



S.P.APPARELS LTD.



Regd. Office : 39-A, Extension Street, Kaikattipudur, AVINASHI - 641 654, Tamil Nadu, India.
Phone : +91-4296-714000 E-mail : spindia@s-p-apparels.com
Web : www.s-p-apparels.com CIN No.: L18101TZ2005PLC012295

12th November, 2020

The Listing Department
BSE 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: Financial Presentation

Please find enclosed herewith the copy of Financial Presentation for Q2 FY 21 results of the Company.

Kindly take the same on your records.

Thanking you,

For S.P.Apparels Limited,

K. Vinodhini
Company Secretary and Compliance Officer

Encl: As above



S.P.APPARELS LTD.



S.P.APPARELS LIMITED

INVESTOR PRESENTATION

Q2 & H1 FY21 Results Update

November 2020

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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.



S.P.APPARELS LTD.

Q2 & H1 FY21 RESULTS UPDATE

Company Overview

Financial Overview & Shareholding Structure



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Q2 FY21 - KEY HIGHLIGHTS

213% QoQ
growth in total
revenue¹

202% QoQ
growth in
garment division
revenue

189% QoQ
growth in SPUK
revenue

402% growth in
adj. EBITDA QoQ²

~680 bps
expansion in adj
EBITDA margin
QoQ

423% QoQ
growth in PAT

0.3x Net
Debt/Equity Ratio

Sufficient liquidity
of Rs. 175 Mn

Rs. 123 average
realisation per
piece in Garment
Division

12.1 Mn pieces export volume

13.3 Mn pieces volume produced

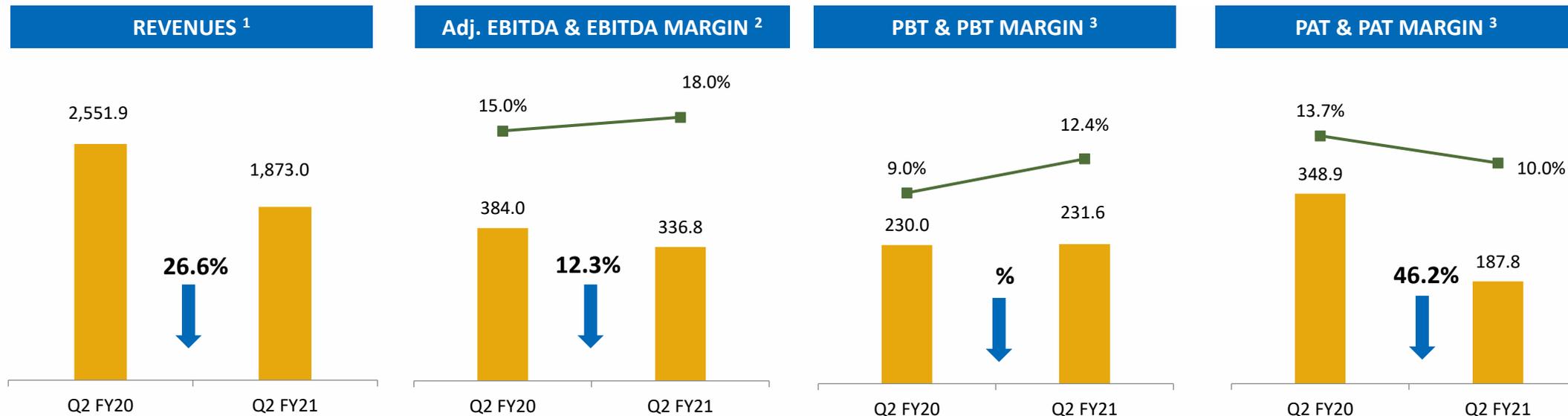
~60% sewing machine capacity
utilisation

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)

Q2 FY21 RESULT – KEY HIGHLIGHTS

Q2 FY21 YoY ANALYSIS

In Rs Mn

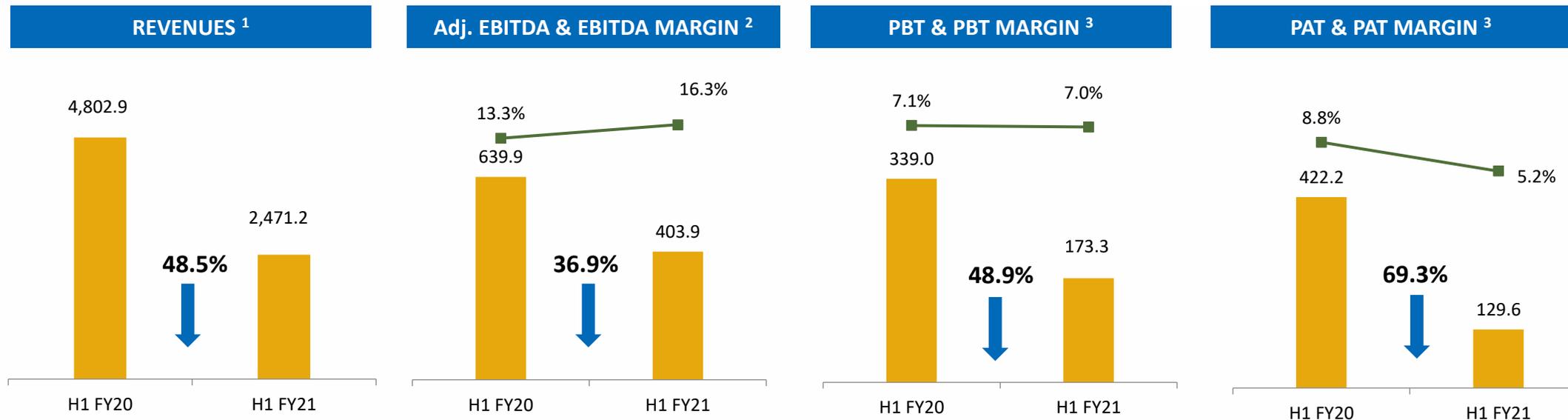


1. Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)
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3. PBT Margin = Reported PBT / Total Revenues ¹, PAT Margin = Reported PAT / Total Revenues ¹

H1 FY21 RESULT – KEY HIGHLIGHTS

H1 FY21 YoY ANALYSIS

In Rs Mn

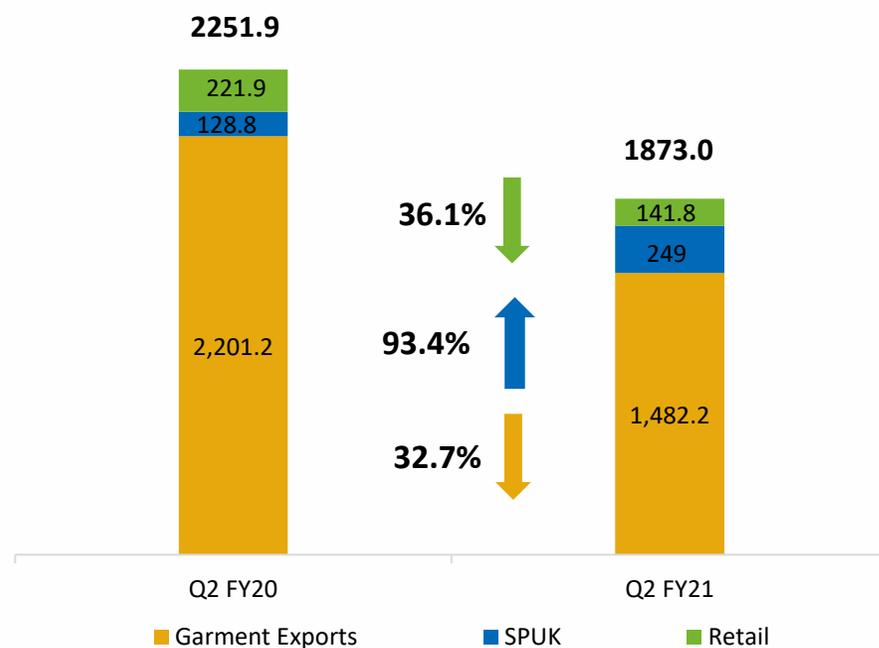


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Q2 FY21 RESULT – DIVISION WISE ANALYSIS

In Rs Mn

Q2 FY21 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



DIVISION REVENUES SHARE	Q2 FY20	Q2 FY21
Garment Exports	86.3%	79.1%
SPUK	5.0%	13.3%
Retail	8.7%	7.6%

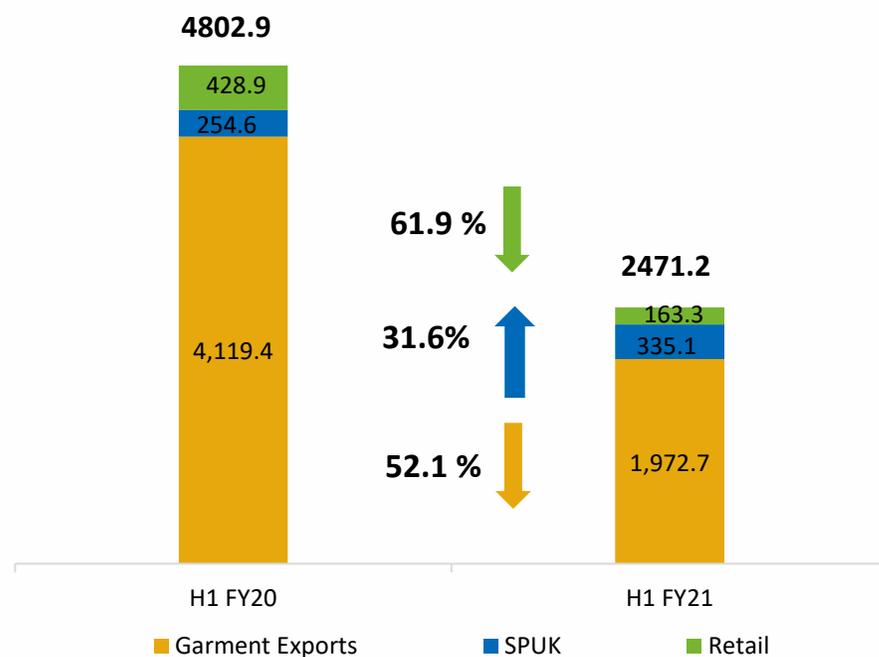
Adj. EBITDA MARGIN % ²	Q2 FY20	Q2 FY21
Garment Exports	16.6%	20.8%
SPUK	4.2%	8.7%
Retail	6.4%	5.0%

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)

H1 FY21 RESULT – DIVISION WISE ANALYSIS

In Rs Mn

H1 FY21 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



DIVISION REVENUES SHARE	H1 FY20	H1 FY21
Garment Exports	85.8%	79.8%
SPUK	5.3%	13.6%
Retail	8.9%	6.6%

Adj. EBITDA MARGIN % ²	H1 FY20	H1 FY21
Garment Exports	14.9%	19.5%
SPUK	4.1%	5.8%
Retail	3.6%	0.1%

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)

FINANCIAL UPDATE:

- **Q2 FY21 total revenues¹ increased by 213% QoQ to Rs 1,873.0 mn.**
 - Revenues grew by 202% on a QoQ basis in Garment Exports division due to pick-up in the demand post Covid-19 related lockdowns in UK and EU.
 - Revenue grew at a robust pace of 189% on a QoQ basis in SPUK division.
 - Retail division witnessed a growth of 560% QoQ, as the stores and LBOs started operating normally.
- **Q2 FY21 Adj. EBITDA² jumped by 402% QoQ to Rs 336.8 mn. Adj. EBITDA margins improved significantly by 678 bps QoQ to 18.0%.**
 - Higher EBITDA was primarily due to lower raw material cost and other various cost reduction initiatives.
 - Adj. EBITDA margins improved to 18.0%, driven by various cost reduction initiatives undertaken by the company in H1 FY21.
- **Q2 FY21 PBT grew 498% QoQ to Rs 231.6 mn.**
 - PBT grew at a robust pace due to lower finance and operating costs.
- **Q2 FY21 PAT increased by 423% QoQ to Rs 187.8 mn. PAT margin³ expanded to 10.0% from -9.7% QoQ.**
 - Lower finance and operating costs coupled with higher operating leverage drove the PAT margins up.

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 Revenues¹, PAT Margin = Reported PAT / Total Revenues¹

Q2 & H1 FY21 RESULT – CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (In Rs Mn)	Q2 FY21	Q2 FY20	YoY%	H1 FY21	H1 FY20	YoY%
Revenue from Operations	1,899.1	2,461.0	-22.8%	2,511.5	4,637.0	-45.8%
Gain on account of Foreign Currency Fluctuations	-26.07	90.9	-	-40.4	165.9	-
Total Revenues	1,873.0	2,551.9	-26.6%	2,471.2	4,802.9	-48.5%
COGS	749.4	1,130.0	-33.7%	956.7	2,060.4	-53.6%
Gross Profit	1,123.5	1,421.9	-21.0%	1,514.5	2,742.5	-44.8%
Gross Margin	60.0%	55.7%	427bps	61.3%	57.1%	418bps
Employee Expenses	405.48	529.5	-23.4%	580.2	1,077.6	-46.2%
Other Expenses excl. MTM gain / loss on account of Foreign Currency Fluctuations	381.2	508.4	-25.0%	530.4	1,025.0	-48.3%
Adj. EBITDA	336.8	384.0	-12.3%	403.9	639.9	-36.9%
Adj. EBITDA Margin %	18.0%	15.0%	294bps	16.3%	13.3%	302bps
MTM (Gain) / Loss on account of Foreign Currency Fluctuations	-6.43	26.1	-	-6.4	58.5	-
Depreciation	81.23	77.4	5.0%	162.5	140.9	15.3%
Finance Cost	33.87	57.6	-41.2%	81.7	114.2	-28.4%
Other Income excl. Gain on account of Forex Fluctuations	3.38	7.0	-51.6%	7.2	12.7	-43.2%
Exceptional Items	0.0	0.0	-	0.0		
PBT	231.6	230.0	0.7%	173.3	339.0	-48.9%
Tax Expense	43.74	-118.9	-136.8%	43.7	-83.2	-152.6%
PAT	187.8	348.9	-46.2%	129.6	422.2	-69.3%
PAT Margin %	10.0%	13.7%	-364bps	5.2%	8.8%	-355bps
Earnings Per Share (EPS) In Rs.	7.31	13.58	-46.2%	7.3	16.4	-55.5%

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 ¹

Q2 & H1 FY21 – CONSOLIDATED BALANCE SHEET



Particulars (Rs Million)	Sep-20	Mar-20
Equities & Liabilities		
Shareholder's Funds		
Share Capital	256.9	256.9
Other Equity	5,155.7	4,975.3
Total Shareholder's Funds	5,412.6	5,232.2
Minority Interest	-64.3	-64.2
Non-Current Liabilities		
a. Financial Liabilities		
Borrowings (please refer note below)	570.7	616.0
Other Financial Liabilities	131.3	132.4
b. Deferred Tax Liabilities	221.2	201.2
c. Other Non-Current Liabilities	0.0	0.0
Total of Non-current liabilities	923.2	949.6
Current Liabilities		
a. Financial Liabilities		
Borrowings	1,760.9	1,555.2
Trade Payables	992.3	845.0
Other Financial Liabilities	253.5	253.5
b. Other Current Liabilities	33.5	72.2
c. Provisions	76.0	81.2
Total of Current liabilities	3,116.1	2,807.0
Total Liabilities	9,387.7	8,924.7

Particulars (Rs Million)	Sep-20	Mar-20
Assets		
Non-Current Assets		
a. Property, Plant and Equipment	3,944.5	3,964.8
b. Capital work in progress	69.6	0.0
c. Intangible assets	60.1	60.5
d. Financial Assets		
Investments	153.6	1.9
Loans & Advances	100.6	0.6
Others	132.0	176.3
e. Other non-current assets	57.6	21.1
f. Right of use assets	393.3	414.1
Total non-current assets	4,911.5	4,639.3
Current Assets		
a. Inventories	2,430.6	2,277.6
b. Financial Assets		
Investments		0.0
Trade Receivables	1,315.2	940.4
Cash & Cash equivalents	224.7	463.0
Others	0.0	0.0
c. Other Current Assets	505.8	604.4
Total current assets	4,476.2	4,285.3
Total Assets	9387.7	8,924.7

Note : Long term debt includes right to use property obligation close to Rs. 393 Mn



S.P.APPARELS LTD.

Q2 & H1 FY21 Results Update

COMPANY OVERVIEW

Financial Overview & Shareholding Structure

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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.
- Strong promoter pedigree with more than two decades of experience in textile and apparels industry.

KEY STRENGTHS

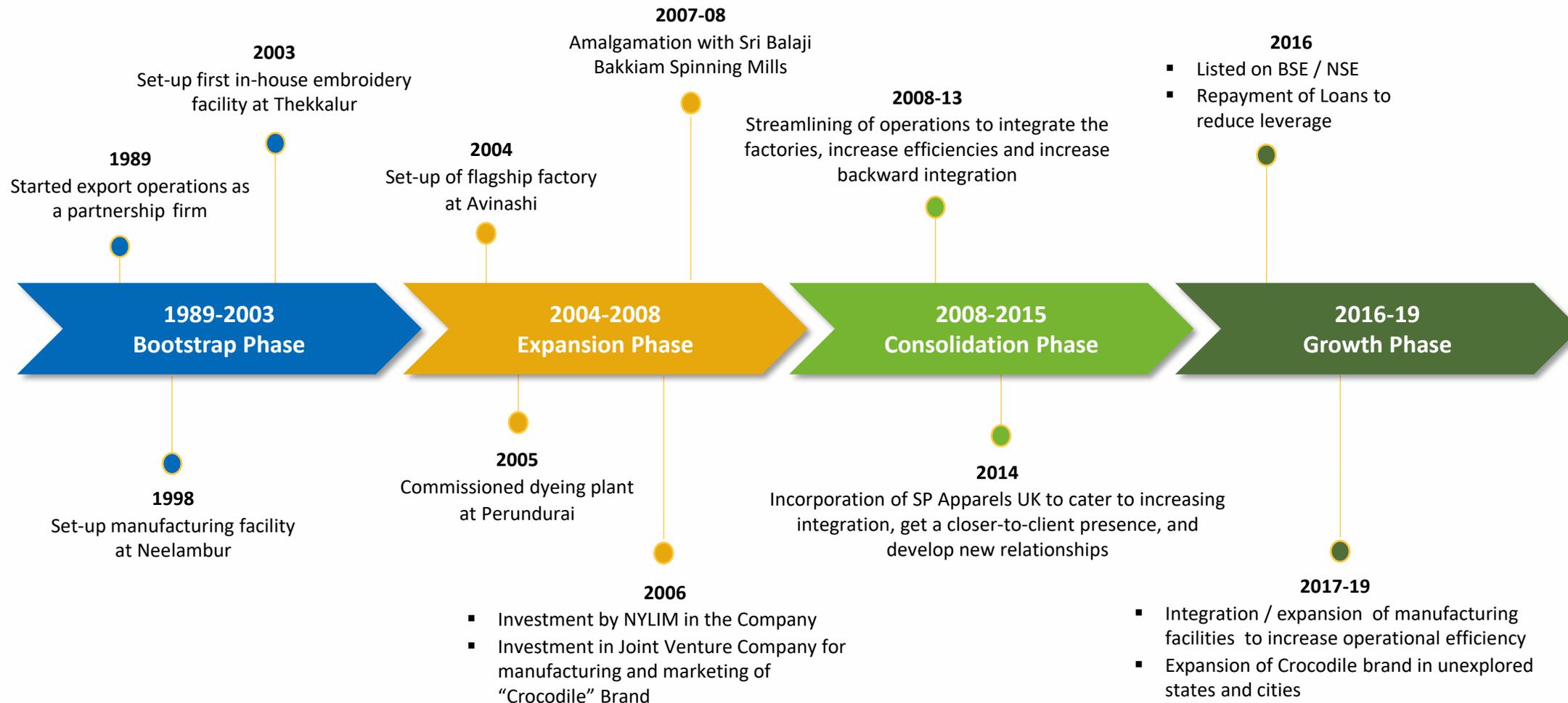
- SPAL is a specialized player in the highly challenging infant & children wear knitted garment industry.
- Preferred vendor through long standing relationships with reputed international brands etc.
- Stringent quality compliance, superior in-house product development and certified testing laboratories.
- Demonstrated ability to setup integrated facilities to scale-up operations. Currently operating 26 facilities having close proximity to key raw materials & skilled labour.
- Advanced manufacturing machineries with latest technology and automation.

FINANCIAL OVERVIEW *

- Reported Consolidated Revenues, EBITDA and PAT were Rs 8,090 mn, Rs 1,104 mn and Rs 469 mn in FY20.
- Strong balance sheet with D:E ratio of 0.3x as on Mar-20.
- Improving profitability & return ratios over FY15 to FY20 –
 - Reported PAT Margin: 1.7% to 7.2%
 - Cash Adjusted ROCE: 13.4% to 16.3%
 - ROE: 9.6% to 12.7%

* Figures are as per IND-AS for FY17-20

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

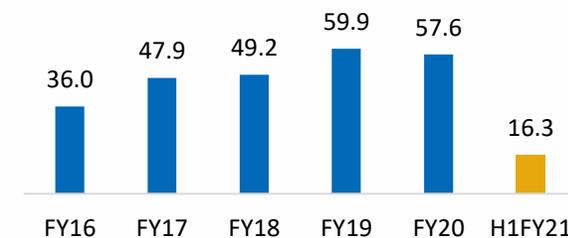
Ability to consistently deliver high quality products on timely basis

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



Note: Lower volumes in Q1FY21 on account of Covid-19 related disruptions

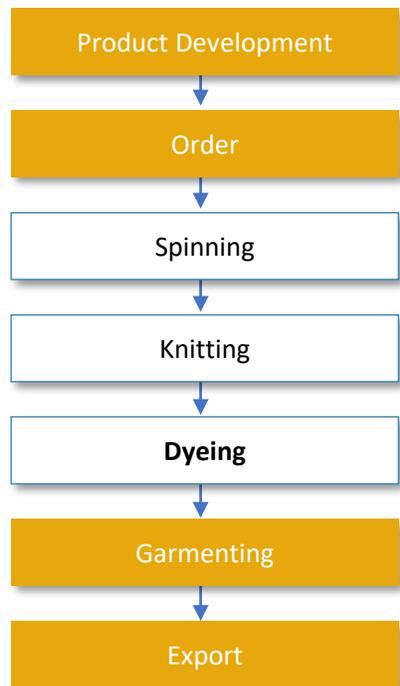


SPAL IS THE PREFERRED VENDOR FOR KNITTED GARMENTS FOR INFANTS AND CHILDREN TO REPUTED INTERNATIONAL BRANDS AND RETAILERS

WHY SPAL?

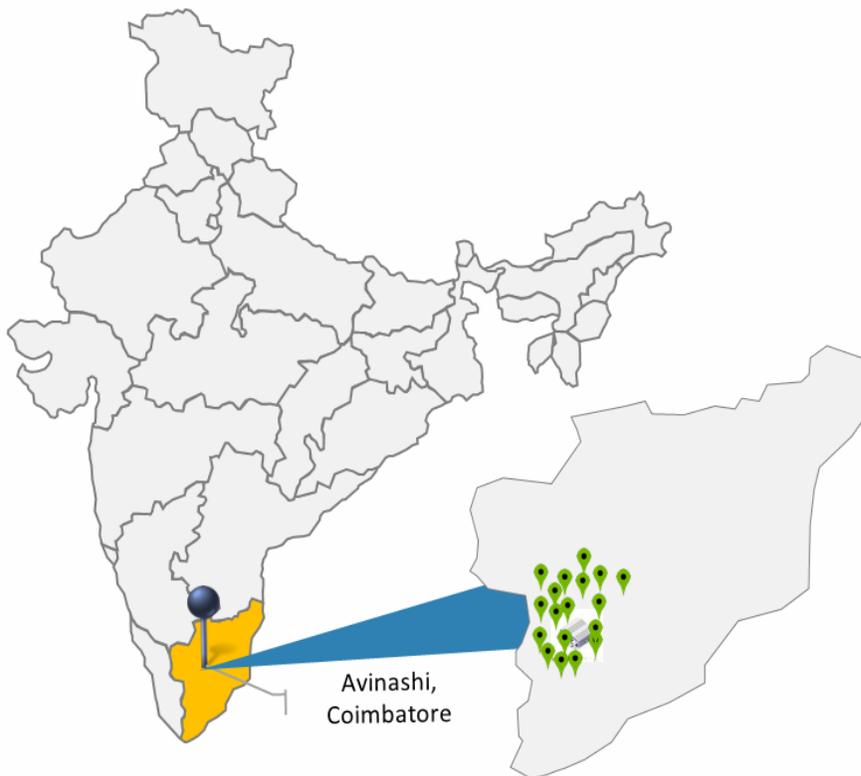
- Expertise to concurrently manage multiple large orders with a diversified product range including body suits, sleep suits, tops and bottoms.
- Ethically, Environmentally and Socially compliant organization.
- No bulk returns from customers since inception.
- Ability to offer end-to-end garments manufacturing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

INTEGRATED BUSINESS MODEL



In-house

Partly Outsourced



LOCATION ADVANTAGE:

- All 26 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.

* ASRS: Advanced semi-automated storage and retrieval system

STRATEGICALLY LOCATED & INTEGRATED MANUFACTURING FACILITIES

Spinning



Dyeing



STRATEGICALLY LOCATED & INTEGRATED MANUFACTURING FACILITIES

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



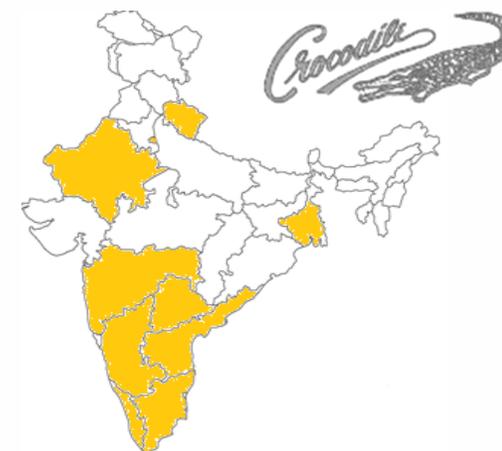
SPAL's PRESENCE ACROSS LARGE FORMAT STORES



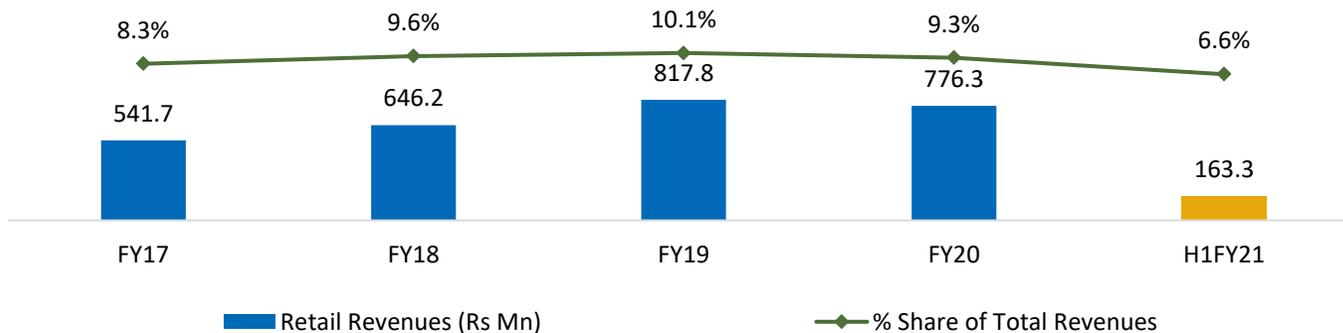
SPAL IS STRENGTHENING ITS RETAIL PRESENCE BY EXPANDING THE REACH OF CROCODILE BRAND

- 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, Megamart, Centro, D Mart, Unlimited, Globus, Reliance Market, Walmart, Brand Factory.
 - E-Commerce platforms – Myntra, Jabong.

OUR RETAIL STORE PRESENCE



SPAL – RETAIL OPERATIONS *



Retail Network	Sep – 20
EBOs – COCO	29
EBOs – FOFO	14
MBOs	4,200
LFS	362
No. of States	22
Outlet Size (Sq. ft)	400 – 1,500

* Figures are as per I-GAAP for FY15-16 and IND-AS for FY17-21

QUALIFIED MANAGEMENT WITH DEEP UNDERSTANDING OF APPAREL SECTOR



Mr P. Sundararajan
Chairman and Managing Director

- Founder director of SPAL with 34 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 27 years of experience in the textile and apparel industry



Mr S. Chenduran
Director Operations

- Five 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

- 33 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

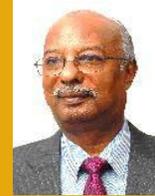
Mr V. Balaji, Chief Finance Officer

- 19 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 A.S. Anandkumar
Independent Director

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



Mr P. Yesuthasen
Independent Director

- 43 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

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



Mr V. Sakthivel
Independent Director

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



S.P.APPARELS LTD.



Q2 & H1 FY21 Results Update

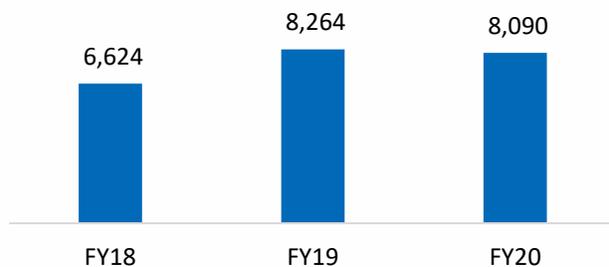
Company Overview

**FINANCIAL OVERVIEW &
SHAREHOLDING STRUCTURE**

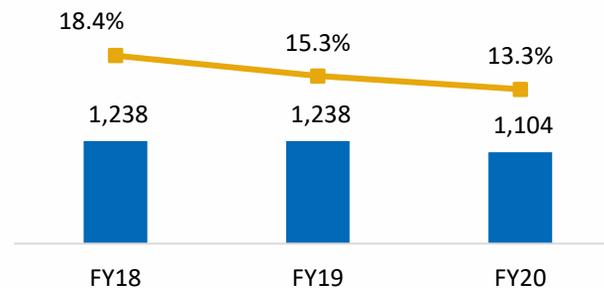
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In Rs Million

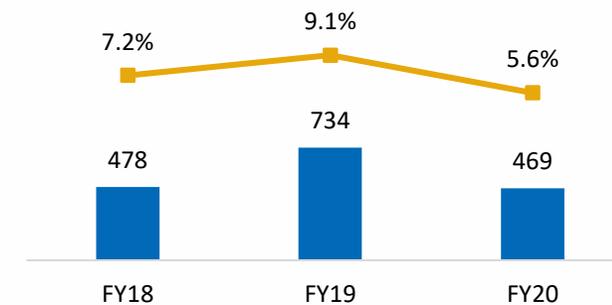
REVENUES



EBITDA & EBITDA MARGIN

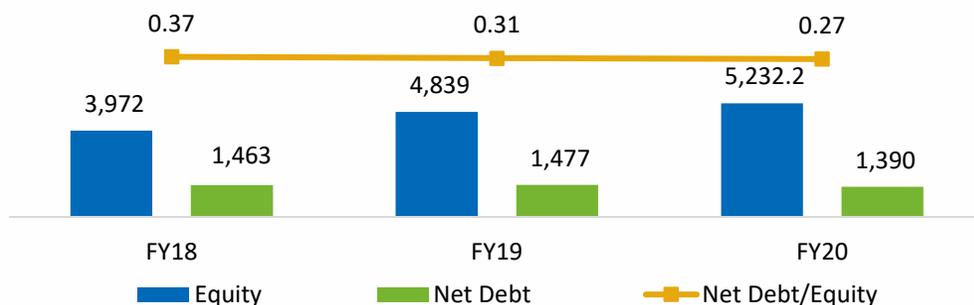


PAT Before MI & PAT MARGIN

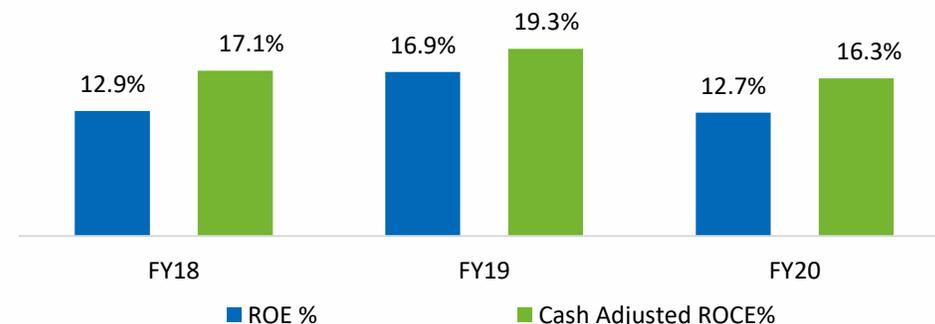


* Excludes exceptional item of write-off of amount considered recoverable from a bank on account of matured foreign currency contracts as of April 1, 2011

LEVERAGE ANALYSIS



RETURN METRICS

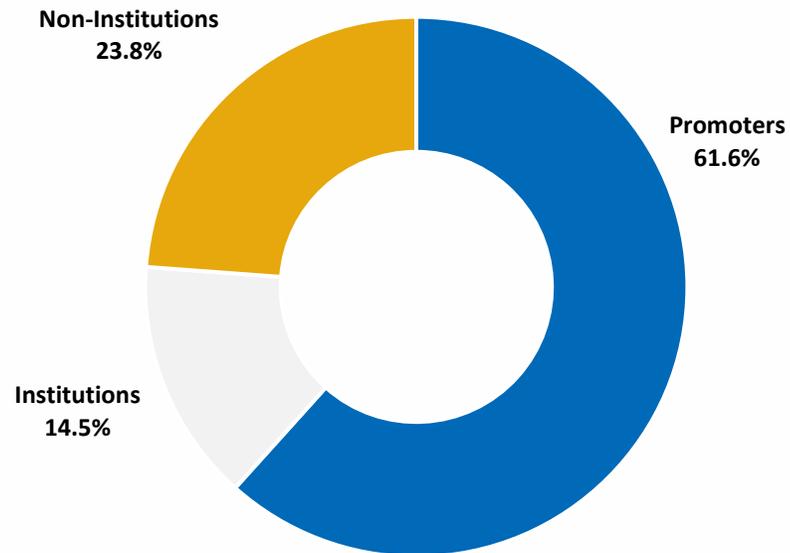


Net Debt = Total Debt – Cash & Current Investments, For FY 20 Long term debt includes right to use property obligation close to Rs. 360 Mn

ROE = PAT before MI / Avg. Equity (Excl. preference shares) + MI

Cash Adj. ROCE = EBIT / Avg. Capital Employed (excl. cash & current investments),

SHAREHOLDING PATTERN – 30th September 2020



Source: BSE

KEY SHAREHOLDERS – 30th September 2020

DSP Mutual Fund	5.98%
UTI Mutual Fund	5.18%
ICICI Prudential Mutual Fund	3.39%
Aditya Birla Sun Life Insurance Company	1.65%



S.P.APPARELS LTD.

FOR FURTHER QUERIES:



S.P.APPARELS LTD.

Mr. V. Balaji
Chief Financial Officer
Email: balaji.v@spapparels.com

DICKENSON

Mr. Chinmay Madgulkar /Mr. Chintan Mehta
IR Consultant
Email: s.p.apparels@dickensonworld.com
Contact no: +91 9860088296/ 9892183389

www.s-p-apparels.com