

KPR Mill Limited.

Price Target : Rs. 638.00

Company Details

| | |
|-----------------|-----------------|
| CMP | 528.00 |
| Face Value | 5.00 |
| Market Cap (Cr) | 3636.26 |
| EPS (TTM) | 55.47 |
| 52 Week High | 714.20 |
| 52 Week Low | 522.85 |
| BSE Code | 532889 |
| Sector | Textiles |

YOY - Financial Highlights [INR – Crore]

| Description | Mar-19 | Mar-18 | Var % |
|-------------------|---------|---------|-------|
| Net Sales | 3384.01 | 3024.42 | 11.89 |
| Total Expenditure | 2903.39 | 2589.04 | 12.14 |
| PBIDT | 480.62 | 435.38 | 10.39 |
| Operating Profit | 517.52 | 449.58 | 15.11 |
| OPM (%) | 19.16 | 19.48 | -1.64 |
| PBT | 468.58 | 398.02 | 17.73 |
| Profit After Tax | 334.87 | 290.38 | 15.32 |
| EPS | 46.12 | 39.30 | 17.35 |
| Equity Capital | 36.28 | 36.95 | -1.81 |

9M - Financial Highlights [INR – Crore]

| Description | Dec-19 | Dec-18 | Var % |
|-------------------|---------|---------|-------|
| Net Sales | 2478.74 | 2431.89 | 1.93 |
| Total Expenditure | 2094.60 | 2077.43 | 0.83 |
| PBIDT | 384.14 | 354.46 | 8.37 |
| Operating Profit | 412.32 | 382.90 | 7.68 |
| OPM (%) | 19.55 | 18.54 | 5.45 |
| PBT | 374.32 | 347.55 | 7.70 |
| Profit After Tax | 295.77 | 248.93 | 18.82 |
| EPS | 41.07 | 34.28 | 19.81 |
| Equity Capital | 34.40 | 36.28 | -5.18 |

Company Background

KPR Mill Limited, was incorporated on March 19, 2003. The company is a leading garment exporter as well as a largest vertically integrated apparel company, engaged in manufacturing and marketing readymade knitted garments, knitted fabrics and cotton yarn.

The company have 12 manufacturing units of advanced technology. The company is the largest garment producer in India, it has capacity to produce 1,00,000 MT of yarn per annum; 27,000 MT fabric per annum; 115 million ready-made knitted apparel per annum.

The Company's subsidiary includes Quantum Knits Pvt Ltd., K.P.R. Sugar Mills Ltd, Galaxy Knits Ltd , K.P.R. Exports Plc and Jahnvi Motor Pvt Ltd.

Financial Performance

The Net sales of the company at Rs 3384.01 Cr for the year ended Mar19 were up by 11.89% compared to those for the previous year and profit after tax at Rs 334.87 Cr was higher by 15.32% compared to those for the previous year .

For the 9MFY20 the Net Sales and PAT of the company at Rs 2478.74 Cr & Rs 295.77 Cr, are higher by 1.93 % & 18.82% respectively over those for the corresponding period in the previous financial year.

Investment Rationale

- The outbreak of '**Coronavirus**' in China has got the investors worried across the globe. The economic impact of Coronavirus to the world will be bigger than that of SARS in 2003, **which creates better export opportunities for domestic companies. As the company is fully backward integrated player to benefit from Improved outlook for the sector.**
- India's Textile Sector may see higher growth following strong domestic demand, increasing in population and disposable incomes and rising exports. This will augur well for the company.
- The Brownfield expansion of 10 Million Garment capacity has elevated company's **total Garment capacity to 115 Million Garments per annum, one of the Largest Garment Manufacturers in India.** The company have expanded it's Processing capacity also to match the increased garments requirements.
- The company has developed a **new Garment Unit with a production capacity of 10 Million Garments per annum at Ethiopia.** The strategic foray into Ethiopia is expected to provide multiple scale and economical advantages such as better realization, margin and improved return ratios in coming quarters.
- **The company exports its products over 60 countries, serving more than 1500 customers for yarn and fabric which consist around 55 top international brands.**

Price Vs Sensex Chart



- The company has converted conventional yarn capacity to value added yarn, which carrying premium prices, benefiting the company's top as well as bottom-line.
- Recently the company has embarked into Retail business by **launching of new 100 % Organic Cotton Men's inner wear and athleisure brand 'FASO'**, which will enhance the profitability of the company in coming quarters.
- The company launched the brand initially in three main cities in Tamilnadu viz., Chennai, Coimbatore and Madurai. **The company is planning to launch the brand all India level in FY20-21.**
- The company has invested in eco-friendly wind mills and co-gen plant for captive consumption. The company attained self sufficiency in meeting its substantial power requirement throughout the year.
- The company has been consistently paying dividend since inception and has recently declared **Interim dividend of Rs 3.75 per share** for FY20 on FV of Rs. 5 per share.

Shareholding Pattern

The promoter holds 75.2% equity of the company, followed by Mutual Funds - 16.35%, FIIs - 1.27% , Other DII's - 0.01 and the balance 7.17% shares held by public.

Concern

The fluctuation in commodity prices, slowdown in economy and competition from peers are some of the main concerns.

Valuation

The share of the company is trading at TTM PE of 9.4x. Keeping in view positive outlook of the company, excellent past record , strong order flow and future growth momentum in all businesses , we estimate the company to report EPS of about Rs.58 for FY20 and based on PE of 11x we see price of script at Rs 638 in the next 12 months (about 20 % appreciation).

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