## SUSTAINING SUSTAINABILITY





# **The KCP Limited**

78th Annual Report 2018-19



Inauguration of line 2, Muktyala



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

(Rs. in Lakhs)

		Year Ended								
	31-3-19	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
SHARE CAPITAL	1289	1289	1289	1289	1289	2089	2789	3289	3289	3289
RESERVES & SURPLUS	47744	45289	39768	36652	34592	34250	34458	33168	29542	27189
NET WORTH	49033	46578	41057	37941	35881	36339	37247	36457	32831	30478
FIXED ASSETS (NET)	98110	90710	72223	71838	69486	66453	60639	54374	50668	33448
GROSS INCOME	116352	110048	95476	86582	70893	75723	88971	72654	37626	42289
GROSS PROFIT	14054	19669	14835	14965	10680	8002	11348	15208	8224	11052
DEPRECIATION	5193	4903	4861	3912	3431	3409	3197	2935	1233	1056
INTEREST	3381	3529	4725	4541	4886	4473	3812	3795	1394	949
PROFIT BEFORE TAX	5480	11237	5249	6512	2363	120	4339	8478	5597	9047
PROFIT AFTER TAX	3951	8127	3381	4286	1587	127	3046	6153	4135	6002
OTHER COMPREHENSIVE INCOME	-206	-27	-266	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	3745	8100	3115	-	-	-	-	-	-	-
EARNINGS PER SHARE (Rs.)*	3.06	6.30	2.62	3.32	1.17	-0.04	2.16	4.56	2.99	45.88
BOOK VALUE PER SHARE (Rs.)*	38.04	36.13	31.85	29.43	27.84	27.57	27.34	26.73	23.92	220.93
DIVIDEND ON EQUITY (%)	100	100	200	100	75	10	100	150	100	100
DEBT EQUITY RATIO	1.14	1.03	1.01	1.04	0.89	0.86	0.54	0.51	0.71	0.33

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

(Rs. in Lakhs)

		Year Ended								
	31-3-19	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
SHARE CAPITAL	1289	1289	1289	1289	1289	2089	2789	3289	3289	3289
RESERVES & SURPLUS	79766	72324	66251	59473	51896	48425	47574	46890	41684	33434
NET WORTH	81055	73613	67540	60762	53185	50514	50363	50179	44973	36723
FIXED ASSETS (NET)	122773	116408	98078	97512	76542	74502	67124	61561	57821	40750
GROSS INCOME	166926	152292	137118	141450	129229	118246	133590	115004	72100	69471
GROSS PROFIT	23789	25558	22855	24140	17990	14766	18316	23625	15288	17298
DEPRECIATION	7562	7051	6259	4829	4821	4713	4442	4104	2233	2167
INTEREST	3871	4234	4993	5234	5146	4631	3971	4154	1565	1336
PROFIT BEFORE TAX	12356	14273	11603	14077	8023	5422	9903	15367	11490	13795
PROFIT AFTER TAX	8222	8951	7655	9335	5037	3449	6524	10605	7874	9076
OTHER COMPREHENSIVE INCOME	517	-291	-869	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	8739	8660	6786	-	-	-	-	-	-	-
EARNINGS PER SHARE (Rs.)*	6.38	6.94	5.94	7.24	3.84	2.54	4.89	8.01	5.89	69.70
BOOK VALUE PER SHARE (Rs.)*	62.88	57.11	52.40	47.14	41.26	38.57	37.91	37.38	33.33	269.38
DIVIDEND ON EQUITY (%)	100	100	200	100	75	10	100	150	100	100
DEBT EQUITY RATIO	0.73	0.76	0.76	0.78	0.60	0.60	0.39	0.38	0.53	0.42

<sup>\*</sup> 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. V KAVITHA DUTT

Joint Managing 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 Irrummangil 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 MANAGMENT SERVICES PVT. LTD.

II Floor "Kences Towers" No.1 Ramakrishna Street North Usman Road, T. Nagar, Chennai - 600 017Ph: 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. P.S. Kumar Sri. V.H. Ramakrishnan
Sri. Vijay Sankar, Sri. O. Swaminatha Reddy

Sri. M. Narasimhappa, Smt. V Kavitha Dutt

#### STAKEHOLDERS RELATIONSHIP COMMITTEE

Sri. P.S. Kumar Sri. V.H. Ramakrishnan
Sri. Vijay Sankar, Sri. O. Swaminatha Reddy

Sri. M. Narasimhappa

#### NOMINATION AND REMUNERATION COMMITTEE

Sri. V.H. Ramakrishnan Sri. O. Swaminatha Reddy

Sri. Vijay Sankar Sri. P.S. Kumar Sri. M. Narasimhappa Dr. V.L. Dutt

#### RISK MANAGEMENT COMMITTEE

Smt. V Kavitha Dutt

Sri. P.S. Kumar,

Dr. V.L. Indira Dutt

Sri. P.S. Kumar,

Sri. Vijay Sankar

Sri. G.N. Murty

Sri. B.V. P.S. Chowdary

Sri. K. Ramakrishna

#### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Dr. V.L. Indira Dutt, Smt. V Kavitha Dutt
Sri. P.S. Kumar Sri. Vijay Sankar,

#### **INNOVATION AND BEST PRACTICES COMMITTEE**

Sri. M. Narasimhappa Sri. Vijay Sankar Sri. V.H. Ramakrishnan Sri. P.S. Kumar

Smt. V Kavitha Dutt

#### FINANCE COMMITTEE

Dr. V.L. Dutt, Dr. V.L. Indira Dutt, Smt. V Kavitha Dutt, Sri. P.S. Kumar.

Sri. Vijay Sankar

#### 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

IDFC FIRST BANK LTD.

#### **HEAVY ENGINEERING**

Tiruvottiyur - 600 019 Chennai, Tamilnadu Arakonam - 631 004 Mosur Road, Ekhunagar, Tamilnadu

#### SOLAR POWER PLANT

Muktyala, Krishna District, Andhra Pradesh

#### WIND MILLS

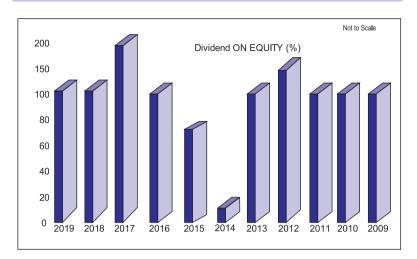
Uthumalai Village, Tirunelveli District, Tamilnadu

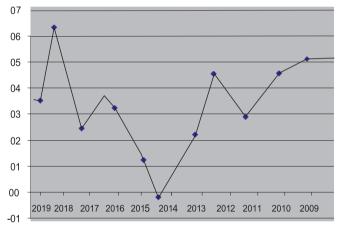
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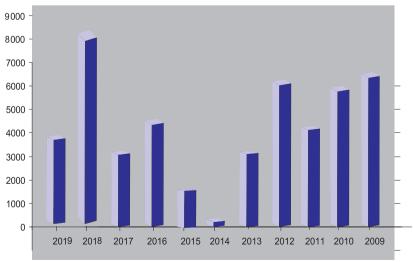
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# At a Glance





**Earnings Per Share (EPS)** 



Profit after Tax (Rs. in Lakhs)



## From the Executive Chairman

Dear Shareholders.

Leadership is a process of influencing the probability of achieving a desired change through human relationships." - P Semark

As you are very well aware, despite several structural reforms brought in by the Government, the growth in the economy of the country, as denoted by the GDP growth rate, decelerated to 5 year low of 6.8% in Financial Year (FY) 2019. We are passing thorough critical period of course corrections.

Now that, the elections are over and stable governments are in place, renewed action on economic front is awaited. Launch pad is set for taking economic reform process further and move faster for sustainable and inclusive development.

The government is facing slowing economy, partly due to declining private consumption, pressure on fiscal deficit, a few issues on labour laws, unemployment rates, farm distress, global headwinds etc.



Government need to act fast on measures aimed at booster dose for government and private sector spending, cheaper rates of financing, resolving issues related to household savings, and investments etc. Government may look at corporate income tax rates including that of MAT. Some of these issues were addressed in recent Budget 2019. The proposed lower corporate tax of 25 percent will be definitely a boost to the Corporate Sector.

The cement sector witnessed another year of strong domestic demand across regions supported by infrastructure projects and affordable housing. On financial front, cement has not done well in FY 2019 compared to FY 2018. Cement industry, especially in South was reeling under excess supply compared to demand. Prices were under pressure, especially on the

The cement sector witnessed another year of strong domestic demand across regions supported by infrastructure projects and affordable housing.

back of weaker economic growth, unstable monsoons, national elections etc.

The flagship business segment of your company also suffered due to slump in demand and the realizations. Though the year started reasonably well considering the weaker growth scenario, the realization went southwards as the year progressed. However, the silver lining was, the prices started improving in the middle of last quarter.

On the cost front, the coal prices during the beginning of the year were on higher level. However, the coal started decoupling from oil and the forecast rally did not take place. Port restriction in China and warmer weather in Europe and high stock levels, kept a bearish tone for coal. The cost of power thus reduced during the last quarter of FY 2019.

On volumes, the cement segment could partially offset the reduced realizations and cost pressures, by selling 12% more quantity, year on year. Power costs could be lower if bearish tone of international coal prices continue.

To sustain the profitability of operations in cement, KCP not only focuses on output volume but also on product quality, plant efficiency and process optimization. KCP is a pioneer in introducing highly automated robotic technology for quality testing of the product.

Dear shareholders, you will be pleased to know that our brown field expansion of the cement capacity by 1.5 million tons at Muktyala in Andhra Pradesh has been completed and the commercial production started in mid-February of 2019. However, we could not take up the construction of the envisaged Railway siding, considering the cost benefit analysis. This would be considered at an opportune time in future.

To reduce the costs of transportation, we are planning to set up a few grinding units nearer to markets and away from mother plant. One such unit at Naidupeta in Andhra Pradesh is being pursued.

The proposals in Union budget, 2019 reflected the renewed thrust on infrastructure development through the construction of roads, metro rail projects, airports renovation, irrigation projects and the extended incentives to 'Jal Jeevan Mission' Housing schemes, could help in enhancing the demand for cement.

Coming to our Engineering Segment, the unit in Chennai, made some improvement in its bottom line with the aid of improved order book position. But margin challenges continue. With a healthy order book in hand, the Unit is expected to further improve in FY 2020.

On sugar front, the season 2018/19 started with the lowest sugar prices in the last four to five years. Spike in production and exports from India and Thailand together with tepid consumption growth has led to the sugar prices in July-August 2018. Dipping to the lowest levels since September 2015. With continued expectations of global surplus and bumper production in India and Thailand (albeit at a lower than anticipated level) in the upcoming season, weather and production prospects in Brazil and pace of exports from India and Thailand are likely to be the main drivers of global sugar prices in the medium term. The Vietnam Sugar Subsidiary of your Company, registered higher volume of sales despite fall in production quantities.

The power segment performed reasonably well with the hydel unit generating good quantum of power though not the best due to not so good monsoons. The way forward for power segment is to focus on renewable energy and tapping of waste heat to generate power at low cost. The company would look at these initiatives at appropriate time in future.

Our strategy is simple. First, we strive to operate our business with a sharp focus on safety, producing profitable volumes and pursuing sustainable cost improvements. To this end the company has been striving to introduce new operating models to strengthen our internal capabilities.

Second, we seek to create further value to our stakeholders by developing the opportunities embedded in our existing operations which represent the most attractive options.

At a time when the world is wrestling with problems like climate change and socioeconomic inequities, we, as responsible corporate citizens should play our part in shaping favourable outcomes by aligning the interests of the organization with those of all our stakeholders including communities in the vicinity of our facilities through our sustainability initiatives and safety measures.

I would like to thank our employees as well as our extended partners, including dealers, suppliers and other stakeholders for their unstinted support and commitment.

On behalf of the Board of Directors of the company, I thank you for your continued trust, confidence and support.

V.L.Dutt



# **Board of Directors**



Dr. V.L. Dutt
DIN: 00143013
Executive Chairman

Dr. V. L. Dutt is a Business Management Graduate from B.I.M, London. He serves as the Executive Chairman of the Company.

He has guided the company for over 40 years, during which period it has grown from strength to strength in turnover, profits and dividends all of which have had steady increase in infusing confidence in all stakeholders including banks, shareholders, customers etc. He has steered the company towards enhancing and optimising capacities in its manufacturing plants and has forged strategic initiatives by way of strategic joint ventures with global leaders in a professional manner to build profitable and sustainable global relationships.

He served as an Administrative Director of V. Ramakrishna Sons Private Limited for 12 years. He serves as Chairman of the Board of Fives Cail - KCP Limited and KCP Vietnam Industries Limited.

Dr. Dutt was a Director on the Board of DCM Shriram Industries Limited and was the Chairman of Chennai Willington Corporate Foundation.

Presently, he also serves as a Director of Velagapudi Foundation and V Ramakrishna Sons Private Limited. He is the Honorary Consul for Turkey in Chennai.

Dr. Dutt is the Chairman of Finance Committee and member of Nomination and Remuneration Committee of the company.



Dr. V.L. Indira Dutt DIN: 00139883 Managing Director

Dr. V. L. Indira Dutt, has a B.A (Economics) from Madras University and serves as Managing Director of the Company.

She has over 20 years of experience and has ably supported the Executive Chairman in the strategic planning & direction of the operations of the company and has personally contributed towards the growth and operations of the Cement Plants at Macherla and Muktyala.

Presently, she serves as Director of Fives Cail - KCP Limited, Velagapudi Foundation, KCP Vietnam Industries Limited and V. Ramakrishna Sons Private Limited. She is the President of the World Telugu Federation (WTF) and Chairperson of Andhra Chamber of Commerce.

Dr.V.L. Indira Dutt is the Chairperson of the Corporate Social Responsibility Committee and member of the Finance Committee and Risk Management Committees of the company.



Smt. V Kavitha Dutt DIN: 00139274 Joint Managing Director

Smt. V Kavitha Dutt is the Joint Managing Director of the company. She is a graduate in Business Management (BBA) with specialization in International Business from Cedar Crest College, Allentown, Pennsylvania. She also holds a Post-Graduate Diploma in Human Resources from New York University (NYU), New York.

She has over 15 years experience and has significantly contributed at all levels of management, including in particular overseeing new projects, financial and human resources management, besides steering budgetary policies and review procedures for effective monitoring and follow up.

Presently, she serves as Director on the Boards of DCM Shriram Industries Limited, Apollo Hospitals Enterprise Limited, ABI Showatech (India) Limited, V Ramakrishna Sons Private Limited, KCP Vietnam Industries Limited, Velagapudi Foundation and Chennai Willington Corporate Foundation.

She is a Member of Young Presidents' Organization, (YPO). She was the President of FICCI Ladies Organization (FLO).

She is the Vice Chairman of SCWEC, India, the President of Madras Management Association (MMA) and also the Vice President of World Telugu Federation (WTF).

Smt. V Kavitha Dutt is the Chairperson of the Risk Management Committee and member of the Audit Committee, Corporate Social Responsibility Committee, Finance committee and Innovation and Best Practices Committees of the company.



Sri. O. Swaminatha Reddy
DIN: 00006391
Independent Director

Sri. O. Swaminatha Reddy, a Commerce graduate and fellow member of The Institute of Chartered Accountants of India, is the former Chairman of Andhra Bank and also former Chairman and Managing Director of APSFC. He has rich experience of almost four decades and has been guiding the Company in the areas of Financial Decision Making and Management Policies.

He presently serves as Chairman of the Boards of Sagar Cements Limited, Sagar Power Limited and as a Director of Surana Solar Limited, Surana Ventures Limited, and Sagar Cements (R) Limited.

Sri.O.Swaminatha Reddy is the Member of Audit Committee, Nomination and Remuneration committee, Stakeholders relationship Committee and Chairman of the Investment Committee of the company.



Sri. V.H. Rama Krishnan DIN: 00143948 Independent Director

Sri.V.H. Ramakrishnan is a Chartered Accountant and a Cost Accountant. He has extensive banking experience for more than 35 years in both Domestic and International Banking.

He served as a General Manager of Bank of India and as a Director of Andhra Bank. He serves as a member of the Group of Advisers of Shriram Group of Companies.

He served as a Director of Hindustan Photo Films Manufacturing Company Limited, Canara Bank Securities Ltd and Canara Robeco Asset Management Company Limited.

He serves as Director on the Boards of Sagar Cements Limited and Sagar Cements (R) Limited.

Sri.V.H. Ramakrishnan is the Chairman of Nomination and Remuneration committee and a member of Audit committee, Investment committee, Innovation and Best practices committee and Stakeholders relationship committees of the company.



Sri. M. Narasimhappa DIN: 03319847 Independent Director

Sri. M. Narasimhappa holds a Masters degree in Economics from Sri Venkateswara University, Tirupathi. He served in various capacities in the Indian Revenue Service (IRS) like Joint Commissioner, Additional Commissioner, Commissioner of Income Tax and retired as Chief Commissioner of Income Tax.

He has received awards for Excellence in Tax Administration form Management Association of Pune (2009) and Delhi Telugu Academy (2004). He is the Chairman, Board of Directors of Eesavyasa Technologies (P), Limited and a Director of Eesavyasa Agrotech (P) Ltd, Amara Raja Power System Limited and Vijay Nirman (P) Limited.

Sri. M. Narasimhappa is the Chairman of Innovation and Best practices committee and member of the Audit committee, Investment committee, Nomination and Remuneration committee and Stakeholders relationship committees of the company.