

15th February 2024

CMP – ₹729/-

View – Accumulate

Q3FY24 Performance

- Revenue declined 13% Y-o-Y to ₹1188crs as both the segment; Textile segment (~80% of revenue) and sugar division (17% of revenues) declined by 13% and 16% YoY respectively. For 9MFY24 revenue grew 3% to ₹4199crs.
- On a YoY basis, gross margins expanded ~734bps to 46.79% while negative operating leverage restricted the EBITDA margin expansion. EBITDA was flat to ₹272crs in Q3FY24. EBITDA margins was at 22.9% v/s 19.6% in Q3FY23 owing to low input costs.
- PAT grew 7% YoY to ₹187crs on the back of high other income and lower interest cost and tax rate and margin stood at 15.7% v/s 12.8% in Q3FY23.
- The board has recommended an interim dividend of ₹2.5 per share for FY24.

Important Statics

Nifty	21,743
Sensex	71,555
Mcap (₹ crs)	₹24,917
52 Week H/L (₹)	927/536
NSE Code	KPR MILL
BSE Code	532889
Bloomberg Code	KPR:IN

Shareholding pattern (%) Dec'23

Promoter Holding	73.75
FII	04.32
DII	15.12
Public & Others	07.82

Key Highlights

- Q3FY24 performance was impacted due to the fall in cotton prices, which led to lower realization and also due to garment shipments held up in December month due to the cyclone in Tamil Nadu (lower garments value by ₹100crs), and the government's ban on sugarcane juice to produce ethanol.
- Yarn & Fabric sales volume for 9MFY24 was at 52,018 mt vs 45,214 mt in 9MFY23. Sales value for Yarn and Fabric declined ~13% YoY to ₹1378crs due to lower realization in 9MFY24. Garment volumes increased 11% YoY, while garment revenue declined 1% YoY at ₹1796crs in 9MFY24.
- Garment volumes for Q3FY24 grew by 14% YoY to ~34mn pieces, while realization fell by 20%/11% Y-o-Y. Ethanol volume grew ~36% YoY to 217 lakh litres.
- Textile segment's PBIT margins were 16.9% vs 13.3% in Q3FY23 while Sugar segment's margins were at 25% vs 33.7% in Q3FY23.
- Ban on the use of sugar juice for the manufacture of ethanol to regulate sugar prices led to a decline in sugar revenue. Sugar segment revenue declined 16% YoY to ₹212crs. Ethanol sales volume grew to 764 lakh litres against 365.3 lakh litres in 9MFY23.
- The company has added Walmart as a customer for US exports and also increased volume to GAP for the US and Europe. Currently company has ₹1100crs garment order book. Brownfield expansion (addition of 30 million garments) is likely to be completed in 6-9 months, taking the total garment capacity to 177mn pieces by FY2025. The company is eyeing 10-12% growth in the garment business in the medium term.
- Management expects EBITDA in Sugar & Ethanol to fall by 10-12% in absolute terms, due to lower throughput in SS 2024.

Financials

(₹ Cr)		
Particulars	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)	29.7	48.9

Source: Company, Way2Wealth

Relative Performance

Return(%)	1Yr	3Yr	5Yr
KPR Mill	25	296	581
Nifty 50	21	43	105
Sensex	17	38	102

Source: Company, Way2Wealth

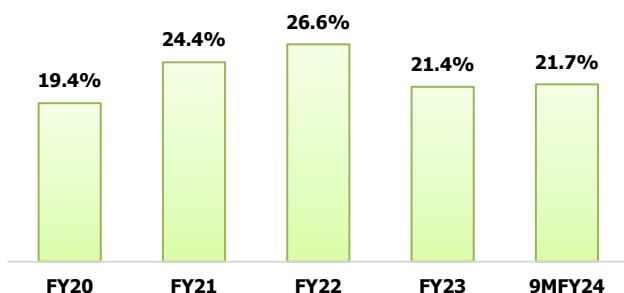
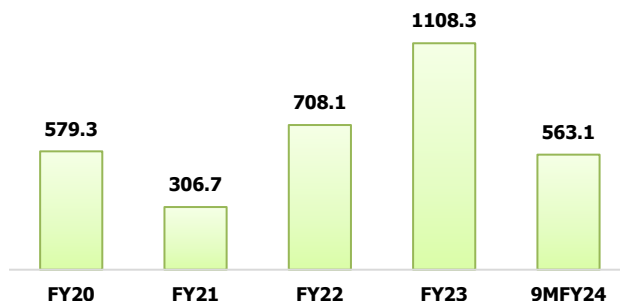
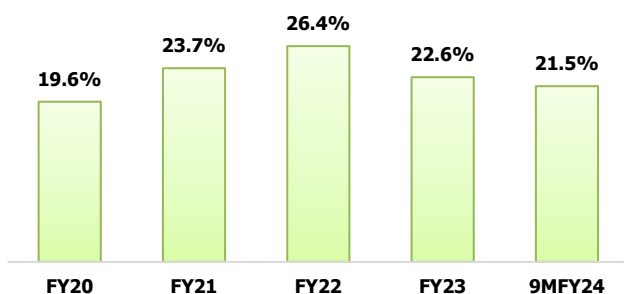
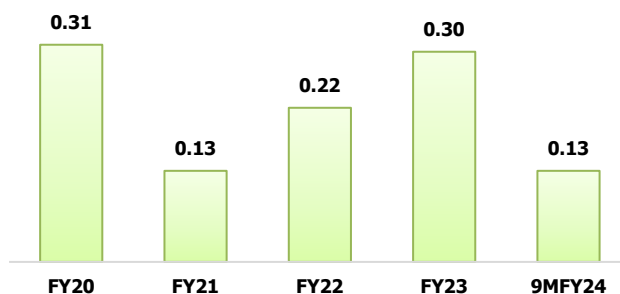
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Story in Charts

EBITDA Margin

Net Debt (Cr)

Return on Capital Employed

Net Debt / Equity


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 ₹729, stock is trading at ~52.4x P/E on TTM EPS of ₹13.9c. We continue to maintain our positive view on stock and recommend investors to ACCUMULATE the stock.**

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Consolidated Financial Highlights

(₹ Cr)

Particulars	Q3FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
Net Sales	1,188.2	1,367.9	-13.1%	1,458.9	-18.6%	4,198.8	4,072.4	3.1%
Other Operating Income	53.12	63.53		52.03		165.1	163.9	
	1,241.3	1,431.4	-13.3%	1,510.9	-17.8%	4,364.0	4,236.2	3.0%
Other Income	28.0	13.3	111.2%	22.1	26.5%	55.4	54.0	2.6%
TOTAL INCOME	1,269.3	1,444.7	-12.1%	1,533.0	-17.2%	4,419.3	4,290.2	3.0%
Total Expenditure			-			0.0	0.0	-
Raw Material Consumed	984.7	997.1	-1.2%	649.1	51.7%	2,375.2	2,597.0	-8.5%
Purchase of stock in trade	21.3	20.1	5.8%	20.5	4.0%	68.6	190.8	-64.1%
Stock Adjustment	(345.5)	(150.5)	129.6%	257.9	-234.0%	125.8	(332.9)	-137.8%
<i>RMC as a %age of sales</i>	<i>56%</i>	<i>63%</i>		<i>64%</i>		<i>61%</i>	<i>60%</i>	
Employee Expenses	153.6	140.8	9.1%	148.0	3.8%	448.3	405.8	10.5%
<i>EPC as a %age of sales</i>	<i>12.6%</i>	<i>10.2%</i>		<i>10.0%</i>		<i>10.5%</i>	<i>9.8%</i>	
Advertisement & Publicity			-		-	0.0	0.0	-
<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	155.6	155.3	0.2%	137.5	13.2%	443.5	421.4	5.2%
<i>Other Expenses as a %age of sales</i>	<i>12.8%</i>	<i>11.2%</i>		<i>9.3%</i>		<i>10.4%</i>	<i>10.2%</i>	
TOTAL EXPENDITURE	969.8	1,162.8	-16.6%	1,212.9	-20.0%	3,461.3	3,282.1	5.5%
EBIDTA	271.6	268.7	1.1%	298.0	-8.9%	902.6	954.1	-5.4%
<i>EBITDA Margins %</i>	<i>22.9%</i>	<i>19.6%</i>		<i>20.4%</i>		<i>21.5%</i>	<i>23.4%</i>	
Interest	14.9	19.7	-24.4%	18.1	-17.6%	54.7	57.6	-5.0%
PBDT	284.6	262.2	8.6%	302.0	-5.8%	903.3	950.5	-5.0%
Depreciation	48.6	29.4	65.6%	46.0	5.7%	139.8	127.6	9.6%
PBT	236.0	232.8	1.4%	256.0	-7.8%	763.5	822.9	-7.2%
Tax	44.0	44.5	-1.1%	54.2	-18.7%	159.9	207.9	-23.1%
Fringe Benefit Tax/Deferred	4.9	13.7	-64.1%		-	10.9	10.4	4.2%
<i>Tax Rate</i>	<i>20.7%</i>	<i>25.0%</i>		<i>21.2%</i>		<i>22.4%</i>	<i>26.5%</i>	
Reported Profit After Tax	187.1	174.6	7.2%	201.8	-7.3%	592.7	604.6	-2.0%
<i>PATM %</i>	<i>15.7%</i>	<i>12.8%</i>		<i>13.8%</i>		<i>14.1%</i>	<i>14.8%</i>	
EPS	5.47	5.11	7.2%	5.91		17.34	17.69	-2.0%
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, Way2wealth Research

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Segmental Performance

(₹ Cr)

	Q2FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
REVENUES								
Revenue from Operations	1,241.4	1,431.4	-13.3%	1,510.9	-17.8%	4,363.1	4,236.2	3.0%
Textile	999.9	1,152.4	-13.2%	1,111.3	-10.0%	3,319.8	3,538.1	-6.2%
% Mix	80.5%	80.5%		73.6%		76.1%	83.5%	
Sugar	211.7	252.7	-16.2%	369.2	-42.7%	946.8	619.4	52.8%
% Mix	17.1%	17.7%		24.4%		21.7%	14.6%	
Others	29.8	26.4	12.8%	30.4	-2.1%	96.5	78.7	22.6%
% Mix	2.4%	1.8%		2.0%		2.2%	1.9%	
Net Revenue from Operations	1,241.3	1,431.4	-13.3%	1,510.9	-17.8%	4,363.0	4,236.2	3.0%
PROFIT								
Profit/Loss Before Interest and Tax	222.9	239.3	-6.8%	252.0	-11.5%	761.8	826.5	-7.8%
Margin %	18.0%	16.7%		16.7%		17.5%	19.5%	
Textile	169.3	152.9	10.7%	179.0	-5.4%	536.8	724.1	-25.9%
Margin %	16.9%	13.3%		16.1%		16.2%	20.5%	
Sugar	52.8	85.1	-37.9%	72.1	-26.7%	222.2	98.4	125.7%
Margin %	25.0%	33.7%		19.5%		23.5%	15.9%	
Others	0.8	1.3	-40.9%	0.9	-11.4%	2.8	4.0	-30.0%
Margin %	2.6%	5.0%		2.9%		2.9%	5.1%	
Less : Interest	14.9	19.7	-24.4%	18.1	-17.6%	54.7	57.6	-5.0%
Add: Other Income	28.0	13.3	111.2%	22.1	26.5%	55.4	54.0	2.6%
Net Profit/Loss Before Tax	236.0	232.8	1.4%	256.0	-7.8%	762.5	822.9	-7.3%

Source: Company, Way2wealth Research

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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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