



S.P. APPARELS LTD.

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15th November, 2019

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 20 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 FY20 Results Update

November 2019

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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.



- ❑ **Total Revenues¹ grew by 34.1% on YoY basis**
 - ❑ **Garment Exports Division grew by 37% on YoY basis driven by increase in orders from both existing and new customers**
 - ❑ **SPUK Operations remained flat on a YoY basis**
 - ❑ **Retail Division grew by 34.4% on YoY basis**
- ❑ **Adj. EBITDA² increased by 9.1% on YoY basis and Adj. EBITDA margin decreased by 350bps primarily due to increase in Cost of Goods Sold (COGS)**
- ❑ **PAT rose by 133.9% on YoY basis primarily due to recent change in corporate tax rate**
- ❑ **PAT margin increased from 7.8% to 13.7% on YoY basis, driven by change in corporate tax rate**

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)



S.P.APPARELS LTD.

Q2 & H1 FY20 RESULTS UPDATE

Company Overview

Business Strategy & Outlook

Financial Overview & Shareholding Structure

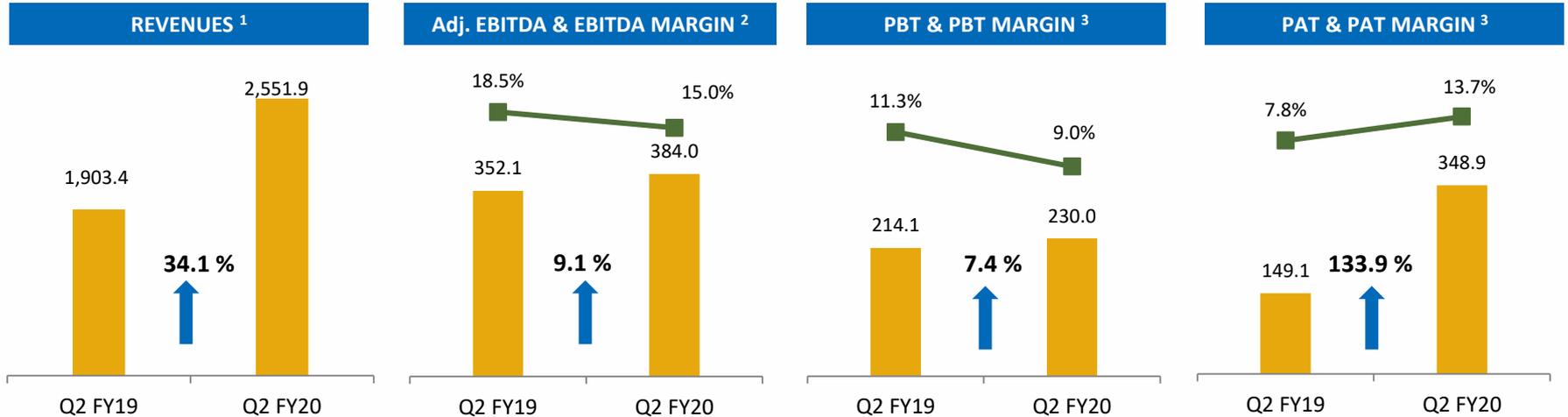
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Q2 FY20 RESULT – KEY HIGHLIGHTS

Q2 FY20 YoY ANALYSIS

In Rs Mn

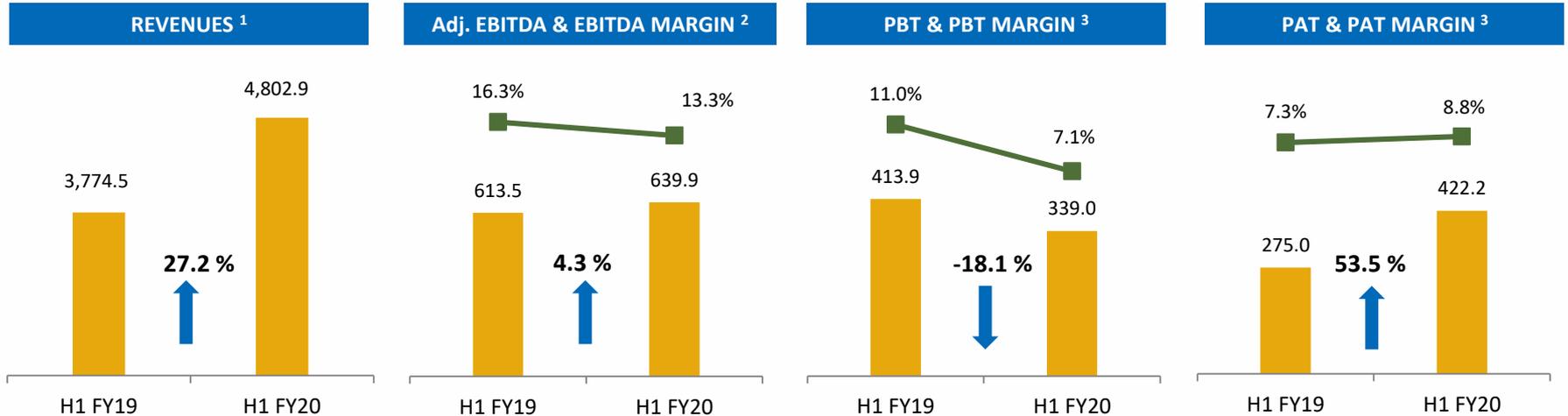


1. Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)
2. In addition to (1), EBITDA calculation excludes unrealised MTM gain / loss on account of foreign exchange fluctuations (accounted in other expenses)
3. PBT Margin = Reported PBT / Total Revenues ¹, PAT Margin = Reported PAT / Total Revenues ¹
4. Effective 01.04.2019, the Group has adopted Ind AS-116- leases, applied to its existing lease contracts on 1st April 2019 using the modifies retrospective approach.

H1 FY20 RESULT – KEY HIGHLIGHTS

H1 FY20 YoY ANALYSIS

In Rs Mn

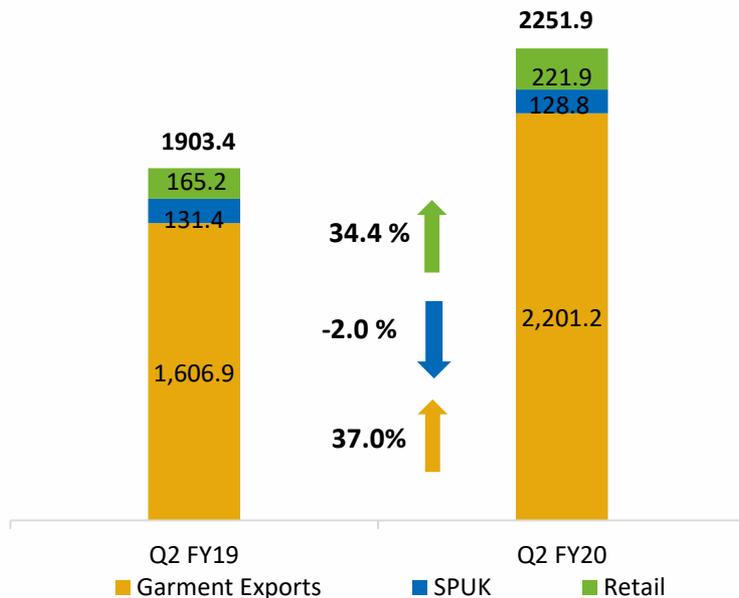


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Q2 FY20 RESULT – DIVISION WISE ANALYSIS

In Rs Mn

Q2 FY20 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



DIVISION REVENUES SHARE

| DIVISION REVENUES SHARE | Q2 FY19 | Q2 FY20 |
|-------------------------|---------|---------|
| Garment Exports | 84.4% | 86.3% |
| SPUK | 6.9% | 5.0% |
| Retail | 8.7% | 8.7% |

Adj. EBITDA MARGIN % ²

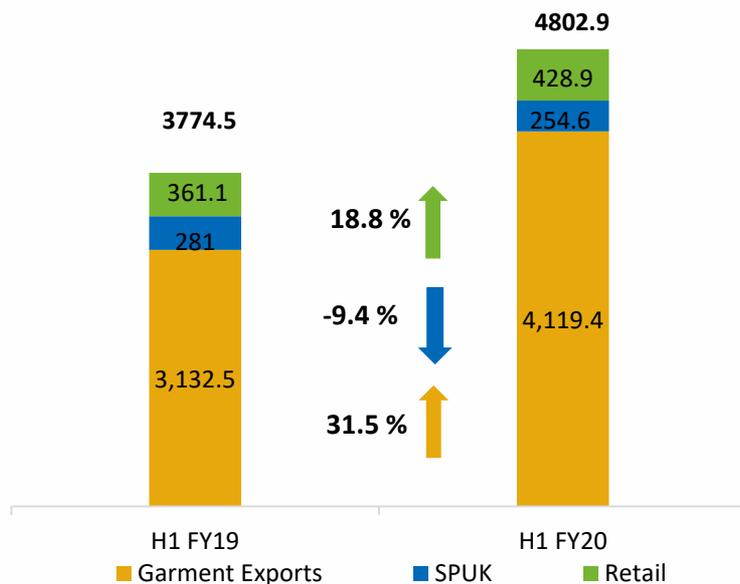
| Adj. EBITDA MARGIN % ² | Q2 FY19 | Q2 FY20 |
|-----------------------------------|---------|---------|
| Garment Exports | 20.4% | 16.6% |
| SPUK | 10.2% | 4.2% |
| Retail | 6.6% | 6.4% |

- 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)

H1 FY20 RESULT – DIVISION WISE ANALYSIS

In Rs Mn

H1 FY20 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



DIVISION REVENUES SHARE

| DIVISION REVENUES SHARE | H1 FY19 | H1 FY20 |
|-------------------------|---------|---------|
| Garment Exports | 83.0% | 85.8% |
| SPUK | 7.4% | 5.3% |
| Retail | 9.6% | 8.9% |

Adj. EBITDA MARGIN % ²

| Adj. EBITDA MARGIN % ² | H1 FY19 | H1 FY20 |
|-----------------------------------|---------|---------|
| Garment Exports | 18.0% | 14.9% |
| SPUK | 7.3% | 4.1% |
| Retail | 7.7% | 3.6% |

- 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:

- **Q2 FY20 total revenues¹ increased by 34.1% YoY to Rs 2,551.9 mn.**
 - Revenues increased by 37% in Garment Exports and 34.4% in Retail.
 - Garment Exports witnessed healthy traction on account of orders from new customers as well as existing customers.
 - There was a robust growth in Retail division on account of festive season.
- **Q2 FY20 Adj. EBITDA² increased by 9.1% YoY to Rs 384.0mn. Adj. EBITDA margin decreased from 18.5% to 15.0%.**
 - Decrease in margin was primarily due to increase in Cost of Goods Sold (COGS).
- **Q2 FY20 PBT increased by 7.4% YoY to Rs 230.0 mn.**
 - Growth in PBT was on account of growth in total revenue
- **Q2 FY20 PAT increased by 133.9% YoY to Rs 348.9 mn. PAT margin³ expanded from 7.8% to 13.7%.**
 - Growth in PAT and PAT Margin was led by recent changes in corporate tax rates.

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 ¹, PAT Margin = Reported PAT / Total Revenues ¹

Q2 & H1 FY20 RESULT – CONSOLIDATED PROFIT & LOSS STATEMENT



S.P. APPARELS LTD.

| Particulars (In Rs Mn) | Q2 FY20 | Q2 FY19 | YoY% | H1 FY20 | H1 FY19 | YoY% | FY19 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue from Operations | 2,461.0 | 1,907.4 | 29.0% | 4,637.0 | 3,815.5 | 21.5% | 8,263.8 |
| Gain on account of Foreign Currency Fluctuations | 90.9 | -4.0 | - | 165.9 | -41.0 | - | -159.2 |
| Total Revenues | 2,551.9 | 1,903.4 | 34.1% | 4,802.9 | 3,774.5 | 27.2% | 8,104.6 |
| COGS | 1,130.0 | 695.3 | 62.5% | 2,060.4 | 1,488.4 | 38.4% | 3,266.0 |
| Gross Profit | 1,421.9 | 1,208.1 | 17.7% | 2,742.5 | 2,286.1 | 20.0% | 4,838.6 |
| Gross Margin | 55.7% | 63.5% | -775bps | 57.1% | 60.6% | -347bps | 59.7% |
| Employee Expenses | 529.5 | 403.9 | 31.1% | 1,077.6 | 845.9 | 27.4% | 1,872.2 |
| Other Expenses excl. MTM gain / loss on account of Foreign Currency Fluctuations | 508.4 | 452.1 | 12.5% | 1,025.0 | 826.8 | 24.0% | 1,728.1 |
| Adj. EBITDA | 384.0 | 352.1 | 9.1% | 639.9 | 613.5 | 4.3% | 1,238.3 |
| Adj. EBITDA Margin % | 15.0% | 18.5% | -345bps | 13.3% | 16.3% | -293bps | 15.3% |
| MTM (Gain) / Loss on account of Foreign Currency Fluctuations | 26.1 | 28.0 | - | 58.5 | 5.0 | - | -100.1 |
| Depreciation | 77.4 | 53.2 | 45.4% | 140.9 | 106.1 | 32.8% | 215.9 |
| Finance Cost | 57.6 | 62.9 | -8.5% | 114.2 | 100.8 | 13.3% | 62.4 |
| Other Income excl. Gain on account of Foreign Currency Fluctuations | 7.0 | 6.1 | 14.2% | 12.7 | 12.2 | 3.9% | 34.4 |
| PBT | 230.0 | 214.1 | 7.4% | 339.0 | 413.9 | -18.1% | 1,094.5 |
| Tax Expense | -118.9 | 65.0 | -282.9% | -83.2 | 138.9 | -159.9% | 360.7 |
| PAT | 348.9 | 149.1 | 133.9% | 422.2 | 275.0 | 53.5% | 733.7 |
| PAT Margin % | 13.7% | 7.8% | 584bps | 8.8% | 7.3% | 150bps | 9.1% |
| Earnings Per Share (EPS) In Rs. | 13.58 | 5.8 | 134.1% | 16.4 | 10.78 | 52.4% | 28.66 |

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 FY20 – CONSOLIDATED BALANCE SHEET



S.P. APPARELS LTD.

| Particulars (Rs Million) | Sep-19 | Mar-19 |
|---|----------------|----------------|
| Equities & Liabilities | | |
| Shareholder's Funds | | |
| Share Capital | 256.9 | 256.9 |
| Other Equity | 4,988.1 | 4,581.7 |
| Total Shareholder's Funds | 5,245.1 | 4,838.6 |
| Minority Interest | -62.6 | -63.8 |
| Non-Current Liabilities | | |
| a. Financial Liabilities | | |
| Borrowings | 624.9 | 262.9 |
| Other Financial Liabilities | 145.8 | 147.1 |
| b. Deferred Tax Liabilities | 191.6 | 349.7 |
| c. Other Non-Current Liabilities | 0.0 | 0.0 |
| Total of Non-current liabilities | 952.3 | 759.7 |
| Current Liabilities | | |
| a. Financial Liabilities | | |
| Borrowings | 1,529.9 | 1,743.6 |
| Trade Payables | 1,086.6 | 1,094.8 |
| Other Financial Liabilities | 323.3 | 295.0 |
| b. Other Current Liabilities | 24.6 | 32.8 |
| c. Provisions | 73.0 | 164.8 |
| Total of Current liabilities | 3,037.4 | 3,331.0 |
| Total Liabilities | 9,182.2 | 8,865.5 |

| Particulars (Rs Million) | Sep-19 | Mar-19 |
|----------------------------------|----------------|----------------|
| Assets | | |
| Non-Current Assets | | |
| a. Property, Plant and Equipment | 3,959.7 | 3,107.3 |
| b. Capital work in progress | 283.2 | 540.2 |
| c. Intangible assets | 60.9 | 61.3 |
| d. Financial Assets | | |
| Investments | 1.9 | 2.2 |
| Loans & Advances | 0.6 | 0.6 |
| Others | 132.6 | 169.7 |
| e. Other non-current assets | 80.4 | 127.1 |
| Total non-current assets | 4,519.2 | 4,008.5 |
| Current Assets | | |
| a. Inventories | 2,355.0 | 2,479.5 |
| b. Financial Assets | | |
| Investments | 0.6 | 0.6 |
| Trade Receivables | 1,386.7 | 1,284.4 |
| Cash & Cash equivalents | 312.3 | 581.4 |
| Others | 41.7 | 113.1 |
| c. Other Current Assets | 566.7 | 397.9 |
| Total current assets | 4,663.0 | 4,856.9 |
| Total Assets | 9,182.2 | 8,865.5 |



S.P.APPARELS LTD.



Q2 & H1 FY20 Results Update

COMPANY OVERVIEW

Business Strategy & Outlook

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.
- 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 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.

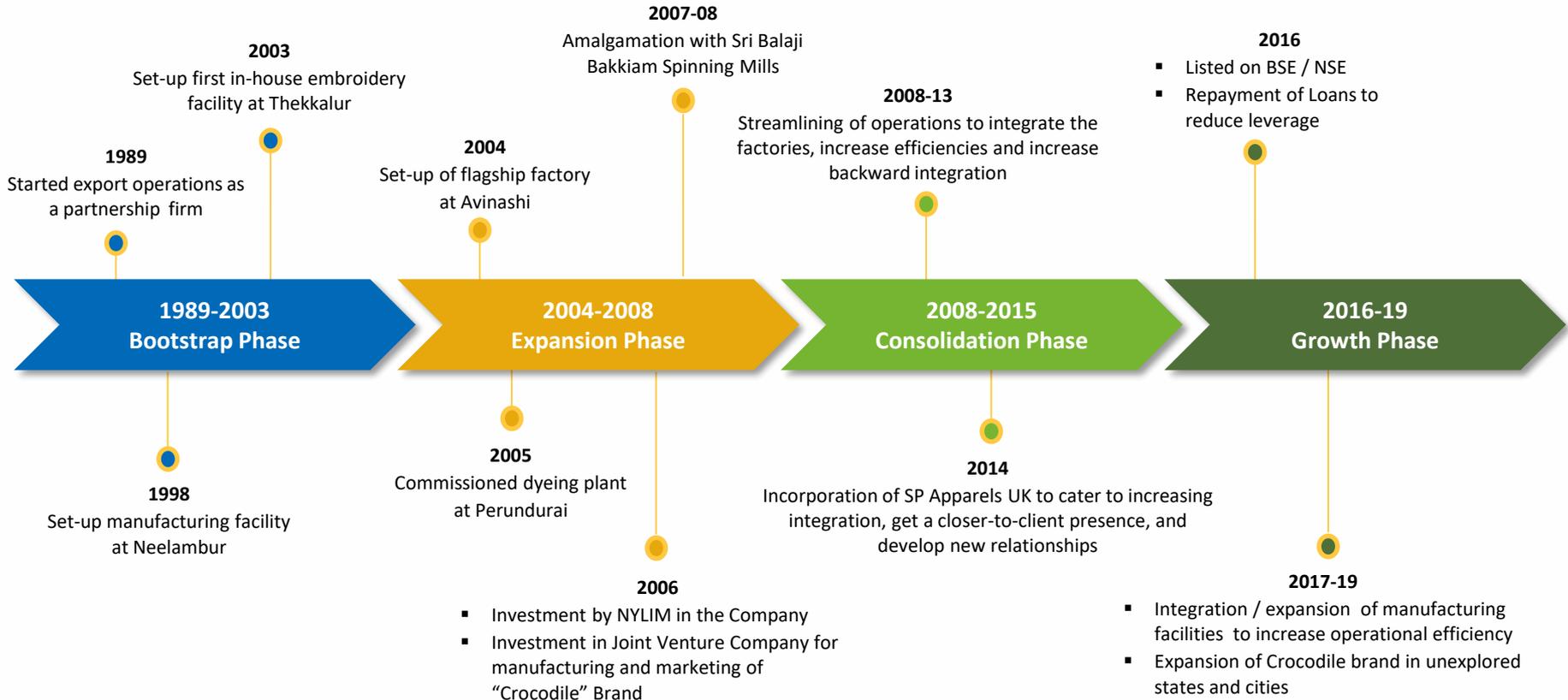
FINANCIAL OVERVIEW

*

- Reported Consolidated Revenues, EBITDA and PAT were Rs 8,264 mn, Rs 1,338 mn and Rs 734 mn in FY19.
- Strong balance sheet with D:E ratio of 0.31x as on Mar-19.
- Improving profitability & return ratios over FY15 to FY19 –
 - Reported PAT Margin: 1.7% to 8.9%
 - Cash Adjusted ROCE: 13.4% to 19.3%
 - ROE: 9.6% to 16.9%

* Figures are as per IND-AS for FY17-19

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

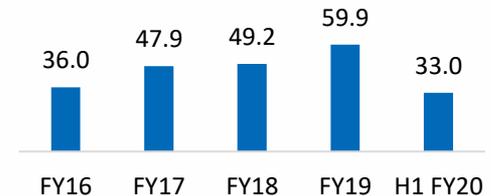
Ability to consistently deliver high quality products on timely basis

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





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.

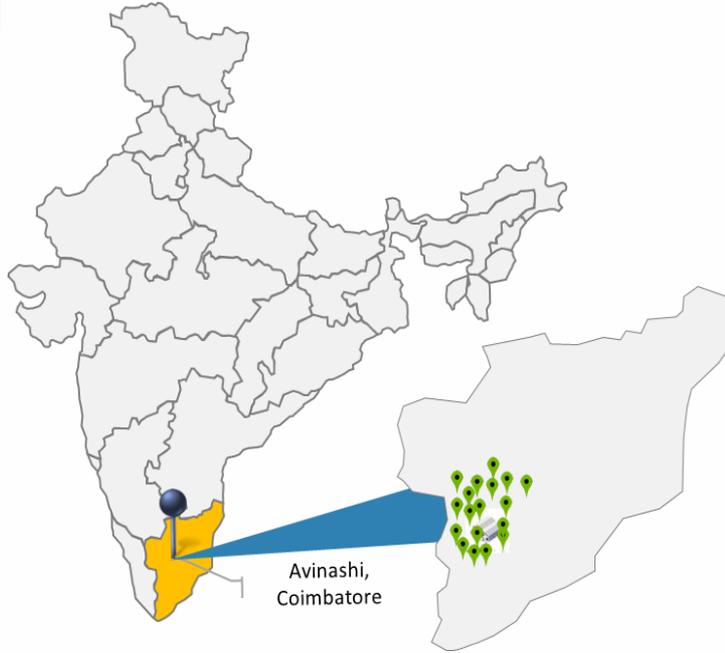
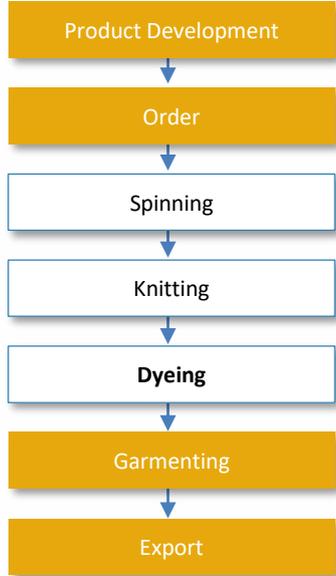
SPAL recently added three major customers, two in US and one in Europe. The focus going forward will be to diversify the customer base across different geographies globally.

STRATEGICALLY LOCATED & INTEGRATED MANUFACTURING FACILITIES



S.P. APPARELS LTD.

INTEGRATED BUSINESS MODEL



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

In-house

Partly Outsourced

STRATEGICALLY LOCATED & INTEGRATED MANUFACTURING FACILITIES

Spinning



Dyeing



STRATEGICALLY LOCATED & INTEGRATED MANUFACTURING FACILITIES



S.P. APPARELS LTD.

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



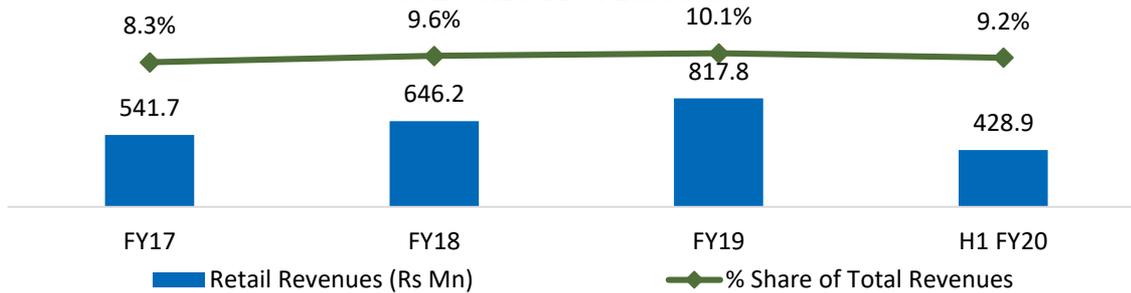
SPAL's PRESENCE ACROSS LARGE FORMAT STORES



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

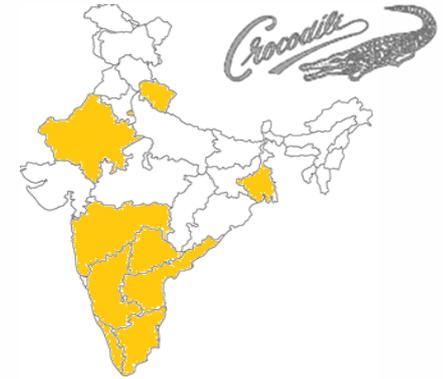
- SPAL undertakes manufacturing and retailing activities in India under the 'Crocodile' brand.
- SPAL sells wide range of adult menswear products like shirts, polo shirts, t-shirts, trousers, jeans, sweaters, jackets and innerwear products like vests, briefs, boxer shorts.
- In addition to EBOs and MBOs, 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.

SPAL – RETAIL OPERATIONS *



* Figures are as per I-GAAP for FY15-16 and IND-AS for FY17-19 and H1 FY20

OUR RETAIL STORE PRESENCE



| Retail Network | Sep – 19 |
|----------------------|-------------|
| EBOs – COCO | 29 |
| EBOs – FOFO | 14 |
| MBOs | 4,200 |
| LFS | 362 |
| No. of States | 22 |
| Outlet Size (Sq. ft) | 400 – 1,500 |



Mr P. Sundararajan
Chairman and Managing Director

- Founder director of SPAL with 33 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 26 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

- 32 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

- 18 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

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



Mr P. Yesuthasan
Independent Director

- 42 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

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



Mr V. Sakthivel
Independent Director

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



S.P.APPARELS LTD.



Q2 & H1 FY20 Results Update

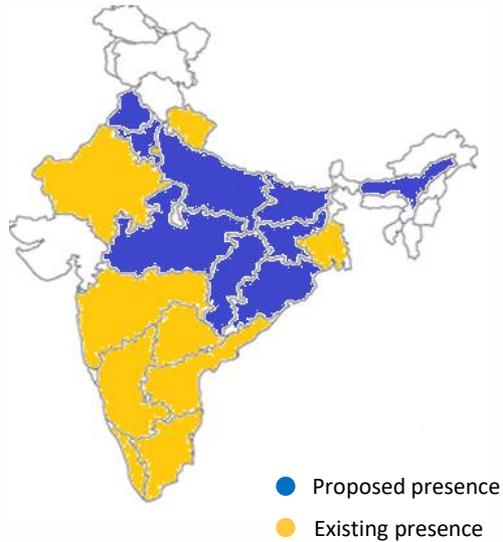
Company Overview

BUSINESS STRATEGY & OUTLOOK

Financial Overview & Shareholding Structure

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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.



S.P.APPARELS LTD.



Q2 & H1 FY20 Results Update

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**FINANCIAL OVERVIEW &
SHAREHOLDING STRUCTURE**

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FINANCIAL OVERVIEW

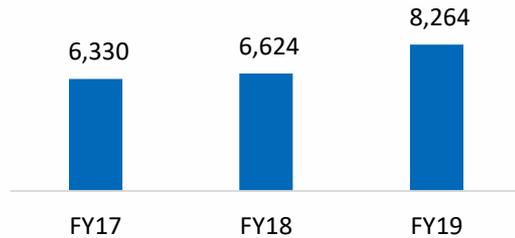


S.P. APPARELS LTD.

In Rs Million

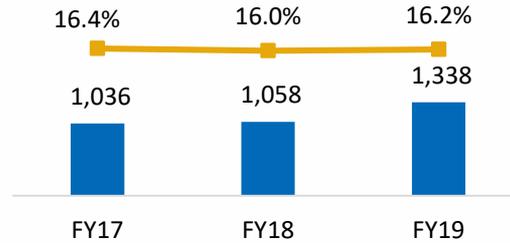
REVENUES

CAGR: 9.3%



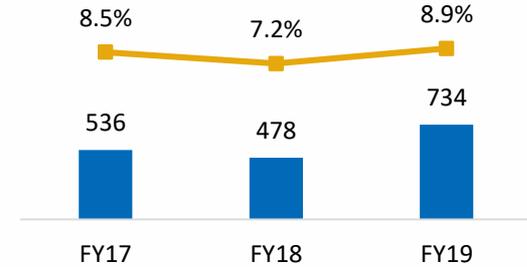
EBITDA & EBITDA MARGIN

CAGR: 8.9%



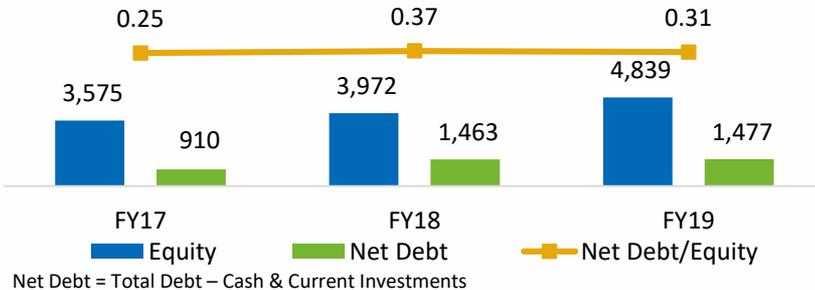
PAT Before MI & PAT MARGIN

CAGR: 11.1%

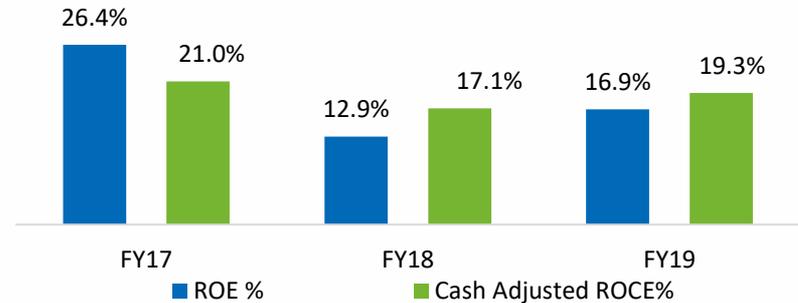


* Excludes exceptional item of write-off of amount considered recoverable from a bank on account of matured foreign currency contracts as of April 1, 2011

LEVERAGE ANALYSIS

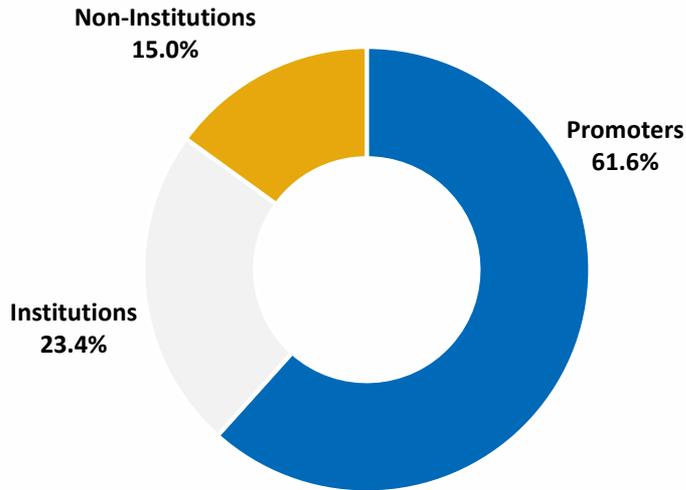


RETURN METRICS





SHAREHOLDING PATTERN – 30th September 2019



Source: BSE

KEY SHAREHOLDERS – 30th September 2019

| | |
|---|-------|
| Goldman Sachs India Ltd | 5.21% |
| UTI Mutual Fund | 5.18% |
| DSP Blackrock Small Cap Fund | 4.81% |
| Aditya Birla Sun Life Insurance Company | 3.20% |
| ICICI Prudential Mutual Fund | 2.17% |
| The Scottish Oriental Smaller Companies Trust | 1.28% |



S.P.APPARELS LTD.

FOR FURTHER QUERIES:



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