated in accordance with implementation of Indian Accounting Standards w.e.f. 01.04.2017.

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. V.L. DUTT

Executive Chairman

Dr. V.L. INDIRA DUTT

Managing Director

Smt. KAVITHA D. CHITTURI

Joint Managing Director

Sri. V. GANDHI

Technical Director

INDEPENDENT DIRECTORS

Sri. O. SWAMINATHA REDDY

Sri. V.H. RAMAKRISHNAN

Sri. VIJAY SANKAR

Sri. P.S. KUMAR

Sri. M. NARASIMHAPPA

CHIEF FINANCIAL OFFICER

Sri. G.N. MURTY

COMPANY SECRETARY

Sri. Y. VIJAYA KUMAR

AUDITORS

M/s. K.S. RAO & CO

Chartered Accountants,

Flat No. 601A, Golden Green Apartments
Irrumangil Colony, Hyderabad - 500082.

INTERNAL AUDITORS

M/s. SRIRAMAMURTHY & CO

Visakhapatnam

M/s. M. BHASKARA RAO & CO

Hyderabad

REGISTERED AND CORPORATE OFFICE

"Ramakrishna Buildings"

2, Dr. P.V. Cherian Crescent

Egmore, Chennai - 600 008

Ph: 044 - 66772600 Fax: 66772620

E-mail: investor@kcp.co.in

Website: www.kcp.co.in

REGISTRAR & SHARE TRANSFER AGENTS

M/s INTEGRATED REGISTRY MANAGEMENT SERVICES PVT. LTD.

II Floor "Kences Towers" No.1 Ramakrishna Street North Usman Road,

T. Nagar, Chennai - 600 017 Ph: 28140801/803 Fax: 281424790

yuvraj@integratedindia.in, www.integratedindia.in

CEMENT PLANTS

Macherla - 522426

Guntur District, Andhra Pradesh

Muktyala - 521457

Krishna District, Andhra Pradesh

HYDEL POWER PLANT

B.No. AE-1, NSP Colony, **Nekarikallu** - 522 615,

Guntur District, AP

WASTE HEAT RECOVERY PLANT

Macherla, Guntur District, AP

THERMAL POWER PLANT

Muktyala, Krishna District, Andhra Pradesh

HOTEL

Mercure Hyderabad KCP,

6-3-551, Somajiguda, Hyderabad - 500 082, Telangana

BOARD COMMITTEES & CONSTITUTION

AUDIT COMMITTEE

Sri. O. Swaminatha Reddy

Sri. V.H. Ramakrishnan

Sri. Vijay Sankar,

Sri. P.S. Kumar

Sri. M. Narasimhappa,

Smt. Kavitha D. Chitturi

STAKEHOLDERS RELATIONSHIP COMMITTEE

Sri. O. Swaminatha Reddy

Sri. V.H. Ramakrishnan

Sri. Vijay Sankar,

Sri. P.S. Kumar

Sri. M. Narasimhappa

NOMINATION AND REMUNERATION COMMITTEE

Sri. O. Swaminatha Reddy

Sri. V.H. Ramakrishnan

Sri. Vijay Sankar

Sri. P.S. Kumar

Sri. M. Narasimhappa

Dr. V.L. Dutt

RISK MANAGEMENT COMMITTEE

Smt. Kavitha D. Chitturi

Smt. V.L. Indira Dutt

Sri. V. Gandhi

Sri. Vijay Sankar

Sri. P.S. Kumar,

Sri. G.N. Murty

Dr. G.V.K. Prasad

Sri. K. Ramakrishna

Dr. A.V. Sivarama Prasad

Sri. B.V. P.S. Chowdary

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Smt. V.L. Indira Dutt,

Smt. Kavitha D. Chitturi

Sri. V. Gandhi,

Sri. Vijay Sankar,

Sri. P.S. Kumar

INNOVATION AND BEST PRACTICES COMMITTEE

Sri. M. Narasimhappa

Sri. V. Gandhi

Sri. V.H. Ramakrishnan

Sri. Vijay Sankar

Smt. Kavitha D. Chitturi,

Sri. P.S. Kumar

FINANCE COMMITTEE

Dr. V.L. Dutt,

Smt. V.L. Indira Dutt,

Smt. Kavitha D. Chitturi,

Sri. V. Gandhi,

Sri. Vijay Sankar

Sri. P.S. Kumar.

INVESTMENT COMMITTEE

Sri. O. Swaminatha Reddy

Sri. V.H. Ramakrishnan

Sri. Vijay Sankar

Sri. P.S. Kumar

Sri. M. Narasimhappa

COST AUDITORS

M/s. NARASIMHAMURTHY & CO

Cost Accountants, Hyderabad

M/s. S. MAHADEVAN & CO

Cost Accountants, Chennai

SECRETARIAL AUDITOR

Smt. SOBANA PRANESH

Company secretary in Practice
Chennai.

BANKERS

BANK OF BARODA

BANK OF INDIA

CANARA BANK

HDFC BANK LTD

INDIAN OVERSEAS BANK

STATE BANK OF INDIA

HEAVY ENGINEERING

Tiruvottiyur - 600 019

Chennai, Tamilnadu

Arakonam - 631 004

Mosur Road, Ekhunagar, Tamilnadu

SOLAR POWER PLANT

Muktyala, Krishna District, Andhra Pradesh

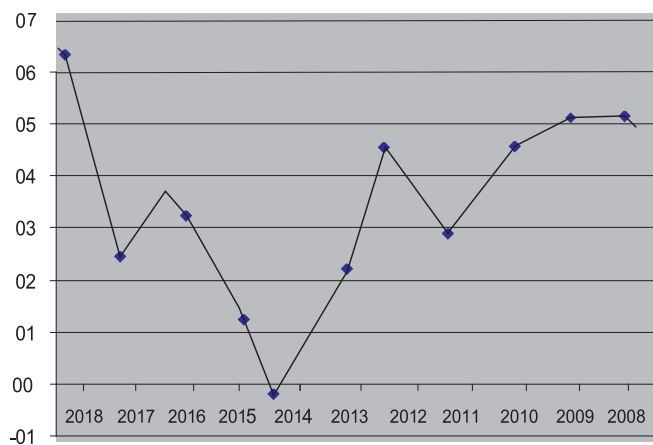
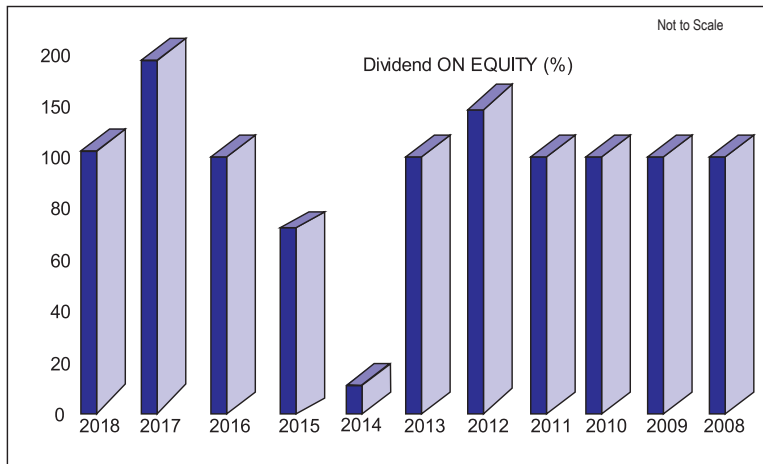
WIND MILLS

Uthumalai Village, Tirunelveli District, Tamilnadu

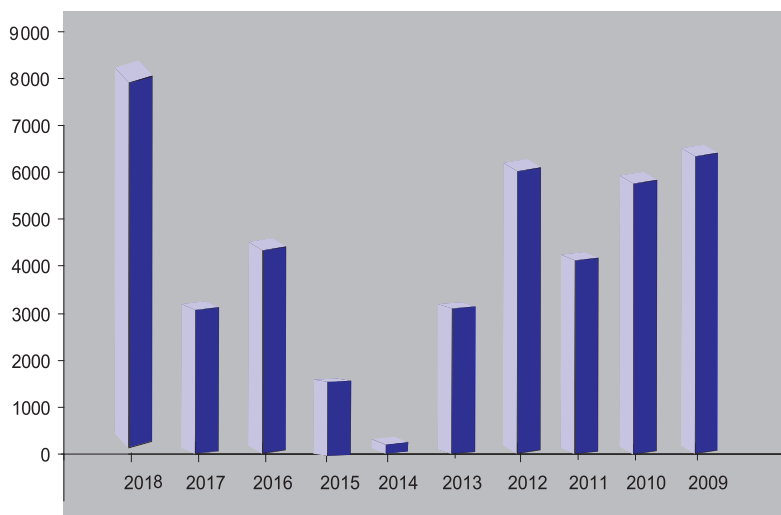
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At a Glance

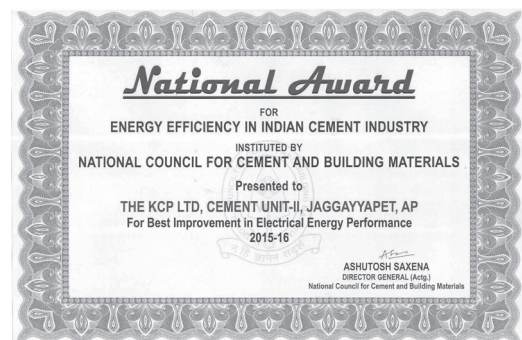


Earnings Per Share (EPS)



Profit after Tax (Rs. in Lakhs)

Awards & Recognitions



From the Executive Chairman's Desk

Dear Shareholders,

Your company has completed 77 years in business, leaving in its wake a glorious history of corporate ethics and social responsibility.

Growth, being a high priority for a Company, KCP has well-conceived and detailed action plans for Growth in Revenue, Profitability, Return on Capital Employed, Shareholder Value, Capacity Utilization and Productivity.

In the complex setting of Goods and Service Tax (GST) implementation, the tighter regulatory norms and the increasingly volatile global scenario, the resilience of KCP lies in its optimism, managerial and technical competence, discipline and commitment.



Let me deliberate on the economic scenario and performance of the company in the year gone by and the outlook for future.

The Economy of this great country is evolving rapidly and your company is adapting to meet that changes. The economic progress in the first half was impacted by GST related issues, but the second half demonstrated recovery with higher economic growth.

The international agencies have painted a brighter picture of the Indian economy going ahead. International Monetary Fund (IMF) has projected the growth of 7.4% for 2018-19 and 7.8% for 2019-20 while the World Bank estimates the economy to grow by 7.3% in 2018 and 7.5% in 2019 citing that the economy has recovered from the adverse impact of demonetization and GST related disruptions. This growth will be contingent upon favorable monsoon, pick up in investment and increased private sector spending supported by continued government spending.

Growth, being a high priority for a Company, KCP has well-conceived and detailed action plans for Growth in Revenue, Profitability, Return on Capital Employed, Shareholder Value, Capacity Utilization and Productivity.

The manufacturing sector grew by 4.5% in 2017-18, the highest since FY14 on account of restocking activities undertaken by the sector post the implementation of the GST.

Coming to your Company, the performance of the KCP was quite encouraging with the improved results not only on standalone basis but group as whole.

Though the prices of cement were not as remunerative in 2018 as they were in 2017, the volumes helped us to improve the bottom line. The demand for cement was supported by irrigation schemes, low cost housing and infrastructure projects. Energy and freight costs were under pressure on the back of rising coal and diesel prices during FY2018. But for the substantial jump in coal prices in FY 2018, the KCP would have made substantial improvements in net realizations driven by cost saving measures.

Going forward, it is expected that there would be moderate growth in the demand and prices of cement.

We are gearing up with strategies for the off- take of the additional capacity, coming on stream during FY 2019, at our Muktyala plant.

Competition for the orders for engineering goods continues to exert pressure on margins in our Heavy Engineering. The engineering unit though languishing in losses, it substantially reduced the losses of the previous year.

Coming to the Hospitality sector with reference to our Hotel at Hyderabad, it is heartening to note that the Revenue per Available Room and Average Room Revenue have been improving in the country, signaling growth in this sector. Our Hotel also showed substantial improvement in line with the trend. It is expected that the industry would do well in Hyderabad in coming years.

The prices of sugar were southwards in FY 2018. With completion of expansion to 9000 TCD, the subsidiary in Vietnam could turn out larger volumes which helped in improved and healthy bottom line. Though expansion of crushing capacity to 11,000 TCD has been completed, the completion of sugar refining facilities would be done in a year's time.

It has been a rewarding year where the Board and the executive team have been deeply involved in all of this work. We are clear in our path and in our goals. I thank to my Board colleagues.

I thank you all for your continued support. I wish to express my deepest gratitude to our Partners, Bankers, Customers, Employees and Governments that we operate in, for their guidance, advice and support. Their goodwill renews our belief in ourselves and our potential.

V.L.Dutt

From the Managing Director

Dear Shareholders,

Despite the implementation of much awaited reformist legislation GST in the Financial Year (FY 2018), KCP grew across all our key business metrics. Our standout business segment remains Cement in India and at group level it is sugar in Vietnam.

The results for the year reflect our focused approach, strategic and operational discipline, and financial strength.

Cement could sustain its good performance of FY 2017 in FY 2018 with volumes, despite the spiraling fuel prices affecting cost of production. With the surging oil prices, the logistics cost continued its upward trend unabatedly. But with the effective cost control measures and strategies of securing alternative sources of procurement, helped in containing the costs.

The cement segment registered major achievements in the fields of energy efficiency, technology up-gradation, quality and emission controls. KCP received best performance award in energy efficiency from Confederation of Indian Industry.

The cement industry is expected to grow at 5-6 per cent CAGR between FY17 and FY20. Besides, the ongoing investment in power and infrastructure sectors is also expected to boost demand growth.

With the sustained push on infrastructure through projects like Bharatmala, housing schemes and irrigation projects especially in South, the Management is confident that it would be able to operate at good levels of expanded capacity to ensure handsome rewards to the stakeholders.

Going forward, another important development is the enhancement in the Thermal Substitution Rate (TSR) by having increased usage of fly ash from the present 27 per cent in PPC, thereby prolonging the life of our depleting limestone reserves. The present TSR is less than one per cent in India as against world average of over 50 per cent. This will also considerably bring down further the emissions level of the industry apart from cutting down drastically the land required by the power houses for dumping the fly ash generated by them in open land area.



The cement segment registered major achievements in the fields of energy efficiency, technology up-gradation, quality and emission controls. KCP received best performance award in energy efficiency from Confederation of Indian Industry.

The increased cement demand in the country might see a paradigm shift in the movement pattern of cement from the conventional bagged to bulk movement of cement in loose form in special purpose wagons, although bagged cement will continue to dominate the market. Apart from this, movement of cement, clinker, etc. will start taking place through multimodal means, i.e., a combination of Rail/Road/Coastal modes, as the government is very keen to develop these transport modes also.

Despite volatility in global markets and continued uncertainties in regional and global economies the engineering division continued to improve its performance by reducing losses and with the support of a strong order book.

Sharing few highlights of the FY17-18 business, the turnover of the company grew during FY18 mainly due to higher off take of Cement. The major revenue contributor Cement business grew by 12% in FY18. EBITD in FY18 increased by 32% . The company has earned a net profit of Rs. 81.27 Crores for the year ended 31 March 2018 vis-a-vis net profit of Rs. 33.81 Crores in the previous year.

Undoubtedly, with friendlier laws, lower taxation and increased infrastructure spend; the company will grow and contribute to the Indian economy.

Business Sustainability is a comprehensive approach of management which is focused on creating and maximizing long-term economic, social and environmental values. As a responsible Corporate citizen we strive to balance the organization's growth with its environmental implications by developing sustainable solutions for the environmental concerns by innovative new technologies and use of alternative raw materials such as fly ash, dust etc from power generation.

The Corporate Social Responsibility (CSR) is an integral part of our policies and businesses from the beginning. Even before the CSR concept became law, our company took initiatives to incorporate creation of social and environmental values into our core strategy and operations, which enhances the long-term social and environmental sustainability.

We are expanding our cement capacity at Muktyala by setting up a new plant (Line 2) of 1.5 MT which is in the final phase of completion. With this expansion our cement production capacity will be over 4 MT to cater to the markets in South.

We are committed to continue with our operational excellence in the coming financial years and will take various initiatives at strategic and operational level.

I take this opportunity to thank our shareholders, dealers, employees, customers and other stakeholders for their firm belief in the Company.

V.L.INDIRA DUTT