

K.P.R. MILL LIMITED

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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 July, 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
Q1 FY2022 Post Results Conference Call”

July 29, 2021



ANALYST:

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

MANAGEMENT:

**MR. P. NATARAJ – MANAGING DIRECTOR – KPR MILL LIMITED
MR. PL 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 Q1 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. Prerna Jhunjunwala from Batlivala & Karani Securities India Private Limited. Thank you and over to you, Madam!

Prerna Jhunjunwala: Thank you Lizaan. Good evening everyone. On behalf of B&K Securities, I would like to welcome you all for 1Q FY2022 result conference call of KPR Mill Limited. Today we have with us the senior management including Mr P. Nataraj, Managing Director of the Company, Mr. PL. Murugappan, Chief Financial Officer of the Company. I would now like to hand over the call to management for initial comments. Thank you and over to you Sir!

P. Nataraj: Thank you Prerna. A very good evening to one and all; I welcome you all for KPR Mill’s Q1 earnings call of the FY2022. With me is our CFO, Mr Murugappan and Mr Kandaswamy – Company Secretary are here.

Thanks to the sustained growth in domestic market, upward swing in the export market and support of stakeholders, KPR could deliver a strong and significant performance in the Q1 of FY2022 also. The strength on performance reflects its right strategy and product plans.

During the quarter, the emergence of second wave of pandemic disrupted the activities due to COVID restrictions; however, empowered with unique strength, KPR was well placed to resist the impacts of the pandemic strongly and capitalize on the opportunities ahead. India being the largest producer of cotton and its availability surging yarn market, strong order support for garments enabled good results in the textile segment.

KPR's strong performance during a challenging quarter ensued improved cash flow and profitability for the company. The margins of cotton yarn prices are expected to remain healthy for spinners on the back of a supportive export demand coupled with a gradual improvement in the domestic consumption levels after the pandemic. Furthermore, the global issues could continue to support India's healthy export levels thus its fluctuation in cotton prices. The expansion project initiated in the garment as well as the sugar segments, are in progress. The increase in COVID vaccination trend is encouraging for the ultimate recovery of the economy and the industry from the affects of the pandemic.

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

Moderator: Thank you. Ladies and gentleman, we will now begin 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 Mulesh Savla from Shah & Savla LLP. Please go ahead.

Mulesh Savla: Heartiest congratulations Sir for fantastic results especially when we were having partial lockdown so my first understanding about the working is that our factory was closed for about a month and one week during the quarter? Is that understanding right Sir?

PL Murugappan: Since we are exporters, we were given some relaxations for running the export-related businesses. Being a supplier of yarn to our export-related business we were allowed to run the spinning mill as well as the garment factories to a certain extent. But the first 15 days complete lockdown was there, then the government had given some relaxation for the export related businesses to a certain extent.

Mulesh Savla: 15 days, you said your facility was completely closed?

PL Murugappan: Yes.

Mulesh Savla: So, we have to evaluate this result in light of that right?

PL Murugappan: Correct. You are right.

Mulesh Savla: Great and Sir may I request you to give some understanding of the restoration of RoSCTL scheme by withdrawing RoDTEP and how it is going to affect us in the future and what is the effect taken or given in the current quarter's numbers?

PL Murugappan: Actually, RoDTEP was withdrawn. It was announced in the month of January in the place of RoSCTL and this has been withdrawn and the same RoSCTL was reintroduced on July 14, 2021. It has come as a press release. The official notification has not yet come. Only a notification has come. So, since it was announced after the date of financial closure of the quarter as well as the official notification has not yet come, as a conservative policy, we have not accrued that income. The income is more or less equal to earlier period. It is somewhere around 5% and we are expecting that the notification will come during this current period.

Mulesh Savla: Sorry I missed your last sentence? Suppose if we have to evaluate this result looking at the scheme now how much further credit do, we expect for the current quarter, current quarter meaning quarter ending on June 30, 2021?

PL Murugappan: June 30, we are eligible for about Rs.15 Crores to Rs.16 Crores of income but since the notification has not come, we are waiting for the notification. Then only officially we will be eligible to apply and get the subsidy.

Mulesh Savla: I appreciate so being conservative we have not yet approved something which is still not 100% final?

PL Murugappan: Yes.

Mulesh Savla: Right Sir so that is really helpful Sir and a small request to Nataraj Sir about giving little more detail on the status of our expansion plans so that will be helpful Sir?

P. Nataraj: The garment expansion work is going on and most probably it will be completed as per the schedule and similarly for the sugar cum ethanol also except some transport of the machinery, etc., from other parts of the country to the site. Due to lockdown in various states, there was a little delay most probably by 15 to 30 days maximum. Otherwise, everything is as per plan, it is going on. There is absolutely no other difficulty in the process.

Mulesh Savla: So, we expect both the facilities to be operational by the end of this financial year and the full impact of the same can be achieved in the subsequent financial year?

P. Nataraj: Yes Sir.

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

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. Sir I have questions regarding your ethanol plant expansion? I just wanted to understand Sir, once the second ethanol setup becomes fully operational including the phase 1 and phase 2, what will be the expected revenue at full capacity for the entire ethanol sugar setup that you expect?

PL Murugappan: The ethanol, sugar and power plant capacities for the new companies 220 KLPD of ethanol, 10,000 TCD of sugar and 50 megawatts for power. So, the overall capacity will increase to 20,000 of TCD of sugar, 90 megawatt of power and 340 KLPD of ethanol.

Biplab Debbarma: What will be the total revenue contribution at full capacity from this that was the question Sir?

PL Murugappan: It will be somewhere around Rs.1100 Crores to Rs.1200 Crores.

Biplab Debbarma: Once this entire thing becomes operational?

PL Murugappan: Yes.

Biplab Debbarma: The second question is what will be the margin, I mean, you had mentioned in the previous concalls also so do you expect this margin to be in the range of 25% to 30% and what will be margin for the entire sugar and ethanol please?

PL Murugappan: Sir we are hoping that the consolidated margin is about 25% for the sugar business and it may go up also since we are going a little higher on ethanol in the new factory.

Biplab Debbarma: Sir one final question on this is my understanding is at this ethanol price that the government is giving, it is better more profitable to directly convert it to ethanol from sugarcane juice but even then, are we going to produce the sugarcane some percentage or we are 100% producing ethanol?

PL Murugappan: We are producing ethanol from sugarcane juice also and from molasses also. During the season we produce ethanol from the sugarcane juice and during the off season we produce ethanol from molasses.

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

Moderator: Thank you. We will move on to the next question that is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Good afternoon Sir. Thanks for giving me the opportunity. Sir I have a couple of questions? One on your overall margins so this quarter we have seen your margins going up by around 265 BPS so can you give us what are the key drivers because textiles the margins are up so what are the key drivers for improvement in the margins? Is it because of the improvement in the mix or efficiencies and secondly whether this margin would sustain in the coming quarters?

PL Murugappan: As you said, the margins are higher during this quarter mainly because of the integration because ours is a fully integrated plant and second is yarn margins are really good during this quarter because of that it has gone up and garments even though we have not provided RoSCTL the garment margins are also still better.

Kaustubh Pawaskar: Right Sir? What could be the difference margin for this quarter and the previous quarter? What would be expansion if you can give us?

PL Murugappan: From which quarter, Q4 to this quarter?

Kaustubh Pawaskar: Yes Y-o-Y as well as quarter on quarter it would be helpful?

PL Murugappan: Y-o-Y is about 11% and quarter-on-quarter is about 5%

Kaustubh Pawaskar: Okay and so for garment despite the fact that was 15 to 20 days of your plant being nonoperational? We did about 27 million garments this quarter, which is equal to what Q4 garment production, was. No considering that in Q2 if our plans are operating on all this the garment production would be higher than what it was in Q1?

PL Murugappan: Actually, Sir even though factories were closed for 15 days, we have already committed to the buyers for supply. Once we started production, we have increased the overtime by one or two hours, and we reached the required quantity. Otherwise, we have done only one shift. To meet the buyer's requirement, we run little stretched level and we achieved this quantity.

Kaustubh Pawaskar: Got your point. So next year once your new facility comes on stream, the production would be better than what the current quarter will be?

PL Murugappan: Yes.

Kaustubh Pawaskar: Got your point. Thank you Sir.

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

Naushad Chaudhary: Thanks for the opportunity and congrats on a decent set of numbers Sir. Just wanted an update on our garment capex? If I remember it correctly we need around 5000 labours for this plant and which is nearing completion so in terms of the manpower, how much we are at versus 5000 requirement and what could be the initial cost in terms of training and hiring these people? Would it impact a few quarters' margin, your thought on that Sir?

PL Murugappan: We need about 5000 people. We started hiring people and giving training to them. Usually, we have bench strength of about 10%. Now we are increasing it to 15%. These people will be initially used in the new factory. Slowly we will ramp it up. Training expenditure may be little higher but it will not have a big impact on the financials.

Naushad Chaudhary: Alright Sir in terms of our order book last quarter it was around Rs.575 Crores in garments what would be the current order book Sir?

PL Murugappan: It will be around Rs.700 Crores Sir.

Naushad Chaudhary: Rs.700 Crores?

PL Murugappan: Yes.

Naushad Chaudhary: Just a clarification on an incentive part so we have not accounted anything as of now of this quarter? We are waiting for notification and then only we will account all the arrears plus the current?

PL Murugappan: Only the RoSCTL not accounted for. That will be accounted only on receiving the notification because then only we will become eligible to claim the incentive. Then we will approve it and account it both for current quarter and as well as the previous quarters.

Naushad Chaudhary: Typically, per quarter what is the run rate in terms of value or if you give in terms of percentage?

PL Murugappan: It will be about 5%. 4.9% kind it works out and it will be accrued during the period. It works out to about Rs.15 Crores to Rs.16 Crores per quarter.

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

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

Ashutosh Garud: I wanted to understand when exactly is the ethanol plant going to start its production and was not the schedule start to be in Q2 or Q3 of this year and is there any delay on that part?

P. Nataraj: Sir we are planning actually in end of November or first week of December. Sir that is why I told just 15 to 20 days delay maybe there. We are planning for November, may be because of the transport. COVID lockdown and may be commissioned in early December of this year Sir.

Ashutosh Garud: Fine and when you are saying about the incentives of 4% or 5% so that would apply purely on the garment revenue exports right?

PL Murugappan: Correct Sir you are right.

Ashutosh Garud: Thank you.

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

Bharat Chhoda: Sir congrats on a good set of numbers. I just had a question on this cotton inventory so how much quarterly inventory are we holding and if you can just tell us about what will be the average price whether it is lower or higher than the current market price that is prevailing that is my first question?

PL Murugappan: We have cotton for up to October. Our inventory cost is little less than the current market price. It is about Rs.49,000 against the current price of Rs.156,000.

Bharat Chhoda: Okay and Sir do you think the stress would be maintained given that the cotton prices are higher?

PL Murugappan: Higher cotton prices will reduce the spread.

Bharat Chhoda: I was asking regarding the spreads?

PL Murugappan: Whenever the cotton prices go up the spread will be little affected only but we have inventory. We will not have any problems for the next quarter. Cotton being an agricultural commodity we have to wait and see in the Q3 for cotton prices.

Bharat Chhoda: In the garments will we be able to maintain the margin given that the yarn prices are going up so garment margin will we be able to maintain?

PL Murugappan: Garment margins we were able to maintain because of the integrated. It is fully integrated business we were able to manage that.

P. Nataraj: Another thing about the cotton, now this is fag end of the season so that is why the cotton availability is less because of that price is shooting up and that is why we have planned and we are keeping stock till the end of the season. So then by October new season will start. So, there is now almost two and a half months is there. During this time we have to wait and see how the cotton price go and in which direction it moves. This is the trend generally and as per the past history the cotton will go up during off season and when season starts, it started slowly coming down. So, we had to wait and see, may be like September or October is the crucial time. By the time, we hope that price will come down because already it is the peak level now. The MSP is around Rs.43,000, Rs.44,000 and when it goes below the MSP then only the CCIs will procure the cotton, but now it is much, much higher than the MSP level so CCI also will not interfere in the beginning to purchase the cotton so

we hope that when arrival increases price may come down so there is also again at what level is nobody can predict it, so we have to wait and see.

Bharat Chhoda: Last question from my side could you please provide the volume of garment, yarn and fabric during the quarter?

PL Murugappan: You are asking for production right?

Bharat Chhoda: Yes Sir.

PL Murugappan: Yarn is about 19,000 tonnes. Fabric is about 4600 tonnes and garment are 26.6 million garments.

Bharat Chhoda: Okay Sir that is all from my side. Thank you. Thanks a lot for answering the question.

Moderator: Thank you. The next question is from the line of Hasmukh Gala from Finvest Advisors LLP. Please go ahead.

Hasmukh Gala: Congratulations for a great set of numbers in this difficult time. Sir just continuing with the previous question you gave the production number can you give how much was the sales volume because in presentation I did not find?

PL Murugappan: Yarn sales is 13500 tonnes, fabric 500 tonnes, garment 28 million.

Hasmukh Gala: 38 million?

PL Murugappan: 28 million.

Hasmukh Gala: 28 million fine against 26.6, 28 million?

PL Murugappan: Yes.

Hasmukh Gala: Sir just wanted to know since you said that you have not approved any incentive in this particular quarter, what is the reason for our other

income to increase to Rs.36.87 Crores versus Rs.6.5 Crores in the Q1 of FY2021 so is there any one off or something like that?

PL Murugappan: It is one kind of a thing. Actually, we are eligible for a state subsidy for the compact spinning facility. We are eligible for the subsidy from 2011 to 2021, but what happened was after the introduction of GST the government was holding it, how to do it and all. Finally, they came out with option of refunding the state GST as a refund and they have refunded it up to 2020 if you go to two years and nine months.

Hasmukh Gala: How much Sir?

PL Murugappan: Rs.26 Crores.

Hasmukh Gala: Rs.26 Crores so that is sitting in our other income?

PL Murugappan: Yes.

Hasmukh Gala: Okay so everything is pertaining to earlier year is it not? Nothing pertains to the current year?

PL Murugappan: Nothing pertaining to the current year. The current year we are not eligible. We are eligible for one more year up to March 2021. That is yet to be released.

Hasmukh Gala: Okay fine that is great. Now coming to the capacity just wanted to have a clarity our sugar capacity after expansion will be 20,000 TCD correct?

PL Murugappan: Correct Sir.

Hasmukh Gala: Power will be about 109 megawatt. I think you said 90 megawatt?

PL Murugappan: 50 megawatt is the new plant and existing plant is 30 megawatt.

Hasmukh Gala: I was under the impression that it is 62 megawatt existing.

PL Murugappan: 62 megawatt is the windmill in KPR Mill Limited, the textile business.

Hasmukh Gala: Okay fine. I had taken total and ethanol will be 360 KLPD?

PL Murugappan: Ethanol yes you are right.

Hasmukh Gala: 130 plus 230, 360 correct?

PL Murugappan: Correct.

Hasmukh Gala: Sir that was just a bookkeeping part, so I thought let me clarify? I have a question for Mr Nataraj? How do you see now the export prospect for our garments, and do we have any plants to diversify into some different products because you know this China plus one and PLI scheme and all that thing is coming up so after this expansion of 42 million pieces, what about the future plans Sir?

P. Nataraj: Our attention is focused towards the garments. It is a value addition. Ultimately, we have been the integrated player from our spinning to knitting, processing and garment. So instead of expanding our other area like yarn or the fabric, we are expanding and our focus is on the garment. As long as we continue to expand. So we are going with the existing model and when we expand, for example the new factory, some existing customers also placing the additional orders and we have to look for new area or new customers. Mainly our focus is on Europe. During winter, there will be heavy items, many styles and during summer it will be very light styles. So, the price will vary according to the styles. During winter we cannot supply summer garments or during summer we cannot supply the heavy items so when we make heavy items the realization is higher. We have to depend on the customer's requirement so we cannot just make and sell whatever the style we want. Actually, here the realization is depending on the seasons of the country where the customers are coming. So, one way we can improve our realization by choosing the styles. During the winter itself if they bring 10 styles, out of that we can choose some styles, but totally we cannot go out of their requirement. So that way one part is under our control and another part is with coordination of the customers. That is the reason, otherwise we can go from Rs.140, Rs.150 we can go for

Rs.200 for price realization. When we go on expanding or increasing our volume so it is very difficult to increase the price or realization level immediately so it will take a long time.

Hasmukh Gala: How much is Europe is contributing currently to our total export?

P. Nataraj: It is about 57%

Hasmukh Gala: 67%?

P. Nataraj: 57%.

Hasmukh Gala: 57% and the other thing is coming from US, etc.?

P. Nataraj: USA, etc., you are right.

Hasmukh Gala: Just last two questions from my side? What is the position on Ethiopia Sir?

PL Murugappan: In Ethiopia again the unrest has started there. We have revived the operations in the month of February and during September again the militants have captured that area. Again, the war is going on there. We are just thinking of bringing back the machinery. We hardly invested about \$2 million there and we hope that we can realize it by bringing the machinery back. Discussion is going on. We may take the call during this quarter itself.

Hasmukh Gala: Whether to suspend operations or not?

P. Nataraj: Hopefully, we may suspend the operations and bring the machineries.

Hasmukh Gala: Okay but will the government compensate us for any loss of production and all that because of this militant activity or no?

P. Nataraj: There is same in civil war we do not know all those things.

Hasmukh Gala: Sir last question for my side what is the position of our FASO?

P. Nataraj: Regarding FASO, since the pandemic situation prevails across all the states, the lockdown is going on we could not be able to push it very hard during this quarter but we are recruiting people and we try to increase the visibility across the southern states. PAN India also little delayed because of that only. I hope that things will improve during this quarter onwards.

Hasmukh Gala: Thank you very much and wish you all the best. I will join in the queue.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.

Resham Jain: Good evening Sir. First of all, congratulations on very good set of numbers in tough times. My first question is that on the new garmenting division so in terms of new customers and all you have already started speaking to them and in the past we have seen that it takes almost like couple of years to reach a full 100% utilization but given the environment, it seems there is lot of good demand conditions so how do you think about ramping up the new garmenting plant and also what is the visibility on the customers?

P. Nataraj: You are right. The present situation is a little different than three to four years before and we are also physically realizing the order flow. Even the last quarter the orders on hand was around Rs.500 Crores. Now the order in hand is around Rs.700 Crores and the global scenario, China plus one all these things are in fact pat up to India and we are taking into account everything seriously. We are planning and in the existing units we are giving training. Even with the existing customers also order flow is little higher so we are very confident compared to last time. To reach full capacity, it took almost two years so we hope that this time it will be definitely much better than the three to four years back. So, with this experience also we are planning and the present situation seems better. The order flow also better now with the present situation. So, we hope can do better than the last time.

Resham Jain: Sir my second question was related to the capex beyond FY2023 any updates on the in terms Integrated Textile Park anything happening on that side form the government side?

P. Nataraj: What is your question government side?

Resham Jain: No Integrated Textile Park there was some notification?

P. Nataraj: The central government has announced in the last budget itself and that is why even previous year I think may be before just two quarters before some question was raised and we told that the government announced but still they have not announced the locations or identified the land and we do not know when it will mature. So we are waiting for that. That is advantage for companies like KPR and we are not totally looking for government park, where and all these things. We move as per our plan and schedule and so if that comes somewhere in Tamil Nadu or not. Actually, they announced two parks in Tamil Nadu so that we have to wait and see. That is the integrated park. They said near to the port so some kind of advantages will be there. The land also they will provide so all these things. That we have to wait and see otherwise we are proceeding as per our plan. If that comes it is an additional advantage. So we can make it little faster.

Resham Jain: My last question is on the current yarn situation. This time we are seeing similar situation in 2011 and 2012 when the spreads there were higher but this time it is even higher than that? How do you read the current situation? Is it just related to what we are hearing related to what is happening in China or any thoughts which you can share that why suddenly we are seeing such a strong cotton yarn spread and most of the companies are doing? What are your thoughts on cotton yarn?

P. Nataraj: Sir actually 2010-2011 the situation was totally different like when the market started going up and suddenly the banning of the yarn export and totally the market has made a 'U' turn and it was collapsed. That kind of situation in 2010-2011 is totally different from today and now the situation as you rightly pointed out the China plus one and even the

cotton scenario about the China and the serious steps taken by US and the European Union. All these things we can say that these all seems to have long-term perspective we believe that the present situation continue for long time but at the same time we cannot say that the spread will remain the same. So that is also very difficult to predict. We have to wait and see but definitely the present situation is very much favourable to the spinning and it will prolong. The spreads may vary and we cannot predict it, but definitely industry will do good that is the only expectation.

Resham Jain: Okay Sir thank you very much and all the best.

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

Manoj Bahety: Good evening. First of congratulations for good set of numbers. Sir a couple of questions from my side; one is just like an extension to the question by the previous participant like if I see the way the margins have moved like definitely it is contribution of spreads of yarn as well as like couple of other sectors, so do you think that generally sector margins whenever it improves it is like a cyclical improvement in the margin but this time as you mentioned that things are different because of like the China plus one and host of other factors. So in terms of outlook for the margins are going to remain at least for the medium term looking at the situation currently?

P. Nataraj: Yes Sir for the medium term, we also hope that this will maintain but again the percentage wise, we cannot expect exactly the same percentage. In commodity market cotton was different from three months back. Today it is different and yarn prices have gone up but wherever this moves cotton prices yarn price also moves whether it is up or down and while moving upwards the spread will be little higher than moving downwards as the spread will shrink little bit. So this is general economy. It applies to the textile, especially for the yarn also, Irrespective of the pandemic textile particularly is doing very well. Also I have seen in my experience the textile is cyclical that means one

season means it will be three to four months. So after that it will come down. Then for three months it will be go up and for three to four months it will be at average level and for three months it will be at peak level. So in a year we can see two or three ups and downs like that but now you see this is the first time in the last 15 to 20 years continuously almost more than one and half years it remains the same so, you cannot compare it with the past 15 to 20 years also. It never happened like this. Even exports everyone was thinking after three to four months last year it will go down. But the market started moving up for almost more than a year and it never came back. It is continuously at a strong level moving up so we hope that in a medium term it will remain the same but may be the margin level there may be slight change in percentage. This is general situation but for a long term it is very difficult to predict now Sir.

Manoj Bahety: Sir looking at the current changed scenario does not it require a little bit aggressive capital allocation to the business? If they are rethinking like considering the current yarn spread, which is going to remain at least for medium term is there a thinking like even to put some capital on the spindle side or like most of the capital allocation will happen on the downstream value add side only?

P. Nataraj: Sir if you see we have spinning capacity reasonably at good size nearly at 400,000 spindles adding to that we have some vertex machine and captive consumption is less than 50%. So still we have big gap so instead of spending on spinning side we can expand into the value addition. That is our plan. That is what we are doing last five to six years.

Manoj Bahety: Sir lastly if government giving some incentives in terms of like interest rebate or the other incentives for setting up the new facility and how do you see in terms of new facilities supply side like at industry level?

PL Murugappan: I could not get you. Can you please come again?

Manoj Bahety: I will repeat my question. My question was even today whether the government is providing incentives for putting the new facilities and secondly what is the new capacity in pipeline at industry level as far as like your understanding?

PL Murugappan: Since we have a capital subsidy for the machineries.

Manoj Bahety: Sorry how much Sir?

PL Murugappan: Another 10% given to the garment industry, after three years, once the full employment is created. Other than that there is no other incentive for setting up a garment factory.

Manoj Bahety: Sir in fact I was not able to hear even the first part like you mentioned some subsidy from the central government, but I could not hear?

PL Murugappan: 15% capital subsidy is there for setting up of a garment factory only for the machinery portion. The machinery portion of the garment factory is only 30%. So the subsidy wise it is less only. There is no other subsidy available as on date in Tamil Nadu and we have subsidy for exports like RoSCTL, drawback, GST refund those benefits are there. Also interest subsidy up to July we have a 3%, we hope that it will be extended.

Manoj Bahety: Till what time it is there Sir interest rate subsidy till what time?

P. Nataraj: Till July and we hope then it will be extended.

Manoj Bahety: Sir in terms of pipeline of new capacity? Sir how you see the capacity expansion in the industry like over the next two to three years?

P. Nataraj: Since the margin is very good we feel entire industry will expand.

Manoj Bahety: Thanks for taking my questions and wish you good luck.

Moderator: Thank you. We will move on to the next question that is from the line of Akshay Chheda from Canara Robeco. Please go ahead.

Akshay Chheda: Thank you for the opportunity Sir. Sorry but can you repeat your yarn sales actually somehow I missed it?

PL Murugappan: What?

Akshay Chheda: Yarn sales number volumes?

PL Murugappan: Yarn quantity is 13,500 tonnes sales.

Akshay Chheda: Can you give the breakup between the yarn and fabric because for garment I understood that it is Rs.380 Crores?

PL Murugappan: The fabric is about 500 tonnes.

Akshay Chheda: Revenue breakup I wanted between yarn and fabric?

PL Murugappan: Rs.366 Crores is yarn revenue.

Akshay Chheda: Rs.366 Crores okay and fabric would be the balance?

PL Murugappan: Rs.14 Crores is the fabric.

Akshay Chheda: Thank you Sir.

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

Ahmed: Sir what explains the low margin in the sugar segment this quarter?

P. Nataraj: Sir actually due to this lockdown, the ethanol production was good. But sales not happened because oil marketing companies are not lifting the ethanol and also we have undertaken the maintenance during the Q1 itself. We usually take maintenance of the sugar factory in the Q2. We have taken it up in Q1 itself.

Ahmed: Sir what will be the breakup of revenue between sugar and ethanol?

PL Murugappan: I will tell you Sir. Sugar revenue is Rs.65 Crores. Ethanol is Rs.44 Crores.

Ahmed: Sir what is the sugar export volume for FY2021 and this quarter?

P. Nataraj: This quarter we have not done any export. Last quarter we have done about 15,000 tonnes.

Ahmed: 15,000 tonnes okay and Sir what should be the steady state margin for our plant and distillery for sugar segment?

PL Murugappan: Distillery ethanol margins is expected to be somewhere around 30% and both for the existing mill and new mill.

Ahmed: Sir what is your closing sugar inventory by June?

PL Murugappan: It is about 26,000 tonnes.

Ahmed: Sir two accounting questions. One is our depreciation has declined sequentially for the last two quarters so is there any change in accounting policy?

PL Murugappan: Sir some of the assets crossing ten years because of that the depreciation is going down.

Ahmed: Sir there is about Rs.20 Crores difference between our consolidated PAT and standalone PAT so what explains the difference because sugar I believe was at Rs.6 Crores this year?

P. Nataraj: There are some internal eliminations are there.

Ahmed: That is fine. Thank you so much.

Moderator: Thank you. The next question is from the line of Dushyant Mishra from SageOne Investment Managers. Please go ahead.

Dushyant Mishra: Just one question so we are expanding our garment in capacity and adding 5000 people? I think we had about 12,000 people before this, so

this brings us to about 17,000 employees who are probably in the age group of 18 to 27 who are turning very high, so I wanted to know what kind of challenges do you see in expanding beyond this 147 million pieces once we complete this in terms of manpower and kind of managing this skill base?

P. Nataraj:

If you see that we have already total employees of around 25,000 people and now the new facility will add another 5000 so it will be 30,000. We are unique industry providing various facilities and people are staying in the campus and we are providing facilities like one of the star rating accommodation, complete food arrangement and the other entertainment, all facilities we are giving. Apart from that within the campus we are teaching them yoga for their health and higher education also, we are giving. Mainly people coming from remote villages are not able to afford for their higher education or they are not able to go to colleges, so they are all coming here and staying in the campus of KPR and we are providing education to them. If you see as of today more than 3000 workers are doing higher education, so this is unique model. Because of this lot of people from within the state or from other states are coming to KPR and even see that during last year during the lockdown where the migrant workers were the big issue all over the country, whereas more than 23,000 people stayed with us. The entire country was locked down for nearly 45 days and for the 45 days all our workers stayed within the campus. We provided complete facilities as factory was running, with salary, food, other facilities, entertainment, education and all these things. So that is why the people are more interested to work with KPR. This unique model we are following it for more than 20 years because of that we are very comfortable on the labour front.

Dushyant Mishra: Sir I understand that these are the things that we have done in the past that have since made worse, from this 30,000 employee base so let us say if we wanted to achieve 200 million pieces, I wanted to know what kind of challenges do you foresee in managing an even large workforce

or do you think yes we will scale up just as we do it has from say 10,000 employees to 30,000 employees?

P. Nataraj: The challenge depends on the government policy. Mobilizing the people also is a challenge but we feel that in India unemployment is everywhere so the main challenge is the skill development. Even though the people are available, required skill is not there, so we have to develop the skill. So when we recruit the people we have to develop the skill for them to work in the particular job. These are all the challenges but what I have told that we can overcome all these challenges with the support of the government.

Dushyant Mishra: Thank you so much. That is it.

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

Rajiv Venkatesh: Thank you. My questions are answered.

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

Sunil Kothari: Thanks for the opportunity Sir. Congratulations for such a good number on the details in a very explanatory manner? My question Sir we already consume 80% of our fabrics internally and we are expanding garment capacity so should we require any additional further investment for fabric or processing and printing to match our requirement when we enhance our capability of garments to 157 million?

P. Nataraj: Presently, we have the capacity the existing fabric facility will meet the expanded capacity of the garment and the processing also we hope that it will meet. So once it reaches full capacity then we have to add some extra machinery and not going for a new capacity. Effluent treatment plant and all the existing processing capacity is there. Only thing we have to add some machineries.

Sunil Kothari: Sir the second question is related to this only basically we have invested in only new sugar and ethanol capacity? We are investing one more garment factory also but those will take us to may be around Rs.5000 Crores revenue. Currently, may be we are reaching Rs.4000 Crores and another Rs.1000 Crores is additional both this capability and the objective is to reach may be Rs.10,000 Crores may be in another four years to five years so how we are preparing ourselves? What is our planning? Any further expansion in garments are we creating some planning for those further expansion, if you can throw some more light on your next three to five years expanding growth?

P. Nataraj: Our core business is textiles and our focus is on the textile only and so presently we are going for two projects approximately around Rs.1000 Crores. So once the ramp up is over then we will continue to expand. So our plan is to continue to go on expanding as you said Rs.5000 Crores to Rs.10,000 Crores whatever it is that is our plan in the future. But presently we are fully focusing on these two projects. Generally we do one project at a time but this time on seeing the market condition and all these things we started two projects at a time so our concentration is fully on this to complete the project and to ramp up all these things. Definitely with the present situation our future plan is also a little aggressive to increase the business and the margin. We will come out with our plan at appropriate time Sir.

Sunil Kothari: Great Sir and last question to Mr. Murugappan. Sir can you provide us any production target for yarn and garments for current year?

PL Murugappan: Current year we are looking at somewhere around 105 million to 110 million garments. The yarn and fabric are more or less we have reached the capacity so it will be somewhere around 90,000 tonnes kind of level.

P. Nataraj: Thanks and wish you all the best. Thank you very much.

Moderator: Thank you. The next question is from the line of Venkat Samala from TATA AMC. Please go ahead.

Venkat Samala: Thanks for the opportunity. Congratulations on a good set of numbers. Now that you mentioned that in the medium term, we expect this situation to continue and you also did mention that from the sugar segment also you expect margins of may be 23% to 25% and on the textile side also the tailwinds that you mentioned you expect to continue in the medium term so previously we used to deliver margins between 19% and 20% so do you think FY2023 could you give us some guidance as to what margins we can expect?

P. Nataraj: See for the future you say that for the next two years everyone expects the business to flourish but at the same time it is very difficult to predict whether the present situation will continue or not, that is very tough question Sir to answer.

Venkat Samala: I understand so to put the other way do you think that now we will be able to rise above the 19% to 20% range?

P. Nataraj: We want to be above 20% range and still working on it. That is why we are getting into more of value-added products.

Venkat Samala: Understood Sir. The other thing is what would happen so supposing that you do decide to suspend your operations in Ethiopia so what would happen to the equipments that would be say brought to India from there?

PL Murugappan: It will be used in the existing factory. It is the same sewing machines, cutting machines and garment machinery only. We will use it in the existing factory.

Venkat Samala: So that would essentially expand the Indian capacity right?

PL Murugappan: Yes the capacity will come to India.

Venkat Samala: So you do have scope to increase the capacities of your current factories by 10 odd million?

PL Murugappan: We can do that.

- Venkat Samala:** Sure Sir thank you. Thanks a lot.
- Moderator:** Thank you. We will move on to the next question that is from the line of Shradha from Asian Market Securities. Please go ahead.
- Shradha:** Congratulations to the management team on a good quarter. Sir two three questions; what is the margin spread between yarn and garment products in this quarter?
- PL Murugappan:** Yarn margin is about 29%. Garment margin is about 23%.
- Shradha:** Sir why is the captive consumption of fabric already still high given the fact that we have not yet ramped up the new garment capacities so why are still already operating at 85% captive consumption in the fabric business?
- PL Murugappan:** Madam, actually we have about 30,000 tonnes of fabric capacity. During this quarter fabric production is less because of the lockdowns and all. Otherwise, our general fabric production will be somewhere around 7500 to 8000 tonnes.
- Shradha:** I am not talking about production? Out of the 7000 tonnes of fabric produced we sold only 500 tonnes?
- PL Murugappan:** Production is only 4600 tonnes, we sold only 500 tonnes.
- Shradha:** On the existing capacity itself are we consuming this much fabric?
- PL Murugappan:** Our existing capacity can produce 7500 tonnes so it will not be a problem.
- Shradha:** On the existing garment capacity itself the fabric requirement is so high is what I am asking?
- PL Murugappan:** Am I clear to you. We have 7500 capacity. The existing capacity is more than our requirement. So in case of increase in garment capacity also it will supply. As our MD told in the previous call, in case of any

requirement we can add few machineries and we meet the additional requirements.

Shradha: Right and Sir just one bit, can we expect one quarter of operations that the new garment facility given that we will get commissioned by end of this year so we can expect by 4Q we can see some production volumes in the new garment capacity?

PL Murugappan: New capacity we can see some volume and during the last quarter of this financial year.

Shradha: That is it. Thank you.

Moderator: Thank you. We will move on to the next question that is from the line of Sreeram Ramdas from Green Portfolio. Please go ahead.

Sreeram Ramdas: Sir, you last mention that the sugar business would be demerged in two to three years. Any update and are we moving forward with this and plus if you were to do this what will be the value to the company?

PL Murugappan: Sir this is too early to work on that. We have to consolidate the expansion work what is going on both garment as well as the sugar cum ethanol. Once these things come into operation, then we will think of that Sir.

Sreeram Ramdas: Thank you understood. Secondly on the FASO brand I understand because of the lockdown we have been slow any update on this?

PL Murugappan: Again, the pandemic has cropped up during the quarter and across all the states the lockdown are there and the sales volume has dropped and since the people are not able to travel, shops are not open It is slowly picking up, now. We hope that it will pick up and normalized during this quarter.

Sreeram Ramdas: Understood and lastly on the PLI I believe we are still waiting for some clarification from the government in terms of PLI as well as the textile parks so there will not be much progress here right?

PL Murugappan: The textile parks right now the government has to come out with the detailed notification and place and all. We are waiting for that.

Sreeram Ramdas: Lastly, just a macro question so we are seeing that India's contribution to exports let us say to US or EU it is still very low compared to what developed places do and compared to what China is doing so on the overall I am sure we are seeing demand coming from these countries in terms of import substitution and things, so what is your take on this whole scenario and where do think India is and where do you think KPR Mill is on this large spectrum of this?

P. Nataraj: Can you repeat. We are not able to hear clearly.

Sreeram Ramdas: I was just asking a very general macro question. I was saying that the exports India is doing is still very low in terms of textiles to the EU, to the US, to other developed markets and if you look at what Bangladesh is doing, what China is doing they dominate a significant market share and things are definitely improving. Things are turning in our favour so where do you think India stands and where do you think KPR stands to completely capitalize on this movement?

P. Nataraj: That is why the industry is appealing to the government to have some FTA, the free trade agreement, With UK the free trade agreement negotiation is going on. Actually, this is a long time due. The textile industry is putting the demand to the government and we hope that now the new Textile Minister is very positive and he says that a lot of things will be done like that. By 2030 the increase in the business will be very encouraging. For India to increase export, there should be some kind of support because worldwide if you see Bangladesh or Pakistan or Sri Lanka or competing countries like Cambodia and Vietnam, those countries are having free trade agreement with the major importing countries, US and Europe so we have to fight without weapons. They are all having the duty free access, so that is why industry is appealing to the government. We hope that someday either to have FTA agreement or to give some incentive like RoSCTL. These kind of things or increasing some of the incentives are long time demand from the

industry side, this is one part. Another part the situation now is little different as we have earlier discussed like the China plus one and the global scenario all are changing now. If you see, in a couple of years situation will be totally different than the previous decade. We hope there is a bright chance for India to increase the export. KPR as I told already we are a little different in our policy and especially in the textile mills, Textile is more of a labour intensive. The textile generally labour is more critical part and we are handling in a different way and we are unique. The present situation looks better to India and even with the difficult situation KPR will definitely do better so this is my view Sir.

Sreeram Ramdas: Thank you so much. So, it may be it will depend on future agreements and the subsidies that the government will offer and that will help the textile industries. Great. Thank you so much Sir. Have a great evening.

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

Ritesh Badjatia: Thank you Sir. Congratulations for the great performance. My question is with regard to the capacity addition by the industry. Like you said that everybody is expanding in the industry so can you give some numbers that what kind of spindalge capacity can be added in the next two to three years?

P. Nataraj: Sir, the expansion is happening in the overall textile. People may go for garment expansion or like adding the value chain does not mean that they expand only in spinning. Spinning expansion during the last two years is very low. You can say it is negligible because India as a country having already surplus spinning capacity. If you see in the last two decades continuous expansion was there in spinning market making it a surplus capacity. With surplus capacity now it is able to meet the market. So that is why for expansion in spinning people will think twice. In other areas they will go for expansion in either value addition processing so like this kind of things.

Ritesh Badjatia: The spindlege can you give us any idea that what kind of number of spindles can be added over the next period?

P. Nataraj: Sir if you see in the last two years it is very less may be less than a million spindles have been added and may be like next two to three years two to three million may be, but it is very, very difficult. We have to see the whole industry as a large and fragmented. So very difficult to predict. If it is only corporate player at least we can assume. So there is a lot of small and medium size companies are there.

Ritesh Badjatia: Very good. Sir second question is with regard to the logistical challenges in terms of the container availability we have taken in the last couple of months and quarter so how is the situation now and secondly in the newer contract do we think we can add some new clause with respects to the shipping charges that because of the container availability there is a rise in the shipment charges and that will be considered as an acceleration clause any such kind of the clause is also added into the newer agreement?

P. Nataraj: Here if you see there is no long-term contract for the container or transshipment and transport all these things. These are all either based on the quantitative or say for example if you say monthly or so like this. Every month the price is negotiated so there is no hard and fast rule for six months or one year it is not like that. That is because of the container shortage the price shoots up and it never happened previously. If you take the last 10 years, it never happened like this. Only because of COVID situation world-wide the containers are stuck somewhere, so availability has come down. Immediately when the lockdown is lifted everybody rushed, by the time the containers are not able to reach the port. So now things are getting easy. Compared to last year and two months before and today now the situation little bit easing out. So we hope that may be by God's grace if the third wave is not there, things will get normal in another two to three months.

Ritesh Badjatia: That is helpful. Sir if I can squeeze in more question just need your understanding on the spindle side that to set up 1 lakh spindles what kind of machinery portion is required in terms of value?

PL Murugappan: Sorry your question is not clear. Can you repeat once again?

Ritesh Badjatia: Like to set up 1 lakh spindles capacity how much machinery portion we require and what is the total cost of setting up 1 lakh spindle separately?

PL Murugappan: It will be around say Rs.450 Crores to Rs.500 Crores and today if we want to have state-of-the-art spinning mill, the total investment will be around Rs.450 Crores to Rs.500 Crores or we can say Rs.45,000 to Rs.50,000 per spindle.

Ritesh Badjatia: That is the total cost and of that machinery cost is how much?

PL Murugappan: Machinery cost will be ranging around 80% except the civil work.

Ritesh Badjatia: Thank you very much Sir. That is all from my side.

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

Shivaji Mehta: Thank you for this opportunity. I just had one question. Sir what is your thoughts on the synthetic fabrics space where China is currently the largest player? Are we seeing a shift that is taking place away from China here and given that synthetic fabric is such a big market as compared the national fabric market could we look at setting up capacity? Is that something that we could look at going ahead?

P. Nataraj: Synthetic you are asking about MMF.

Shivaji Mehta: Sorry could you hear my question?

P. Nataraj: The first line I could not hear. Can you please repeat it?

Shivaji Mehta: I was asking about the synthetic fabrics space where China is the largest player?

P. Nataraj: With the same machineries we do with cotton we can do synthetic also. In fact we are already doing a portion of polyester and viscous yarn. Viscous fabric we are making. Even viscous garment also we are making and the percentage is very small. Almost 90% is the cotton and 5% to 10% based on the customer requirement we make Viscose garment. So even due to China plus one situation more of MMF or synthetic the product comes into India, we are ready to do that Sir.

Shivaji Mehta: Is there a visible shift that you are seeing in that space from China or away from China in the synthetic fabric space?

P. Nataraj: Exactly, we cannot point out this much percentage or something but we are able to see the customers are placing more orders and few more customers are coming into India. We can feel that.

Shivaji Mehta: What are the margins like in synthetic fabric versus your normal national made fabric? How are the margins different there for you?

PL Murugappan: Almost same thing there Sir. There is no big difference may be 1% or 2% plus or minus that is also depending on the season. If you see one season cotton is more and in another season synthetic is more like that. There is no big difference Sir.

Shivaji Mehta: Thanks a lot. 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: Thank you again for the opportunity. Sir I have basically two questions. One question is on could you please I got confused? Could you please give us the segment wise margin this quarter like yarn fabric, sugar, ethanol and garment these three segments?

PL Murugappan: Sir generally yarn and fabric we are giving a combined margin, not much of a difference is there. It is about 29%. Garment margin is about 23%. Sugar margin is about 16%.

Biplab Debbarma: Once ethanol comes then the blended margin would increase to 25% is that correct?

P. Nataraj: Yes.

Biplab Debbarma: Second question is on your FASO strategy can you give us some colour, what is your strategy, when you have launched it you might have some strategy like in the next three years to four years you want to achieve this much revenue and which segment you are targeting? Can you give us some colour just on the FASO strategy because I know this COVID has disrupted but as of now what is in your mind to say in FY2024 you may target for Rs.100 Crores of topline or so? What will be the margin and which segment you are targeting if you could give us some colour? Thank you Sir.

PL Murugappan: You are asking for our traded business or FASO.

Biplab Debbarma: FASO?

PL Murugappan: Sir FASO we are expanding the customer base initially. We would like to reach to 10,000 customers within a period of about two to three years time. Before 2023, we want to reach 10,000 retailers and we want to reach some 15,000 to 20,000 retailers by 2024-2025. So once we reach to that level the turnover will start to increase. Because it is more of a regular product, innerwear, and casualwear, and athleisure, kind of a product. We hope that it will improve from there onwards. Basically we are looking at retailer addition and turnover we have not targeted. We are targeting only the retailers currently.

Biplab Debbarma: Thank you Sir.

Moderator: Thank you. The next question is from the line of Chirag Lodaya from Value Quest. Please go ahead.

Chirag Lodaya: Thank you for the opportunity. The first question is what will be impact of this removal of GST plus status of Pakistan for you how it would impact us?

- P. Nataraj:** I could not get you.
- Chirag Lodaya:** Yesterday there was news on this GST plus status withdrawn for Pakistan related EU European Union?
- P. Nataraj:** Sir still there is no official news. Some people say it is withdrawn. Some people have proposal to withdraw so all these things, but if it withdrawn definitely it is beneficial to India but still we have to wait and see. Only yesterday it was in the news.
- Chirag Lodaya:** Sir you mentioned about UK FTA negotiations, is there also new FTA negotiations which is undergoing?
- P. Nataraj:** Which one.
- Chirag Lodaya:** EU European Union FTA foreign trade agreement?
- P. Nataraj:** Actually the industry is pushing the government, the government is also trying in the last four to five years, but still not happening because they are not sitting across to discuss due to some various other issues and at least now India and UK have agreed to sit and discuss. That is why the negotiation is going on. So we hope and that is why the industry is believing that this may happen. Once this happens then the government may move to next step.
- Chirag Lodaya:** Sir just lastly related to yarn so what is driving this higher yarn split? Is it lack of supply coming in and good demand for Indian cotton in international market or something else? What exactly is driving this yarn spread?
- P. Nataraj:** It is good demand Sir. You are right. It is good demand and if you see India is the largest exporter of yarn in the world. Almost, we are able to meet more than 26% of the world requirement. Indian yarn is always wanted in the international market and that means India cotton quality is good and the present situation is demand for the Indian yarn.

Chirag Lodaya: Is it fair to assume that despite after new arrival post October this spread can remain at an elevated level thought it may not sustain at this level, but it will be higher than what normal it used to be?

P. Nataraj: Yes definitely Sir.

Chirag Lodaya: Got it Sir. Thank you and all the best.

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

Akshay Chheda: Thank you for the followup Sir. My question was on your outlook for cotton now. I hear that around 4% to 5% lower production is expected for this time and even if we see the climate is quite erratic so do we sense any inflationary pressure going ahead from the cotton side or it would be too early to comment on it or even if the inflationary pressure comes in then we would be able to pass it on to the customer because now the Indian cotton is quite expensive and even if the new spindles are coming up so this would in a way increase the demand for cotton so if you can throw some light on this?

P. Nataraj: You are right. Some answers are in your question itself. You told it is too early to predict now because it is an agricultural commodity. In some areas if there is good rains, immediately farmers go on sowing the seed. So we have to wait and see at end of September only we will come to know how much acreage sown like that. Even in some years people say it is less, but at the end it is more, but sometimes they say it is more but end with less. After two months only, the exact acreage will be identified, one thing. Another thing if you see in India the cotton crop quality is improving and quantity per hectare yield is also increasing because of the BT seeds and this year also there were some different kind of BT seeds also is cultivated in same area. Because of that people expects the yield will be much higher. So with all these things, we hope that there will not be any less in the production of cotton and it again depends on the rainfall also. We are in the middle of the season. Everywhere in the cotton belt, rain is continuing, so we believe that in

the past if we see in the last two to three years everywhere there is good rain in the cotton belt so that is the reason cotton in India is somewhere around 360 to 370 consistently, the production is there. So we hope that there will not be much deviation in the production of the cotton in India. We hope that part we are confident that there will not be much impact on the prices due to the production of the cotton.

Akshay Chheda: Thank you Sir.

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

Naushad Chaudhary: Thanks for the opportunity again. Just wanted a clarification Sir what was the garment volumes sold in this quarter we have production number but I missed out on volume sold?

PL Murugappan: 28 million Sir.

Naushad Chaudhary: Thank you so much.

Moderator: Thank you. The next question is from the line of Hasmukh Gala from Finvest Advisors LLP. Please go ahead.

Hasmukh Gala: Sir just wanted to understand the incentive schemes which different governments are giving, state governments are giving for setting up the textile garment and that kind of facilities because recently one of your competitors who is planning to spend Rs.1000 Crores in Telangana? He gave an interview in Business Line and I hope you must have read it. He has listed about eight to nine items, which Telangana and other states are giving and Kerala is not giving and he mentioned that he is just getting about capital subsidy on the plant and machinery of about 15% if I heard correctly so are we not getting any other incentives, our facilities are all in Tamil Nadu and apart from that do we get any land price concession or any waiver of land registration charges, lower power tariffs or some reimbursement of provident fund contribution, things like

that or EPF subsidy, etc., are we getting any of those things in Tamil Nadu?

P. Nataraj: Everything is there in all the states but a little bit different. Here in Tamil Nadu also if we invest below Rs.300 Crores, there are certain incentives and above Rs.300 Crores to Rs.500 Crores, certain incentives and above Rs.500 Crores or Rs.1000 Crores there is additional incentives. So the government has a policy, as per which each government is having different incentives to attract more investment.

Hasmukh Gala: In Tamil Nadu also we get good benefit so I think overall benefit apart from 15% what we said in terms of the capital subsidy other things are also accruing to us is it not?

P. Nataraj: Our investment falls between Rs.50 Crores to Rs.300 Crores investment. There are some incentives that will be applicable to us also.

Hasmukh Gala: As far as sugar is concerned what was the main reason? One you said that ethanol was not there but if you see the turnover has remained more or less the same?

PL Murugappan: Sugar sale is a little higher. Ethanol sales is less because of the lesser off take by oil marketing companies due to this lockdown. We also usually take the maintenance work during the Q2 of the year. But this year, we have done the maintenance a little earlier. We used to write it off as and when we incur the expenditure.

Hasmukh Gala: How much was that expenditure?

PL Murugappan: It is somewhere around Rs.7 Crores maintenance has been done.

Hasmukh Gala: That explains the reason correct. Thank you very much.

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

- Ahmed:** Sir what was the export incentive for the sugar business in FY2021?
- PL Murugappan:** FY2021 somewhere around Rs.9 Crores.
- Ahmed:** So have we recognized that in our books?
- PL Murugappan:** Yes fully.
- Ahmed:** Sir one more thing has the ethanol offtake by OMCs normalized in July?
- PL Murugappan:** Now it is normalized.
- Ahmed:** Sir one thing in earlier calls you had mentioned that during the lockdowns, the demand for knitwear was very good and now with the normalization in Europe and US do we expect the demand growth to taper off a bit?
- PL Murugappan:** Can you come again?
- Ahmed:** Sir in earlier calls you had mentioned that because of the lockdowns the demand of knitwear increased considerably and now with the normalization and people going to office in US and Europe, do we expect the demand growth to taper off a bit?
- PL Murugappan:** We are not feeling like that because of the China one and other things we hope that Indian knitwear requirement may go up.
- Ahmed:** So we expect our new facility to ramp up in six to eight months?
- P. Nataraj:** It is a new factory. Usually, it takes about nine months to one year. We will try to do it little early.
- Ahmed:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Chetan Shah from Jeet Capital. Please go ahead.

Chetan Shah: Sir just one question, I have, while explaining the capex for a new plant for spindle which you mentioned Rs.45,000 to Rs.50,000 per spindle can you just guide us what can be the asset turn in this business? Whether we use it for cotton or a manmade fibre?

P. Nataraj: Sorry, your question is not clear?

Chetan Shah: Sir I am just to understand that what can be the asset turn to set up one spindle you said the capex required is Rs.45,000 to Rs.50,000?

PL Murugappan: Asset turnover ratio would be somewhere around 1:1 Sir.

Chetan Shah: 1:1 either you use cotton or manmade fibre, right?

PL Murugappan: Both

Chetan Shah: Thank you so much.

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

P. Nataraj: Thank you very much. Dear friends, the strong demand, normal monsoon predication, nationwide vaccination process gaining momentum, efforts on the government to further increase the export of textile goods, brighter outlook for textile value chain skilled workforce are expected to lead the textile industry in the years to come. KPR's ability to withstand the challenges, high level of its quality consistency, commitment, determination, untiring hard work, team effort, green manufacturing practices, empowerment of workforce particularly woman employees thereby contributing to the social wellbeing will heighten its growth further. With this I once again thank you all. Thank you very much.

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