

Stock split executed; maintain positive stance...

About the stock: KPR Mill is among select vertically integrated textile players in India (from yarn to garments) that has displayed a consistent revenue growth and positive operating margin trajectory with strong return ratios.

- It is one of India's largest knitted garment manufacturer with total capacity of 157 million pieces (post expansion)
- Consistently, over the years, it has maintained ~18%+ margins with average RoCE of ~20% and D/E ratio of 0.3x

Event: Stock Split

- Shares of the company were split on September 24, 2021 (ex-date) pursuant to the board and shareholder approval granted for sub-division of shares in its meetings on July 27, 2021 and September 9, 2021, respectively. The record date for the same has been fixed as September 27, 2021. Subsequently, the shares of the company have been split with existing face value of ₹ 5 has been subdivided into five equity shares of ₹ 1 face value each
- Today is the ex-date for the stock split. Thus, the stock price has adjusted to one-fifth

What should investors do? Since our initiation report, the stock price has appreciated by ~4x (from ₹ 119 (price adjusted for stock split) in September 2020 to ₹ 480 in September 2021).

- We continue to like KPR as a structural long term story to play the apparel export space. We maintain **BUY** recommendation on the stock

Target Price and Valuation: We value KPR at ₹ 575 i.e. 26x FY23E EPS

Key triggers for future price performance:

- KPR has two major capex projects in the pipeline worth ₹ 750 crore towards garmenting facility (₹ 250 crore) and ethanol facility (₹ 500 crore)
- Capital deployment towards value accretive projects (targeted RoCE: garmenting: 30%, ethanol: 22%) augurs well for KPR
- Robust opportunities in US market gives strong visibility for sustained growth in exports (currently Europe is the key market for garment exports)
- We model revenue, earnings CAGR of 18%, 21%, respectively, in FY21-23E with higher RoCE of 26%



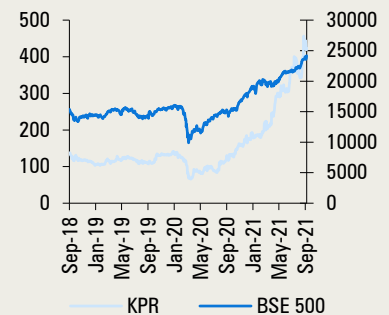
Particulars

Particulars	Amount
Market Capitalisation (₹ crore)	16,516.8
Total Debt (FY21) (₹ crore)	657.1
Cash (FY21) (₹ crore)	310.7
EV (₹ crore)	16,863.2
52 Week H / L	494 / 81
Equity Capital (₹ crore)	34.4
Face Value (₹)	1.0

Shareholding pattern

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	75.2	74.7	74.7	74.7	74.7
FII	1.2	1.4	1.8	2.2	2.7
DII	16.5	15.8	15.9	15.3	14.6
Others	7.1	8.0	7.6	7.8	8.1

Price Chart



Recent Event & Key risks

- Robust order book for garmenting division (₹ 700 crore)
- Key Risk:** (i) Delay in expansion can reduce sales (ii) Significant increase in cotton price can subdue margins

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Key Financial Summary

Financials	FY19	FY20	FY21A	5 Year CAGR (FY16-21)	FY22E	FY23E	2 Year CAGR (FY21-23E)
Net Sales	3,384.0	3,352.6	3,530.2	6.4%	4,177.6	4,945.1	18.4%
EBITDA	611.8	621.9	829.6	12.1%	927.4	1,176.9	19.1%
Adjusted PAT	334.9	376.7	515.3	19.7%	547.6	756.7	21.2%
P/E (x)	49.3	43.8	32.1		30.2	21.8	
EV/EBITDA (x)	28.3	27.6	20.3		18.5	14.3	
RoCE (%)	19.6	19.6	24.0		21.4	26.8	
RoE (%)	18.7	20.2	21.9		19.6	23.3	

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E
Net Sales	3,352.6	3,530.2	4,177.6	4,945.1
Growth (%)	10.9	5.3	18.3	18.4
Total Raw Material Cost	1,987.2	1,962.9	2,318.6	2,739.6
Gross Margins (%)	40.7	44.4	44.5	44.6
Employee Expenses	394.4	393.7	493.0	534.1
Other Expenses	349.1	344.0	438.6	494.5
Total Operating Expenditure	2,730.7	2,700.6	3,250.2	3,768.1
EBITDA	621.9	829.6	927.4	1,176.9
EBITDA Margin	18.6	23.5	22.2	23.8
Interest	49.7	32.8	50.1	33.5
Depreciation	137.1	146.7	196.9	200.7
Other Income	36.5	38.8	40.0	40.0
Exceptional Expense	-	-	-	-
PBT	471.7	688.9	720.5	982.8
Total Tax	95.0	173.6	172.9	226.0
Profit After Tax	376.7	515.3	547.6	756.7

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E
Equity Capital	34.4	34.4	34.4	34.4
Reserve and Surplus	1,831.5	2,315.8	2,753.8	3,207.9
Total Shareholders funds	1,865.9	2,350.2	2,788.2	3,242.3
Total Debt	787.6	657.1	820.6	548.6
Non Current Liabilities	54.2	47.7	47.9	48.2
Source of Funds	2,707.7	3,055.0	3,656.8	3,839.0
Gross block	2,014.3	2,095.4	2,895.4	2,995.4
Less: Accum depreciation	694.8	841.5	1,038.3	1,239.0
Net Fixed Assets	1,319.6	1,253.9	1,857.0	1,756.3
Capital WIP	6.4	28.6	2.0	2.0
Intangible assets	1.8	1.7	1.7	1.7
Investments	9.1	234.9	141.6	155.6
Inventory	715.7	913.3	1,121.7	1,287.1
Cash	154.2	77.3	69.1	129.8
Debtors	443.5	321.0	457.8	514.8
Loans & Advances & Other CA	189.7	209.5	220.0	242.0
Total Current Assets	1,503.2	1,521.0	1,868.6	2,173.7
Creditors	132.0	122.2	171.7	203.2
Provisions & Other CL	57.5	87.9	92.3	96.9
Total Current Liabilities	189.4	210.1	264.0	300.2
Net Current Assets	1,313.7	1,310.9	1,604.6	1,873.5
LT L& A, Other Assets	57.2	225.0	50.0	50.0
Other Assets	0.0	0.0	0.0	0.0
Application of Funds	2,707.7	3,055.0	3,656.8	3,839.0

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E
Profit/(Loss) after taxation	376.7	515.3	547.6	756.7
Add: Depreciation	137.1	146.7	196.9	200.7
Net Increase in Current Assets	341.7	-94.8	-355.7	-244.4
Net Increase in Current Liabilities	-88.1	20.7	53.9	36.2
CF from operating activities	767.3	587.8	442.7	749.2
(Inc)/dec in Investments	-7.0	-225.8	93.4	-14.0
(Inc)/dec in Fixed Assets	-315.7	-270.9	-598.4	-100.0
Others	9.8	0.0	0.0	0.0
CF from investing activities	-312.9	-496.8	-505.0	-114.0
Inc / (Dec) in Equity Capital	-1.9	0.0	0.0	0.0
Inc / (Dec) in Loan	-68.7	-130.5	163.5	-272.0
Others	-304.4	-37.5	-109.3	-302.5
CF from financing activities	-375.0	-168.0	54.2	-574.5
Net Cash flow	79.4	-77.0	-8.1	60.7
Opening Cash	74.8	154.2	77.3	69.1
Closing Cash	154.2	77.3	69.1	129.8

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21A	FY22E	FY23E
Per share data (₹)				
EPS	10.9	15.0	15.9	22.0
Cash EPS	14.9	19.2	21.6	27.8
BV	54.2	68.3	81.0	94.2
DPS	1.1	0.9	3.2	8.8
Cash Per Share	4.5	2.2	2.0	3.8
Operating Ratios (%)				
EBITDA margins	18.6	23.5	22.2	23.8
PBT margins	14.1	19.5	17.2	19.9
Net Profit margins	11.2	14.6	13.1	15.3
Inventory days	77.9	94.4	98.0	95.0
Debtor days	48.3	33.2	40.0	38.0
Creditor days	14.4	12.6	15.0	15.0
Return Ratios (%)				
RoE	20.2	21.9	19.6	23.3
RoCE	19.6	24.0	21.4	26.8
RoIC	21.0	27.1	22.7	29.0
Valuation Ratios (x)				
P/E	43.8	32.1	30.2	21.8
EV / EBITDA	27.6	20.3	18.5	14.3
EV / Sales	5.1	4.8	4.1	3.4
Market Cap / Revenues	4.9	4.7	4.0	3.3
Price to Book Value	8.9	7.0	5.9	5.1
Solvency Ratios				
Debt / Equity	0.4	0.3	0.3	0.2
Debt/EBITDA	1.3	0.8	0.9	0.5
Current Ratio	7.1	6.9	6.8	6.8
Quick Ratio	3.3	2.5	2.6	2.5

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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