

K.P.R. MILL LIMITED

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30.03.2021

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 19th March, 2021

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

- Moderator:** Ladies and gentlemen, good afternoon and welcome to conference call of KPR Mill organized by Batlivala and Karani securities India Private Limited. At this moment all participants are in listen only mode. Later we will conduct a question and answer session. At that time. If you have a question, please press star one. Please note this conference is recorded. I would now like to turn the conference over to miss Prerna Jhunhunwala, thank you and over to you, ma'am.
- Prerna:** Good afternoon, everyone. On behalf of BNK securities, I welcome you all to the group investor's call of KPR Mill limited, I thank APR mill for providing us with the opportunity to post them to our clients. From the company management we have Mr. Murugappan, who's the CFO and Mr. Kandaswamy was the company secretary. We welcome to you to the call. So I now hand over the call to the management for opening remarks, post which we will open the call for a q & a session. Thank you and over to you sir.
- Kandaswamy:** Good afternoon, everyone. I'm Kandaswamy Company Secretary. We have with us Mr. Murugappan Chief Financial Officer of the company. After relaxation of the COVID restriction, the company has been performing very well. We are able to meet our pre COVID level production and entire segments are doing well. With this opening remarks I'm handing over to Mr. Murugappan for question and answer session.
- Moderator:** Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star one on your phone and wait your turn to ask the question when guided by me. If your question has been answered before you're done, and you wish to withdraw your request, you may do so by pressing star one again. We have a question from Mr. Dushyant Mishra from Sage One Investment. Please go ahead.
- Dushyant:** Hi, good afternoon, sir. This subsidy that we currently have was RoDTEP and how basically it's a departure from MEIS and what all it encompasses and what would be the material impact on our EBITDA margins for export products?
- Murugappan:** As it is MES not there for garments from 2019 March. So, now we are operating on RoSCTL it is replaced with RoDTEP, it's more or less the same kind of operation. A license will be given and it can be used for import or it can be sold also. And the rates and other things will be announced in the schemes applicable from January onwards. Rate expected to be the

same but until the new rates are announced the existing rate will continue. So there is no change in the existing incentive schemes.

Dushyant: So the rates before were about 3 to 4%. So you're saying right now it's continuing at that level?

Murugappan: Yeah, it's about four and a half percent or 5% depending upon the government's decision. It will continue.

Dushyant: And Sir could you just talk a little bit about the yarn prices I mean, we're hearing that there's a lot of traction in that segment?

Murugappan: Yarn prices are going up because the International cotton prices are very high. Because of that the yarn prices is also going up. Indian cotton prices as compared to the international cotton it is a little less and because of that Indian spinners are making profit. Profit percentages are all gone up. Indian government also put a duty on import of cotton about 10% that also led to a rally in the market. We hope that situation will continue for at least for the season. And let us see how the things will move because a lot of other associations are putting a request to the government for removing the export duty and we're waiting for the things to happen, but the export duty will not impact the yarn prices because the cotton prices today in the international market is more than 10 percentage of the domestic market. So, it will not have much of an impact also.

Dushyant: Understood and are we reducing our captive use of the yarn and selling it outside are we continuing with the 40 whatever split it was earlier?

Murugappan: Our consumption is 15 to 20% and the balance is sold in the market.

Dushyant: Okay 15 to 20%, it used to be I think 33% or so before right?

Murugappan: We convert 33% of the yarn into fabric and we sell about 13 to 15 percentage of the fabric in the market, balance we consume it for garments.

Dushyant: Okay. And on the garment side, have we seen our realization per garment inch up in this time because of how much leisure wear was in demand globally?

Murugappan: Garment margins also good during this period, because the demand for this leisure wears are all going up. And we hope this trend will continue for quite some time. The order levels also increasing because of the turnout time has come down. Actually the demand has increased across the globe.

- Dushyant:** What is the turnaround time right now?
- Murugappan:** Generally it used to be 20 to 25 days and now it comes to an about 15 to 20 days.
- Dushyant:** So that's a pretty strong reduction and what did you say the garment realization per piece was?
- Murugappan:** Expected to be around 150 rupees per garment.
- Dushyant:** Okay and under understood and what are the margins on the on the spread of these yarns?
- Murugappan:** It is somewhere around maybe 22-23% now, hopefully it is expected to remain for another 6 months.
- Dushyant:** Understood. I'll join back in the queue. Thank you.
- Moderator:** Thank you, Mr. Mishra. Ladies and gentlemen, for any further questions, please press star one now. We have a question from the line of Sumedha Sreenivasan from ICICI Prudential AMC, please go ahead.
- Sumedha:** Hi sir. My question is regarding the PLI scheme of the government. Is there any benefit that the Company could get from this scheme or in future expansion which we try to get into these effective categories where benefits are available and try to get advantage of that, if you could give some color on that?
- Murugappan:** Just studying PLI scheme. Everyday there are some amendments coming in. I thought now we are not eligible for this PLI scheme because it is basically given to manmade fiber based garments, technical textiles, medical textiles and all. For cotton textiles they have given something but it is not matching to our production pattern. We are studying it, we hope that they will stabilize it before March.
- Sumedha:** We have a next question from the line of Mr. Venket samala from Tata asset management, please go ahead.
- Venkat:** Hi, sir thanks for the opportunity. So, we did get a margin of about 27% in q3 right the textile segment. So, do we expect similar margins in the current quarter also for the textile sector segment?
- Murugappan:** Let us wait for some time, the quarter going to the end, let it finally reach to the level, because it is very sensitive information cannot be discussed.

- Venkat:** Right. No, but I'm not getting into numbers but in the similar ballpark can we expect I mean because this is quite high currently compared to the historically margin.
- Murugappan:** All are good but percentages let us see.
- Venkat:** Right sure, but it will be higher than our historical averages right?
- Murugappan:** Yes.
- Venkat:** Understood. Sir, you did mention during the q3 call that you know you lost about 50crore worth of sales because of container unavailability. So, has that situation improved now?
- Murugappan:** We have not lost the sales. It is the containers were in the port waiting for the ships. Now those shipments have happened but still conjunction is going on. We really feel that the same amount of transit sale would be there for the quarter also.
- Venkat:** So, situation has not improved yet right.
- Murugappan:** No drastic improvements but some small improvement is there, but still containers availability is a problem.
- Venkat:** Okay. And can you help us understand when the new plants the sugar plant and the garment factory would be commissioned?
- Murugappan:** The coming sugar season the sugar plant is expected to commission that is in the month of November and the garment plant is expected to be in September-October time.
- Venkat:** Okay. To the previous participants question you did mention that you improve the turnaround time from 25 to 30 days to 15 to 20 days right.
- Murugappan:** The turnaround time of the garment usage. The leisure wear garment turnaround time usually 20 to 25 days in US and Europe that has come down to 15 to 20 days.
- Venkat:** Can you explain what I mean what exactly are you meaning by this?
- Murugappan:** Replacement time.

- Venkat:** Understood. And you did mention that the PLI scheme will not be applicable for the company because we are not really into manmade fabrics, right.
- Murugappan:** Manmade, technical textiles, or medical we are not in these segment.
- Venkat:** But are we thinking about furrowing into this because government seems to be helping nurture this particular segment right.
- Murugappan:** This is new line of business, so, the decision has to be taken because we are majorly into this cotton based garment.
- Venkat:** Okay. So the evaluation has to be done by board. And last question, what is the order book as of today?
- Murugappan:** It is about 700 crores.
- Venkat:** Okay. And I'm assuming that most of the segments are running close to full capacity. Right?
- Murugappan:** Yeah.
- Venkat:** Thank you.
- Moderator:** Thank you, Mr. Samala. We have a next question from the line of Mr. Sagar Parekh. You can go ahead.
- Sagar:** Good afternoon. Thank you for taking my question. On the garment side, what would be our total capacity after the expansion? I believe we are doing 42 million pieces expansion, right. So after that, how much would be the total capacity?
- Murugappan:** It would be 157 million.
- Sagar:** And out of that 157 million, what would be the breakup between you know, essentially like under garments, and others versus let's say, short or t shirt, any ballpark breakup?
- Murugappan:** Actually we are into knit wear garments. Okay, other than infant wear we do all other governments.
- Sagar:** I mean, the reason why I was asking was because if I compare your realization of 150 rupees broadly with Arvinds garment, you know, revenue realization over 350. So, there's a vast difference I'm just trying to reconcile why is there a difference between you know

- Murugappan:** They are into woven garments.
- Sagar:** Okay, so the differences between knits and woven's?
- Murugappan:** Yeah.
- Sagar:** Okay, and in terms of margins for garments of how much should we expect going forward? And with this cost inflation on the yarn as well as on the freight side are we getting the full price inflation from the customers.
- Murugappan:** Generally, the prices are negotiated based on the particular rates of cotton and yarn prices. We being integrated player we cover it on accepting the order itself. So, we will not have any problem in managing the margins. Now, the margins are a little higher because the requirement is higher the availability is less. So, margins are a little higher.
- Sagar:** No but you said that 15 to 20% is captive right and balance is sold, so, you are not fully integrated, you would still be procuring about 70-80% of the requirement of yarn right or...?
- Murugappan:** It is the other, 15-20 % we consume for our own country consumption, 80% we sell it as yarn.
- Sagar:** Okay. So but for our own captive we are 100% integrated for garments.
- Murugappan:** For our processes it is 100% integrated because all the processes we have a surplus capacity that is sold outside.
- Sagar:** Understood. So because of that, the margins might but on the garment broadly the margins in spite of this cost inflation, it would remain similar?
- Murugappan:** Yes more or less similar.
- Sagar:** Okay, and the price in the new contracts, we are getting the pass through right for all.
- Murugappan:** Yes.
- Sagar:** Okay. Great so that's it from my side. Thank you.
- Moderator:** We have a question from Mr. Dushyant Mishra from Sage One Investment you can go ahead.

- Dushyant:** Just wanted to know what the situation in Ethiopia is. I know, we had invested a very small amount there because there was a lot of government support from the local government, but I don't think it has ramped up to what we expected. Could you talk a little bit about the challenges we're facing there?
- Murugappan:** Yeah. As you know, the Ethiopia facing some civil unrest in the country. And from sometime in July August onwards the real unrest is going on where our plant is also located. Now the situation is slowly improving. We have started the production from the end of February. Now the production is going on, some of the orders were pending, we want to complete those orders first, and then we have to have a discussion with the investment commission of Ethiopia and the investment corporation represented by UN. And we need to decide how to take it forward.
- Dushyant:** Okay, and would closing down that facility entirely be on the table? Is that something that we're contemplating?
- Murugappan:** That would also be possible but nothing is confirmed now.
- Dushyant:** Okay. Thank you.
- Moderator:** Thank you, Mr. Mishra. We have our next question from Mr. Venkat samala, from Tata asset management, you can go ahead.
- Venkat:** Thanks for the opportunity again. I mean, now, since the COVID crisis began, we are roughly about one year into this right. I just wanted to understand that initially. I mean, we were not really sure right. I mean, where the additional orders to India were coming from. So do you think that now, we are reasonably sure that we are gaining market share, I mean, India, as a market is gaining market share from China?
- Murugappan:** That is not going to happen, because the increase in demand due to reduced days of replacement and regarding moving up orders from China to India, we hope that it will happen, but it will take some time. Because the Industry's need a higher capacity to take the orders.
- Venkat:** Right. Shure, but specifically talking about Tirupur belt. While I'm sure you must be in conversation with some of the smaller guys, so, are they very optimistic and thinking about adding more capacities? I mean to capitalize on this opportunity.
- Murugappan:** Some of them are doing it. Because of Corona situation people are a little scared to expand their capacity. That will take some time.

- Venkat:** Sure. So but do you think that you know, this is something which would be start of an up cycle in the garment export segment. Do you think that something of that sort is in the play?
- Murugappan:** Actually it can happen because everybody is having the thought, but in the market, size of finance requirement is very large. You cannot absorb overnight because so far our market share is only four and a half to 5%. Increasing the market share from 5% to 35% will not happen overnight it will take another two, three decades. Increasing it, as it is a manufacturing business now, it will take time.
- Venkat:** Yeah. So, my question was not about entirely replacing China, but it's more about you know, Indian market.
- Murugappan:** Existing capacities is fully occupied. The new capacities once started coming in some shift will start to happen.
- Venkat:** So, we are seeing early signs of that happening, right. And sir, since this, this will be our first month of full operations of the expanded ethanol capacity. So, what could be our expectation of ethanol revenue from this quarter?
- Murugappan:** Well, we produce somewhere around 1 lakh to 1 lakh 10 thousand liters of ethanol. It is a quota system based on the government quota only we can supply. Let us see after a month how much is sold on what's in stock.
- Venkat:** So, this quota is it pre decided or how does this happen?
- Murugappan:** Before the season starts we have to give an estimate based on them they will give their quota for the year.
- Venkat:** So, I mean, basically then demand is not an issue right, I mean, whatever you could supply.
- Murugappan:** Yes demand is not an issue.
- Venkat:** Based on your analysis, if you think that you know you can produce more the off take will be there from the government.
- Murugappan:** Government is trying to increase it to 20%, but a presently it's about 6.5-7%.
- Venkat:** What would be the working capital days in ethanol segment?

- Murugappan:** 30 days.
- Venkat:** Okay. Thanks a lot.
- Moderator:** Thank you. We have a question from the line of Mr. Sameer from Nippon India AMC. Please go ahead.
- Sameer:** Good afternoon, sir. I have questions related to our garment and capex? So, for this capex, so, like the kind of products which you are going to produce are they going to be similar and for this whether we will have same customers or new customers?
- Murugappan:** The product going to be similar. About 60-70% is going to be the same customer. We are planning for about 30% from the new customer.
- Sameer:** Okay, and have we finalized the location for this?
- Murugappan:** Yeah, land already bought and civil work started and expected to complete by September.
- Sameer:** Where exactly this is coming?
- Murugappan:** It is the same Avinashi road, it's about 30-40 km away from the existing factory.
- Sameer:** Okay in Coimbatore itself. When you're purchasing, like this is a Green field facility and you're purchasing land. So, like is this going to be first phase and like you have the provision for future expansion in this while purchasing the land?
- Murugappan:** It is going to be a little larger plant where the labour would be somewhere around 6000 people, managing more than five to 6000 people in a location is difficult. So we will not expand this facility any larger. A small expansion would happen but the larger expansion will not to happen here.
- Sameer:** Right, in addition to this garment capex are there any other big capex from time to time there are rumors in the market that we're going to put some big garment capex after this. So is there any such plans?
- Murugappan:** Continuous process we will be doing it. Once it is fully tapped up then we will decide the further expansion.

- Sameer:** How much time it will take you think for the capacity to get fully utilized once the production starts?
- Murugappan:** 12 to 15 months it will take. We need to train the people, we will train the people in batches of 500 people. Each team will take about 20-25 days. So you need somewhere around 12 to 13 batches need to be trained.
- Sameer:** Right. Yarn for this facility will come from our current yarn capacity to their extent about yarn sale outside will give you.
- Murugappan:** To the extent of 5-6% will reduce.
- Sameer:** Right. We did the like large capex in sugar also. So just wanted to understand your long term thought process for sugar because you know, as you all know, the sugar industry doesn't get very high valuation. So, like doing more capex in this segment.
- Murugappan:** It is not like a sugar capacity increase, it is increase in the energy capacity. We want to produce more ethanol from this plant, we are setting up a 228 Klpd can expanded to 300 Klpd. And on commissioning, we would like to convert a good 50 percentage of the sugarcane crushed into ethanol and in the longer term we convert more also.
- Sameer:** Okay, so you think the economics of ethanol is attractive enough and you would want to retain.
- Murugappan:** Yes. The revenue mix also going to be about 60% will be ethanol and power and 40% from sugar.
- Sameer:** So, coming to FASO brand, how that is scaling up like how it is done.
- Murugappan:** Now the market is slowly picking up stores are all started opening. The second wave we hope it will not have an impact, we are slowly started advertisement and pushing the products and the new appointment of agents started happening.
- Sameer:** Right, the market in which it is already launched how is the response? How is the repeat purchases?
- Murugappan:** Due to corona pandemic most of the stores were closed wherever we launched. Only after Diwali stores started opening and orders now only is increasing.

- Sameer:** Right. And then lastly from my side, like how the prospects for yarn business are looking for the coming financial year FY '22?
- Murugappan:** Dully expectation is very difficult. But first half of the year, we hope it will be good.
- Sameer:** Okay. Thank you so much.
- Moderator:** Thank you. We have our next question from the line of Sanjaya S. at the party from Ampersand Capital.
- Sanjaya:** Thanks for the opportunity. You have been talking about this replacement days coming down. I mean, that has helped you, because I'm not really familiar with your company and sector basically, just want to know exactly what you mean by this if you can just explain it.
- Murugappan:** Generally people use garment for up to 25 days. Now the average day's period they use it for 20 days. Now this period has come down because most of them are working from home and staying at home, the usage time have come down now. They are replacing it average in 20 days.
- Sanjaya:** So it is a bit of a temporary kind of benefit and once the COVID kind of situation goes away if at all then the replacement days will go back to original days that what one can think of?
- Murugappan:** It is not working from home reason, it is basically known the hygiene reasons.
- Sanjaya:** Okay understood. And you also talked about this spate going up because the cotton price within India is lower than international prices. So, how sustainable it is like that this kind of difference sustained for a long period of time or it kind of normalizes.
- Murugappan:** It may continue for up to next season maybe up to September-October kind of thing. Then the new season will start the new cotton arrival will start to come and if the cotton arrival in international market is higher means the prices again stabilize.
- Sanjaya:** Lastly, the volume which we do use internally this yarn that has been going that has been going up and the amount of yarn that you have been selling outside has been going down and what is the ratio now and what it will be like in two years?

- Murugappan:** Presently we are converting about 30 percentage of our yarn into fabric. Out of the fabric produced we consume about 70-75% now it will go up to 100% kind of a level.
- Sanjaya:** Now meaning?
- Murugappan:** Our new capacity once is commissioned and on full utilization is about 90% to 100% of the fabric we produce will go for our own consumption.
- Sanjaya:** On which date will this commissioning happen?
- Murugappan:** Some time in 2022- 23.
- Sanjaya:** Thanks a lot.
- Moderator:** Thank you. We have a next question from Mr.Ashutosh Garud from Ocean dial AMC, you can go ahead.
- Ashutosh:** Just wanted to know the total capex for sugar and what kind of total revenue are we expecting once we fully attend to the capacity and by when will it attain full capacity?
- Murugappan:** Approximate capital expenditure is about Rs.500 crores and turnover expected is somewhere around Rs.550 to 600 crores on full capacity utilization. It is expected in the coming season, November to March is the season but revenue we will achieve November to October period. Because it will be in the stock and the release mechanism is there. So, the sales will happen in the period of about 12 months.
- Ashutosh:** If I understood you correctly, by November to March this year, I mean, FY '22 plants would come up and the revenues would follow post right.
- Murugappan:** Yeah. Generally, sugar season will commence from November and end by October.
- Ashutosh:** Okay.
- Moderator:** We have a question from Mr. Sagar Parekh from one of financial consultants, you can go ahead.
- Sagar:** Sir, this again, on coming back to this turnaround time for garments that you mentioned that is coming down. So I'm still not able to understand so basically, you're trying to say that the customer who buys...

- Murugappan:** Suppose we are using a shirt for 20 washes that has come down to 15 washes because of the hygiene reasons people washing only 15 times a shirt, then they throw it away.
- Sagar:** Okay, understood. Thanks.
- Moderator:** We have a question from Mr. Sanjeev Mohata. You can go ahead.
- Sanjeev:** Hello, sir. You've talked about you know, a target of 5000 crore in FY '23. Are you still kind of okay with that target?
- Murugappan:** We are absolutely fine with that target and definitely we hope that we will achieve it.
- Sanjeev:** Approximate what kind of breakup you're looking at between textile and sugar?
- Murugappan:** Sugar expected to be somewhere around 1000 plus kind of a turnover and balance coming from textile.
- Sanjeev:** And for this, whatever, you know, capacities you announced or you have done, that's enough, you don't need any more new capacity for that right?
- Murugappan:** Yes.
- Sanjeev:** Then you also have a target of 10,000 in 5 years.
- Murugappan:** Yes.
- Sanjeev:** Okay. Thank you.
- Moderator:** We have a next question from Mr. Resham Jain from DSP MF. You can go ahead.
- Resham:** Yes, Good afternoon, sir. So, just one question on the news which we have heard two three days back where because of rising yarn prices, the Tirupur market has the garment players have done some strike. Do you think this will have any impact on the volume in near term or how should one read this?
- Murugappan:** There is no drop in sales. Monday they have gone for a strike, Tuesday all the goods sold. So it does not have an impact as it is. The garment people want the prices to be reduced because they entered into a

contract some three four months back or five months back. Based on that the yarn prices they entered into a contract and the standalone garment businesses are comparatively less profitable than the integrated players. So they're just pushing but things are okay now. New orders, they don't have the people they do not have any problem. For the old that were accepted for a very long period, they are facing problems.

Resham: Okay. And overall, in general, most of our yarn was earlier being sold in the Tirupur market only, is this situation similar for us right now, because the export market is doing quite. So has our mix seen any material change or it is broadly same?

Murugappan: Broadly the same, we are not exporting much.

Resham: Okay, understood and in terms of the mix of yarn, in terms of the product profile, has there been any change or that also remains broadly same?

Murugappan: That is also broadly same because we are into basic segment only 20:30 that range.

Resham: Okay. So, my last question is on the RoDTEP, where there is an uncertainty as of today that from first of January what will be that rate? So, as an industry player, how are players able to quote the price to the customer right now?

Murugappan: Unless the RoDTEP announced the RoCTL rate will continue.

Resham: Okay, so the same rate will continue is what you are saying, there won't be any change. So, everyone is currently asking or is it already been mentioned? Because there is some uncertainty, I think, because RoDREP rate is not yet announced.

Murugappan: RoDTEP rate not yet announced but until the announcement the existing rate will apply. Once they announce that rate will apply, but as far as knitted garment in is concerned it is a lowest rate, so we hope that it will not have any impact.

Resham: Okay. Got the point. Thank you, sir.

Purna: We have come to the close of the session. Thank you for giving your time and answering all the questions of the investors very patiently.



Batlivala & Karani Securities India Private Limited
March 19, 2021

And thank you for the opportunity for holding this call. You can now give your closing remarks.

Kandaswamy:

Thank you all for attending this B& K Textile conference. Supported by strong fundamentals, integrated facilities, encouraging market trends, and with the support of entire stakeholders, we hope to improve the performance in all segments in the years to come also. Thank you all once again.

Moderator:

Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and for using I- Junxion conference service. You may please disconnect your line now. Thank you and have a great time ahead.