

14th February 2023

CMP – ₹584/-

View – Accumulate on Dips

Q3FY23 Performance

- Revenue grew 13.7% Y-o-Y (17.3% Q-o-Q) to ₹1431Cr. Textile segment (81% of revenue) grew 10% Y-o-Y while sugar division (18% of revenues) grew 28% Y-o-Y. For 9MFY23 revenue increased by 24.4% to ₹4290.2Cr.
- On a YoY basis, gross margins declined 427 bps to 39.45% due to higher input cost. EBITDA declined 12% Y-o-Y to ₹269Cr in Q3FY23. EBITDA margins is at 19.6% v/s 24.9% in Q3FY22 owing to higher inventory cost and operating expenses. For 9MFY23 EBITDA increased by 5.2% to ₹1008Cr.
- PAT declined 17.6% Y-o-Y to ₹175Cr and margin stood at 12.8% v/s 17.3% in Q3FY22
- The company has a robust order book of ₹1000Cr despite geopolitical situation.

Important Statics

Mcap (₹ bn)	~₹195
52 Week H/L (₹)	710/479
NSE Code	KPR MILL
BSE Code	532889

Shareholding pattern (%) Dec'22

Promoter Holding	74.78
FII	3.08
DII	13.87
Public	8.27

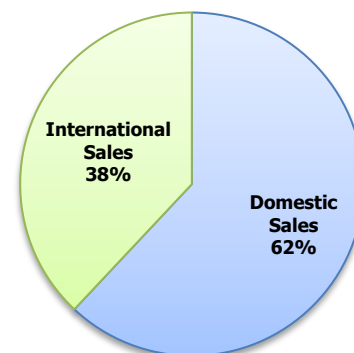
Key Con-Call Highlights

- Revenue for the quarter grew 13.7% Y-o-Y (17.3% Q-o-Q) to ₹1431Cr. Robust performance of garment and sugar segment have aided the topline growth.
- Revenue of the textile business grew by 10.3% y-o-y to ₹1,152Cr, aided by strong performance by the garment segment and sugar business, while the fabric and yarn segment posted a muted quarter. Garment volumes were higher by 6.4% y-o-y, while fabric and yarn volume witnessed a decline of 4.2% y-o-y. The fluctuation in cotton prices has been putting pressure on yarn margin
- PBIT margin of the textile business contracted by 872 bps y-o-y to 13.3%. Sugar business revenue grew by 28% y-o-y to ₹252.7Cr and PBIT margin sharply improved from 16.7% in Q3FY22 to 33.7% in Q3FY23.
- Profitability was impacted by higher input cost, unfavourable mix, higher employee expenses, and increased other expenses.
- The management has guided for overall revenue growth of 10% for the next 2-3 years, aided by capacity expansion across segment and recovery in demand.
- Order book for the garment business is around above ₹1,000Cr at Q3FY23 and the demand outlook is stable. Margin of the garment business came in at 21% in Q3FY23 and the target margin for the garment business is ~22-24%.
- For Sugar division, management expects 22-25% EBITDA margin and targets revenue ~₹100Cr in FY24. Third and fourth quarter is the sugar season. Blended realisation for domestic and exported sugar was at ₹33.5 per kg in Q3FY23.
- On the cotton procurement policy, the management indicated that considering the fluctuation in cotton prices the company has decided to hold only two months of cotton inventory as of now and if the prices reaches to a certain level somewhere around ₹60,000 may go for a little higher stock. Cotton prices have started stabilizing and hoping to have a better performance in the current quarter also. To improve its performance further the company is contemplating into certain modernization and expansion plans.

Financials

Particulars	(₹ Cr)	
	FY22	FY21
Revenues	4822	3527
EBITDA	1219	830
EBITDA Margin (%)	25%	24%
Net Profit	842	515
EPS (₹)	24.5	14.9
RoCE (%)	31	25
P/E (x)	44.09	60.31

Revenue Mix (FY22)



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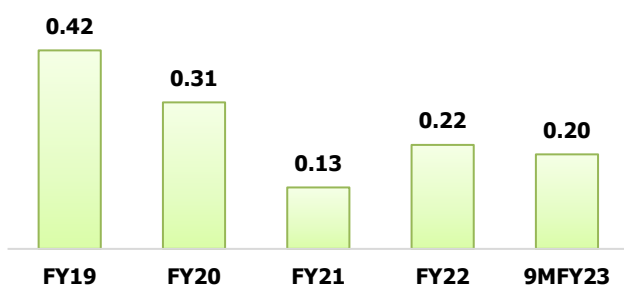
Expansion Plan

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

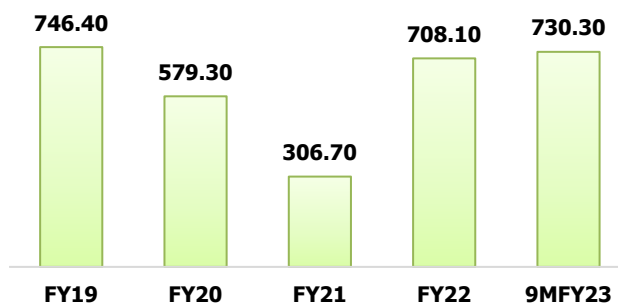
- The long-term growth prospects looks solid, led by India's emerging strength in textile exports and ethanol. Further, an integrated business model along with strong capacity expansion plan in the sugar and textile business would aid KPR to grow faster, once the demand scenario improves.

Story in Charts

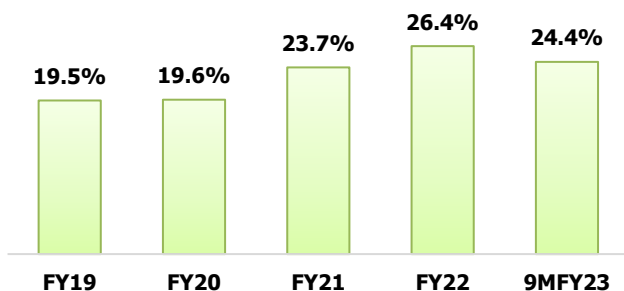
Net Debt/Equity



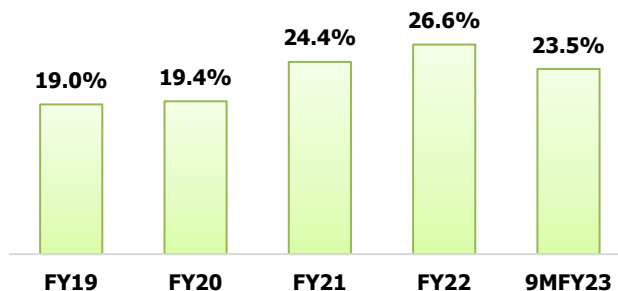
Net Debt (₹ Cr)



Return on Capital Employed



EBITDA Margin



Key Risks

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

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View – **Accumulate on Dips**

View

The Indian textile industry is optimistic of repeating growth in FY23, despite adverse factors like global recession, Ukraine war, volatility in cotton prices, higher inflation, etc., 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. FTA with UK will improve sales by about 10-15% in the long run.

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 13% & 36% in three years.

KPR's strong fundamentals such as 20%+ operating margins, superior return ratio profile, healthy balance sheet (D/E – 0.2x), boosts our confidence. **At CMP of ₹584, stock is trading at ~27.8x P/E on TTM EPS of ₹27.9. 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)

Particulars	Q3FY23	Q3FY22	VAR[%]	Q2FY23	VAR[%]	9MFY23	9MFY22	VAR[%]
Net Sales	1,367.9	1,226.1	11.6%	1,173.8	16.5%	4,072.4	3,268.4	24.6%
Other Operating Income	63.53	33.03		46.21		163.85	104.6	
Other Income	13.3	25.2	-47.4%	20.6	-35.5%	54.0	76.0	-29.0%
TOTAL INCOME	1,444.7	1,284.3	12.5%	1,240.5	16.5%	4,290.2	3,449.0	24.4%
Total Expenditure			#DIV/0!					#DIV/0!
Raw Material Consumed	997.1	822.7	21.2%	781.8	27.5%	2,597.0	1,780.0	45.9%
Purchase of stock in trade	20.1	9.4	113.5%	154.6	-87.0%	190.8	26.1	630.4%
Stock Adjustment	(150.5)	(123.5)	21.8%	(291.9)	-48.5%	(332.9)	22.2	-1600.2%
<i>RMC as a %age of sales</i>	<i>63%</i>	<i>58%</i>		<i>55%</i>		<i>60%</i>	<i>56%</i>	
Employee Expenses	140.8	112.0	25.7%	131.4	7.1%	405.8	334.4	21.3%
<i>EPC as a %age of sales</i>	<i>10.2%</i>	<i>9.0%</i>		<i>11.0%</i>		<i>9.8%</i>	<i>10.0%</i>	
<i>Advertisement as a %age of sales</i>	<i>0.0%</i>	<i>0.0%</i>		<i>0.0%</i>		<i>0.0%</i>	<i>0.0%</i>	
Other Expenses	155.3	133.1	16.6%	126.7	22.5%	421.4	327.2	28.8%
<i>Other Expenses as a %age of sales</i>	<i>11.2%</i>	<i>10.6%</i>		<i>10.6%</i>		<i>10.2%</i>	<i>9.8%</i>	
TOTAL EXPENDITURE	1,162.8	953.7	21.9%	902.6	28.8%	3,282.1	2,490.0	31.8%
EBIDTA	268.6	305.4	-12.0%	317.4	-15.4%	954.1	883.0	8.0%
EBITDA Margins %	19.6%	24.9%		27.0%		23.4%	27.0%	
Interest	19.7	5.6	252.5%	21.0	-6.0%	57.6	17.6	226.8%
Interest	19.7	5.6	252.5%	21.0	-6.0%	57.6	17.6	226.8%
PBDT	262.1	325.0	-19.3%	316.9	-17.3%	950.5	941.4	1.0%
Depreciation	29.4	41.8	-29.7%	49.6	-40.9%	127.6	104.8	21.8%
PBT	232.8	283.2	-17.8%	267.3	-12.9%	822.9	836.6	-1.6%
Tax	44.5	71.1	-37.4%	64.5	-31.0%	208.5	216.0	-3.5%
Fringe Benefit Tax/Deferred	13.7	0.4	3608.1%	(0.5)	-2640.7%	9.9	(2.0)	-597.0%
<i>Tax Rate</i>	<i>25.0%</i>	<i>25.2%</i>		<i>23.9%</i>		<i>26.5%</i>	<i>25.6%</i>	
Reported Profit After Tax	174.5	211.8	-17.6%	203.3	-14.1%	604.6	622.6	-2.9%
PATM %	12.8%	17.3%		17.3%		14.8%	19.0%	
Basic:								
EPS	5.11	6.20	-17.6%	5.95		17.69	18.22	-2.9%
Equity	34.2	34.2		34.2		34.2	34.2	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company Filing, Way2wealth Research

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Segmental Performance

(₹ Cr)

Particulars	Q3FY23	Q3FY22	VAR	Q2FY23	VAR	9MFY23	9MFY22	VAR
REVENUES								
Revenue from Operations	1,431.4	1,259.1	13.7%	1,220.0	17.3%	4,236.2	3,372.5	25.6%
Textile	1,152.4	1,045.0	10.3%	1,109.5	3.9%	3,538.1	2,905.8	21.8%
% Mix	80.5%	83.0%		90.9%		83.5%	86.2%	
Sugar	252.7	197.3	28.1%	82.6	206.0%	619.4	422.5	46.6%
% Mix	17.7%	15.7%		6.8%		14.6%	12.5%	
Others	26.4	16.9	56.7%	27.9	-5.3%	78.7	44.2	78.1%
% Mix	1.8%	1.3%		2.3%		1.9%	1.3%	
Less : Inter Segment Revenues	-	-	#DIV/0!	-	#DIV/0!	-	-	#DIV/0!
Total Segment Revenue	1,431.4	1,259.1	13.7%	1,220.0		4,236.2	3,372.5	25.6%
Add : Other Unallocable Income	-	-		-		-	-	
Net Revenue from Operations	1,431.4	1,259.1	13.7%	1,220.0	17.3%	4,236.2	3,372.5	25.6%
PROFIT								
Profit/Loss Before Interest and Tax	239.3	263.7	-9.2%	267.7	-10.6%	826.5	777.7	6.3%
Margin %	16.7%	20.9%		21.9%		19.5%	23.1%	
Textile	152.9	230.1	-33.5%	280.5	-45.5%	724.1	724.3	0.0%
Margin %	13.3%	22.0%		25.3%		20.5%	24.9%	
Sugar	85.1	33.0	157.9%	(14.2)	-697.3%	98.4	50.8	93.7%
Margin %	33.7%	16.7%		-17.2%		15.9%	12.0%	
Others	1.3	0.6	116.4%	1.5	-12.0%	4.0	2.6	54.8%
Margin %	5.0%	3.6%		5.4%		5.1%	5.9%	
Less : Interest	19.7	5.6	252.5%	21.0	-6.0%	57.6	17.6	227.0%
Add: Other Income	13.3	25.2	-47.4%	20.6	-35.7%	54.0	76.0	-29.0%
Net Profit/Loss Before Tax	232.8	283.2	-17.8%	267.3	-12.9%	822.9	836.1	-1.6%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement KPR Mill Ltd. as on February 14th, 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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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