

KCP Limited.

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs129	Rs71	Rs150	16%	BUY	Rs16.6

About the Company:

KCP Limited (KCP) is a diversified business group having presence in Cement, Heavy Engineering, Sugar, Power and IT. It operates its cement business through Macherla Cement Works and Mukthya Cement Works having the combined capacity of 2.3mn tonnes, offering cement products such as ordinary Portland cement (OPC) and Portland pozzolana cement (PPC) under the brands KCP and Shreshtaa. The Power Segment consists of hydel, wind, waste heat based and thermal based plants at various locations which are primarily for captive consumption. The sugar business is through its joint venture Fives Cail KCP Ltd., which provides process equipments and plants for sugar, refining and bioethanol industries from cane and through its subsidiary, KCP Vietnam Industries Limited, which offers sugar, molasses and other products. The Company is engaged in the IT business through its associate, KCP Technologies Limited, a provider of offshore IT solutions.

Results Declared:

- The net sales during the quarter clocked a growth of 22.5% at Rs2503mn as compared to Rs2043mn in the same quarter last year
- The Ebitda margins came in at 14%. The drop is attributed to the increase in the employee expenses which includes Rs44mn onwards Leave Encashment Benefit arising out of change in Salary meaning for the purpose of calculating leave benefits liability.
- The net profit grew to Rs370mn from Rs95mn in the comparative quarter. This was mainly due to the other income of Rs386.9mn as the dividend amount received from overseas subsidiary.
- The EPS for the quarter is Rs2.87
- On the segmental front, the engineering segment of the company clocked a growth of 8% at Rs253.9mn compared to Rs235.5mn in the comparative quarter. While the cement sector grew by 6% the power segment clocked growth of 27%. The hotels segment clocked revenues of Rs34.4mn during the quarter as compared to Rs24.2mn, growth of 42%.

Financials (Standalone)

Result Update (Q2FY2018)									
Q1FY18 Result (Rs mn)	Sept-17	Sept-16	y-o-y	June-17	q-o-q	FY16	FY17	y-o-y	Revised FY18E
Total Income	2503	2043	22.5%	2,368	5.7%	7,466	8,165	9.4%	9,755
EBITDA	341	362	(5.8%)	519	(34.3%)	1,435	1,427	(0.6%)	1,649
Other Income	386	12	-	22	-	70	74	5.7%	429
Interest	91	122	(25.2%)	104	(12.4%)	454	463	2.0%	405
Depreciation	117	119	(2.2%)	120	(2.8%)	391	505	29.2%	512
Exceptional item	-	-	-	-	-	8	62	-	-
Tax	149	37	302.7%	85	75.4%	223	175	(21.5%)	348
Net Profit	370	95	289.6%	232	59.6%	429	296	(31.0%)	812

Outlook and Recommendations:

The company has reported flat results for the quarter when considering the increase in the employee expenses as well adjusting for the other income. We had initiated a BUY on the stock with a target price of Rs150 and maintain the same.

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