

K.P.R. MILL LIMITED

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21.05.2021

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 30th April, 2021

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

Please take the same on record.

Thanking You,

Yours faithfully,

For K.P.R. Mill Limited



P. Kandaswamy
Company Secretary

Encl: As above



“KPR Mill Limited Q4 FY 2021 and Full Year FY2021 Earnings
Conference Call”

April 30, 2021



ANALYST:

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

MANAGEMENT:

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

Moderator: Ladies and gentlemen, good day and welcome to KPR Mill Limited Q4 FY2021 post result Conference Call hosted by Batlivala and Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal 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 Miss. Prerna Jhunjunwala. Thank you and over to you Madam!

Prerna Jhunjunwala: Thank you Malika. Good evening everyone on behalf of B&K Securities, I would like to welcome you all for 4Q FY2021 and full year FY2021 result conference of KPR Mill Limited. Today we have with us the senior management including Mr. P. Nataraj – Managing Director, and Mr. P. L. Murugappan – Chief Financial Officer of the company. 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. Very good evening to everyone I welcome you all for the KPR Mills Q4 Earnings Call of Financial Year 2021. With me our CFO, Mr. Murugappan is there.

KPR is glad to announce good financial results in the Q4 also, with the encouraging demand for the products from all segments. The cotton prices remained stable for most of the period in this period. India continues to be a cotton surplus country and global cotton harvest area as well production is also reported to have gone up in 2021 that is in the coming season also. Cotton yarn prices in India have also been increasing in line with the international yarn prices.

The sustained quality and timely delivery enabled KPR to attract more garments order from the customers whose activities revived after relaxation. KPR’s trendsetter, welfare facilities and the dedicated employee’s participation enhanced the productivity even during the

COVID times ensuring KPR's outstanding ability and sustained competitiveness.

We registered highest ever revenue and profit during the year. Proving its strong fundamentals and leadership KPR was able to withstand all hurdles during this tough time by delivering good performance. Sugar and Ethanol business adds both revenue and profitability which have mooted our expansion plans in the segment. With these few opening remarks, the floor is now open for question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sreemant Dudhoria from Unifi Capital Private Limited. Please go ahead.

Sreemant Dudhoria: Good evening gentlemen, thanks for the opportunity. Few questions, firstly in the garment business realization that we got in the quarter four now as per the working patterns the realizations have dropped in the quarter four to about Rs.127 as against say Rs.148 last year. So, what has been the reason for this decline in the garment realization?

P L Murugappan: During the quarter RoDTEP benefits are not yet notified. So to that extent the revenues for garment has come down because it was added to the realization side. Government announced the scheme but not yet notified the rate, it is expected to be around 5%. So the realization is about 5% less.

Sreemant Dudhoria: So, what is the sustainable number you had said?

P L Murugappan: It will be somewhere around Rs.140 kind.

Sreemant Dudhoria: Okay, and also despite better garment business and also better spread even in the textile business sequentially the margins have come down. What reason should be attributed to this sequential decline in the margins in the textile business?

P L Murugappan: Mainly the export benefits are not accounted during this quarter as far as the garment business and Compared to earlier years, this year the spinning business did well even though the cotton prices moved up .So overall margins are little lesser than the expected lines.

Sreemant Dudhoria: Sir, when you say the export benefits were not realized in quarter four should this be realized in the coming quarters?

P L Murugappan: Yes, expected to be there because the scheme is already there. Only the rates need to be announced. Once it is done we can provide.

Sreemant Dudhoria: Got it Sir, and on the sugar business our revenues increased driven by the capacity expansion. But however, there was kind of sequential drop in the EBITDA margins even in the sugar business now quarter four being a kind of a seasonally strong quarter for this segment so, again what reasons can be attributed to this decline in margins?

P L Murugappan: This time what happened was we have started producing Ethanol from the sugarcane juice during the season and the entire molasses was fully stocked for the off season. Because of that the molasses is valued at cost and hence the margin percentage is bit lesser. It may be revised in the coming half year.

Sreemant Dudhoria: Right Sir. I will get back in the queue. Thank you.

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

Sunil Kothari: Thank you very much Sir, and thanks for the opportunity. Congratulations for such a good performance. Sir, my question is broadly on during last three years if we look at our garment products and garment revenue that is almost stagnating between Rs.93 million to Rs.98 million and then around Rs.1400. so, what is your thought process and planning for next three years how you see garment capacity, production, and revenue numbers. Whatever, because we

have really done well during last four year-five years but in terms of this garment revenue we are stagnating so what planning we are doing?

P Nataraj: Sir, actually we are expanding the garment capacities with about 42 million capacity, which will come into operation during this year sometime in October-November. It will take about 10 months to one year for ramping up. So, in 2022-2023 you can see a large difference in the garment revenue.

Sunil Kothari: Okay, so Sir for current year should we expect little stagnancy in the growth looking at we do not have any garment further capacity. So, what is your outlook for current year what type of growth are we projecting?

P Nataraj: Both our expansions are going on, sugar and garments. Garment is expected to commence its production sometime in October and November and sugar expected to commence its operation during the season i.e., from November onwards. Both may not give full production during this year but it may give additional 10% to 15%.

Sunil Kothari: For current year?

P Nataraj: Current year 15% to 20% kind of growth is expected.

Sunil Kothari: Right, so just last question is what type of garment production we are expecting during this year 2021-2022?

P Nataraj: Sir, it is very difficult now because we are in the mid of pandemic, we hope that we will achieve somewhere around 10% growth in the garment production also.

Sunil Kothari: Great Sir. Thanks a lot. Wish you good luck. Thank you very much.

Moderator: Thank you. The next question is from the line of Mulesh Savla from Shah and Savla. Please go ahead.

Mulesh Savla: Thanks for taking my question and heartiest congratulations on great set of numbers during the challenging time. Sir, my first question was on expansion, can you please throw some light on few expansions cum new facilities we are going ahead and let us know the status of all of them including that knitting facility and Viscose yarn facility and modernizing of processing unit and things like that. You have covered about 42-million garment facility but on some small other expansion you may please give us some updates?

P Nataraj: Yes sir, already this knitting facility which was completed during this year the production is on and similarly the Capex for the 100% of Viscose product is also completed and it is fully operational. Similarly the processing facility also expanded and so previously we had some 22,000 tons capacity and now another 5000 capacity has been added just last month. So, all these additional operations will be utilized in this financial year. So, these are all already completed small projects and now the major expansion is 42 million garments where already the construction work has started in fact one month before and as per plan the work is going on. We expect it to be commissioned by October-2021 most probably. Similarly in the sugar cum Ethanol project also like the work is going on i.e., construction work is going on; already order is placed well on time. Strategically planned so that we are expecting to commission that also by November-2021. So, these two projects will be coming to operation before the end of this year i.e., before December 2021.

Mulesh Savla: Sir, these are few small projects which have already commenced the production. What type of revenue they can edge to the topline?

P Nataraj: Revenue side if you look, the processing plant will generate somewhere around Rs.30Crores to Rs.40Crores of revenues that is mostly for the internal consumptions and as far as knitting is concerned, knitting is fully consumed internally for our garment expansion. This has been done strategically to make the additional requirement for the new garment facilities. So, that will also be consumed mostly in house and vertex may

get the revenue of about Rs.60Crores to Rs.75Crores in the revenue per year.

Mulesh Savla: Very good, and sir now two accounting questions, one is that inventory is little on the higher side so, can we presume that this is the stocking of raw cotton for our future requirements?

P Nataraj: Correct Sir, you are right.

Mulesh Savla: Another question which is related to the first question about that RoDTEP benefits which we are going to account in the subsequent quarters as and when it is received. So, do we think that whenever that is crystalized in that particular quarter we will have additional revenues related to these past quarters?

P Nataraj: Yes, the last quarter benefit will be accrued as and when the government announces the rate.

Mulesh Savla: So, have we made provision in the current year or we have not at all made any provisions?

P Nataraj: We do not know the rates so we have not accrued it.

Mulesh Savla: Great, so supposingly if we get around 4% of the export incentive the 4% on our export turnover we will be getting in the subsequent quarter?

P. Nataraj: Yes, you are right.

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

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

Ashutosh Garud: If you can share more colour on the two expansions which you are going to come up in Q3, first is the sugar and Ethanol plant so if you can give us some sense of how different that is going to be from your

previous sugar plant. Because I believe the Ethanol capacity contribution to sugar is fairly high as compared to the other sugar plants which we have, that is one and the other question was on your garmenting expansion. If we are going to increase our garmenting capacity would that mean that the spinning revenues would come down so the absolute growth may not be linear as far as the growth is concerned but the return ratios ROE, ROC's on that particular business would be higher, so if you can through some light on these two aspects?

P L Murugappan: New sugar plant will have a capacity of 220 KLPD of the Ethanol. It is designed to convert at about 30% of this sugar cane juice into Ethanol during the season. During the off season, the plant run through molasses that was produced during the season. So, more, or less utilization of juice for converting Ethanol would bring around 50% revenue from Ethanol and more than 50% in the overall revenue and sugar will be little lesser than the 45%-50% levels and Power revenue will also be there. However, we are going to have around 47.5 megawatts because for the additional Ethanol capacity we need to increase power capacity also because in the existing plants and new plant the crushing capacities are 10,000. As far as the garment is concerned as you rightly mentioned there going to be a captive consumption of yarn but not in a very big way because our yarn capacity is very large, we can produce somewhere around 1 lakh tons. The new garment facility requires about 5000 tons of yarn, to that extent the yarn revenue will go down but if it goes down to Rs.100 Crores, then garment revenue will go up to Rs.500 Crores. .That is the Garment revenue will come up about 5 times.

Ashutosh Garud: Okay, Sir so on absolute terms we would see this second kind of a growth from a garmenting perspective but it would also mean that the ROE, ROC's would improve on a blended basis right, because of the?

P L Murugappan: Yes, on blended basis it will substantially improve.

Ashutosh Garud: Right, and Sir also on both these expansions if you can share how is the ramp up going to happen, how would it trickle down on to the revenues because garmenting I believe may take up to around 12 months to 16 months to ramp up and you can correct me if I am wrong, and similarly if you can through some light how the ramp up will happen for sugar-Ethanol plant?

P L Murugappan: Garment generally takes 10 months to 12 months for ramping up and reach full capacity and sugar generally is about one month's time frame will be there. During the trial run also, we will produce but whatever small issues is there that will get rectified. Full production will be achieved in 30 days- time.

Ashutosh Garud: Okay, so Q4 we will see the full production for that?

P L. Murugappan: Yes.

Ashutosh Garud: Thank you Sir. Thanks a lot for answers.

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

Naushad Chaudhary: Thank you for the opportunity and congratulations on a good set of numbers Sir. Firstly, I wanted to understand in terms of challenges after this second wave, are we facing any hurdle and challenges in our overall eco-system from raw material supply to dispatch final products to the customer, is there any delay in terms of order delivery to the customer. This is my first question?

P Nataraj: Sir, regarding raw material our major raw material is cotton. Being off season already we have procured the cotton and keeping stock. Mainly we buy the cotton from Gujarat and Gujarat now is pandemically little higher in levels but already we have procured and keeping as a stock. For the garment the raw material is yarn where we produce internally. So, there is no issue regarding raw material and similarly for work force already we have explained even during the previous discussion. Almost

all the people more than 22000 people are staying within the campus so there is no issue at all for running as well as that is the strength of KPR. We do not see any issue of course in customers' point of view now. Even after the first wave and second wave also in US and Europe they have managed a little better way. Now already they are in the peak and the level is coming down. So, there is no big issue on the customer point of view. The flow is comfortably going on and only the thing we have to wait and see the India. How the second wave is going to hurt because we supply yarn to the domestic market also. But so far there is no considerable issue to say but we have to wait and see this month. Because everyone say that May will be the peak in India and so we have to wait and see. Already government has announced there will not be any complete lockdown like that so even here in the state of Tamil Nadu the government also has come up with little restrictions so there also they have given some exemption for the large scale industries. They specifically exempted like Cement, Sugar and large vertical integrated textile companies. KPR is also coming in that category. So, absolutely we do not have any issue as of now but may be in the next couple of months particularly in May we have to wait and see while kind of issues coming. We are prepared for any kind of issues. Even last year exactly by this time where there was complete lockdown during the time we have come across with the minimal migrant labor issue only. KPR has come out very strongly and successfully. So, we are very confident with all this strengths things may progress. But overall, presently we do not see any difficult situations.

Naushad Chaudhary: Okay, Sir what is the order book currently we have?

P Nataraj: It is about Rs.575 Crore's order book we have.

Naushad Chaudhary: Rs.575 Crores?

P Nataraj: Yes.

Naushad Chaudhary: Okay, is there any because if I remember last quarter there was around Rs.600 Crores so is there any softness or optimism has gone down little bit in last two weeks-three weeks in terms of order grow or queries anything on that part if you can share?

P Nataraj: Orders now is very good because usually it is a two season order book, size wise we will grow it is reasonably good order size and some buyers like H&M, even that they used to give order two months earlier so we are very comfortable with the order book and we will be fully operating our existing garment factories.

Naushad Chaudhary: Okay, last question and then I will come back in queue, can you share the revenue mix of sugar and ethanol both because ethanol is now expected to be a sizeable in next one year or two years. So, it will be great of Rs.496 Crores which we have reported for ethanol and sugar, can you share the broad break up how much was from sugar and how much sales was from ethanol?

P Nataraj: I will come back to you.

Naushad Chaudhary: Alright Sir, I will come back in queue for my further question.

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

Bharat Chodda: Congratulations on a good set of numbers. I had a query regarding the gross margins again, so this gross margin what would be a sustainable level that we can walk on this because if we see that probably is there a demand going down then probably how are the spreads also panning out. So, where would be the gross margin level that you foresee in the near term?

P L Murugappan: Sir, we are generally hoping with gross margin of above 20 plus kind of margin. It fluctuates in the range between 15% and 24%. This year is another good year where around 23% kind of gross margin is expected.

Bharat Chodda: So, 20% to 25% gross margin?

P L Murugappan: Yes.

Bharat Chodda: Okay, and that is EBITA I think?

P L Murugappan: Yes.

Bharat Chodda: I was speaking about the gross margin Sir?

P L Murugappan: Sir, EBITDA margin only we are discussing.

Bharat Chodda: Okay, fine and could you be able to provide the yarn and fabric revenue split if possible?

P L Murugappan: For the quarter Sir?

Bharat Chodda: Yes, quarter, and full year is you can provide?

P L Murugappan: Yarn turnover is about Rs.415 Crores for the quarter, for the year is Rs.1221 Crores, fabric for the quarter Rs.81 Crores, full year Rs.292 Crores.

Bharat Chodda: Sir if we look at the new garmenting capacity so what would be the incremental fabric that would be required for our new garmenting capacity?

P L Murugappan: About 5000 tons of yarn in the fabric and will be used for the garment industry.

Bharat Chodda: Okay, and would it be possible to give the yarn fabric volume in Q4 just split for that?

P L Murugappan: Yarn sales for the quarter 16000 tons, fabric sales for the quarter 3000 tons.

Bharat Chodda: Okay Sir, that was really helpful. Thank you so much.

P L Murugappan: Yes, just another question asked by another person the sugar – ethanol sales, sugar is Rs.321 Crores for the year; ethanol is Rs.140 Crores for the year.

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

Ankit Gor: Sir, thank you. Few questions, it seems there is some delay in our new 42 million, capacity or are we on time Sir, because if I remember correctly last time we said we should come by July and now we are saying October-November?

P L Murugappan: Actually, the reason is little delay in purchasing the land and finalizing the purchases and this has been done little late and therefore we have started the construction last month. Hopefully it will be completed by September-October and may start in October.

Ankit Gor: Okay, in a related question to that is, not relate but any update on textile policy which we and there we also working to set up integrated capacities or new green field capacity any update there, Sir, any textile policy update?

P L Murugappan: Textile policy is awaited. We are waiting for the policy. Because of the elections in various states and the pandemic the government is yet to announce the textile policy. Hopefully they will be doing during first half of this year.

Ankit Gor: Okay, and if you can give us some break up on suppose for example if FY2021 what sort of a billing break up in USD, GBP or Euro, the reason behind asking this question was in last three months GBP and Euro have done substantially well. So, they should positively impact our overall realization per piece and how do we see this trend Sir?

P L Murugappan: Sir, actually I will give you the breakup of currency wise sales, Dollar is about 80%, Pounds is about 13% and Euro is about 7%.

Ankit Gor: Okay.

P L Murugappan: But actually what we are doing is about 80% to 90% exports are covered immediately on confirmation of the order. So, we are not waiting for the fluctuations to happen because we want to keep the margin intact so we do not keep currencies open. So, the short-term fluctuation will not have any impact on the business.

Ankit Gor: Right, and Sir lastly on Ethiopia any update there are we restarting the capacity there or we have already started. Any update there on Ethiopia will be helpful though it is very miniscule in overall scheme of things?

P L Murugappan: Situation improved and we have commenced the manufacturing activity in the month of February and export also started happening. We are closely monitoring the situations and the factory is running now, few shipments have gone. Still the situation is not very favourable but we are able to operate the factory. Let us see how the things are moving because though situation has improved substantially we have to see how it progresses.

Ankit Gor: Okay, if I am not wrong we spend about 20-25 till now right, in Ethiopia that is our capex amounting?

P L Murugappan: Can you come in again?

Ankit Gor: In Ethiopia we spend about Rs.20 Crores to Rs.25 Crores till now? Ethiopia, in Ethiopia our overall capex is roughly in the range of Rs.20 crores to Rs.25 Crores, right this?

P L Murugappan: Capex is somewhere around Rs.15 Crores.

Ankit Gor: Okay, any other liability there Sir, not as of now apart from?

P L Murugappan: No, we have not borrowed anything there so only our money we have invested, there is no liability there.

Ankit Gor: Lastly sir, any updated package plan, on our retail FASO how are we looking in midst of this pandemic and any change in this strategy Sir?

P L Murugappan: Sir, FASO we started marketing. Because of the pandemic, all the retail stores were closed for about six to seven months. They gradually opened and we have started the advertisement and other things and it was improving but suddenly some variant has emerged. In southern India the response is very good. Now the products are all available online like Amazon, Flipkart, our online portal also available and the retail shops are all closed unfortunately. Again the lockdown has come in state may be Karnataka and Tamil Nadu, also they have closed little larger shops and all. We have to wait for a month or so to proceed further.

Ankit Gor: Okay, sir in overall yarn sales in tonnage what could be our export revenue from yarn in FY2021 I am just trying to understand how export demanding in FY2020 for yarn and how it will be if Mr. Natarajan can put some light on global yarn such a demand-supply scenario everybody knows about China, US in terms of yarn that how are we looking?

P Nataraj: Yes, sir actually yarn demand is very good, if you see the last six months including export. Export has a very big demand but equally the demand has raised in the domestic market also. Because of the pandemic and other issues and even the domestic players as well as the garment exporters where we are supplying regularly to more than 10000 customers, were also short of raw material i.e., yarn availability. Because of that the textile ministry also appealed to the yarn sector i.e., yarn manufacturers to try to supply to the domestic market then whatever is available surplus then you can move into the exports. And the price wise also when huge demand is there export and domestic prices are the same. So, this time we have in the last three month-four months we have reduced the export of yarn and we supplied in the domestic market. So, in fact overall good demand is there in the last three month-four months. So, as long as domestic regular

customers are here the mill segment will feel comfortable here. We can avoid the container issues. Now, it is more convenient to sell in the domestic market in the present situation. So, due to this also, we diverted from export of yarn into the domestic market.

Ankit Gor: You expect yarn prices to remain more or less same in like three month to four months, is it fair to say to this?

P Nataraj: In the last six months continuously yarn price was increasing as cotton price was also increasing. International price of cotton is still going up. Even if you see the last two weeks also price has gone up. But the last six months the yarn price continuously increasing and now demand is there. Because of the lockdown due to the pandemic COVID issue in Maharashtra, Delhi, and Ahmedabad areas were severely affected and the government has been pushing for lot of restrictions like lockdown. So, we have to wait and see the next month is i.e., month of May is very crucial, what kind of the government action will be taken. A lot of yarn is consumed in Bombay and Ichalkaranji, Ahmedabad and Delhi like that. So, where lot of weaving yarns are moving up there suppose the lockdown imposed, then the manufacturing of the fabric will shut down automatically. By that time the demand will come down but we cannot say exactly what will happen, we have to wait and see. But the next month is crucial. However lockdown is a temporary thing if they lockdown for a month and after reopen ,then again like last three month-four months yarn demand will be very high. So, we are confident and comfortable and the present situation is good.

Ankit Gor: Okay Sir, thank you very much. Thanks for.

Moderator: Thank you.

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

Venkat Samala: Thank you for the opportunity. Sir, last time you did mention during the Q3 results that part of your export was stuck in the port due to some container availability issue so, did that clear up now and are you continuing to face that issue?

P L Murugappan: The port congestion more or less had come down, but the container price levels are all little higher than the normal levels but the things are improved substantially.

Venkat Samala: Right, so now you are not facing any issue to get the container, right?

P L Murugappan: Yes, you are right.

Venkat Samala: Okay, sure and Sir, just wanted to understand about the sugar business so, if I look at the sugar revenue and margin and if I compare with the last year same quarter. So, sugar revenue is up about 20% but profitability is down by about 15% odd. So, just wanted to understand why is that the case?

P L Murugappan: Sir, actually last year what we have done is, we were manufacturing ethanol from the molasses for most part of the period. But this year we have converted the full ethanol plant to run on sugar juice and we kept the molasses as a stock. Stock is valued at cost that is why the margins are little lesser. These margins will come up in the coming periods where we will be running the plant on molasses in the coming period.

Venkat Samala: Right, so will sort of get exhausted in the forthcoming quarters. When the plant is really running then you will use that particular molasses for ethanol?

P L Murugappan: Yes.

Venkat Samala: Right, that is the way to look at it.

P L Murugappan: Yes, right.

Venkat Samala: Right, and particularly for the ethanol which is being produced from the sugar cane juice what would be the margin Sir?

P L Murugappan: It will be somewhere around 25% to 30% of margin.

Venkat Samala: And if you produce the same out of molasses would there be a meaningful change in margin?

P L Murugappan: It is more or less the same margin but when you value at that cost the margin will not come down.

Venkat Samala: Understood, and what is the sugar stock for now?

P L Murugappan: Sugar stock is 47000 tons.

Venkat Samala: Sorry 47,000 tons.

P L Murugappan: Yes.

Venkat Samala: Okay, and did you receive any revenue from selling of power this particular quarter?

P L Murugappan: Yes, we have sold the power to the extent of Rs.33 Crores for the year.

Venkat Samala: Sorry Sir, Rs.30 Crores, is it?

P L Murugappan: Yes, Rs.33 Crores for the year

Venkat Samala: Rs.33 Crores. Okay, thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Depesh Agarwal from UTI Asset Management Company. Please go ahead.

Deepesh Agarwal: Good evening Sir, most of my questions has been answered, just few more questions. Sir, despite you not booking your export incentive your textile profitability is quite impressive at 22% EBITDA margin. So, is it fair to assume that a bulk of improvement is driven by higher yarn spread?

P L Murugappan: Yes, that is it.

Deepesh Agarwal: Sir with the yarn prices going up meaningfully over last two quarters how has been the scenario with respect to your pricing on the garment business, are you able to take the price hikes with the customer on time?

P L Murugappan: Generally, the garments order are booked based on the current prices we cannot pass on it as and when the yarn price fluctuate but new orders will be booked based on prevailing the yarn prices.

Deepesh Agarwal: Okay, so incrementally all the garment orders would have the new prices or there would be some prices of the path?

P L Murugappan: No Sir, all the new orders will be based on the current yarn prices.

Deepesh Agarwal: Sir lastly there is a lot of talk of the PLI schemes for textile and it is more towards your man-made fiber, technical fiber any of these segments you would like to venture out for the PLI schemes or even for textile part you want to look into?

P L Murugappan: We are studying various options and will be taking some decisions in time.

Deepesh Agarwal: Thank you.

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

Resham Jain: Thank you Sir, and congratulations on good set of numbers. Sir, I have two questions, one you mentioned about FASO that you have started selling on online and other stuff and I was just looking at initially we thought that you might be selling predominantly men's inner wear but I could see that you are now selling the rear wear which includes track pants, T-shirts, and all. So, if you can just explain the strategy over there whether you will start selling athleisure wear also because

athleisure wear is a very large category compared to inner wear and the brand loyalty also is not that much so one can scale up pretty fast and your garmenting division also predominantly you basically manufacture these products only. In this context you can explain the strategy for FASO?

P L Murugappan: Yes, Sir we started with inner wear and it is like 100% organic. Our focus is inner wear as well as athleisure also among all the five Southern states Andhra Pradesh is moving very fast. So, where the retail shop or the distributors also along with the inner wear they demand this kind of product. So specifically when people demand we make that also. We are not sticking only to inner wear but based on the market also. But certain policies like 100% organic we are maintaining and inner wear and upper athleisure also we are adding some styles for example we have around 43 styles now with a different variety and we are going to add some seven more styles in the next couple of months. We continuously study the market and based on the market we may move. So, this the way we are doing it now.

Resham Jain: Okay, but do you think that athleisure wear would be scaled up much faster than men's wear instead of now started selling this product as well?

P Nataraj: Out of the 43 products suppose some 5-6 product is moving very fast we can mark it as the top five products so like that we segregate first fast moving five styles and second five. Like that we are also studying the market. As you said we are almost like one and half year old. In that seven-eight months have gone because of the COVID pandemic. So, again now the situation has improved in last two month-three months. But again the second wave also started in various states. So in the present situation it is little tough for the retail segment. So, we are very closely monitoring the situation and market also in the next two-three months after that we can get a clear picture on this.

Resham Jain: Understood Sir. Sir, my second question is on overall cash flows now we are generating significant amount of cash flows and obviously FY2022 we are doing large capex with whatever cash flows we will generate large part of it will be used in the two capex which we are doing and going forward FY2023 and onwards we have to start planning from this year itself. So, how should one think as an investor incremental cash flows where are you going to invest in, so if you can just highlight that because garmenting plant takes two year to three-year time to set up in terms of ramp up the new plant which you are coming up. So, how the cash flows will be used for the next few years?

P Nataraj: Yes, this is present situation. The capex is almost the largest than we have done earlier. This is around Rs.250 Crores of garment and around Rs.500 Crores of the sugar- ethanol, totally around Rs.750 Crores other small addition comes to meet the additional 42 million garments, requirements we have to make some investment in knitting, processing. So, approximately around Rs.1000Crores of investment this year. Construction is going on and we are all fully concentrating on this. So, in the present situation we do not want to immediately go for another project or investment. So at the end of the year after commissioning of this project, we will think seriously what the next is. As you said some of the textile park also government has announced and after that there is no clarity on it. They say some two places in Tamil Nadu, may be near Tuticorin or some other places like that but they said it will be an integrated park. So, once the government makes this kind of facility available such as land etc and all these things we can think of the scale and what kind of integration based on the government policy, whether investment from spinning to garment or processing and garmenting. May be after six months I think I could be able to come with a clear idea for your question Sir.

Resham Jain: Thank you very much Sir, for your detailed answers. All the best. Thank you.

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

Sidharth Rajpurohit: Good evening and congratulations for steady and strong performance. Sir, my first question is that what was the cotton to yarn spread in Q3, Q4 and what is it now?

P L Murugappan: Sir, cotton to yarn spread is little higher than the previous year it is somewhere around 35% to 40% in Q3 and somewhere around 45% in Q4. It is now also in the range of 35% to 40% and we hope that it will have some fluctuations during the month because as MD told that May is a crucial month, we have to see how it is going forward.

Sidharth Rajpurohit: Would be possible for you to quantify on per kg basis Sir?

P L Murugappan: Sir, the yarn is in various counts from 20s to 40s. We are concentrating on different counts it is very difficult to say that because each count will have a different margin.

Sidharth Rajpurohit: Okay, and Sir, as the policy is already been announced so whenever the rates are being announce we will take the effect on retrospective basis, right in that quarter?

P L Murugappan: Yes, Sir, policy has been announced, and as and when the rate we will account it.

Sidharth Rajpurohit: Yes, but we will take the benefit of say Q4 also in that quarter and Q4 we have not taken any benefit so we will take that effect in that quarter when it is announced right, for all the quarters?

P L Murugappan: Yes.

Siddharth Rajpurohit: Okay, and Sir Do we procure the cotton for the entire year Sir?

P L Murugappan: We import the cotton during the off season. Now in the recent budget government has levied 10% duty in import of cotton and the

international cotton price also higher. So this year we have covered cotton almost up to next season.

Sidharth Rajpurohit: Okay, and do we hedge it Sir, to the price?

P L Murugappan: We will buy it Sir.

Sidharth Rajpurohit: Okay, thank you Sir, all the best.

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

Sreemanth: Thank you for the opportunity my most of the questions have been answered. One question regarding the ethanol revenue, what is the current quarter ethanol revenue for Q4 FY2021 and also for Q4 FY2020 and another question is how much capex you have done so far in Rs.750 Crores plan?

P L Murugappan: Sir?

Sreemanth: From the Rs.750 Crore's capex plan for a garment and sugar business how much capex you done till the end of FY2021?

P L Murugappan: It is around Rs.275 Crores investment.

Sreemanth: Okay, Sir.

P L Murugappan: Rs.275 Crores already done.

Sreemanth: Okay.

P L Murugappan: For Q4 ethanol, revenue is about Rs.52 Crores during FY2021, Previous year it was Rs.12 Crores.

Sreemanth: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of D Daniel from Entropy Advisors. Please go ahead.

D Daniel: Yes, what is the 42 million garment capacity, what is the cost of that putting it up?

P L Murugappan: Rs.250 Crores.

D Daniel: It is Rs.250 Crores and what kind of turnover we can get from this at optimum levels?

P L Murugappan: It is around Rs.550 Crores to Rs.600 Crores.

D Daniel: Rs.550 Crores to Rs.600 Crores.

P L Murugappan: Right Sir.

D Daniel: So, from Rs.250 Crores of capital investment we will get around Rs.600 Crores of turnover?

P L Murugappan: Yes.

D Daniel: Okay.

P L Murugappan: Like yarns or fabric across India we have, we are putting up only garment facility.

D Daniel: So, from Rs.250 Crores we are getting Rs.600 Crores of revenue and in a general opinion what is the prospects for garment as an industry what kind growth you will see going forward. Do you see increased demand or China plus one strategy?

P L Murugappan: Sir, generally Indian garment industry is growing strongly adding with that the China plus one. However we are not able to see directly how much from that factor. Because since last one year globally everybody is talking like that. But regarding garment if you see continuously the market is improving. Lot of orders are flowing in and we are able to see that. It is very difficult to quantify how much percentage or how much quantity has come out of China. Already another issue is there in China, the Xinjiang cotton grown is banned by US and Europe. Because of that

lot of business is moving out of China. We are able to feel that more orders are coming into India but it is difficult to quantify and the demand is very strong that is only I can say.

D Daniel: So, your garmenting division what kind of growth rate you expect for the next three to five years?

P L Murugappan: Around 15% we can assume Sir.

D Daniel: Okay, and the incentives they get priced into your contract with the customer, right?

P L Murugappan: Pardon?

D Daniel: The government incentives that you get that 5% incentive when you enter into a price contract with the customer it gets priced into it the benefit of that the customer?

P L Murugappan: Yes, it is priced into.

D Daniel: It is priced into it so, actually your garment alone margins would have collapsed this quarter if I remove the margins of yarn in garment what is the garment margin per se the activity of garmenting?

P L Murugappan: Sir, this quarter it is about 24% before the incentive and yarn margins. We are keeping all the segment separate we are not clubbing the segments with one another. Yarn margins are separate and garment margins are separate.

D Daniel: Okay, garment margins alone are 24%?

P L Murugappan: Yes, 24%.

D Daniel: Okay. Thank you very much.

Moderator: Thank you. The next question is from the line of Ridhima Chandak from Roha Asset Manages. Please go ahead.

Ridhima Chandak: Thank you Sir. Sir, garment margin are 24% and how much is the yarn margin EBITDA margins?

P L Murugappan: Yarn 24% and sugar is 25%.

Ridhima Chandak: Okay, and out of our total Rs.750 Crore's capex how much would be from internal accrual how much would be from debt?

P L Murugappan: We are hoping to do about Rs.250 Crores of our internal accrual and Rs.500 Crores as a term loan.

Ridhima Chandak: Okay, and from our new garment capacity 42 million so how much EBITDA margin and realization we are looking at?

P L Murugappan: More or less the same as in the existing plant.

Ridhima Chandak: Okay, and in the garment overall revenue how much is from the export and how much is from the domestic?

P L Murugappan: It is about 99% from export.

Ridhima Chandak: Okay sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Sumedha Srinivasan from ICICI Prudential Asset Management Company. Please go ahead.

Sumedha Srinivasan: Thanks for taking my question. So, I just wanted to understand regarding this textile park that was announced in the budget in February just wanted to give more color on how it will benefit the industry and what would be the benefit for our company from that?

P Nataraj: Government has announced Textile Park. But still has not come out with clear policy. Only they said seven parks will be there in the country and two will be in Tamil Nadu. It is only the information we have. They have also announced that it will be a complete integrated textile park. So, that means they are going to set up near the port and they acquire land and they construct the shed that is a building. So land and building will be

ready that is like pluck and play type. So, just we can buy the machines and install and immediately we can run it. We need not wait for purchasing the land, we need not wait for the construction of the building and all these things. So, these will be readily given by the government and also that they are going to the location nearer to the port. In that case also the transportation will be less. So once the goods is ready it will be very near like 5-10 kilometre away from the port. It is easy to move into the port so that the transport time will be saved and the cost also will be saved. In that aspect only the government has planned like that, definitely it will be advantageous, during lock down when goods are taken from long distances the transport cost and the waiting time, all these things were difficult. In the manufacturing particularly garment export the quality and the delivery time is most important where the government is giving more importance on this aspect by going nearer to port. This will be a good opportunity. But only thing we have to wait and see what kind of the policy and the system they are bringing in. This is about the textile park.

Sumedha Srinivasan: Right, thank you Sir. Thank you.

Moderator: Thank you. The next question is from the line of Laxmi Singh from Athena Health. Please go ahead.

Laxmi Singh: I wanted to ask about that is there any possibility of expanding our garment division to women's wear also?

P Nataraj: We are slowly doing it in retail sector. Initially we entered men's inner wear now we have expanded to men's leisure wear and fashion wear segments also. Gradually we will do the other garments also in the knit wear category.

Laxmi Singh: Okay, and how the demand for current product in India itself and about the quality and all and are we producing 100% organic product?

P L Murugappan: I could not get you. Can you come again?

Laxmi Singh: Yes, I am asking that how is the demand for our garment section in India, are we producing 100% organic products and how is the quality of our products?

P Nataraj: We are making 100% organic product only. Regarding the quality already discussed last time, we have told we are giving a special attention; from the yarn stage itself. Yarn we are making superfine yarn and we are specially knitting in Mayer & Cie machine and processing through cold process without salt; we have made special dyeing process. The elastic also we are using the highest quality product and stitching also we are giving special attention with a special machines. Every stage we are making super fine quality with 100% organic and even in the market, the feedback what we are getting is good. Because of pandemic we are not able to reach the market as we expected but everyone is appreciating about the quality even some of the investors from Bombay, called me and told that through online they bought our product and they said product quality is excellent and so on. So, we are getting excellent feedback on quality. Only the thing is, we have to improve the distribution after the pandemic or once this lock down relaxes.

Laxmi Singh: Okay, so that rate has been on quality wise so I mean as we expand it to women's division also that will also be beneficial and just one more thing you mentioned that our 99% profit is from export and 1% is from domestic, I heard it right, is it the way?

P Nataraj: Yes, Madam, there are two segments we are operating. One is the garment manufacturing and selling which is called the manufacturing for brands where 99% is exported and 1% is domestic. Some international brands are buying for their stores here. The second is the retail brand. Retail brand is our own brand. It is a fully done in India only the Indian brand and entire sales is happening in India only, so we are operating in two segments.

Laxmi Singh: Okay, that is all I had. Thank you for answering my questions.

Moderator: Thank you. The next question is from the line of Kshitij from Carnelian Asset Management. Please go ahead.

Kshitij: Good evening Sir and thank you for taking my question and congratulation on very good numbers again. Sir, I just had one question, you said that the yarn margins are on 25% in this quarter and garment was 24% so could help us that what the same numbers was one year ago for both the segments?

P L Murugappan: Last year yarn margins are very less is about 10% for the same quarter and garment margins are about 16%.

Kshitij: About 16%.

P L Murugappan: 16% for the same quarter for the year, last year 2020 it is about 15% and garment margin is 21%.

Kshitij: 21% garment?

P L Murugappan: Yes.

Kshitij: Okay, great Sir. Thank you so much for answering. That is all form my side.

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

Sreeram Ramdas: Sir, my understanding with this new capacity expansion our power generation capacity would be nearly 110 mega Watts, so I want to understand are these only from windmills or what is the power sources that we deriving this power form and this India we are going to see exponential growth power requirement. So, do you plan on expanding more retailer scheme in the power segment?

P L Murugappan: Presently we have 63 mega Watts from windmill and 40 mega Watts from Co-gen power plant in sugar and now we are utilizing the wind power for our Textile business and power generated in sugar mill is sold

to the Karnataka Electricity Board. Actually we have power of about 60% from the grid. The new sugar mill coming up with power capacity of about 47 mega Watts. We hope that we may be selling it to the Karnataka. In case of any excess power generation we will need it here because our consumption in textile business is only 50% meet through windmills then the balance from this source.

Sreeram Ramdas: Thank you. Understood, thank you.

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

Naushad Chaudhary: Thank you for opportunity again. Just two quick question I have Sir, what was the captive consumption of yarn and fabric in FY2021?

P L Murugappan: Captive consumption of yarn is about 24,000 tons and domestic consumption of fabric is about 12,000 tons.

Naushad Chaudhary: 24 and 28 right.

P L Murugappan: 12,000 tons. Yarn currently consumption is 24000 tons and fabric captive consumption is 12000 tons.

Naushad Chaudhary: I missed on the ethanol revenue part Sir, for FY2021 how much ethanol contributed?

P L Murugappan: Ethanol revenues for 2021 were Rs.140 Crores.

Naushad Chaudhary: Rs.140 Crores, do you have volume number as well Sir, the sales volumes for ethanol?

P L Murugappan: 2,36,00,000 litres

Naushad Chaudhary: Okay, that is it Sir. Thank you.

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

Ankit Gor: We did garment margin of about 25%, if we would have received this 5% RoDTEP then is it fair to assume that margin could have been about 29% - 30% in this year then probably it could be?

P L Murugappan: It will be somewhere around 28%-29%.

Ankit Gor: What are we doing earlier it is because 29%-30% margin is kind of a highest margin correct me if I am wrong here, because our general garment margin range is 25%-26%?

P L Murugappan: Demand is very good so the margin is also good.

Ankit Gor: And should we expect this sort of margin going ahead as well?

P L Murugappan: 22% to 25% kind of margins is expected from the garment business.

Ankit Gor: Right, and presently in absence of RoDTEP what is the present export incentive look like?

P L Murugappan: Presently there is 2% drawback. We have to wait for the announcement and we hope that it will be somewhere around 5%.

Ankit Gor: Okay, and lastly Sir, on Nataraj said that new textile park it will be near to the port and that will be plug and play model mostly in that case if we decide to set up capacity there in that case the capex would be very small compared to a green field plant somewhere else. Is it fair to understand that way or if we set up a yarn capacity then fabric then processing and then garmenting if fully integrated capacity then there will be no plug and play if you can just verify that?

P Nataraj: So, that is what I told we have to wait for the government policy, they said it is integrated textile parks. So, what condition government lays whether without yarn capacity or including the yarn capacity? Without a yarn capacity means investment will be less but with yarn capacity means the investment in spinning is huge. So, all these things we have to wait and see how the government is coming with the policy.

Ankit Gor: Okay, Sir. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

P Nataraj: Thank you very much all of you who have participated and KPR strengthened by healthy infrastructure and skilled labour force, performance continues to be good and the prospects are bright. We always believe that our hard work and team effort, our commitment to social sustainability have created a strong presence in the markets that will drive the growth in the year ahead. I wish everyone to be healthy and safe at this COVID situation. Thank you once again. Thank you very much.

Moderator: Thank you. On behalf of Batlivala and Karani Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.