KPR Mill | BUY

Sugar plays spoilsport; outlook robust

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KPR Mill reported consol. EBITDA of INR2.9bn, lower than JMfe of INR3.4bn primarily driven by miss in revenue. Revenue miss of ~9% was driven weak sugar segment performance (down 22% YoY). Despite the top-line pressure, gross margins expanded meaningfully to 44.2% (+290 bps YoY), supported by favourable raw material costs. Consequently, EBITDA margin improved by 30bps YoY to 20.1% in 3QFY26 depicting better cost control and easing input pressures. Garment segment performance remained flattish YoY with volumes up ~8% YoY and NSR down ~7% YoY. We await the formal announcement for capacity expansion in the garment and fabric segment. In our understanding, capacity expansion of ~25% each in garment and fabrics is expected over the next 2 years with an expected capex of ~INR4bn on each project. This is expected to drive volume and earnings growth over the next few years. KPR, being the industry leader, has a proven track record and will be a key beneficiary to the recently announced BTAs / FTAs, in our view. We value the company at 32x P/E multiple for FY28E, implying a TP of INR1,215/sh (upside of ~34%). Maintain BUY.

- **Top-line compress given weak Sugar performance:** Consolidated revenue for the quarter came in at INR14.7bn down 4% YoY led by weakness in the sugar segment performance. Textile revenues were relatively resilient (-2% YoY), while sugar saw a sharp 22% YoY decline. Despite the top-line pressure, gross margins expanded meaningfully to 44.2% (+290 bps YoY), supported by favourable raw material costs. KPR Mill reported consol. EBITDA of INR2.9bn, down ~3% YoY driven by higher staff costs (+14% YoY), with margins at 20.1% (+30 bps YoY). EBITDA compression YoY was primarily operating leverage-led, given lower revenues, though sequential improvement in EBITDA margin reflects better cost control and easing input pressures. In the near-term, capacity expansion by ~25% in the garment and fabric segments (each with ~INR4bn capex) is expected to drive volume and earnings growth over the next few years.
- **Lower NSR partially offset higher volumes in Textile segment:** Revenue for Garment segment came in at ~INR 7bn, up 1% YoY and down 2% QoQ. While garment sales volumes jumped 8% YoY and 13% QoQ to 44mn pieces, net sales realization (NSR) declined by 7% YoY and 16% QoQ to INR 157/piece (calculated). Yarn & fabric sales volumes increased by 6% YoY and 4% QoQ to 19.3k tonnes but was offset by a similar decline in NSR (-6% YoY and -4% QoQ) to INR 251/kg (calculated) leading to flattish revenue (both YoY and QoQ). Textiles EBIT declined 5% YoY and 9% QoQ to Rs 2.2bn. EBIT margin declined by 117bps YoY and 122bps QoQ.
- **Weak Sugar segment performance driven by lower volumes:** Revenue for the Sugar segment came in at INR840mn, down sharply by ~50% YoY and down 54% QoQ. This was led by a significant 54% YoY and 53% QoQ decline in volumes to 21.9k tonnes. NSR was higher 7% YoY but declined by 2% QoQ to INR 38.4/kg. Ethanol revenue increased by 9% YoY while it decreased by 33% QoQ to INR 1.04bn, with 11% YoY rise in volumes while volumes declined by 39% QoQ at 16.0mn litres. NSR declined 2% YoY while it increased by 10% QoQ at INR 65.1/litre. Segment EBIT (Sugar + Ethanol) increased by 11% % YoY to INR 209mn. EBIT margin expanded sharply by 282bps YoY to 9.5%.

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,215
Upside/(Downside)	33.9%
Previous Price Target	1,215
Change	0.0%

Key Data – KPR IN

Current Market Price	INR907
Market cap (bn)	INR310.2/US$3.4
Free Float	34%
Shares in issue (mn)	341.8
Diluted share (mn)	341.8
3-mon avg daily val (mn)	INR549.9/US$6.1
52-week range	1,395/756
Sensex/Nifty	84,234/25,954
INR/US$	90.7

Price Performance

%	1M	6M	12M
Absolute	9.5	-8.6	3.9
Relative*	8.7	-12.6	-5.9

** To the BSE Sensex*

Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	60,846	63,879	71,163	81,867	94,668
Sales Growth (%)	-1.8	5.0	11.4	15.0	15.6
EBITDA	12,616	12,460	13,797	16,362	19,578
EBITDA Margin (%)	20.7	19.5	19.4	20.0	20.7
Adjusted Net Profit	8,054	8,151	8,968	10,710	12,958
Diluted EPS (INR)	23.6	23.8	26.2	31.3	37.9
Diluted EPS Growth (%)	-50.5	1.2	10.0	19.4	21.0
ROIC (%)	16.2	15.6	17.0	18.6	20.2
ROE (%)	18.5	16.3	15.7	16.2	16.7
P/E (x)	38.5	38.0	34.6	28.9	23.9
P/B (x)	7.1	6.2	5.4	4.7	4.0
EV/EBITDA (x)	25.4	24.8	22.1	18.5	15.3
Dividend Yield (%)	0.5	0.6	0.6	0.6	0.6

Source: Company data, JM Financial. Note: Valuations as of 11/Feb/2026

Exhibit 1. Quarterly performance

Y/E March (INR mn)	3QFY26	3QFY26E	% Var	3QFY25	YoY	2QFY26	QoQ	9MFY26	9MFY25	% Var
Net Sales	**14,674**	**17,256**	**-15.0**	**15,292**	**-4.0**	**16,320**	**-10.1**	**48,657**	**46,189**	**5.3**
Raw material consumed	*10,887*	*10,026*	*8.6*	*10,756*	*1.2*	*7,880*	*38.2*	*27,394*	*25,949*	**5.6**
RM consumed (as a % of sales)	*74%*			*70%*		*48%*		*56%*	*56%*	
Change in inventory	*-2,704*	*0*		*-1,783*	*51.6*	*1,987*	*-236.1*	*1,972*	*2,041*	**-3.4**
Change in inventory (as a % of sales)	*-18%*			*-12%*		*12%*		*4%*	*4%*	
Gross profit	*6,491*	*7,231*	-10.2	*6,319*	*2.7*	*6,454*	*0.6*	*19,292*	*18,199*	**6.0**
Gross margin (%)	*44.2*	*41.9*	5.6	*41.3*	*7.0*	*39.5*	*11.9*	*39.6*	*39.4*	**0.6**
								0%	*0%*	
Staff costs	*1,983*	*2,150*	*-7.8*	*1,733*	*14.4*	*1,963*	*1.0*	5,831	4,882	**19.4**
Staff costs (as a % of sales)	*14%*			*11%*		*12%*		*12%*	*11%*	
Other costs	*1,564*	*1,706*	*-8.3*	*1,564*	*0.0*	*1,349*	*15.9*	4,271	4,183	**2.1**
Other costs (as a % of sales)	*11%*			*10%*		*8%*		*9%*	*9%*	
Total expenditure	**11,729**	**13,881**	**-15.5**	**12,270**	**-4.4**	**13,178**	**-11.0**	**39,467**	**37,055**	**6.5**
EBITDA	**2,945**	**3,375**	**-12.7**	**3,022**	**-2.6**	**3,142**	**-6.3**	**9,190**	**9,134**	**0.6**
EBITDA margin (%)	*20.1*	*19.6*		*19.8*		*19.3*		*18.9*	*19.8*	
Other income	335	250		160		239		934	632	
Depreciation	542	565	-4.1	530	2.3	538	0.7	1,613	1,558	**3.5**
EBIT	**2,738**	**3,060**		**2,652**		**2,843**		**8,511**	**8,208**	
Interest	108	130	-16.9	94	15.5	122	-11.8	369	387	**-4.6**
PBT	**2,630**	**2,930**		**2,559**		**2,721**		**8,142**	**7,821**	**4.1**
Tax	544	732		536		541		1,749	1,715	
Eff. Tax rate (%)	*20.7*	*25.0*		*21.0*		*19.9*		*21.5*	*21.9*	
XO items	-	-		-		-		-	-	
Minority Interest	-	-		-		-		-	-	
Reported PAT	**2,086**	**2,197**		**2,023**		**2,180**		**6,393**	**6,106**	
Adjusted PAT	**2,086**	**2,197**	**-5.1**	**2,023**	**3.1**	**2,180**	**-4.3**	**6,393**	**6,106**	**4.7**
EPS (INR)	**6.1**	**6.4**		**5.9**		**6.4**		**18.7**	**17.9**	

Source: Company, JM Financial

Exhibit 2. Segmental performance

Segmental Revenue	3QFY26	3QFY25	YoY	2QFY26	QoQ	9MFY26	9MFY25	% Var
Textile	12,385	12,216	1%	12,680	-2%	39,902	37,582	6%
Sugar	2,209	2,825	-22%	3,437	-36%	8,249	7,971	3%
Other	217	252	-14%	204	7%	644	638	1%
Less : Inter Segment Revenues	137	0		1		138	2	
Total Segment Revenue	**14,674**	**15,292**	**-4%**	**16,320**	**-10%**	**48,657**	**46,189**	**5%**
Segmental Result								
Textile	2,183	2,297	-5%	2,390	-9%	7,128	7,390	-4%
Sugar	209	188	11%	203	3%	421	171	146%
Other	11	7	47%	11	-3%	29	15	89%
Less : Interest	108	94		122		369	387	
Add: other income	335	160		239		934	632	
Net Profit/Loss Before Tax	**2,630**	**2,559**	**3%**	**2,721**	**-3%**	**8,142**	**7,821**	**4%**

Source: Company, JM Financial

Exhibit 3. Target Price

	FY28E
EPS (INR)	38
P/E multiple	32
Fair value (INR/share)	**1,215**

Source: JM Financial

Exhibit 4. Key Assumptions

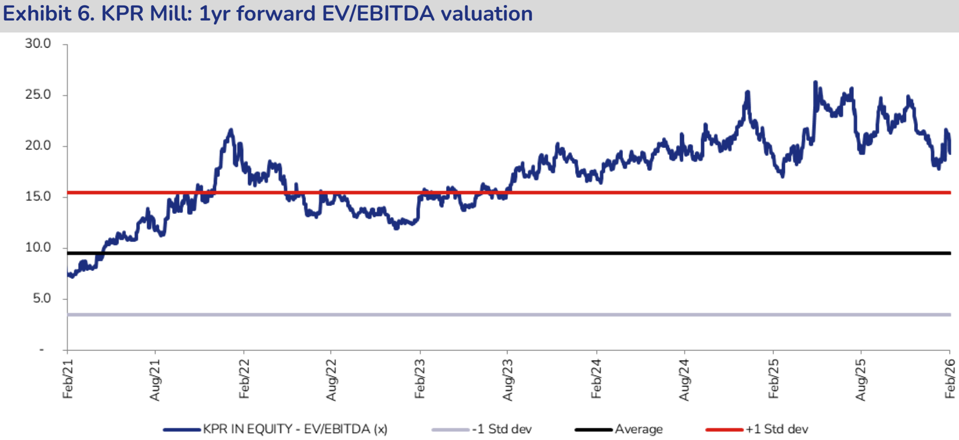
	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	60,597	63,879	71,163	81,867	94,668
EBITDA	12,616	12,460	13,797	16,362	19,578
EBITDA (%)	*20.8%*	*19.5%*	*19.4%*	*20.0%*	*20.7%*
PAT	8,054	8,151	8,968	10,710	12,958
Key segment-wise revenue					
Yarn Revenue (INR mn)	16,818	17,800	20,559	23,746	27,426
Volumes (MT)	*43,481*	*45,874*	*50,461*	*55,508*	*61,058*
Realisation (INR/kg)	*387*	*388*	*407*	*428*	*449*
Garments Revenue (INR mn)	23,314	26,471	29,184	34,627	41,813
Volumes (mn pcs)	*152*	*174*	*182*	*206*	*237*
Realisation (INR/pc)	*153*	*152*	*160*	*168*	*176*
Sugar Revenue (INR mn)	4,726	6,340	6,866	7,690	8,580
Sugar Sales Volume (KT)	*139*	*175*	*180*	*192*	*204*
Realisation (INR/kg)	*34*	*36*	*38*	*40*	*42*
Ethanol Revenue (INR mn)	6,430	4,090	4,667	5,062	5,470
Volume (mn ltrs)	*101.3*	*62.3*	*72.0*	*76.8*	*81.6*
Realisation (INR/lt)	*63.5*	*65.7*	*64.8*	*65.9*	*67.0*

Source: Company, JM Financial

Exhibit 5. KPR Mill: 1yr forward P/E valuation

Source: JM Financial, Bloomberg

Exhibit 6. KPR Mill: 1yr forward EV/EBITDA valuation



Source: JM Financial, Bloomberg

Exhibit 7. Change in estimates

	Unit	OLD			NEW			% Change		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	INR mn	71,163	81,867	94,668	71,163	81,867	94,668	0.0%	0.0%	0.0%
EBITDA	INR mn	13,797	16,362	19,578	13,797	16,362	19,578	0.0%	0.0%	0.0%
PAT	INR mn	8,968	10,710	12,958	8,968	10,710	12,958	0.0%	0.0%	0.0%
EPS		26.2	31.3	37.9	26.2	31.3	37.9	0.0%	0.0%	0.0%
Target Price	**INR**			**1,215**			**1,215**			**0.0%**
Rating				**BUY**			**BUY**			

Source: JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	60,846	63,879	71,163	81,867	94,668
Sales Growth	*-1.8%*	*5.0%*	*11.4%*	*15.0%*	*15.6%*
Other Operating Income	0	0	0	0	0
Total Revenue	**60,846**	**63,879**	**71,163**	**81,867**	**94,668**
Cost of Goods Sold/Op. Exp	36,072	38,897	43,908	50,512	58,410
Personnel Cost	6,006	6,719	7,196	7,707	8,254
Other Expenses	6,152	5,802	6,262	7,286	8,425
EBITDA	**12,616**	**12,460**	**13,797**	**16,362**	**19,578**
EBITDA Margin	*20.7%*	*19.5%*	*19.4%*	*20.0%*	*20.7%*
EBITDA Growth	*-1.9%*	*-1.2%*	*10.7%*	*18.6%*	*19.7%*
Depn. & Amort.	1,892	2,079	2,304	2,546	2,766
EBIT	10,724	10,382	11,494	13,816	16,812
Other Income	424	744	751	759	766
Finance Cost	744	498	287	295	302
PBT before Excep. & Forex	10,404	10,628	11,958	14,280	17,277
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	10,404	10,628	11,958	14,280	17,277
Taxes	2,350	2,477	2,989	3,570	4,319
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	8,054	8,151	8,968	10,710	12,958
Adjusted Net Profit	**8,054**	**8,151**	**8,968**	**10,710**	**12,958**
Net Margin	*13.2%*	*12.8%*	*12.6%*	*13.1%*	*13.7%*
Diluted Share Cap. (mn)	341.8	341.8	341.8	341.8	341.8
Diluted EPS (INR)	**23.6**	**23.8**	**26.2**	**31.3**	**37.9**
Diluted EPS Growth	*-50.5%*	*1.2%*	*10.0%*	*19.4%*	*21.0%*
Total Dividend + Tax	1,538	1,709	1,709	1,709	1,709
Dividend Per Share (INR)	4.5	5.0	5.0	5.0	5.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	10,404	10,628	11,958	14,280	17,277
Depn. & Amort.	1,892	2,079	2,304	2,546	2,766
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-3,948	2,316	-2,063	-4,535	-6,487
Others	0	0	0	0	0
Taxes Paid	-2,350	-2,477	-2,989	-3,570	-4,319
Operating Cash Flow	**5,997**	**12,545**	**9,209**	**8,721**	**9,236**
Capex	-3,235	-1,687	-4,000	-4,000	-4,000
Free Cash Flow	*2,763*	*10,858*	*5,209*	*4,721*	*5,236*
Inc (-) / Dec in Investments	951	-2,306	-1,000	-500	-500
Others	384	1,474	0	0	0
Investing Cash Flow	**-1,899**	**-2,519**	**-5,000**	**-4,500**	**-4,500**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-1,538	-1,709	-1,709	-1,709	-1,709
Inc / Dec (-) in Loans	-1,897	-6,925	0	0	0
Others	0	0	0	0	0
Financing Cash Flow	**-3,435**	**-8,634**	**-1,709**	**-1,709**	**-1,709**
Inc / Dec (-) in Cash	**663**	**1,393**	**2,500**	**2,512**	**3,027**
Opening Cash Balance	1,126	1,789	3,182	5,682	8,194
Closing Cash Balance	1,789	3,182	5,682	8,194	11,221

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	43,582	50,020	57,279	66,281	77,529
Share Capital	342	342	342	342	342
Reserves & Surplus	43,241	49,678	56,938	65,939	77,187
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	11,584	4,660	4,660	4,660	4,660
Def. Tax Liab. / Assets (-)	1,181	1,290	1,290	1,290	1,290
Total - Equity & Liab.	**56,348**	**55,970**	**63,229**	**72,230**	**83,479**
Net Fixed Assets	25,468	25,014	26,711	28,165	29,399
Gross Fixed Assets	37,486	39,883	44,286	48,286	52,286
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	13,193	15,272	17,575	20,121	22,887
Capital WIP	1,175	404	0	0	0
Investments	335	2,641	3,641	4,141	4,641
Current Assets	32,836	31,960	35,902	43,632	54,016
Inventories	19,053	18,685	18,522	20,186	24,640
Sundry Debtors	6,693	5,862	6,824	8,972	10,375
Cash & Bank Balances	1,789	3,182	5,682	8,194	11,221
Loans & Advances	5,302	4,231	4,874	6,280	7,781
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	2,292	3,646	3,025	3,708	4,577
Current Liabilities	1,150	2,181	1,560	2,243	3,112
Provisions & Others	1,142	1,465	1,465	1,465	1,465
Net Current Assets	30,544	28,314	32,877	39,924	49,438
Total – Assets	**56,348**	**55,970**	**63,229**	**72,230**	**83,479**

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	13.2%	12.8%	12.6%	13.1%	13.7%
Asset Turnover (x)	1.1	1.1	1.2	1.2	1.2
Leverage Factor (x)	1.3	1.2	1.1	1.1	1.1
RoE	20.0%	17.4%	16.7%	17.3%	18.0%

Key Ratios

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	127.5	146.3	167.6	193.9	226.8
ROIC	16.2%	15.6%	17.0%	18.6%	20.2%
ROE	18.5%	16.3%	15.7%	16.2%	16.7%
Net Debt/Equity (x)	0.2	0.0	-0.1	-0.1	-0.1
P/E (x)	38.5	38.0	34.6	28.9	23.9
P/B (x)	7.1	6.2	5.4	4.7	4.0
EV/EBITDA (x)	25.4	24.8	22.1	18.5	15.3
EV/Sales (x)	5.3	4.8	4.3	3.7	3.2
Debtor days	40	33	35	40	40
Inventory days	114	107	95	90	95
Creditor days	9	15	10	12	15

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
3-Dec-25	Buy	1,215	

Recommendation History

APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

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