

K.P.R. MILL LIMITED

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23.11.2021

To

The Listing Department
Bombay Stock Exchange Ltd
1st Floor, Rotunda Buildings,
Phiroze Jeejeebhoy Towers,
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

Dear Sir,

BSE: 532889 / NSE: KPRMILL

Sub: Transcript of the Conference Call held on 29th October, 2021

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

Please take the same on record.

Thanking You,

Yours faithfully,

For K.P.R. Mill Limited



P. Kandaswamy
Company Secretary

Encl: As above



“KPR Mill Limited
Q2 FY2022 Post Results Conference Call”

October 29, 2021



ANALYST:

**MS. PRERNA JHUNJHUNWALA – BATLIVALA &
KARANI SECURITIES INDIA PRIVATE LIMITED**

MANAGEMENT:

**MR. P. NATARAJ – MANAGING DIRECTOR – KPR
MILL LIMITED
MR. P. L. MURUGAPPAN – CHIEF FINANCIAL
OFFICER – KPR MILL LIMITED
MR. P. KANDASWAMY – COMPANY SECRETARY –
KPR MILL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the KPR Mill Limited Q2 FY2022 Post Results conference call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Perna Jhunjunwala from Batlivala & Karani Securities India Private Limited. Thank you and over to you, Madam!

Perna Jhunjunwala: Thank you Lizaan. Good evening, everyone. On behalf of B&K Securities, I would like to welcome you all for 2Q FY2022 results conference call of KPR Mill Limited. From the company, we have with us the senior management including Mr P. Nataraj, Managing Director of the Company, Mr. P. L. Murugappan, Chief Financial Officer and Mr. Kandaswamy who is the Company Secretary of the company. I would now like to hand over the call to the management for initial remarks and then we can take the conference for Q&A session. Thank you and over to you!

P. Nataraj: Thank you Perna. A very good evening to one and all. I am Mr. Nataraj, Managing Director, KPR Mill Limited. I welcome you all for the KPR Mill’s Q2 earnings call of the FY2022.

We are happy to report that KPR recorded the highest turnover and PAT for the quarter ended September 30, 2021. The textile business as a whole continued to be good. The yarn segment performed well due to strong domestic demand. Our focus on value added products and cost optimization secured better

realizations. Given the sharp recovery in the US and the European markets export garment orders remained healthy.

The wind power generation during the quarter was also good. The favourable ease of doing business environment, supportive government policies, competitive labour cost have strengthened Indian textile industry as an alternative sourcing destination for the leading international textile players.

Regarding the cotton, both domestic and the international prices ruling are very high. Irrespective of the record high prices of cotton, the demand for cotton products are also going up. The expansion project initiated in the garment and sugar segments are nearing completion. We are positive on the textile industry market due to a rise in demand and support from the government through innovative schemes such as mega textile parks and the creation of a world class infrastructure which are expected to provide the necessary push to this sector and attract large investments.

With these opening remarks, the floor is now open for questions and answer session. Thank you.

Moderator: Thank you. Ladies and gentleman, we will now begin with the question and answer session. Ladies and gentleman, we will wait for a moment while the question queue assembles. The first question is from the line of Tanvi Bandari from Hem Securities. Please go ahead.

Tanvi Bandari: Congratulations on good numbers. I have two questions. One is can you just update on your existing capex plans for the garment manufacturing as well as the other for sugar and also what would be EBITDA guidance for future as you had already mentioned that you were able to maintain EBITDA of more than 20%. So, what

was ideal for the full year and the capex plan stated? Can you just tell me the status of your capex plans for the new garment facility and the expansion of sugar and ethanol production so what is the status, when can we expect it to be fully commissioned and also what would be your EBITDA guidance for the full year?

P. L. Murugappan: Both the project on completion stage. We are expecting that the project will be completed during this quarter and we will commence the production. The exact date of commissioning will be announced. Regarding the EBITDA, since we are increasing the value additions products we hope that the margins will improve from the earlier stage of 20% to say 22-23% level. This quarter and the last quarter the EBITDA margin is very high because of the very good market and we will hope that things will improve from their existing levels.

Tanvi Bandari: So you expect the EBITDA margin going for 22-23%?

P. L. Murugappan: They are expected to be around this level but these two quarters are very good.

Tanvi Bandari: Just one more thing, Sir. You had earlier mentioned that once these two expansions complete we can have additional revenue of Rs.500 crores from the sugar production and from the new garment facility of approximately Rs.600 Crores. So, when can we see that rolling in our books? Is this expected to commission this quarter?

P. L. Murugappan: New Garment facility is expected to commission this quarter. It will take about 9 to 12 months for ramping up. New Sugar facility will start functioning full capacity within a month's time. So we can see a full production of sugar in the coming year 2022-23 and

garment full production, about 50% of the production will come in 2022-23 and full production will come in the year 2023-24.

Tanvi Bandari: Okay. Thank you.

Moderator: Thank you. We will move on to the next question that is from the line of Bharat Chhoda from ICICI Securities. Please go ahead.

Bharat Chhoda: Thanks for the opportunity, Sir. I had a question on this RoSCTL accrual like, we had not accrued it earlier in the Q4 and Q1. So, have we accrued that and taken in the accounts in this quarter?

P. Nataraj: Yes, Sir. We have taken this in this quarter.

Bharat Chhoda: What would be the quantum of that, Sir?

P. Nataraj: It is somewhere around 37 Crores.

Bharat Chhoda: How much?

P. Nataraj: Rs.37 Crores accrued during this quarter.

Bharat Chhoda: Okay. Sir, I also wanted this sales volume for Q2 for yarn, fabric and garments.

P. L. Murugappan: Yarn sales 18,500 tonnes, fabric 3000 tonnes and garment 27 million.

Bharat Chhoda: 37 million, these are sales numbers, right?

P. L. Murugappan: Volumes.

Bharat Chhoda: Sales volumes. Sir, one more thing about the cotton, Last time when we had spoken it was indicated that we had a stock of cotton at a price of around Rs.49000 per candy but now the prices have gone up significantly. So, do we see the yarn spread

strengthening from that level or we will be able to maintain the yarn spread?

P. L. Murugappan: Sir, cotton whatever we had is almost consumed. Now we are in the new season. The cotton prices are higher now. The yarn prices are also moving up in line with cotton prices. We hope that the margins will be maintained but not at this level. It will be maintained than normal level about 30% plus kind of a level.

Bharat Chhoda: Sir, what about the garment profitability because there are lot of challenges in logistics and input costs. So is the garment profitability also likely to be maintained or there could be some lower profitability in garmenting as well?

P. L. Murugappan: Garment profitability is expected to be maintained.

Bharat Chhoda: Okay, Sir. Thanks a lot for answering the question. Thank you.

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

Biplab Debbarma: Good afternoon, Sir. Thank you for the opportunity. Sir, I have two questions. First, regarding the strong EBITDA margin. Sir, which segment has led to this heightened EBITDA margin? Which segment contribution? Is it yarn segment contribution or other? I just wanted to understand why the EBITDA margin has gone up this quarter?

P. L. Murugappan: Sir, actually the yarn business did really well during this quarter because usually there was about 20 plus kind of EBITDA margin, now this quarter it is about 30% and the garment margin also very good during this quarter. It is about 30%. Overall margin also 30% plus gain.

Biplab Debbarma: Okay. So, both yarn and garment this quarter margin is 30%.

P. L. Murugappan: Yes.

Biplab Debbarma: Just follow up to this do you see this margin in both garment and yarn segment to continue in near future?

P. L. Murugappan: Since last three quarters was off season cotton margins were maintained. Since it is a new season we have to wait and see. We hope that things will be good but we are not expecting the same kind of 30% margins. Usual margin will be there at least it will be a little more also.

Biplab Debbarma: Okay. Second question is from sugar and ethanol. You have given us a guidance that is fine, but just wanted to understand. So, you said by FY2022-2023 it would be operating at full capacity. So, if I assume that everything is there and they are operating at full capacity what is the volume of sugar you can produce from your mill and volume of ethanol that you can produce from your mill once it gets fully operational testing capacity?

P. L. Murugappan: Capacity we can crush similar tons of sugarcane. We can produce about 90,000 tonnes of sugar and close to about 4 Crores litres of ethanol.

Biplab Debbarma: Yearly, each year you can have 90,000 tonnes of sugar and how much litre of ethanol, Sir?

P. L. Murugappan: Close to 4 Crores litres of ethanol.

Biplab Debbarma: Thank you, Sir. I will come back in queue.

Moderator: Thank you. The next question is from the line of Naushad from Systematix. Please go ahead.

Naushad Chaudhary: Couple of clarifications, Sir. Firstly, on the margin side, you mentioned the number. Can you reclarify it? The RoSCTL which we shared is Rs.37 Crores or Rs.31 Crores?

P. L. Murugappan: Rs.37 Crores, Sir.

Naushad Chaudhary: And that is the arrear not of this quarter, combined of last three quarters.

P. L. Murugappan: Yes. Correct, Sir.

Naushad Chaudhary: Is it combined of this quarter and previous two quarters or is it the arrear amount of Rs.37 Crores?

P. L. Murugappan: Rs.37 Crores for January to September, Sir.

Naushad Chaudhary: Can equally divided in?

P. L. Murugappan: Yes, equally divided.

Naushad Chaudhary: Okay and apart from this what all other factors that help us in terms of this margin?

P. L. Murugappan: We had cotton, yarn prices went up sharply, so margin has increased. In the same way, garment demand also increased substantially, so garment margin is also good. During this year we have run the ethanol plant in off season also, so sugar and ethanol margins were also good during this quarter.

Naushad Chaudhary: Understood. Secondly, can you share the value breakup of the yarn, fabric and garment?

P. L. Murugappan: Yes. Yarn value Rs.500 Crores. Fabric Rs.86 Crores. Garment Rs.455 Crores.

Naushad Chaudhary: What is the current order book we are sitting at for yarn, fabric and garments?

P. L. Murugappan: Rs.750 Crores.

Naushad Chaudhary: Okay. So, this includes the commitment of our upcoming expansion as well, this Rs.750 Crores or this is for only the existing capacity?

P. L. Murugappan: It is only for the existing capacity. Generally, we accept orders on commissioning of the plant. So only we accept orders depending upon the ramping up. It is a labour intensive business. We train the labour in batches. Based on the labour strength we will accept order.

Naushad Chaudhary: Perfect. Lastly, on the commissioning of 40 million pieces of capacity, are we?

P. L. Murugappan: It is on time, Sir. We will commission it.

Naushad Chaudhary: In terms of labour requirement, are we hopefully filled with the kind of labour requirements we are expecting for that?

P. L. Murugappan: We are in the process of recruiting the new and required labour.

Naushad Chaudhary: Okay. Thank you so much, Sir. I will come back in queue.

Moderator: Thank you. The next question is from the line of Ahmed from Unifi Capital. Please go ahead.

Ahmed: Thank you for the opportunity, Sir. Can you give the revenue breakup for sugar and ethanol for the current quarter?

P. L. Murugappan: Sir, what do you want?

Ahmed: A revenue breakup for sugar and ethanol?

P. L. Murugappan: Sir, sugar revenue Rs.50 Crores. Ethanol revenue Rs. 52 Crores.

Ahmed: Okay, Sir. Thanks. And, Sir, the new sugar and ethanol facility when it will be commercialized?

P. L. Murugappan: During this quarter it will be commercialized, Sir.

Ahmed: This sugar season how many days you will be able to operate, this sugar season?

P. L. Murugappan: We are planning to operate at maximum days. We will commission it early to utilize the season.

Ahmed: Okay, fine. What is the sugar inventory currently?

P. L. Murugappan: Currently it is about 10,000 tonnes.

Ahmed: Okay, fine. Sir, regarding the spinning spread the last few quarters we enjoyed and the industry also enjoyed the spinning spread and currently the domestic as well as the global cotton prices are firming up. So what kind of margin that we can expect from the current levels in the yarn segment?

P. L. Murugappan: Presently it is roaming around 20-23% kind of margin in the yarn segment based on the current cotton prices and yarn prices.

Ahmed: Thank you.

Moderator: Thank you. The next question is from the line of Akshay Chheda from Canara Robeco. Please go ahead.

Akshay Chheda: Sir, first question would be on the Ethiopia side like any progress on the Ethiopia side? And, secondly I wanted the margins, so yarn margin was 30% and apparel was 30%, is that correct?

P. L. Murugappan: Yes, correct. You are right.

Akshay Chheda: And, Sir, sugar what was the volume that you sold?

P. L. Murugappan: 15,000 tonnes of sugar sold.

Akshay Chheda: And ethanol?

P. L. Murugappan: Ethanol is 1 Crore litres.

Akshay Chheda: Sir, on this Ethiopia side, any update there?

P. Nataraj: Sir, still the unrest is going on in Ethiopia and we are in discussion with the Investment Commission in Ethiopia. Our people are also in touch with them. We are waiting for their response. We will take a suitable action at an appropriate time.

Akshay Chheda: Sir, the margins if you can just repeat for yarn, fabric, sugar?

P. L. Murugappan: Yarn and fabric, Sir, margin is 30%, garment margin is 30%, sugar and ethanol is about 20%.

Akshay Chheda: Okay. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Ashutosh Garud from Ocean Dial AMC. Please go ahead.

Ashutosh Garud: Congratulations on a great set of numbers, Sir. Just wanted to understand from a broader perspective, I mean, I remember earlier the management discussed how this new capacity of garments would scale up around 18 months and now you can see the bullishness, it expected to scale up in a year or less, so do you have any plans of further capex from a garmenting sides which may come up in next year or so because as we grow on this particular on volumes from a garmenting side from next

quarter onwards, do you have any plans from a growth angle for the next 3-4 years?

P. Nataraj: Sir, our focus is to value additions. So, here in the textiles the final product is the garment which gives the maximum value addition. So that is why we said the last five years we have gradually shifted from investing capex from yarn to garment and yes, our focus is mainly on the garments and the new facility may be commissioned by this quarter then once the ramping up is over so we have plan to expand further. In fact, the government has also announced various other schemes like Textile Mega Park with lot of infrastructure facilities, like plug and play model already the government has announced. So we are also waiting for that and the location and what kind of facilities they are creating. Once the facility is created we can, install the machines and start the production like, we went to Ethiopia where they have given us plug and play method so if same system brings in to India it will be, more for the encouragement for the textile industry. So we are looking for that. We are also having a plan of going for further expansion in the garments once the ramping up is over. So, this is the plan.

Ashutosh Garud: Great. Sir, just to clarify the new capacity for garments the realization for these going to be higher than what we are doing right now. Would that be a fair assumption?

P. L. Murugappan: No, this will be at the same level because we are making the same product, so the expansion is also in the same line. The realization will be at the same level.

Ashutosh Garud: Fair enough. Sir, lastly, you can give us colour on how things are moving, from a supply chain perspective for, I mean, India emerging as a strong alternative from lot of supply chain moving

out of China because of the cotton issues. So if you can give us some colour on how are your talks with the customers going on, is there any interest from them and how do you see this spanning out over the next three years?

P. Nataraj: Definitely, we are very positive and the scenario looks very encouraging, particularly on garment side. It is too early to predict the percentage and period it is in the minds of all the customers that they also want to source through some other alternate. So they are seriously looking for that. And, we are also able to feel because, you know, order booking also increasing in India and definitely we are confident that something will happen but it is too early to predict the quantum or the percentage to say but definitely we expect bright future for the garment.

Ashutosh Garud: Thank you, Sir. Thanks a lot and all the best for the future.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Good evening and thank you for the opportunity, Sir. Sir, just one question on our retail venture, the brand that we have launched FASO any plans to aggressively scale it up, how was our experience been as it has been over a year, maybe two now, given the huge cash that we generate. Any plans on that and anything on the aggressive side?

P. Nataraj: Sir, presently if you look on the last one to one and a half year we could not able to push the brand because of this pandemic. From this July onwards things are improving. Now we are pushing our brand across Southern India, we are doing large advertisement, campaign and all. The turnover has increased substantially in the last two to three months, now we are reaching about Rs.1.5

Crores to Rs.2 Crores per month. We hope that from hereon we can push the brand to next level. We have appointed few consultants for this purpose and advertisement campaign also going on. Since it is festival time things are all picking up very nicely. We hope that we will reach our goals even though it is delayed a little bit because of this pandemic we will reach our goals in time.

Pratik Kothari: About this appointment of consultant or advertising would it involve some higher expenses or we maintained our earlier stance that we grow it slowly and not spend too much money there?

P. Nataraj: Not spending too much money but required advertisement and other things will be done and that we will be doing.

Pratik Kothari: Sir, just to clarify you said you are currently doing one and a half to two Crores a month?

P. Nataraj: Yes, turnover is about one and a half to two crores a month and we are going for a little aggressive advertising doing this since it is a festival season we want to push it further.

Pratik Kothari: Fair enough, Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Vinod Malviya from Union MF. Please go ahead.

Vinod Malviya: Thank you for updating my question and congratulation for a good set of numbers. I had a couple of questions. First is on the margin side. I know in this particular quarter there were like multiple things. One is definitely, you know, earlier incentives have been recorded in this quarter and also you are sitting on some cotton inventory which also helps you to, you know, report such a strong

margin. Now given the current cotton prices and current cotton yarn prices, what kind of a margin should one should, expect given the current market time?

P. Nataraj: Sir, it is too early to predict the margins for the current quarter because cotton being an agriculture commodity we have to wait for some time. We hope that it will be good because both cotton prices and the yarn prices growing in line. So, we hope the margins will be good only. We have to wait for some time.

Vinod Malviya: How much compression with the spread has happened because of this cotton prices going up sharply? Can you actually provide that data like on a sequential basis, let us say x now, it has become 0.8 of x or any guidance on that front?

P.L. Murugappan: Current margins are very good because usually yarn margins used to be about 18-20% range, now it is more than 20%. The margin is very good now and we hope that it will be maintained.

Vinod Malviya: Okay. They are still above 20%. That is what you are saying.

P. Nataraj: Yes.

Vinod Malviya: They have come down from 30%.

P.L. Murugappan: Yes, 30% because we had some inventories that also resulted in gain.

Vinod Malviya: The second question basically was on your capex side. So, I know that Indian government is incentivising, look out to set up lot of facilities in India but just wanted to understand your thought process on, you know, setting up a facility let us say in Bangladesh. Now Bangladesh has a lot of favourable duties when it comes to certain European region. So if you just like, explain

your thought process that why would be you reluctant to set up a facility in Bangladesh?

P. Nataraj: No. In fact we visited Bangladesh also and we have seen, their facilities and labour, all these, you know, resistance and all these things, you know, well before, even like before going to actually Ethiopia and we have seen, you know, all these studies, the feasibility then this Ethiopia was the better option so that is the reason we went through Ethiopia and unfortunately there was some issues there and finally we see that here mainly in India if we see labour front and we are able to manage the labour, the migrant labour wealth so then I think India is the best destination for their future, so that is why we have decided now to expand in India only even two years before also we thought of if everything goes well we can expand further in Ethiopia, but unfortunately some problem has happened there, so that we decided to go in India itself.

Vinod Malviya: If I have to just summarize what we have said it is difficult there is a geographical risk that is there in Ethiopia and that could also probably in Bangladesh also and as far as India is concerned there is abundant availability of labour and also the raw material is available locally so that is the main advantage which is here?

P. Nataraj: In Bangladesh most of raw material, particularly yarn and cotton are actually exported from India only long time, we do not know if something happens such as restriction on our export yarn or any policy change make total difference. So Bangladesh is totally dependent on other countries particularly India for raw material.

Vinod Malviya: Just wanted to reconfirm, the numbers which you said to some earlier participant, this is basically on the peak sugar generation and ethanol, you said 90000 tonnes is the sugar peak is

generation which you can go from this capacity and around 4 Crores litre this is for the new facility right?

P. L. Murugappan: No, it is existing factory. New facility we can produce somewhere around 6 Crores liters of ethanol and about 75000 tonnes of sugar.

Vinod Malviya: But you are also expanding the sugar capacity in ethanol so from this new facility how much incremental peak sugar and ethanol you can generate?

P. L. Murugappan: The new facility we can produce 75000 tonnes of sugar and 6 Crores litres of ethanol.

Vinod Malviya: Thank you Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Ritesh Badjatya from Asian Market Securities. Please go ahead.

Ritesh Badjatya: Thanks for the opportunity Sir and congrats for the great set of numbers again. My question is with regards to textile chemicals availability like few weeks ago there was a talk that there is a disruption on couple of the chemical supply to other parts of the world and that is why Indian textile companies also facing issues of textile chemicals availability, so what is the situation now, are we facing such kind of the difficulty in the coming period?

P. Nataraj: If you see in the last six months, the cost of all the raw material prices has gone up including even if you say that construction like almost steel prices have become double. Similarly cotton price also doubled from 40000 to 65000 so ultimately the product price also has gone up. Here also the same situation. In chemical also, the price has gone up very stably, but once the price is going up means the demand is building up. There is a huge demand but

the product is available at higher cost. For using in the processing chemical available, but at a higher cost. So we do not feel there is any shortage or non-availability of chemicals, only the thing is price is high. Another reason is transportation. The container availability delayed haulage and all these things hiked its price but otherwise the chemical is available.

Ritesh Badjatya: Secondly on the freight side only I want to understand for the future contract when you said it is higher and negotiation happening so is there any component of the freight has also now discussed and will be a part of your contracts agreement that, is there will be a rise in the container cost or dip in the container cost than the price will be accordingly adjusted or how the thing is that?

P. Nataraj: What we have booked order mostly all are FOB basis only, so the freight charges are borne as per the contract which is not for our cost, our supply is on FOB basis only.

Ritesh Badjatya: Lastly Sir, on the fashion side, are you seeing any change in the trend post COVID, the demand is a bit different and that is why we are seeing more component of fashion articles in our supplies with our buyer compared to the basic articles, so the mix will be changed move towards the fashion and that is also realization will be further improved from here, is there any trend?

P. L. Murugappan: We hope so, because after the COVID now the situation is improving. The cost of the product from raw material to finished product, everything is going up. We have to wait and see, how the customers and the consumers trend is changing. At various places lockdown continues. Gradually entertainment facilities are opening. It has to be settled down for some time, then only we will

know what is the right direction. We have to wait and see for some more days.

Ritesh Badjatya: Lastly on the cost optimization side just wanted to understand in all our operations, be it in the sugar, textiles or garmenting side, is there any more opportunity for automation to be increased and that is how we can reduce the cost and reduce the dependence from the labour, is there any further scope or how is the situation?

P. Nataraj: Spending side, there is a scope. If we go for more automation, we can reduce the labour further. But for the new capacity only we can go for automation. It will be more expensive than the labour cost, for existing capacity. So we have to find via media, which is the best option. But the machinery manufacturers year on year also updating the technology. Whatever is possible we are introducing in the existing facility. For example, in spinning, there are six, seven departments are there. For example, in winding even now there is little automation. Wherein we are investing a small amount and reducing 5% or 20% of the people in the particular area, so this kind of things are going up. But if you take garment, garment is the most automated factory wherein the best technology machinery available in the world is imported and erected. The operation is manual, so more labours have to be employed. If you take sugar, it is most automation wherein the labour is very less. In the new sugar unit also the most modern technological machines are erected. So there the employment is very less compared to the textiles. In textile particularly garment employees more people than spinning or knitting.

Ritesh Badjatya: That is all from my side. 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. Heartiest congratulation Sir for excellent set of numbers. My questions are answered, but just a followup question on that retail venture, when are we planning to go pan India so far as our retail venture is concerned?

P. Nataraj: We have planned to go pan India within two years. Because as I had already explained, in the last two years almost one-and-a-half years has gone because of pandemic in many parts of the country, everything was open except cinema halls or the malls and even the retail shops were not opened. Only recently they are also opened. So we are gradually moving. That is why one year before itself we launched in entire south that is the five states. Then at the time of planning to launch to North India and other parts of the country, suddenly pandemic has happened. Now the things are getting into normal. We are now slowly moving into other parts of the country and hopefully the things will happen in a couple of years. We are pushing very fast after the pandemic. We are very aggressively pushing, to compensate the loss of one-and-a-half years' time, so that Pan India should be covered in the next one year that is our focus. So we are fully on the job and everyone is fully paying attention to speed up. Suppose we have travelled 100 kilometres we want to push it 200 kilometres so like that. That is the way we hope that we will achieve that.

Mulesh Savla: Great, I am sure manufacturing facility should not be concern to us, it is only the marketing strategy that may be problematic?

P. Nataraj: Exactly Sir, because even some people told that manufacturing is the most difficult area in retail. But we are absolutely having very strong hold and everything is in-house, from the yarn. As said in the call, may be like two, three quarters before, I told that everything is the best quality, superfine yarn we are using for our FASO products and processing also we are doing special process

to get the luxury of the fabric and the knitting also they are making the fabric using the special machines like the most modern Mayer & Cie machine which is the best machine in the world. So like that everything we are making now. From the manufacturing point of view, absolutely we are very comfortable and making the best quality and it is also organic product. So the product wise we are able to make the best manufacturing. As you said marketing we have to push for which we are paying full attention on that.

Mulesh Savla: We are confident Sir, because we have seen and used their product and product is excellent and I am sure that once we go pan India, we can even definitely give tough challenge to Jockey also.

P. Nataraj: Thank you very much Sir.

Mulesh Savla: That is all from my side and all the very best Sir. Thank you.

P. Nataraj: Your words are really great encouragement for us, actually this makes us to work still more aggressively. Thank you Sir.

Moderator: Thank you. The next question is from the line of Ashutosh Garud from Ocean Dial AMC. Please go ahead.

Ashutosh Garud: Thanks for giving us the opportunity for followup. I just wanted to clarify on ethanol and sugar, what would be our total production for ethanol once the new facility let us say in FY2024 if we are operating at full capacity, what would be the total production?

P.L. Murugappan: You are asking about combined production of ethanol and sugar?

Ashutosh Garud: Yes, please.

P. L. Murugappan: We are estimating sugar is somewhere around 155000 tonnes, ethanol is about 10 Crores litres.

Ashutosh Garud: Okay, great, thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Biplab Debbarma from Antique Stock broking. Please go ahead.

Biplab Debbarma: Thank you for the opportunity. Sir, two, three things, first is on your guidance looking at your turnover and optimistic outlook, Sir, do you FY2023 guidance 4000 or it would be more optimistic that we may surpass this guidance for 4000 in FY2023?

P. L. Murugappan: You are asking about the turnover Sir?

Biplab Debbarma: Yes, from the textile.

P. L. Murugappan: From textile, the consolidated textile turnover we cannot tell you the futuristic number, we hope that we will grow by 15% from here on.

Biplab Debbarma: That is fair enough and second thing Sir, I was just wondering, we know cotton on spreads may have led to the heightened EBITDA margin of yarn and fabric segment, but in the garment segment since we have the order book we have everything priced, predetermined price and at the same time raw material cost are also freaked since by cotton in advance, Sir what led to this 30% EBITDA margin in the garment segment, because everything seems to be the margins could have been steady, but I am positively surprised with the heightened margin, increase in past, it is not as volatile as it was?

P. Nataraj: Basically this quarter it has gone up because of RoSCTL. We have accrued during this quarter for nine months, because of

which the margins are very high in the garment division. Otherwise, the margin available is 23% - 24% kind will be maintained. This 30% was because of six months' exports incentives accrued during this quarter.

Biplab Debbarma: Okay, if we remove this then it will be something around 24%, 25% right?

P. Nataraj: Yes.

Biplab Debbarma: One final question is on our capacity build up, so this is a hypothetical question, let us assume that China plus one or whatever domestic demand, or FTA whatever may be the case, the demand has increased and something we received some demand 200, 300 million pieces of garment for KPR, so how easy or difficult, what would be the timeframe for us to ramp up significantly, is it possible? I mean, obviously it is possible, but what would be, how easy or difficult, can you just give us some action on the ramping up of our garment facility? If we have the demand say 200 million, 300 million pieces of garment traditionally?

P. Nataraj: This is what we just told. Ramping up in the sense, we have to recruit and train the workers and we have to meet the garment orders also. When training more people, accepting more order also is difficult because it will not match the trained employees. When order booking comes heavily as you said 200 million, 300 million we can ramp up the production activities in six months' time.

Biplab Debbarma: Thank you Sir.

Moderator: Thank you. We will move onto the next question that is from the line of Naushad Chaudhary from Systematix. Please go ahead.

Naushad Chaudhary: Couple of clarification Sir. Firstly, on the garment 40 million capacity which is in process and expected to come in this quarter, of the total expected requirement of 5000, how much of them we have recruited as of now?

P. L. Murugappan: We are recruiting somewhere around 1000 people and the training is going on. Once 1000 people come into line, we will start training the next batch that is what we do.

Naushad Chaudhary: Typically, how much time it takes from recruitment to training?

P. L. Murugappan: It will take about 45 days. Each batch may be somewhere around 500 to 750 people. That will take about 45 days for them to train and put them into the regular line.

Naushad Chaudhary: Okay and 35 days would be for finding them so total of two-and-a-half months?

P. Nataraj: Recruiting them may not be a problem. Whenever we require the people will come. So we will plan accordingly, we need not wait for 30 days for people to come.

Naushad Chaudhary: Secondly, if I heard it correctly, we have mentioned that we may think of or we are thinking of having another garment expansion if I heard it correctly, so would it be Greenfield or Brownfield and would it be similar size of what we are working on currently or would it be smaller size of expansion if we do it in future?

P. Nataraj: We can plan for the same size of what we are doing, may be plus or minus. Previously we made 36 million, now this is 42 million. Somewhere around 40 million, will be comfortable and we can manage.

Naushad Chaudhary: Is it something at very advanced of discussion or we have just thought about it and not discussing it on a regular basis?

P. Nataraj: Our focus is on the existing business. Because this project is ongoing project. Once the project is completed and at least 50% of the ramping up is over then we will think of that.

Naushad Chaudhary: Lastly on the industry side Sir, is there any view you would like to share in terms of the India's talks with US and Europe in terms of how Bangladesh, Vietnam and other another country is getting, to those market versus we have disadvantage, so is there any development or anything you are hearing?

P. Nataraj: I could not understand your question; can you repeat?

P. L. Murugappan: Are you asking free trade agreement?

Naushad Chaudhary: Yes.

P. Nataraj: This is the ongoing process. Government is discussing with these countries, but not yet finalized. We are also following, but we cannot do anything, government has to take the call. We hope that something will happen in the coming future.

Naushad Chaudhary: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Sameer Dosani from Carnelian Capital. Please go ahead.

Sameer Dosani: I just wanted to understand is there structural impact with the Xinjiang shutdown or sanction that has been passed. What is the kind of impact that we are seeing in our business and is there is a structural change on account of Xingjian shutdown or sanction that has happened in very recently?

P. Nataraj: We could not able to hear you properly.

Sameer Dosani: I was just asking whether there is a structural impact on textile industry and whether we are benefitting from the sanctions that have been passed on Xingjian region of China?

P. L. Murugappan: This is the talk going on in the market. But we are not seeing any definite changes in the market, but we hope that it will happen in the future. Because it is the very large industry now, we cannot get the feel of it immediately it will take some time.

Sameer Dosani: Thank you.

Moderator: Thank you. The next question is from the line of Tanvi Bandari from Hem Securities. Please go ahead.

Tanvi Bandari: Sir, I just want the clarity that the PLI scheme that was just recently announced by the government and also the increase in export incentives from 2000 Crores to 10000 Crores, so how we are to get benefit from the same?

P. L. Murugappan: PLI scheme we are studying. Most of the scheme is designed for the purpose of manmade fibre and manmade fibre based garments alone. We are also manufacturing manmade fibre and we are studying whatever benefits are available. Probably we can also avail it and we may be taking a call during this year.

Tanvi Bandari: Could you speak a last line; it is basically for the manmade fibre so how are we like to get benefit from the same?

P. Nataraj: We are also manufacturing manmade fibre. We are studying how we can get benefit out of it, because most of the benefits given to the Greenfield project. We are studying the scheme and how it would be beneficial.

Tanvi Bandari: Just one more question, you had mentioned that you have the cotton inventory till October 2021 and the average cost that of the inventory was approximately 49000 per candy as compared to 56000 per candy that was prevailing around the previous quarter, so what are the cotton prices currently and as an inventories almost finished, so at what price can we look at the inventory now?

P. Nataraj: The cotton price presently is ruling around 65000 per candy and we have inventory for a month. This is the end of the season and normally we keep stock for four to six months. We buy cotton during the season where the quality will be better so that we are able to give consistent quality. Normally we keep around 30 days, stock so this is the position. New cotton today is pricing almost; we see the last one week every day the price is going up. It is a big difference comparatively. I would say around 10000 to 15000 higher level and this is also we can say that behaving like capital market. It is moving upwards continuously and it is also unprecedented never in the history of cotton industry, it touched this price. We do not know when it will go down. We are very cautious in buying the cotton at present.

Tanvi Bandari: Are you able to pass on this price rise in cotton?

P. Nataraj: Once cotton price is going up, equally yarn price is also moving up. Time gap will be there like two weeks' time.

Tanvi Bandari: Thanks Sir.

Moderator: Thank you. The next question is from the line of Rajiv Venkatesh an Individual Investor. Please go ahead.

Rajiv Venkatesh: I have two questions from the margins front. Since our margins are more on the garment exporting and clients are more

concentrated in North America and Europe. I have question on this, how are the free charges affecting, due to free charges rise, are we seeing any new countries taking up India's shares like Jordan especially because I read somewhere that Jordan is taking major of the garment's shares, what are your views on this?

P. Nataraj: I already explained in the earlier call. We generally accept the orders on FOB basis. It will not have impact on our business and also some medias are saying because of the freight cost, some orders are getting diverted and all. But we are not seeing it actually, the things are okay only, some small orders may go from here and there and all, but the overall garment business in India is doing extremely well during this period.

Rajiv Venkatesh: Thanks a lot for your answers.

Moderator: Thank you. The next question is from the line of Tanush Mehta an Individual Investor. Please go ahead.

Tanush Mehta: Congratulations on a great set of numbers. I had two questions. The first one pertains to vision or our growth plan in our export business, how do we plan to scale it up and where do you aspire to go in the next three to four years and the second question is with respect to rise in cotton prices I wanted to understand how are our spreads affected with rise in cotton prices on a normal real time basis or that is on a quarter-to-quarter basis?

P. Nataraj: Our core business is textile and in textile particularly we are focusing in the last five years the value addition product that is the garment that is meant for export. Every two years we are expanding our garment capacity either Greenfield or Brownfield. So once this project is completed then we will think of the next project We continue to focus so for next two, three years and

regarding cotton, the cotton price steeply is going up and equally yarn price is also moving up. So the spread is maintaining in the same level but the time gap is there. We cannot exactly predict its movement percentage. Same percentage yarn price also moves, with some plus or minus but there will be time gap. For example, today cotton price increases, yarn price may go up after one week or like that. History also shows whenever the cotton price goes up, yarn price also moves up, when it comes down, yarn price also comes down the margin maintained almost at the same level. In the last couple of months, we had the inventory at low cost and because of that we are able to make higher margin. Otherwise both cotton and yarn moves in the same direction proportionately.

Tanush Mehta: Thanks a lot and good luck for the coming quarter Sir.

Moderator: Thank you. The next question is from the line of Kapil Bangra an Individual Investor. Please go ahead.

Kapil Bangra: I missed these points on the profitability margins. If you could again just give some colour around what could the profitability margin be relative to what it was in current quarter, last reported quarter?

P. L. Murugappan: Current quarter profitability, overall the growth is 30%. Generally, the profitability in textile business will be somewhere around 20% to 23% kind. Yarn is somewhere around 20%, the garment used to be somewhere around 23% to 25% kind of return and we hope that these kind of profitability can be maintained. Presently the profitability margins are little higher than the normal ones.

Kapil Bangra: Thank you.

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

Bharat Chhoda: Thanks for the followup opportunity. Sir, I had a query about our captive consumption, so our yarn captive consumption is around 30%, so how much it will move to with the new garment capacity becoming operational?

P. L. Murugappan: It is expected to be somewhere around 40%.

Bharat Chhoda: That is all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Tanvi Bandari from Hem Securities. Please go ahead.

Tanvi Bandari: Sir, just few questions. One you earlier said that, your exposure in US is pretty less, which is approximately 22%, so has this share increase post COVID or are we seeing 22% and are we doing or taking any steps increase shares in the US market?

P. Nataraj: Previously, we were fully giving attention on the European market and slowly as the capacity increases we are looking for other markets also to spread the marketing areas. We are now doing with few customers in US, Australia, New Zealand proportionately we are increasing in other market also. We are discussing with some large customers in US, so definitely our size will increase after the new capacity to US.

Tanvi Bandari: Earlier you had mentioned that you had a share of 22% in US, is that is an impact reduced, how do we see it?

P. Nataraj: Can you repeat?

Tanvi Bandari: In earlier concall you had said that Europe being the key market you had export share of approximately 54%, to Europe and US to 22%?

P. Nataraj: Yes.

Tanvi Bandari: Are these numbers intact or has it change in your key market?

P. Nataraj: There is no change. US is going up, because of this volume is increasing.

Tanvi Bandari: Also you have setup of companies in Singapore for the same, so is there any fruit has been yielded for the company that has been setup in Singapore?

P. Nataraj: Your voice is not very clear.

Tanvi Bandari: Earlier you said that the company has been established in Singapore?

P. Nataraj: We had already established the company in Singapore.

Tanvi Bandari: Are there any fruits that have been yielded from the same?

P. Nataraj: What you are asking?

Tanvi Bandari: From the company that has been setup in Singapore? Have we started export activity to new market, are you exploring in Singapore?

P. L. Murugappan: Singapore company is mainly dedicated for Ethiopia's business Since opening up the business at Ethiopia there were some issues and hence Singapore company is also not in operation now. We are finding some other opportunity.

Tanvi Bandari: Could you please repeat? You are not very clear.

P. L. Murugappan: Basically, this Singapore company was formed for the purpose of KPR Exports PLC business, since Ethiopia business was facing some problems, Singapore there are no operations now, we are finding some more opportunities from Singapore company and till not yet done, we are just finding some more opportunities there.

Tanvi Bandari: Just one last question, in one of the reports that you said that China had major imports of yarn from India, now has there are problems in China and then again Q2 lockdown in the textile out of China, so how do we see the yarn prices going up or the yarn export still affected, because China was the major market followed by Bangladesh?

P. Nataraj: Still the export to China is continuing. There is no fall in the export to China, but export to Bangladesh has also gone up. India is having the largest market in the world having more than 23% of yarn exports and it is spread across so many countries and so far till today China is the largest importer from India, so this is continuing, irrespective of the transport or containers issues.

Tanvi Bandari: One followup, do we have any dependence on China in terms of our supply chain or in terms of final sales, apart from the exports that we are doing for China, so any further lockdown would affect our numbers or something?

P. Nataraj: We do not have any direct business contact with China.

Tanvi Bandari: Thank you.

Moderator: Thank you. The next question is from the line of Shivan MS from JHP Securities. Please go ahead.

Shivan MS: Good evening Sir. Apologies if this question has been taken previously, but I just wanted to know of the new garment facilities

that we are adding and the recruitment that we are doing of labour, are you facing any difficulty in getting labour?

P. Nataraj: Within the state almost the labour availability has come down little bit. So we are recruiting from other northern states, like Odisha, Bihar, Jharkhand, UP, even Assam so various other states. Availability of the labour is plenty. Only during the pandemic transport was not available. Now everything is out and now there is no issue at all. In fact, we are quite comfortable and even for the language purpose we have engaged HR people also from the same states. As they speak same language, absolutely no issue.

Shivan MS: Thank you very much.

Moderator: Thank you. The next question is from the line of Sendil Kumar, an Investor. Please go ahead.

Sendil Kumar: Good evening Sir. I am calling from Chennai. Regarding the FASO brand, the reach is very minimal even in superstores or something like last year I was able to identify the products in many places, but this season when we are going to purchase your brand is somewhat minimum even in prominent market places, may I know what is the reason, is it because after COVID situation or something some other external reasons?

P. Nataraj: May be because of the COVID situation. We were the new entrant when we pushed into the market. But once COVID has started one-and-a-half years before we are not able to reach properly to the stores or the dealers or distributors. We found little tough times. May be because of that the availability may be less, but now in the last two, three months, we are working on that. We have the capacity, we have excellent product, there are manufacturing setup, we have employees with us. Now we are

pushing it to almost all the stores. The initial feedback received by us is encouraging.

Sendil Kumar: Product wise, quality is very super Sir, but only thing is availability and the size?

P. Nataraj: We also realised that. Because of the COVID pandemic situation we were unable to make it available as we planned.

Sendil Kumar: This festival season you also started putting up ads to TV promos although those I can see actually, is there any plan to open in the exclusive outlet in prominent locations?

P. Nataraj: That is also on the cards. We are discussing all these things. That is why we are aggressively planning. The last one-and-a-half years we lost it we are now thinking of moving it faster. So I think in a very short and quickest time we will push them and we are confident that we will come out very strongly.

Sendil Kumar: Thank you. Your product is really nice, but the thing is you have to put more pressure on the availability and reach. All the best Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

P. Nataraj: Thank you very much. The Company has observed sustained growth in the last two quarters bouncing back from the lockdown impact. The product mix of high margin, ability to withstand any eventualities, strategic expansion plans, comfortable cash flow and above all, the continued support from all the stakeholders have sustained and improve the growth prospects of KPR. So I thank you all once again and our hearty wishes for a safe and Happy Diwali. Thank you very much.



*KPR Mill Limited
October 29, 2021*

Moderator: Thank you. Ladies and gentlemen on behalf of Batlivala & Karani Securities that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.