



# S.P.APPARELS LTD.



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Phone : +91-4296-714000 E-mail : spindia@s-p-apparels.com  
Web : www.s-p-apparels.com CIN No.: L18101TZ2005PLC012295

16<sup>th</sup> August, 2017

The Listing Department  
Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001.

The Listing Department  
National Stock Exchange of India Limited  
'Exchange Plaza',  
Bandra-Kurla Complex, Bandra (East),  
Mumbai - 400 051.

**Scrip Code: 540048**

**Symbol: SPAL**

Dear Sirs,

Sub: Q1 Financial Presentation

We enclose the presentation of Unaudited Financial Results for the quarter/three months ended June 30, 2017.

Thanking You,

**For S.P.Apparels Limited**

K. Vinodhini  
Company Secretary and Compliance Officer

**Encl:** As above

# S.P. APPARELS LIMITED

Q1 FY18 RESULTS UPDATE  
August 2017





*This presentation and the following discussion may contain “forward looking statements” by S.P. Apparels Limited (“SPAL” or the Company) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of SPAL about the business, industry and markets in which SPAL operates.*

*These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond SPAL’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of SPAL.*

*In particular, such statements should not be regarded as a projection of future performance of SPAL. It should be noted that the actual performance or achievements of SPAL may vary significantly from such statements.*



- ❑ Resilient Operating Performance despite ‘Brexit’ and Volatile Currency Movements
- ❑ Significant Growth in SPUK Operations
- ❑ Improving Operational Efficiencies in Retail Division
- ❑ Adj. EBITDA margin % <sup>2</sup> improved by 29 bps from 17.9% to 18.2%
- ❑ PAT margin <sup>3</sup> increased from 7.0% to 7.1%

1. Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)
2. In addition to (1), EBITDA calculation excludes unrealised MTM gain / loss on account of foreign exchange fluctuations (accounted in other expenses)
3. PAT Margin = Reported PAT / Total Revenues <sup>1</sup>



## Q1 FY18 RESULTS UPDATE

Company Overview

Business Strategy & Outlook

Financial Overview & Shareholding Structure



# Q1 FY18 RESULTS

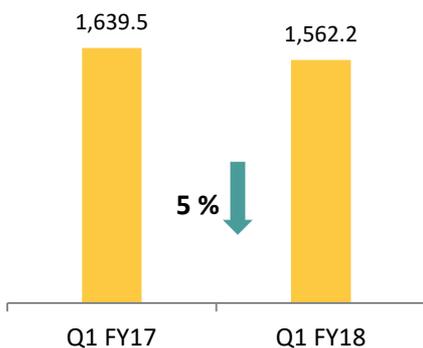
## KEY HIGHLIGHTS



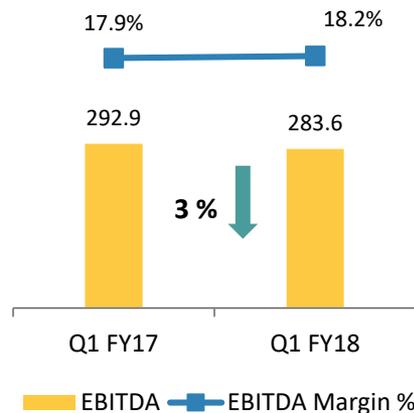
### Q1 FY18 YoY ANALYSIS

In Rs Mn

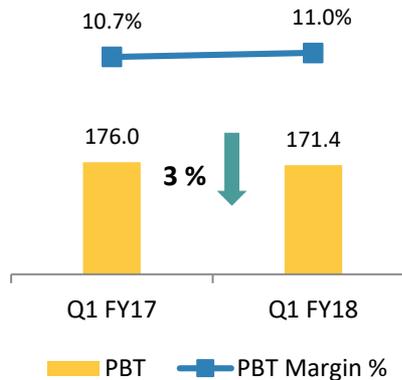
#### REVENUES <sup>1</sup>



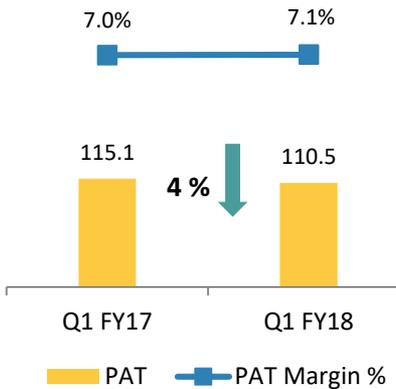
#### Adj. EBITDA & EBITDA MARGIN <sup>2</sup>



#### PBT & PBT MARGIN <sup>3</sup>



#### PAT & PAT MARGIN <sup>3</sup>



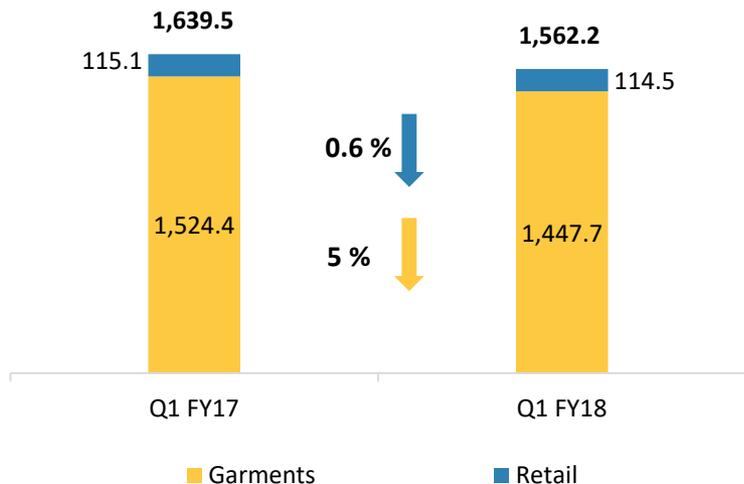
1. Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)
2. In addition to (1), EBITDA calculation excludes unrealised MTM gain / loss on account of foreign exchange fluctuations (accounted in other expenses)
3. PBT Margin = Reported PBT / Total Revenues <sup>1</sup>, PAT Margin = Reported PAT / Total Revenues <sup>1</sup>

# Q1 FY18 RESULTS

## DIVISION WISE ANALYSIS



### Q1 FY18 YoY ANALYSIS – TOTAL REVENUE BREAKUP <sup>1</sup>

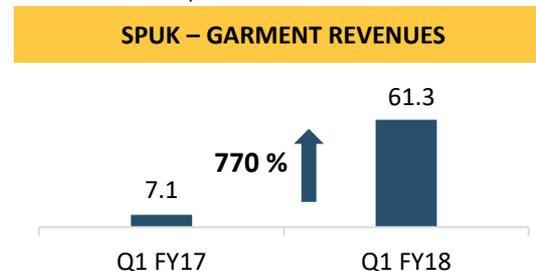


In Rs Mn		
DIVISION REVENUES SHARE	Q1 FY17	Q1 FY18
Garments *	93.0%	92.7%
Retail	7.0%	7.3%

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Adj. EBITDA MARGIN % <sup>2</sup>	Q1 FY17	Q1 FY18
Garments *	20.0%	19.8%
Retail	-10.2%	-2.6%

\* Includes SPUK Operations



- Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)
- In addition to (1), EBITDA calculation excludes unrealised MTM gain / loss on account of foreign exchange fluctuations (accounted in other expenses)



**FINANCIAL UPDATE:**

- **Q1 FY18 total revenues <sup>1</sup> marginally declined by 5% YoY to Rs 1,562.2 mn.**
  - Revenue de-grew by 5% in garments division and 0.6% in retail division.
  - Garments division revenues declined due to foreign exchange translation loss on account of Pound and Euro currency depreciation in Q1 FY18 compared to Q1 FY17.
- **Q1 FY18 Adj. EBITDA <sup>2</sup> marginally declined by 3% YoY to Rs 283.6 mn. Adj. EBITDA margin improved by 29 bps from 17.9% to 18.2%.**
- **Q1 FY18 PBT marginally declined by 3% YoY to Rs 171.4 mn. PBT margin <sup>3</sup> increased by 24 bps from 10.7% to 11.0%.**
  - Finance cost declined by 12% from Rs 75.9 mn to Rs 66.8 mn driven by reduction in debt.
- **Q1 FY18 PAT marginally declined by 4% YoY to Rs 110.5 mn. PAT margin <sup>3</sup> increased from 7.0% to 7.1%.**

1. Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)

2. In addition to (1), EBITDA calculation excludes unrealised MTM gain / loss on account of foreign exchange fluctuations (accounted in other expenses)

3. PBT Margin = Reported PBT / Total Revenues <sup>1</sup>, PAT Margin = Reported PAT / Total Revenues <sup>1</sup>

# Q1 FY18 RESULTS

## CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (In Rs Mn)	Q1 FY18	Q1 FY17	YoY %
Revenue from Operations	1,506.1	1,622.1	-7.2%
Gain on account of Foreign Currency Fluctuations	56.0	17.4	-
<b>Total Revenues</b>	<b>1,562.2</b>	<b>1,639.5</b>	<b>-4.7%</b>
COGS	594.9	609.5	-2.4%
<b>Gross Profit</b>	<b>967.3</b>	<b>1,030.0</b>	<b>-6.1%</b>
<b>Gross Margin</b>	<b>61.9%</b>	<b>62.8%</b>	<b>-90 bps</b>
Employee Expenses	384.1	369.1	4.1%
Other Expenses excl. MTM gain / loss on account of Foreign Currency Fluctuations	299.5	368.0	-18.6%
<b>Adj. EBITDA</b>	<b>283.6</b>	<b>292.9</b>	<b>-3.2%</b>
<b>Adj. EBITDA Margin %</b>	<b>18.2%</b>	<b>17.9%</b>	<b>29 bps</b>
<i>MTM (Gain) / Loss on account of Foreign Currency Fluctuations</i>	40.0	0.0	-
Depreciation	54.0	44.3	22.0%
Finance Cost	66.8	75.9	-12.0%
Other Income excl. Gain on account of Foreign Currency Fluctuations	48.6	3.2	1421.9%
<b>PBT</b>	<b>171.4</b>	<b>176.0</b>	<b>-2.6%</b>
Tax Expense	60.9	60.9	0.0%
<b>PAT</b>	<b>110.5</b>	<b>115.1</b>	<b>-4.0%</b>
<b>PAT Margin %</b>	<b>7.1%</b>	<b>7.0%</b>	<b>5 bps</b>
<b>Earnings Per Share (EPS) In Rs.</b>	<b>3.53</b>	<b>6.09</b>	<b>-42.0%</b>

1. Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)
2. In addition to (1), EBITDA calculation excludes unrealised MTM gain / loss on account of foreign exchange fluctuations (accounted in other expenses)
3. PAT Margin = Reported PAT / Total Revenues <sup>1</sup>



Q1 FY18 Results Update

**COMPANY OVERVIEW**

Business Strategy & Outlook

Financial Overview & Shareholding Structure





### BUSINESS OVERVIEW

- SPAL is one of the leading manufacturers and exporters of knitted garments for infants and children in India.
- Provides end-to-end garment manufacturing from greige fabric to finished products including body suits, sleep suits, tops and bottoms.
- SPAL is also the sub-licensee to manufacture, distribute and market adult menswear products in India under the 'Crocodile' brand.
- Strong promoter pedigree with more than two decades of experience in textile and apparels industry.

### KEY STRENGTHS

- SPAL is a specialized player in the highly challenging infant & children wear knitted garment industry.
- Preferred vendor through long standing relationships with reputed international brands like Tesco, ASDA, Primark, Mothercare etc.
- Stringent quality compliance, superior in-house product development and certified testing laboratories.
- Demonstrated ability to setup integrated facilities to scale-up operations. Currently operating 23 facilities having close proximity to key raw materials & skilled labour.
- Advanced manufacturing machineries with latest technology and automation.

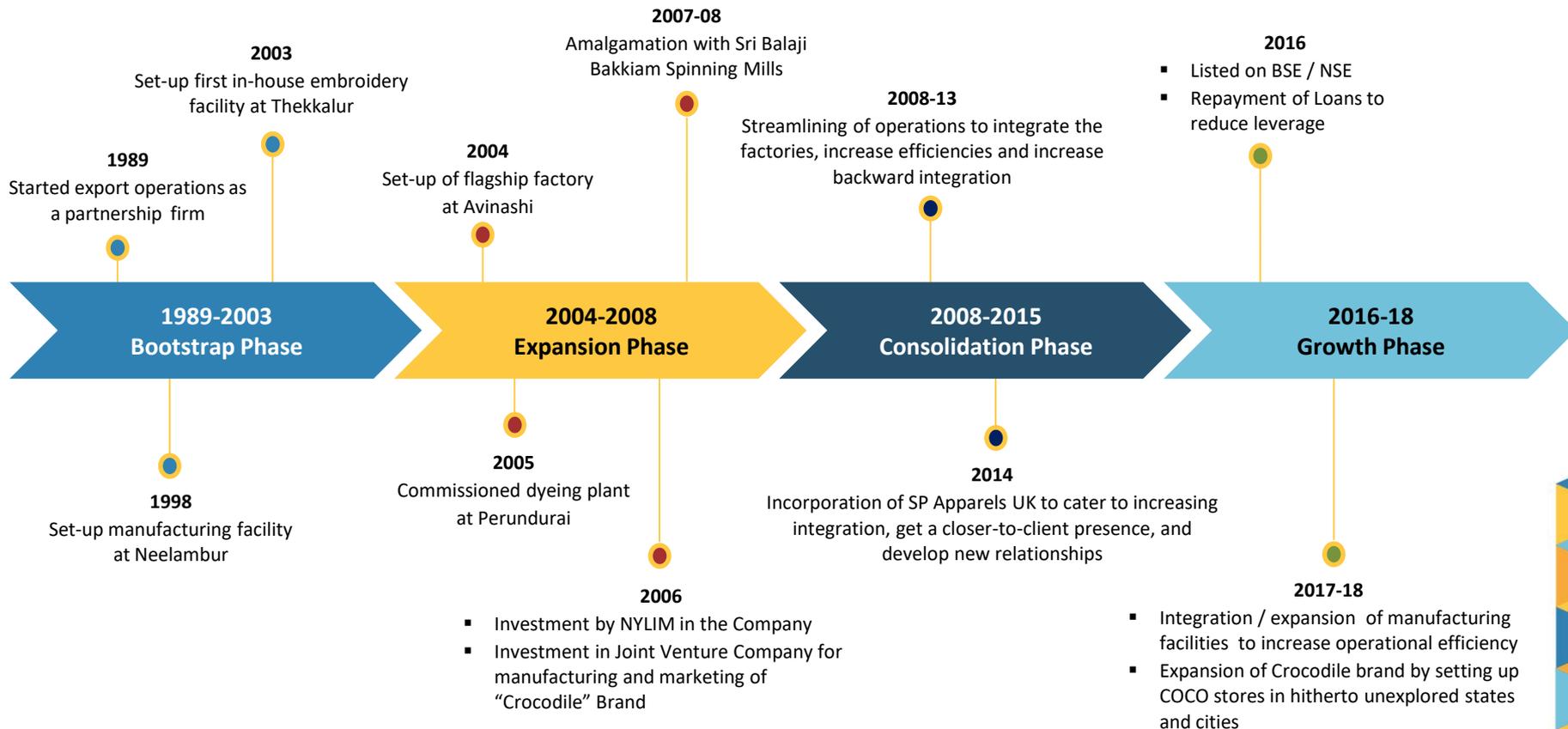
### FINANCIAL OVERVIEW

\*

- Consolidated Revenues, EBITDA and PAT were Rs 6,523.5 mn, Rs 1,219.6 mn and Rs 619.2 mn in FY17.
- Strong balance sheet with D:E ratio of 0.43x as on Mar-17.
- Improving profitability & return ratios over FY13 to FY17 –
  - PAT Margin: 0.6% to 9.5%
  - Cash Adjusted ROCE: 9.4% in FY13 to 20.5% in FY17
  - ROE: 4.0% in FY13 to 25.6% in FY17

# COMPANY OVERVIEW

## OUR EVOLUTION





### SPAL IS A SPECIALIZED PLAYER IN THE HIGHLY CHALLENGING INFANT & CHILDREN WEAR KNITTED GARMENT INDUSTRY

#### INDUSTRY'S UNIQUE CHALLENGES

1

- Labour intensive operations.
- Employee training & skill development.
- Employee occupational health & welfare.

2

- Demands large variety and small batch size orders.
- Highly complex manufacturing.

3

- Stringent safety and quality requirements in developed markets.
- Severe restrictions on the use of chemicals, dyes, accessories and other additives to prevent any side-effects on infants and children.

#### SPAL'S CORE COMPETENCIES

Demonstrated manufacturing excellence for over two decades

Clear understanding of buyer preferences and specifications of knitted garments and embellished garments in infants and children category

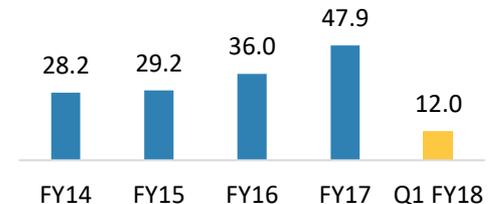
Ability to consistently deliver high quality products on timely basis

Meeting stringent compliance requirements of international customers

Long standing relationships with reputed global brands

**SPAL is strongly placed to capitalize on future growth opportunities**

SPAL – EXPORTS VOLUMES SOLD IN MILLION



## COMPANY OVERVIEW

### PREFERRED VENDOR TO REPUTED INTERNATIONAL BRANDS



SPAL IS THE PREFERRED VENDOR

FOR KNITTED GARMENTS FOR INFANTS AND CHILDREN

TO REPUTED INTERNATIONAL BRANDS AND RETAILERS

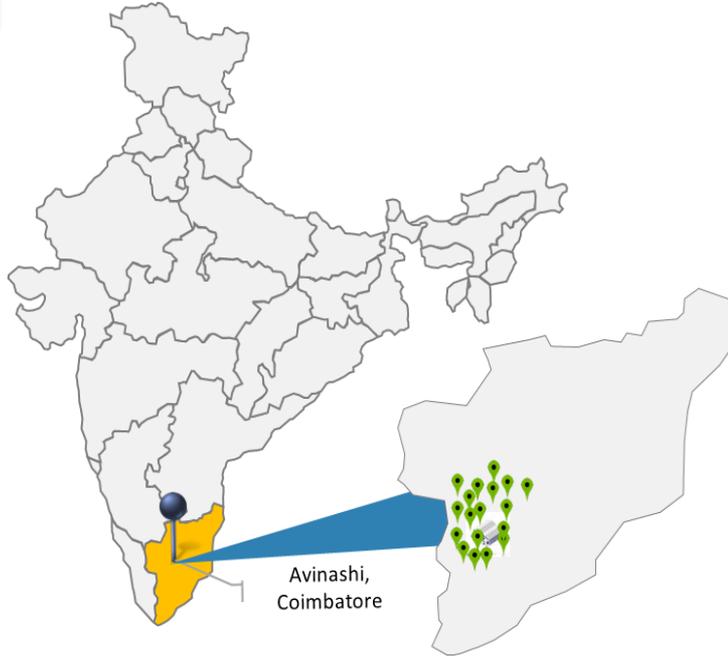
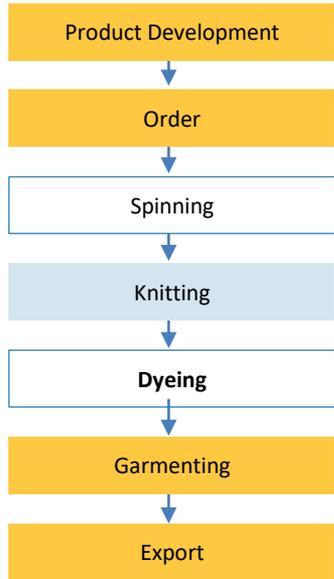
#### WHY SPAL?

- Expertise to concurrently manage multiple large orders with a diversified product range including body suits, sleep suits, tops and bottoms.
- Ethically, Environmentally and Socially compliant organization.
- No bulk returns from customers since inception.
- Ability to offer end-to-end garments manufacturing services from the design to the manufacture of the garments.

**SPAL recently added three major customers, two in US and one in Europe. The focus going forward will be to diversify the customer base across different geographies globally.**



### INTEGRATED BUSINESS MODEL



### LOCATION ADVANTAGE:

- All 23 manufacturing facilities are located within a radius of ~125 km of our Registered Office near Tirupur (leading hub in India for knitted garments for children and exports) leading to significant economies of scale.
- Convenient access to skilled labour and raw materials and also to machinery supplies and replacement parts.
- Significant savings in production, labour and transportation costs.
- Close proximity to international port.

### TECHNOLOGY & AUTOMATION:

- Eton conveyor production system (automated sewing assembly line and workflow control).
- ASRS\* for efficient warehouse / inventory management.
- Orgatex software system for automation of dyeing related processes.

In-house

Outsourced

Partly Outsourced

\* ASRS: Advanced semi-automated storage and retrieval system



Spinning



Dyeing





Printing



Automated Embroidery



Sewing



Automated Sewing Assembly Line



Semi-Automated Inventory Management





### STRONG DESIGN IS SPAL'S CORE COMPETENCY

- SPAL's core competency lies in understanding latest fashion and trends to suit the customers buying preferences.
- Dedicated in-house design and merchandising team of designers located at our Corporate Office in India and design consultants hired by our Subsidiary, SPUK.
- Use of latest technology for developing products and styles which are based on prevalent fashion trends.
- Design development, sampling and fitment form an integral part of our operations and are considered as an effective tool for converting customer's need into a finished product.





- Strong adherence to the highest standards of quality, assurance and compliance.
- Stringent quality control checks consisting of inspection and testing of fabric, greige and processed yarn, trims, accessories, packing materials and of each piece of garment for metal bits/needle tips/sharp edges prior to packing.
- Exercise stringent Quality check at every stage of manufacturing.
- All individual pieces of garments are also physically inspected to ensure that no defective/damaged pieces are delivered to our customers.
- Internal rejection rate is low as compared to international standards.

#### ACCREDITATIONS AND AWARDS FOR OUR MANUFACTURING FACILITY/ABILITY

Received laboratory accreditation ISO/IEC 17025:2005 by the National Accreditation Board for Testing and Calibration Authorities, Department of Science and Technology, India



TESCO 'F&F Gold Rated Supplier Award' 2013



Marks and Spencer award 2011

# COMPANY OVERVIEW

## BUILDING RETAIL PRESENCE IN INDIA



### SPAL's PRESENCE ACROSS LARGE FORMAT STORES



# COMPANY OVERVIEW

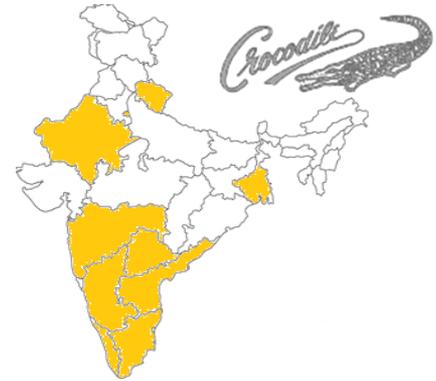
## BUILDING RETAIL PRESENCE IN INDIA



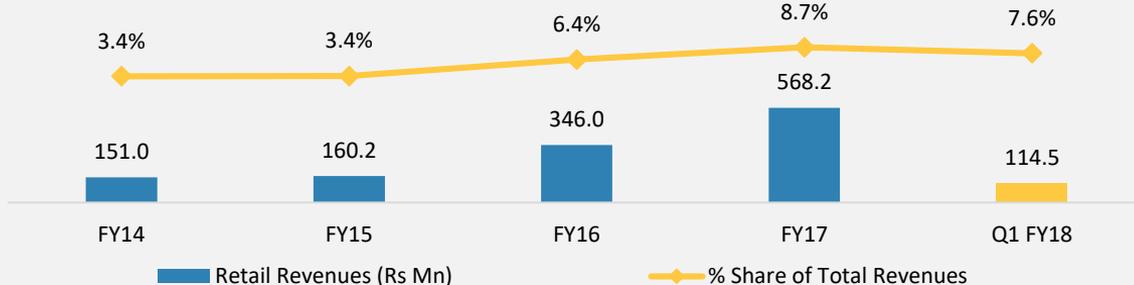
### SPAL IS STRENGTHENING ITS RETAIL PRESENCE BY EXPANDING THE REACH OF CROCODILE BRAND

- SPAL undertakes manufacturing and retailing activities in India under the 'Crocodile' brand.
- SPAL sells wide range of adult menswear products like shirts, polo shirts, t-shirts, trousers, jeans, sweaters, jackets and innerwear products like vests, briefs, boxer shorts.
- In addition to EBOs and MBOs, we are also present in large format stores and e-commerce platforms.
  - Large format stores (LFS) – Central (13), Megamart (22), Star Bazaar (10), D Mart (6), Unlimtied (10), Globus (12), Reliance Market (35), Walmart (21), More (6), Brand Factory (10).
  - E-Commerce platforms – Flipkart, Jabong & Amazon.

### OUR RETAIL STORE PRESENCE



#### SPAL – RETAIL OPERATIONS \*



Retail Network	June-17
EBOs – COCO	35
EBOs – FOFO	11
MBOs	4,000
LFS	145
No. of States	9
Outlet Size (Sq. ft)	400 – 1,500

\* Figures are as per the I-GAAP for FY14 to FY17 and IND-AS for Q1 FY18



**Mr P. Sundararajan**  
**Chairman and Managing Director**

- Founder director of SPAL with 32 years of experience in the textile and apparel industry
- Bachelor of Science from the Bangalore University



**Ms S. Latha**  
**Executive Director**

- Founder director of SPA with 25 years of experience in the textile and apparel industry



**Mr S. Chenduran**  
**Director Operations**

- Four years of experience in the textile and apparel industry
- MS in Business and Management from the University of Strathclyde

**Ms P.V. Jeeva, Chief Executive Officer**

- 31 years of experience in the textile and apparel industry
- Handles garments division and has been associated with SPAL since July, 1986
- Diploma in textile processing from GRG Polytechnic College, Coimbatore

**Mr V. Balaji, Chief Finance Officer**

- 17 years of experience in the field of finance and accounts
- Associated with SPAL since May, 2012
- Qualified Chartered Accountant
- Helped in managing banking relationships to aid the growth of the Company

**Mr V. Shankar Raam, Chief Operating Officer**

- 22 years of experience in the field of finance, accounting and marketing.
- Leading our business strategy for our retail business expansion
- MBA from IIBM Institute



**Mr A.S. Anandkumar**  
Independent Director

- 44 years of experience in banking
- Masters of Science from the University of Madras



**Mr P. Yesuthasan**  
Independent Director

- 41 years of experience in banking
- MS in Business Administration, Cass Business School, London and MS in Arts in Public Admin, Madras Christian College



**Mr G. Ramakrishnan**  
Independent Director

- 39 years of experience in government service
- Post-graduate degree from St. John's College, Palayamcottai



**Mr V. Sakthivel**  
Independent Director

- 41 years of experience in the fields of commerce and accountancy
- Qualified Chartered Accountant and Certified I.S. Auditor



Q1 FY18 Results Update

Company Overview

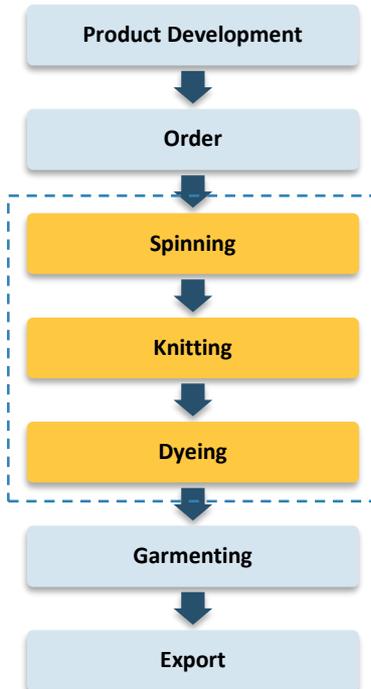
**BUSINESS STRATEGY & OUTLOOK**

Financial Overview & Shareholding Structure





### Existing Business Model



SPAL proposes to utilize Rs 750.7 mn from the Net IPO Proceeds towards:

- 1. Enhancing spinning capacity** – Capex of Rs 472.4 mn
  - Spinning capacity from 16,896 to 22,272 spindles
  - Blow room capacity from 3,200 kg/day to 15,015 kg/day
- 2. Setting-up a new Knitting facility** in the spinning facility – Capex of Rs 168.6 mn
- 3. Addition of balancing machineries** at existing dyeing unit at the SIPCOT facility – Capex of Rs 49.1 mn
- 4. Common Infrastructure** for spinning and knitting facility – Capex of Rs 60.6 mn

These investments will lead to

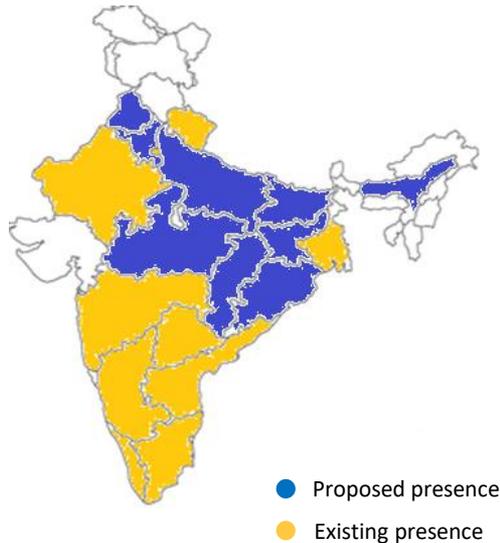
- **De-bottlenecking and backward integration.**
- **Improved operational efficiency and quality control.**
- **Operating cost reduction leading to margin improvement.**
- **Provide support for future expansion.**

# BUSINESS STRATEGY & OUTLOOK

## EXPAND RETAIL PRESENCE ACROSS INDIA



### PROPOSED EXPANSION OF RETAIL PRESENCE OVER THREE YEARS



- Growing aspiration levels of people in Tier II, III and IV cities in India along with rising brand awareness and higher disposable income makes these smaller urban areas as focal points for expansion.
- SPAL intends to capitalize on this opportunity to grow its menswear products under the 'Crocodile' brand.
- Capex plan of Rs 278.5 mn for establishing 70 new retail COCO stores, expanding its presence from 9 states to 18 states in India over next 3 years.



Q1 FY18 Results Update

Company Overview

Business Strategy & Outlook

**FINANCIAL OVERVIEW  
& SHAREHOLDING STRUCTURE**

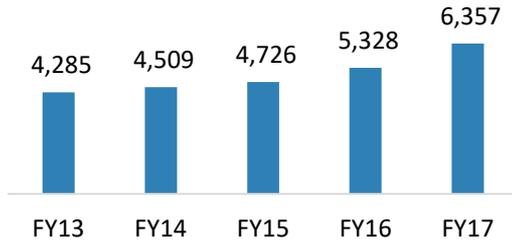


# FINANCIAL OVERVIEW



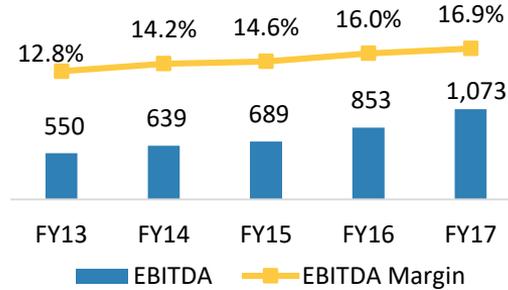
## REVENUES

CAGR: 10 %



## EBITDA & EBITDA MARGIN

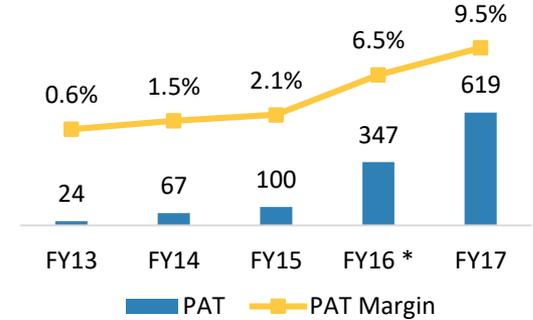
CAGR: 18 %



Figures are as per the I-GAAP standards

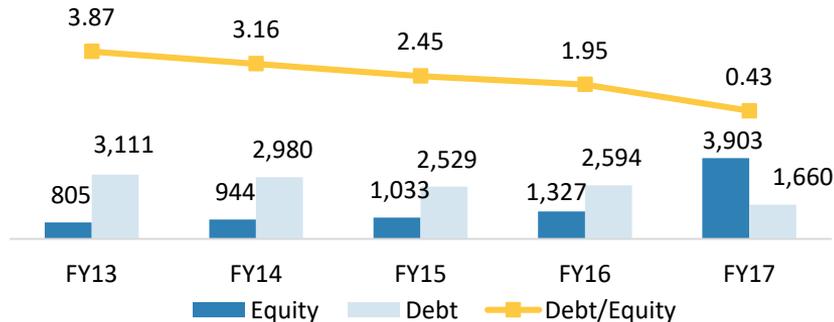
## PAT & PAT MARGIN

CAGR: 126 %

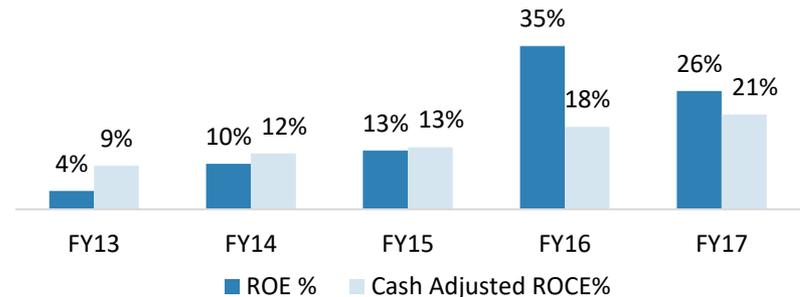


\* Excludes exceptional item of write-off of amount considered recoverable from a bank on account of matured foreign currency contracts as of April 1, 2011

## LEVERAGE ANALYSIS



## RETURN METRICS



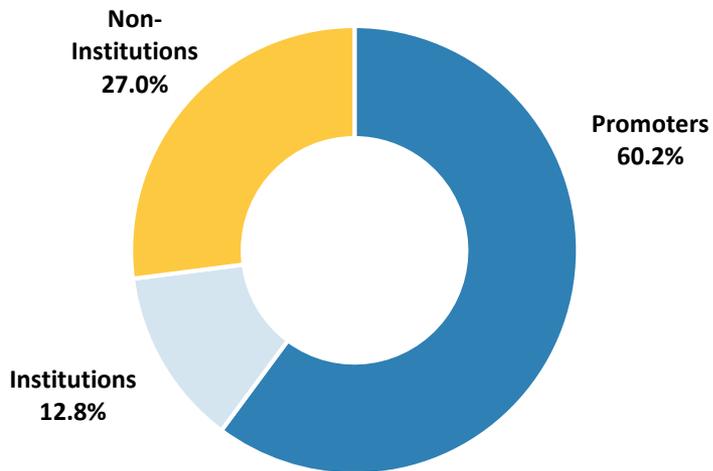


### Utilization of Net proceeds as on 30<sup>th</sup> June 2017

Particulars (Rs million)	Utilization Planned	Amount Utilized	Amount Pending Utilization
Expansion and modernization of manufacturing facility	701.6	141.6	560.0
Repayment or prepayment of debt	630.0	630.0	0.0
Opening of new stores for the sale of 'Crocodile' products	278.5	53.1	225.4
Addition of balancing machineries for existing dyeing unit	49.1	49.1	0.0
General Corporate Purposes and Issue Expenses	490.8	490.8	0.0
<b>Total</b>	<b>2,150.0</b>	<b>1,364.6</b>	<b>785.4</b>



## SHAREHOLDING PATTERN – 30<sup>th</sup> June 2017



Source: BSE

## KEY SHAREHOLDERS – 30<sup>th</sup> June 2017

Goldman Sachs India Ltd	5.32%
DSP Blackrock Micro Cap Fund	4.91%
Ashish Kacholia	4.47%
Birla Sun Life Insurance Company Ltd	2.55%
UTI- Balanced Fund	1.09%

**FOR FURTHER QUERIES:**



Mr. V. Balaji  
Chief Financial Officer  
Email: [balaji.V@s-p-apparels.com](mailto:balaji.V@s-p-apparels.com)



Mr. Nilesh Dalvi  
IR Consultant  
Email: [nilesh.dalvi@dickensonir.com](mailto:nilesh.dalvi@dickensonir.com)  
Contact no: +91 9819289131