

20<sup>th</sup> November 2023

CMP – ₹823.35/-

View – **Accumulate on Dips**

**Q2FY24 Performance**

- Revenue grew 24% Y-o-Y to ₹1459crs. Textile segment (~75% of revenue) growth was flat while sugar division (24% of revenues) grew 3.5x% Y-o-Y to ₹369crs. For H1FY24 revenue increased by 11% to ₹3011Cr.
- On a YoY basis, gross margins declined 855 bps to 38.6% due to higher input cost. EBITDA declined 6% Y-o-Y to ₹298crs in Q2FY24. EBITDA margins is at 20.4% v/s 27% in Q2FY23 owing to higher inventory cost and operating expenses. For H1FY24 EBITDA decreased by 8% to ₹631crs.
- PAT growth was flat Y-o-Y to ₹202crs and margin stood at 13.8% v/s 17.3% in Q2FY23.

**Important Statics**

<b>Nifty</b>	19,732
<b>Sensex</b>	65,795
<b>Mcap (₹ crs)</b>	₹26,978
<b>52 Week H/L (₹)</b>	843/480
<b>NSE Code</b>	KPR MILL
<b>BSE Code</b>	532889
<b>Bloomberg Code</b>	KPR:IN

**Shareholding pattern (%) Sep'23**

Promoter Holding	73.75
FII	4.18
DII	15.05
Public & Others	7.00

**Key Highlights**

- Revenue for the quarter grew 24% Y-o-Y (declined 6% Q-o-Q) to ₹1459crs. India has witnessed a notable increase in its share of exports in these segments to the US. After challenging and subdued FY23 affected by muted demand, higher retailer inventory, supply constraints, and rising cotton prices.
- Yarn & Fabric sales volume for H1FY24 was at 36,191 mt vs 28,234 mt in H1FY23. Sales value for Yarn and Fabric declined 10% YoY to ₹964crs due to lower realization in H1FY24. Garment volumes increased 12% YoY, while garment revenue increased 3% YoY at ₹1254crs.
- PBIT Margins were 16% in textile, Sugar margins were at 19.5% vs -17.2% in Q2FY23
- Sugar segment witnessed 3.5x YoY sales growth led by higher ethanol contracts from the government.
- During Q1FY24 concall, the management has guided double digit revenue growth for the next 2-3 years, aided by capacity expansion across segment and recovery in demand expects the overall margins will improve in H2FY24.
- The cotton prices started stabilizing, the textile industry is optimistic with the government policies and FTAs.

**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**

Return (%)	1Yr	3Yr	5Yr
<b>KPRMILL</b>	<b>45.0%</b>	<b>72.0%</b>	<b>47.0%</b>
<b>Nifty 50</b>	7.5%	53.1%	84.8%
<b>Sensex</b>	6.5%	49.6%	85.0%

Source: Company, Way2Wealth

**Expansion Plan (from Q1FY24 transcript)**

Project	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.

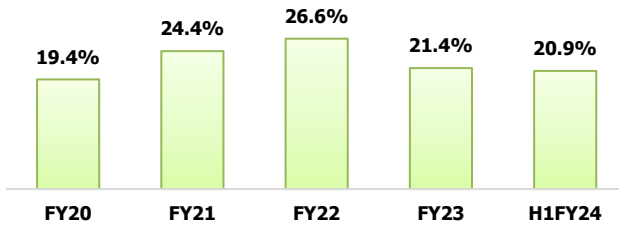
**Ashwini Sonawane**

ashwinisonawane@way2wealth.com

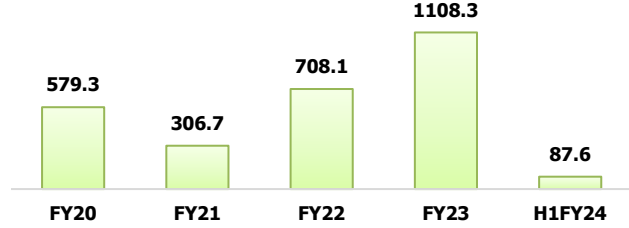
91-22-4019 2913

**Story in Charts**

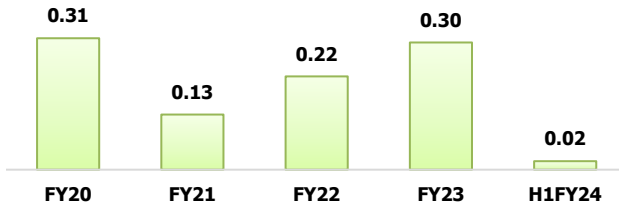
**EBITDA Margin**



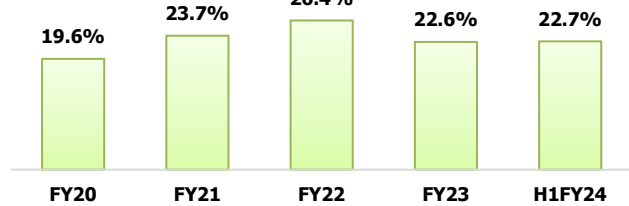
**Net Debt (Cr)**



**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 ₹823.35, stock is trading at ~58x P/E on FY23 EPS of ₹13.6. We continue to maintain our positive view on stock and recommend investors to ACCUMULATE the stock on dips.**

20<sup>th</sup> November 2023

CMP – ₹823.35/-

View – Accumulate on Dips

**Consolidated Financial Highlights**

(₹ Cr)

Consolidated (in cr)	Q2FY24	Q2FY23	VAR	Q1FY24	VAR	H1FY24	H1FY23	VAR[%]
<b>Net Sales</b>	<b>1,458.9</b>	<b>1,173.8</b>	<b>24.3%</b>	<b>1,551.7</b>	<b>-6.0%</b>	<b>3,010.6</b>	<b>2,704.5</b>	<b>11.3%</b>
Other Operating Income	52.03	46.21		59.99		112.0	100.3	
	<b>1,510.9</b>	<b>1,220.0</b>	<b>23.8%</b>	<b>1,611.7</b>	<b>-6.3%</b>	<b>3,122.7</b>	<b>2,804.8</b>	<b>11.3%</b>
Other Income	22.1	20.6	7.6%	5.3	320.5%	27.4	40.7	-32.7%
<b>TOTAL INCOME</b>	<b>1,533.0</b>	<b>1,240.5</b>	<b>23.6%</b>	<b>1,617.0</b>	<b>-5.2%</b>	<b>3,150.0</b>	<b>2,845.5</b>	<b>10.7%</b>
Total Expenditure								
Raw Material Consumed	649.1	781.8	-17.0%	741.3	-12.4%	1,390.4	1,599.9	-13.1%
Purchase of stock in trade	20.5	154.6	-86.8%	26.8	-23.6%	47.3	170.7	-72.3%
Stock Adjustment	257.9	(291.9)	-188.3%	213.4	20.9%	471.3	(182.4)	-358.3%
	<i>RMC as a %age of sales</i>	<i>64%</i>	<i>55%</i>	<i>63%</i>		<i>63%</i>	<i>59%</i>	
Employee Expenses	148.0	131.4	12.7%	146.7	0.9%	294.8	265.0	11.2%
	<i>EPC as a %age of sales</i>	<i>10.0%</i>	<i>11.0%</i>	<i>9.4%</i>		<i>9.7%</i>	<i>9.7%</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	137.5	126.7	8.5%	150.4	-8.6%	287.9	266.2	8.2%
	<i>Other Expenses as a %age of sales</i>	<i>9.3%</i>	<i>10.6%</i>	<i>9.7%</i>		<i>9.5%</i>	<i>9.7%</i>	
<b>TOTAL EXPENDITURE</b>	<b>1,212.9</b>	<b>902.6</b>	<b>34.4%</b>	<b>1,278.7</b>	<b>-5.1%</b>	<b>2,491.6</b>	<b>2,119.4</b>	<b>17.6%</b>
<b>EBIDTA</b>	<b>298.0</b>	<b>317.4</b>	<b>-6.1%</b>	<b>333.1</b>	<b>-10.5%</b>	<b>631.1</b>	<b>685.4</b>	<b>-7.9%</b>
	<i>EBITDA Margins %</i>	<i>20.4%</i>	<i>27.0%</i>	<i>21.5%</i>		<i>21.0%</i>	<i>25.3%</i>	
Interest	18.1	21.0	-13.9%	21.7	-16.4%	39.8	37.8	5.2%
Interest	18.1	21.0	-13.9%	21.7	-16.4%	39.8	37.8	5.2%
Loss/(Gain) in Forex						0.0	0.0	
<b>PBDT</b>	<b>302.0</b>	<b>316.9</b>	<b>-4.7%</b>	<b>316.7</b>	<b>-4.6%</b>	<b>618.7</b>	<b>688.3</b>	<b>-10.1%</b>
Depreciation	46.0	49.6	-7.4%	45.2	1.7%	91.2	98.2	-7.1%
Minority Interest Before NP						0.0	0.0	
<b>PBT before share of associates &amp; Exceptional Item</b>	<b>256.0</b>	<b>267.3</b>	<b>-4.2%</b>	<b>271.5</b>	<b>-5.7%</b>	<b>527.5</b>	<b>590.1</b>	<b>-10.6%</b>
Share of (Loss) of associates						0.0	0.0	
Exceptional items						0.0	0.0	
<b>PBT</b>	<b>256.0</b>	<b>267.3</b>	<b>-4.2%</b>	<b>271.5</b>	<b>-5.7%</b>	<b>527.5</b>	<b>590.1</b>	<b>-10.6%</b>
Tax	54.2	64.0	-15.3%	61.7	-12.1%	115.8	163.4	-29.1%
Fringe Benefit Tax/Deferred				6.0	-100.0%	6.0	(3.3)	-280.9%
MAT credit entitlement						0.0	0.0	
	<i>Tax Rate</i>	<i>21.2%</i>	<i>23.9%</i>	<i>24.9%</i>		<i>23.1%</i>	<i>27.1%</i>	
<b>Reported Profit After Tax</b>	<b>201.8</b>	<b>203.3</b>	<b>-0.7%</b>	<b>203.8</b>	<b>-1.0%</b>	<b>405.7</b>	<b>430.0</b>	<b>-5.7%</b>
Minority Interest After NP						0.0	0.0	
Profit/Loss of Associate Company						0.0	0.0	
<b>Net Profit after Minority Interest &amp; P/L Asso.Co.</b>	<b>201.8</b>	<b>203.3</b>	<b>-0.7%</b>	<b>203.8</b>	<b>-1.0%</b>	<b>405.7</b>	<b>430.0</b>	<b>-5.7%</b>
	<i>PATM %</i>	<i>13.8%</i>	<i>17.3%</i>	<i>13.1%</i>		<i>13.5%</i>	<i>15.9%</i>	
Extra-ordinary Items						0.0	0.0	
<b>Adjusted Profit After Extra-ordinary item</b>	<b>201.8</b>	<b>203.3</b>	<b>-0.7%</b>	<b>203.8</b>	<b>-1.0%</b>	<b>405.7</b>	<b>430.0</b>	<b>-5.7%</b>
Other Comprehensive Income						0.0	0.0	
<b>Total Comprehensive Income</b>	<b>201.8</b>	<b>203.3</b>	<b>-0.7%</b>	<b>203.8</b>	<b>-1.0%</b>	<b>405.7</b>	<b>430.0</b>	<b>-5.7%</b>
Basic:								
<b>EPS</b>	<b>5.91</b>	<b>5.95</b>	<b>-0.7%</b>	<b>5.96</b>		<b>11.87</b>	<b>12.58</b>	<b>-5.7%</b>
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

**Segmental Performance**

(₹ Cr)

	Q2FY24	Q2FY23	VAR	Q1FY24	VAR	H1FY24	H1FY23	VAR
<b>REVENUES</b>								
<b>Revenue from Operations</b>	<b>1,510.9</b>	<b>1,220.0</b>	<b>23.8%</b>	<b>1,610.7</b>	<b>-6.2%</b>	<b>3,121.7</b>	<b>2,804.8</b>	<b>11.3%</b>
Textile	1,111.3	1,109.5	0.2%	1,208.5	-8.0%	2,319.9	2,385.7	-2.8%
<i>% Mix</i>	<i>73.6%</i>	<i>90.9%</i>		<i>75.0%</i>		<i>74.3%</i>	<i>85.1%</i>	
Sugar	369.2	82.6	347.0%	365.9	0.9%	735.1	366.8	100.4%
<i>% Mix</i>	<i>24.4%</i>	<i>6.8%</i>		<i>22.7%</i>		<i>23.5%</i>	<i>13.1%</i>	
Others	30.4	27.9	9.1%	36.3	-16.1%	66.7	52.3	27.6%
<i>% Mix</i>	<i>2.0%</i>	<i>2.3%</i>		<i>2.3%</i>		<i>2.1%</i>	<i>1.9%</i>	
Less : Inter Segment Revenues	-	-	-	-	-	-	-	-
<b>Total Segment Revenue</b>	<b>1,510.9</b>	<b>1,220.0</b>	<b>23.8%</b>	<b>1,610.7</b>		<b>3,121.7</b>	<b>2,804.8</b>	<b>11.3%</b>
Add : Other Unallocable Income	-	-	-	-	-	-	-	-
<b>Net Revenue from Operations</b>	<b>1,510.9</b>	<b>1,220.0</b>	<b>23.8%</b>	<b>1,610.7</b>	<b>-6.2%</b>	<b>3,121.7</b>	<b>2,804.8</b>	<b>11.3%</b>
<b>PROFIT</b>								
<b>Profit/Loss Before Interest and Tax</b>	<b>252.0</b>	<b>267.7</b>	<b>-5.9%</b>	<b>286.9</b>	<b>-12.1%</b>	<b>538.9</b>	<b>587.2</b>	<b>-8.2%</b>
<i>Margin %</i>	<i>16.7%</i>	<i>21.9%</i>		<i>17.8%</i>		<i>17.3%</i>	<i>20.9%</i>	
Textile	179.0	280.5	-36.2%	188.5	-5.0%	367.5	571.1	-35.7%
<i>Margin %</i>	<i>16.1%</i>	<i>25.3%</i>		<i>15.6%</i>		<i>15.8%</i>	<i>23.9%</i>	
Sugar	72.1	(14.2)	-606.3%	97.2	-25.8%	169.3	13.4	1167.4%
<i>Margin %</i>	<i>19.5%</i>	<i>-17.2%</i>		<i>26.6%</i>		<i>23.0%</i>	<i>3.6%</i>	
Others	0.9	1.5	-41.3%	1.2	-24.8%	2.1	2.7	-24.6%
<i>Margin %</i>	<i>2.9%</i>	<i>5.4%</i>		<i>3.2%</i>		<i>3.1%</i>	<i>5.2%</i>	
Less : Interest	18.1	21.0	-13.9%	21.7	-16.4%	39.8	37.8	5.2%
Add: Other Income	22.1	20.6	7.6%	5.3	320.5%	27.4	40.7	-32.7%
<b>Net Profit/Loss Before Tax</b>	<b>256.0</b>	<b>267.3</b>	<b>-4.2%</b>	<b>270.5</b>	<b>-5.3%</b>	<b>526.5</b>	<b>590.1</b>	<b>-10.8%</b>

Source: Company, Way2wealth Research

**Disclaimer**

**Analyst Certification:** I, Ashwini Sonawane, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Ashwini Sonawane, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

**Disclosure of Interest Statement KPR Mill Ltd. as on November 20<sup>th</sup>, 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

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.