

9th August 2023

CMP – ₹626/-

View – Accumulate on Dips

Q1FY24 Performance

- Revenue grew 1.4% Y-o-Y to ₹1552Cr. Textile segment (75% of revenue) declined 5.3% Y-o-Y while sugar division (23% of revenues) grew 29% Y-o-Y to ₹366Cr. For FY23 revenue increased by 28% to ₹5960.2Cr.
- On a YoY basis, gross margins declined 135 bps to 39.1% due to higher input cost. EBITDA declined 9.5% Y-o-Y to ₹333 Cr in Q1FY24. EBITDA margins is at 21.5% v/s 24% in Q1FY23 owing to higher inventory cost and operating expenses. For FY23 EBITDA increased by 4.5% to ₹1274Cr.
- PAT declined 10% Y-o-Y to ₹204Cr and margin stood at 13.1% v/s 14.8% in Q1FY23
- Order book position for garments stood at ₹1000Cr

Important Statics

Mcap (₹ Cr)	₹21,409
52 Week H/L (₹)	685/480
NSE Code	KPR MILL
BSE Code	532889

Shareholding pattern (%) Jun'23

Promoter Holding	74.78
FII	3.03
DII	14.71
Public & Others	7.48

Key Con-Call Highlights

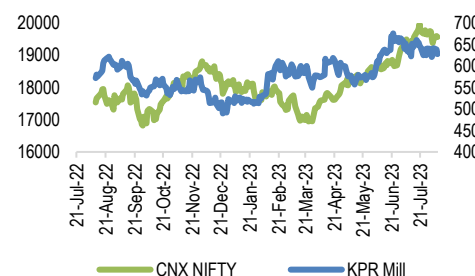
- Revenue for the quarter grew 34.2% Y-o-Y (38% Q-o-Q) to ₹1887Cr. Textile industry is going through some problems due to sluggish demand in major importing countries on account of inflation, unstable price of cotton along with low arrival during peak season, increase in energy cost etc.
- Yarn & Fabric sales volume for Q1FY24 was at 16,936 mt vs 13,606 mt in Q1FY23. Sales value for Yarn and Fabric declined 15% YoY to ₹461Cr due to lower realization. Garment volumes marginally increased 3% YoY, while fabric revenue remained flat YoY at ₹5.8bn, despite 30% YoY growth in volumes.
- Yarn sales is about 14,600 tons with revenue of ₹391Cr and Fabric sales is 2000 tons with ₹69Cr revenue. Margins were 12% in Yarn & Fabric, Sugar and garments margins were at 27% due to lower inventory cost. Blended sugar margins were around at 12%
- Sugar segment witnessed 28% YoY sales growth led by higher ethanol contracts from the government. Ethanol sales volume was 289.6 lakh ltr vs 107.6 lakh ltr.
- Current realization is ₹185 per piece in garments & expect this to be in similar range for new orders and cotton spread is at 12% compared to 17-18%
- PBIT margin of the textile business contracted by 790 bps y-o-y to 13.1% on higher raw material prices and high-cost inventory.
- EBIT margin for sugar segment contracted 360bps YoY to 17%, owing to higher cane costs and also since the entire ethanol during the quarter was made using cane juice where margins are lower.
- The management has guided double digit revenue growth for the next 2-3 years, aided by capacity expansion across segment and recovery in demand.
- Management is optimistic about industry expect margins in the textiles division to improve steadily in the coming quarters.
- Order book for the garment business is around above ₹1,000Cr at Q1FY24 and the demand outlook is improving.
- Vortex spinning is expected to be somewhere around ₹100Cr of turnover on completion of the project (byQ2FY24). And the solar power plant is expected to generate revenue of close to about ₹12Cr per annum, it's more of a profit. And processing and printing expansions is expected to increase its capacity by

Financials

Particulars	₹ Cr	
	FY22	FY23
Revenues	4822	6186
EBITDA	1219	1274
EBITDA Margin	25%	21%
Net Profit	842	814
EPS (₹)	24.5	14.9
RoCE (%)	31	23.8
P/E (x)	25.6	42.0

Source: Company, Way2Wealth

Relative Performance



Source: Company, Way2Wealth

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about 4,000 tons. And ethanol expansions will increase the revenue by about ₹150Cr and it is expected to get commenced before upcoming sugar season. So overall all these capacity expansion would lead to ₹250Cr of increase in revenue.

- Management expects revenue growth in range of double digit (10-12%) for FY24. The company is also working for the garments margin to get in range of 19-20% in FY24 and expects the overall margins will improve in H2FY24.
- The cotton prices started stabilizing, the textile industry is optimistic with the government policies and FTAs. As reported earlier quarter also, to improve performance further, the company have implemented a certain modernization and expansion plan at a total outlay of about ₹500Cr.

Expansion Plan

	Project Cost (₹ Cr)	Capacity	Finance	Date
Ethanol	150	From 130 KLPD to 250 KLPD	Internal Accruals+ Term Loans	by FY24
Vortex Spinning	100		Internal Accruals	FY24
Solar Power Plant (commissioned)	50	set up 12 Megawatt	Internal Accruals	FY23
Expanding capacity of processing & Printing	50	Increase Production by ~20%	Internal Accruals	FY24

Source: Company, Way2Wealth

- The long-term growth prospects looks solid, led by India's emerging strength in textile exports and ethanol. Further, an integrated business model along with strong capacity expansion plan in the sugar and textile business would aid KPR to grow faster, once the demand scenario improves.

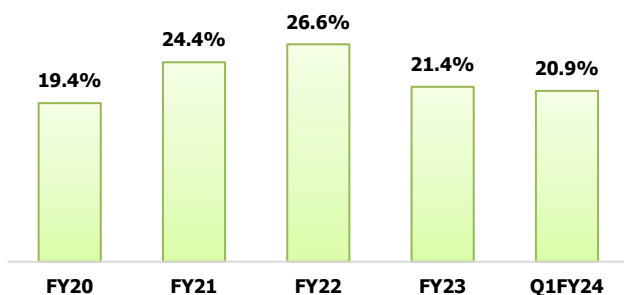
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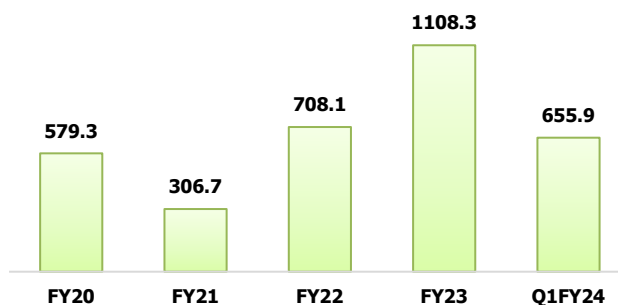
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Story in Charts

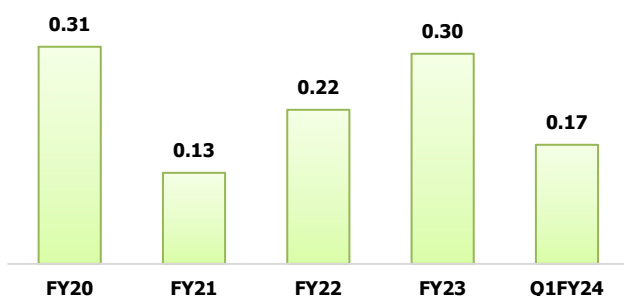
EBITDA Margin



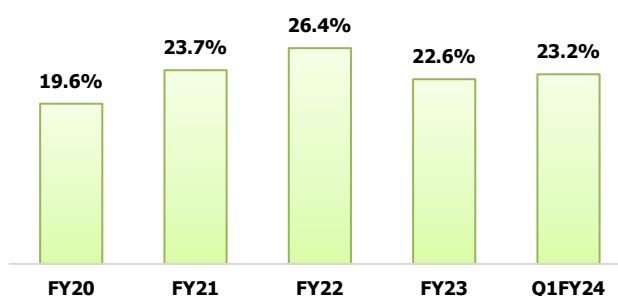
Net Debt (Cr)



Net Debt / Equity



Return on Capital Employed



Key Risks

- Slower than expected demand recovery in its key markets
- Delay in capex implementation could impact financials of company

View

The cotton prices started stabilizing, the textile industry is optimistic with the government policies and FTAs. FTA's with significant markets like UAE, Australia and prospects for FTA with UK & Canada are likely to create market opportunities for entire Textile value chain. The government is also focusing on policies to make industry globally competitive.

Backed up by consistent capacity expansion over the years, KPR's financial performance has been rock solid in a highly cyclical industry. Its revenue and operating profit grew 23% & 30% in three years.

KPR's strong fundamentals such as 20%+ operating margins, superior return ratio profile, and healthy balance sheet boosts our confidence. **At CMP of ₹626, stock is trading at ~26.3x P/E on FY23 EPS of ₹23.8. We continue to maintain our positive view on stock and recommend investors to ACCUMULATE the stock on dips.**

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View – Accumulate on Dips

Consolidated Financial Highlights

(₹ Cr)

Consolidated (in cr)	Q1FY24	Q1FY23	VAR	Q4FY23	VAR	FY23
Net Sales	1,551.7	1,530.7	1.4%	1,887.8	-17.8%	5,960.2
Other Operating Income	59.99	54.11		61.85		225.7
	1,611.7	1,584.8	1.7%	1,949.7	-17.3%	6,185.9
Other Income	5.3	20.2	-73.9%	8.4	-37.2%	62.3
TOTAL INCOME	1,617.0	1,605.0	0.7%	1,958.0	-17.4%	6,248.2
Total Expenditure			#DIV/0!			0.0
Raw Material Consumed	741.3	818.1	-9.4%	1,299.5	-43.0%	3,896.6
Purchase of stock in trade	26.8	16.1	66.9%	29.8	-10.1%	220.6
Stock Adjustment	213.4	109.5	94.8%	(31.4)	-779.7%	(364.3)
<i>RMC as a %age of sales</i>	<i>63%</i>	<i>62%</i>		<i>69%</i>		<i>63%</i>
Employee Expenses	146.7	133.6	9.8%	142.9	2.7%	548.6
<i>EPC as a %age of sales</i>	<i>9.4%</i>	<i>8.6%</i>		<i>7.5%</i>		<i>9.1%</i>
Other Expenses	150.4	139.5	7.9%	188.5	-20.2%	610.0
<i>Other Expenses as a %age of sales</i>	<i>9.7%</i>	<i>9.0%</i>		<i>9.9%</i>		<i>10.1%</i>
TOTAL EXPENDITURE	1,278.7	1,216.8	5.1%	1,629.4	-21.5%	4,911.5
EBIDTA	333.1	368.1	-9.5%	320.3	4.0%	1,274.4
EBITDA Margins %	21.5%	24.0%		17.0%		21.4%
Interest	21.7	16.8	28.9%	21.3	1.6%	78.9
PBDT	316.7	371.4	-14.7%	307.4	3.0%	1,257.9
Depreciation	45.2	48.6	-6.9%	46.1	-1.9%	173.7
PBT	271.5	322.8	-15.9%	261.3	3.9%	1,084.2
Tax	61.7	99.4	-38.0%	34.5	79.0%	242.9
Fringe Benefit Tax/Deferred	6.0	(3.3)	-280.9%	17.3	-65.5%	27.2
<i>Tax Rate</i>	<i>24.9%</i>	<i>29.8%</i>		<i>19.8%</i>		<i>24.9%</i>
Reported Profit After Tax	203.8	226.7	-10.1%	209.6	-2.7%	814.1
PATM %	13.1%	14.8%		11.1%		13.7%
Basic:						
EPS	5.96	6.63	-10.1%	6.13		23.82
Equity	34.2	34.2		34.2		34.2
Face Value	1.0	1.0		1.0		1.0

Source: Company, Way2wealth Research

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Segmental Performance

(₹ Cr)

	Q1FY24	Q1FY23	VAR	Q4FY23	VAR	FY23
REVENUES						
Revenue from Operations	1,610.7	1,584.8	1.6%	1,949.7	-17.4%	6,185.9
Textile	1,208.5	1,276.3	-5.3%	1,355.1	-10.8%	4,893.2
% Mix	75.0%	80.5%		69.5%		79.1%
Sugar	365.9	284.2	28.8%	560.1	-34.7%	1,179.5
% Mix	22.7%	17.9%		28.7%		19.1%
Others	36.3	24.4	48.9%	34.5	5.2%	113.2
% Mix	2.3%	1.5%		1.8%		1.8%
Net Revenue from Operations	1,610.7	1,584.8	1.6%	1,949.7	-17.4%	6,185.9
PROFIT						
Profit/Loss Before Interest and Tax	286.9	319.5	-10.2%	274.2	4.6%	1,100.7
Margin %	17.8%	20.2%		14.1%		17.8%
Textile	188.5	290.7	-35.2%	178.0	5.9%	902.0
Margin %	15.6%	22.8%		13.1%		18.4%
Sugar	97.2	27.6	252.2%	95.1	2.2%	193.5
Margin %	26.6%	9.7%		17.0%		16.4%
Others	1.2	1.2	-4.1%	1.1	7.3%	5.1
Margin %	3.2%	5.0%		3.2%		4.5%
Less : Interest	21.7	16.8	28.9%	21.3	1.6%	78.9
Add: Other Income	5.3	20.2	-73.9%	8.4	-37.2%	62.3
Net Profit/Loss Before Tax	270.5	322.8	-16.2%	261.3	3.5%	1,084.2

Source: Company, Way2wealth Research

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Disclosure of Interest Statement KPR Mill Ltd. as on August 9th, 2023

Name of the Security	KPR Mill Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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