



## THE KCP LIMITED

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### Executive Chairman's Speech at 77<sup>th</sup> Annual General Meeting

**Dear Shareholders,**

I have great pleasure in welcoming you to the 77th Annual General Meeting of the company. On behalf of the Board of Directors I thank you for joining us today and your presence is indeed a true testimony to your involvement and support for the Company.

Let me start my speech by briefly describing the economic environment that impacts the performance of your company as well.

The global economy is on a rebound. The International Monetary Fund (IMF) estimates indicate that global real GDP grew 3.8% in 2017, which is the highest growth pace over the last six years. This positive outlook is somewhat clouded by Increased trade protectionism, rising international crude oil prices, geo-political risks and the uncertainty about normalization of monetary policies in advanced economies.

India's economy is emerging strongly from the transitory effects of demonetization and implementation of Goods and Services Tax (GST). Although India's GDP growth slowed from 7.1% in FY17 to 6.7% in FY18, the economy recorded a seven-quarter high GDP growth of 7.7% in the first quarter of FY18. The Foreign Direct Investment (FDI) flows continue to be encouraging. India has climbed the global ranking on the ease of doing business and joined the elite club of top hundred countries.

The country's growth is attributable to the solid fundamentals, such as the Government's unwavering push for infrastructure projects like Bharatmala Pariyojana, airports, metros, affordable housing, urbanization, smart cities.

Coming to the performance of your Company, the performance 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 a moderate growth in the demand and prices of cement.

We are gearing up with strategies for the offtake of the additional of 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 Engineering Unit. The engineering unit though continues to languish in losses, it substantially reduced the losses Compared to the previous year.

Coming to the Hospitality sector, 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.

Our Sustainability and Social responsibility initiatives have resulted in improved educational infrastructure, empowerment of women, improved water and sanitation facilities in communities around our operations and conservation of environment, water and occupational health and safety.

We are at the cusp of the fourth industrial revolution, with all the prospects for human advancement with resultant new business opportunities. The rapid digitization of everything around us needs complete revamp of procedures. Our future lies in our strategy in growing the company. We have to be clear on the short and medium term whilst recognizing the challenges over the longer term.

We have to be ready to meet the resource needs of today and tomorrow while anticipating the growing demands from not only our customers but also from society.

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 my Board colleagues in this endeavor.

I thank you all for the unstinted support and unwavered confidence in the Company. I wish to express my deepest gratitude to our Partners, Customers, Employees and Governments and the States that we operate in, for their guidance, advice and support.

**V.L.Dutt**