



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.: L18101T22005PLC012295

16th November, 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: Q2 Financial Presentation

We enclose the presentation of Unaudited Financial Results for the quarter/half year ended September 30, 2017.

Thanking You,

For S.P.Apparels Limited

K. Vinodhini
Company Secretary and Compliance Officer

Encl: As above

S.P. APPARELS LIMITED

Q2 & H1 FY18 RESULTS UPDATE
November 2017





DISCLAIMER



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.



- Sustained Performance in Garment Exports Division despite Volatile Currency Movements
- Significant Growth in SPUK Operations
- Strong Sales Traction in Retail Division
- Retail Division achieved Operational Break-even in Q2 FY18
- Adj. EBITDA margin ² improved by 104 bps from 17.6% to 18.6%

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 & H1 FY18 RESULTS UPDATE

Company Overview

Business Strategy & Outlook

Financial Overview & Shareholding Structure



Q2 & H1 FY18 RESULTS

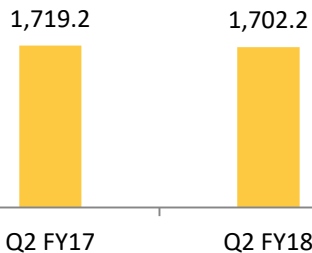
KEY HIGHLIGHTS



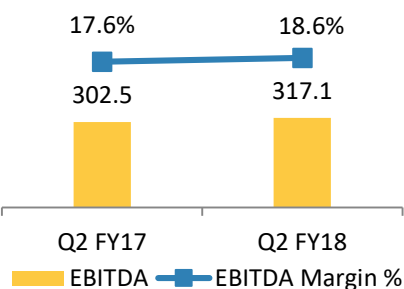
Q2 FY18 YoY ANALYSIS

In Rs Mn

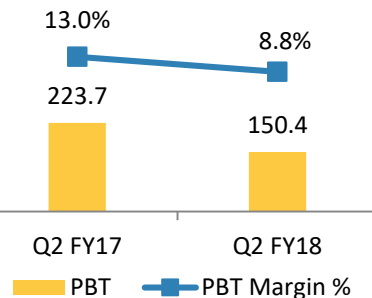
REVENUES ¹



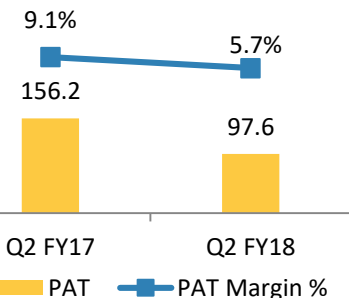
Adj. EBITDA & EBITDA MARGIN ²



PBT & PBT MARGIN ³

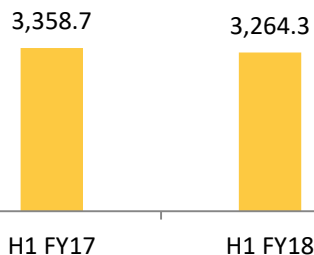


PAT & PAT MARGIN ³

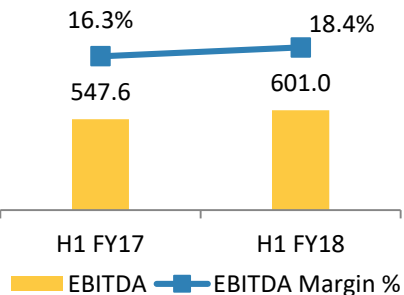


H1 FY18 YoY ANALYSIS

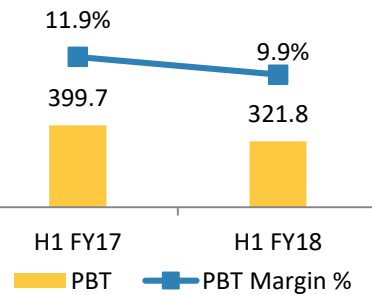
REVENUES ¹



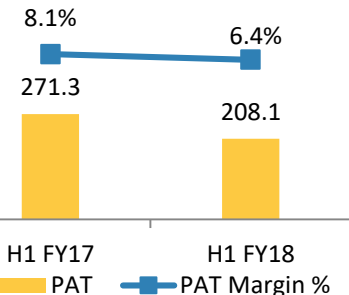
Adj. EBITDA & EBITDA MARGIN ²



PBT & PBT MARGIN ³



PAT & PAT MARGIN ³



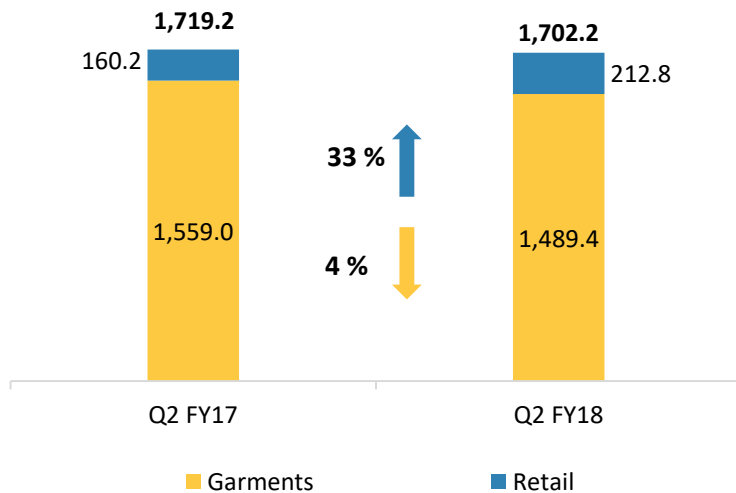
1. Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)
2. In addition to (1), EBITDA calculation excludes unrealised MTM gain / loss on account of foreign exchange fluctuations (accounted in other expenses)
3. PBT Margin = Reported PBT / Total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

Q2 & H1 FY18 RESULTS

DIVISION WISE ANALYSIS



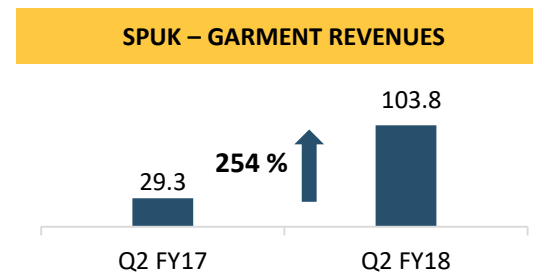
Q2 FY18 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



In Rs Mn		
DIVISION REVENUES SHARE	Q2 FY17	Q2 FY18
Garments *	90.7%	87.5%
Retail	9.3%	12.5%

Adj. EBITDA MARGIN % ²	Q2 FY17	Q2 FY18
Garments *	20.0%	20.4%
Retail	-6.3%	6.3%

* Includes SPUK Operations

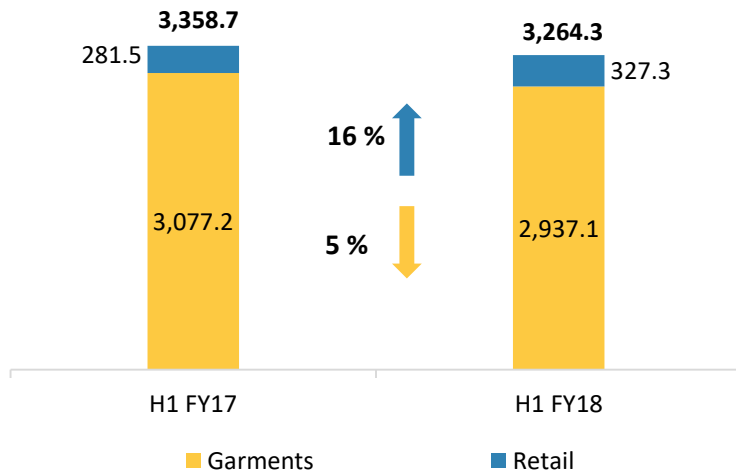


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Q2 & H1 FY18 RESULTS DIVISION WISE ANALYSIS



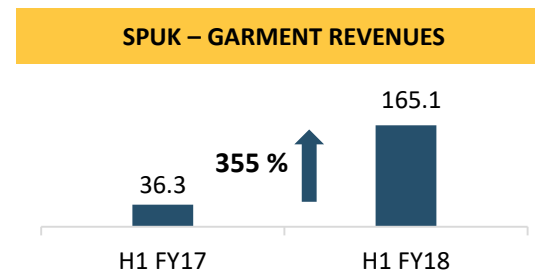
H1 FY18 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



In Rs Mn		
DIVISION REVENUES SHARE	H1 FY17	H1 FY18
Garments *	91.6%	90.0%
Retail	8.4%	10.0%

Adj. EBITDA MARGIN % ²		
DIVISION	H1 FY17	H1 FY18
Garments *	18.5%	20.1%
Retail	-8.0%	3.2%

* 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:

- **Q2 FY18 total revenues ¹ marginally declined by 1% YoY to Rs 1,702.2 mn.**
 - Revenues were flat in garments division and grew by 33% in retail division.
 - Garments division revenues were flat due to 'Brexit' impact.
 - Retail division growth was largely driven by higher direct sales from LFS and EBO stores.
- **Q2 FY18 Adj. EBITDA ² grew by 5% YoY to Rs 317.1 mn. Adj. EBITDA margin improved by 104 bps from 17.6% to 18.6%.**
 - Garment division EBITDA margin was stable at 20.4%.
 - Retail division achieved break-even at EBITDA level registering margin of 6.3%.
- **Q2 FY18 PBT declined by 33% YoY to Rs 150.4 mn.**
 - Q2 FY18 witnessed MTM Loss of Rs 41.1 mn compared to MTM gain of Rs 1.5 mn in Q2 FY17 on account of Foreign Currency Fluctuations.
 - Finance cost increased from Rs 41.8 mn in Q2 FY17 to Rs 76.8 mn in Q2 FY18.
 - The actual interest expense and bank charges were Rs 33.4 mn in Q2 FY18.
 - As per IND-AS accounting standards, dividend of Rs 13.3 mn (for H1 FY18) on preference shares worth Rs 189.1 mn was incurred in Q2 FY18.
 - There was also restatement of Rs 30.1 mn on foreign currency packing credit.
- **Q2 FY18 PAT declined by 38% YoY to Rs 97.6 mn. PAT margin ³ declined from 9.1% to 5.7%.**
- **We have appointed ASA & Associates LLP as our new statutory auditors with effect from 11th August 2017. The further details and profile of the auditors can be accessed from their website www.asa.in.**

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Q2 & H1 FY18 RESULTS

CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (In Rs Mn)	Q2 FY18	Q2 FY17	YoY %	H1 FY18	H1 FY17	YoY %
Revenue from Operations	1,661.3	1,670.4	-0.5%	3,167.4	3,292.5	-3.8%
Gain on account of Foreign Currency Fluctuations	40.8	48.8	-	96.9	66.2	-
Total Revenues	1,702.2	1,719.2	-1.0%	3,264.3	3,358.7	-2.8%
COGS	677.6	706.5	-4.1%	1,272.5	1,315.9	-3.3%
Gross Profit	1,024.5	1,012.8	1.2%	1,991.8	2,042.8	-2.5%
Gross Margin	60.2%	58.9%	128bps	61.0%	60.8%	20bps
Employee Expenses	381.7	380.4	0.3%	765.9	749.5	2.2%
Other Expenses excl. MTM gain / loss on account of Foreign Currency Fluctuations	325.7	329.9	-1.3%	625.0	745.6	-16.2%
Adj. EBITDA	317.1	302.5	4.9%	601.0	547.6	9.7%
Adj. EBITDA Margin %	18.6%	17.6%	104bps	18.4%	16.3%	211bps
<i>MTM (Gain) / Loss on account of Foreign Currency Fluctuations</i>	41.1	-1.5	-	81.4	-49.2	-
Depreciation	53.4	47.5	12.4%	107.4	91.7	17.0%
Finance Cost	76.8	41.8	83.7%	143.6	117.7	22.0%
Other Income excl. Gain on account of Foreign Currency Fluctuations	4.6	9.0	-49.2%	53.1	12.2	335.5%
PBT	150.4	223.7	-32.8%	321.8	399.7	-19.5%
Tax Expense	52.8	67.5	0.0%	113.7	128.4	0.0%
PAT	97.6	156.2	-37.5%	208.1	271.3	-23.3%
PAT Margin %	5.7%	9.1%	-335bps	6.4%	8.1%	-170bps
Earnings Per Share (EPS) In Rs.	3.09	6.21	-50.2%	8.27	12.28	-32.7%

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3. PAT Margin = Reported PAT / Total Revenues ¹

Q2 & H1 FY18 RESULTS

CONSOLIDATED BALANCE SHEET



Particulars (Rs Million)	Sep-17
Equities & Liabilities	
Shareholder's Funds	
Share Capital	251.7
Other Comprehensive Income	-40.3
Other Equity	3,501.8
Total Shareholder's Funds	3,713.2
Minority Interest	-70.5
Non-Current Liabilities	
a. Financial Liabilities	
Borrowings	396.9
Other Financial Liabilities	159.0
b. Deferred Tax Liabilities	363.4
c. Other Non-Current Liabilities	0.1
Total of Non-current liabilities	919.3
Current Liabilities	
a. Financial Liabilities	
Borrowings	1,595.8
Trade Payables	1,103.9
Other Financial Liabilities	193.4
b. Other Current Liabilities	28.4
c. Provisions	222.7
Total of Current liabilities	3,144.2
Total Liabilities	7,706.1

Particulars (Rs Million)	Sep-17
Assets	
Non-Current Assets	
a. Property, Plant and Equipment	2,995.3
b. Capital work in progress	37.2
c. Intangible assets	63.1
d. Financial Assets	
Investments	2.3
Loans & Advances	23.4
Others	64.0
e. Other non-current assets	70.7
Total non-current assets	3,255.9
Current Assets	
a. Inventories	1,449.7
b. Financial Assets	
Investments	404.2
Trade Receivables	1,759.7
Cash & Cash equivalents	397.2
Others	0.3
c. Other Current Assets	439.2
Total current assets	4,450.3
Total Assets	7,706.1

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- PAT Margin = Reported PAT / Total Revenues ¹



Q2 & H1 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.

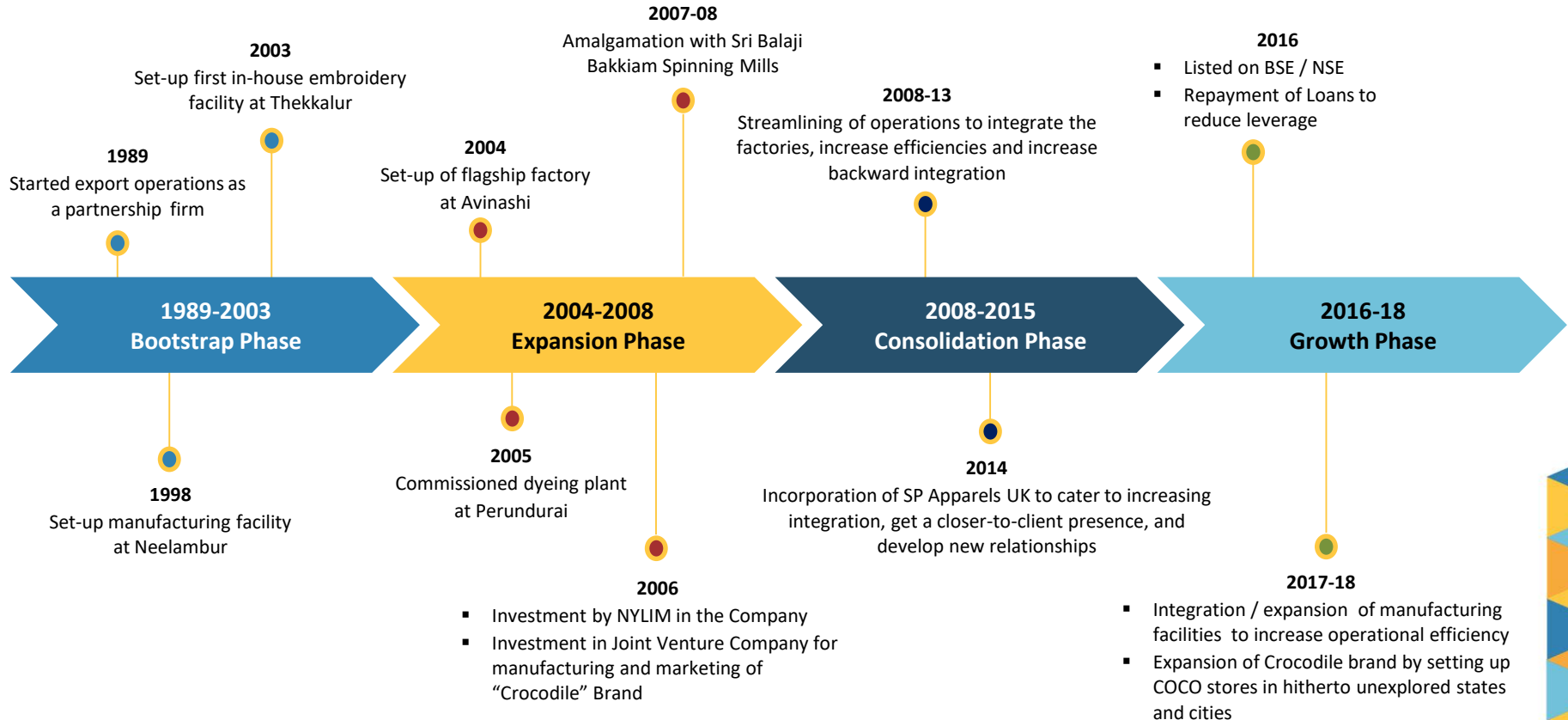
FINANCIAL OVERVIEW

*

- 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

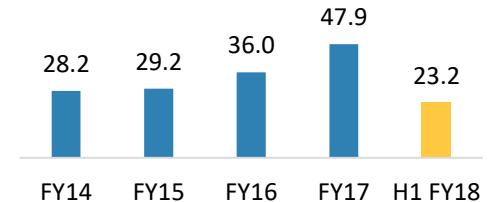
Ability to consistently deliver high quality products on timely basis

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

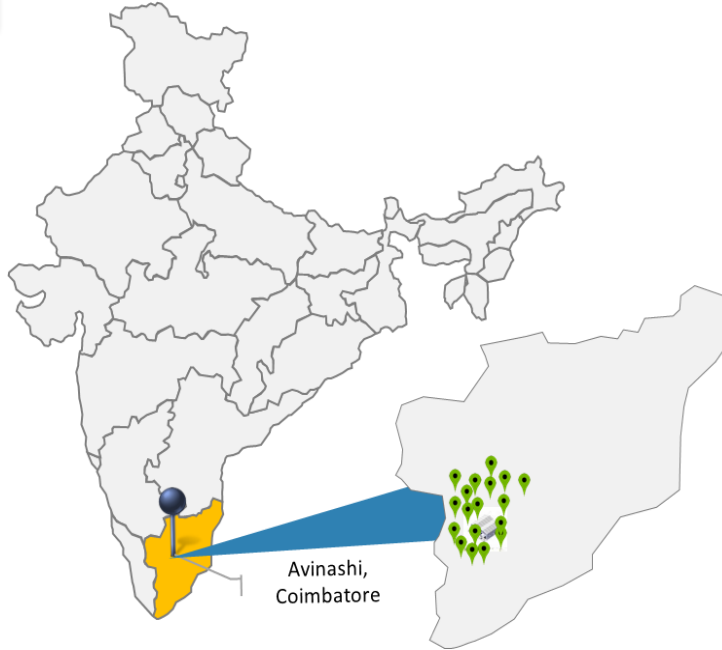
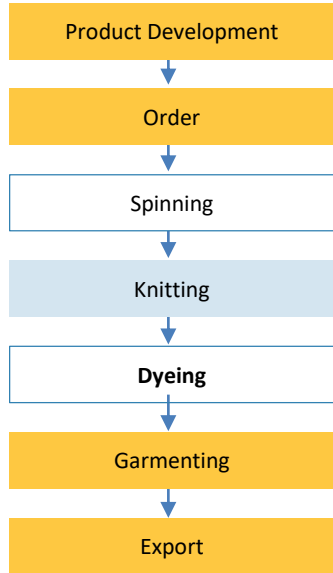
WHY SPAL?

- 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

COMPANY OVERVIEW

STRATEGICALLY LOCATED & INTEGRATED MANUFACTURING FACILITIES



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.





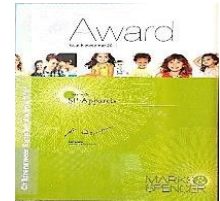
- Strong adherence to the highest standards of quality, assurance and compliance.
- Stringent quality control checks consisting of inspection and testing of fabric, greige and processed yarn, trims, accessories, packing materials and of each piece of garment for metal bits/needle tips/sharp edges prior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

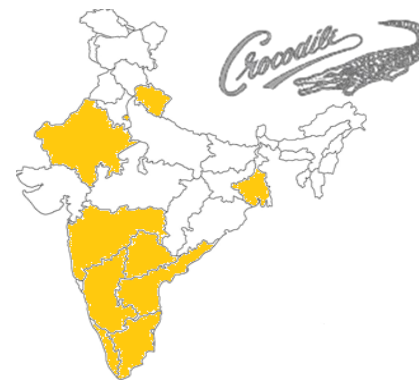
BUILDING RETAIL PRESENCE IN INDIA



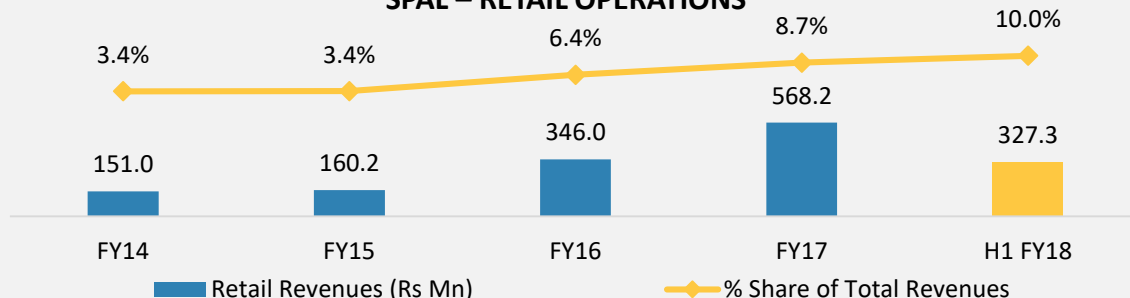
SPAL IS STRENGTHENING ITS RETAIL PRESENCE BY EXPANDING THE REACH OF CROCODILE BRAND

- 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 (10), Megamart (18), Centro (8), D Mart (15), Unlimited (18), Globus (11), Reliance Market (35), Walmart (12), Brand Factory (45).
 - E-Commerce platforms – Myntra, Amazon.

OUR RETAIL STORE PRESENCE



SPAL – RETAIL OPERATIONS *



* Figures are as per the I-GAAP for FY14 to FY17 and IND-AS for H1 FY18

Retail Network	September – 17
EBOs – COCO	35
EBOs – FOFO	12
MBOs	4,200
LFS	172
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 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



Q2 & H1 FY18 Results Update

Company Overview

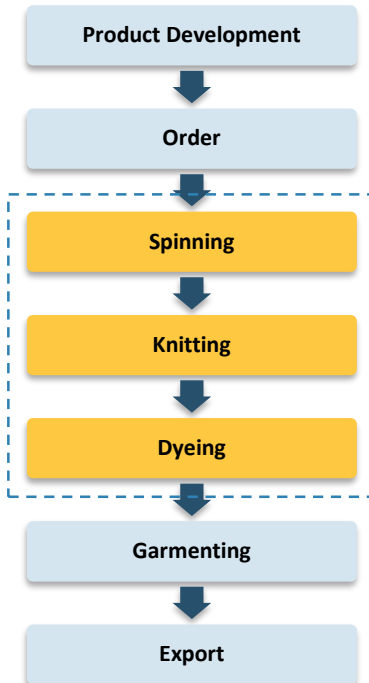
BUSINESS STRATEGY & OUTLOOK

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

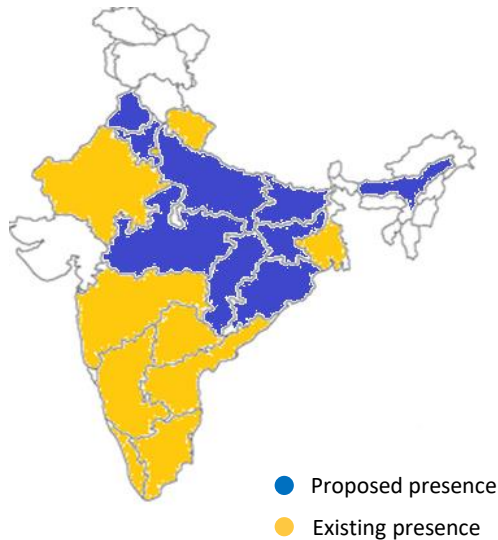
- **De-bottlenecking and backward integration.**
- **Improved operational efficiency and quality control.**
- **Operating cost reduction leading to margin improvement.**
- **Provide support for future expansion.**

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.



Q2 & H1 FY18 Results Update

Company Overview

Business Strategy & Outlook

**FINANCIAL OVERVIEW
& SHAREHOLDING STRUCTURE**



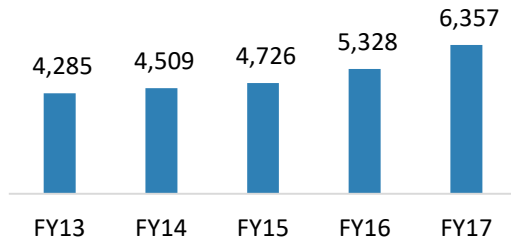
FINANCIAL OVERVIEW



Figures are as per the I-GAAP standards, In Rs Million

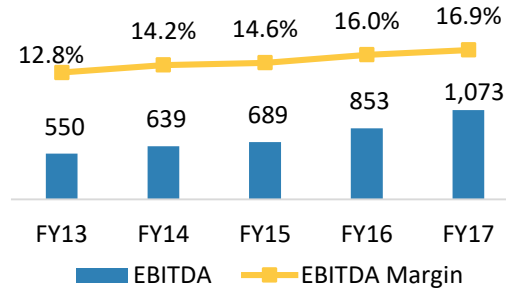
REVENUES

CAGR: 10 %



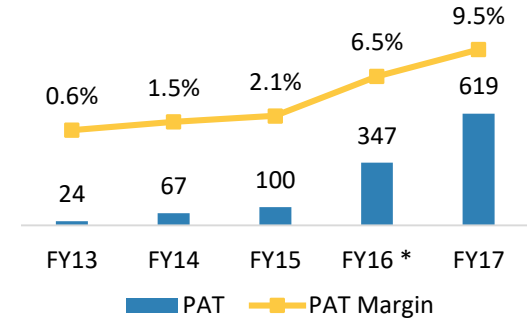
EBITDA & EBITDA MARGIN

CAGR: 18 %



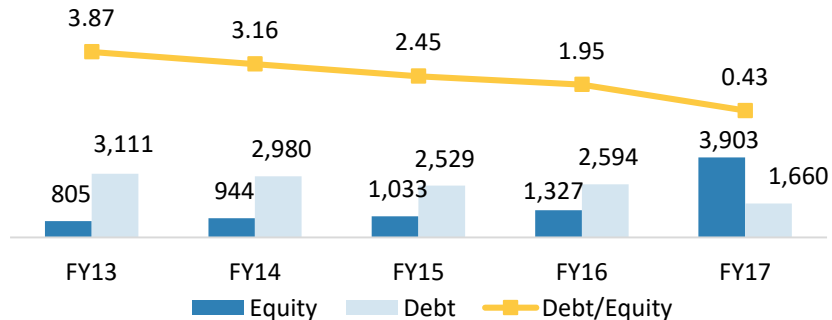
PAT & PAT MARGIN

CAGR: 126 %

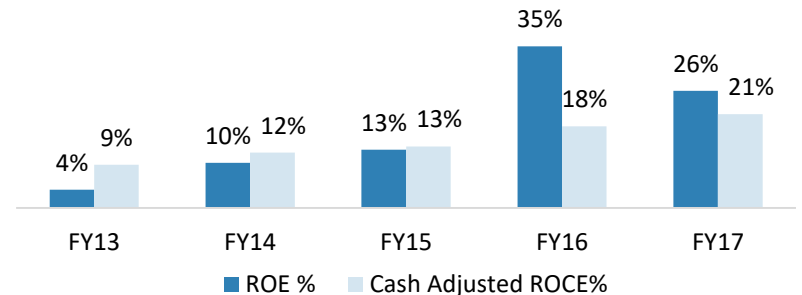


* Excludes exceptional item of write-off of amount considered recoverable from a bank on account of matured foreign currency contracts as of April 1, 2011

LEVERAGE ANALYSIS



RETURN METRICS





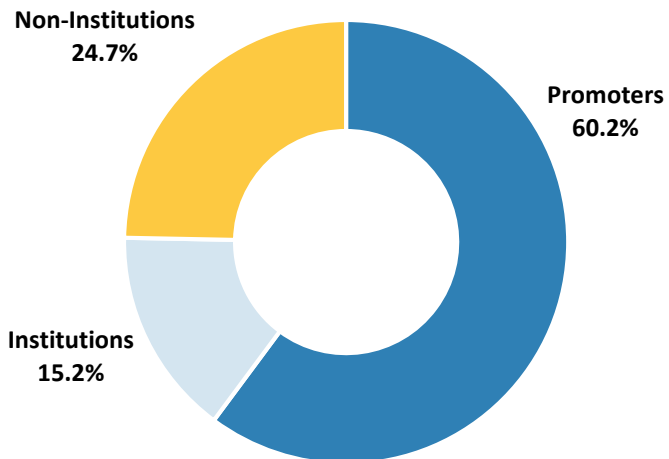
Utilization of Net proceeds as on 30th September 2017

Particulars (Rs million)	Utilization Planned	Amount Utilized	Amount Pending Utilization
Expansion and modernization of manufacturing facility	701.6	147.8	553.8
Repayment or prepayment of debt	630.0	630.0	0.0
Opening of new stores for the sale of 'Crocodile' products	278.5	86.8	191.7
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
Total	2,150.0	1,404.5	745.5

SHAREHOLDING STRUCTURE



SHAREHOLDING PATTERN – 30th September 2017



Source: BSE

KEY SHAREHOLDERS – 30th September 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%
The Scottish Oriental Smaller Companies Trust	2.04%
UTI- Balanced Fund	1.47%

FOR FURTHER QUERIES:



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