

10<sup>th</sup> May 2024

CMP – ₹787/-

 View – **Accumulate**
**Q4FY24 Performance**

- Revenue declined 13.9% Y-o-Y to ₹1626crs. The textile segment (~80% of revenue) grew ~3% YoY to ₹1394crs and the sugar division (17% of revenues) declined by 50% YoY to ₹279crs. For FY24 revenue declined 2% to ₹6060crs.
- On a YoY basis, gross margins expanded ~541bps to 38.8% on account of lower raw material costs while negative operating leverage restricted the EBITDA margin expansion. EBITDA grew ~5% to ₹335crs in Q4FY24. EBITDA margin was at 20.6% v/s 17% in Q4FY23 owing to low input costs
- PAT grew 2% YoY to ₹214crs on the back of high tax expenses and the margin stood at ~ 13% in Q4FY24
- The board has recommended a final dividend of ₹2.5 per share for FY24.

**Important Statics**

Nifty	21,958
Sensex	72,404
Mcap (₹ cr)	~₹26,940
52Week H/L (₹)	927/555
NSE Code	KPR MILL
BSE Code	532889
Bloomberg Code	KPR:IN

**Shareholding Pattern (%) Mar'24**

Promoters	73.75
FII	04.64
DII	14.79
Public & Others	06.81

**Key Highlights**

- FY24 was a challenging year for textiles due to cotton price fluctuation, which led to a lower yarn realization and reduced demand from apparel companies and increased energy costs.
- Demand for yarn has come down leading to lower realization. The management guided that margin pressure on the yarn front is leading to overall margin pressure.
- Textile business revenue grew ~3% YoY to ₹1696crs while for FY24, revenue declined by ~4% y-o-y to ₹4,714crs. Garment revenues grew 6.5% YoY to ₹775crs, while fabric and yarn revenue declined ~3% YoY to ₹562crs in Q4FY24.
- For FY24 Garments Production grew by 9.54% to 145.94 Mn garments compared to 133.23 Mn Garments in FY23.
- In the fabrics & yarn segment, volumes grew 10% YoY at 73,481 MT, while sales declined due to lower realization in FY24.
- Garment volumes for Q4FY24 grew by 33% YoY to ~49mn pieces, while realization fell by 20% YoY.
- The Textile segment's PBIT Margins were 15.5% vs 13.1% in Q4FY23 while the sugar segment's margins were at 24.6% vs 17% in Q4FY23.
- Sugar business sales declined 50% YoY to ₹279crs while for FY24, revenue grew 4% YoY to 1226crs. Ethanol segment revenue fell 3% YoY to ₹151crs. Total sugar volume declined ~78% to 21,503mt and realization grew ~6% YoY to ₹34.4kg.
- Ethanol sales volume grew ~4% to 248 lakh liters and realisation declined ~7% to ₹61 per litres. The company currently has ~1.5lakh tons of sugar inventory and by FY25 the company plans to achieve sugar production of 2lakh tonnes vs 1.76 lakh tonnes in FY24.
- The company has added a few customers in the US and there are a few customers in the pipeline.
- KPR's current order book for garments is ~1100crs. Management indicated that the brownfield capacity addition of 30 mn pieces is to be completed in H1FY2025. Garment margin guidance is at 22-24%.

**Financials**

Particulars	₹ Cr	
	FY23	FY24
Revenues	6186	6060
EBITDA	1274	1237
EBITDA Margin	21%	20%
Net Profit	814	805
EPS(₹)	23.8	23.6
RoCE(%)	22.6	26.4
P/E(x)	33.1	33.3

Source: Company, Way2Wealth

**Relative Performance**

Absolute Return (%)	1Yr	3Yr	5Yr
KPR Mill	39	170	561
Nifty 50	21	50	94
Sensex	17	49	91

Source: Company, Way2Wealth

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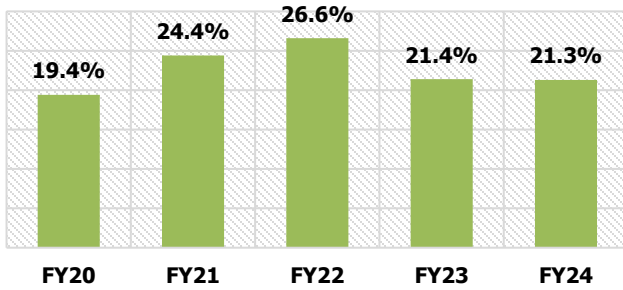
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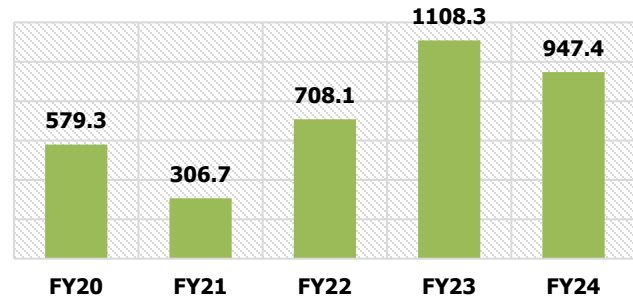
View – Accumulate

Story in Charts

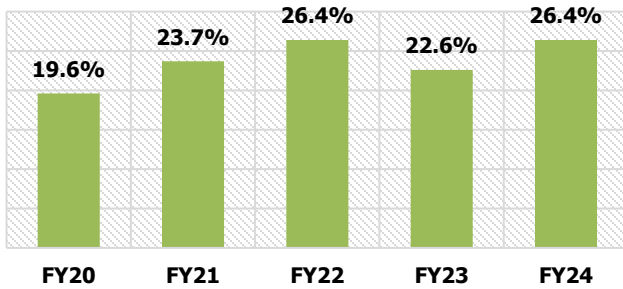
EBITDA Margin



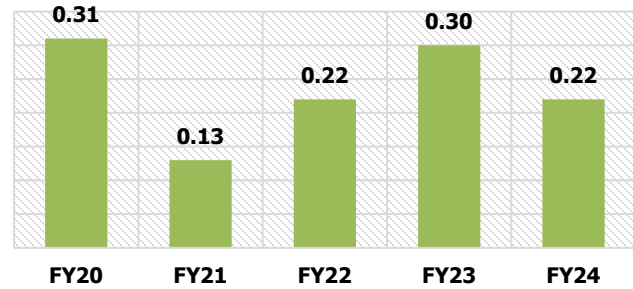
Net Debt (Cr)



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

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

Backed up by consistent capacity expansion over the years along with an integrated business model, KPR's financial performance has been rock solid in a highly cyclical industry. Its revenue and operating profit grew 12% & 19% in five years.

KPR's strong fundamentals such as 20%+ operating margins, superior return ratio profile, and healthy balance sheet boost our confidence. **At CMP of ₹787, the stock is trading at ~33.3x P/E on FY24 EPS of ₹23.6. We continue to maintain our positive view on stock and recommend investors to ACCUMULATE the stock.**

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View – Accumulate

**Consolidated Financial Highlights**

(₹ Cr)

Particulars	Q4FY24	Q4FY23	VAR [%]	Q3FY24	VAR [%]	FY24	FY23	VAR [%]
<b>Net Sales</b>	<b>1,626.1</b>	<b>1,887.8</b>	<b>-13.9%</b>	<b>1,188.2</b>	<b>36.9%</b>	<b>5,824.9</b>	<b>5,960.2</b>	<b>-2.3%</b>
Other Operating Income	70.66	61.85		53.12		235.8	225.7	
	<b>1,696.7</b>	<b>1,949.7</b>	<b>-13.0%</b>	<b>1,241.3</b>	<b>36.7%</b>	<b>6,060.7</b>	<b>6,185.9</b>	<b>-2.0%</b>
Other Income	11.9	8.4	42.1%	28.0	-57.5%	67.3	62.3	7.9%
<b>TOTAL INCOME</b>	<b>1,708.6</b>	<b>1,958.0</b>	<b>-12.7%</b>	<b>1,269.3</b>	<b>34.6%</b>	<b>6,127.9</b>	<b>6,248.2</b>	<b>-1.9%</b>
Total Expenditure								
Raw Material Consumed	1,103.0	1,299.5	-15.1%	984.7	12.0%	3,478.2	3,896.6	-10.7%
Purchase of stock in trade	10.3	29.8	-65.3%	21.3	-51.5%	78.9	220.6	-64.2%
Stock Adjustment	(75.6)	(31.4)	140.8%	(345.5)	-78.1%	50.2	(364.3)	-113.8%
	<i>RMC as a %age of sales</i>	<i>64%</i>	<i>69%</i>	<i>56%</i>		<i>62%</i>	<i>63%</i>	
Employee Expenses	152.2	142.9	6.6%	153.6	-0.9%	600.6	548.6	9.5%
	<i>EPC as a %age of sales</i>	<i>9.3%</i>	<i>7.5%</i>	<i>12.6%</i>		<i>10.2%</i>	<i>9.1%</i>	
Other Expenses	171.7	188.5	-8.9%	155.6	10.3%	615.2	610.0	0.9%
	<i>Other Expenses as a %age of sales</i>	<i>10.5%</i>	<i>9.9%</i>	<i>12.8%</i>		<i>10.4%</i>	<i>10.1%</i>	
<b>TOTAL EXPENDITURE</b>	<b>1,361.7</b>	<b>1,629.4</b>	<b>-16.4%</b>	<b>969.8</b>	<b>40.4%</b>	<b>4,823.0</b>	<b>4,911.5</b>	<b>-1.8%</b>
<b>EBIDTA</b>	<b>335.1</b>	<b>320.3</b>	<b>4.6%</b>	<b>271.6</b>	<b>23.4%</b>	<b>1,237.7</b>	<b>1,274.4</b>	<b>-2.9%</b>
	<i>EBITDA Margins %</i>	<i>20.6%</i>	<i>17.0%</i>	<i>22.9%</i>		<i>21.2%</i>	<i>21.4%</i>	
Interest	19.7	21.3	-7.6%	14.9	32.0%	74.4	78.9	-5.7%
<b>PBDT</b>	<b>327.3</b>	<b>307.4</b>	<b>6.5%</b>	<b>284.6</b>	<b>15.0%</b>	<b>1,230.6</b>	<b>1,257.9</b>	<b>-2.2%</b>
Depreciation	49.4	46.1	7.1%	48.6	1.5%	189.2	173.7	8.9%
<b>PBT</b>	<b>277.9</b>	<b>261.3</b>	<b>6.4%</b>	<b>236.0</b>	<b>17.8%</b>	<b>1,041.4</b>	<b>1,084.2</b>	<b>-3.9%</b>
Tax	64.3	51.7	24.3%	44.0	46.0%	224.2	259.6	-13.7%
	<i>Tax Rate</i>	<i>23.1%</i>	<i>19.8%</i>	<i>20.7%</i>		<i>22.6%</i>	<i>24.9%</i>	
<b>Reported Profit After Tax</b>	<b>213.6</b>	<b>209.6</b>	<b>1.9%</b>	<b>187.1</b>	<b>14.2%</b>	<b>806.3</b>	<b>814.1</b>	<b>-1.0%</b>
	<i>PATM %</i>	<i>13.1%</i>	<i>11.1%</i>	<i>15.7%</i>		<i>13.8%</i>	<i>13.7%</i>	
<b>EPS</b>	<b>6.25</b>	<b>6.13</b>	<b>1.9%</b>	<b>5.47</b>		<b>23.59</b>	<b>23.82</b>	<b>-1.0%</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

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**Segmental Performance**

(₹ Cr)

Particulars	Q4FY24	Q4FY23	VAR	Q3FY24	VAR	FY24	FY23	VAR
<b>REVENUES</b>								
<b>Revenue from Operations</b>	<b>1,696.8</b>	<b>1,950.0</b>	<b>-13.0%</b>	<b>1,241.4</b>	<b>36.7%</b>	<b>6,060.1</b>	<b>6,186.2</b>	<b>-2.0%</b>
Textile	1,394.0	1,355.1	2.9%	999.9	39.4%	4,713.8	4,893.2	-3.7%
% Mix	82.2%	69.5%		80.5%		77.8%	79.1%	
Sugar	279.4	560.1	-50.1%	211.7	32.0%	1,226.2	1,179.5	4.0%
% Mix	16.5%	28.7%		17.1%		20.2%	19.1%	
Others	23.4	34.8	-32.9%	29.8	-21.6%	120.1	113.5	5.8%
% Mix	1.4%	1.8%		2.4%		2.0%	1.8%	
Less : Inter Segment Revenues	0.1	0.3	-62.5%	0.1	33.3%	0.5	0.3	43.8%
<b>Total Segment Revenue</b>	<b>1,696.7</b>	<b>1,949.7</b>	<b>-13.0%</b>	<b>1,241.3</b>		<b>6,059.7</b>	<b>6,185.9</b>	<b>-2.0%</b>
<b>PROFIT</b>								
<b>Profit/Loss Before Interest and Tax</b>	<b>285.7</b>	<b>274.2</b>	<b>4.2%</b>	<b>222.9</b>	<b>28.2%</b>	<b>1,047.5</b>	<b>1,100.7</b>	<b>-4.8%</b>
Margin %	16.8%	14.1%		18.0%		17.3%	17.8%	
Textile	216.0	178.0	21.4%	169.3	27.6%	752.8	902.0	-16.5%
Margin %	15.5%	13.1%		16.9%		16.0%	18.4%	
Sugar	68.7	95.1	-27.8%	52.8	29.9%	290.8	193.5	50.3%
Margin %	24.6%	17.0%		25.0%		23.7%	16.4%	
Others	1.0	1.1	-6.4%	0.8	30.8%	3.8	5.1	-25.1%
Margin %	4.4%	3.1%		2.6%		3.2%	4.5%	
Less : Interest	19.7	21.3	-7.6%	14.9	32.0%	74.4	78.9	-5.7%
Add: Other Income	11.9	8.4	42.1%	28.0	-57.5%	67.3	62.3	7.9%
<b>Net Profit/Loss Before Tax</b>	<b>277.9</b>	<b>261.3</b>	<b>6.4%</b>	<b>236.0</b>	<b>17.8%</b>	<b>1,040.4</b>	<b>1,084.2</b>	<b>-4.0%</b>

Source: Company, Way2wealth Research

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**Disclosure of Interest Statement KPR Mill Ltd. as on May 10<sup>th</sup>, 2024**

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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