

17th May 2023

CMP – ₹580/-

View – Accumulate on Dips

Q4FY23 Performance

- Revenue grew 34.2% Y-o-Y (38% Q-o-Q) to ₹1887Cr. Textile segment (70% of revenue) grew 12% Y-o-Y while sugar division (29% of revenues) grew 1.5x Y-o-Y. For FY23 overall revenue increased by 28% to ₹5960.2Cr.
- On a YoY basis, gross margins declined 744bps to 33.43% due to higher input cost. EBITDA declined 4.7% Y-o-Y to ₹320Cr in Q4FY23. EBITDA margins is at 17% v/s 23.9% in Q4FY22 owing to higher inventory cost and operating expenses. For FY23 EBITDA increased by 4.5% to ₹1274Cr.
- PAT declined 4.7% Y-o-Y to ₹210Cr and margin stood at 11.1% v/s 15.6% in Q4FY22
- The next order cycle will start sometime in June-July. Order book position for garments stood at ₹1000Cr

Important Statics

Mcap (₹ Cr)	₹19,824
52 Week H/L (₹)	640/479
NSE Code	KPR MILL
BSE Code	532889

Shareholding pattern (%) Mar'23

Promoter Holding	74.78
FII	3.08
DII	14.56
Public	7.59

Key Con-Call Highlights

- Revenue for the quarter grew 34.2% Y-o-Y (38% Q-o-Q) to ₹1887Cr. robust performance of garment and sugar segment have aided the topline growth.
- Revenue of the textile business grew by 12% y-o-y to ₹1,355Cr, aided by strong performance by the garment segment and sugar business. Garment volumes were higher by 45% q-o-q, while fabric revenue remained flat YoY at ₹5.8bn, despite 30% YoY growth in volumes.
- Sugar segment witnessed 152% YoY sales growth led by higher sugar sales volume in the domestic and export markets, and higher ethanol contracts from the government. The company sold 100K tonnes of sugar, of which, 37K was exported at blended average realization of ₹32.4/kg. EBIT increased 108% YoY to ₹95Cr
- 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 few years, aided by capacity expansion across segment and recovery in demand.
- Currently, the company holds 4-5 months of cotton inventory valued ~at ₹63,000-64,000/candy. It expects cotton-yarn prices to sustain at current levels for the rest of the year; management indicated that the worst is behind for the industry. We 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 Q4FY23 and the demand outlook is stable.
- Vortex spinning is expected to be somewhere around ₹100Cr of turnover on completion of the project. And the solar power plant is expected to generate revenue of close to about ₹12Cr per annum. And processing and printing expansions is expected to increase its capacity by about 4,000 tons. And ethanol expansions will increase the revenue by about ₹150Cr. So overall all these capacity expansion would lead to ₹250Cr of increase in revenue from FY24 onwards.

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)	44.09	60.31

Source: Company , Way2wealth

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- For Sugar division, management expects 22-23% EBITDA. Third and fourth quarter is the sugar season. Blended realisation for domestic and exported sugar was at ₹32.4per kg in Q4FY23.
- Finance cost increased due to additional working capital debt, given the inventory buffer. Depreciation has been higher due to capex and increase in power cost has driven up other expenses.
- The cotton prices started stabilizing, the textile industry is optimistic with the government policies and FTAs. As reported in 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	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.

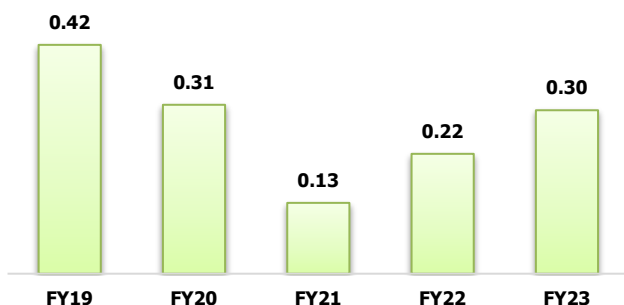
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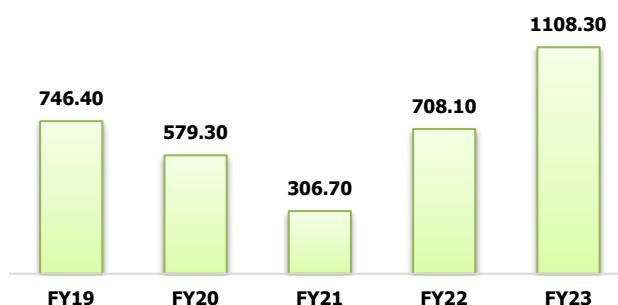
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Story in Charts

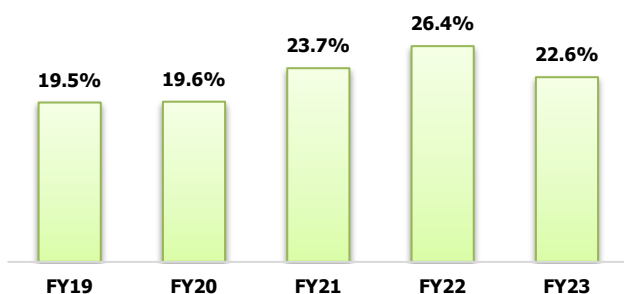
Net Debt / Equity



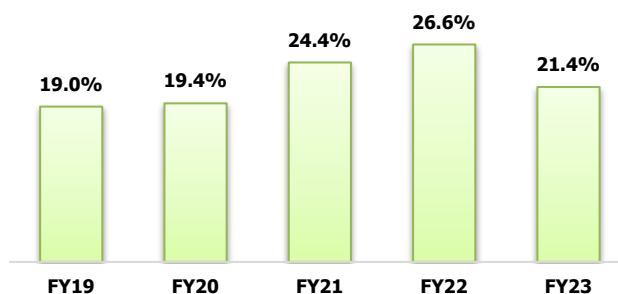
Net Debt (Rs Cr)



Return on Capital Employed



EBITDA Margin



Source: Company, Way2wealth

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, healthy balance sheet (D/E – 0.3x), boosts our confidence. **At CMP of ₹580, stock is trading at ~24.4x 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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Consolidated Financial Highlights

(₹ cr)

Particulars	Q4FY23	Q4FY22	VAR[%]	Q3FY23	VAR[%]	FY23	FY22	VAR[%]
Net Sales	1,887.8	1,406.2	34.2%	1,367.9	38.0%	5,960.2	4,674.6	27.5%
Other Operating Income	61.85	43.65		63.53		225.7	148.3	
	1,949.7	1,449.9	34.5%	1,431.4	36.2%	6,185.9	4,822.9	28.3%
Other Income	8.4	11.4	-26.8%	13.3	-36.8%	62.3	87.4	-28.7%
TOTAL INCOME	1,958.0	1,461.3	34.0%	1,444.7	35.5%	6,248.2	4,910.3	27.2%
Raw Material Consumed	1,299.5	1,160.7	12.0%	997.1	30.3%	3,896.6	2,940.7	32.5%
Purchase of stock in trade	29.8	15.1	98.1%	20.1	48.1%	220.6	41.2	435.8%
Stock Adjustment	(31.4)	(318.3)	-90.1%	(150.5)	-79.1%	(364.3)	(296.1)	23.0%
<i>RMC as a %age of sales</i>	<i>69%</i>	<i>61%</i>		<i>63%</i>		<i>63%</i>	<i>57%</i>	
Employee Expenses	142.9	111.0	28.7%	140.8	1.5%	548.6	445.5	23.2%
<i>EPC as a %age of sales</i>	<i>7.5%</i>	<i>7.8%</i>		<i>10.2%</i>		<i>9.1%</i>	<i>9.4%</i>	
Other Expenses	188.5	145.4	29.7%	155.3	21.4%	610.0	472.6	29.1%
<i>Other Expenses as a %age of sales</i>	<i>9.9%</i>	<i>10.3%</i>		<i>11.2%</i>		<i>10.1%</i>	<i>9.9%</i>	
TOTAL EXPENDITURE	1,629.4	1,113.8	46.3%	1,162.8	40.1%	4,911.5	3,603.8	36.3%
EBIDTA	320.3	336.1	-4.7%	268.6	19.2%	1,274.4	1,219.1	4.5%
<i>EBITDA Margins %</i>	<i>17.0%</i>	<i>23.9%</i>		<i>19.6%</i>		<i>21.4%</i>	<i>26.1%</i>	
Interest	21.3	5.7	275.2%	19.7	8.0%	78.9	23.3	238.6%
PBDT	307.4	341.8	-10.1%	262.1	17.3%	1,257.9	1,283.2	-2.0%
Depreciation	46.1	36.4	26.8%	29.4	57.0%	173.7	141.1	23.1%
PBT	261.3	305.5	-14.5%	232.8	12.2%	1,084.2	1,142.1	-5.1%
Tax	34.5	80.6	-57.2%	44.5	-22.6%	242.9	296.5	-18.1%
Fringe Benefit Tax/Deferred	17.3	5.1	235.8%	13.7	25.8%	27.2	3.2	761.9%
<i>Tax Rate</i>	<i>19.8%</i>	<i>28.1%</i>		<i>25.0%</i>		<i>24.9%</i>	<i>26.2%</i>	
Reported Profit After Tax	209.6	219.8	-4.7%	174.5	20.1%	814.1	842.4	-3.4%
Net Profit after Minority Interest & P/L Asso.Co.	209.6	219.8	-4.7%	174.5	20.1%	814.1	842.4	-3.4%
<i>PATM %</i>	<i>11.1%</i>	<i>15.6%</i>		<i>12.8%</i>		<i>13.7%</i>	<i>18.0%</i>	
Basic:								
EPS	6.13	6.43	-4.7%	5.11		23.82	24.65	-3.4%
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

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Segmental Performance

(₹ Cr)

	Q4FY24	Q4FY23	VAR	Q3FY23	VAR	FY23	FY22	VAR
REVENUES								
Revenue from Operations	1,949.7	1,449.9	34.5%	1,431.4	36.2%	6,185.9	4,822.4	28.3%
Textile	1,355.1	1,207.4	12.2%	1,152.4	17.6%	4,893.2	4,113.2	19.0%
% Mix	69.5%	83.3%		80.5%		79.1%	85.3%	
Sugar	560.1	222.6	151.6%	252.7	121.7%	1,179.5	645.1	82.9%
% Mix	28.7%	15.4%		17.7%		19.1%	13.4%	
Others	34.5	19.9	73.1%	26.4	30.5%	113.2	64.1	76.6%
% Mix	1.8%	1.4%		1.8%		1.8%	1.3%	
Net Revenue from Operations	1,949.7	1,449.9	34.5%	1,431.4	36.2%	6,185.9	4,822.4	28.3%
PROFIT								
Profit/Loss Before Interest and Tax	274.2	299.7	-8.5%	239.3	14.6%	1,100.7	1,077.4	2.2%
Margin %	14.1%	20.7%		16.7%		17.8%	22.3%	
Textile	178.0	253.2	-29.7%	152.9	16.4%	902.0	977.5	-7.7%
Margin %	13.1%	21.0%		13.3%		18.4%	23.8%	
Sugar	95.1	45.8	107.8%	85.1	11.8%	193.5	96.6	100.4%
Margin %	17.0%	20.6%		33.7%		16.4%	15.0%	
Others	1.1	0.8	43.4%	1.3	-17.4%	5.1	3.4	52.2%
Margin %	3.2%	3.8%		5.0%		4.5%	5.3%	
Less : Interest	21.3	5.7	275.2%	19.7	8.0%	78.9	23.3	238.7%
Add: Other Income	8.4	11.4	-26.8%	13.3	-36.8%	62.3	87.4	-28.7%
Net Profit/Loss Before Tax	261.3	305.5	-14.5%	232.8	12.2%	1,084.2	1,141.5	-5.0%

Source: Company , Way2wealth

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Disclosure of Interest Statement KPR Mill Ltd. as on May 17th, 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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