Pick of the Week

K C P Ltd.

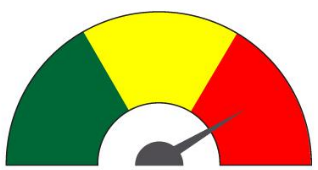
August 18, 2025

K C P Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Cement	**Rs. 204**	**Buy in Rs. 195-210 band and add on dips in Rs. 165-180 band**	**Rs.220**	**Rs. 230**	**2-3 quarters**

HDFC Scrip Code	K C P
BSE Code	590066
NSE Code	K C P
Bloomberg	K C PL:IN
CMP Aug 14, 2025	204
Equity Capital (Rs Cr)	13
Face Value (Rs)	1
Equity Share O/S (Cr)	13
Market Cap (Rs Cr)	2,630
Book Value (Rs)	119
Avg. 52 Wk Volumes	7665244
52 Week High	267.00
52 Week Low	167.00

Share holding Pattern % (June, 2025)	
Promoters	44.25
Institutions	4.08
Non Institutions	51.67
Total	100.00



*** Refer at the end for explanation on Risk Ratings**

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Our Take:

K C P Ltd is a well-established Indian industrial conglomerate with diverse business interests, mainly in the manufacturing of cement and sugar. Founded in 1941 and headquartered in Chennai, Tamil Nadu, K C P has grown to become a significant player in these sectors, contributing to the country's industrial and agricultural landscape. The company's cement division produces high-quality cement under various brand names, serving the infrastructure, construction, and real estate sectors across India. K C P Ltd emphasizes maintaining strict quality standards and adopting modern technology to ensure the durability and performance of its cement products. Besides cement, K C P Ltd operates a sugar manufacturing division, which processes sugarcane into sugar and related by-products. The sugar business is supported by the company's agricultural operations and sugar mills located in key sugarcane-growing regions. This vertical integration helps K C P maintain supply chain efficiency and product consistency. K C P Ltd's dedication to sustainable practices and innovation has enabled it to remain competitive in both sectors.

Valuation & Recommendation:

We estimate K C P to deliver 7% revenue CAGR during FY25-27E and EBITDA to grow at 15% during FY25-27E, supported by a stabilised pricing environment by FY26, and cost reduction initiatives. It has superior growth prospects, better market mix/profitability, and return ratios vs. peers.

We believe investors can buy the stock in Rs 195-210 band (3.6x FY27E EV/EBITDA) and add on dips in Rs 165-180 (3x FY27E EV/EBITDA) band for a base case fair value of Rs 220 (4x FY27E EV/EBITDA) and bull case fair value of Rs 230 (4.3x FY27E EV/EBITDA) over the next 2-3 quarters.

Financial Summary

(Rs cr)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY24	FY25	FY26E	FY27E
Operating Income	676.5	691.0	-2.1	634.8	6.6	2,846	2,529	2,731	2,868
EBITDA	111.1	65.3	70.0	102.3	8.6	353	306	391	395
APAT	63.5	32.1	97.5	37.6	68.9	189	173	256	265
Diluted EPS (Rs)	7.0	3.9	77.6	5.6	24.0	14.7	13.4	19.9	20.5
RoE-%						14.4	11.7	15.5	13.9
P/E (x)						13.9	15.2	10.3	9.9
EV/EBITDA						6.2	7.2	5.0	4.3

(Source: Company, HDFC Sec)

Q1FY26 Result Review:

Revenue decreased by 2% YoY to Rs 677 crores due to softer market demand. EBITDA came in at Rs 111 crore (-65% YoY, -9% QoQ). On PAT level, the company reported adjusted profit of Rs 64 crore as against net profit of Rs 32 crore in Q1FY25 and net profit of Rs 71 crore in Q4FY25.

For FY25, revenue is down by 11% YoY as sales volume is flat YoY.

Key Triggers:

Established track record in the cement and sugar businesses:

The K C P group has been engaged in the cement business for over six decades. The company is having significant market footprint in Andhra Pradesh (AP) and Telangana. Healthy volume growth, recorded over the past few years, led to an increase in capacity utilisation to over 75% in fiscal 2024. However, the company may witness a decline in volume during fiscal 2025, owing to muted demand and the strategic decision to reduce sales in non-core markets amidst the weak pricing environment. Further, in the absence of any major capacity addition, volume may grow at a moderate pace over the medium term. The group has a sugar crushing capacity of 11,000 tonne per day (tpd) at Vietnam, housed under its subsidiary i.e. K C P Vietnam. This segment accounts for 35-45% of overall revenue. Performance of the sugar business remained healthy, aided by an increase in sugarcane area, healthy yields, and higher realisation. The performance is expected to sustain in fiscal 2026 owing to an increase in sugarcane area and continued government support to local producers in Vietnam.

Diverse and resilient business mix:

K C P sustains a well-diversified presence across cement, sugar (through K C P Vietnam with 11,000 tpd crushing capacity), engineering, and even a hospitality segment with a 127-room hotel in Hyderabad. Notably, the sugar division — comprising 35-45% of overall revenue —

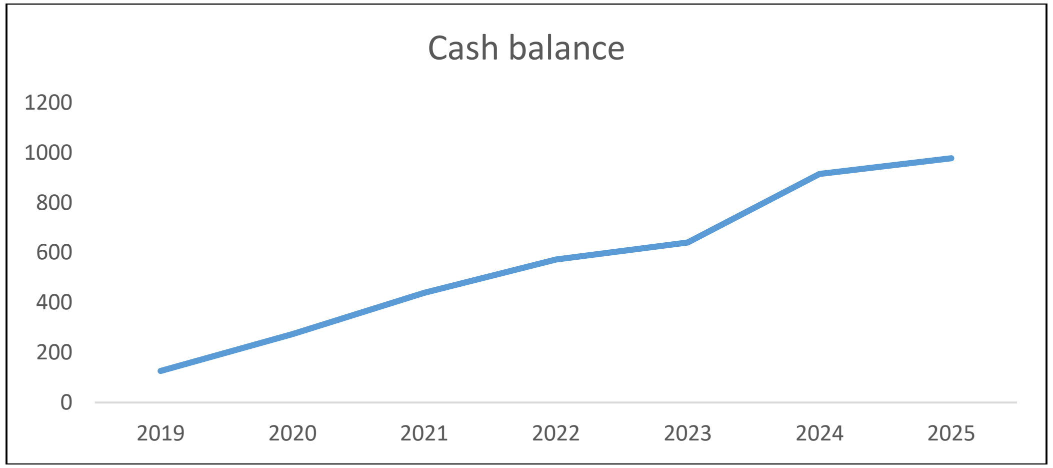
continues to perform strongly due to favourable sugarcane yields and government support in Vietnam. K C P's diversified footprint across multiple verticals—cement, sugar, engineering, and hospitality—enhances its resilience against sector-specific cyclicality. The robust performance and contribution of the sugar segment, especially from Vietnam operations, act as a buffer when domestic cement volumes soften. This multi-segment strategy provides stability and sustains cash flows even amid volatility in individual markets.

Ongoing capital expenditure for cost efficiency:

K C P is investing ₹235 crore in a Waste Heat Recovery System (WHRS) and ₹102 crore in a railway siding, with commissioning expected in H2 FY 2026. These strategic investments in a WHRS and railway siding are significant—both reduce operating costs and improve logistics efficiency. The WHRS will harness waste heat to generate power, lowering energy expenses, while the railway siding will streamline material transport. Together, they enhance operational cost structure, improve margins, and signal forward-looking capital planning. The WHRS is designed to utilise waste gases emitted during clinker production to generate electricity, effectively reducing the company's reliance on external power sources—a major cost component in cement manufacturing. This is especially critical given the industry's exposure to volatile energy prices and regulatory pressures around carbon emissions. Simultaneously, the railway siding will significantly enhance logistics efficiency by lowering the cost of transporting both raw materials and finished goods, reducing dependence on road freight, and improving turnaround time. Collectively, these investments are expected to meaningfully boost K C P's EBITDA margins over the medium term, with the full benefits likely to be realised in FY 2027 and beyond, positioning the company on a firmer financial and environmental footing.

Strong Liquidity position

As of March 31, 2025, K C P Ltd's consolidated cash and bank balances stood at ₹978 crore, compared to ₹915 crore in the prior year, reflecting sustained, healthy liquidity and robust working capital management. Maintaining substantial liquid reserves positions K C P Ltd favorably in managing operational fluctuations and potential market headwinds. This liquidity strength—coupled with well-organised monitoring of receivables and inventories—underscores the company's capacity to sustain operations, capitalise on emerging opportunities, and manage liabilities effectively. Such financial flexibility is especially valuable amid uncertain market conditions. CRISIL reaffirmed K C P's long-term rating as A+ / Stable, short-term rating as A1, and fixed deposit rating also as A+ / Stable during FY 2024-25. Earning consistently high credit ratings across its borrowings and fixed deposit instruments demonstrates K C P Ltd's strong financial risk profile and reliability in meeting its obligations. The A+ / Stable long-term rating and A1 short-term instruments signal creditworthiness and bolster investor confidence. These ratings can positively influence borrowing costs, investor perception, and future capital-raising efficiency.



Improving performance of the engineering segment:

Although engineering has historically underperformed, it turned positive in EBIT terms during FY 2025. The turnaround in K C P's engineering division to a positive EBIT indicates stabilisation in a segment that has been cyclical and loss-making. While still smaller in contribution, this performance improvement hints at better cost management and potential for incremental gains, should macro conditions in industrial capex improve.

Concerns:

Consolidation and intense competition:

Consolidation and intense competition might impact the market share of K C P Limited.

Geographical concentration:

Market slowdown in the Southern region may significantly impact the company's performance.

Market volatility:

Market volatility may create challenges in raising capital for funding growth opportunities.

Cyclicality of engineering segment:

The engineering division remains highly cyclical and susceptible to broader industrial capex volatility. Though showing a temporary uptick in EBIT in FY 2025, profitability remains constrained by intense competition.

Industry outlook:

The industry faced challenges on numerous fronts in 2024, right from moderate capacity utilisation to lower sales realisation, which impacted the topline of several makers, contraction of margins and slower volume growth. The Indian cement industry, witnessing a consolidation and heightened rivalry between two corporate houses snapping smaller players, pins its hope on 2025 for an improvement in sales realisation, higher margins and acceleration in demand, expecting around 8 per cent sales growth, helped by an increased government spending on big-ticket infra projects. Over 50 MTPA (million tonnes per annum) capacity are being acquired for USD 4.5 billion by two leading players - Aditya Birla group firm UltraTech Cement and billionaire Gautam Adani-led Ambuja Cements, besides organic expansion of the existing units as they have kept their war chest ready prowling for opportunities. This trend has highlighted a structural shift in the sector, with the most prominent companies accounting for a substantial share of the overall capacity. Currently, the top five cement producers collectively command an estimated 60-65 per cent of the industry's capacity. In 2024, growth for cement decelerated to 4.5-5.5 per cent in 2024 on a high base, following three consecutive years of strong growth, as construction activity slowed in the second and third quarters due to a prolonged heatwave, labour shortages during the general elections period and seasonal weakness during monsoon. ICRA anticipates the all-India cement volumes to grow by 4-5 per cent YoY to 445-450 million MT in the full year FY2025. In the FY2025-FY2026 period, the cement industry is estimated to add around 70-75 MT of grinding capacity. Due to this, the capacity utilisation is estimated to remain moderate at 70 per cent in the FY2025-FY2026 period despite healthy expected growth in demand. The Indian cement industry is expected to continue to grow rapidly and reach an installed capacity of 850 million t/a by 2030 and 1350 million t/a by 2050.

About the company:

K C P Limited is a diversified, multi-product company with a strong presence across several sectors, including cement, sugar, heavy engineering, and power generation. Established in 1941, K C P has grown into one of India's pioneering industrial groups, known for its innovation, engineering excellence, and commitment to sustainable development. Headquartered in Chennai, Tamil Nadu, the company has manufacturing units spread across South India and Vietnam, serving both domestic and international markets. K C P's Cement Division is a major player in the Southern Indian market, producing high-quality cement with modern eco-friendly technology. Its Heavy Engineering Division designs and manufactures complex machinery and equipment for industries such as cement, sugar, power, steel, and defense, often custom-built to global standards. The Sugar Division not only processes sugarcane but also contributes to renewable energy generation through co-generation and distilleries. In addition, K C P operates thermal and hydroelectric power plants, further supporting its sustainability goals. With a legacy of over eight decades, K C P combines traditional values with forward-thinking strategies, maintaining a strong focus on innovation, quality, and social responsibility. The company's long-standing reputation for integrity and performance has earned it a trusted name in the Indian industry and beyond.

(Source: Company, HDFC sec)

Income Statement

(Rs cr)	FY23	FY24	FY25	FY26E	FY27E
Net Revenues	**2254**	**2846**	**2529**	**2731**	**2868**
Growth (%)	***6.9***	***26.3***	***-11.2***	***8.0***	***5.0***
Operating Expenses	2080	2493	2223	2340	2472
EBITDA	**174**	**353**	**306**	**391**	**395**
Growth (%)	***-53.6***	***103.5***	***-13.5***	***28.0***	***1.0***
EBITDA Margin (%)	***7.7***	***12.4***	***12.1***	***14.3***	***13.8***
Depreciation	90	89	85	81	75
Other Income	38	70	61	66	69
EBIT	**122**	**334**	**282**	**376**	**390**
Interest expenses	38	41	32	35	37
PBT	**84**	**293**	**250**	**341**	**353**
Tax	-6	17	-3	85	88
PAT	**90**	**276**	**253**	**256**	**265**
Share of Asso./Minority Int.	51	96	107	0	0
Adj. PAT	**42**	**189**	**173**	**256**	**265**
Growth (%)	***-77.8***	***353.2***	***-8.8***	***48.3***	***3.5***
EPS	3.2	14.7	13.4	19.9	20.5

Balance Sheet

As on	FY23	FY24	FY25	FY26E	FY27E
SOURCE OF FUNDS					
Share Capital	13	13	13	13	13
Reserves	1211	1397	1520	1763	2014
Shareholders' Funds	**1224**	**1410**	**1532**	**1775**	**2027**
Minority Interest	295	370	419	419	419
Total Debt	558	480	542	573	603
Net Deferred Taxes	82	88	83	83	83
Other Non-curr. Liab.	76	102	136	146	154
Total Sources of Funds	**2235**	**2450**	**2712**	**2996**	**3286**
APPLICATION OF FUNDS					
Net Block & Goodwill	998	936	905	874	849
CWIP	10	14	169	169	169
Investments	10	15	15	15	15
Other Non-Curr. Assets	87	117	104	112	117
Total Non Current Assets	**1106**	**1083**	**1193**	**1170**	**1151**
Inventories	553	470	509	549	577
Debtors	157	173	190	205	216
Cash & Equivalents	641	915	978	1242	1518
Other Current Assets	162	188	229	248	260
Total Current Assets	**1512**	**1746**	**1906**	**2244**	**2571**
Creditors	112	109	106	114	120
Other Current Liab & Provisions	270	269	281	303	315
Total Current Liabilities	**382**	**378**	**387**	**418**	**435**
Net Current Assets	1130	1368	1519	1827	2136
Total Application of Funds	**2235**	**2450**	**2712**	**2996**	**3286**

Cash Flow Statement

(Rs cr)	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	85	297	250	341	353
Non-operating & EO items	24	-2	-72	3	2
Interest Expenses	4	-22	-21	35	37
Depreciation	89	89	85	81	75
Working Capital Change	-270	-248	-80	-43	-33
Tax Paid	-5	-8	-3	-85	-88
OPERATING CASH FLOW (a)	**-72**	**106**	**160**	**331**	**346**
Capex	-33	-33	-202	-50	-50
Free Cash Flow	-105	73	-42	281	296
Investments	2	0	0	0	0
Non-operating income	34	103	119	0	0
INVESTING CASH FLOW (b)	**3**	**70**	**-83**	**-50**	**-50**
Debt Issuance / (Repaid)	120	-78	62	31	31
Interest Expenses	-39	-41	-31	-35	-37
FCFE	12	57	108	277	289
Share Capital Issuance	0	0	0	0	0
Dividend	-13	-50	-115	-13	-13
Others	0	0	0	0	0
FINANCING CASH FLOW (c)	**68**	**-169**	**-84**	**-17**	**-19**
NET CASH FLOW (a+b+c)	**-1**	**7**	**-7**	**264**	**276**

Key Ratios

Particulars	FY23	FY24	FY25	FY26E	FY27E
Profitability Ratios (%)					
EBITDA Margin	7.7	12.4	12.1	14.3	13.8
EBIT Margin	5.4	11.7	11.1	13.8	13.6
APAT Margin	1.9	6.6	6.8	9.4	9.2
RoE	3.5	14.4	11.7	15.5	13.9
RoCE	7.2	18.2	14.2	17.0	15.7
Solvency Ratio (x)					
Net Debt/EBITDA	-0.5	-1.2	-1.4	-1.7	-2.3
Net D/E	-0.1	-0.3	-0.3	-0.4	-0.5
PER SHARE DATA (Rs)					
EPS	3.2	14.7	13.4	19.9	20.5
CEPS	10.2	21.6	20.0	26.2	26.4
BV	95.0	109.4	118.9	137.7	157.3
Dividend	0.1	1.0	0.3	1.0	1.0
Turnover Ratios (days)					
Debtor days	21.9	21.1	26.2	26.4	26.8
Inventory days	73.9	65.6	70.6	70.7	71.6
Creditors days	17.4	14.2	15.5	14.7	14.9
VALUATION (x)					
P/E	63.0	13.9	15.2	10.3	9.9
P/BV	2.1	1.9	1.7	1.5	1.3
EV/EBITDA	14.7	6.2	7.2	5.0	4.3
EV / Revenues	1.1	0.8	0.9	0.7	0.6
Dividend Yield (%)	0.0	0.5	0.1	0.5	0.5
Dividend Payout (%)	3.1	6.8	1.9	5.0	4.9

(Source: Company, HDFC Sec)

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HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential

Ashish Yashwant Karkera

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Sell - >10% downside return potential

Disclosure:

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