KPR Mill

10 September 2025

FY26 guidance reaffirmed; expansion plans under review

MANAGEMENT MEET UPDATE

Sector: Textile	**Rating: HOLD**
CMP: Rs 997	**Target Price: Rs 1,041**

Stock Info

Sensex/Nifty	81,101/24,869
Bloomberg	KPR IN
Equity shares (mn)	341.8
52-wk High/Low	Rs 1,395/ Rs 756
Face value	Rs 1
M-Cap	Rs 341bn/ USD 3.9bn
3-m Avg traded value	USD 5.9mn

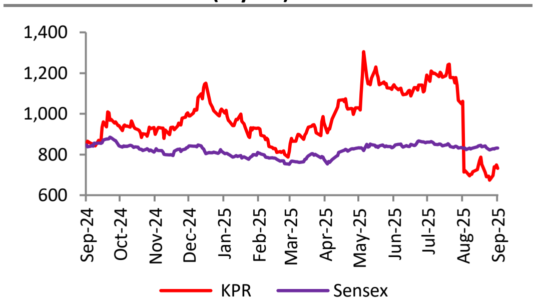
Financial Snapshot (Rs mn)

Y/E Mar	FY25	FY26E	FY27E
Net sales	63,879	71,546	80,892
EBITDA	12,460	15,482	18,340
PAT	8,151	10,471	12,532
EPS adj. (Rs)	23.8	30.6	36.7
PE (x)	38.0	32.5	27.2
EV/EBITDA (x)	25.0	22.2	18.7
P/B (x)	6.2	5.8	5.0
RoE (%)	17.4	19.3	19.8
RoCE (%)	18.4	21.5	22.2
D/E (x)	0.11	0.10	0.10
OPM (%)	19.5	21.6	22.7
Dividend yield (%)	5.0	6.1	7.3
Dividend payout (%)	21	20	20

Shareholding pattern (%)

	Jun'25	Mar'25	Dec'24
Promoter	67.5	70.7	70.7
–Pledged	-	-	-
FII	6.6	6.2	6.1
DII	19.0	16.5	16.7
Others	6.9	6.6	6.5

Stock Performance (1-year)



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We present key takeaways from our meeting with the senior management of KPR Mill (KPR IN). Discussions focused on the demand environment across key export markets, progress on UK FTA (free trade agreement), implications of US tariffs, and outlook for the textiles and sugar sectors. Management cited 1QFY26 as a routine quarter, which saw minimal disruption from tariffs, as the company had already executed nearly half of its US orders (~20% of exports) and shipped the balance with minor delays and at 2-5% discount, with no reported cancellations. The company has held back fresh US orders for the second half of the year. It intends to reassess intake during Oct-Nov 2025, once clarity emerges on tariffs. Europe (~60% of revenue) continues to provide stability, and the UK FTA is expected to gradually lift volumes, with the share of UK revenue expected to rise from ~20% to ~25% in the coming quarters. For FY26, management reiterated its guidance of 10-15% revenue growth in textiles, driven by 15-20% growth in garment volumes and ~20% EBITDA margin. The current export order book stands at ~Rs 15bn (up 12% YoY) to be executed over the next six months. Management expects the current garment capacity to touch peak utilization in FY26, with expansion plans for FY27 under evaluation. The temporary removal of cotton import duty until Dec 2025 provides short-term relief, while yarn trends remain stable. Sugar crushing is set to commence during 3Q, with both revenue and margins expected to improve YoY, supported by a favorable monsoon and higher cane availability. We expect muted garmenting volumes in FY27, given that any new green field capex takes at least 12-15 months to commence operations. The key strategic challenge lies in resolving the tension between its 10-15% volume growth target and its current full capacity utilization, making the final decision on expansion plans a critical catalyst for future performance. We have tweaked our revenue/EBITDA/PAT estimates by 1% each for FY26E and FY27E. Reiterating HOLD with a revised SoTP-based target price of Rs 1,041 (earlier Rs 1,027), based on implied FY27E P/E of 28x and EV/EBITDA of 19x. We have assigned EV/EBIT of 25x to textiles and 12x to the sugar and ethanol business.

Stable 1QFY26 performance

Management characterized 1QFY26 as a normal quarter, with operations progressing in line with expectations. US tariff issue had minimal impact on KPR during the quarter, since most shipments had already been booked and executed. On the domestic side, sugar and ethanol volumes were slightly muted owing to lower allocation of ethanol by the government for blending.

US exposure managed in 1H; new order booking to start from Oct-Nov

The US accounts for ~20% of KPR's exports. About half of the FY26 order book has already been executed, with shipments partly dispatched earlier and the balance shipped in 2Q. These orders faced 1-1.5 months of delay at the request of buyers but were ultimately completed without cancellations. To support order fulfilment, the company agreed for 2-5% discount with select buyers, though management clarified that production took place only on confirmed orders. Customers have yet to place orders for 2H. The company expects to revisit order intake during Oct-Nov 2025, once clarity emerges on tariffs. Management indicated that it may need to realign its portfolio if tariffs remain elevated.

UK FTA to support gradual growth

The UK FTA is being phased in and should be fully effective by the end of 2025. Management expects incremental order inflows from this market, with contribution from UK (currently at ~20%) increasing by atleast 5% in the next few quarters. However, margins are unlikely to expand, as the benefit is expected to be largely volume driven. Management stressed that the FTA would take time to translate into business traction, as customers adapt to the new framework.

European markets provide stability

Europe, which contributes ~60% of KPR's revenue, continues to perform steadily. Demand is intact here, with no significant slowdown observed, and buyers have not sought price renegotiations despite global uncertainties. Management attributed this resilience to the company's focus on basic garments, which are less exposed to discretionary demand weakness.

Tiruppur operations largely unaffected

The Tiruppur cluster, a key garment hub, remains broadly stable. Around 70% of the output here is directed to Europe and other non-US markets, insulating the region from tariff-related disruptions. While smaller players heavily dependent on US shipments are facing margin pressures and order delays, management highlighted that there have been no large-scale shutdowns or job losses. KPR's integrated model and diversified market base further provide resilience.

Guidance for FY26

Management reaffirmed its guidance of 10-15% revenue growth in textiles for FY26, supported by steady demand conditions, and projected 15-20% growth in garment volumes. The sugar and ethanol business too is expected to deliver improved performance on the back of favourable monsoons and better cane availability. Management reiterated that it expects to sustain ~20% EBITDA margin for the year, despite near-term cost and pricing pressures in select markets.

Capacity expansion plans under evaluation

KPR's current garment capacity is largely utilized and should touch peak levels in FY26 through operational improvements. Management confirmed that it is actively considering capacity expansion for FY27, with discussions around new projects, including a potential facility outside South India, currently underway. However, it is yet to reach a final decision and timelines remain flexible, pending approvals.

Removal of duty on cotton offers minimal relief

The temporary removal of cotton import duty until Dec 2025 provided short-term relief for the spinning business. KPR has already started importing cotton, which it indicated would substitute local purchases, until the commencement of Indian cotton season. Management believes this would help in stabilizing input costs in the immediate term, though benefits would be visible for only 2-3 months, after which domestic supplies would restore prices back to equilibrium.

Yarn trends mixed across segments

In the yarn segment, hosiery (knitwear) yarn realizations have been stable, reflecting steady demand from downstream garment operations. However, woven yarn has seen some discounting in recent months, reflecting weaker demand in that sub-segment. Management noted that yarn margins are already at low levels, and therefore significant further downside seems unlikely.

Sugar outlook improving with good monsoons

Sugar operations are expected to improve in FY26 compared to last year. Crushing is expected to begin in 3Q, with revenue and margins slated expected to benefit from higher cane availability and a favourable rainfall. Management is confident the sugar business would generate strong profitability in 2HFY26.

Exhibit 1: Change in estimates

(Rs mn)	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net sales	71,546	80,892	72,487	81,367	1	1
EBITDA	15,482	18,340	15,661	18,435	1	1
EBITDA margin (%)	*21.6*	*22.7*	*21.6*	*22.7*	(3)bps	(2)bps
Adjusted PAT	10,471	12,532	10,615	12,607	1	1
EPS (Rs)	30.6	36.7	31.1	36.9	1	1
Target price		**1,027**		**1,041**		**1**

Source: Company, Systematix Institutional Research

Exhibit 2: SoTP valuation

Segment	Methodology	FY27E EBIT (Rs mn)	Multiple (x)	Value
Textile	EV/EBIT	12,640	25.0	3,15,998
Sugar and Ethanol	EV/EBIT	3,219	12.0	38,631
Total EV				**3,54,629**
Less: Net debt				(1,134)
Equity valuation				3,55,763
No of shares				342
Price per share				**1,041**

Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net revenues	**61,859**	**60,597**	**63,879**	**71,546**	**80,892**
Revenue growth (%)	28.3	(2.0)	5.4	12.0	13.1
- Op. expenses	49,115	48,230	51,418	56,063	62,552
EBITDA (Excl. OI)	**12,744**	**12,367**	**12,460**	**15,482**	**18,340**
EBITDA margins (%)	20.6	20.4	19.5	21.6	22.7
- Interest expenses	789	744	498	343	384
- Depreciation	1,737	1,892	2,079	2,320	2,558
+ Other income	623	673	744	833	942
- Tax	2,701	2,350	2,477	3,182	3,808
Effective tax rate (%)	25	23	23	23	23
Reported PAT	8,141	8,054	8,151	10,471	12,532
+/- Extraordinary items	-	-	-	-	-
+/- Minority interest	-	-	-	-	-
Adjusted PAT	**8,141**	**8,054**	**8,151**	**10,471**	**12,532**
EPS adj. (Rs/share)	23.8	23.6	23.8	30.6	36.7

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PAT	8,141	8,054	8,151	10,471	12,532
+ Non cash items	2,370	2,104	2,187	2,320	2,558
Cash profit	10,510	10,157	10,338	12,791	15,090
- Incr/(Decr) in WC	5,930	3,444	(3,673)	962	3,177
Operating cash flow	**4,580**	**6,714**	**14,012**	**11,829**	**11,913**
- Capex	5,112	3,429	1,625	7,800	7,000
Free cash flow	**(532)**	**3,284**	**12,387**	**4,029**	**4,913**
- Dividend	735	1,538	1,709	2,094	2,506
+ Equity raised	(2)	(0)	-	-	-
+ Debt raised	1,514	(2,034)	(6,289)	712	657
- Buyback	(2,208)	-	-	-	-
- Investments	(1,821)	(951)	2,306	2,985	3,000
- Misc. items	(3)	-	4	-	-
Net cash flow	**(139)**	**663**	**2,079**	**(338)**	**63**
+ Opening cash	1,266	1,127	1,790	3,869	3,531
Closing cash	1,127	1,790	3,869	3,531	3,594

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	342	342	342	342	342
Reserves & Surplus	36,725	43,241	49,679	58,055	68,081
Networth	37,067	43,582	50,020	58,397	68,423
Minority interest	-	-	-	-	-
Total debt	13,685	11,651	5,362	6,074	6,731
Def. tax liab. (net)	970	1,181	1,290	1,290	1,290
Capital employed	**51,721**	**56,414**	**56,672**	**65,761**	**76,443**
Net fixed assets	23,931	25,468	25,014	30,494	34,936
Investments	1,287	335	2,641	5,626	8,626
Net working capital	25,377	28,821	25,147	26,109	29,286
Cash and bank balance	1,127	1,790	3,869	3,531	3,594
Capital deployed	**51,721**	**56,414**	**56,672**	**65,761**	**76,443**
Net debt	12,558	9,860	1,492	2,543	3,136
WC (days)	129	148	128	140	140
DE (x)	0.37	0.27	0.11	0.10	0.10

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY23	FY24	FY25	FY26E	FY27E
P/E (x)	24.2	35.3	38.0	32.5	27.2
P/BV (x)	5.3	6.5	6.2	5.8	5.0
EV/EBITDA (x)	16.4	23.8	25.0	22.2	18.7
RoE (%)	23.6	20.0	17.4	19.3	19.8
RoCE (%)	22.9	19.4	18.4	21.5	22.2
Fixed asset turnover (x)	1.8	1.6	1.6	1.8	1.7
DPS	4.0	5.0	5.0	6.1	7.3
Dividend (%)	400	500	500	613	733
Dividend yield (%)	0.7	0.6	0.6	0.6	0.7
Dividend payout (%)	9.0	19.1	21.0	20.0	20.0
Debtor days	37	40	33	35	35
Creditor days	20	7	12	10	10
Inventory days	112	115	107	115	115
Revenue growth (%)	28.3	(2.0)	5.4	12.0	13.1
EBITDA growth (%)	4.6	(3.0)	0.8	24.3	18.5
PAT growth (%)	(3.3)	(1.1)	1.2	28.5	19.7

Source: Company, Systematix Institutional Research

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