

S.P. APPARELS LIMITED

Q2 & H1 FY17 RESULTS UPDATE
NOVEMBER 2016





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.



- ❑ 33% YoY growth in revenues from operations
- ❑ 31% YoY growth in EBITDA, stable EBITDA margin
- ❑ 216% YoY growth in PAT, PAT margin up from 3.6% to 8.9%
- ❑ Total Debt declined to Rs 1,781.7 mn (Rs 2,593.6 mn at 31st March, 2016)
- ❑ Debt / Equity of 0.5x
- ❑ Cash-adjusted ROCE of 20.4%
- ❑ ROE of 24.0%



Q2 & H1 FY17 RESULTS UPDATE

Company Overview

Business Strategy & Outlook

Financial Overview & Shareholding Structure



Q2 & H1 FY17 RESULTS

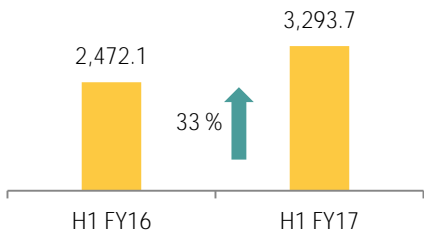
KEY HIGHLIGHTS



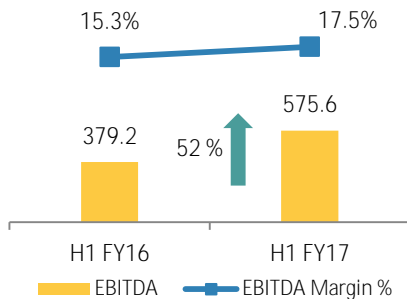
H1 FY17 YoY ANALYSIS

In Rs Mn

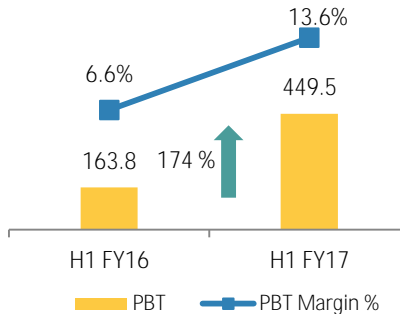
REVENUES



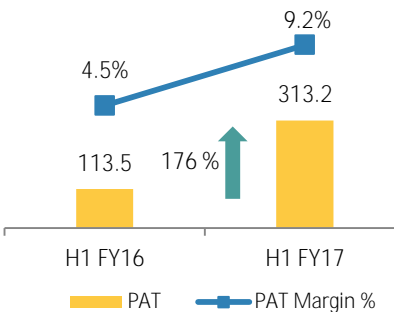
EBITDA & EBITDA MARGIN *



PBT & PBT MARGIN

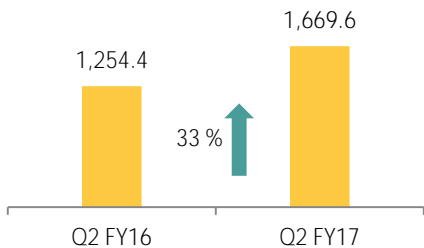


PAT & PAT MARGIN

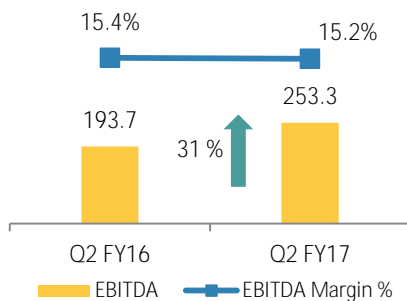


Q2 FY17 YoY ANALYSIS

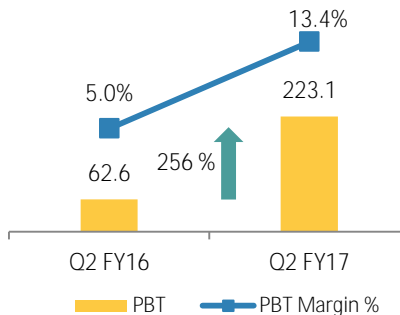
REVENUES



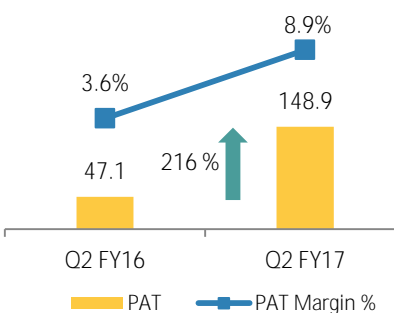
EBITDA & EBITDA MARGIN *



PBT & PBT MARGIN



PAT & PAT MARGIN



* Excluding other income

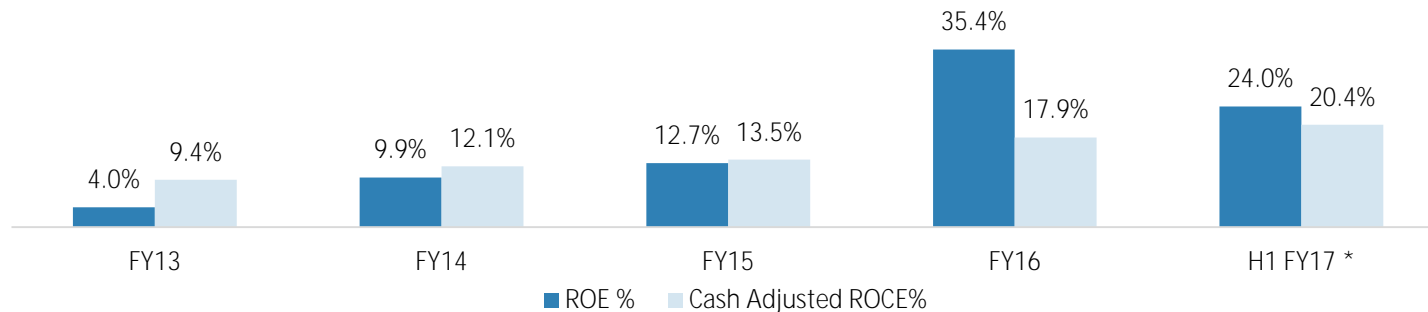
Q2 & H1 FY17 RESULTS

LEVERAGE ANALYSIS & RETURN RATIOS



In Rs Mn

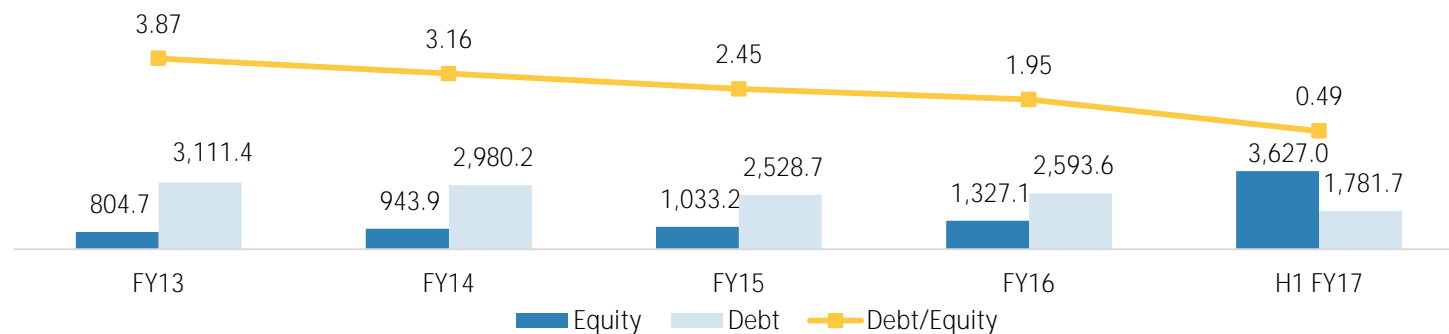
RETURN METRICS



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

* Calculated on Trailing 12 Months basis

LEVERAGE ANALYSIS



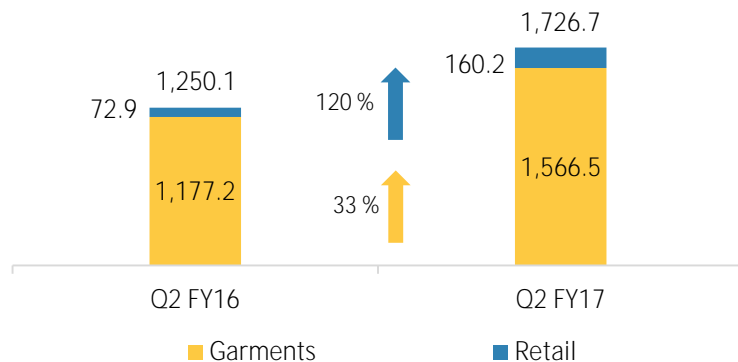
Q2 & H1 FY17 RESULTS

DIVISION WISE ANALYSIS



In Rs Mn

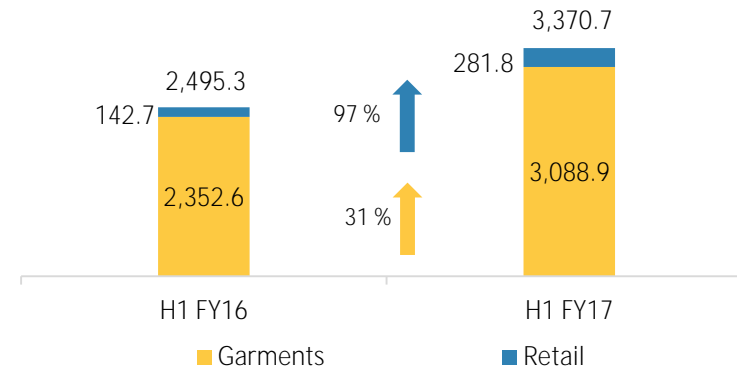
Q2 FY17 YoY ANALYSIS – TOTAL REVENUE BREAKUP *



DIVISION REVENUES SHARE	Q2 FY16	Q2 FY17
Garments	94.2%	90.7%
Retail	5.8%	9.3%

EBITDA MARGIN % *	Q2 FY16	Q2 FY17
Garments	19.9%	20.5%
Retail	-54.3%	-6.3%

H1 FY17 YoY ANALYSIS – TOTAL REVENUE BREAKUP *



DIVISION REVENUES SHARE	H1 FY16	H1 FY17
Garments	94.3%	91.6%
Retail	5.7%	8.4%

EBITDA MARGIN % *	H1 FY16	H1 FY17
Garments	18.2%	21.8%
Retail	-18.2%	-7.8%

* Total revenues & EBITDA including other income which primarily includes gain on account of foreign exchange fluctuations.



FINANCIAL UPDATE:

- Q2 FY17 total revenues saw robust growth of 33% YoY to Rs 1,669.6 mn.
 - Revenue growth of 33% in garments division and 120% in retail division.
 - Growth in garments division driven by increase in existing customer orders supported by increase in capacity.
- Q2 FY17 EBITDA grew by 31% to Rs 253.3 mn in line with higher revenues. EBITDA margin was stable at 15.2%.
 - EBITDA margin was 18.1% including Rs 49.3 mn of gain on account of foreign exchange fluctuations.
- Q2 FY17 PBT grew by 256% YoY to Rs 223.1 mn. PBT margin increased by 837 bps from 5.0% to 13.4%.
 - Finance cost declined by 55% from Rs 79.8 mn to Rs 36.1 mn driven by repayment of debt.
 - Other income increased from Rs 0.7 mn to Rs 57.1 mn which included Rs 49.3 mn of gain on account of foreign exchange fluctuations.
- Q2 FY17 PAT grew by 216% YoY to Rs 148.9 million. PAT margin increased by 524 bps from 3.6% to 8.9%.
- Total Debt (including buyer's credit) declined to Rs 1,781.7 mn as on 30th September, 2016 compared to Rs 2,593.6 mn as on 31st March, 2016.
 - Debt was repaid using IPO proceeds and internal accruals.

Q2 & H1 FY17 RESULTS

CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (In Rs Mn)	Q2 FY17	Q2 FY16	YoY %	H1 FY17	H1 FY16	YoY %
Revenue from Operations	1,528.7	1,160.6	31.7%	3,026.5	2,287.9	32.3%
Other Operating Income	140.9	93.7	50.3%	267.3	184.3	45.0%
Total Revenues	1,669.6	1,254.4	33.1%	3,293.7	2,472.1	33.2%
COGS	705.7	481.7	46.5%	1,317.1	944.2	39.5%
Gross Profit	963.8	772.7	24.7%	1,976.7	1,527.9	29.4%
<i>Gross Margin</i>	57.7%	61.6%	-387 bps	60.0%	61.8%	-179 bps
Employee Expenses	376.9	299.0	26.1%	749.5	592.1	26.6%
Other Expenses	333.6	280.0	19.1%	651.6	556.6	17.1%
EBITDA	253.3	193.7	30.8%	575.6	379.2	51.8%
<i>EBITDA Margin %</i>	15.2%	15.4%	-27 bps	17.5%	15.3%	214 bps
Depreciation	51.3	51.9	-1.3%	100.0	100.9	-0.9%
Finance Cost	36.1	79.8	-54.8%	103.1	137.7	-25.1%
Other Income	57.1	0.7	-	77.0	23.2	231.7%
PBT	223.1	62.6	256.2%	449.5	163.8	174.4%
Tax Expense	75.0	17.1	338.3%	145.8	51.4	183.7%
PAT	148.1	45.5	225.3%	303.8	112.5	170.1%
Minority Interest	-0.8	-1.6	-	-9.5	-1.0	-
Reported PAT	148.9	47.1	216.3%	313.2	113.5	176.0%
<i>PAT Margin %</i>	8.9%	3.6%	524 bps	9.2%	4.5%	467 bps
Earnings Per Share (EPS) In Rs.	5.68	2.39	137.7%	11.97	5.92	102.2%

Q2 & H1 FY17 RESULTS

CONSOLIDATED BALANCE SHEET



Particulars in Rs. Mn	Sep 16	Mar 16
Equities & Liabilities		
Shareholder's Funds		
Equity and Share Capital	451.7	371.5
Reserves & Surplus	3,175.4	955.7
Total Equity	3,627.0	1,327.1
Minority Interest	-68.7	-59.2
Non-Current Liabilities		
Long-term borrowings	296.1	678.8
Deferred tax liabilities (Net)	384.2	372.0
Long term provisions	53.8	40.5
	734.1	1,091.3
Current Liabilities		
Short-term Borrowings	1,421.8	1,626.6
Trade Payables	788.9	1,167.5
Other Current Liabilities	125.0	354.7
Short-term Provisions	191.9	104.2
	2,527.6	3,253.0
Total Equity & Liabilities	6,820.0	5,612.3

Particulars in Rs. Mn	Sep 16	Mar 16
Assets		
Non-Current Assets		
Fixed Assets		
Tangible assets	2,727.7	2,701.1
Intangible assets	5.9	9.6
Capital work in progress	31.2	35.7
	2,764.7	2,746.4
Goodwill on consolidation	58.7	58.7
Non-current investments	2.6	3.8
Long-term loans and advances	343.8	290.2
	3,169.7	3,099.0
Current Assets		
Current investments	301.3	1.7
Inventories	1,061.0	1,275.1
Trade Receivables	1,099.6	816.1
Cash & Bank Balance	779.0	111.3
Short-term loans and advances	399.6	306.7
Other Current Assets	9.8	2.6
	3,650.3	2,513.3
Total Assets	6,820.0	5,612.3



Q2 & H1 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

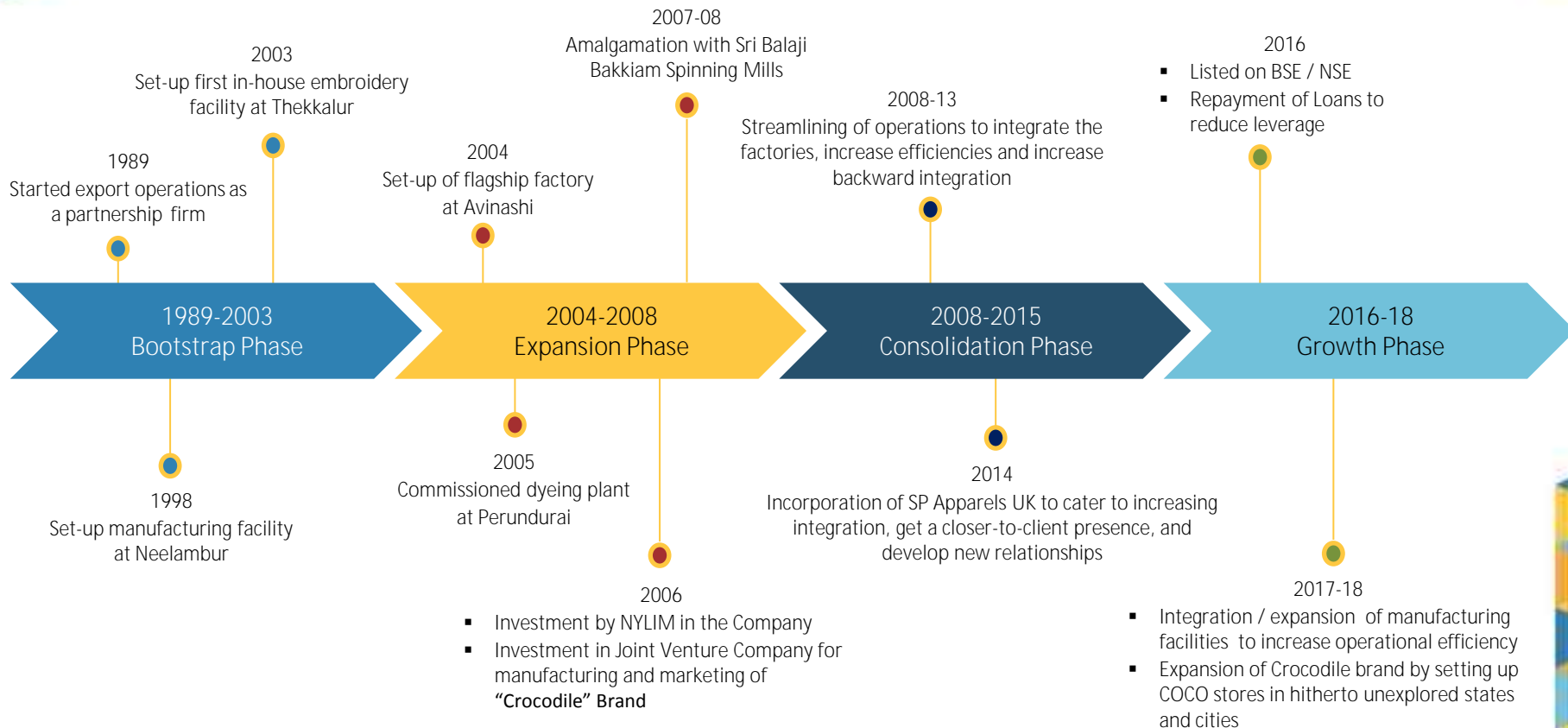
- SPAL is a specialized player in the highly challenging infant & children wear knitted garment industry.
- Preferred vendor through long standing relationships with reputed international brands like Tesco, ASDA, Primark, Mothercare etc.
- Stringent quality compliance, superior in-house product development 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

- Restated Consolidated Revenues, EBITDA and PAT were Rs 5,328.3 mn, Rs 853.1 mn and Rs 347.1 mn in FY16 having grown at CAGR of 8%, 16% and 145% over FY13-FY16
- Significant de-leveraging efforts have helped improve PAT Margins from 0.6% to 6.5% over FY13-FY16.
- Significant improvement in return ratios –
 - Cash Adjusted ROCE: 9.4% in FY13 to 17.9% in FY16
 - ROE: 4.0% in FY13 to 35.4% in FY16

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

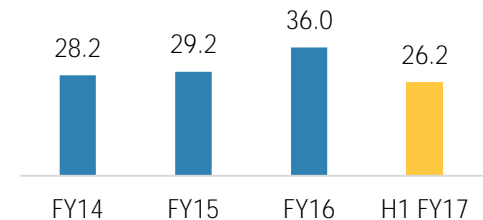
Ability to consistently deliver high quality products on timely basis

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?

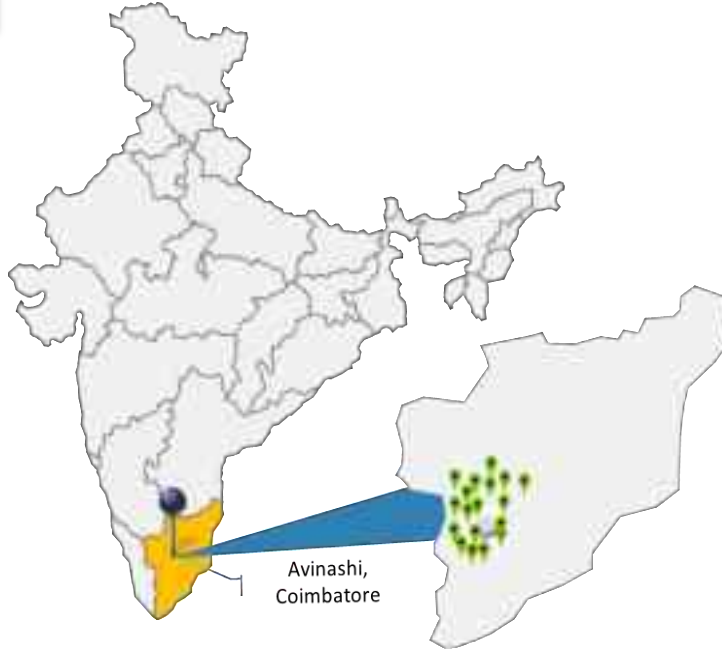
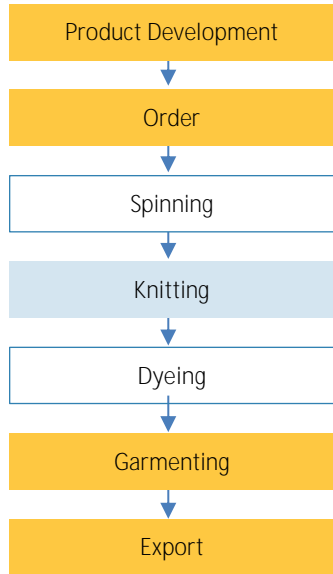
- Expertise to concurrently manage multiple large orders with a diversified product range including body suits, sleep suits, tops and bottoms.
- Ethically, Environmentally and Socially compliant organization.
- No bulk returns from customers since inception.
- Ability to offer end-to-end garments manufacturing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



COMPANY OVERVIEW

STRINGENT QUALITY CONTROLS & COMPLIANCE



- 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



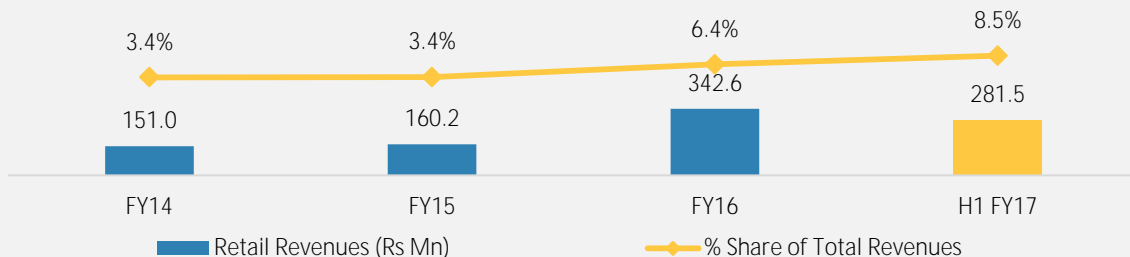
SPAL IS STRENGTHENING ITS RETAIL PRESENCE BY EXPANDING THE REACH OF CROCODILE BRAND

- 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 (4), D Mart (6), Unlimtied (6), Globus (10), Reliance Market (35), Walmart (10), More (4), Brand Factory (6).
 - E-Commerce platforms – Flipkart, Jabong & Amazon.

OUR RETAIL STORE PRESENCE



SPAL – RETAIL OPERATIONS



Retail Network	SEP-16
EBOs – COCO	38
EBOs – FOFO	3
MBOs	4,000
LFS	116
No. of States	9
Outlet Size (Sq. ft)	400 – 1,500

COMPANY OVERVIEW

QUALIFIED MANAGEMENT WITH DEEP UNDERSTANDING OF APPAREL SECTOR



Mr P. Sundararajan
Chairman and Managing Director

- Founder director of SPAL with 31 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 24 years of experience in the textile and apparel industry



Mr S. Chenduran
Director Operations

- Three 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

- 30 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

- 16 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

- 21 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 V. Harihara Subramaniam, Head (Wholesale)

- 13 years of experience in the field of marketing.
- Worked at Coca-Cola (India), Seven-Up Bottling Company PLC
- Heading our wholesale channel sales for essentials
- B.Com (Univ Madras) and MBA (Bharatidasan)



Mr Srinivas Chidambaram
Non Whole-time Director

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



Mr A.S. Anandkumar
Independent Director

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



Mr P. Yesuthasan
Independent Director

- 40 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

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



Mr V. Sakthivel
Independent Director

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



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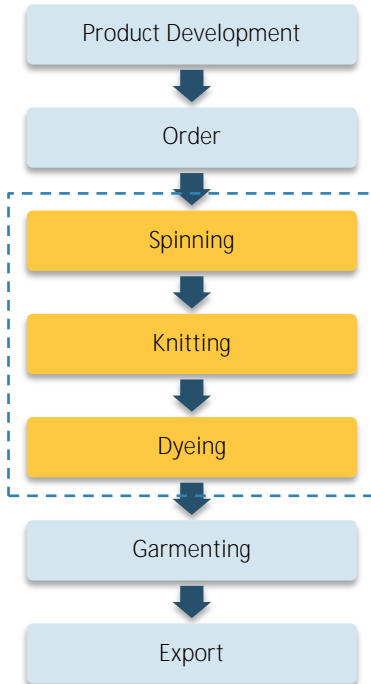


BUSINESS STRATEGY & OUTLOOK

CAPACITY EXPANSION & BACKWARD INTEGRATION



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



- Proposed presence
- Existing presence



- 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.



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**FINANCIAL OVERVIEW
& SHAREHOLDING STRUCTURE**

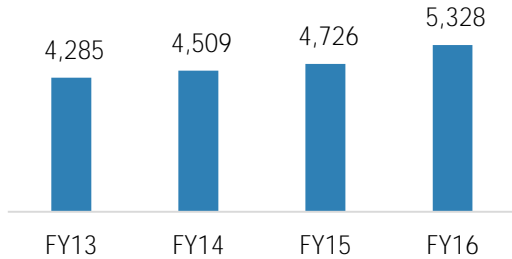


FINANCIAL OVERVIEW



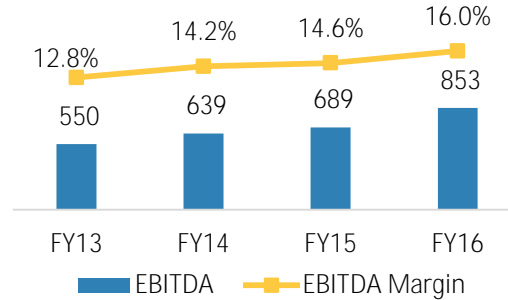
REVENUES

CAGR: 8 %



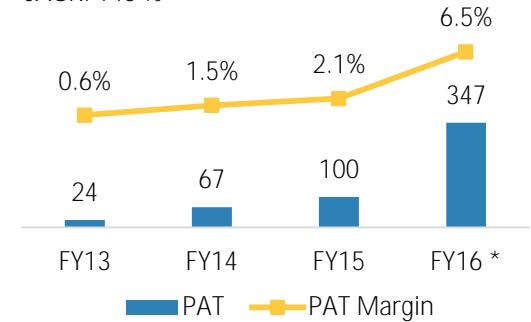
EBITDA & EBITDA MARGIN

CAGR: 16 %



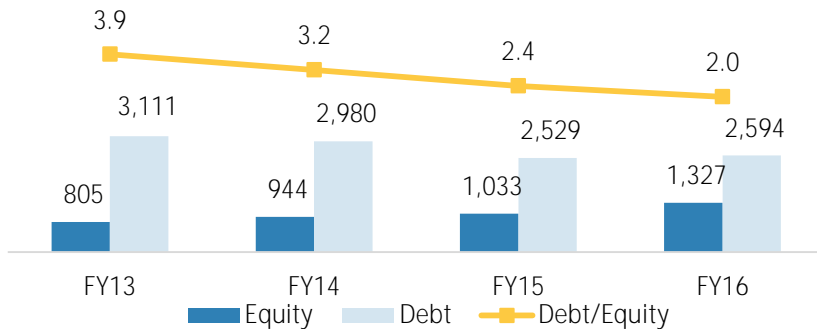
PAT & PAT MARGIN

CAGR: 145 %

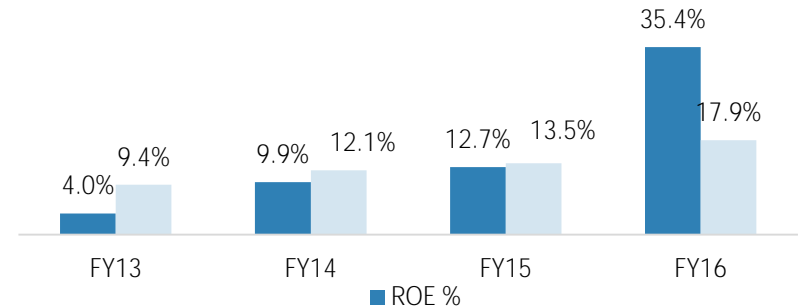


* Excludes exceptional item of write-off of amount considered recoverable from a bank on account of matured foreign currency contracts as of April 1, 2011

LEVERAGE ANALYSIS



RETURN METRICS



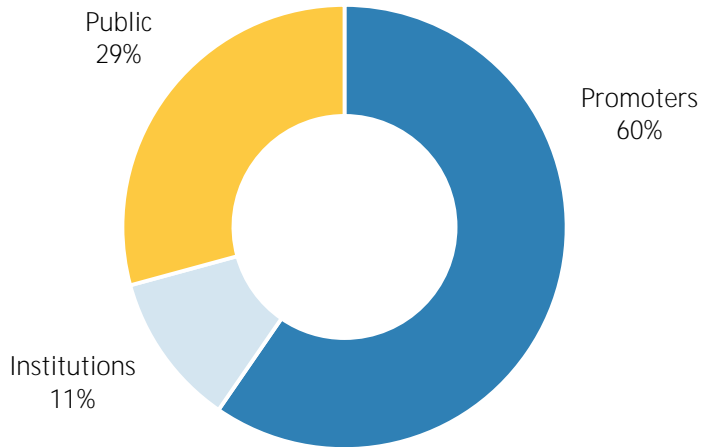


Utilization of Net proceeds as on 04/11/2016

Particulars (Rs million)	Utilization Planned	Amount Utilized	Amount Pending Utilization
Expansion and modernization of manufacturing facility	701.6	47.3	654.3
Repayment or prepayment of debt	630.0	630.0	0.0
Opening of new stores for the sale of 'Crocodile' products	278.5	3.3	275.2
Addition of balancing machineries for existing dyeing unit	49.1	37.7	11.4
General Corporate Purposes and Issue Expenses	490.8	490.8	0.0
Total	2,150.0	1,209.1	940.9



SHAREHOLDING PATTERN – 30th SEPTEMBER 2016



Source: BSE

KEY INSTITUTIONAL INVESTORS – 30th SEPTEMBER 2016

Goldman Sachs group	5.32%
Birla Sun Life Insurance Company Limited	3.71%
DSP Blackrock Micro Cap Fund	3.58%
NYLIM India	3.18%
Ashish Kacholia	2.43%
UTI- Balanced Fund	1.09%
Motilal Oswal Financial Services Limited	1.07%

FOR FURTHER QUERIES:



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Chief Financial Officer
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Contact no: 0429630400



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