

K.P.R. MILL LIMITED

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10.08.2023

The Listing Department
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1st Floor, Rotunda Buildings,
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The Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, Plot: C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai - 400 051

BSE: 532889

NSE: KPRMILL

Dear Sir,

Sub: Transcript of the Conference Call held on 04th August, 2023.

Ref: Our intimation dated 05.08.2023 - Filing of Audio Recording

In continuation to our intimation under reference and in compliance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attachment, the transcript of the aforesaid Conference Call as received from the Concall service provider.

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
Q1 FY '24 Earnings Conference Call”
August 04, 2023



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

**MODERATOR: MR. ABHISHEK NIGAM – BATLIVALA AND KARANI
SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the KPR Mill Q1 FY24 Earnings 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 no opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Nigam from Batlivala and Karani Securities India Private Limited. Thank you and over to you, sir.

Abhishek Nigam: Thank you, Lizann. Hi, everyone. Thank you for joining us for KPR Mills first quarter FY24 Earnings Conference Call. Today we are joined by Mr. P. Nataraj, Managing Director for KPR Mills, Mr. PL. Murugappan, Chief Financial Officer, and Mr. P. Kandaswamy, Company Secretary. And now, without any further delay, I will hand it over to Management for any opening comments. Over to you, sir.

P Nataraj: Thank you, Mr. Abhishek. I am Nataraj, Managing Director, KPR Mill Limited. Very good evening to everyone. I welcome you all for the KPR Mill Limited first quarter earnings call for the financial year 2023-24. The global economy is facing uncertainty due to geopolitical tension, elevated inflation and banking system interruption in certain countries. Despite the above, the Indian economy remains silent, supported by its strong economic fundamentals, retaining fastest growing economy status.

Currently, all sectors of textile industry are going through a rough patch. The main causes are the sluggish demand in major importing countries on account of inflation, unstable price of

domestic cotton, low arrival of cotton in the market during peak season, import duty on cotton, increase in energy cost, piling up of inventories, severe competition from competing countries, etc. But going forward, the situation is improving as exporters are slowly but steadily getting orders.

However, we are happy that irrespective of the difficult market scenario, KPR could maintain its performance because of its vertically integrated facilities, increased revenue and profitability from sugar segment, stimulated by the favorable ethanol market, have been supporting our growth trend continuously. As announced in the earlier calls, to generate additional revenue, an exclusive vortex spinning mill at an outlay of INR100 crores is established that will be completed in the current quarter. The processing and printing expansion at INR50 crores will be over in the current quarter. The rooftop solar plant at INR50 crores has been commissioned already.

The ethanol capacity expansion at INR150 crores will be completed before the coming season and also to improve the quality and productivity of spinning we are modernising the spinning division with a total outlay of INR150 crores. All these growth initiatives at a total outlay of INR500 crores will result in improving our performance further. With these opening remarks, the floor is now open for question and answer session. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is in the line of Pratik Kothari from Unique Portfolio Managers, please go ahead.

Pratik Kothari: Hi, good afternoon, sir, and thank you. So my first question on the garments, if you can highlight where is it that we are signing

new orders, and what will be the realization for the new orders that you will be getting?

PL Murugappan: Sir, our approach is steady only. We are getting, as you know, we are in presence in Europe, US, and Australia mainly we have small share in Asia also. Currently our realisation is about INR185 per piece.

Pratik Kothari: And new orders that could be coming in would also be at similar range or lower?

PL Murugappan: Expected to be similar range. Because of this yarn price reduction, there would be some impact. Maybe INR5-INR10. Otherwise, expected to be in the same level.

Pratik Kothari: Correct. And what would be our production target for this year? Reach there about 150 million?

PL Murugappan: Yes, we are hoping to reach 150 million.

Pratik Kothari: Correct, and given the MD sir spoke about some improvement, I mean some early signs of improvement in demand, we had spoken about some brownfield capex that we intended to do. So, I mean, is the improvement good enough for us to go out and do that capex or not yet?

PL Murugappan: We have not yet decided. We are just waiting for the things to improve.

Pratik Kothari: Correct. This is for the brownfield, right?

PL Murugappan: Yes correct.

Pratik Kothari: Correct. And sir, what would be the cotton yarn spread currently?

PL Murugappan: It is about 12% now.

Pratik Kothari: 12% and usually we have mentioned that a sustainable.

Management: Yes, about 17%, 18% now it's about 12%.

Pratik Kothari: Okay, thank you and all the best.

Moderator: Thank you. The next question is from the line of Biplab Debbarma from Antique Stock Broking, please go ahead.

Biplab Debbarma: Good afternoon and thank you for taking my call. So I was just calculating on the garment production. So we had a production of 35.36 million pieces of garment in the first quarter. And if we assume at this rate we'll produce, then we'll be producing around 141 million pieces for the entire year. And if you see our capacity, minus the Ethiopia, there are 147 million pieces. That transfers to our capacity of more than 90%, around 95%, 96%. So should not we be investing in expanding the garment capacity, or our future order book is weak or we anticipate mutate both in garment. What is the reason that despite such high capacity utilization we are not taking any steps to increase that capacity in government sector?

PL Murugappan: Sir, as MD explained to you in the opening remarks itself, the market is facing lot of issues especially the European and US markets. So just we want to settle these markets to reasonable extent to take further calls. In US I think it is more or less coming out of this decisionary trend but Europe still is facing because Europe being a large buyer of our product we want the things to settle. It is not a matter of question of investing it is a matter of getting a decision based on the external environments.

Biplab Debbarma: Okay, okay. And, sir, we saw that textile segment which is in lower revenue Q on Q and year on year. Sir, what could be the reason of that? Is it because of lower volume or lower realization?

PL Murugappan: Sir, basically the lower realization in yarn.

Biplab Debbarma: Lower realization in yarn?

PL Murugappan: Yarn, yarn, yes. Quantity is more or less the same, but the realization from yarn is lower because the cotton price has come down sharply because of that the realization has come down.

Biplab Debbarma: Okay, and what would be the revenue potential from this new capacity expansion and from when do you think this new capacity would start generating revenue?

PL Murugappan: Sir, we expect it to be sometime in the second half of this year.

Biplab Debbarma: And what would be the revenue potential at full capacity?

PL Murugappan: It would be somewhere around INR140 crores to INR150 crores per annum. Solar already started its production processing and printing will generate another INR 50 crores net of the business. It's more of a value addition for our own consumption. Ethanol capacity will generate revenue of closer to about INR 200 crores. That will be off-setted to the molasses that is sugar and molasses production when we are off-setted against ethanol production. So net revenue will be around INR100 crores.

Moderator: The next question is from the line of Rushabh from RBSA Investment Managers.

Rushabh: I just want to understand for the next 2, 3 years regarding your capex plans. How are you looking at textile versus cotton segment, sir? Is there a policy? Because now currently last one year ethanol has done very good for us. So will you be investing more there? Or how would you look at investing in both segments as a policy?

P. Nataraj: Sir, I see our core business is textile. So we are concentrating more on textiles, and the present situation is a little bit volatile, particularly just before what we said about the European, the market has to improve. So we are waiting for that.

And by the way, the ethanol also that we are expanding our capacity in the first unit of the sugar, where in the beginning, we put a small size. And we have doubled the capacity now. So further, again, we have to balance this how much we are crushing and how much sugar output and this much of amount of investment and how long we can run the factory with the molasses to produce ethanol. So these all technically, we have to assess these things.

So once this ongoing project is completed, our capacity will be around 5 lakhs litres per day and put both the units together. So it means approximately 250,000 lakh litres of each unit. So then we have to see balancing the other ethanol production with the molasses output.

So based on that, maybe like once it's completed, we can study technically. And what could be that there's some further increase in ethanol, of course, ethanol is more margin in the south of the sugar, ethanol, molasses. So we will decide at the end of the next season.

Rushabh: Is there an inter benchmark for get sort of INR100 of capex? I understand as per the market condition rese benchmark were a maximum limit, you might be ready to put in ethanol segment. Is there any -- you follow anything?

P. Nataraj: No. There is no benchmark in fact. We have to study because we are producing ethanol from the sugar syrup also.

And how much syrup we can utilize and how much ethanol, we can run with it, till the next season. Because producing more molasses, we cannot run the ethanol till the next season. So we have to calculate accordingly. This technical issue we have to study. What is the crushing capacity of the sugarcane? based on that, we have to calculate and invest.

Rushabh: Okay. So just one last question. On the garment realization, if I have to take a three years to four year view, currently, we are at INR180, INR190 per piece. Can you take -- go to INR 250 or is that trajectory that we look should we look for KPR, the high-value added segment?

PL Murugappan: There it is like per piece realization is only for calculation purpose we are working on 20% margin kind of the business, not per piece realization basis. More quantity also we will do, but basically we are looking at 20% margin in this business.

Moderator: The next question is from the line of Prerna Jhunjunwala from Elara Capital.

Prerna Jhunjunwala: Sir, what would be the garment order book today?

PL Murugappan: It's about 1000 crores madam.

Prerna Jhunjunwala: Okay. And if -- what will be the breakup between yarn and fabric business revenue and volume?

PL Murugappan: Yes. Yarn sales is 14,600 tons. Fabric sales is about 2000 tons.

Prerna Jhunjunwala: Okay. And value?

PL Murugappan: Yarn revenue is INR 391 crores and fabric revenue is about INR 69 crores.

Prerna Jhunjunwala: Understood, sir. And sir, how was the margins in various segments, yarn and fabric versus garments?

PL Murugappan: Yarn and fabric is about 12%. Garment is about 27%.

Prerna Jhunjunwala: 27%?

PL Murugappan: Yes.

Prerna Jhunjunwala: Sir, what led to this increase in the garment business margin? Because if we look at...

PL Murugappan: Because of the lower inventory cost, because it is inter unit transfer at arm's length when the yarn prices are lower, our margin from garment would be higher.

Prerna Jhunjunwala: Okay. Understood. So going forward, we should look at sustainable margins only and not these margins? That is...

PL Murugappan: Regular margins yes, yes.

Prerna Jhunjunwala: Okay. And sir, ethanol margins, if I want to see this time the EBIT margin of 26% in 1Q. Is it fair to assume that ethanol margins are around 35% EBITDA level?

PL Murugappan: We are not calculating separately for ethanol margin. The sugar margin expected to be around 25%.

Prerna Jhunjunwala: 25% blended?

P Nataraj: Blended, yes.

Moderator: The next question is from the line of Preeti Choudhary from Green Portfolio. Please go ahead.

Preeti Choudhary: So I have a couple of questions. So first one is, so India signed the FTA with Australia. But if I look at our numbers, our percentage of business from Australia has been falling. So I just wanted to know, has it grown in absolute terms and has the company taken any steps or are in talks with customers in Australia for building the business in the country?

PL Murugappan: We are supplying to the major players in Australia. Our business to Australia is more or less in line. So, there is no drop in the business. If you look at the last quarter and this quarter, it is about 12.3% kind of the business.

Preeti Choudhary: Okay. All right. And the next question is, so what is the update of bringing in the machineries from our Ethiopia plant?

- PL Murugappan:** We are trying to bring it back
- Moderator:** The next question is from the line of Monish Ghodke from HDFC Asset Management Company.
- Monish Ghodke:** Sir, ethanol sales volume, what is the split between B-Heavy or C-Heavy root only?
- PL Murugappan:** This quarter is more or less a sugar syrup we have done B-Heavy route only..
- Monish Ghodke:** Okay. And sir, after the expansion, will it be the B-Heavy only?
- PL Murugappan:** No, no. During the season, it is from Dassera. The off season it will be from the B heavy molasses.
- Monish Ghodke:** Okay. So how will the split look like for full year?
- PL Murugappan:** Full year. It's 50%-50%, 50% from syrup and 50% from B-Heavy Molasses.
- Monish Ghodke:** Okay. And sir, how easy or difficult is to expand our crushing capacity in terms of regulatory approvals and all?
- PL Murugappan:** It is depending on the area where we are situated. Presently, the areas are more or less saturated we cannot expand the capacity as it is. So we are fully running now.
- Monish Ghodke:** Okay. And strategically, like is it our focus area that over time, we have to increase the crushing capacity? Maybe if I see 5 years down the line, will our capacity be more or it will be the same?
- PL Murugappan:** See – you have to wait and see. Because business decision has to be taken, depending on the availability and other things, we will take a decision based on the inputs of various other areas.
- Modertor:** Thank you. The next question is from the line of Chinmay Shah, an individual investor.

Chinmay Shah: Congratulations to the management, for the good set of number. So my question is our current quarter inventory levels, how much it is? I mean in terms of

PL Murugappan: It is about three months inventory we have sir.

Chinmay Shah: Okay, so now we having for three months inventory, okay fine. And sir now for our Europe section, do you think in current after July month or so, is it some good inquiries or something like that?

PL Murugappan: Garment inquiries are good only. We are having reasonable order position. We hope that it will improve from here on.

Chinmay Shah: Okay, because generally we book our half yearly orders?

PL Murugappan: Yes, more or less we book them.

Chinmay Shah: Okay, okay, sir. Thank you so much.

Moderator: Thank you. The next question is on the line of Roshan from B&K Securities. Please go ahead.

Roshan: Yes, thanks for the opportunity. Do you expect the import duty on cotton to be...

Moderator: Sorry to interrupt Roshan, your audio is sounding very muffled.

Roshan: Thanks for the opportunity. So, do you expect the import duty on cotton to be removed anytime soon?

PL Murugappan: We have represented through the associations. We hope that something will happen.

Roshan: And after the signing of FTA with Australia, are you seeing any increase in tractions in terms of the new order from -- Australian orders?

PL Murugappan: As of today, the business is good. We hope that it will improve.

- Roshan:** And can you provide some clarify on the UK FTA?
- Management:** UK FTA is in the advance stage. We hope that it will happen during this year.
- Roshan:** That's all from my side. Thank you.
- Moderator:** Thank you. The next question is from the Biplab Debbarma from Antique Stock Broking. Please go ahead.
- Biplab Debbarma:** Thank you for taking my call again. Sir, on the capex that you have planned, of the planned capex, how much capex yet to be incurred? I think in ethanol yet to be incurred, how much to be incurred going forward capex?
- PL Murugappan:** Approximately about INR 200 crores need to be spent.
- Biplab Debbarma:** And remaining have been spent?
- PL Murugappan:** Already been spent Yes.
- Biplab Debbarma:** And sir I missed the margin, yarn margin this quarter. How much was it?
- PL Murugappan:** It is 12%. Yarn margin is 12% and the garment margin is about 27%. And the sugar is about 27%.
- Biplab Debbarma:** And one final question is on the ethanol and sugar, so sir, once this new ethanol capacity starts its commission, so on a steady state basis, what will be the yearly total sugar production and ethanol production in terms of volume?
- PL Murugappan:** Volume wise, we are looking at 2 lakh tons of sugar and 12 crores liters of ethanol.
- Biplab Debbarma:** How much is in ethanol?
- PL Murugappan:** 12 crores liters.

Biplab Debarma: Okay. Thanks that's all.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique portfolio managers. Please go ahead.

Pratik Kothari: Thank you again. Sir, if we look at overall garment sales globally for the last 5 years, 10 years, it always used to be a 2%, 3%, a low growth market, but because of our internal efficiencies, because of our cost and cost efficiencies that we could bring to the table. We had captured a large part of market share and we grew much, much faster globally. So in that context, what are we, I mean, we understand that the demand is sluggish, but from our side internally, what is it, or what are the actions we are seeking to be able to capture the global market share?

P. Nataraj: See, we are continuously updating our quality parameters. We have the integrated facility, and we are adding the value addition, wherever it is required. That's why just now we have increased our processing capacity with printing and all these things. So, wherever there is customer requirements, based on that, we study the market. Even new customers are coming in, whatever they suggest will also be considered towards a balancing the present capacity.

So, not only the capacity wherever is possible no like adding the equipments for the value additions. So, like that kind of things gives more interesting for the customers. So, once they come in, they see the facilities and all these things, even during the lean time also, we are able to procure our required orders. So that is why we are very closely monitoring the market, the global scenario, and within the factory itself, what kind of facilities what we have to create.

So, all these things we are continuously monitoring, our all the teams like marketing team, technical team, quality team. So, these all hand-in-hand they interact. So, we have to be on the

job, we have to be on the market on a daily basis, 24 hours around the clock, so like that. So, this is the way we are working. So, that's why we are able to run with -- even in this situation also, with better efficiency and better productivity.

Pratik Kothari: Correct. In terms of cost efficiency or the price point at which we are able to cater to the customers, I believe we would be one of the best globally. Correct?

PL Murugappan: Yes, you are right.

Pratik Kothari: Thank you and all the best, sir.

PL Murugappan: Thank you.

Moderator: Thank you. The next question is in the line of Jinesh Shah, an Individual Investor. Please go ahead.

Jinesh Shah: Yes. Hi, sir. So my question was regarding FASO. Can we have some numbers, like quarter-on-quarter, how we've been growing FASO, like over the last few quarters? And what are your future plans for FASO, how are we planning to scale it up?

PL Murugappan: Yes, currently the quarter-on-quarter basis we are close to about INR 10 crores per quarter. We hope that it will increase from the current year onwards. We are putting all our efforts, we are launching the product across India now. It will be completed during this year. We hope that it will reach to double digit in the coming period.

Jinesh Shah: Any marketing plan that we have for FASO, anything in place?

PL Murugappan: Sir, all the efforts are made, we are on track sir.

Jinesh Shah: Are we present online as well with FASO like we are tying up with someone Amazon or Flipkart, Myntra, etcetera?

PL Murugappan: Yes, we are available sir.

Jinesh Shah: Thank you so much. That's it from me.

Moderator: Thank you. The next question is from the line of Sameer Deshpande from Fairdeal Investments. Please go ahead. Sameer, your line is in the top mode. Please go ahead. As there's no response from the current participant, we will move on to the next. That is on the line of Awanish Chandra from SMIFS. Please go ahead.

Awanish Chandra: Congratulations, sir, on a good set of performance in a very difficult situation. Sir, recently we have heard many negative news, especially from the South market, where spinning companies said they are facing so much issues. So, how is the situation now? Any commentary on that?

P. Nataraj: Sir, generally we see that the mills, particularly standalone spinning mills, of course, what you are saying is right, we are suffering because of the cotton price where the highest in the last year reached more than 1 lakh and suddenly within a couple of months it has fell down below 60,000 and those who have larger inventory or even according to the size of the mills the spinning sector is fragmented where mills are having even 5,000 spindles to 5 lakh spindles.

So the small mills, when they have the, you know, more inventory by borrowing money from bank, so once the cotton price become half of that, so half of their working capital just vanished. So those mills, those who are financially running with tight planning, they are all suffering. So this is a fact. And the thing is that during that time, some people were in the expansion mode also, whether small or large, they were in the expansion mode where they are further invested in construction work and even machinery they bought and all these things.

So because of that, when suddenly the price become half of what it was around INR1 lakh, so people has to suffer for want

of working capital, in other parts. So this kind of situations never happened in fact in the last, we can say one or two decades. So it was totally unexpected and also there was some chances of by the time the import, but the import duty also imposed 11% on import of cotton so that door also closed. So because of that the mills were really suffering. And some people anyway they have trying to come out and some people are already still suffering, so this is the situation now.

Awanish Chandra: Okay, sir. So sir, when we see this kind of news and when we look at the RNG export data for several months, it is declining hereon declining in each and every month. And when we see, your commentary also that you are wait and watch mode before making a firm decision on the capex, so all it indicate that we are going for some slowdown because your numbers are very good as compared to what we see generally in RNG export data and still you are not deciding? So anything which we are not able to understand this?

P. Nataraj: Sir, you see, that's why I said, everybody is suffering and we are, with difficulty and with all our strength, what we have inherent strength, with that we are able to stand. But you know, we don't want to take risk by investing huge sum at this situation, because it is not only the cotton, I told particularly about the stand-alone spinning mills. But you know, because of the various things that happened globally, particularly because of the war, our major export is to Europe. And the European market is really, really suffered heavily due to the war and we all know well about even you know, their, even the power cost, that is electricity cost has gone very high, 5x, 6x.

So people slowdown in their purchase also. They are concentrating only on the essential requirement like food and all the other things they so stopped or slowdown there even the fashion goods. So all these things are we are also very closely

watching all these things. So at this kind of situation, we don't want to keep stock ready for the next season and we don't want to struggle. So that's why we want to be, maybe we are little extra cautious, but this is not in our hand or it is not within India, it is a global market. So it is better to wait and see. So that is, maybe you may think we are conservative, we want to be a little more conscious. So that is why we are looking for.

Awanish Chandra: Understood sir. One last thing sir. Our cotton inventory, last time you guided four months, it is still four-month inventory?

PL Murugappan: It is three month inventory now.

Awanish Chandra: Okay. And average price of that three month inventory?

PL Murugappan: It will be somewhere around INR 60,000, INR 61,000.

Awanish Chandra: Okay sir. Thank you very much for answering my questions.

PL Murugappan: Thank you.

Moderator: Thank you. The next question is on the line of Prerna Jhunjunwala from Elara Capital. Please go ahead.

Prerna Jhunjunwala: Thank you for the opportunity again sir. So this year is again going to be a difficult year as per your commentary given the uncertainty in the global scenario as well as the volatility in cotton prices. So how do you see, I know you don't give guidance, but if qualitatively you could help us understand how we should look at it from this year or from next three years point of view, how we should look at CPR lineage?

PL Murugappan: So far, the market is a little difficult. But we hope that it will be improving from hereon. We see good opportunities this year also in the second half of the year. We are seeing some improvement in the market. And going forward, we are very bullish about the textile business.

Prerna Jhunjunwala: Okay, so could you give me some color on the customers, how they are -- a new customer, existing customers, new customer addition I meant, to just understand how we are grabbing this opportunity of global apparel market?

PL Murugappan: Yes, we are adding some clients in US and slowly we are improving the presence in US. If you look at our presence from last year to this year, we are 22% in US. And we hope that it will improve in the coming years.

Prerna Jhunjunwala: That's helpful sir. Thank you.

PL Murugappan: Thank you so much.

Moderator: Thank you. The next question is in the line of Monish Ghodke from HDFC Asset Management Company. Please go ahead.

Monish Ghodke: So this quality control order which will be effective for cotton bale procurement. So what impact will it have on your cotton procurement strategy?

P. Nataraj: Sir, just now government has announced, we have to wait and see what kind of the policy or the system or the control, any checklist or how government is going to monitor all these things that we have to see. This only just week before government has announced, so still there is already all the association has wrote letter to the Ministry, because in India, it is not fully organized. If you see the ginning factories are located in the villages and so far so many years, there is no system like that.

And suddenly bringing like this, if they impose what kind of the system it will be, what kind of the quality control, how they certify it, so that all these things we have to wait and see, there is any parameter on this based on that. Now it is almost like half season now. The season starts in October and say, almost like next couple of months is there. So we have to wait and see, how

the system works out. Even generally it is not -- just only the announcement came, there is no, what kind of, who is going to monitor, how it is certified, all this still we don't know.

Monish Ghodke: Okay. And so one more question, this PM Mitra Park, I mean in Tamil Nadu, Tamil Nadu state, it will be in Virudhunagar. So assuming, I know the demand is sluggish now, but assuming the demand improves over time, and you, I mean, if you want to set up excess capacity, will you be looking at PM Mitra Park?

P. Nataraj: We are looking for that also, but still again, I know that they announced, even previously two years back announced and just six months back they announced the location, but still the land is not identified and government said they will create all infrastructure facilities, but you know, so it seems it also will take a long time. Only location they identified and procurement of land and creating facilities I think it may take maybe at least a couple of years, so we have to wait and see.

Monish Ghodke: Okay, sir. Thank you.

Moderator: Thank you. The next question is on the line of Akshay Chheda from Canada Rebeco Mutual Fund. Please go ahead.

Akshay Chheda: Yes, sir. Just one question on this yarn side. So how is the market shaping up? I mean, you did explain the challenges that the smaller players in the south are facing, so does it benefit us in anyway? I mean can you expect the margins to improve in the second half 16-17 or it's a fastest target? Just this was one question.

PL Murugappan: We hope that the margins will improve in the second half, and we are seeing some improvement now. We hope that it will restore level of margin in the second half.

Akshay Chheda: Okay, thank you.

Moderator: Thank you. the next question from the line of Deepak Patel, an individual investor. Please go ahead.

Deepak Patel: I heard that the Tamil Nadu government switch all textile industry to enter in technical textile. So are we reached around that?

P. Nataraj: No, sir, technical textile market is very small, and a few people have invested in that. And they're still not in a big way, improving in India. So we have no idea of going into technical textile presently.

Deepak Patel: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Biplab Debbarma from Antique Stockbroking. Please go ahead.

Biplab Debbarma: Thanks management, for taking my call. Sir, I'm looking at the outlook that we have in the outlook, just one question there. Because on the growth number in the previous quarter con call, you said around double-digit growth in FY '24. So do you think, you would be able to achieve that double-digit growth in FY '24 then?

PL Murugappan: Sir, it is very early to judge, but the growth will be there. We are hoping that, it 10% to 12% growth will be there. That's what we hope.

Biplab Debbarma: Okay. And one final question on this is that, in the textile capex that you have done, and -- what would be the incremental revenue that we expect from this Vortex spinning capex in textile segment?

PL Murugappan: Vortex spinning will give a revenue of close to about INR140 crores to INR150 crores on an annual basis.

Biplab Debbarma: And that would have a similar kind of margin like yarn?

PL Murugappan: The margin is more or less stable base, it is like yarn. Cotton Yarn margin is reduced, but it will be a stable margin.

Biplab Debbarma: So that means 15%, 16% kind of margin but stable?

PL Murugappan: 15%, 16% kind of a margin, but it will be stable.

Biplab Debbarma: Okay. Thank you, sir. All the best.

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

Abhishek Nigam: Yes, hi. Thank you so much. Sir for FY '24, you said, you've given a target of say about you know, 150 million pieces odd for garmenting. So for FY '25, is there a number that you have in mind? Like say 170 million ballpark? So that's my first question.

And the second question is, can you do that with existing capacity? Or do you really have to set up something like some kind of Brownfield expansion to do that?

PL Murugappan: See, we are waiting for the things to improve. If we are doing it, it will be done through a Brownfield expansion.

Abhishek Nigam: Okay, so with existing capacity, you can only go up to 150 million or so?

PL Murugappan: 150 to or so.

Abhishek Nigam: 150 to or so. Okay. And in case you do a Brownfield expansion, how much time does it take to set it up?

PL Murugappan: Yes, it may be two months, three months time.

Abhishek Nigam: Two months, three months. And we already have, like the location and all for that?

P Nataraj: Yes, locations and factories are the existing facility. Only, we need to add lines and increase the capacity, yes.

Abhishek Nigam: So two months, three months for setting it up and then another three months, four months maybe to sort of ramp it up?

P Nataraj: Yes, that's right.

Abhishek Nigam: Okay, sounds good. Nothing else from me for now. I think operator, there is one question in the queue.

Moderator: Yes, sir. The next question is from the line of Sundar from Avendus Spark. Please go ahead.

Sundar: Thank you. So, thanks for the questions. But one clarification that I needed very specific to the last question that was raised in terms of Brownfield. I thought, this time in the annual report we had mentioned that, we are doing a Brownfield, which can add about 10 to 20 million pieces. Will that not come through FY '24, sir?

PL Murugappan: Sir, it is on pipeline. We are just waiting for the market to improve. Once it improves, we can do it. The machines are all available off the shelf. We can do it. Because facilities are all available, we can do it.

Sundar: Right, and the required amount of labor, that's also available easily?

PL Murugappan: That can be added.

Sundar: Right, sir, and just one hypothetical question here. is that last time, when we did that addition at Chengappalli for 4200 hundred pieces, we did it at about a 14 month time frame. Now should we assume a similar time frame if we were to do another Greenfield?

PL Murugappan: Greenfield, maybe it will take.

Sundar: It will take about 14 months- 15 months, sir?

PL Murugappan: Yes, because the construction will take about six months- seven months, the ramping up will take about nine months to –one year.

Sundar: Right, sir. Fair enough. That's it from my side. Thank you.

Moderator: Thank you. A reminder to the participants, anyone wishing to ask a question, may please press star and one. As there are no further questions, I now hand the conference over to Mr. Abhishek Nigam for his closing comments.

Abhishek Nigam: Yes, thank you so much everyone for joining this call and many thanks to the management for the insights. And, sir, if you have any closing comments to make, then that would be great.

P. Nataraj : Thank you, Abhishek, once again. KPR has a positive outlook for the future with its key strengths, and we believe that, we will be able to deliver better performance in the years to come with the strong support from all the stakeholders. Thank you. Thank you all once again.

Moderator: Thank you members of the management team. Ladies and gentlemen, on behalf of Batlivala and Karani Securities India Pvt. Ltd., that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.

Abhishek Nigam: Thank you.