

S.P. APPARELS LIMITED

Q4 & FY17 RESULTS UPDATE
May 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.



- ❑ 22% YoY Growth in Total Revenues ¹
- ❑ 44% YoY Growth in Adj. EBITDA ²
- ❑ Adj. EBITDA margin % ² increased by 298 bps from 15.7% to 18.7%
- ❑ 78% YoY Growth in Adj. PAT ³
- ❑ Adj. PAT margin ³ increased by 303 bps from 6.5% to 9.5%

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. FY16 PAT adjusted to exclude the impact of exceptional item of Rs. 168.7 mn



Q4 & FY17 RESULTS UPDATE

Company Overview

Business Strategy & Outlook

Financial Overview & Shareholding Structure



Q4 & FY17 RESULTS

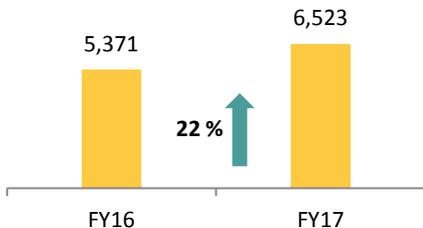
KEY HIGHLIGHTS



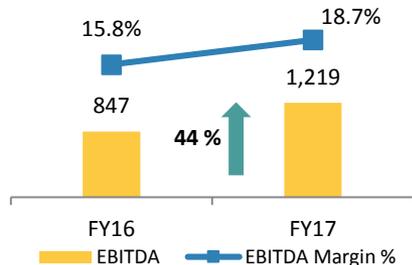
FY17 YoY ANALYSIS

In Rs Mn

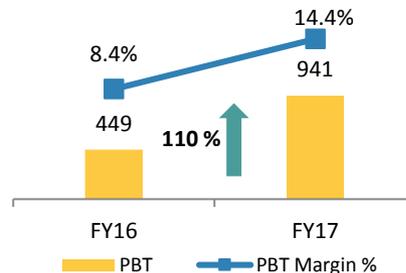
REVENUES ¹



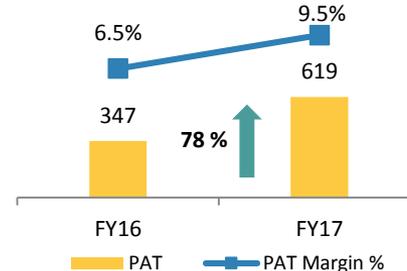
Adj. EBITDA & EBITDA MARGIN ²



PBT & PBT MARGIN ³

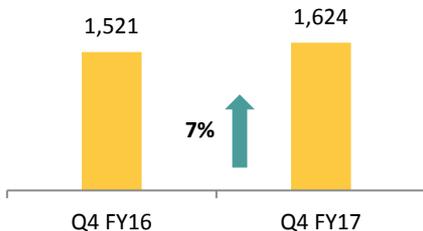


PAT & PAT MARGIN ⁴

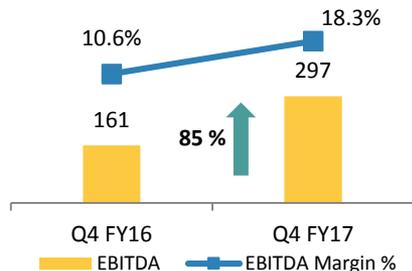


Q4 FY17 YoY ANALYSIS

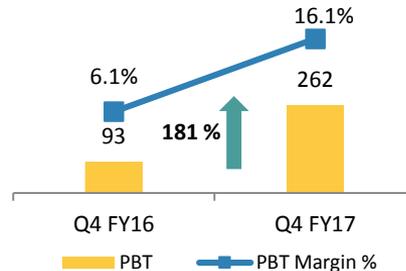
REVENUES ¹



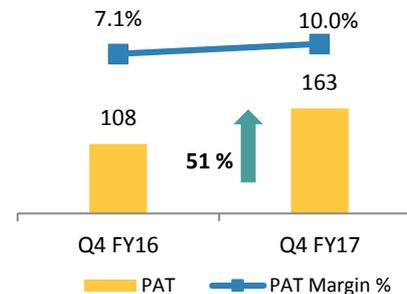
Adj. EBITDA & EBITDA MARGIN ²



PBT & PBT MARGIN ³



PAT & PAT MARGIN ⁴



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 is before the exceptional item
4. FY16 PAT adjusted to exclude the impact of exceptional item of Rs. 168.7 mn

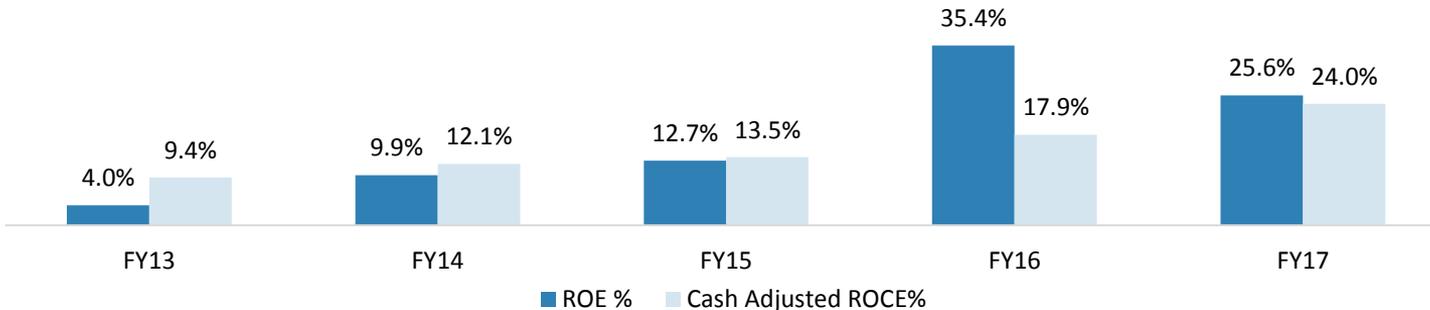
Q4 & FY17 RESULTS

LEVERAGE ANALYSIS & RETURN RATIOS



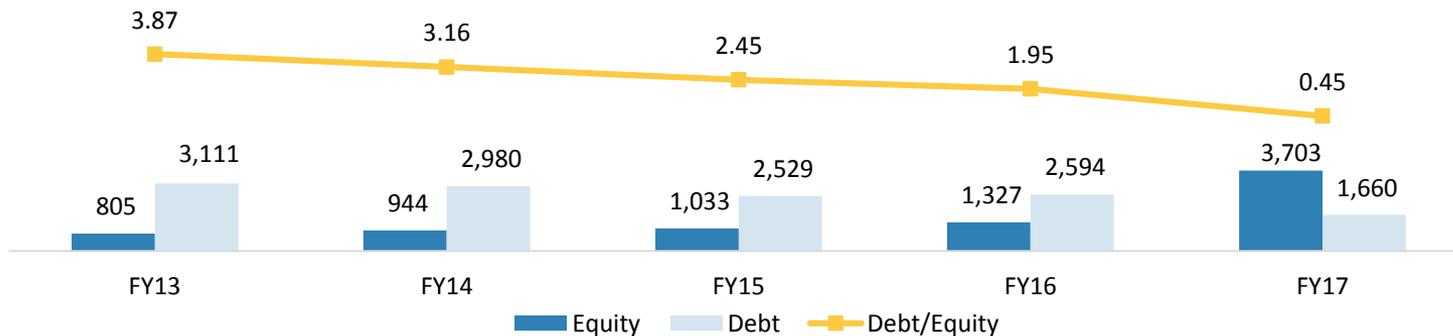
In Rs Mn

RETURN METRICS



ROE = PAT / Avg. Equity (Excl. preference shares), Cash Adj. ROCE = EBIT / Avg. Capital Employed excl. C&CE

LEVERAGE ANALYSIS



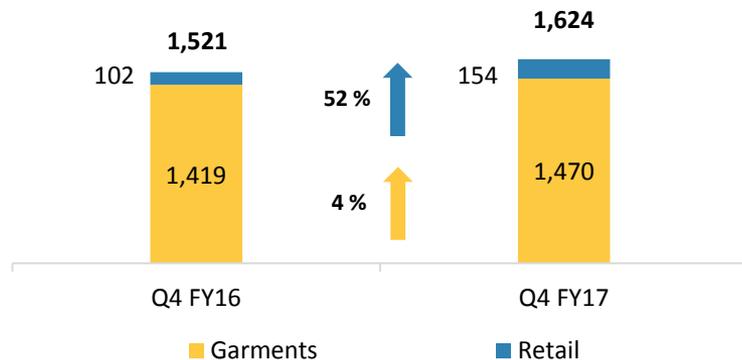
Q4 & FY17 RESULTS

DIVISION WISE ANALYSIS



In Rs Mn

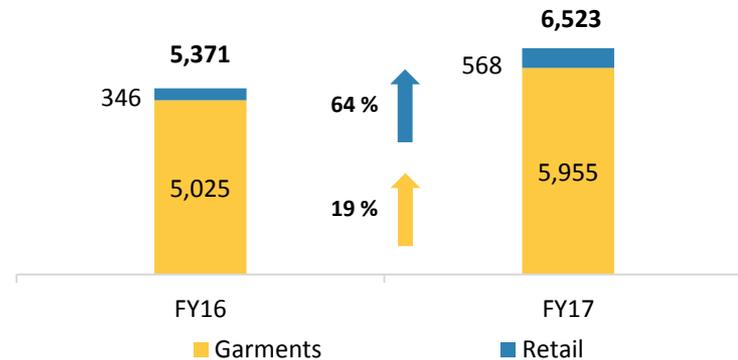
Q4 FY17 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



DIVISION REVENUES SHARE	Q4 FY16	Q4 FY17
Garments *	93.3%	90.5%
Retail	6.7%	9.5%

Adj. EBITDA MARGIN % ²	Q4 FY16	Q4 FY17
Garments *	13.3%	21.2%
Retail	-27.4%	-9.5%

FY17 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



DIVISION REVENUES SHARE	FY16	FY17
Garments *	93.6%	91.3%
Retail	6.4%	8.7%

Adj. EBITDA MARGIN % ²	FY16	FY17
Garments *	17.7%	21.5%
Retail	-13.0%	-11.2%

* Includes SPUK Operations

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:

- **FY17 total revenues¹ saw growth of 22% YoY to Rs 6,523 mn.**
 - Revenue growth of 19% in garments division and 64% in retail division.
 - Growth in garments division driven by increase in existing customer orders supported by increase in capacity.
- **FY17 Adj. EBITDA² grew by 44% to Rs 1,219 mn in line with higher revenues. Adj. EBITDA margin improved by 293 bps from 15.8% to 18.7%.**
- **FY17 PBT before exceptional item grew by 110% YoY to Rs 941 mn. PBT margin increased by 607 bps from 8.4% to 14.4%.**
 - Finance cost declined by 47% from Rs 253 mn to Rs 135 mn driven by repayment of debt in August 2016 using IPO proceeds and internal accruals.
- **FY17 Adj. PAT³ grew by 78% YoY to Rs 619 million. PAT margin increased by 303 bps from 6.5% to 9.5%.**
- **Total Debt was Rs 1,660 mn as on 31st March 2017 compared to Rs 2,594 mn as on 31st March 2016.**
 - Total Debt to Equity was 0.45x as on 31st March 2017.

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. FY16 PAT adjusted to exclude the impact of exceptional item of Rs. 168.7 mn

Q4 & FY17 RESULTS

CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (In Rs Mn)	Q4 FY17	Q4 FY16	YoY %	FY17	FY16	YoY %
Revenue from Operations	1,581.0	1,496.5	5.6%	6,356.5	5,328.3	19.3%
Gain on account of Foreign Currency Fluctuations	42.6	24.2	-	166.7	42.5	-
Total Revenues	1,623.6	1,520.8	6.8%	6,523.2	5,370.7	21.5%
COGS	648.3	599.2	8.2%	2,542.5	2,042.2	24.5%
Gross Profit	975.4	921.5	5.8%	3,980.8	3,328.5	19.6%
Gross Margin	60.1%	60.6%	-52 bps	61.0%	62.0%	-95 bps
Employee Expenses	366.1	318.5	14.9%	1,473.1	1,211.4	21.6%
Other Expenses excl. MTM gain / loss due to Foreign Currency Fluctuations	312.1	442.2	-29.4%	1,288.3	1,270.6	1.4%
Adj. EBITDA	297.2	160.8	84.9%	1219.3	846.5	44.0%
Adj. EBITDA Margin %	18.3%	10.6%	773 bps	18.7%	15.8%	293 bps
MTM (Gain) / Loss due to Foreign Currency Fluctuations	-5.6	-49.0	-	-20.8	-49.0	-
Depreciation	54.2	51.4	5.4%	207.7	201.0	3.3%
Finance Cost	0.4	66.3	-99.4%	134.9	252.7	-46.6%
Other Income excl. Gain on account of Foreign Currency Fluctuations	13.7	1.3	-	43.6	6.8	538.9%
PBT before exceptional items	261.9	93.3	180.7%	941.1	448.6	109.8%
Exceptional items	0.0	168.7	-100.0%	0.0	168.7	-100.0%
Tax Expense	100.9	-22.9	-540.2%	334.5	93.4	258.0%
Minority Interest	-1.7	-1.4	-	-12.6	-1.7	-
Reported PAT	162.8	-51.1	-418.6%	619.2	188.2	229.1%
Adj. PAT	162.8	107.8	51.0%	619.2	347.1	78.4%
Adj. PAT Margin %	10.0%	7.1%	294 bps	9.5%	6.5%	303 bps

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Q4 & FY17 RESULTS

CONSOLIDATED BALANCE SHEET



Particulars in Rs. Mn	FY17	FY16
Equities & Liabilities		
Shareholder's Funds		
Equity and share Capital	451.7	371.5
Reserves & surplus	3,450.9	955.7
Total Equity	3,902.6	1,327.1
Minority Interest	-71.8	-59.2
Non-Current Liabilities		
Long-term borrowings	209.3	678.8
Deferred tax liabilities (net)	398.2	372.0
Long-term provisions	59.8	40.5
	667.3	1,091.3
Current Liabilities		
Short-term borrowings	1,342.1	1,626.6
Trade payables	796.2	1,167.5
Other current liabilities	171.2	354.7
Short-term provisions	27.1	104.2
	2,336.7	3,253.0
Total Equity & Liabilities	6,834.8	5,612.3

Particulars in Rs. Mn	FY17	FY16
Assets		
Non-Current Assets		
Fixed assets		
Tangible assets	2,907.0	2,701.1
Intangible assets	5.4	9.6
Capital work-in-progress	-	35.7
	2,912.4	2,746.4
Goodwill on consolidation	58.7	58.7
Non-current investments	2.5	3.8
Long-term loans and advances	168.6	290.2
	3,142.1	3,099.0
Current Assets		
Current investments	581.7	1.7
Inventories	1,024.3	1,275.1
Trade receivables	1,342.7	816.1
Cash & Bank Balances	352.2	111.3
Short-term loans and advances	380.0	306.7
Other current assets	11.8	2.6
	3,692.7	2,513.3
Total Assets	6,834.8	5,612.3



Q4 & FY17 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

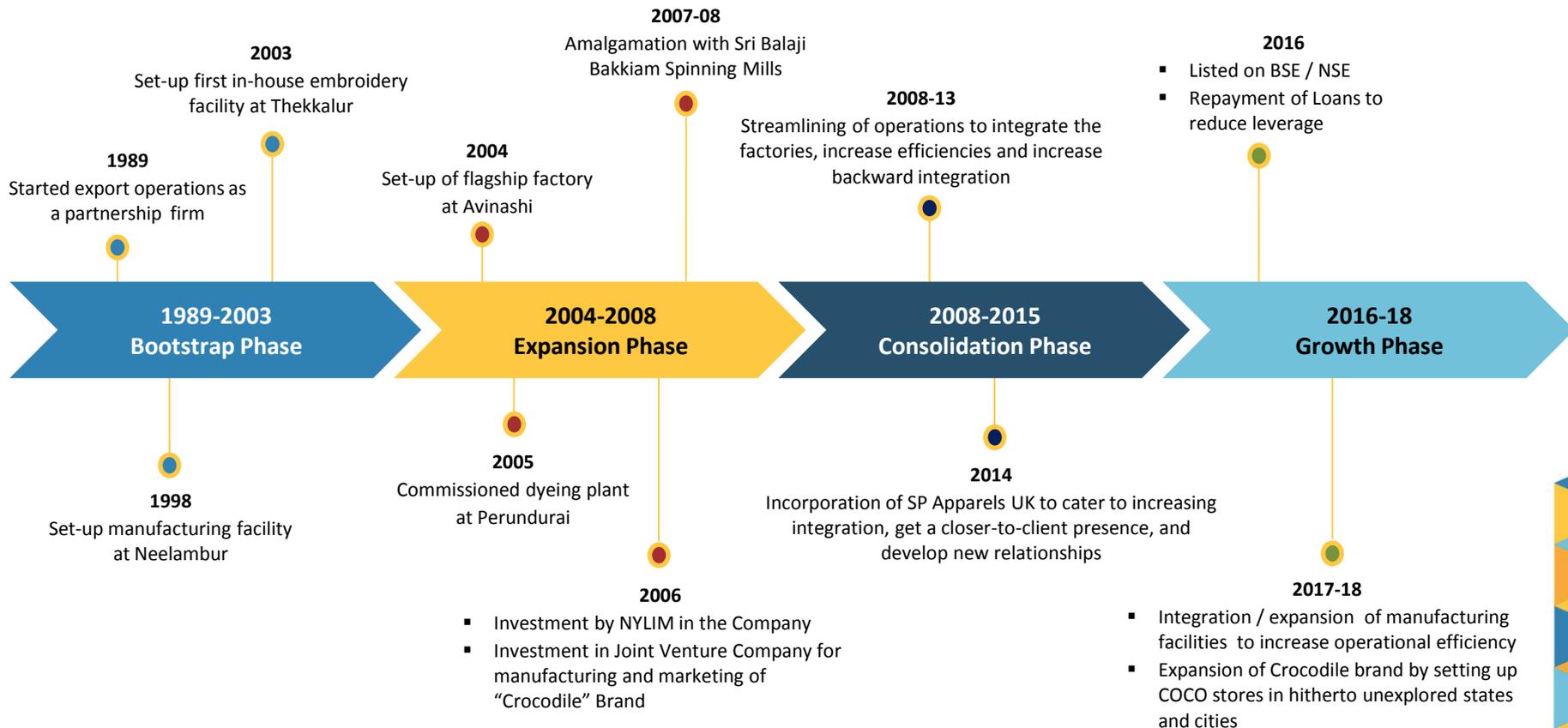
- SPAL is a specialized player in the highly challenging infant & children wear knitted garment industry.
- Preferred vendor through long standing relationships with reputed international brands like Tesco, ASDA, Primark, Mothercare etc.
- Stringent quality compliance, superior in-house product development and certified testing laboratories.
- Demonstrated ability to setup integrated facilities to scale-up operations. Currently operating 21 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 6,523.2 mn, Rs 1,219.3 mn and Rs 619.2 mn in FY17.
- Significant de-leveraging efforts and operational efficiency have helped improve PAT Margins from 0.6% to 9.5% over FY13-FY17.
- Significant improvement in return ratios –
 - **Cash Adjusted ROCE:** 9.4% in FY13 to 24.0% 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

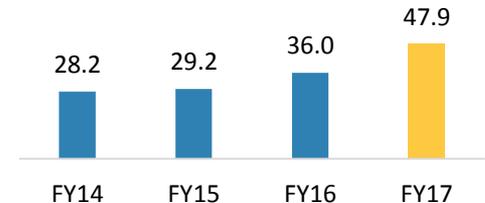
Ability to consistently deliver high quality products on timely basis

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





SPAL IS THE PREFERRED VENDOR

FOR KNITTED GARMENTS FOR INFANTS AND CHILDREN
TO REPUTED INTERNATIONAL BRANDS AND RETAILERS

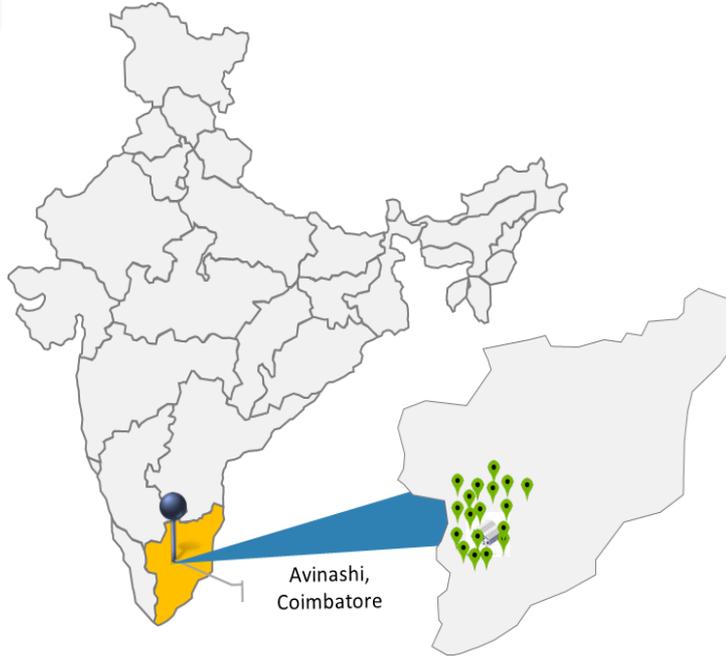
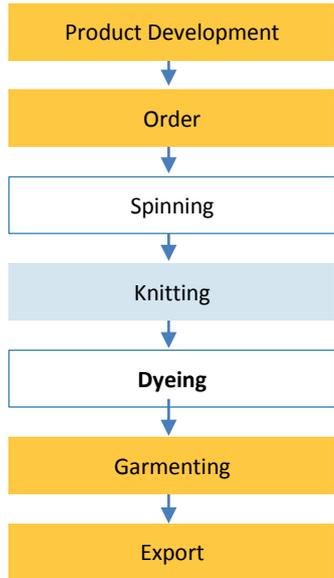
WHY SPAL?

- 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's focus has been on customers in Europe. Going forward, SPAL will continue to focus on existing customers in Europe as well as new customers globally.



INTEGRATED BUSINESS MODEL



LOCATION ADVANTAGE:

- All 21 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.





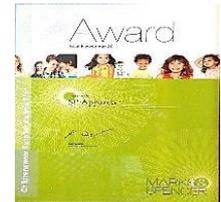
- Strong adherence to the highest standards of quality, assurance and compliance.
- Stringent quality control checks consisting of inspection and testing of fabric, greige and processed yarn, trims, accessories, packing materials and of each piece of garment for metal bits/needle tips/sharp edges prior 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

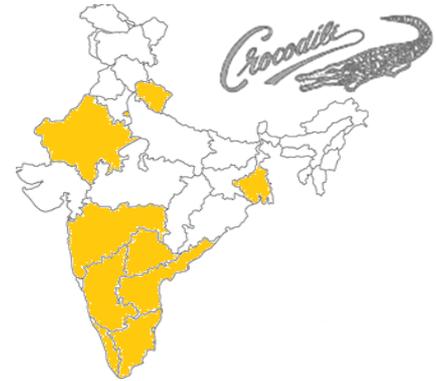
BUILDING RETAIL PRESENCE IN INDIA



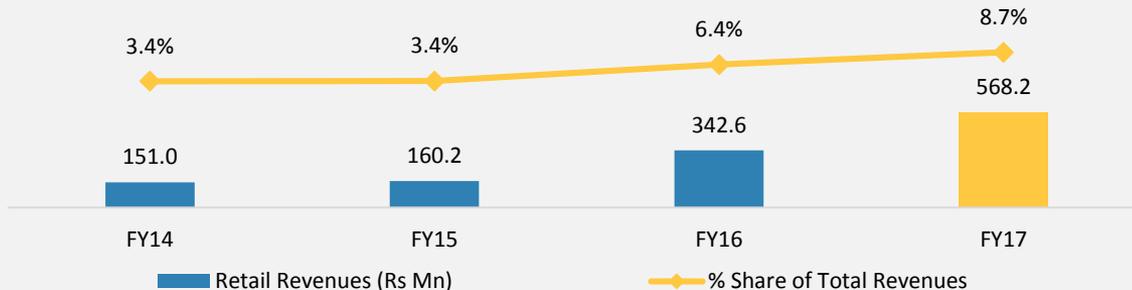
SPAL IS STRENGTHENING ITS RETAIL PRESENCE BY EXPANDING THE REACH OF CROCODILE BRAND

- 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	MAR-17
EBOs – COCO	38
EBOs – FOFO	7
MBOs	4,000
LFS	145
No. of States	9
Outlet Size (Sq. ft)	400 – 1,500



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 Srinivas Chidambaram
Non Whole-time Director

- 27 years of experience mainly in financial services
- Qualified Chartered Accountant



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



Q4 & FY17 Results Update

Company Overview

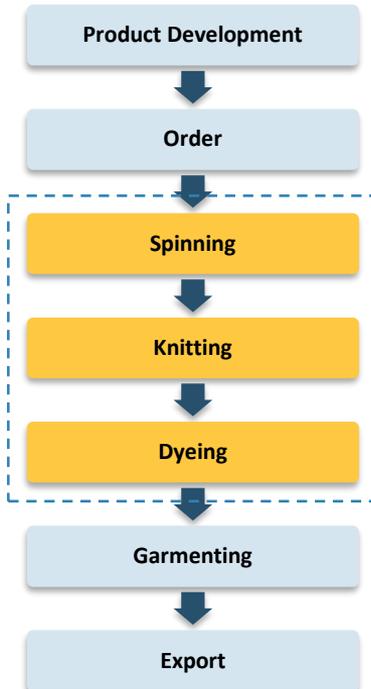
BUSINESS STRATEGY & OUTLOOK

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

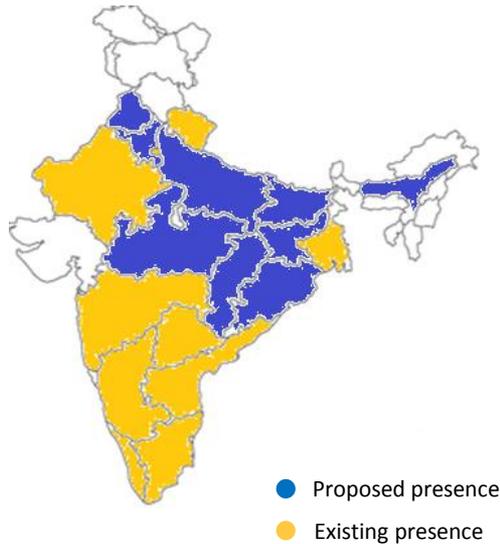
- **De-bottlenecking and backward integration.**
- **Improved operational efficiency and quality control.**
- **Operating cost reduction leading to margin improvement.**
- **Provide support for future expansion.**

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.
- SPAL intends to expand its retail presence across several states.



Q4 & FY17 Results Update

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Business Strategy & Outlook

**FINANCIAL OVERVIEW
& SHAREHOLDING STRUCTURE**

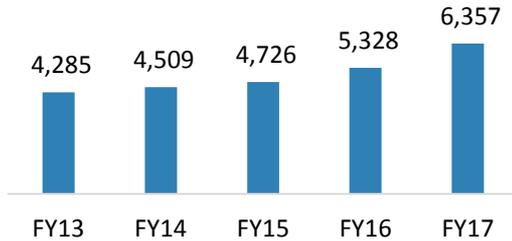


FINANCIAL OVERVIEW



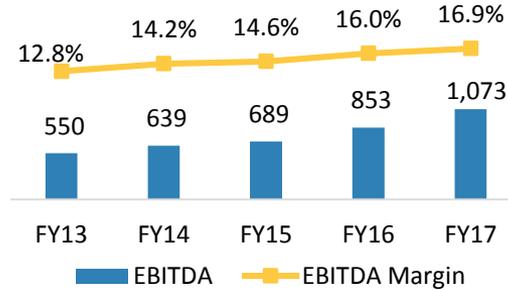
REVENUES

CAGR: 10 %



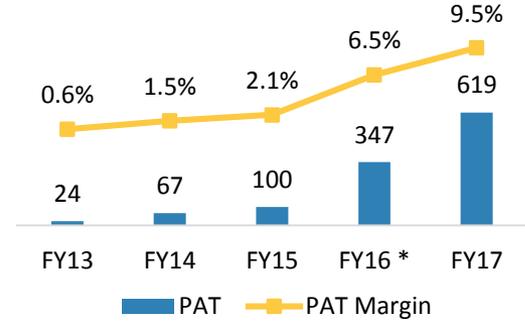
EBITDA & EBITDA MARGIN

CAGR: 18 %



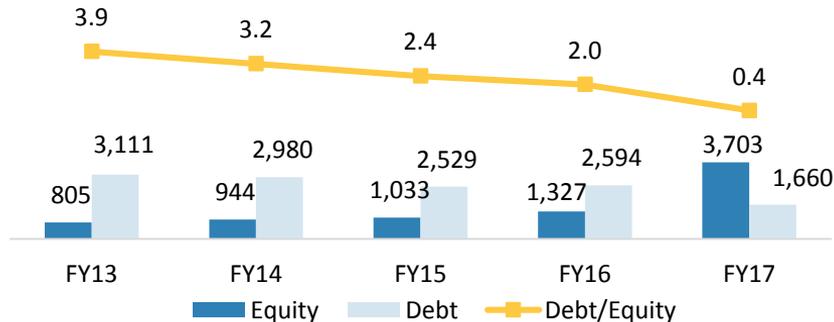
PAT & PAT MARGIN

CAGR: 126 %

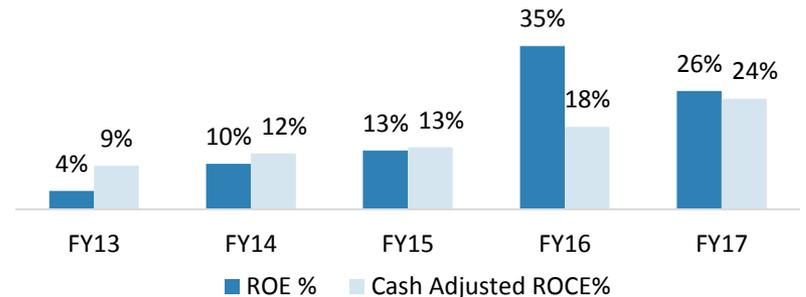


* Excludes exceptional item of write-off of amount considered recoverable from a bank on account of matured foreign currency contracts as of April 1, 2011

LEVERAGE ANALYSIS



RETURN METRICS

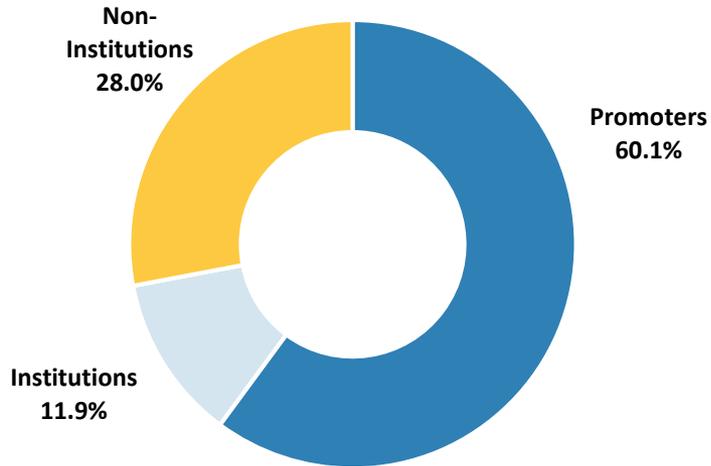


Utilization of Net proceeds as on 31st March 2017

Particulars (Rs million)	Utilization Planned	Amount Utilized	Amount Pending Utilization
Expansion and modernization of manufacturing facility	701.6	77.9	623.7
Repayment or prepayment of debt	630.0	630.0	0.0
Opening of new stores for the sale of 'Crocodile' products	278.5	39.7	238.8
Addition of balancing machineries for existing dyeing unit	49.1	49.1	0
General Corporate Purposes and Issue Expenses	490.8	490.8	0.0
Total	2,150.0	1,287.5	862.5



SHAREHOLDING PATTERN – 31st March 2017



Source: BSE

KEY SHAREHOLDERS – 31st March 2017

Goldman Sachs India Limited	5.32%
Ashish Kacholia	4.47%
DSP Blackrock Micro Cap Fund	3.97%
Birla Sun Life Insurance Company Ltd.	3.40%
Euro Asia Agencies Ltd. Hong Kong	1.37%
UTI- Balanced Fund	1.09%
Principal Mutual Fund	0.85%

Source: Company

FOR FURTHER QUERIES:



Mr. V. Balaji
Chief Financial Officer
Email: balaji.V@s-p-apparels.com
Contact no: 04296 714010



Mr. Nilesh Dalvi / Mr. Yashesh Parekh
IR Consultant
Email: nilesh.dalvi@dickensonir.com
yashesh.parekh@dickensonir.com
Contact no: +91 9819289131 / 8108321555