

**Price:** 1,069

**Recommendation:** Buy

**Industry:** Other Textile Products

**Sector:** Consumer Discretionary

**Report Date:** 21-Apr-2025

K.P.R. Mill Limited is enhancing its market position by expanding production with new garment and fabric facilities, boosting capacity to 177 million garments and 25,000 MT of fabrics annually. The company invests in eco-friendly technologies and diversifies products with the 'FASO' brand. With a presence in over 60 countries, it benefits from favorable policies. Despite a slight EBITDA margin drop, its focus on innovation and sustainability supports future growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4228 Cr	Operating Profit(Year)	746 Cr	Operating Profit Margin	17.6 %
Previous Year	4740 Cr	Operating Profit(Quarter)	182 Cr	EBITDA Margin	17.83 %
Current Quarter	984 Cr	PAT (Year)	518 Cr	Net Profit Margin	12.8 %
Previous Quarter	1035 Cr	PAT (Quarter)	137 Cr	EPS	20.1
Revenue (QYoY)	904 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	53.4	Sales Growth	3.37 %	Sales Growth	-4.93 %
PEG Ratio	4.24	PAT Growth	-12.5 %	Sales Growth QYoY	8.85 %
EV/EBITDA	37.8	EPS Growth	24.07 %	PAT Growth	-34.76 %
P/B	9.96	Dividend Yield	0.47	PAT Growth QYoY	21.24 %
Capital Allocation		Holdings		Leverage	
RoE	16.3 %	Promoter	70.7 %	Debt/Equity	0.03
RoA	13.3 %	FII	6.25 %	Debt	98.6 Cr
RoCE	18.8 %	DII	16.5 %	Market Cap	36545 Cr
RoIC	19.2 %	Public	6.57 %	Enterprise value	36484 Cr
		No of Shares	34.2 Cr	Cash Equivalents	159 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent meeting, K.P.R. Mill Limited outlined several new initiatives and business strategies aimed at enhancing its market position and operational efficiency. The company is focusing on expanding its production capabilities with the introduction of state-of-the-art garment and fabric processing facilities. These facilities are expected to significantly increase the production capacity, allowing the company to produce 177 million knitted garments and process 25,000 MT of fabrics annually. Additionally, the company is investing in eco-friendly technologies, such as a sophisticated high-resolution printing facility and green power generation through wind, solar, and co-generation, which will help economize power costs and reduce environmental impact.

The company is also diversifying its product offerings and market reach. It has launched the 'FASO' brand, which includes men and women innerwear, sportswear, and athleisure, targeting a broader consumer base. K.P.R. Mill is leveraging its proximity to Tirupur, Asia's largest knitwear cluster, to enhance its supply chain efficiency and market access. The company is also focusing on expanding its export markets, with a presence in over 60 countries, and is benefiting from favorable government policies, such as 100% FDI in the textile sector and free trade agreements with major economies.

Looking ahead, K.P.R. Mill is optimistic about its growth prospects, driven by its strategic investments in capacity expansion and product diversification. The company aims to maintain its competitive edge by continuing to invest in technology and innovation. It is also committed to sustainable practices, which are expected to enhance its brand reputation and appeal to environmentally conscious consumers. The company's strong financial performance, with a revenue of 4,682.11 crore and a profit after tax of 610.56 crore for the nine months ending December 2024, underscores its robust growth trajectory.

While the company's initiatives are promising, there are areas for improvement. The EBITDA margin has slightly decreased to 20.86% from 21.66% in the previous year, indicating potential cost management challenges. Additionally, the company faces risks related to market volatility and competition, which could impact its growth. To mitigate these risks, K.P.R. Mill could explore further cost optimization strategies and strengthen its market intelligence capabilities. Overall, the company's strategic focus on innovation, sustainability, and market expansion positions it well for future growth, but continuous improvement in operational efficiency and risk management will be crucial for sustaining its competitive advantage.

KPRMILL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
<b>Gokaldas Exports</b>	6047.84	40.31	10.27%	6.33%	79.08%	78.76%	65.48%
<b>Kitex Garments</b>	5291.73	42.79	6.33%	28.00%	68.35%	10.29%	170.61%
<b>Pearl Global Ind</b>	5098.74	23.80	21.90%	-14.93%	45.25%	-18.65%	43.06%
<b>Page Industries</b>	50716.67	75.29	38.35%	5.36%	7.14%	4.81%	34.34%
<b>K P R Mill Ltd</b>	36545.03	53.35	16.34%	-4.92%	8.83%	-34.78%	21.60%

Aspect	Commentary
<b>Revenue</b>	The company experienced a decline in annual revenue from 4740 Cr to 4228 Cr, indicating a challenging market environment. However, quarterly revenue showed resilience with a slight decrease from 1035 Cr to 984 Cr, suggesting potential stabilization. The year-over-year quarterly revenue growth of 8.85% is a positive indicator of recovery.
<b>Profit &amp; Loss</b>	Annual operating profit stands at 746 Cr, with a quarterly figure of 182 Cr, reflecting stable operational efficiency. Despite a 12.5% decline in annual PAT, quarterly PAT of 137 Cr shows a significant 21.24% QYoY growth, indicating improved profitability in recent quarters.
<b>Profitability Matrix</b>	Operating profit margin is robust at 17.6%, with EBITDA margin slightly higher at 17.83%. Net profit margin of 12.8% and EPS of 20.1 suggest strong profitability, though there is room for improvement in cost management to enhance margins further.
<b>Valuation Matrix</b>	The company has a high trailing P/E of 53.4, indicating market optimism or overvaluation. A PEG ratio of 4.24 suggests growth expectations are priced in. EV/EBITDA of 37.8 and P/B of 9.96 highlight premium valuation, necessitating strong future performance to justify.
<b>Growth (YoY)</b>	Sales growth is modest at 3.37%, while PAT growth is negative at -12.5%, reflecting challenges in profitability. However, EPS growth of 24.07% is encouraging, indicating potential for earnings improvement. Dividend yield is low at 0.47%, suggesting reinvestment focus.
<b>Growth (QoQ)</b>	Quarterly sales growth is negative at -4.93%, but QYoY growth of 8.85% is promising. PAT growth is down -34.76% QoQ, yet QYoY growth of 21.24% shows recovery. These mixed signals highlight the need for strategic focus on consistent growth.
<b>Capital Allocation</b>	Return metrics are strong with RoE at 16.3%, RoA at 13.3%, RoCE at 18.8%, and RoIC at 19.2%, indicating efficient capital use. These figures suggest the company is effectively generating returns on its investments, supporting long-term value creation.
<b>Holdings</b>	Promoter holding is high at 70.7%, indicating strong control. FII and DII holdings are 6.25% and 16.5% respectively, showing moderate institutional interest. Public holding is low at 6.57%, suggesting limited public float, which could impact liquidity.
<b>Leverage</b>	The company maintains a conservative leverage position with a debt/equity ratio of 0.03 and total debt of 98.6 Cr. This low leverage, combined with a market cap of 36545 Cr and cash equivalents of 159 Cr, indicates strong financial stability and low risk.

**Analyst viewpoint:** K.P.R. Mill Limited has demonstrated commendable resilience and strategic agility, as reflected in its recent financial performance and initiatives. The company is implementing substantial capacity expansions through new state-of-the-art facilities, which aim to enhance its production capabilities significantly. Its focus on sustainability, through investments in eco-friendly technologies, positions it for long-term growth and appeals to environmentally conscious consumers. The financial health remains robust with a strong RoCE of 18.8% and a conservative debt-equity ratio at 0.03, indicating effective capital allocation and low leverage risk. The recent quarter reflects positive momentum as evidenced by a 21.24% QYoY growth in PAT, complementing a QoQ sales growth that is recovering at 8.85%, showcasing signs of a promising earnings landscape.

Despite these positive indicators, the company does face some challenges, notably in maintaining its operating and EBITDA margins, which have shown slight declines, suggesting potential areas for cost management enhancement. Competitive pressures and market volatility are inherent risks, yet the company's strategic focus on diversification and leveraging broad international presence across 60 countries could enable it to navigate these challenges effectively. Overall, K.P.R. Mill's strategic initiatives, coupled with strong financial metrics, support a bullish outlook in the short to mid-term, making it a compelling investment, albeit with room for prudent operational improvements.

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