K.P.R. MILL LIMITED

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15.03.2021

To

The Listing Department
Bombay Stock Exchange Ltd
1st Floor, Rotunda Buildings,
Phiiroze 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 05th February, 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

"KPR Mill Limited
3Q FY2021 Post Results Conference Call"

February 05, 2021

ANALYST: **MS.PRERNA JHUNJHUNWALA - BATLIVALA & KARANI SECURITIES**

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

Moderator: Ladies and gentlemen good day and welcome to the KPR Mill Q3 FY2021 post results conference call hosted by Batlivala and Karani Securities India Pvt. Ltd. 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 an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Prerna Jhunjhunwala. Thank you and over to you Madam!

Prerna Jhunjhunwala: Thank you Mallika. Good evening everyone. On behalf of B&K Securities, I would like to welcome you all for 3Q FY2021 results conference call of KPR Mill Limited. Today we have with us the Senior Management including Mr. P. Nataraj - Managing Director; Mr. P.L. Murugappan - Chief Financial Officer; and Mr. P. Kandaswamy - Company Secretary. I would now like to hand over the call to the management for initial comments. Thank you and over to you Sir!

P. Nataraj: Thank you Prerna and very good evening to everyone and I welcome you all for the KPR Mill's third quarter earnings call of 2021 and with me our CFO, Mr. Murugappan and Mr. Kandaswamy, Company Secretary are there. Indian economy shows a sign of recovery with the reduced COVID virus cases and rollout of vaccine. Positive statements revised with the possibility of reaching pre-pandemic level almost in all industries supported by strong domestic consumption and export demand and with the rise in consumerization the future of Indian textile industry looks promising. Our performance continued to be good and the prospects are bright, encouraging demand in all segments enable the KPR to repeat better results in the third quarter also. Cotton prices remain stable, yarn market was bullish, and garment order levels are also comfortable. The garment orders started bouncing back from the vacuum caused by the pandemic. The industry witnessed a significant hit in demand from formal wear to casual wear. Since KPR is primarily in the casual wear segment the trend continues to be more favorable to us. The consequential thrust in demand for yarn, fabric and processing activities have accelerated the drive in Tirupur Knitwear Market. KPR continues to enjoy the sustained support from its workforce with the commendable labor practices followed over the years despite during the pandemic times also. Our ability to attract and retain the best and the well trained employees ensure competitive advantage over our peer groups. KPR's trendsetter welfare facilities and the dedicated employees' participation enhance the productivity even during the COVID time's effectiveness and sustained competitiveness. As regards the sugar also the ethanol is fully operational during this quarter so that performance also has improved. The government initiatives as much are more supportive to the market. Expansion plan is in progress as envisaged. With these opening remarks the floor is now open for the question and answer session. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankit Gor from Systematix. Please go ahead.

Ankit Gor: Sir my question with regards to overall textile revenue first overall our textile revenue grew by 18% YoY, but the garment revenue grew just by 4%, while garment production volume grew by 22% so would you please help me understand this, is it higher volume growth in garment to be supplied next quarter or we did lot of low value item or how it is Sir that was my first question?

PL. Murugappan: During this quarter huge port congestions happened in Tuticorin, Chennai, Cochin. Because of that lot of goods were in the port .we were not able to ship it in time because ships were not able to come to the port at time. Now the situation is slowly improving so transportation will improve in the coming quarters.

Ankit Gor: So how much sales we must have lost due to this and which can be deferred to next quarter?

PL. Murugappan: It would be somewhere around Rs.50Crores.

Ankit Gor: So whatever normal quarterly run rate we have plus 50Crores is a right number to look at for next quarter in that case?

PL. Murugappan: Yes, it again depends upon the container availability. If it improves definitely it will be there otherwise some portion will be deferred.

Ankit Gor: But if we really see our other expenses where we account a lot of logistic cost that has improved also sorry. Sir my next question with regards to in budget government has announced 7 textile parks and what is the key takeaway for us from there are we also planning to setup few capacities in these announced textile park or any clarity on that Sir that will be helpful?

P. Nataraj: Sir as we said there is no clarity still and we are waiting for that and we also expect that the state government also announce one or two parks being Tamil Nadu is a textile hub. But there is no clarity where it will be and what kind of the facility, they said plug and play like that and we have to wait and see. Some years back state government has organized near Tirupur the place called Perundurai (SIPCOT) with more than 2000 acres land Government has acquired. If government gives all these facilities just like a plug and play means it is a really good opportunity. So we are also very keenly looking on that, but immediately there is no details on that.

Ankit Gor: Sir when we say plug and play that means predominantly garmenting, just garmenting facility or that can also be from yarn to garment entire valuation what is your assessment?

P. Nataraj: Yes, actually plug and play is the more beneficial for the garment because the investment comparatively is very less on the machinery part so mainly land and building is the capex point of view it is almost more than 60% of the capex. For spinning and processing the investment on machinery is also huge so we do not know how actually this park is coming. Are they coming separately for spinning, processing, and garmenting. Or it is a composition. Then only it will be good to take a decision, but anyhow we are open for that because definitely there will be a big support from government. They said that it will be near to the port, if so the transportation cost will be minimized. That will be more beneficial to garment compared to other like spinning or other things, so that is why we are also very interested and eagerly waiting for that.

Ankit Gor: Sir in your experience last time when government have proactively announced such textile park first and secondly because of this announcement do you expect new players coming in garmenting industry existing will obviously go and expand but also you expect new players will come, firstly and lastly when government has announced a new player?

P. Nataraj: That we have to wait and see because if you take garmenting it is more of labor intensive. For Organizing the labor you need expertise in this area so that is most important .New players certainly will be coming and even for spinning new players also can come. Because now there is lot of automation where the labor requirement has reduced. When you compare10 years, 15 years back for example 100000 spindles the labor is needed around say 2000 to 2500 people now for the same thing around 500 people is enough. But for the garment it is not, even if you take 10 to 15 years now, technology for cutting and automation have come. It will reduce only some, say the need of5000 people has reduced only by 200to 300 people, so still sizable work force is needed. They are more of manual operations though the latest machines are there. Tailoring is manual operation only. So we have to wait and see, but there is an opportunity. Because this is an open market, anybody either existing or new people may come.

Ankit Gor: Last question from my side is on current yarn demand from a global market as well as some existing domestic market and where do you see our yarn spread settled or our yarn price rather settles in the next two to three months?

P. Nataraj: Now there is a good demand particularly in last three, four months. Generally in the market cycle there will be demand for two to three months and after that it will become normal. But now after the COVID, yarn market is in demand and it seems now also bullish only. Next two, three months also demand will be same. It is difficult to predict the market situation after that because it is based on the global scenario, government policies, and international policies. This year international cotton price is going up and up continuously every day, so Indian cotton is the cheapest as on today. So, very good opportunity for the Indian textile industry at present situation. We believe that at least it will extend for some more time but it is difficult to say if it would continue for next one year.

Ankit Gor: Sir have we started procuring cotton at this prices or yet to season buying has started for KPR?

P. Nataraj: Sir, we keep a stock for minimum days only. We continue to procure but if there is sudden price hike we will stop buying for a week or 10 days. Then when market comes down we will start buying. So we plan strategically because of the past experience and our requirement is based on that. We have a stock all the time at comfortable level. So we will not go for panic buying Based on past records and the global scenario we purchase. The government has now in the budget levied 10% duty on imports. But nobody expected it. The international price already at peak level and the domestic prices at the lowest level. Already reasonable stock we are keeping, so we are now watching whether price will come down or go up.

Ankit Gor: Thank you very much.

Moderator: Thank you. The next question is from the line of Jason Soans from Monarch Net worth. Please go ahead.

Jason Soans: I just wanted to know few of your competitors also they have mentioned that some demand coming from China has always been the main export market and a lot of demand or at least some part of significant demand might shift to India in terms of the aftermath of COVID so just wanted to know your take on it like are you seeing some real demand some global suppliers taking some demand from China and that demand coming to you or Indian players?

P. Nataraj: Yes, you are right COVID is not over but after the relaxation of lockdown slowly if we see the last two, three months it is really fortunate to see this kind of market. Because at the beginning of the lockdown everybody was panic and the whole industry was panic, thinking how long the complete lockdown will be there; even after the relaxation how the demand will be, but actually none in the industry expected such a situation. I can say two or three reasons.

The pipeline was empty due to lockdown because of that maybe a demand was created or the orders may be coming out of China and going to other countries like Bangladesh, Cambodia, Vietnam, like India. We cannot say or we cannot measure it up properly so this much of buyer has come or this much quantity has come out of it like that. We are in the beginning of the time, so definitely we can assume that based on this demand, I think some portion of the business is coming out from China. This only we can say, but it will take some more time or like at least another one or two quarters to ensure that how much is coming out from China or overall coming from China and will it come to our country. Maybe a portion of this is in India. China may increase certain business to India. So these things we have to wait and see. It will take some more time to ascertain the correct situation.

Jason Soans: My next question is if you see the nine month performance I see that the margins for the textile business have improved from around 16.4% to 20% for this year just wanted to know the reason for that?

P. Nataraj: Across the value chain the demand is good and contribution is from all the segments like spinning, fabric, dyed fabric, garments. Every year we are seeing the improvement in the margins.

Jason Soans: Just wanted to know your strategy in terms of FASO obviously they are in athleisure and inner wears just wanted to know long-term strategy for it what are you planning for it?

P. Nataraj: Now almost one and a half years since launching. This is a retail segment and already we have launched in five states of the southern India. Previously we planned for pan India but because of lockdown pan India plan is delayed. We are not going aggressively and so not spending much on that. We do not know how the market react and we want to move carefully and slowly .Maybe after two, three years we will come to know what extend or how to push it further. This is the strategy.

Jason Soans: My last question would be just wanted to know that in terms of textile is in good space the textile parks, China demand coming in post COVID and other factors so just wanted to know in that light your profit performance for nine months is around 11% growth what do you want to guide for some profit growth for that say it for the next one year or two years just wanted to know a few words?

P. Nataraj: Actually in the present situation after COVID nobody expected it will make a U-turn like this in demand at least for another one year. When it came in the last March 2020 the industry has to shut down and struggled. But within six months there is turnaround and the demand is huge now. It is not the normal demand it is abnormal demand we can say. But how long this will continue it is difficult to say but definitely we are very positive. Otherwise whatever the situation, KPR is growing with all topline, bottom-line and we will be growing continuously and this only I can say now. It is expected to continue for another one year or two years.

Jason Soans: Thanks a lot. That is all from my side. Thanks a lot for answering my questions.

Moderator: Thank you. The next question is from the line of Sreeram Ramdas from Green Portfolio. Please go ahead.

Sreeram Ramdas: This is more to do with the micro climate, we are seeing US and EU apparel companies they are facing issues because of container shortages and they are canceling orders with Indian manufacturers so I want to understand are we seeing in customers in these regions EU an US are we seeing them altering their seasonal orders because of this are we changing the orders because of this?

P. Nataraj: You are not audible

Sreeram Ramdas: Can you hear me now?

P. Nataraj: Can you come again?

Sreeram Ramdas: Yes I will repeat no issues. Sir because of the container shortages that we are facing we have seen the US and EU apparel companies the garment companies they are canceling orders with Indian manufacturers so are we seeing any of our customers changing the orders they have placed with us because of this container shortages?

PL. Murugappan: As of now we are not seeing any cancellation of orders because of the container shortages. In India it is relatively fine because we are getting a delay of about 10 to 15 days so it will not have impact because we have large manufacturers and these manufacturers are little advanced. Our shipment schedule are always planned in advance, so we are not facing any problems. The problems generally faced by the people who are into the fashion textile. I think they are facing some problems that too not in India but in some other places. Container shortages will be corrected in a period of two, three months.

Sreeram Ramdas: Second question on the new sugar and ethanol capacity expansion so our margins in the sugar and ethanol is about 18% to 19% somewhat I understand and in the publication, which stated that we are aiming for better margins once these new facilities are opened up and they start operation, so I want to understand what margins are we aiming for, maybe 20%, 23% and what is the progress we have made with this project this new ethanol and sugar plant?

PL. Murugappan: We are looking at a consolidated margin of about 25% in the ethanol and sugar plant. If everything goes well, it will be little more, because it is all based on the cane availability. If the cane availability improves, it will go up to 30% also and we are conservatively estimating at around 25%.

Sreeram Ramdas: How much margin do we expect on these FASO brands of us the new ones and on the PLI schemes can you just comment do we have any plans to participate in it? Thank you that is all from my side.

PL. Murugappan: Yes, FASO is at very preliminary stage. We are waiting for the things to improve because now we cannot look at the margins. We want to see the penetration into the market and establish the brand in the market, so margin levels we are not thinking of, we want to establish in the market that is what we are now doing.

Sreeram Ramdas: All the very best. Thank you.

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

Akshay Chheda: Sir my questions were more to do with the new sugar facility that you have announced so I just wanted to understand what is the rationale behind going for expansion in sugar especially when we are seeing a lot of opportunity in the garment side, second question would be what is your expected payback that you expect from this new facility and the third would be your future outlook on the sugar like would we continue to invest in it or say at some point in time we would like to demerge it or maybe you sell it off so these were few of my questions? Thank you.

PL. Murugappan: The government policies in the past two to three years on the sugar MSP and ethanol actually motivated us to go for the expansion in sugar and Ethanol. Comparatively the margin is much better, that is one thing and another thing in textiles, we are continuously expanding in garment and now we are AGAIN going for another garment unit. We have spinning, processing and knitting all these we have, so no need of a further investment in the spinning. So expansion is only in the garment where we can utilize all the existing, almost now around 40%, 35% of the yarn only we are consuming, so still around 60% to 65% of the raw material we are selling as a commodity in the market. There is still a huge capacity in the backward processing so that is the reason we continue to expand in garmenting and the investment, compared to the spinning is less so that is why we are expanding in the garmenting. Another thing is that we are looking another opportunity in ethanol. As you rightly pointed out that at one stage management also was thinking of demerging textile and the sugar.

Akshay Chheda: Any target that we have in the sugar business goes to say x Crores so then we might demerge it, and on the payback period what is the payback that you expect from the new facility?

PL. Murugappan: The new facility payback will be four to five years and there is no target we have fixed, if the right situation comes we can do that.

Akshay Chheda: Thank you Sir. I will come back in the queue if I have any more questions.

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

Ashutosh Garud: I just wanted to understand what is the capacity utilization in textile right now?

PL. Murugappan Spinning is 90%, processing 90% and garmenting is about 70%.

Ashutosh Garud: Sorry can you repeat that what is the utilization.

PL. Murugappan: Yarn and fabric is 90%, processing also 90%, garmenting 70%.

Ashutosh Garud: Any new capacity coming up for us because we are already at 90% utilization level?

P. Nataraj: Basically on garmenting we can reach only 70%, because this is the maximum capacity one can reach .Once we achieve 70% plus kind of a level, we have to go for a new facility that is why we are planning for a new business in three months.

Ashutosh Garud: Thanks Sir.

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

Sunil Kothari: My question is on the sugar I wanted to understand this new capacity if you can give a little bit detail what size of the sugar plant in terms of ethanol and sugar rather will we able to use this ethanol capacity in terms of say when sugarcane, sugar syrup is not available can we use those anything which enhance our capability to produce whole the year so a little bit more detail on this sugar investment?

PL. Murugappan: Basically the sugar capacity is 10000 TCD with 47.5 megawatt of power plant and 220 KLPD of ethanol plant. The plant during the crushing period, will run through sugar syrup which we will use for converting into ethanol that gives the maximum income to the sugar mills and in the off season we would like to use the molasses manufactured in the factory itself. It will be stored and used in the off season. It is designed like a fully captive kind of a business. In case of any necessity we can buy molasses from outside and use it. This plant is designed like captive plant.

Sunil Kothari: So will we able to run it full year?

PL. Murugappan: Yes it can run for full year, usually the ethanol plant run for 300 days and two months we will take it for maintenance.

Sunil Kothari: Will we able to use this current years cropping season maybe by October November?

P. Nataraj: Next sugar season, which is coming in November /December we will start the operations.

Sunil Kothari: Not in 2021, 2022 November, December?

P. Nataraj: No, in 2021 November.

Sunil Kothari: Status of our new garment facility 42 million capacity which we are planning?

P. Nataraj: We are in the final stages of land purchase and we may start the project shortly.

Sunil Kothari: Testing also will come from this year currently?

P. Nataraj: Yes, it is also coming to operation during 2021 itself.

Sunil Kothari: My last question is we had target of reaching garment products and/or crossing last year's volume numbers, which were I think 98 million and I think first nine months, this current run rate?

P. Nataraj: In Garment the number of pieces maybe little different. The number of pieces depend on the design, size and specification and all, but we hope to meet last year's value wise and numbers.

Sunil Kothari: In terms of volume mix just if you can give the numbers?

P. Nataraj: Correct, small differences will be made and reach around that level.

Sunil Kothari: Great Sir. Wish you very healthy and safe year ahead. Thanks a lot.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: Sir couple of questions from my end first on the margin front so this quarter we have seen margins going up substantially and still textile margins going up significantly so going ahead since yarn prices are going up should we expect some kind of pressure on the margins of the textile business?

P. Nataraj: Textile business in the coming one or two quarters is expected to be good only because the demand is very good. Hopefully we will make the same kind of margins and we have to wait and see. Current quarter has been good.

Kaustubh Pawaskar: So you mean to say there would not be any because of the higher demand or incremental volume you do not see that the input prices would have any impact on the margins?

P. Nataraj: Enough input we have so it will not impact the margins.

Kaustubh Pawaskar: My second question is as on December what is your cash balance and debt on books?

PL. Murugappan: Debt is Rs.556Crores and the cash is about Rs.350Crores.

Kaustubh Pawaskar: The debt increase on quarter-on-quarter basis is basically because of the working capital requirement I am just trying to understand?

P. Nataraj: Yes.

Kaustubh Pawaskar: Right Sir thank you. Thanks a lot.

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

Naushad Chaudhari: Two, three questions Sir, first on the garment side as new capacity is expected in the next four, five months so just want to understand have we added or are we in talk with the new customers to book those capacities or the existing customers are enough to observe those capacity?

P. Nataraj: With the existing customers we will absorb the capacity. We are also looking at some new customers. Basically through the existing customers we may get new customers.

Naushad Chaudhari: What would be the order size as of this quarter?

P. Nataraj: Somewhere around Rs.600Crores of orders we can get from the garment side, they are not booking orders for yarn and other products.

Naushad Chaudhari: Anything on the Ethiopia plant side what is the kind of utilizations, are there any expansion plan do you have for that on that part of business?

P. Nataraj: As you know Ethiopia is facing some civil unrest. So the things are more or less in the same level only. The civil unrest is not yet over there. Our people are staying there, the government assured that they will get into normal in the end of February. We hope that the situation will improve in the coming quarters.

Naushad Chaudhari: Any comment on the incentives part what is the rate currently and any view where could it settle in the March?

P. Nataraj: There would not be much of a difference in the incentives part, presently the government has to spell out the rates of this RoDTEP. We are waiting for the rate and we hope that it will be the same of ROSCTL level and the drawback is also the same about 2.25% as I would say. We do not think there would be some changes in the incentives part.

Naushad Chaudhari: Clear Sir thank you.

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

Resham Jain: Congratulations on very good set of numbers. I have two questions one is on sugar this new expansion, which we are doing so typically when a sugar factory is commissioned, the catchment area for the sugarcane acreage and all so if you can just help with your thoughts and is there already sugarcane farmers there and if there is no factory over there then where are they selling sugarcane earlier so if you can just help with the overall supply chain arrangement in the new factory?

PL. Murugappan: The factory is coming up nearer to the existing factory. It is about 15 kilometers from the existing factory. In the 15 kilometers radius there is no other factories presently. Renuka and two other sugar mills mostly purchase the canes and the balance cane is going to Maharashtra and some portion is coming to other sugar mills which are 50 kms away. But it is good area where two rivers are flowing and two check dams are made. The acreage is very good. My estimation would be somewhere around 25 to 30 lakh tonnes. The present consumption from this region is about 10 lakh tonne. So we will be getting somewhere around 20 lakh tonnes of excess production in this region. The rivers Krishna and Bhima are more or less flowing throughout the year, so this area is very good for the sugar mill.

Resham Jain: So what I was asking is that already there is a surplus in that area is what you are saying?

P. Nataraj: Yes it is. There is a license in that particular state where we are putting up the mill. That person is notable to setup a mill and he is surrendering the license and we are taking that.

Resham Jain: So that was my first question and my second question is on the overall garmenting theme the existing new factory or the new factory, which we are planning to set up will the ramp up will be similar to what we have seen when you commissioned your Tirupur facility or will there be any difference over there?

P. Nataraj: It will be same as the existing factory we have commissioned three years back and the size would be a little larger.

Resham Jain: No, I was asking from the ramp up perspective?

P. Nataraj: Ramp up will be more or less the same.

Resham Jain: It will take two years to fully ramp up that capacity is that right?

P. Nataraj: Yes, it will take full one year for ramping up and the full result will take one year.

Resham Jain: Got it and my last question is on the cash allocation going forward given the new sugar factory and the garmenting factory, which will come up next year the cash generation next year onwards will be like quite significant and beyond FY2022 you will have more than 800 to 1000 Crores kind of cash generation every year any broader thoughts over the next three years, four years period now or are you going to utilize this large sum of cash because your investment as you mentioned is more towards garmenting and garmenting cannot absorb that large cash generation so your thoughts?

PL. Murugappan: No, we are very much on this and presently we are going for the two expansion. The Garment and the sugar with ethanol .We are fully focusing on that so it will take eight to ten months to complete all this. Then the management will sit and discuss for the next quarter. Still there is a time. We are fully aware that we have to plan. Presently our focus is to bring into the full capacity operations, so maybe after at the end of the year or maybe beginning of 2022 we will seriously think about this.

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

Moderator: Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: I just wanted to know after we complete both the projects namely expansion in the garment, textile and sugar and ethanol what will be the return on capital employed and what will be the return on equity that we will be getting?

PL. Murugappan: Sir Return on capital for the sugar plant is expected to be somewhere around 20% to 25% and return on capital on ethanol is 20% and garments is usually 30% plus kind of returns basically.

Shanti Patel: Effectively if you combine both what will be the results?

PL. Murugappan: If you combine both, it will be 25% plus kind of a scenario.

Shanti Patel: On return on equity or return on capital employed?

P. Nataraj: The return on capital employed.

Shanti Patel: Return on equity?

PL. Murugappan: Return on equity will be large it will be somewhere around 40%, 50%.

Shanti Patel: So you mean to say return on equity will be approximately 40% and return on capital employed approximately 25% after both the projects are fully implemented is it right?

P. Nataraj: Correct.

Shanti Patel: Thank you very much.

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

Ankit Gor: Firstly few data points sir if you can share a yarn fabric volume and also garment sale volume?

P. Nataraj: You want sale volumes of all this?

Ankit Gor: Yes Sir.

PL. Murugappan: Yarn 14700 tonnes, fabric 4200 tonnes, garments is 22.56 million.

Ankit Gor: If I heard it correctly you said our garmenting capacity utilization is 70%?

P. Nataraj: Yes correct.

Ankit Gor: This was for Q3 right?

P. Nataraj: Generally garment capacity utilization will be calculated at 70% only because achievable utilization is only 70%.

Ankit Gor: Our capacity in FY2020 if you see is 115 million pieces and we did about 98 million pieces in FY2020?

P. Nataraj: 115 million is 70% level.

Ankit Gor: What is our currently quarter inventory carrying cost?

P. Nataraj: 2%.

Ankit Gor: Did we have any cotton inventory gain loss in Q3?

P. Nataraj: More or less prices are stable in the second quarter and third quarter.

Ankit Gor: How difficult or easy for us to pass on inflation of cotton price inflation to our customer are they equally reciprocate in terms of taking that prices or what is the process?

P. Nataraj: Generally the time lag is about 1 month to pass on the benefit of the cost to the buyer.

Ankit Gor: Okay Sir thank you very much that is all.

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

Sreemant: Sir if I see the yarn prices have rose much higher relative with the cotton prices and our gross margin expansion in Q3 were very huge so if you can quantify out of the 193Crores operating profit we did in Q3 how much will be because of this gross margin expansion because of high yarn cotton spread?

P. Nataraj: It is somewhere around 6% to 7%.

Sreemant: If I remember in Q2 you mentioned that our garment order book is 540Crores so what is the number for Q3?

P. Nataraj: It is about Rs.600Crores.

Sreemant: One thing I want to understand with regards in the sugar capex, so in the past where the small amount of capital committed to sugar business and now the 500Crores capex is going on so can you please help us understand how it is different to operate in Karnataka related to Maharashtra or Uttar Pradesh basically what I want to understand is what are the yields in cotton and how the procurement cost of cane and sugar realizations will be differentiate from the Maharashtra or UP?

P. Nataraj: I could not get your question sir you are asking sugar business or cotton procurement?

Sreemant: No Sir I am asking about sugar business so basically what I want to understand is that what is your crushing season in sugar in new capacity?

P. Nataraj: Crushing season is November to March.

Sreemant: So it will be 150 days?

P. Nataraj: Correct.

Sreemant: What is the recovery rate in Karnataka?

P. Nataraj: In the region where we are situated it is somewhere around 11%, 11.5%.

Sreemant: On current capacities has 11.5% recovery rate?

P. Nataraj: Yes.

Sreemant: One more thing new cogen power plant will have 47.5 megawatt so how much will be for external sales?

P. Nataraj: It is about 50% going to be external sales.

Sreemant: In last call you said that in eight to nine months our garment capacity will come up so basically if I think nine months from October it will be June, so will the new garment capacity will be commissioned by June?

P. Nataraj: It seems it will take a little while because the land acquisition takes times, maybe one or two months' time delay will be there.

Sreemant: So basically in Q3 which will commission at least?

P. Nataraj: Yes.

Sreemant: New sugar capex when will it be commissioned?

P. Nataraj: It was expected to be in the next sugar season that is November 2021.

Sreemant: What is our ethanol revenue in Q3?

P. Nataraj: Q3 is about 46Crores.

Sreemant: I want to understand one thing so we have this current year sugar capacity is 10000 TCD so what capacity utilization it is operating in Q3?

P. Nataraj: This is operating at 90% capacity.

Sreemant: Okay Sir and the same will continue for the complete Q4 right?

P. Nataraj: Yes.

Sreemant: Okay Sir fine thank you so much.

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

Ritesh Badjatiya: Most of the question is answered just one industry related phenomena I want to understand, so like in 2005 when multi fiber agreement was lifted that time also significant opportunities open up for the Indian textile manufacturers and at that time we are not able to capture those opportunities in the event since government has not taken required reforms, which was required as such, now again in that form of China Plus One is coming up and the global market was giving lot of opportunity for the Indian textile player, so this time how do you see government initiatives and are you happy with the government initiatives and expecting some more reforms, which can help to get this kind of opportunity, which is coming up in the present scenario yes that is all?

PL. Murugappan: In 2005, almost 15 years before, scenario was different. Generally textile units in India were fragmented and in small size. Only few companies were larger in size and slowly they are all growing up. Understanding this over a period of last 15 years the Government initiated some textile park. This time government in the budget have announced larger size of Textile parks. Seven textile parks they have announced. We are all waiting for that. They said each park will be 1000s of acres. We do not know how much exactly, what is the size, but in 1000 acres they can reasonably create good capacity. The Government may provide common facility. Once common facility created even medium size players also can come and start with a larger capacity. Larger size player may also gain if government creates plug and play facility. They can buy the machine and install within a short time like two, three months. They can start the commercial production earlier, so that is only the government has announced. The government also now understand what is it China plus One situation and other competitors in other countries.

Ritesh Badjatiya: Sir on the labor laws do you think that government has taken all the required reforms or some loan is required from the industry perspective side?

PL. Murugappan: That we have to wait and see the complete details. More clarity needed if they come out with complete set of the regulations, then only we will come to know what the kind of the impact or the support so that.

Ritesh Badjatiya: Got it Sir. That is all. Thank you Sir.

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

Akshay Chheda: Sir actually I wanted to ask you about the EBITDA margins so in this quarter you have clocked around 27% so that is like best if I would have to see for quite in the past quite some time, so I just wanted to know like what would be the EBITDA margins that you would be looking for in the near-term and the long-term like what would be the number that you would be okay with? Thank you Sir!

P. Nataraj: Actually we work with the EBITDA margin of about 20% for yarn and 22% to 25% for garments and with increased sugar capacity and all we are looking at 33% kind of margin in sugar. But sometimes the margins are quite good, because of the good demand from the market and as of now across all the value chains are doing well. Sugar, we have commissioned the ethanol plant last year, now it is running at full capacity so their margins are better.

Akshay Chheda: Thank you.

Moderator: Thank you. The next question is from the line of V Samala from Tata Asset Management Company. Please go ahead.

V Samala: Sir if you could just help us understand the quarter gone by that is Q3 how many days was the sugar or ethanol plant operated for because I believe that it was under maintenance for some time and we started mid quarter?

P. Nataraj: Yes, it is, the season started in first week of November it is about 60 days of running.

Samala: Ethanol plant is also operated for 60 days is it?

P. Nataraj: Yes integrated plant only.

V Samala: For the new sugar cum ethanol capacity that is going to come up what is the total revenue expectation and the split between sugar and ethanol that you are expecting?

P. Nataraj: Revenue expected somewhere around Rs.600Crores, the sugar and ethanol split would be 50%:50%.

V Samala: Overall margins would be for the new plant?

P. Nataraj: Minimum we are looking at 25%.

V Samala: You just were replying to previous participant's question that yarn you are expecting 20%, garment 20% to 25%, sugar did you say 25% or 35%?

P. Nataraj: 25%.

V Samala: In the current quarter what would be your expectation from sugar and ethanol plant with respect to the revenue?

P. Nataraj: Revenues we are looking at somewhere around Rs.150 Crores, the margins expected to be around this level of about 30%.

V Samala: Sorry margins would be?

P. Nataraj: Around 30%.

V Samala: My last question on the ethanol now that we have operated for quite some time specifically on ethanol what kind of margins are you getting?

P. Nataraj: We are not separately seeing margin of ethanol we are seeing it as a business.

V Samala: Okay sure. Thank you, thanks a lot.

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

Bharat C: Congrats on a good set of numbers. Just had a query regarding this revenue breakup of yarn fabric and garment in Q3 of this year as well as Q3 of last year?

P. Nataraj: You want the sales figure of yarn fabric and garment volume numbers or value numbers?

Bharat C: Sir Revenue contribution.

PL. Murugappan: Yarn is Rs.315Crores, fabric Rs.96Crores, garment Rs.369Crores.

Bharat C: Fabric number?

PL. Murugappan: Fabric 96Crores and garment 369Crores, last year yarn 321Crores, fabric 33Crores, garment 302Crores.

Bharat C: For the order book that you are talking of garment order book, which is around 600Crores currently so this, is for how many months?

P. Nataraj: It is for six months.

Bharat C: This increase in yarn prices how easy or difficult it is to pass on because it has been increasing so how do you see that?

P. Nataraj: See generally the yarn prices are fixed once in a month so there will be a time gap of about 1 month to pass on major benefit or the cost.

Bharat C: Okay Sir. Thanks for answering the questions.

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

Shraddha Agarwal: Congratulations on a very strong quarter. Most of my questions have been asked, just a few couple of questions, sir could you give the margins between the various segments in textile, yarn, fabric and garment?

PL. Murugappan: Yarn is 24%, garment is 33%, sugar 30%.

Shraddha Agarwal: What is the captive consumption of fabric currently what percentage are we using captively?

PL. Murugappan: It is around 40% now.

Shraddha Agarwal: On the increased capacity right?

PL. Murugappan: Yes.

Shraddha Agarwal: Could we sell viscose yarn because we had also started some small capacity on the viscose yarn side?

P. Nataraj: The market is very good, movement is very fast.

Shraddha Agarwal: On the new sugar plant you said that the potential revenue expected is 600Crores so it is broadly similar to what we are getting from the existing sugar and ethanol capacity right now the existing capacity of 10000 and 130 KLPD?

PL. Murugappan: Slightly higher because the ethanol capacity is little higher there in the new capacity; maybe the power capacity is also slightly higher. Because of that there will be some Rs.50 to 60Crores revenue would be higher.

Shraddha Agarwal: So we are doing close to Rs.550Crores on the existing capacity on a margin of 21%, 20% and the new plant will be at 25%?

P. Nataraj: Yes, it is fully integrated plant.

Shraddha Agarwal: Sir just one question how much sugar did we sell in the quarter?

P. Nataraj: 15000 tonnes we sold for a value about Rs.48Crores.

Shraddha Agarwal: Inventory in sugar how much will be sitting on?

P. Nataraj: It is about 45000 tonnes.

Shraddha Agarwal: Thank you Sir.

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

Siddharth Rajpurohit: Congratulations on a very strong set of numbers. Sir according to your estimate so how long can this spread between cotton and yarn sustain?

P. Nataraj: We hope that this will continue for this quarter and one more quarter. It will be very difficult to estimate for a longer period.

Siddharth Rajpurohit: Are you facing resistance in terms of passing over the cost given the spread is very high now historically?

P. Nataraj: It is a commodity market and the commodity is open to the market so there would not be much of a difference, it is healthy.

Siddharth Rajpurohit: Given there is lot of talk of this China plus One, but is this really on ground how do you see this spanning at now, are we getting significantly high orders from clients, which were earlier from China or they are moved to other country?

P. Nataraj: Small increase in inflow of order we have seen. We hope that it will continue. It is a very early stage to predict and the order book is also growing for us and all garment players also. Immediately it cannot happen, it will take sometime and we have seen some movement in the market.

Siddharth Rajpurohit: Is yarn sourcing independently gone up from India as compared to as our players from Vietnam or other countries moved out of sourcing from China to more of India?

P. Nataraj: See sourcing from India has gone up substantially but we do not know exact number of how much increase and all.

Siddharth Rajpurohit: Thank you Sir. Thank you very much and all the best Sir.

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

HR Gala: Yes Mr. Nataraj and team congratulations for a great set of numbers. Sir my question is this time the major increase in the margin has come from the gross margin improvement and not much from the other operating cost or payroll cost, so what was the main reason like you said that it was mainly because ethanol plant operated at a full capacity so 7% improvement in the gross margin can we sustain this kind of gross margin going ahead, it will be partly sugar, partly textile because we do not have that breakup?

P. Nataraj: As we discussed earlier also, this quarter across the value chain doing really well and the margins in all the segments have improved in textiles and as well as in the sugar and we hope that the trend will continue for next quarter also. This is a business where it all depends upon the market but the things will be more favorable for the industry.

HR Gala: What I observed that as far as PBIT percentage is concerned sugar has come down YoY from 20.7% to 18.8% whereas textile has improved from 13% to 24% so the major increase in the margins since you have come from textile and not sugar so that is why I just wanted to know its relationship with the gross margin level?

P. Nataraj: Yes, all the segments are doing really well. So the margins are higher. Sugar also doing well and because there we have a gross margin of about 20% so that all the business will do well in the coming quarters also.

HR Gala: Thank you very much Sir. Wish you all the best.

Moderator: Thank you. The next question is from the line of Samala from Tata Asset Management Company. Please go ahead.

V Samala: Sir just wanted to understand given the large quantum of investment in the sugar business how are you thinking about the business moving forward would the management be thinking of this vertical as a one of the core operating verticals moving forward and something that you would want to expand hereon as well?

P.Nataraj: Even previously for some questions also we have answered this. Maybe after sometime we can plan for a demerger of the sugar from the textile so that is also an idea. For that we should get a reasonable price Government has brought a policy of mixing more Ethanol into the petrol and here government has to increase the ethanol price also, to make more attractive. That is the reason. Now in this quarter if you see this mainly ethanol is contributing better margin.

V Samala: So in the future also you are not averse to investing in this if the right opportunity comes in right?

P. Nataraj: The situation will decide on this.

V Samala: One last question so I think you mentioned to one of the previous participant's question that for the new garment capacity you are receiving orders from the existing customers itself so if you just look at the overall garment capacity of about 40, 42 million what kind of bookings would you be having at this point in time?

P. Nataraj: We are not looking the orders in advance and also we get only the season wise not full year kind of order. Once that capacity get commissioned we will start taking the orders.

V Samala: So maybe our booking is not the right one but negotiation or some sort of an agreement?

P. Nataraj: Requirement has come, that is why we are going for expansion. Lot of requirements from the existing players We are also discussing with the new players we started sampling and all, before commissioning new plant, we will finalize the order level.

V Samala: So seeing the good demand robust demand that we are witnessing now post COVID and some of the factors that you already mentioned do we expect an accelerated ramp up this time of the new plant versus when we commissioned before?

P. Nataraj: We will try to do this. We are ready to do it.

V Samala: So one to one and half years is what we should expect at this point in time right for you to reach?

P. Nataraj: It will take minimum of that period, because this is the larger capacity. We are more conservative on that but we will try our best.

V Samala: Right sure, okay Sir thank you, thanks a lot for taking my questions. All the best.

Moderator: Thank you. We will take our next question from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: Sir I just wanted to know whether we are financing this expansion through internal accruals only or debt or partly debt and partly internal accruals.

PL. Murugappan: Partly debt, partly internal accruals.

Shanti Patel: So what will be the approximate interest burden because of the borrowing?

PL. Murugappan: Borrowing expected to be somewhere around Rs.600Crores and the interest cost expected to be somewhere around Rs.40Crores.

Shanti Patel: Sorry 40?

PL. Murugappan: Rs.40Crores initially and more once the season starts.

Shanti Patel: That is right, okay thank you.

Moderator: Thank you. We will take our next question from the line of Normal Shah from Traffic Management. Please go ahead.

Nirmal Shah: I do not know whether this question was asked before with respect to our export incentive how big is as per our as a percentage of revenue for us and are you concerned about the reduced allocation for the new scheme RoDTEP in the budget, which was announced on February 1, 2021 and also you can share what is your view about the export incentives moving ahead?

P. Nataraj: Export incentive, we are not seeing any difference or any change in present system. Maybe they came up with the licenses and some kind of a thing will be there. We hope to continue with the existing incentive structure.

Nirmal Shah: How big is it for us right now as a percentage of revenue?

P. Nataraj: About 70% was the garment revenue and 2% was the yarn exports.

Nirmal Shah: Thank you Sir.

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

Ahmed: Sir I want to understand what should be the ideal ethanol growth for a new 230 KLPD distillery how much would be direct and how much would be demolasses?

P. Nataraj: 50% from distillers and 50% from molasses.

Ahmed: What is our current capacity?

P. Nataraj: The current capacity is 130 KLPD and this one also we will do it at the same way.

Ahmed: Okay so we will do 30%, 50% direct right?

P. Nataraj: Yes, 50% direct.

Ahmed: From your current 10000 TCD what can be the peak revenues we can gain?

PL. Murugappan: Revenue is around Rs.550Crores.

Ahmed: I want to understand one more thing as you told that we take price escalation for the garment business every month so for example for this Q3 and Q4 have we already taken the price escalation?

P. Nataraj: Could not get your thing, come again.

Ahmed: So for our garment business as you told that we take every one month price hike with our customers?

P. Nataraj: No, garment is six months order we are not taking any price hike, only in the yarn every month we are fixing the price.

Ahmed: One more thing so for our ethanol 230 KLPD will the captive molasses will be sufficient or we will buy molasses from outside?

PL. Murugappan: Sir we are planning only for captive plant. But there is no problem in buying all this from outside and use it when there is a shortage we can buy it from outside and then use it.

Ahmed: For our current garment business we source 100% yarn and fabric from our captive right and we do not buy from outside?

P. Nataraj: Yes.

Ahmed: What is the status of Ethiopia plant what is the volume we did in Q3 how is the things went there?

P. Nataraj: As we discussed earlier in the call also, Ethiopia is facing some civil unrest within the country and from the last September onwards nothing is happening there. We are waiting for the things to improve, we can see how it progresses. Our people are staying there and watching the situation. Government has given the assurance of getting the things cleared and therefore it will recover and again the things will improve.

Ahmed: Okay sir fine thank you I think that is it from my side.

Moderator: Thank you. I now hand the floor back to the management for closing comments. Over to you Sir!

P. Nataraj: Thank you very much. So with the ongoing COVID vaccination program the economy is expected to recover fast and the normalcy may soon be restored. Thanks to the overall scenario. The market is good now and KPR is planning for the expansion on the right time. The unique strength is our employees around 25000 employees strength it is like a strong team and in the top level management also, all the second generation people joined in the business. So this is also adding to the existing strength of the top management and with our technical team with expertise on the project execution, we are very confident and we will be able to achieve the performances ahead of others at any situation. So we have proved that even during the COVID lockdown time KPR has come up very strongly that is mainly because strength of the people of KPR. So with this that we can assure that on any situation we will come out strongly even at the critical time also. After relaxation the market is also favorable and we hope that this will continue in the future. With all this we all ensure that KPR will perform better and better. So once again thank you all for your continued support. Thank you very much. Stay safe. Thank you.

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