



3R MATRIX

Right Sector (RS)



Right Quality (RQ)



Right Valuation (RV)



+ Positive

= Neutral

- Negative

What has changed in 3R MATRIX

	Old		New
RS	Grey	↔	Grey
RQ	Green	↔	Green
RV	Green	↔	Green

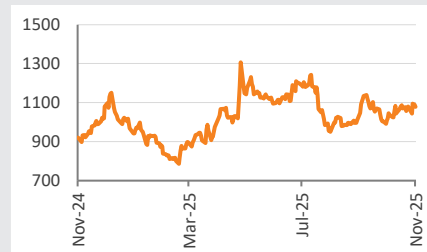
Company details

Market cap:	Rs. 36,870 cr
52-week high/low:	Rs. 1,395 / 759
NSE volume: (No of shares)	4.4 lakh
BSE code:	532889
NSE code:	KPRMILL
Free float: (No of shares)	11.5 cr

Shareholding (%)

Promoters	66.3
FII	6.8
DII	19.4
Others	7.5

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	6.7	13.6	-6.7	17.3
Relative to Sensex	3.6	8.7	-10.7	8.3

Source: Mirae Asset Sharekhan Research, Bloomberg

KPR Mill Ltd

Garment, ethanol segments shine

Textiles	Sharekhan code: KPRMILL		
Reco/View: Buy	↔	CMP: Rs. 1,079	Price Target: Rs. 1,287 ↔

Summary

- KPR Mills' (KPR's) Q2FY26 numbers beat estimates on all fronts with revenue growing 10.3% y-o-y, EBITDA margin falling 77 bps y-o-y to 19.3% and PAT rising by 6.4% y-o-y.
- Garment and ethanol divisions' grew by 20% and 1.6x y-o-y, respectively. Sugar business' margins jumped 849 bps y-o-y to 5.9%.
- Significant exposure to Europe (58% revenue contribution in FY25), makes KPR a beneficiary of the India-UK FTA. Further, lower exposure to US (21% revenue contribution in FY25) cushions it from the impact of higher tariffs.
- Stock trades at 34x/28x/25x its FY26E/FY27E/FY28E EPS and 23x/19x/16x its FY26E/FY27E/FY28E EV/EBITDA, respectively. We retain Buy with an unchanged PT of Rs. 1,287.

Q2FY26 Snapshot

All-round beat -

- Consolidated revenue grew 10.3% y-o-y to Rs. 1,632 crore, above expectations of Rs. 1,598 crore.
- Textiles business grew 4.3% y-o-y (garment volumes rose 9.3% y-o-y, while fabric volumes fell 9.5% y-o-y), while its EBITDA margins slipped 180 bps y-o-y to 18.8%
- Sugar business grew 38.3% y-o-y (sugar volumes fell 8% y-o-y, while ethanol volumes grew 1.6x y-o-y); margins surged 849 bps y-o-y to 5.9%.
- Gross margins rose 130 bps y-o-y to 39.5%, while EBITDA margin fell 77 bps y-o-y to 19.3%, beating our expectation of 17.8%.
- EBITDA grew 6% y-o-y to Rs. 314 crore and PAT rose 6.4% y-o-y to Rs. 218 crore, above our expectation of Rs. 184 crore.
- In H1FY26, revenue grew by 10% y-o-y to Rs. 3,398 crore, EBITDA margin fell by 140 bps y-o-y to 18.4% and PAT grew by 5.5% y-o-y to Rs. 431 crore.

Investor presentation highlights (H1FY26)

- Garment volumes rose 12.1% y-o-y to 89.3 million pieces and fabrics & yarn volumes declined 3.8% y-o-y to 36,729 MT.
- Sugar volumes fell 14.5% y-o-y to 88,496 MT, while ethanol volumes surged 85.2% y-o-y to 403 lakh litres.
- Region-wise mix: Europe – 61.5% (versus 58.2% in FY25), North America – 19.1% (versus 21% in FY25), Australia – 13.8% (versus 15% in FY25), and Asia – 3.6% (versus 4.3% in FY25).
- At H1-end, company is net debt-free; cash & cash equivalents stood at ~Rs. 1,604 crore.

Revision in earnings estimates – We maintain estimates for FY26 and FY27 and introduce FY28 estimates through this note.

Our Call

View – Retain Buy with an unchanged PT of Rs. 1,287: China + 1 & Bangladesh + 1 factors, FTA with the UK and rising opportunities in the US offer scope for consistent growth in the high-margin garment business (~40% of total revenues). Further, an integrated business model with strong capacity expansion plan in the textile business would aid faster A recovery for KPR, once demand improves. The stock trades at 34x/28x/25x its FY26E/FY27E/FY28E EPS and 23x/19x/16x its FY26E/FY27E/FY28E EV/EBITDA, respectively. We maintain a Buy with an unchanged price target (PT) of Rs. 1,287 (rolling over to September 2027 earnings).

Key Risks

Any delay in recovery of global export market or any significant increase in input prices would act as a key risk to our earnings estimates.

Valuation (Consolidated)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	6,060	6,388	7,322	8,153	9,080
EBITDA Margin (%)	20.4	19.5	21.8	22.9	23.2
Adjusted PAT	805	815	1,081	1,296	1,485
% Y-o-Y growth	-1.1	1.2	32.6	19.9	14.6
Adjusted EPS (Rs.)	23.6	23.8	31.6	37.9	43.4
P/E (x)	45.8	45.2	34.1	28.4	24.8
P/B (x)	8.5	7.4	6.1	5.0	4.2
EV/EBITDA (x)	30.6	29.5	22.6	18.9	16.3
RoNW (%)	20.0	17.4	19.6	19.4	18.5
RoCE (%)	20.7	19.8	24.3	24.8	24.1

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated)

Particulars	Q2FY26	Q2FY25	Y-o-Y (%)	Q1FY26	Rs cr Q-o-Q (%)
Total Revenue	1,632.0	1,480.0	10.3	1,766.3	-7.6
Raw material cost	986.7	914.1	7.9	1,131.6	-12.8
Employee cost	196.3	142.1	38.1	188.6	4.1
Other expenses	134.9	127.4	5.9	135.9	-0.8
Total operating cost	1,317.8	1,183.6	11.3	1,456.0	-9.5
EBITDA	314.2	296.4	6.0	310.3	1.3
Other income	23.9	39.4	-39.3	36.0	-33.5
Interest & other financial cost	12.2	13.0	-5.9	13.9	-11.9
Depreciation	53.8	51.8	3.9	53.2	1.1
Profit Before Tax	272.1	271.1	0.4	279.1	-2.5
Tax	54.1	66.1	-18.2	66.4	-18.6
Reported PAT	218.0	205.0	6.4	212.7	2.5
Adjusted EPS (Rs.)	6.4	6.0	6.4	6.2	2.5
			bps		bps
GPM (%)	39.5	38.2	130	35.9	361
EBITDA Margin (%)	19.3	20.0	-77	17.6	169
NPM (%)	13.4	13.9	-49	12.0	132
Tax rate (%)	19.9	24.4	-450	23.8	-392

Source: Company; Mirae Asset Sharekhan Research

Division wise revenue and margins

Particulars	Q2FY26	Q2FY25	Y-o-Y (%)	Q1FY26	Rs cr Q-o-Q (%)
Revenues (Rs. crore)					
Textile	1,268.0	1,215.4	4.3	1,483.7	-14.5
% contribution to total revenue	77.7	82.1		84.0	
.....Garment	734.0	613.0	19.7	959.0	-23.5
....Fabric & yarn	484.0	556.0	-12.9	475.0	1.9
....Other textile	50.0	46.4	7.7	49.7	0.6
Sugar	343.7	248.6	38.3	260.3	32.1
% contribution to total revenue	21.1	16.8		14.7	
.....Sugar	182.0	184.0	-1.1	161.0	13.0
....Ethanol	156.0	60.0	-	92.0	69.6
....Other sugar	5.7	4.6	25.9	7.3	-21.3
Others	20.4	16.0	27.0	22.4	-8.9
Total revenues	1,632.1	1,480.0	10.3	1,766.4	-7.6
PBIT margin (%)			bps		bps
Textile	18.8	20.6	-180	17.2	162
Sugar	5.9	-2.6	849	0.3	559

Source: Company; Mirae Asset Sharekhan Research

Division wise volume and realisation

Particulars	Q2FY26	Q2FY25	Y-o-Y (%)	Q1FY26	Rs cr Q-o-Q (%)
Garment					
Sales (mn pieces)	39.2	35.9	9.3	50.1	-21.7
Realisation (Rs./piece)	187.2	170.8	9.6	191.6	-2.3
Fabric & yarn					
Sales (MT)	18,587	20,545	-9.5	18,142	2.5
Realisation (Rs./tonne)	260.4	270.6	-3.8	261.8	-0.5
Sugar					
Sales (MT)	46,446	50,484	-8.0	42,050	10.5
Realisation (Rs./kg)	39.2	36.4	7.5	38.3	2.3
Ethanol					
Sales (lakh litres)	256	102	-	146	75.1
Realisation (Rs./litre)	60.8	58.6	3.8	62.8	-3.2

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Global demand recovering; long-term prospects intact

Textile exports are likely to improve in the coming months led by demand growth in the key importing nations especially the EU, the US and the UK as restocking picks up. Further, the China +1 sourcing strategy adopted by most importers, political issues in Bangladesh and increasing tariffs from the US on other exporting nations shall play a key role in improving India's export market share in the textile space. This will be supported by continued domestic demand growth. EBITDA margins are expected to improve y-o-y aided by better gross margins and increased capacity utilisation. In the long term, growth prospects of the Indian textiles industry are strong, aided by augmentation of capacity with value-added products, China +1 factor, the government entering into trade agreements with various countries, incremental benefits from the PLI scheme and market share gains in export markets.

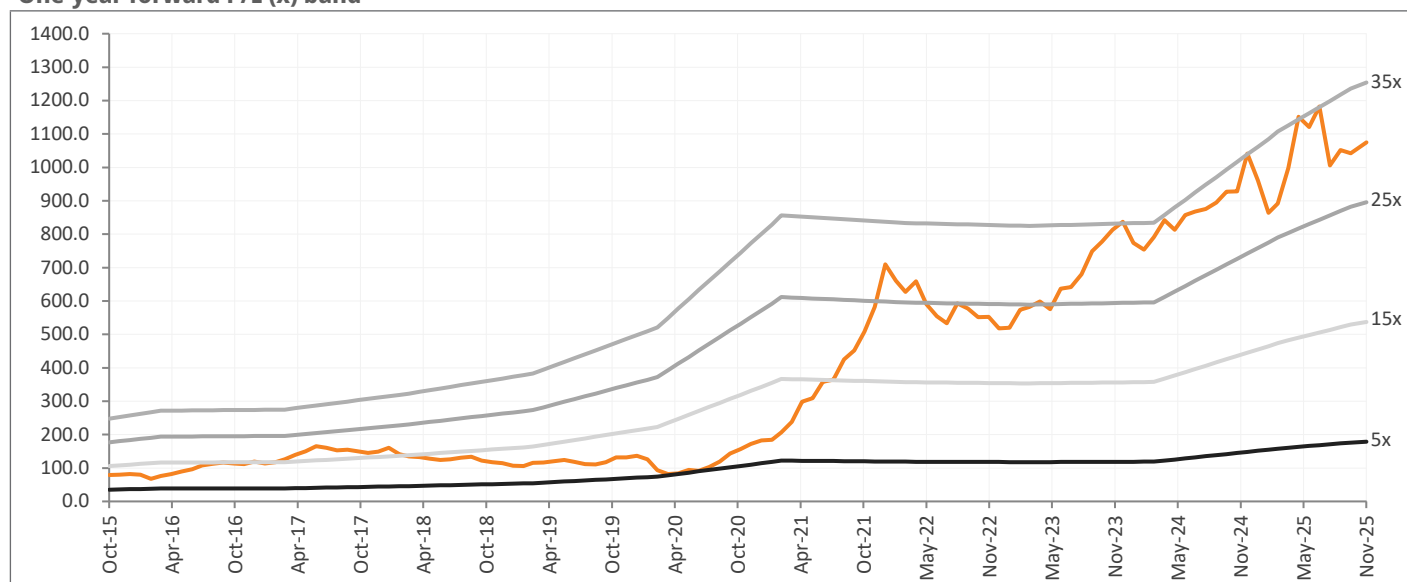
■ Company Outlook – Long-term growth prospects intact

KPR's Q2FY26 numbers beat estimates on all fronts with revenue growing 10.3% y-o-y, EBITDA margin down 77 bps y-o-y to 19.3% and PAT rising by 6.4% y-o-y. Given its significant exposure to Europe (58% revenue contribution in FY25), KPR is likely to be one of the beneficiaries of the UK-India FTA. Further, lower exposure to US (21% revenue contribution in FY25) has cushioned it from higher tariffs. We expect revenue and PAT to register a CAGR of 12% and 22%, respectively, over FY25-28E.

■ Valuation – Retain Buy with an unchanged PT of Rs. 1,287

China + 1 & Bangladesh + 1 factors, FTA with the UK and rising opportunities in the US offer scope for consistent growth in the high-margin garment business (~40% of total revenues). Further, an integrated business model with strong capacity expansion plan in the textile business would aid faster A recovery for KPR, once demand improves. The stock trades at 34x/28x/25x its FY26E/FY27E/FY28E EPS and 23x/19x/16x its FY26E/FY27E/FY28E EV/EBITDA, respectively. We maintain a Buy with an unchanged price target (PT) of Rs. 1,287 (rolling over to September 2027 earnings).

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Gokaldas Exports	38.8	31.9	20.4	18.5	16.2	11.6	12.1	12.5	16.6
KPR Mill	45.2	34.1	28.4	29.5	22.6	18.9	19.8	24.3	24.8

Source: Company; Mirae Asset Sharekhan Research

About company

KPR Mills is one of the largest vertically integrated textile manufacturing companies in India present across the value chain from 'fibre-to-fashion.' KPR has 12 technology-oriented manufacturing units with a capacity to produce 1,00,000 MT of yarn per annum, 4,000 MT of Vortex Viscose yarn per annum, 25,000 MT of fabric per annum, 204 million readymade knitted apparel per annum, and a 15,000 MT fabric printing capacity. KPR has a retail segment with FASO, a 100% organic innerwear, sportswear, and athleisure brand. The company also has a sugar business with sugar production capacity of 20,000 TCD, ethanol capacity of 470 KLPD, and power-generation capacity of 90 MW. The company exports to over 60 countries, including Europe, Australia, and the U.S.

Investment theme

KPR is one of India's largest vertically integrated textile players, which has a steady financial record with a sturdy balance sheet. The strength of its integrated model helps the company to achieve a consistent EBITDA margin, which is much better than some exporting peers. A shift in base from China to India, addition of more international clients, transforming itself from a volatile yarn business to a profitable garment business, scale-up in the retail business, and consistent double-digit growth in the garmenting business are some of the medium to long-term growth drivers for KPR. We expect the company's revenue and PAT to register an 12% and 22% CAGR over FY25-28E, respectively.

Key Risks

- Any decline in export revenue due to lower demand from international clients would act as a key risk to our earnings estimates.
- Any volatility in key raw-material prices such as cotton can affect the company's profitability.

Additional Data

Key management personnel

Name	Designation
K. P. Ramasamy	Chairman
KPD Sigamani	Managing Director
P. L. Murugappan	Chief Financial Officer
P. Nataraj	Chief Executive Officer and Managing Director
P. Kandaswamy	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Funds Management Ltd	6.39
2	Quant Money Managers Ltd.	1.42
3	Vanguard Group Inc	1.32
4	Nippon Life India Asset Management Co. Ltd.	1.31
5	FIL Ltd.	1.39
6	L&T Mutual Fund Trustee Ltd.	1.10
7	ICICI Prudential AMC Ltd	1.05
8	Canara Robeco Asset Management Co. Ltd.	1.02
9	Aditya Birla Sun Life AMC Ltd.	1.00
10	Axis AMC Ltd	0.97

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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