



3R MATRIX

	+	=	-
Right Sector (RS)	Green	Grey with check	Red
Right Quality (RQ)	Green with check	Grey	Red
Right Valuation (RV)	Green with check	Grey	Red
	+ Positive	= Neutral	- Negative

What has changed in 3R MATRIX

	Old	↔	New
RS	Grey	↔	Grey
RQ	Green	↔	Green
RV	Green	↔	Green

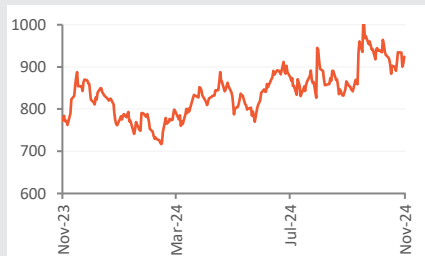
Company details

Market cap:	Rs. 31,584 cr
52-week high/low:	Rs. 1,054 / 700
NSE volume: (No of shares)	4.2 lakh
BSE code:	532889
NSE code:	KPRMILL
Free float: (No of shares)	10.0 cr

Shareholding (%)

Promoters	70.7
FII	5.9
DII	17.3
Others	6.1

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	2.5	-1.9	3.1	-2.8
Relative to Sensex	-1.9	0.1	8.2	22.5

Sharekhan Research, Bloomberg

KPR Mill Ltd
Muted Q2

Textiles	Sharekhan code: KPRMILL		
Reco/View: Buy	↔	CMP: Rs. 924	Price Target: Rs. 1,080
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- KPR Mills' (KPR's) Q2FY2025 performance was muted with revenue declining by 2% y-o-y to Rs. 1,480 crore, EBITDA margins marginally up by 31 bps y-o-y to 20% and PAT growing by 1.6% y-o-y to Rs. 205 crore.
- The textile business delivered good performance with volume-led 9% y-o-y revenue growth and ~450 bps y-o-y rise in margins. Sugar business was affected by lower volumes (revenue fell 33% y-o-y with a sharp decline in profitability), which dragged overall performance.
- Gross debt at H1FY2025-end stood at Rs. 392 crore. Cash & cash equivalents (including FD) amounted to Rs. 755 crore, resulting in net cash surplus of Rs. 363 crore at H1FY2025-end.
- Stock trades at 39x/33x/27x its FY25E/FY26E/FY27E EPS and 25x/21x/18x its FY25E/FY26E/FY27E EV/EBITDA, respectively. We maintain a Buy with a revised PT of Rs. 1,080.

KPR's Q2FY2025 performance was muted mainly affected by lower ethanol and sugar volumes, which dragged overall performance, while textiles business delivered good performance. Revenues declined by 2% y-o-y to Rs. 1,480 crore, with textiles business growing by 9.4% y-o-y (garment/fabric volumes grew 13%/7%, respectively), while the sugar business revenues fell by 32.7% y-o-y (sugar/ethanol volumes fell 16%/60%, respectively). Gross margins fell by 38 bps y-o-y to 38.2%, while EBITDA margin rose by 31 bps y-o-y to 20%. PBIT margins of textiles business rose by ~450 bps y-o-y to 20.6%, while the sugar business reported a loss of Rs. 6.4 crore versus profit of Rs. 72 crore in Q2FY2024. EBITDA stood flat y-o-y at Rs. 296 crore and PAT grew by 1.6% y-o-y to Rs. 205 crore. In H1FY2025, revenues fell by 1% y-o-y to Rs. 3,090 crore, EBITDA margin slightly fell by 40 bps y-o-y to 19.8% and PAT grew by 0.9% y-o-y to Rs. 408 crore. At H1FY2025, KPR reported a net cash surplus of Rs. 363 crore.

Key positives

- Garment volumes rose by 12.8% y-o-y to 35.9 million pieces.
- Textile business' EBIT margins rose 454 bps y-o-y to 20.6%.
- KPR has a net cash surplus of Rs. 363 crore against net debt of Rs. 947 crore at FY2024-end.

Key negatives

- Ethanol and sugar volumes fell by 60.4% and 16.4% y-o-y, respectively.
- Sugar business' reported a loss of Rs. 6.4 crore against a profit of Rs. 72 crore in Q2FY2024.

Key highlights from investor presentation

- Garment volumes grew 16.1% y-o-y 43.8 million pieces and fabrics & yarn volumes grew by 4.2% y-o-y to 17,646 MT.
- Sugar volumes came in higher by 16.7% y-o-y to 53,028 MT, while ethanol volumes fell sharply by 60.2% y-o-y to 115 lakh litres.
- Region-wise mix for H1FY2025 – Europe** - 58.7% (versus 59.5% in FY2024), **North America** -19.8% (versus 18.8% in FY2024), **Australia** - 15.7% (versus 16% in FY2024) and **Asia** - 4.2% (versus 4.3% in FY2024).
- After repaying debt of Rs. 767 crore in H1FY2025, gross debt at H1FY2025-end stood at Rs. 392 crore. Cash & cash equivalents (including FD) were at Rs. 755 crore, resulting in net cash surplus of Rs. 363 crore at H1FY2025-end.

Revision in estimates – We have reduced our earnings estimates for FY2025 and FY2026 to factor in lower than expected revenue growth and EBITDA margins in Q2FY2025. We have introduced FY2027 estimates through this note.

Our Call

View – Retain Buy with a revised PT of Rs. 1,080: KPR's Q2FY2025 performance was impacted due to a weak show by the sugar business, while textile business' performance was better with high single-digit revenue growth and expansion in margin. In the medium to long term, the China + 1 and Bangladesh + 1, a likely signing of the free-trade agreement (FTA) with the UK and increasing opportunities in the US, provides scope for consistent growth in high-margin garment business (~40% of total revenues). Further, an integrated business model along with a strong capacity expansion plan in the textile business would aid in faster recovery for KPR, once demand improves. Stock trades at 39x/33x/27x its FY25E/FY26E/FY27E EPS and 25x/21x/18x its FY25E/FY26E/FY27E EV/EBITDA, respectively. We maintain a Buy with a revised PT of Rs. 1,080.

Key concern

Sudden slowdown in the global export market or any significant increase in input prices would act as a key risk to our earnings estimates.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	6,186	6,060	6,323	7,213	8,260
EBITDA Margin (%)	20.6	20.4	20.2	20.5	20.7
Adjusted PAT	814	805	804	965	1,158
% Y-o-Y growth	-3.3	-1.1	-0.1	20.0	20.1
Adjusted EPS (Rs.)	23.8	23.6	23.5	28.2	33.9
P/E (x)	38.8	39.2	39.3	32.7	27.3
P/B (x)	8.5	7.2	6.2	5.3	4.5
EV/EBITDA (x)	25.7	26.3	24.9	20.9	17.7
RoNW (%)	23.6	20.0	17.0	17.4	17.7
RoCE (%)	24.3	20.7	19.3	20.7	22.0

Source: Company; Sharekhan estimates