



“KCP Limited
Q4 FY2019 Earnings Conference Call”

June 03, 2019



C H O R U S C A L L ®

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Moderator: Ladies and gentlemen, good day. Welcome to KCP Limited Q4 FY2019 Earnings Conference Call, hosted by HDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Kumar Ravi from HDFC Securities Limited. Thank you and over to you, Sir!

Rajesh Kumar Ravi: Thank you. Good day everyone. On behalf of HDFC Securities, we welcome you all to KCP Limited’s Q4 FY2019 Earnings Concall. I now hand over the call to Mr. GN Murthy and Mr. Ramachandra Rao. Mr. GN Murthy is the Chief Financial Officer and Mr. Rao is the DGM Finance for their opening remarks, which will be followed by Q&A session. Thank you and over to you, Murthy Sir!

GN Murthy: Good afternoon, everybody. On annual basis, the company’s though the topline overall has gone up, the bottomline has gone down primarily driven by the reductions in the profit levels of the cement segment and the quarter has done better than last quarter marginally and since the prices in the cement segment have gone up towards February and there was a substantial improvement in the profit levels of cement as well as other segments during Q4.

On the segment wise performance, we can explain as the investors start questioning. But to tell in a nutshell, our profit was, when I am saying I am talking about the before tax profit, 55 Crores against 110 Crores of last year, this 110 Crores of last year includes a dividend of 38 Crores from our subsidiary and current year 54 Crores includes only about 15 Crores that is about 20 Crores reduction in the dividend from Vietnam. So subject to that the results have to be viewed the annual performance. On quarter basis, this does not include any dividends. The performance in overall profit before tax in Q4 was, profit before tax 20.67 Crores versus about 9 Crores of last year.

Last year there was an exceptional provision of about 9 Crores in our power segment, before power segment there was a profit of about 18 Crores. Even if we look at before exceptional item profit, last year 18 versus current year about 20.67 Crores.

With this, I open the session for any queries from the investors. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Devansh Negotia from SIMPL. Please go ahead.



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Devansh Negotia: Sir, thanks for the opportunity and congratulations on good numbers. Sir can you just share the volume number for the cement first?

GN Murthy: In Cement sector, during the quarter we sold about 5.95 lakh tonnes against, more or less, similar number of last year, 5.96 versus last year quarter-on-quarter 5.97 marginal reduction of about thousand tonnes.

Devansh Negotia: Sir one question was related to our GP margin, so sequentially I have see an increase in realization per tonne, but on our GP margin sequentially that has declined from 78.8% to 73.5% on the standalone business. So has there been any increase in the cost of fly ash or limestone maybe?

GN Murthy: There were input price increases, which have not gone up during sometime in the past. There was a reduction in the input prices..

Devansh Negotia: Reduction of input prices.

GN Murthy: Increase.

Devansh Negotia: So, if how much would that be, if you can quantify for which raw material that has increased and how much?

GN Murthy: Our mining cost has gone up consequent to labour costs going up and the marginal increase is there in imported prices of gypsum. Coal cost has gone up overall and coal cost started declining from the end of third quarter. The impact came in fourth quarter. But overall comparing year-on-year coal costs have gone up by about 15%.

Devansh Negotia: Sir but how much would the raw material price increase would be, because if I see sequentially the prices have almost increased by 5%, 6% sequentially?

GN Murthy: Prices of...?

Devansh Negotia: Cement?

GN Murthy: Cement has gone up, okay? Prices of cement as per you have gone up?

Devansh Negotia: No Sir sequentially from December to March.



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- GN Murthy:** Sequentially prices have gone up, you are right.
- Devansh Negotia:** Sir, but there has been a significant reduction in our GP margin and 80%, 85% of our sales growth cement only. So how much would that increase in limestone or gypsum maybe that our GP margin instead of increasing by 3% it has actually dropdown by 5%?
- GN Murthy:** I will answer. You are asking percentage wise?
- Devansh Negotia:** Yes for all the raw material limestone, gypsum?
- GN Murthy:** Yes, on gypsum there are minor raw material, limestone there is an increase about 5% on the total cost of production of all the raw material put together.
- Devansh Negotia:** If I look at our volume numbers, our earning capacity came online in mid of February and sequentially we are seeing a volume drop from December to March. So Sir has our new capacity not contributed anything to these volume numbers?
- GN Murthy:** Yes, in December you must be seeing about 6.15 lakh tonnes against 5.96 lakh tonnes in the current quarter, the capacity expansion started towards the middle of February, but due to demand conditions prevailing, due to various reasons like election, summer setting in, sand conditions, the demand has not picked up, but surely halted. So we are going by the market conditions for production. We do not produce just to stack it. Cement has a shelf value Demand has not gone up in summer commencing. From the middle of last, I mean middle of the Q4, there is no significant improvement in the demand conditions due to various reasons, declaration of elections, and halting of many projects, due to various reasons as well as the nonavailability of sand, increased heat conditions. All these have an effect on the demand numbers. So though the expanded capacity kicked in, we could not sell the expanded capacity.
- Devansh Negotia:** What would be your expectation for our new capacity and our volume expectation for current year and next year, given that now the capacity also is on track? How do you see it?
- GN Murthy:** The average expected forecast for the region is about 60% we are hoping.
- Devansh Negotia:** 60% utilization.
- GN Murthy:** Yes, of combined.



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- Devansh Negotia:** 60% utilization for 4.3 MTPA is that the right interpretation?
- GN Murthy:** What is the MTPAs you have said number 4.3?
- Devansh Negotia:** Yes 4.3 Sir.
- GN Murthy:** Correct.
- Devansh Negotia:** So in that case I think the volume numbers remain flat from March 2019?
- GN Murthy:** No, it would not.
- Devansh Negotia:** Roughly more or less because this is almost...
- GN Murthy:** We are expecting it would be slightly more than, 60% and 65%.
- Devansh Negotia:** What would be our maintenance capex going forward for integrated 4.3 MTPA, which is capitalized in our gross level.
- GN Murthy:** We have already capitalized for going forward means already it came in during February of about 320 Crores.
- Devansh Negotia:** The maintenance capex?
- GN Murthy:** Maintenance capex would not be that significant maybe 20:30.
- Devansh Negotia:** 20:30 Crores.
- GN Murthy:** Yes, that is only maintenance capex.
- Devansh Negotia:** Sir next question is relating to our sugar business, if you can just share the number of canes that in the sugar process per kilo?
- GN Murthy:** Devansh, which number you, want you tell me.
- Devansh Negotia:** Sir for sugar business?
- GN Murthy:** Yes the sales number is 1.12 lakhs against about 82000 last year.



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- Devansh Negotia:** 1.12 lakhs.
- GN Murthy:** Yes, the production was, sugar produced was marginally lower at 1.05 versus 1.14 in the last year.
- Devansh Negotia:** Sir for FY2019 would be, what is processed and produced?
- GN Murthy:** Produced was 1.05 lakh tonnes sugar, against versus 1.15 lakh tonnes of last year FY2018. Sold was 1.12 lakhs in FY2019 versus about 82000 of last year.
- Devansh Negotia:** Sir in our sugar business currently we are doing really high capital efficiency if I look at it and given that the product is highly commoditized in nature so are we seeing any capacity increases going forward in Vietnam, sugar capacity of the industry?
- GN Murthy:** No, not now Sir.
- Devansh Negotia:** Sir what would be the total industry capacity in Vietnam right now for sugar?
- GN Murthy:** Total industry capacity?
- Devansh Negotia:** Yes.
- GN Murthy:** In Vietnam, I can tell our capacity. I do not know the numbers of others, 11000 tonnes crushing per day, tonnes per day.
- Devansh Negotia:** Sir currently on a standalone we are seeing a debt of around 550 Crores 4.7 Crores and 100 in our maturities of short-term debt. And in our subsidiary we are holding around 100 Crores of cash in our sugar subsidiary so do we have any plans to give dividend to the standalone and reduce the debt?
- GN Murthy:** Give to the standalone company from Vietnam?
- Devansh Negotia:** Yes, from Vietnam to standalone?
- GN Murthy:** In Standalone, the dividends are always coming in during the first quarter. So they are likely to declare only in the first quarter. I do not have a readily available numbers because we are yet to declare any numbers.



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Devansh Negotia: Sir in terms of our cost per tonne of cement that we are seeing is roughly around 3950 for FY2019 which is on a very higher range if we look at the cement industry. So do we plan to take any cost cutting initiatives in terms of?

GN Murthy: You are arriving at 3900.

Devansh Negotia: Yes 3950.

GN Murthy: You must have had a different type of calculation? Normally you are including the interest?

Devansh Negotia: No Sir just cost per tonne for cement so excluding depreciation?

GN Murthy: Including depreciation, okay.

Devansh Negotia: The realization minus EBITDA.

GN Murthy: We have certain plans to reduce their cost. We are taking certain initiatives like on the cost of sale, which we have to look at, because your calculation includes freight. You have taken EBITDA that means it includes the cost of freight. Freight outward normally we do not calculate in cost. If you consider freight, the primary target would be to reduce the cost of freight. Freight we are trying to target by setting up a grinding unit, a little far away from the mother unit, so that we can save freight. I was telling in the earlier conference call. At the cost of repetition, I would like to say that in the grinding units you will take only 60% clinker to the grinding unit and add fly ash and other materials available at very reasonable price in the neighboring areas so that you can reduce 40% of the hauling cost of cement from the mother plant instead hauling only 60%. This is a major item, because per tonne of cement you would have taken about Rs.1000 as the cost of freight. Your calculation is exactly about Rs 1200 per ton., I am seeing that number. So if you save at least a part of freight say about 10%, 15% on the quantity. The freight saving on 40% of freight of Rs 1000 or whatever it is, would give the substantial benefit. That is the cost reduction, measure imitative in cement. To tell you very frankly what is the cost that we can control in cement? In power? Only in power you can try to save some amount. Otherwise there is nothing substantial you can do, everything external. So whatever efforts you put in, it will result in maybe Rs.50 or so. Substantial impact would come from the reduction in the coal prices, which are happening now which we hope would continue. It is only an expectation not any research based projection. If we continue at the current level, yes, there would be a reduction of at least Rs.100 on the power cost. If it continues like this, should have an impact of at least Rs.50 to Rs.100, on the cost. This is the major reduction that could



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happen on an average basis in the coming year if the price at current level continue. But 2018-2019 average prices were on higher side. Initially they were around USD 85 to 90. Slowly they scaled down. Now current level at about USD 67 to 70. So, last year average was higher. Current year if the prices continue, probably we can hope for reduction in the prices. With the grinding unit coming for about 5 lakh tones, probably we will get some reduction. Otherwise, the major elements are completely external to us.

Devansh Negotia: Sir Rs.100 to Rs.150 per tonne on freight and Rs.50 to Rs.200 if the current coal prices sustain is that is the right interpretation?

GN Murthy: I am not getting you. Repeat your question Sir?

Devansh Negotia: Sir if the freight initiatives for the grinding unit that we are going to come in, going forward?

GN Murthy: 5 lakh tonnes you can make the calculation, 5 lakh tonnes we are hoping after maybe six to ten months we will have the grinding unit in place. From thereafter we are likely to have that reduction on 5 lakh tonnes.

Devansh Negotia: Sir while current quarter in segment assets we have not seen an increase of 370 Crores in the segment assets for cement because the new plant is also commissioned?

GN Murthy: Segment assets have not gone up?

Devansh Negotia: Yes, the segment assets for cement have not gone up.

GN Murthy: Has not gone up, segment assets for cement?

Devansh Negotia: Yes.

GN Murthy: 300 Crores it has gone up Sir.

Devansh Negotia: 898 from 852.

GN Murthy: That is right, In your segment assets definition, you will not get the idea of that Sir. Because for that you have to look at the asset capitalized. The total segment asset includes work-in-progress which was there as on March 31, 2018 also and in March 31, 2019 work-in-progress addition was, hardly, Rs.100 Crores. But the amount from work-in-progress to



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fixed assets has gone up, if you look at the fixed schedule. You will find the difference. About 320 Crores is the addition. But if you go by the format you will not know

Devansh Negotia: Sir we are almost two months past the March quarter, how are we seeing the demand and volume shaping up? Are we seeing any the prices are sustained at the current levels?

GN Murthy: We are already in June quarter Sir. Results are round the corner. On Prices general comments I can make, specific comments on the current performance I cannot make. Some correction was there but so far they are holding. But I cannot say with certainty about future, because the price increase in February was reasonably good, considering the dampened prices in the quarters before third quarter and before. But how long they hold to this price level, despite costs being high, we have to look at it.

Moderator: Sorry to interrupt you Mr. Negotia, I request you to come back in the question queue for a follow-up question. Thank you. The next question is from the line of Saumil Shah an Individual Investor. Please go ahead.

Saumil Shah: Good afternoon everyone. Most of the questions were asked by the previous participant so just I wanted to have clarity on this. For 2018-2019, sales of cement division was around 1017 Crores and now since the new capacity has been increased how much revenue we expect in current year and next year from cement division?

GN Murthy: Current year you mean 2020?

Saumil Shah: Yes 2019-2020 and 2020-2021?

GN Murthy: We are expecting a capacity utilization of 60%, 65%, which should give about 2.7 lakh tonnes we are hoping, and this multiplied by the price that are likely to come, is the revenue number. Sales price we cannot exactly say. What is the revenue numbers would be dependent on sales price, but quantity I can say.

Saumil Shah: Yes, roughly on a percentage basis how much percent can it increase revenue?

GN Murthy: You are asking me maths about 13% to 15% quantity.

Saumil Shah: Quantity okay?

GN Murthy: Yes revenue value depends on the price.



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Saumil Shah: Correct. One last question the cash and bank balance in 2017-2018 was around 31 Crores and it has almost increased to 126 Crores in 2018-2019 so are we looking to?

GN Murthy: On consolidated basis.

Saumil Shah: Yes. So are we looking to reduce any debt in current year with this cash?

GN Murthy: Most of the bank funds are in Vietnam subsidiary. There are not much bank funds available in the standalone company. So Vietnam would probably send in the form of dividends and then there might be some investment, which is not crystallized, I am not making any statement on the investments in Vietnam.

Saumil Shah: Thank you very much. I am done.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking Limited. Please go ahead.

Prateek Kumar: Sir one question on your segmental results. So there is a difference between annual consolidated power revenues and standalone power revenues so what is this subsidiary power revenues?

GN Murthy: Subsidiary, there was power exports from the cogen plant of 30 megawatts we have. We have exported 30% extra power compared to last year and which incurred some loss of about 13 Crores compared to last year of Rs 6 Crores.

Prateek Kumar: So this is where Sir?

GN Murthy: Vietnam.

Prateek Kumar: Vietnam only. So the volumes were higher by 30% but we incurred additional loss on those sales?

GN Murthy: Correct and probably some fixed expenses must have been covered.

Prateek Kumar: Sir regarding on this new capacity expansion we were looking to spend 370 Crores which was indicated last quarter so we spend even lower than that probably 320 Crores?



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GN Murthy: There are some minor facilities like packing plant, fly ash silo and minor finishing works to be done, they might cost about 30 Crores, 40 Crores, subject to that which does not obstruct the commercial production. But this is minor facility which have to be closed in the current year.

Prateek Kumar: The rail siding, which we are looking at we are not looking at that now, was the original plan?

GN Murthy: Yes, no, our original plan was jettisoned at the time. Now we have the land acquired. Land acquired means the payments have been made, appropriate registrations have to be done. But we are still open on the railway siding. Depending on the split grinding units initiatives, probably, we may have to look at the siding also to cater. If really, tomorrow, we have multiple grinding units, then probably we may have to have siding also, that is the futuristic thinking.

Prateek Kumar: Sir what would be our trade, non-trade mix and lead distance for this year?

GN Murthy: It mostly goes to trade only. Non-trade maybe 15%-20%, so 80% is the trade.

Prateek Kumar: Sir what would be a lead distance?

GN Murthy: Most of the cement we sell, say, 70% in Andhra. It will take 200 Km to 300kMs and the balance we sell in mostly Tamil Nadu and Telangana.

Prateek Kumar: Sir there was a recent news flow regarding the new government scrapping some tenders so any update on that front or what is the internal expectation of industry in terms of new orders?

GN Murthy: We just now told you that we are not much dependent on non-trade. So scrapping of tender would not really impact, substantially, us. But, yes, really if they scrap those tenders, the cement manufacturer, all of them will look for the other segment. Then there could be an issue. We are awaiting any happening. But importantly they would not scrap and keep quite. They have to re-award. So on expenditure, may be one or two months delay, could be there. But the expenditure will come with double levels. That is what our sense is. Stable governments are in place now. Though temporary lull could be there in the form of transitional hiccups, but in future there could be persistent and sustainable initiatives, which could help.



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Prateek Kumar: Regarding your 15%, 20% non-trade sales so Sir, which is type of customers, which are using like some builders or it is not government related demand?

GN Murthy: Government awards the contracts mostly, for example like Polavaram or capital construction, they award to one major contractor who would in turn buy from us. So we do not directly supply to government.

Prateek Kumar: For these buyers so are we seeing any replacement in terms of what they were looking to buy earlier now or maybe in last two months also like post the price hike?

GN Murthy: No, I am not getting you; do you mean to say that is there any replacement of the contractor?

Prateek Kumar: Replacement?

GN Murthy: So far except the circular of stoppage, our impact is not much because our sales itself is not much in that segment. So we are not finding anything except that we have a lull in the activity in the last two months.

Prateek Kumar: Sir you mentioned about coal prices so what was there in FY2019 you said what was the coal price you mentioned in FY2019 and Q4?

GN Murthy: Average, it must be around between 75 and 80 and now it is hovering between 67 and 70.

Prateek Kumar: What would be Q4 number if you have that data?

GN Murthy: Coal prices?

Prateek Kumar: Yes, so this 75, 80 would be for year what would be Q4 number?

GN Murthy: Q4 number would be around \$70.

Prateek Kumar: \$70.

GN Murthy: Yes.

Prateek Kumar: Just last question on what would be your OPC, PPC mix?



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GN Murthy: OPC about 60% to 70% PPC balance.

Prateek Kumar: Thank you Sir. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Aweek Mitra from Aveksat Financial Advisory. Please go ahead.

Aweek Mitra: Thanks for taking my questions, Murthy. I would like to know two things so one is about the engineering division, I think this year you have ended with almost a no profit, no loss kind of a situation what you see the future going ahead for this because I guess you have some fixed contracts from some companies and second question is about the sugar if you can give any update on that antidumping duty or removal of this dumping duty from Thailand or something which is being proposed and which has been extended for two years what is the future so how you see the sugar division's profitability going ahead?

GN Murthy: One is engineering and one is sugar. I will start with engineering. In engineering, first you please note that in Q4 we have one extra write-back, one time, of about 4 Crores relating to a case we won in the engineering division. You will discount that in the profitability. That is one major important note for all the investors.

Second thing do we continue to make the profits? See, we are also coming out with proper explanation on the engineering unit performance. Any engineering unit has mixed bag of orders from several industries, be it defense, power, steel, infrastructure where multiple industries would be placing orders. Our fortunes are always linked to the fortunes of these industries. If we land with orders in one segment with profit, another segment to fill the shops, we may take at variable cost plus, which would only give the contribution. So importantly, our profitability will be practically dictated by the mix of the bag we have with us. Currently, in Q4 we had important orders dispatched which were on plus side. Do we continue next year with the similar kind of plus numbers? If we are looking at Rs 5 Crores - 6 Crores per quarter, you will be estimating a 20 Crores profit and turnover? No, it is not like that. You will be ending up with an average of the bag (of orders) you have executed and dispatched. We are expecting that by the end of the year, we may end up with marginal profit and not proportionately multiplied by the quarter absolute numbers. We are targeting a turnover of about 120 Crores on all segments of industrial orders we have, so we might end up with a marginal profit in engineering.



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Coming to sugar there is a decline in the selling price from about 44000 last year to 37000 in the current year. This is visible to everybody and across the globe this is the situation. So the sugar prices are down. What about the production? There is drought across the globe including India. So there is a drought and there is a fall in the production. But since we built inventories over a period, we could make additional volumes and sell, even though they had declined. Profit was higher as their cost of production was lower in the last year and those profits got added on the additional numbers sold. Going forward there is a drought situation, but we have closing inventories, which could be sold. So this the scenario on the sugar and price decline as well as drought in the industry across the globe including Vietnam.

Aveek Mitra: The duty impact?

GN Murthy: Duty impact on Vietnam industry we have not felt much on the duty but going forward depends on the trade talks what would happen. We cannot estimate and they have to comply with their international understanding, Vietnam.

Aveek Mitra: Yes, but what we understand from the paper reading the news is that I think this duty will go down or removed for Vietnam by next 2021?

GN Murthy: Whatever you are hearing, the same thing I am reading. I will only read out same thing.

Aveek Mitra: My question is actually can you be able to maintain your profitability beyond that point that is my question because that is how we can value the business?

GN Murthy: No, you tell me in India, all sugar companies will be able to maintain their profitability? In 2018 sugar companies, or 2017, they made substantial bumper profits. Did they make consistently over next two years? No, there was a fall. But I am not saying that. We are somehow managing to increase our profit level. But these are seasonal and subjected to several cyclical impacts, I will not be in a position to comment on that.

Aveek Mitra: That is all from my side.

Moderator: Thank you. The next question is from the line of Devansh Negotia from SIMPL. Please go ahead.

Devansh Negotia: Thanks for giving me the opportunity once again. Sir my question is mainly relating to our sugar business. Sir can you just elaborate more on the business economics of sugar business



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of Vietnam and how is it different from the sugar business in India because when we look at the numbers of sugar business for past like five ten years it is not as volatile as we look at the sugar business of India. So if you can just throw some light on the same that what makes sugar business in Vietnam more secular than sugar business in India?

GN Murthy:

Indian sugar business substantially depends on the exports apart from domestic consumption. Every company is impacted by the global prices whereas Vietnam our sales are domestic. So if domestic prices hold out, then there is no impact on the domestic industry, whereas in India your global prices impact your profitability of the company but whereas Vietnam, no it is not like it ours is based on domestic prices.

Devansh Negotia:

Is it that by regulation that no capacity can come up in Vietnam going forward? If you recall that such capital efficiency it is bound that the new capacity will come on stream because we are posting like 45% return on capital employed this year so my question is more towards that what is our view on the capacities going forward in sugar business in Vietnam in next three years?

GN Murthy:

No country would impose restrictions on the capacity expansion if there is demand locally available. Only thing is how international companies or domestic companies would come there and setup and support the farmers. We support the local farmers. We extend necessary advances to them and encourage them. We help them in sowing onwards, give them advances. So this kind of infrastructure whether others can deploy and also ensure a proper local support or not is a question mark. It depends on the company's capacity to ensure these things. We being there in the Vietnam, we know the local conditions very well and we manage things to suite this country's economy, so that is why we being there for long we feel we are strong. If new companies come they should know how to handle the local situation also, you need to support the farmers, you need to ensure proper sowing, you need to ensure the acreage you need to. Also withstand the drought conditions because you are also committed to their sowing and you have invested money in their lands. So these things are something which you have to constantly look at. These are the dynamic factors and we are ensuring our money is safe as well as locals are also happy with the management. We ensure the safety, welfare of the local people. When I say safety, I do not mean the physical safety. We ensure secure prices as well as the proper financial support.

Devansh Negotia:

Sir in our cement business has there been any change in strategy the way we used to operate in past in the way we are operating now because even with our earlier capacity we used to do like 5 lakh, 6 lakh tonne a quarter and now given currently?



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GN Murthy: We did this quarter also 6 lakhs. Now that is what your complaint is 1.5 times should be turnover

Devansh Negotia: Sir that is not my question. My question is that now there has been a substantial increase in capacity and we are working with the similar number of 2.4 MTPA per year, which we are doing with the earlier capacity maybe like 3%, 4% increase in that. So has there been any change in strategy in the way we used to sell cement in past and the way we are looking at this business in future?

GN Murthy: No, see definitely I understand that. When demand is constant how efficiently you can put to use the new capacities, is the question. I understand that. The demand numbers remaining stagnant, if not falling during the December period and also in the period under review. We are looking at slightly faraway markets like Tamil Nadu, to ensure additional capacity utilization and some realization over variable cost. We are definitely looking at newer markets and also you have heard my earlier questions of non-trade, trade mix. We are looking at it seriously and OPC, PPCmix. See, there are market, product combination, customer combination. These three we are looking at.

Devansh Negotia: Sir can you share for cement the breakup of realization per tonne power and fuel, freight, other expenses because it just helps us to give the better understanding of the profitability if it is possible for you to share?

GN Murthy: Right now I do not have, you can call me and I will share with you. You have my numbers. You can call me. I will also look at the numbers. No problem.

Devansh Negotia: Thanks a lot. This is it from my side.

Moderator: Thank you. The next question is from the line of Ravi Purohit from Securities Investment Management Private Limited. Please go ahead.

Ravi Purohit: Thanks for taking my questions. Sir two questions, one is has the new capacity related debt all been accounted for in our balance sheet so is this like peak debt that we are expecting and do we have any capex plan for FY2020 both in India as well as in Vietnam and if not then should we expect a steady reduction in debt levels through the year?

GN Murthy: Yes two questions; one domestic, one Vietnam. The first question is without accounting debt in our books, I cannot declare results. It is 100% accounted. There is no way I can draw the money from the bank, without accounting it. It is already accounted. Whatever



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number you are seeing is the complete debt, 550 Crores, whatever is the number, including the cash credits. You want me to give that breakup? There will be a total debt of 550 Crores, which includes bank borrowings also.

Ravi Purohit:

Yes, bank borrowing short-term, long-term, advances from promoters everything.

GN Murthy:

Sir including CC cash credit 550 Crores. So then do we have any further capex in the current year? We are going to have primarily grinding unit and the balance was in the expanded capacity of 40 Crores. May be there would be about 100 Crores of capex in the current year and the new projects which will be funded by about 60 Crores, 70 Crores of debt and there will be repayment of debt of about 70, 75 Crores not considering the short-term loans. So on an average, it is likely to remain stagnant at the same level in the current year also on the standalone basis. On consolidated basis, there is further reduction due to Vietnam making certain additional profits and loans being repaid there, there is some addition to the bank balances. So any plans in the Vietnam? We have not grounded any specific plan as of now and after distributing dividends we have to look at whatever it is to be utilized in future.

Ravi Purohit:

When does Vietnam typically announced dividend in the June quarter and the September quarter?

GN Murthy:

Last two years they declared in the June quarter.

Ravi Purohit:

In the June quarter.

GN Murthy:

Last two years.

Ravi Purohit:

Sir apart from that what is I think you had mentioned about the engineering order book or I think execution 120 Crores is it order book or is it what you expect to execute the same?

GN Murthy:

Sales, order book we have about 150 Crores and out of that deliverable would be about 120 Crores.

Ravi Purohit:

About 120 Crores.

GN Murthy:

Yes, that means sales.



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Ravi Purohit: Sir coming back to Vietnam you had mentioned is this 11000 TCB fully operational and we are kind of utilizing?

GN Murthy: Operational, yes it is.

Ravi Purohit: The cogen power plant how much revenue are we able to generate from that and is it remunerative or does it make money or does it loose money or how does it work?

GN Murthy: There is a enhanced loss reported by cogen during the current year compared to last year but it must be meeting, we do not export without making, at least contribution. Otherwise there would not be improvement in the total bottom line overall. It is making loss but must be meeting the fixed cost.

Ravi Purohit: How much loss did we make on the power plant in this year FY2019?

GN Murthy: 13 Crores FY2019.I think I told you already that.

Ravi Purohit: This is last year about 6 Crores, 7 Crores or about 10 Crores. So last year how much loss did we incur in the topline in Vietnam?

GN Murthy: About 6 Crores last year and 13 Crores this year bottomline

Ravi Purohit: But the 13 Crores did not have any one off, it was actually because the overall volume of power went up but there was some per unit loss that we were incurring?

GN Murthy: Yes, volume has gone up, correspondingly per unit has gone up, the loss amount also.

Ravi Purohit: Do we expect to keep loosing this much only or we are taking any steps to kind of not lose that much money?

GN Murthy: We are taking steps. In fact helping Sir. Every additional unit is helping us in reducing the overall losses.

Ravi Purohit: The losses have increased this year right so or is it the transfer pricing that the profit is actually sitting in the sugar division?

GN Murthy: No, there is no such thing but it is giving some contribution.



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- Ravi Purohit:** All the best. Thank you. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Amit Khimesra from Prabhudas Lilladher Private Limited. Please go ahead.
- Amit Khimesra:** Just wanted to know the volume breakup for Q4 this year and Q4 last year?
- GN Murthy:** Of cement?
- Amit Khimesra:** Yes, cement volumes?
- GN Murthy:** Yes, this year 5.96. I gave this number 5.97 last year lakh tonnes.
- Amit Khimesra:** Full year FY2019 how much we did?
- GN Murthy:** 24 lakh tonnes this year, 24.4 this year, 21.7 last year.
- Amit Khimesra:** Is it possible to give the EBITDA per tonne for this quarter in last year, same quarter?
- GN Murthy:** On full year basis 400, and before depreciation, interest and taxes, okay. Full year basis 400, last year it was 700. On quarter basis it is about 520 this year Q4, and Q4 of last year 440.
- Amit Khimesra:** So last quarter we did around Rs.100 per tonne so it has substantially improved this quarter?
- GN Murthy:** Rs.80.
- Amit Khimesra:** Rs.80 yes. So is it largely on account of the better realizations or the cost efficiencies have also done?
- GN Murthy:** Some coal prices impact is there to some extent and mostly it is price.
- Amit Khimesra:** So how prices have moved in April and May month?
- GN Murthy:** Prices are continuing with some correction.
- Amit Khimesra:** Any numbers?
- GN Murthy:** On what, EBITDA?



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- Amit Khimesra:** No, I mean prices I mean per bag, how much it has been reduced?
- GN Murthy:** How much, marginal corrections Sir?.
- Amit Khimesra:** Okay so this you mean key markets?
- GN Murthy:** Correct.
- Amit Khimesra:** Thank you Sir.
- Moderator:** Thank you. As there are no further questions. I will now hand the conference over to Mr. Rajesh Kumar Ravi from HDFC Securities for closing comments.
- Rajesh Kumar Ravi:** Thanks all of you to joining to the call. We also thank the management of KCP Limited for taking their time out to address the client queries. Sir any concluding remarks you would want to make before we close the call?
- GN Murthy:** I thank all the investors for the confidence in the company and any clarification we are open to answering. We can be reached on the numbers available on our website. And I thank everybody and also HDFC Securities. Thank you.
- Moderator:** Thank you very much. On behalf of HDFC Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.