



S.P.APPARELS LTD.



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

16th February, 2018

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: Q3 Financial Presentation

We enclose the presentation of Unaudited Financial Results for the quarter/nine months ended December 31, 2017.

Thanking You,

For S.P.Apparels Limited

K. Vinodhini
Company Secretary and Compliance Officer

Encl: As above

S.P. APPARELS LIMITED

Q3 & 9M FY18 RESULTS UPDATE
February 2018





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.



- ❑ **Garment Export Revenues Delivered Consistent Growth Despite Volatile Currency Movements**
- ❑ **Revenues from SPUK Operations Doubled on YoY basis**
- ❑ **Revenues from Retail Division grew by 88% on YoY basis**
- ❑ **Retail Division achieved EBITDA at 14.3% in Q3 FY18**
- ❑ **Overall Adj. EBITDA margin ² was 16.2% in Q3 FY18**

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)



Q3 & 9M FY18 RESULTS UPDATE

Company Overview

Business Strategy & Outlook

Financial Overview & Shareholding Structure



Q3 & 9M FY18 RESULTS

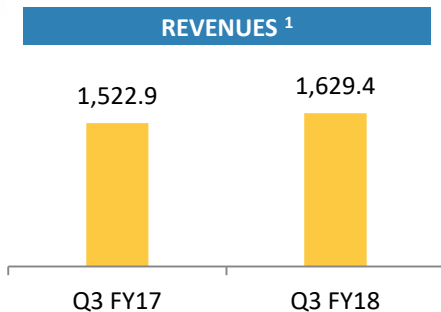
KEY HIGHLIGHTS



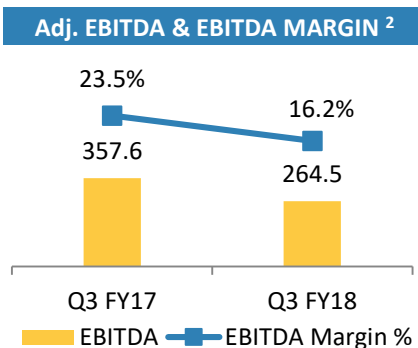
Q3 FY18 YoY ANALYSIS

In Rs Mn

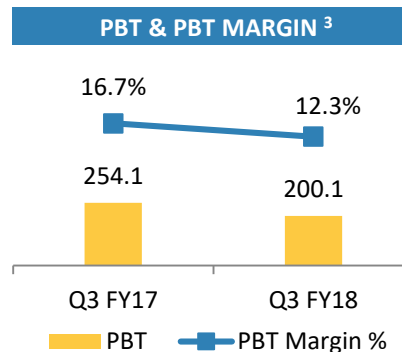
REVENUES ¹



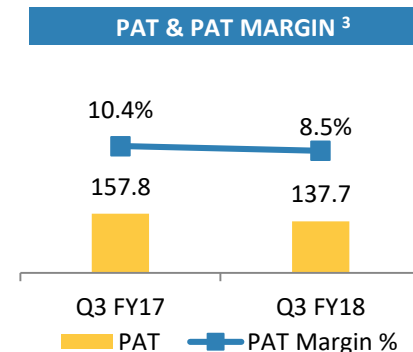
Adj. EBITDA & EBITDA MARGIN ²



PBT & PBT MARGIN ³

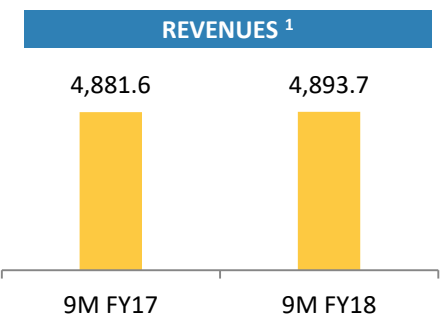


PAT & PAT MARGIN ³

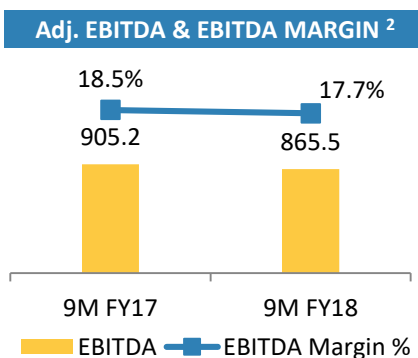


9M FY18 YoY ANALYSIS

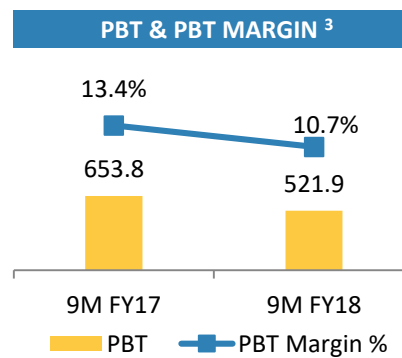
REVENUES ¹



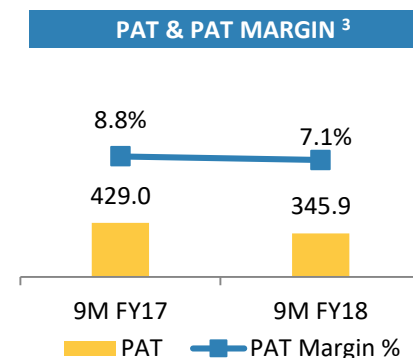
Adj. EBITDA & EBITDA MARGIN ²



PBT & PBT MARGIN ³



PAT & PAT MARGIN ³



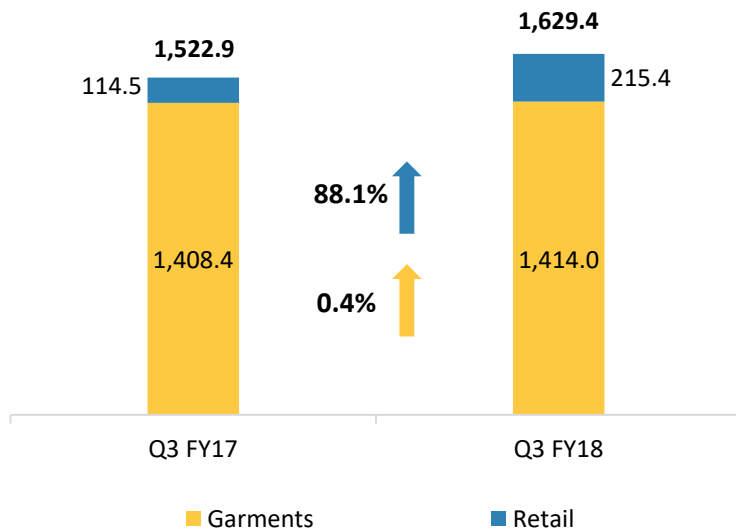
1. Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)
2. In addition to (1), EBITDA calculation excludes unrealised MTM gain / loss on account of foreign exchange fluctuations (accounted in other expenses)
3. PBT Margin = Reported PBT / Total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

Q3 & 9M FY18 RESULTS

DIVISION WISE ANALYSIS



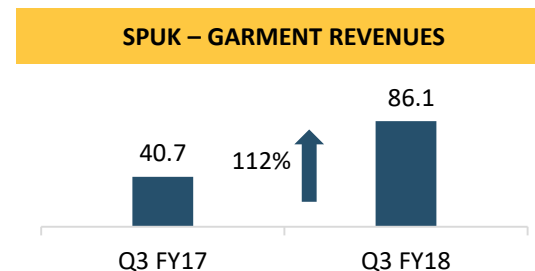
Q3 FY18 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



In Rs Mn		
DIVISION REVENUES SHARE	Q3 FY17	Q3 FY18
Garments *	92.5%	86.8%
Retail	7.5%	13.2%

Adj. EBITDA MARGIN % ²		
DIVISION	Q3 FY17	Q3 FY18
Garments *	25.4%	16.5%
Retail	-20.8%	14.3%

* Includes SPUK Operations



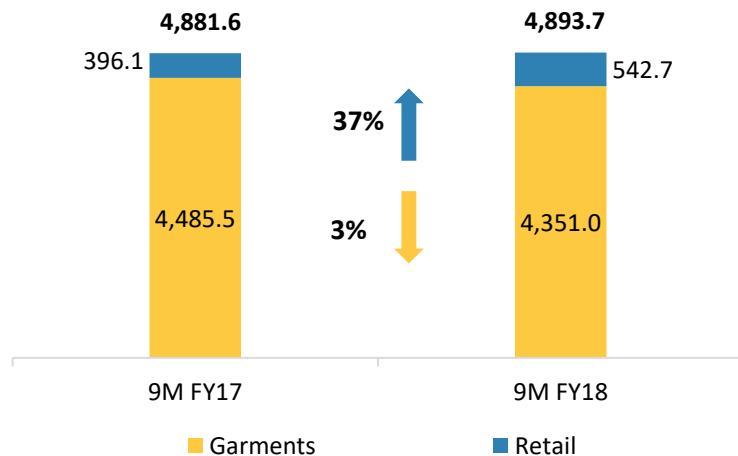
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Q3 & 9M FY18 RESULTS

DIVISION WISE ANALYSIS



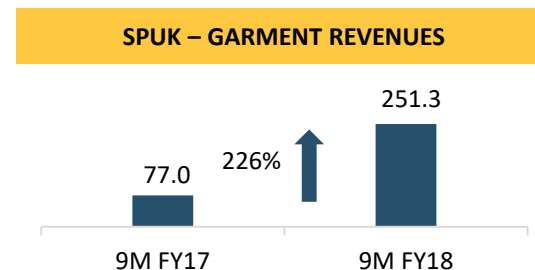
9M FY18 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



In Rs Mn		
DIVISION REVENUES SHARE	9M FY17	9M FY18
Garments *	91.9%	88.9%
Retail	8.1%	11.1%

Adj. EBITDA MARGIN % ²		
	9M FY17	9M FY18
Garments *	21.7%	18.9%
Retail	-12.1%	7.6%

* Includes SPUK Operations



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



FINANCIAL UPDATE:

- **Q3 FY18 total revenues¹ increased by 7% YoY to Rs 1,629.4 mn.**
 - Revenues increased by 0.4% in garments division and grew by 88% in retail division.
 - Garments division displayed steady performance despite the volatile currency impact on account of 'Brexit'.
 - Retail division growth was largely driven by higher direct sales from LFS and EBO stores.
- **Q3 FY18 Adj. EBITDA² declined by 26% YoY to Rs 264.5 mn. Adj. EBITDA margin decreased from 23.5% to 16.2%.**
 - EBITDA margin declined mainly on account of increase in employee expenses (due to capacity addition) and other expenses (higher Repair & Maintenance expenses), reduction in duty drawback and unfavourable exchange fluctuations.
 - Garment division EBITDA margin stood at 16.5%.
 - Retail division EBITDA margin increased from -20.8% to 14.3%.
- **Q3 FY18 PBT declined by 21.3% YoY to Rs 200.1 mn.**
 - Finance cost increased from Rs 37 mn in Q3 FY17 to Rs 43.2 mn in Q3 FY18.
- **Q3 FY18 PAT declined by 12.7% YoY to Rs 137.7 mn. PAT margin³ declined from 10.4 to 8.5%.**

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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

Q3 & 9M FY18 RESULTS

CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (In Rs Mn)	Q3 FY18	Q3 FY17	YoY %	9MFY18	9MFY17	YoY%
Revenue from Operations	1,629.4	1,465.1	11.2%	4,796.8	4,757.6	0.8%
Gain on account of Foreign Currency Fluctuations	0.0	57.8	-	96.9	124.1	
Total Revenues	1,629.4	1,522.9	7.0%	4,893.7	4,881.6	0.2%
COGS	616.2	579.2	6.4%	1,888.7	1,895.1	-0.3%
Gross Profit	1,013.2	943.7	7.4%	3,005.0	2,986.5	0.6%
Gross Margin	62.2%	62.0%	21bps	61.4%	61.2%	23bps
Employee Expenses	414.2	357.6	15.8%	1,180.0	1,107.1	6.6%
Other Expenses excl. MTM gain / loss on account of Foreign Currency Fluctuations	334.5	228.6	46.3%	959.5	974.2	-1.5%
Adj. EBITDA	264.5	357.6	-26.0%	865.5	905.2	-4.4%
Adj. EBITDA Margin %	16.2%	23.5%	-725bps	17.7%	18.5%	-86bps
MTM (Gain) / Loss on account of Foreign Currency Fluctuations	-36.8	34.0	-	44.5	-15.2	-
Depreciation	58.1	51.1	13.6%	165.4	142.8	15.8%
Finance Cost	43.2	37.0	16.6%	186.8	154.7	20.7%
Other Income excl. Gain on account of Foreign Currency Fluctuations	0.0	18.6	-100.0%	53.1	30.8	72.4%
PBT	200.1	254.1	-21.3%	521.9	653.8	-20.2%
Tax Expense	62.4	96.4	0.0%	176.1	224.8	0.0%
PAT	137.7	157.8	-12.7%	345.9	429.0	-19.4%
PAT Margin %	8.5%	10.4%	-191bps	7.1%	8.8%	-172bps
Earnings Per Share (EPS) In Rs.	5.47	6.27	-12.8%	13.74	17.05	-19.4%

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. PAT Margin = Reported PAT / Total Revenues ¹



Q3 & 9M 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.

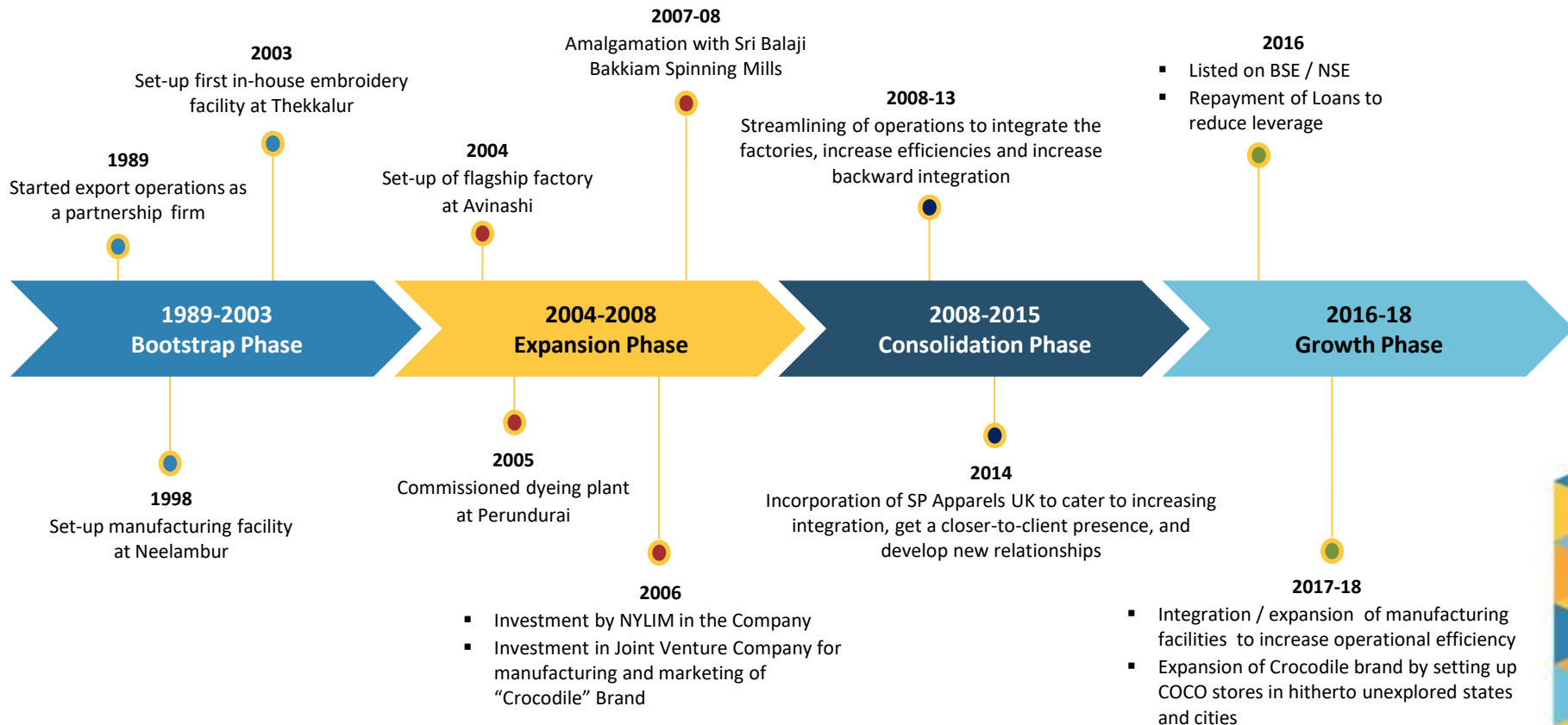
FINANCIAL OVERVIEW

*

- 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

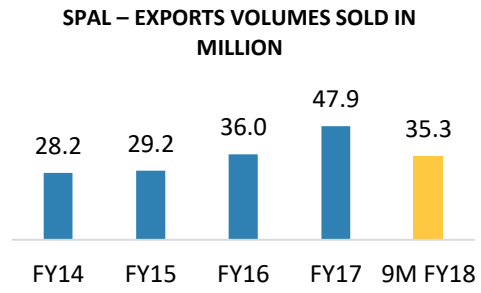
INDUSTRY'S UNIQUE CHALLENGES

- 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



COMPANY OVERVIEW

PREFERRED VENDOR TO REPUTED INTERNATIONAL BRANDS



SPAL IS THE PREFERRED VENDOR

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

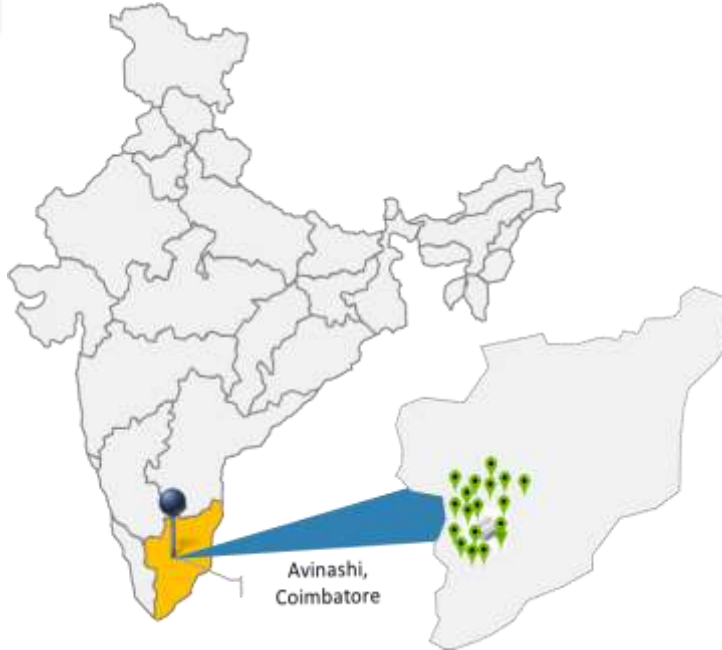
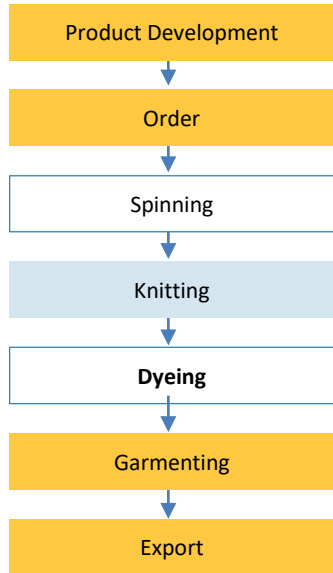
WHY SPAL?

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

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



INTEGRATED BUSINESS MODEL



LOCATION ADVANTAGE:

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

TECHNOLOGY & AUTOMATION:

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

In-house

Outsourced

Partly Outsourced

* ASRS: Advanced semi-automated storage and retrieval system



Spinning



Dyeing





Printing



Automated Embroidery



Sewing



Automated Sewing Assembly Line



Semi-Automated Inventory Management





STRONG DESIGN IS SPAL'S CORE COMPETENCY

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





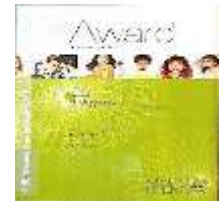
- Strong adherence to the highest standards of quality, assurance and compliance.
- Stringent quality control checks consisting of inspection and testing of fabric, greige and processed yarn, trims, accessories, packing materials and of each piece of garment for metal bits/needle tips/sharp edges prior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

ACCREDITATIONS AND AWARDS FOR OUR MANUFACTURING FACILITY/ABILITY

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



TESCO 'F&F Gold Rated Supplier Award' 2013



Marks and Spencer award 2011

COMPANY OVERVIEW

BUILDING RETAIL PRESENCE IN INDIA



SPAL's PRESENCE ACROSS LARGE FORMAT STORES



COMPANY OVERVIEW

BUILDING RETAIL PRESENCE IN INDIA



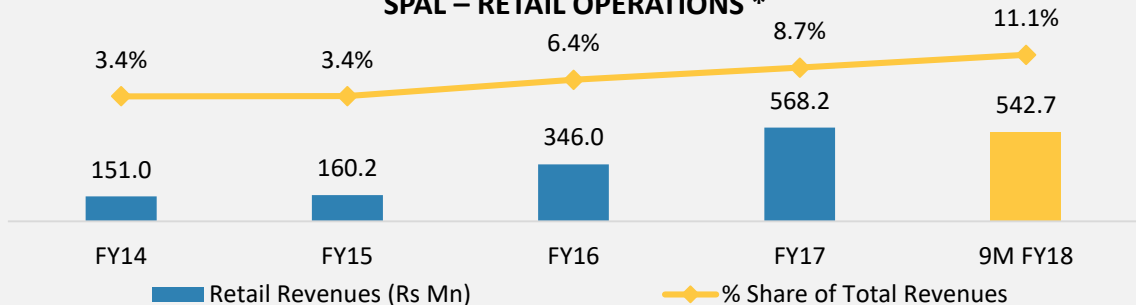
SPAL IS STRENGTHENING ITS RETAIL PRESENCE BY EXPANDING THE REACH OF CROCODILE BRAND

- SPAL undertakes manufacturing and retailing activities in India under the 'Crocodile' brand.
- SPAL sells wide range of adult menswear products like shirts, polo shirts, t-shirts, trousers, jeans, sweaters, jackets and innerwear products like vests, briefs, boxer shorts.
- In addition to EBOs and MBOs, we are also present in large format stores and e-commerce platforms.
 - Large format stores (LFS) – Central (11), Megamart (21), Centro (8), D Mart (15), Unlimited (32), Globus (12), Reliance Market (35), Walmart (12), Brand Factory (51), Starbazar (10).
 - E-Commerce platforms – Myntra, Amazon.

OUR RETAIL STORE PRESENCE



SPAL – RETAIL OPERATIONS *



Retail Network	December – 17
EBOs – COCO	36
EBOs – FOFO	15
MBOs	4,200
LFS	207
No. of States	9
Outlet Size (Sq. ft)	400 – 1,500

* Figures are as per the I-GAAP for FY14 to FY17 and IND-AS for 9M FY18



Mr P. Sundararajan
Chairman and Managing Director

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



Ms S. Latha
Executive Director

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



Mr S. Chenduran
Director Operations

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

Ms P.V. Jeeva, Chief Executive Officer

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

Mr V. Balaji, Chief Finance Officer

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

Mr V. Shankar Raam, Chief Operating Officer

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



Mr A.S. Anandkumar
Independent Director

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



Mr P. Yesuthasen
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



Q3 & 9M FY18 Results Update

Company Overview

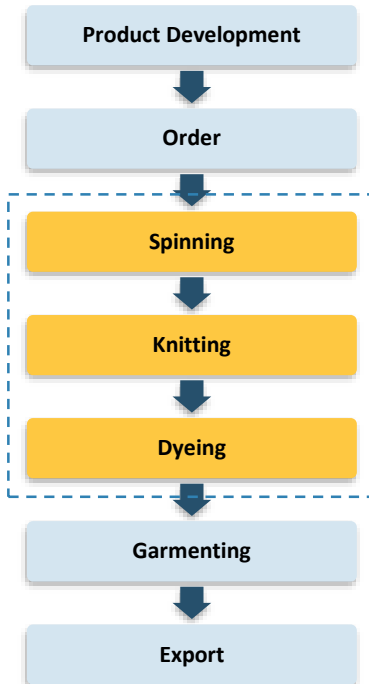
BUSINESS STRATEGY & OUTLOOK

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

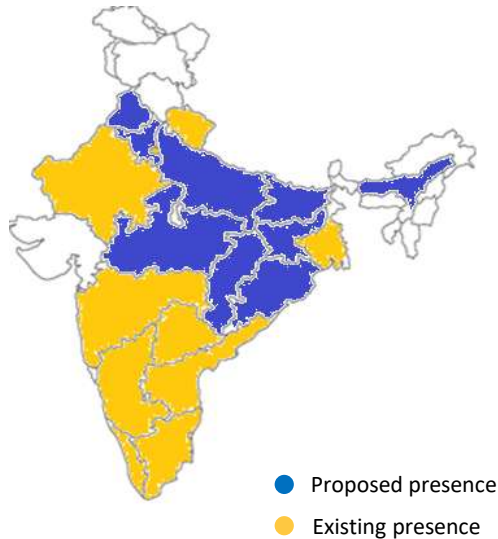
- **De-bottlenecking and backward integration.**
- **Improved operational efficiency and quality control.**
- **Operating cost reduction leading to margin improvement.**
- **Provide support for future expansion.**

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.



Q3 & 9M FY18 Results Update

Company Overview

Business Strategy & Outlook

**FINANCIAL OVERVIEW
& SHAREHOLDING STRUCTURE**



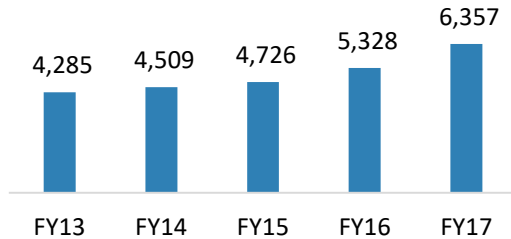
FINANCIAL OVERVIEW



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

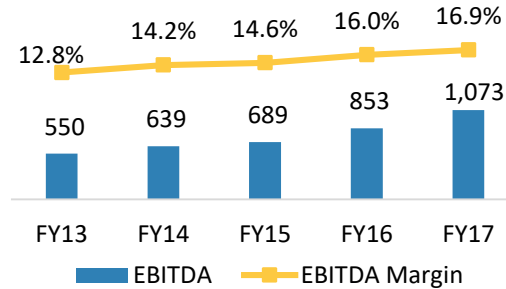
REVENUES

CAGR: 10 %



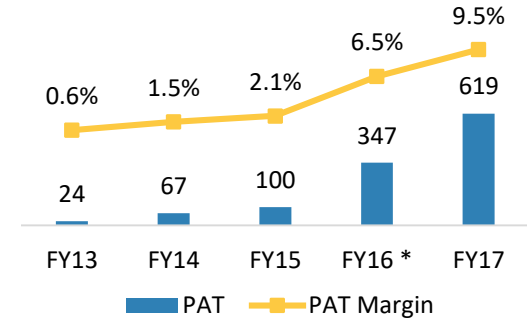
EBITDA & EBITDA MARGIN

CAGR: 18 %



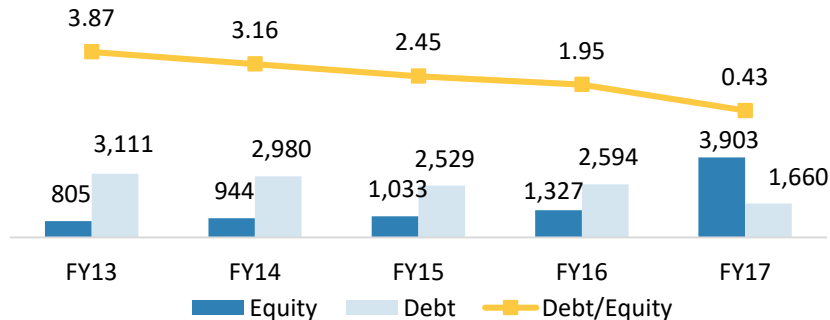
PAT & PAT MARGIN

CAGR: 126 %

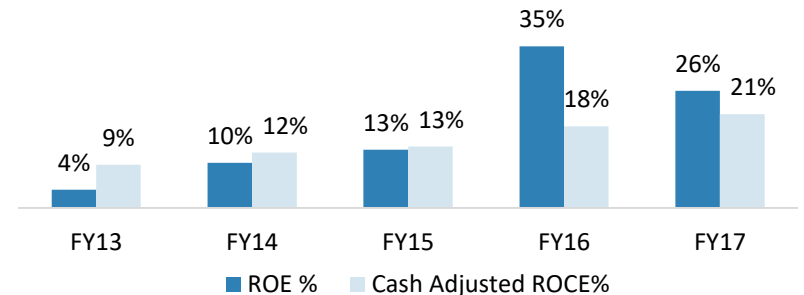


* Excludes exceptional item of write-off of amount considered recoverable from a bank on account of matured foreign currency contracts as of April 1, 2011

LEVERAGE ANALYSIS



RETURN METRICS



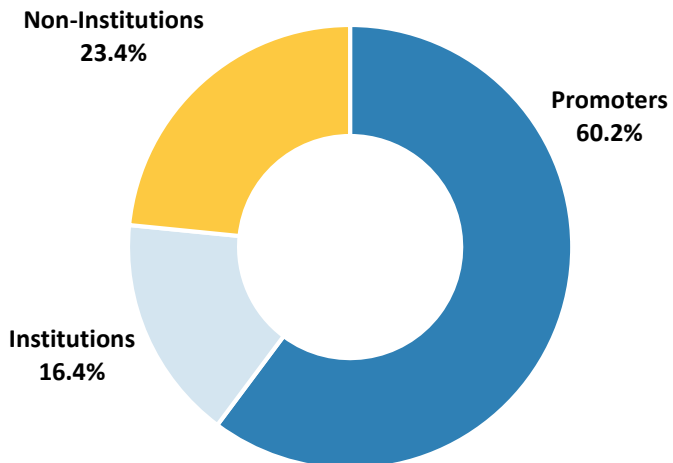


Utilization of Net proceeds as on 31st December 2017

Particulars (Rs million)	Utilization Planned	Amount Utilized	Amount Pending Utilization
Expansion and modernization of manufacturing facility	701.6	155.5	546.1
Repayment or prepayment of debt	630.0	630.0	0.0
Opening of new stores for the sale of 'Crocodile' products	278.5	115.8	162.7
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	1,441.2	708.8



SHAREHOLDING PATTERN – 31st December 2017



Source: Company

KEY SHAREHOLDERS – 31st December 2017

Goldman Sachs India Ltd	5.32%
DSP Blackrock Micro Cap Fund	4.91%
Ashish Kacholia	4.47%
Birla Sun Life Insurance Company Limited	2.67%
UTI- Balanced Fund	2.18%
The Scottish Oriental Smaller Companies Trust	2.04%
Principal Mutual Fund	1.47%

FOR FURTHER QUERIES:



Mr. V. Balaji
Chief Financial Officer
Email: balaji.V@s-p-apparels.com



Ms. Pushpa Mani / Mr. Nilesh Dalvi
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