K.P.R. MILL LIMITED

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To

The Listing Department
BSE Limited
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Mumbai - 400 001

The Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, Plot: C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai - 400 051

BSE: 532889

NSE: KPRMILL

Dear Sir,

Sub: Transcript of the Conference Call held on 28th April, 2022.

In Compliance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached, transcript of the aforesaid Conference Call as received from the Concall service provider.

Please take the same on record.

Thanking you,

Yours faithfully,

For K.P.R. Mill Limited

P. Kandaswamy
Company Secretary

Encl: As above

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“KPR Mill Limited
Q4 FY22 Earnings Conference Call”

April 28, 2022

MANAGEMENT: **MR. P. NATARAJ - MANAGING DIRECTOR, KPR MILL LIMITED**
MR. MURUGAPPAN - CFO, KPR MILL LIMITED
MR. KANDASWAMY - COMPANY SECRETARY, KPR MILL LIMITED

MODERATOR: **MR. ABHISHEK NIGAM - BATLIVALA & KARANI SECURITIES INDIA PVT. LTD.**

Moderator: Ladies and gentlemen, good day and welcome to KPR Mill Limited Q4 FY ‘22 earnings conference call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participants’ lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Nigam from Batlivala & Karani Securities. Thank you and over your Mr. Nigam.

Abhishek Nigam: Thanks Neerav. Hi everyone, thank you for joining us today for KPR's Fourth quarter FY '22 earnings conference call. We are joined today by Mr. P. Nataraj, the Managing Director of the KPR, Mr. Murugappan, the Chief Financial Officer and Mr. Kandaswamy, Company Secretary. And now without any further delay, I'll hand it over to the management.

P. Nataraj: Thank you. Very good evening to everyone. I'm Nataraj, Managing Director of KPR Mill. I welcome you all for the KPR Mill's fourth quarter earnings call for the year 2022. We are glad to report a good financial results driven by solid performance from all segments during the quarter, as well as for the whole year. KPR achieved an all-time high turnover and profit after tax during the year. The textile business continues to be good. The demand for apparel products is also on the uptrend. The historical high demand for cotton resulted in spiraling its prices, both at domestic and the international markets, due to which, the yarn prices have also gone up. The expansion projects of garment capacity and sugar, cogen and ethanol capacity have been successfully implemented.

The outstanding HR practices ensured smooth mobilization of labor for our expanded capacities. Currently, the domestic products that's the FASO are sold through more than 3,000 retail stores with the support of all stakeholders, KPR could continue the better performance. With this opening remarks, the floor is now open for question and answer session. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from line of Kapil Jagasia from Edelweiss Financial Service. Please go ahead.

Kapil Jagasia: Congratulations on a good set of numbers sir. Firstly, can you help us, with your production numbers for yarn, garment?

P. Nataraj: Yes. Yarn 21,185, fabric 6,000, garments 34 million, sugar 1.22 lakh ton, ethanol 1.15 lakh liters.

Kapil Jagasia: Okay. And likely the volume numbers?

P. Nataraj: Yes, yarn 489 crore, fabric 86 crore, garments 593 crore, sugar 144 crore and ethanol 55 crore.

Kapil Jagasia: Sir. Earlier you were giving the production numbers right?

P. Nataraj: Yes. Production and the sales.

Kapil Jagasia: Okay. And the volume numbers would be?

P. Nataraj: Volume you're asking?

Kapil Jagasia: Yes. Yes. Volume.

P. Nataraj: Yes. Yarn 14,000 tons, fabric 2,210 tons, garment 38 million, sugar 45,000, ethanol 88 lakh liters.

Kapil Jagasia: Okay. So garment, like we have achieved significant numbers this quarter like 38 million.

P. Nataraj: Yes. Yes. The garment sales during the quarter is little higher than the previous quarter, because last quarter we had some container issues. Those stocks are also cleared during this quarter.

Kapil Jagasia: Okay. So going forward, there won't be any issues with container shortage?

P. Nataraj: Some small disturbance out there, but we feel we can manage it.

Moderator: Sir, one moment. The line for the participant dropped, we move to the next participant.

P. Nataraj: Okay.

Moderator: The next question is from the line of Biplab Debbarma from Antique Stock Broking Ltd.

Biplab Debbarma: Hello, sir. Good afternoon and congratulations on the good set of numbers. First is in the -- from the new capacity I see you have produced around 124 million pieces in this financial year of garments and you have 150 million capacity and there is a new capacity addition, right, sir?

P. Nataraj: Yes. New capacity addition.

Biplab Debbarma: From the new capacity, how much you have produced in this financial year and what is the, how much ramp up happened? This is my first question.

P. Nataraj: The ramp up is about 25% now. Not significant production happened during the quarters, a small production happened, it was added into the production.

Biplab Debbarma: So, how you have produced 124 million garments, sir?

P. Nataraj: So 124 million garment, basically the capacity is measured in basic garment, basic T-shirt when we are doing something else some plain garments kind of a thing. The quantity will go up.

Biplab Debbarma: Okay. Okay. Fine. Fine. That's fine. That's fine. And sir, what would be your order book in garments now?

P. Nataraj: It's about INR 900 crore now.

Biplab Debbarma: INR 900 crore. Okay. And Sir, on the sugar ethanol segment in the new capacity, is it now at full capacity? I mean, has it been totally operational also? What is the status of that?

P. Nataraj: Can you come again, sir?

Biplab Debbarma: I mean the new capacity that you have added, the sugar ethanol capacity.

P. Nataraj: We have commissioned the sugar cum power plant during March. We are commissioning the Ethanol plant in this quarter.

Biplab Debbarma: Okay. Okay. Okay. Thank you, sir. Thank you, sir. I will come back in the queue.

P. Nataraj: Thank you. Thank you.

Moderator: Thank you. The next question is from the line of Mulesh Savla from Shah & Savla LLP. Please go ahead.

Mulesh Savla: Thanks for taking my question and congratulations on a good set of numbers, sir. My question is in continuation with one of the previous question where, you said that because of container problem the garment sale of previous quarter was shifted to the current quarter. And, when I look at the export number, our export in the overall revenue has come down from 65% to 62%. So how do you read that number, sir?

P. Nataraj: Sorry. Can you come again?

Mulesh Savla: See our export has come down in the overall revenue previously,

P. Nataraj: That is not depending on the -- percentage wise you cannot calculate. If you look at the total exports of garments during the year is about 1,876 crore.

Mulesh Savla: INR 1,876 crore. Okay.

P. Nataraj: Yes. And so it is, almost 30% more than the previous year.

Mulesh Savla: Okay. So maybe because our sugar and ethanol division has started contributing more that can be one of the reason for increase in the domestics sir.

P. Nataraj: Yes. That is -- domestic sale has gone up because of the sugar business and the increase in the yarn realization.

Mulesh Savla: Okay. Okay. Okay. And, sir, how much is the cotton stock with us, as we have noticed that in the recent past government has reduced the import duty on the cotton, will it have any impact on our valuation?

P. Nataraj: Currently, we are getting cotton stock of about three months. And import duties actually did not have much of impact because it was removed after the season. So whatever duty has been removed, it did not have an impact the price wasn't increased due to that.

Mulesh Savla: So basically, we may not expect any reduction in the closing stock valuation in coming quarters.

P. Nataraj: Yes. Price may not go down, but only benefit happened was the availability of cotton has increased.

Mulesh Savla: Okay. So that's a good part for the industry as a whole.

P. Nataraj: Yes. Yes.

Mulesh Savla: All right, sir. So that's all from my side. We show all the very best. Thank you so much.

P. Nataraj: Thank you, sir.

Moderator: Thank you. The next question is from line of Cheragh Sidhwa from ICICI Securities. Please go ahead.

Cheragh Sidhwa: Yes. Thank you, sir for the opportunity and congratulations on a very good set of numbers. Sir, my first question pertains in terms of CapEx, so we had chatted out the CapEx growth to be INR 750 crore towards garmenting and sugar division, and if I'm not wrong, we had already incurred INR 235 crore in the previous year itself and the balance INR 500 crore were supposed to be incurred this year. Sir, when I see the cash flow statement, the CapEx which I can see is close to around INR 890 crore so why is it significantly higher? Can you throw us some light on the same, what is included in that INR 890 crore CapEx?

P. Nataraj: Your line is not very clear. Can you come again?

Cheragh Sidhwa: So when I see the cash flow statement for this year, it is showing CapEx worth INR 890 crore, which is significantly higher than what we were expecting close to INR 560 crore INR 570 crore. So can you throw some light on the same? What does this include about INR 890 crore?

P. Nataraj: We have done two projects, one is garment project, another one sugar and apparels.

Cheragh Sidhwa: Correct.

P. Nataraj: Both together, we have estimated somewhere around INR 800 crore since we have done some modernization in the plant, it has gone up to INR 900 crore.

Cheragh Sidhwa: Okay. And Sir CapEx number for this year, any major CapEx coming up in FY '23?

P. Nataraj: We are in the process of ramping up the existing projects, whatever have completed recently. We will decide the further CapEx during this year?

Cheragh Sidhwa: Okay. So ballpark will be our modernization maintenance, which is close INR 100 crore to INR 150 crore one should consider for this year, if no major CapEX is announced.

P. Nataraj: Yes. Yes. Modernization generally happens in the existing mills both garment and textile. That'll continue. That will be somewhere around INR 100 crore to INR 150 crore will be there.

Cheragh Sidhwa: Okay. And sir the other question pertains the cotton inventory, which we have for the next three months. What will be the average costing for the inventory, which we have currently?

P. Nataraj: Somewhere around 80,000 to 85,000.

Cheragh Sidhwa: Okay. So thank you.

Moderator: Thank you. Next question is from one of Sunil Kothari from Unique Portfolio Management Services. Please go ahead.

Sunil Kothari: Thanks for opportunity congratulation Mr. Natraj and team for such a wonderful performance for continuously doing every year. My question is year-on-year, I'm talking about full year yarn realization, which has gone up from around INR 220 to INR 302, roughly INR 80 per kg high realization compared to last year. And our garment realize that part piece has gone up of just INR 5, which, which is INR 154 compared to last year's INR 149. So I would like to understand this, to compensate for this higher raw material cost, which is cotton, yarn and fabric, what type of prior is increase we are taking with new customer or new orders, and which are the price which we are expecting to get. I mean, what type of percentage increase in the garment realization should compensate for this higher price of yarn and fabric?

P. Nataraj: Yes, actually the water, cotton, sorry, garment prices are fixed based on the current yarn prices, whatever yarn prices prevailing during the time we have taken it as input cost and the prices are arrived and negotiation will happen. Then whatever the yarn prices are there that will be passed on to the customers,

Sunil Kothari: Right? So, sir that is what I'm asking. Currently. Last average realization is INR 154 per piece, so currently if we are taking order at this current INR 300 yarn and fabric price.

P. Nataraj: Yes. Yes. We are taking at that price only. The realization little less you've seen no, number of pieces produced during the quarter is higher. That means the garments are all plain and the regular garment because of that the number of pieces is gone substantially. So the realizations are less, but, if you look at the value of garment exported is higher. If you look at it, it is about INR 593 crore during this quarter,

Sunil Kothari: That is true. Sir. What I'm asking, trying to understand is per piece of realization for the whole year is say roughly 154. So what is the current realization average?

P. Nataraj: INR 154 per piece is the average realization, it has included the cotton, whatever yarn price increase also has been recorded from that.

Sunil Kothari: I'll take offline this clarification. And one more thing I would like to understand is what type of garment products and target we are keeping for current year. Last year we produced, 124 million. So what type of targets we have for current year?

P. Nataraj: Sorry, it's a new plant. We are trying to ramp up within six months' time. We hope that we will run the factory for the full capacity during the second half of the year, somewhere around 15% to 20% growth from this level would be possible.

Sunil Kothari: Great. Okay. Congratulations again and thanks a lot.

P. Nataraj: Thank you.

Moderator: Thank you. Next question is the line of Naushad Choudhary from Aditya Birla Capital. Please go ahead.

Naushad Choudhary: Yes. Thanks for the opportunity, few clarification and, firstly, one question on this garment side, sir, as you indicated, your new capacity you'll -- you, are you planning to ramp it up in next six month? So for the future growth, do we have anything in mind in terms of expansion of garment capacity, if you want to talk about it?

P. Nataraj: Yes sir. See, the presently our attention is only to ramp up the new factory because the capacity is little large and we have to recruit the employees and train them and all these things. So our full attention is on this as well as the new plant of sugar.

Naushad Choudhary: Okay. So in terms of employee availability, are we comfortable in terms of the target, which we had to have 5,000 people, I think, if I'm right to be needed for the new capacity, new garment capacity? So are we comfortable in terms of getting those number of people to the factory?

Moderator: The next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: Yes, sir. Thank you for the opportunity. My question on the demand scenario, given the geopolitical issues and the rising input price and the end product pricing in inflationary environment in the global economy recently, we saw the gap and now the results and they cut their guidance. So can you comment about the demand scenario, whether that has deteriorated significantly compared to the quarter gone by and what is your outlook for the FY '23 in terms of growth?

P. Nataraj: As it, if you look at the demand for textile products, it's expected to be good because, the international players like Pakistan, Sri Lanka, and small players are all facing problems who were manufacturing garments and yarn These people facing problems because of the Indian position has improved substantially. So the demand is expected to be good in the coming year also. And the order position is good. We are in the middle of the next decision. We have an order book of INR 900 crore, we are confident that it'll continue. And yarn -- even though the yearn prices are at higher level, consumption is good and there are no stocks and we continue to sell the good whatever we have.

Manish Ostwal: And we we'll be able to protect our margin, in this environment itself.

P. Nataraj: Yes. Yes. Normal margins are protected. We used to have a margin about 18% to 19% and, fabric we are maintaining it and the garments also it is just above 25%.

Manish Ostwal: And lastly, one small data point CapEx guidance for FY 2023?

P. Nataraj: Yes. We have decided only the maintenance CapEx of about INR 160 crore we are not seeing any -- we have not decided any further capital expenditure for the year. Once we decide we will inform.

Manish Ostwal: Okay. I'll come back again.

Moderator: Thank you. The next question is from the line of Bharat Chhoda from ICICI Securities, please, go ahead.

Bharat Chhoda: Yes. Thanks for the opportunity, sir. could you just provide the value breakup for this, yarn and fabric, in the current quarter?

P. Nataraj: Yes. You want the value?

Bharat Chhoda: Yes.

P. Nataraj: Yarn is INR 489 crore, fabric is INR 86 crore.

Bharat Chhoda: Okay. And just the volumes, that have been like, if you look at the Yarn volume up there to be lower. So is it because of the demand coming down or have we been -- have we been using more of captive for our garment capacity? What has been the reason for the yarn volumes sales to lower?

P. Nataraj: So it is Yarn on fabric together only, if you, actually our captive consumption also gone up substantially because of our own consumption and, if you look at the together, it is more or less, same with the last year.

Bharat Chhoda: Okay. And this yarn and fabric that you gave, that was for the quarter, right?

P. Nataraj: Yes

Bharat Chhoda: and for full year what would be number?

P. Nataraj: Full year Yarn and fabric, Yarn is 2033 crore and fabric is 722 crore.

Bharat Chhoda: Okay. So that it from my side. Thanks.

Moderator: Thank you. The next question is from line of Gowthamprabhu V from Blue Lotus Capital Advisors. Please go ahead.

Gowthamprabhu V: Thank you for accepting my question and congratulations for performance for this year. I'd like to ask. Sir may I know what percentage of the revenue comes from, man-made fibers or synthetic fibers and, what is your next financial, revenue breakup from manmade fibers and, you see any external opportunity for the next financial year.

P. Nataraj: We are manufacturing some small portion of manmade fiber that would be somewhere around 5% to 10% in the Yarn and fabric segment, we are not totally into the man fiber based. We are not making. Yarn and fabric we are doing about 10%.

Gowthamprabhu V: Okay. And what is the revenue opportunities that are seeing for, next financial years

P. Nataraj: Next year also, it is going to be the same. It is manufacturing facility, so it expected to be in the same level.

Gowthamprabhu V: Thank you. Thank you, sir.

P. Nataraj: Thank you. The next question is from line of Kapil Jagasia from Edelweiss Financial Services. Please go ahead.

Kapil Jagasia: Thank you for the follow up sir. Sir, there was a news article regarding this FDA signing up with Australia. I suppose we have a good 15% from this region. So like, would we be setting up more base over there? How beneficial that could be. Can you just put some color on this?

P. Nataraj: So FDA has been signed with Australia. We hope that it'll help us. Because our share to Australia is about 15%. So, this will enable us to increase our trade with Australia.

Kapil Jagasia: Okay. And in terms of realization, how -- like, if we compare back to the Europe and us, the realization or the order shipment that would be higher, how it would be comparable to those regions

P. Nataraj: Realization more or less -- we are into this basic and regular garment segment, so realization would be more or less equal in all the, zones, like Europe, US, Australia and Asia.

Kapil Jagasia: Okay. Okay. Okay. And regarding this, Dubai FDA, are we looking to set up any base there?

P. Nataraj: No. We will be exporting to Dubai. We are not planning to set up a base.

Kapil Jagasia: Okay. Okay. Okay. And could you just help me with your segmental margins for the quarter yarn, garment, sugar, and ethanol?

P. Nataraj: Yarn Is 18%. Garment 25%, sugar, 28%.

Kapil Jagasia: That helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Alpesh Thacker from Antique Stock Broking. Please go ahead.

Alpesh Thacker: Yes. Thank you for the opportunity and, congratulations for a good set of numbers, Sir. my question is more from the industry perspective for last couple of months, you know, cotton prices have increased significantly, but the yarn spreads have come down indicating that, you know, the yarn prices are not moving in sync with the cotton price. So, what are your take? So is it industry is not able to pass on the cotton price increase to the end consumer? And the second is how is the situation for us? Are we able to pass on the full increase in cotton to our consumer, to our clients? So that is my first question.

P. Nataraj: So if you see last one year when the cotton prices increase, yarn price also moved little higher than cotton price, suppose six months before, if you see that cotton price has gone up, say 30%, yarn price increased to 40% so like that. So after certain period, you see this cotton price continue to move up. Whereas certain yarn price was increasing, till data yarn price was increasing, but you know, compared to cotton. It slowed down. so almost, today if you see, we have come into the, old, you know, that is, two years back, what was the parity so that it. But you know we can say in the last one and a half years, to two years, the margin we have able to give better margin than the regular, in the last 1.5 years. So the situation is almost normal business cycle, because of the cotton price increase, is a little higher than the yarn price in the last three, four months. So, but you know, when you say, when you take only the last three months if you see that the cotton price has gone up than yarn price. But, you know, before that, if you see that, the yarn price was much higher than the cotton price. So in an average, we are in the back to the square, same level now. So from this point, next six months is crucial because the season starts, cotton season starts by October. So next six months how -- where the cotton price will stand. So that is only then everyone is eagerly looking after. So this is the current person.

Alpesh Thacker: Got it. Thanks for the clarification. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sakshi Goenka from Alchemy Capital. Please go ahead.

Sakshi Goenka: Hi, sir. Congratulations for a good set of numbers. Sorry, I missed your segmental margins. If you could repeat again.

P. Nataraj: Yes. Yarn and fabric 18%, garment 25%, sugar 28%,

Sakshi Goenka: 23%?

P. Nataraj: 28%.

Sakshi Goenka: 28%. Okay, great, sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Akshay Chheda from Canara Robeco Mutual Fund. Please go ahead.

Akshay Chheda: Thank you for the opportunity. Sir my first question is on this order books.

P. Nataraj: Yes, tell me.

Akshay Chheda: Just on this order books. So now currently…

P. Nataraj: It about INR 900 crore as of now.

Akshay Chheda: Sir. So how do you see the demand? Because at least it has softened little because in the previous quarter we were at INR 1000 crore and now we are at INR 900 crore. So how do we see the overall demand? I mean, how should we look at it? Because especially when we are in the process to ramp up the capacity, so shouldn't our order book expand quarter-on-quarter. So that was my first question.

P. Nataraj: So actually order book is the two cycle process. Generally June, July, August will get the first set of orders and the second set of orders we use to get it in sometime, January, February, March. So during this time order book would be higher. Now we are in the next -- we are approaching the next cycle. So, this during this cycle the order book is little lower only. Actually, if you look at it, historically it is the highest order book during March.

Akshay Chheda: Okay. And so what was the garment margin is of 25%

P. Nataraj: Correct.

Akshay Chheda: So any reason here why the garment margins have come softened because in the quarter we were guiding for a 29% and that's what we had delivered, but now we are at 25%. So how should we see the stable margins in this business going forward?

P. Nataraj: The stable margin will be somewhere around 23% to 25% kind of margin, is this sustainable in this garment business.

Akshay Chheda: Okay. Okay. Okay. And any reason for the softness from 29% to 25%,

P. Nataraj: It is because of the higher situation, the yarn prices in the last quarter, yielded more profits. This quarter, more or less the yarn prices also stabilized so the market is also at the normal level..

Akshay Chheda: Okay. Thank you.

P. Nataraj: Thank you. Next question is from the of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: Yes. So my question is, can you help me with the capacities across businesses that would be available for FY '23? let's say in terms of Yarn fabric, garment, sugar and ethanol.

P. Nataraj: Yarn is 1 lakh ton. Fabric 40,000 tons. Garment 157 million.

Kashyap Javeri: Including the new expansion.

P. Nataraj: Including new expansion.

Kashyap Javeri: Okay.

P. Nataraj: Sugar 20,000 TCD.

Kashyap Javeri: Okay.

P. Nataraj: Ethanol 3.50 lakh liters per day.

Kashyap Javeri: Per day. Okay. And out the hundred thousand tons of Yarn and 4,000 tons of fabric, how much would the internal use?

P. Nataraj: I said, yarn, you see, 40% goes to fabric, out of the fabric we consume about 50% to our own consumption.

Kashyap Javeri: Okay. And whatever we use in garment, more or less we are insourcing only, right? In terms of our garment manufacturing, how much do we buy from outside in terms of fabric?

P. Nataraj: Mostly our fabric only, there is no outside billing.

Kashyap Javeri: Okay. Okay. And I understand that today, yarn to cotton, sorry, cotton to yarn. Can you help me in terms of like margins per KG, cotton to yarn? What are the margins per KG?

P. Nataraj: Per KG margins is difficult because various counts are there. We are manufacturing different counts and each we have different margin.

Kashyap Javeri: Okay. Okay. Sure, sure. That's it for my side.

P. Nataraj: Thank you.

Moderator: The next question is from line of Hemang Kotadia from Anvil Share & Stock Broking. Please go ahead.

Hemang Kotadia: Hello?

P. Nataraj: Yes.

Hemang Kotadia: Yes. Congratulations for the great set of number. I just wanted to know about the cotton scenario of India. Like, so how the arrivals look like, and is there any holding of the inventory by the stockist or, some big guy or how the -- basically, cotton arrival will look like for the month of May and June actually.

P. Nataraj: Sir, now you see the cotton season is almost over. So it starts by October and end by March and whatever the stocks available only coming into the market and because of the high price, there will be some, holding back of the stocks from, all the community from say, like from farmers, generals as well as traders and, something with the mills also. So, see we hope that there is some stock, but you know, the data is, not clear, whether the stock is available, enough quantity to meet the demand for the rest of the period. So till October, so that is only the big question, even the official numbers also, not able to get it clearly and, say everyone -- every segment, or even the various associations also collecting data, but various associations data is also not equal. It's only getting different numbers. The reason is that in India, we don't have the correct information or the correct data. So that is a big issue. In fact, this is also one -- this is a very negative feedback to few of the price hike. So, this generally happens in India and because of this year, only the thing, you know, never has happened in the last 10, 15 years. They impose the import duty for cotton only last year the cotton duty you know 10% plus, 1% surcharge, total 11% duty imposed on cotton. So otherwise every year, whenever the cotton shortage or during off season mills normally go for import, and this year, mills are not able to import because of the duty 11% if we add with the cost it'll be very high. So that's why everyone has to buy only the domestic market. So this added the fuel to the cotton price. So as on today some people say that cotton is available. Some people say that cotton may not be available during, I mean, the end of the season, maybe last one month or one and a half months or like that. So this only a market information or rumor or something like and it's difficult to predict. And, however, now the government has removed the duty, though the price is high. The other door is open. So even at higher price, mills can import, so this is a very big advantage. So, at the end of the season, if cotton is not available, then we can go for import.

Hemang Kotadia: Okay. Thank you very much. Thank you for the answer.

Moderator: Thank you. The next question is from one of the Biplab Debbarma from Antique Stock Broking. Please, go ahead.

Biplab Debbarma: Sir, thank you, for the opportunity. Sir, my question is on the margin. So can we say that the margins that we see, that we saw, the heightened margins in the last two, three quarters, now the margins going forward would be back to normal, like yarn would be 17% 18%, garment would be around 25% and sugar ethanol around 25%. Can you say that?

P. Nataraj: Yes. Yes, you are right.

Biplab Debbarma: Okay. So we are back to normal, okay, fine. Second question is on the -- just the clarification did you say that the CapEx that we assume INR 750 crore CapEx, there is some cost escalation and total cost income is INR 900 crore?

P. Nataraj: Not, because of the, we have done some modernization in the plant, like, what we have done was originally plant was little modernized and some modification has been done in the plant that increased INR 100 crore increase in project cost.

Biplab Debbarma: Okay. Okay. And of -- in FY '23, till things are back to normal in terms of margin and we have also capacity fully operational. What would be the revenue guidance and PAT guidance for FY '23 just ballpark number?

P. Nataraj: Yes. We are looking at a growth of 15% to 20%

Biplab Debbarma: In revenue?

P. Nataraj: Yes.

Biplab Debbarma: And PAT.

P. Nataraj: PAT, we have to wait because the cotton prices are voluntarily, we have to wait for some time to ascertain. We hope that the things will be good, but we could not be able to give the number.

Biplab Debbarma: So the margins could, go down or up, depending on the cotton prices?

P. Nataraj: Up also it is possible.. Both is possible. We have to wait.

Biplab Debbarma: Okay. Thank you, sir. Thank you, sir.

Moderator: Thank you. Next question is from the line of Apurva from PGIM India Mutual Fund. Please go ahead.

Apurva: Yes, we need to sir, Thank you for the opportunity. Sorry, there was some disturbance on my side on my line. Just wanted to -- I don't know whether you've answered this, how much stock of cotton are we holding in terms of say a number of months going ahead and what would

P. Nataraj: About three months stock we are holding

Apurva: And average pricing.

P. Nataraj: Somewhere around 80,000 to 85,000

Apurva: Okay. And, so, in terms of, as in yarn prices you mentioned they have come back, right? So are we seeing a spread of around 120 to 130? as of now, at least?

P. Nataraj: EBITDA margin is about to 17%, The gross margin would be little higher. 120 would be there.

Apurva: Okay. Okay. So anyways, you are highlighted, in terms of, again coming back to CapEX already, you said now it would be more or less and you would be deciding in the coming, any initial thoughts on there. Would this be because you would have that kind of free cash, so any, color on that?

P. Nataraj: CapEx we are planning, continuity to expand in garments only. That is our plan. So that’s why we told that, you know, already we have two project, they almost, you know, that project is completed, but ramping up as well as and the sugar also like the some other work is also like, you know, being in the first season, we have to set right everything in a proper way so that our teams are fully engaged in this all the technical team, So that's why I called them. Maybe after six months, we will think for the next project. So here over next project know, will be expansion, will be in the garments.

Apurva: Fine. And, just to, again to summarize, because I couldn't get it properly, again, one side there is not a problem that since you are expecting a 15% to 20% growth. It is material input ….

P. Nataraj: I am not able to hear properly.

Apurva: Am I audible?

Moderator: Yes.

P. Nataraj: We could not hear you.

Apurva: Am I audible now?

Moderator: Yes, it's better than before.

Apurva: Yes. So just, you know, just, I couldn't hear it properly just, summarizing in terms of demand side, you don't see challenge, it is more on the raw material in the cotton pricing side. Right. That is what you have said.

P. Nataraj: Correct.

Apurva: Sure. Thanks for the opportunity.

Moderator: Thank you. The next question is from the line of Abhishek Nigam from B&K Securities. Please go ahead.

Abhishek Nigam: Yes. So just two questions for me. One, when should we expect full ramp up from the new garment capacity? Should we expect around December or so?

P. Nataraj: Yes, somewhere in third quarter of this year.

Abhishek Nigam: Okay. Okay. And, have there been any negotiations or attempts, you know, to just speak with the clients to go in for say a three month, you know, price hike arrangement instead of I think a six month arrangement now,

P. Nataraj: It is ongoing practices, general, we will discuss with the client regularly and some of the new orders, whatever they place repeat orders, and all, they'll give increased prices. Generally we'll not negotiate for the price increase, during the order period, they give order for six months. We'll not negotiate it again because since our is fully integrated unit, we allocate the cotton for the purpose at that price.

Abhishek Nigam: Okay. Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: Yes. Hello? Am I already, yes?

P. Nataraj: Yes,

Akshay Kothari: So can you, just brief about the FDA opportunities, regarding what, because I can see it in your investor presentation as well. So how are we capitalizing on these opportunities

P. Nataraj: That FDA the government has done with UAE and Australia, and some discussions going on with UK and um, see once, these things have happened it is definitely that's a good opportunity, especially for the garment industry. So we have to wait and see that, you know, when, all these things are in, because even Australia, already signed and UAE is also signed and, still we have to wait until the both the parliament have to approve this FDA, and definitely, and particularly KPR. We are also in the considerable export happening to the Australian market. And definitely it will be a very boost for the KPR, in the apparel division. So we are very eagerly waiting for this to happen.

Akshay Kothari: Okay. Okay. Thanks a lot. One more, so your inventory has gone up, so is it like the nature of industry or, what is it?

P. Nataraj: Inventory basically gone up because of price increase, the cotton price increase.

Akshay Kothari: Okay. Okay. Thank you.

P. Nataraj: Thank you. Next question is from the line of Dipen Sheth from Buoyant Capital. Please go ahead.

Dipen Sheth: Hi, thanks for the opportunity. I hope you can hear me.

P. Nataraj: Yes, sir.

Dipen Sheth: All right. So I'm trying to reconcile two numbers in your PL for the full year, sir, with the business developments and metrics that have played out. So one is of course that, I've been tracking your HR policies and capabilities for close to a decade and actually more now. And they rank right up there at the top in the textile industry, and we heard plenty about them. And I had the opportunity to check about as well. Now this particular year, total employee expenses have risen by a mere 12.5% 13%, whereas I think the most labor intensive part of your business, which is garment has seen 30% 35% increase in volumes. So how do I reconcile, you know, this hardly 12%, 13% kind of change with a huge jump in garments. Is it that there is more machinery slash automation slash whatever? Is that the way to see it? Or is there a point that I'm missing here?

P. Nataraj: Actually the revenue has jump because of the raw material price increase. So the percentage of the expenses is showing little less. If you look at the actual salary expenditure it is higher.

Dipen Sheth: So actually I'm looking at the actual numbers, sir. not the percentage to revenues. It's INR 393.68 crore last full year, and it is just INR 445.45

crore this year. Now that's about a 12% 13% absolute increase. And I'm comparing that with the garment sales in terms of number of garment, not even value, which I suppose has got inflated because of the underlying cotton price increase, which has gone from 928 -- to well 93 million garment to about 120 or million, right?

P. Nataraj: The garment production. It is not a standard garment. Garment is different from one period to another trade, if it is a plain garment, number of garment would go up. If it is a printed garment or embroidery garment number of pieces will go up, you cannot use it as a yardstick for this purpose. Basically there is not much of employee increase during the year. We have constructed a new factory started including people in a very small number of people for the new project.

Dipen Sheth: Okay. So is it fair to assume or interpret this as, the fact that your garment mixes this year was perhaps less labor intensive than last year?

P. Nataraj: Not like that, labor intensive, but in the garment, if you look at scale of the garment, it is different this year.

Dipen Sheth: Yes. So maybe it consumed less labor. Okay. And the second number which I was trying to reconcile in the PL was the, actually again, in absolute numbers, your depreciation provision for the year has fallen in a year where you have aggressively invested in capacity. So is there a change in policy or something here?

P. Nataraj: No, both projects are completed during the month of March so the depreciation provided unfortunately, and also some of the missionaries have completed their useful license 10 years has gone because of that it is little less. Next year the depreciation will go up because the full year utilization will come.

Dipen Sheth: Right. I understand. Thank you, sir. Thanks for the opportunity.

Moderator: Thank you. Next question is from the line of Naushad Choudhary from Aditya Birla Capital. Please go ahead.

Naushad Choudhary: Yes. Hi. thanks for the opportunity again, just a clarification on the order book side as, sequentially it has slightly gone down from INR 1000 crore to INR 900 crore. So is this something which is peak run rate given the existing capacity we have, or is there scope for an order book to increase, on the existing capacity?

P. Nataraj: The order cycle is in a year is two times once in six months, we'll get the order. So the order period is somewhere in June, we'll get the -- June, July, we'll get the first order and again, we'll get the second order sometime in January, February. It is the middle of the season now. So the order book would be little lesser only. If you look at it, it is historically higher order book during March. So the order book will be -- so my order book cycle under the financial area is little different.

Naushad Choudhary: Okay, understood. Secondly, on the balance sheet sites, as one of the participants had ask in terms of inventory, days which has gone up in -- if I look at the history also in last 2-3 years, it has gone up meaningfully. And the reason you shared the raw material, prizes, is there any other piece of it apart from the raw prices,

P. Nataraj: There would be some increase in stocks in the sugar division also because we have commission production during the year in the new plant. So that also is in little higher inventory,

Naushad Choudhary: Historically, it used to be between 75 to 85 days. Do you think, we can, -- once things gets normalized, we can go back to those run rate and as the duty also has been -- import duty on the cotton has been removed, so that way we can have less inventory and if required, we can have import of that, will these points help us to reduce our inventory days?

P. Nataraj: Definitely it'll help us because when there is no import, we forced to buy more cotton and store it, even though we are having three months stock, and the prices are very high. Because if you compared to the last year, its more or less double the price. And so the inventory cost has gone up substantially. That's one thing. Second is in the consolidated level, the inventory had increased for the sugar also, sugar also contributed to certain extent. Because sugar you cannot, it is a regulatory product. You can sell based on the government release only. So whatever we produce it'll be laying the stock.

Naushad Choudhary: Okay. And lastly, I'm sorry if I missed this point, the recent, Greenfield expansion of sugar and ethanol, by when we see the full capital utilization

P. Nataraj: First quarter, we'll start the plant maybe by end of this quarter we can see the full production.

Naushad Choudhary: Okay, perfect. So, FY ‘23, we'll see the full benefit of this

P. Nataraj: More or less full kind of -- about 90% we can see.

Naushad Choudhary: With 25% plus a kind of EBITDA margin.

P. Nataraj: We are looking at 25% plus kind of EBITDA margin for the sugar business for the year 2022 - ‘23 we hope that we can achieve it.

Naushad Choudhary: Okay. Thank you sir. And all the best

P. Nataraj: Thank you.

Moderator: Thank you. And I'll hand the conference over to Abhishek Nigam for closing comments.

Abhishek Nigam: Yes. On behalf of B&K Securities. That concludes this conference and thank you so much for joining us.

P. Nataraj: Yes. Thank you. So the improved market dynamics, first is expectation from the concluded FDA with the UAE and Australia is good news for the Indian apparel industry. We would like to thank all the stakeholders for their continued support and we expect the support from all the stakeholders, in the coming years also. And, once again, I thank you all, for attending this conference call. Thank you.

Moderator: Thank you very much. On behalf of Batlivala & Karani Securities India Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.