

29<sup>th</sup> December 2023

## KPR Mill Ltd. – BUY

**CMP** : Rs. 823  
**Target Price** : Rs. 985  
**Upside** : 20%  
**Stop Loss** : Rs. 774 (Closing basis)

### Investment Thesis

- KPR Mill possesses strong operational flexibility as one of the largest vertically integrated companies in the textile industry. The company is involved in every stage of textile production, from manufacturing cotton yarn to processed fabric to garments. Its product range includes a variety of yarns such as readymade knitted apparel, compact, mélange, carded, polyester, and combed yarn, as well as fabrics.
- Within the garment division, KPR Mill manufactures knitted garments for men, ladies and children wear, including t-shirts, nightwear, and more. The spinning division of KPR Mill boasts 354,240 spindles with a production capacity of 100,000 MTPA, producing combed, grey mélange, carded, and compact yarn.
- The fabric division is equipped with high-speed automatic circular knitting machines that can process different kinds of fabric at 40,000 MT per annum. Lastly, KPR Mill's garmenting facility has an installed capacity of 115 million pieces per annum.
- KPR has a total of 66 windmills with a power generation capacity of 61.92 MW. These windmills are in Tirunelveli, Tenkasi, Theni, and Coimbatore Districts. KPR's windmills provide around 45%-50% of the power required for textile production, while the remaining power is sourced from TANGEDCO and third parties.
- In FY23, KPR installed a 10-MW rooftop solar power plant at a cost of about Rs. 50 crores. The power generated by this solar plant will be used for captive purposes, it will meet around 55%-60% of KPR's total power requirement.
- In FY23, the garment segment was the largest contributor to the total revenue, accounting for 39% (Rs. 2,309 Cr), followed by the yarn and fabric segment, which contributed 38% (Rs. 2,156 Cr). The remaining revenue was generated by the sugar, ethanol, and power division.

### Financials

- Q2FY24 witnessed a total revenue growth by ~24% YoY to Rs. 1,511 Cr. Though, the Textile division revenue was flat on YoY basis at Rs. 1,111 Cr, the Sugar & Ethanol division recorded an impressive 4x growth YoY at Rs. 369 Cr, on account of ramp-up in new capacity.

Particulars	FY20	FY21	FY22	FY23	FY24E
Revenue (Rs in Crs)	3,353	3,527	4,822	6,186	7,207
EBITDA (Rs in Crs)	622	830	1,219	1,274	1,513
Adj. PAT (Rs in Crs)	377	515	842	814	901
Adj. EPS (Rs.)	11.01	15.07	24.62	23.80	26.34
PE Multiple (x)	74.7x	54.6x	33.4x	34.6x	31.2x
RoE (%)	21%	22%	27%	22%	20%

### Stock Data

Market Cap (Rs. Crs)	28,147
Market Cap (\$ Mn)	3,386
Shares O/S (in Mn)	342
Avg. Volume (3 month)	1,54,870
52-Week Range (Rs.)	928 / 506

### Shareholding Pattern

Promoters	73.75 %
FII's	4.18 %
Institutions	15.05 %
Others (incl. body corporate)	7.02 %

### Key Ratios

Div Yield	0.49%
TTM PE	35.6x
ROE	23.4%
TTM EPS (Rs.)	23.07/-

### Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	(3.5%)	25.7%	63.6%
NIFTY500	(12.9%)	6.5%	37.8%



- KPR recorded robust Revenue growth by 27.3% at Rs. 6,248 Cr on YoY basis. The EBITDA & PAT were a flattish growing by 2.4% & (3.3%) on YoY basis standing at Rs. 1,337 Cr and Rs. 814 Cr respectively.
- Despite recent corrections, average garment realization's improved by ~40% on aggressive price hikes and a better product mix.
- Sugar realization stood at Rs. 33.6/kg. Ethanol realization stood at Rs. 61.1/liter. KPR is expanding its sugar and ethanol capacity, which is expected to turn operational soon.

## Key Business Highlights

- KPR Mill Limited is one of the leading vertically integrated apparel manufacturing Companies in India built on fabulous values with 12 hi-tech manufacturing facilities and over 30,000 employees. Exporting to leading international brands.
- KPR has 6 state-of-the-art Spinning mills with a capacity of 1,00,000 MT of yarn and 4,000 MT of Vortex Viscose yarn. It also produces 157 mn knitted garments through its 4 garment facilities. KPR processes fabric through its fabric processing facilities with a capacity of 25,000 MT of fabrics, and 15,000 MT capacity of fabric printing.
- Apart from the above-mentioned businesses, KPR also has a Sugar producing facility in Karnataka with a capacity of 20,000 TCD and Ethanol capacity of 360 Kilo Liters Per Day.
- To meet the energy requirement to produce textile, KPR also has a Wind power capacity of 61.92 MW, 90 MW of Co-gen power, and 12 MW of Rooftop Solar power which suffices 40% of the textile power requirement.
- The export market comprising customers located in US, UK, and Australia contributed 38% to the total revenue, and the majority contribution was from the domestic market with 62% contribution.
- During FY23, KPR ramped-up its newly installed capacity in its subsidiary-KPRSAL, contributing ~Rs. 1,058 Cr on a standalone basis.

## Valuation

KPR is currently trading at Rs. 818 which is ~12% down from its 52-week High of ₹ 928. It currently commands a PE of 35.4x against an industry PE of 39.6x., indicating huge scope for growth given the ramp-up in the Sugar/Ethanol division, robust volume growth in the garment division and better demand environment. The ROE / ROCE remains strong at 23.4% / 24.4% respectively, and the EPS growth stands at 24.7% (5 years).

We are ascribing a **BUY** rating for KPR Mill with a **Target Price of Rs. 985**, translating in an upside of 20%.

## Risk & Concern

- Poor performance in the Yarn & Fabric division will hamper the topline as Yarn & Fabric division contributes a significant 38% to the total revenues.
- The profitability of spinning mills depends largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. The cotton being the major raw material of spinning mills, movement in cotton prices without parallel movement in yarn prices impact the profitability of the spinning mills.
- Any sustained slowdown in the global export market due to inflationary pressure or any significant increase in input prices would act as a key risk to our earnings estimates.

## Graphs & Charts

Figure 1: Net Sales Trend (Rs. In Crs)

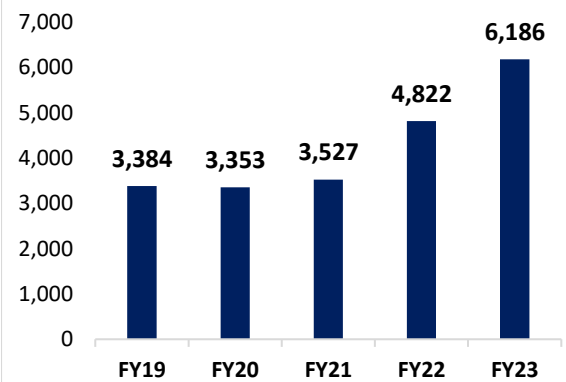


Figure 2: EBITDA & EBITDA Margin Trend

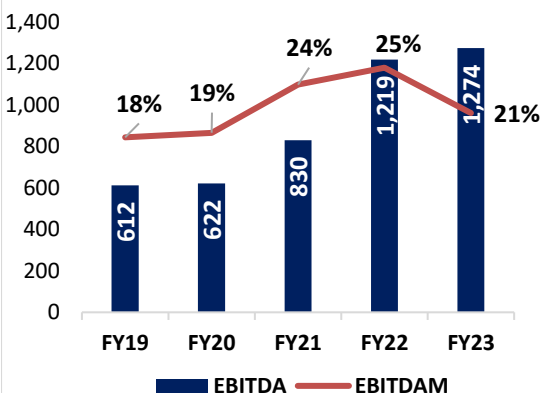


Figure 3: Product Segment-wise Revenue Contribution (FY23)

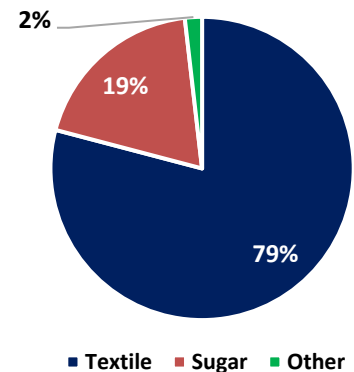
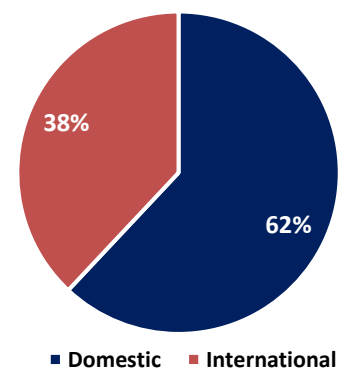


Figure 4: Geographical Revenue Contribution



**Name**  
**Shreya Hanchate**

**Designation**  
**Research Analyst**

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063  
Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

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