



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

15th November, 2018

The Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

The Listing Department
National Stock Exchange of India Limited
'Exchange Plaza',
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051.

Scrip Code: 540048

Symbol: SPAL

Dear Sirs,

Sub: Financial Presentation

Please find enclosed herewith the copy of Financial Presentation of the Company.

Kindly take the same on your records.

Thanking you,

For S.P.Apparels Limited,

K. Vinodhini
Company Secretary and Compliance Officer

Encl: As above



S.P.APPARELS LTD.



S.P.APPARELS LIMITED

INVESTOR PRESENTATION

Q2 & H1 FY19 Results Update

November 2018

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This presentation and the following discussion may contain “forward looking statements” by S.P. Apparels Limited (“SPAL” or the Company) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of SPAL about the business, industry and markets in which SPAL operates.

These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond SPAL’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of SPAL.

In particular, such statements should not be regarded as a projection of future performance of SPAL. It should be noted that the actual performance or achievements of SPAL may vary significantly from such statements.



Robust Performance Marked by Growth, Improved Profitability & Healthy Cash Flow Generation

- ✓ **Total Revenues¹ grew by 12% on YoY basis**
 - ✓ **Garment Exports revenues grew by 16% YoY led by healthy volume growth**
 - ✓ **SPUK revenues grew by 27% on YoY basis**
- ✓ **Adj. EBITDA² increased by 11% YoY. Adj. EBITDA margin was stable at 18.5%**
- ✓ **PBT grew by 42% on YoY basis**
- ✓ **PAT grew by 53% on YoY basis**
- ✓ **PAT margin increased from 5.7% to 7.8%**
- ✓ **Net Debt / Equity improved from 0.37 at Mar-18 to 0.27 at Sep-18.**

1. Total revenues include realised gain on account of foreign exchange fluctuations (accounted in other income)

2. In addition to (1), EBITDA calculation excludes unrealised MTM gain / loss on account of foreign exchange fluctuations (accounted in other expenses)



S.P.APPARELS LTD.

Q2 & H1 FY19 RESULTS UPDATE

Company Overview

Business Strategy & Outlook

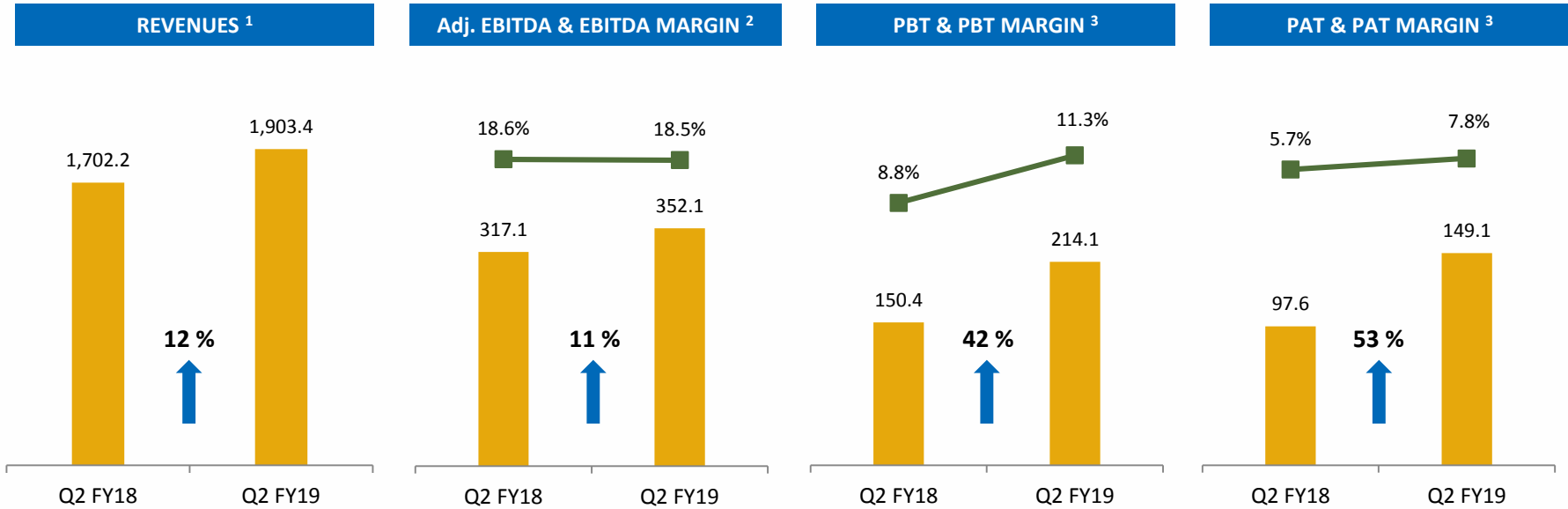
Financial Overview & Shareholding Structure

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Q2 FY19 – KEY HIGHLIGHTS

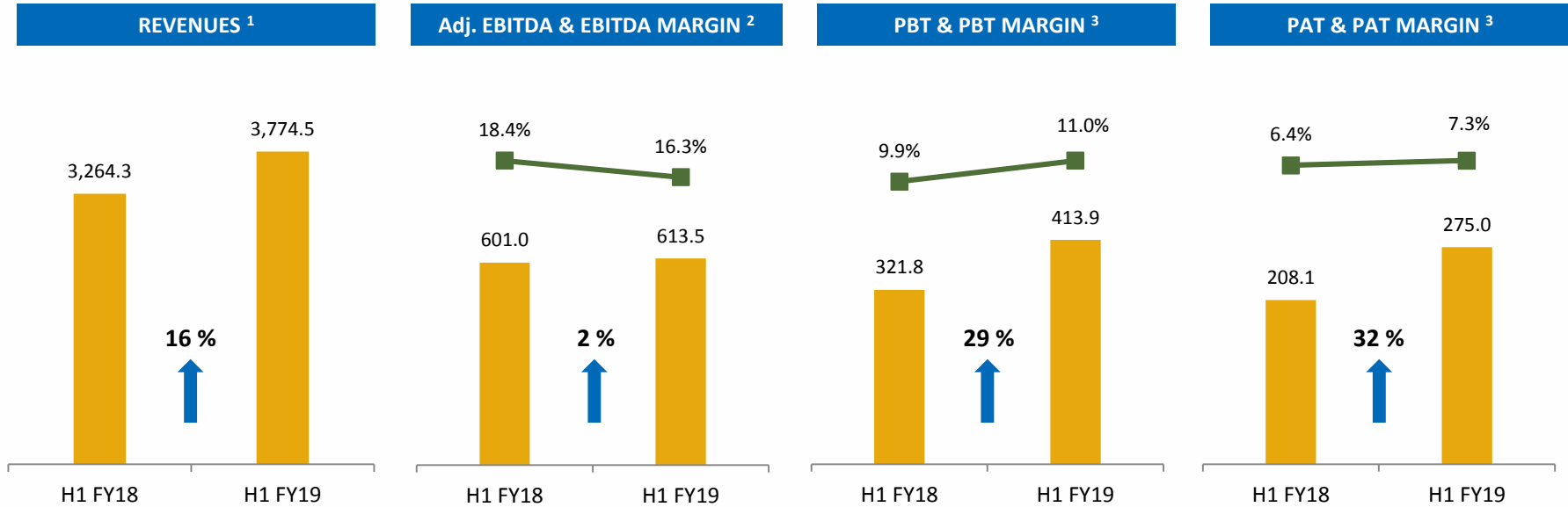
In Rs Mn



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

H1 FY19 – KEY HIGHLIGHTS

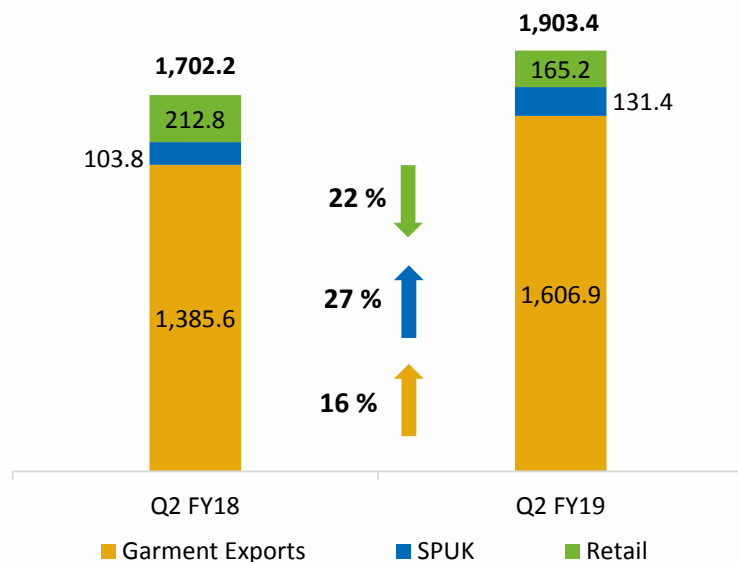
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Q2 FY19 – DIVISION WISE ANALYSIS

Q2 FY19 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



In Rs Mn

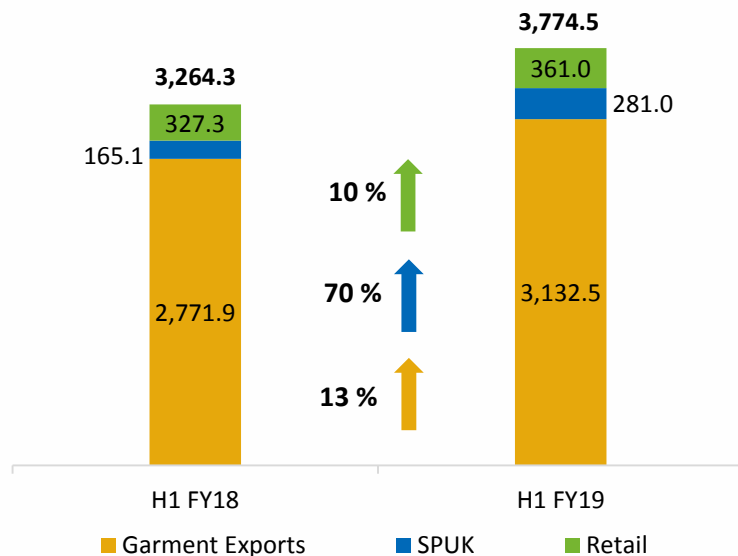
DIVISION REVENUES SHARE	Q2 FY18	Q2 FY19
Garment Exports	81.4%	84.4%
SPUK	6.1%	6.9%
Retail	12.5%	8.7%

Adj. EBITDA MARGIN % ²	Q2 FY18	Q2 FY19
Garment Exports	21.6%	20.4%
SPUK	4.0%	10.2%
Retail	6.3%	6.3%

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)

H1 FY19 – DIVISION WISE ANALYSIS

H1 FY19 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



In Rs Mn

DIVISION REVENUES SHARE	H1 FY18	H1 FY19
Garment Exports	84.9%	83.0%
SPUK	5.1%	7.4%
Retail	10.0%	9.6%

Adj. EBITDA MARGIN % ²	H1 FY18	H1 FY19
Garment Exports	21.1%	18.1%
SPUK	3.9%	7.3%
Retail	3.2%	7.6%

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

FINANCIAL UPDATE:

- **Q2 FY19 total revenues¹ increased by 12% YoY to Rs 1,903.4 mn.**
 - Revenues increased by 16% in Garment Exports, 27% in SPUK, partially offset by 22% decline in Retail.
 - Garment Exports division witnessed healthy volume growth on the back of orders from new customers as well as existing customers.
 - SPUK division continued to witness strong traction.
 - Retail division revenues declined due to the impact of IND-AS transition
- **Q2 FY19 Adj. EBITDA² increased by 11% YoY to Rs 352.1 mn. Adj. EBITDA margin was stable at 18.5%.**
 - Garment Exports division margin benefitted from healthy order execution.
 - SPUK division margin improved driven by higher sales and better product mix.
 - Retail division maintained stable margins.
- **Q2 FY19 PBT increased by 42% YoY to Rs 214.1 mn.**
 - Finance cost declined by 18% to Rs 62.9 mn due to redemption of preference shares worth Rs 200 mn, partially offset by impact of PC-FC restatement.
- **Q2 FY19 PAT increased by 53% YoY to Rs 149.1 mn. PAT margin³ increased from 5.7% to 7.8%.**
- **Total Debt declined by 14% from Rs 2,227.5 mn in Mar-18 to 1,925.8 mn. Net debt declined by 21% from Rs 1,460.3 mn in Mar-18 to Rs 1,161.2 mn**

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

Q2 & H1 FY19 – CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q2 FY19	Q2 FY18	YoY %	H1 FY19	H1 FY18	YoY %	FY18
Revenue from Operations	1,907.4	1,661.3	14.8%	3,815.5	3,167.4	20.5%	6,624.1
Realised Gain / (loss) on account of Foreign Currency Fluctuations	-4.0	40.8	-	-41.0	96.9	-	109.4
Total Revenues	1,903.4	1,702.2	11.8%	3,774.5	3,264.3	15.6%	6,733.5
COGS	695.3	677.6	2.6%	1,488.4	1,272.5	17.0%	2,552.6
Gross Profit	1,208.1	1,024.5	17.9%	2,286.1	1,991.8	14.8%	4,180.9
Gross Margin	63.5%	60.2%	328bps	60.6%	61.0%	-45bps	62.1%
Employee Expenses	403.9	381.7	5.8%	845.9	765.9	10.4%	1,592.0
Other Expenses excl. MTM gain / loss due to Foreign Currency Fluctuations	452.1	325.7	38.8%	826.8	625.0	32.3%	1,350.9
Adj. EBITDA	352.1	317.1	11.0%	613.5	601.0	2.1%	1,238.0
Adj. EBITDA Margin %	18.5%	18.6%	-13bps	16.3%	18.4%	-216bps	18.4%
MTM (Gain) / Loss on account of Foreign Currency Fluctuations	28.0	41.1	-	5.0	81.4	-	70.5
Depreciation	53.2	53.4	-0.3%	106.1	107.4	-1.2%	223.9
Finance Cost	62.9	76.8	-18.1%	100.8	143.6	-29.8%	287.4
Other Income excl. Gain on account of Foreign Currency Fluctuations	6.1	4.6	33.6%	12.2	53.1	-77.0%	54.4
PBT	214.1	150.4	42.4%	413.9	321.8	28.6%	710.7
Tax Expense	65.0	52.8	23.2%	138.9	113.7	22.1%	232.5
PAT	149.1	97.6	52.8%	275.0	208.1	32.1%	478.1
PAT Margin %	7.8%	5.7%	210bps	7.3%	6.4%	91bps	7.1%
Earnings Per Share (EPS) In Rs.	5.80	3.09	87.7%	10.78	8.27	30.4%	19.00

- 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)
- PAT Margin = Reported PAT / Total Revenues ¹

Q2 & H1 FY19 – CONSOLIDATED BALANCE SHEET



S.P. APPARELS LTD.

Particulars (Rs Million)	Sep-18	Mar-18
Equities & Liabilities		
Shareholder's Funds		
Share Capital	256.9	251.7
Other Comprehensive Income		
Other Equity	4,102.8	3,720.3
Total Shareholder's Funds	4,359.7	3,972.0
Minority Interest	-63.1	-63.2
Non-Current Liabilities		
a. Financial Liabilities		
Borrowings	184.9	336.7
Other Financial Liabilities	156.6	159.5
b. Deferred Tax Liabilities	309.7	335.0
c. Other Non-Current Liabilities	0.0	0.0
Total of Non-current liabilities	651.2	831.3
Current Liabilities		
a. Financial Liabilities		
Borrowings	1,668.8	1,838.9
Trade Payables	976.1	1,012.4
Other Financial Liabilities	396.3	310.0
b. Other Current Liabilities	39.1	29.1
c. Provisions	124.8	165.9
Total of Current liabilities	3,205.0	3,356.3
Total Liabilities	8,152.9	8,096.4

Particulars (Rs Million)	Sep-18	Mar-18
Assets		
Non-Current Assets		
a. Property, Plant and Equipment	3,003.5	3,007.7
b. Capital work in progress	166.0	63.1
c. Intangible assets	61.7	62.1
d. Financial Assets		
Investments	2.3	2.3
Loans & Advances	0.7	0.7
Others	82.6	68.1
e. Other non-current assets	59.2	60.4
Total non-current assets	3,375.9	3,264.3
Current Assets		
a. Inventories	2,406.1	1,873.1
b. Financial Assets		
Investments	371.9	309.2
Trade Receivables	1,086.0	1,658.5
Cash & Cash equivalents	390.4	455.8
Others	0.1	0.1
c. Other Current Assets	522.5	535.4
Total current assets	4,777.0	4,832.1
Total Assets	8,152.9	8,096.4



S.P.APPARELS LTD.



Q2 & H1 FY19 Results Update

COMPANY OVERVIEW

Business Strategy & Outlook

Financial Overview & Shareholding Structure

www.s-p-apparels.com

BUSINESS OVERVIEW

- SPAL is one of the leading manufacturers and exporters of knitted garments for infants and children in India.
- Provides end-to-end garment manufacturing from greige fabric to finished products including body suits, sleep suits, tops and bottoms.
- SPAL is also the sub-licensee to manufacture, distribute and market adult menswear products in India under the 'Crocodile' brand.
- Strong promoter pedigree with more than two decades of experience in textile and apparels industry.

KEY STRENGTHS

- SPAL is a specialized player in the highly challenging infant & children wear knitted garment industry.
- Preferred vendor through long standing relationships with reputed international brands etc.
- Stringent quality compliance, superior in-house product development and certified testing laboratories.
- Demonstrated ability to setup integrated facilities to scale-up operations. Currently operating 23 facilities having close proximity to key raw materials & skilled labour.
- Advanced manufacturing machineries with latest technology and automation.

FINANCIAL OVERVIEW

*

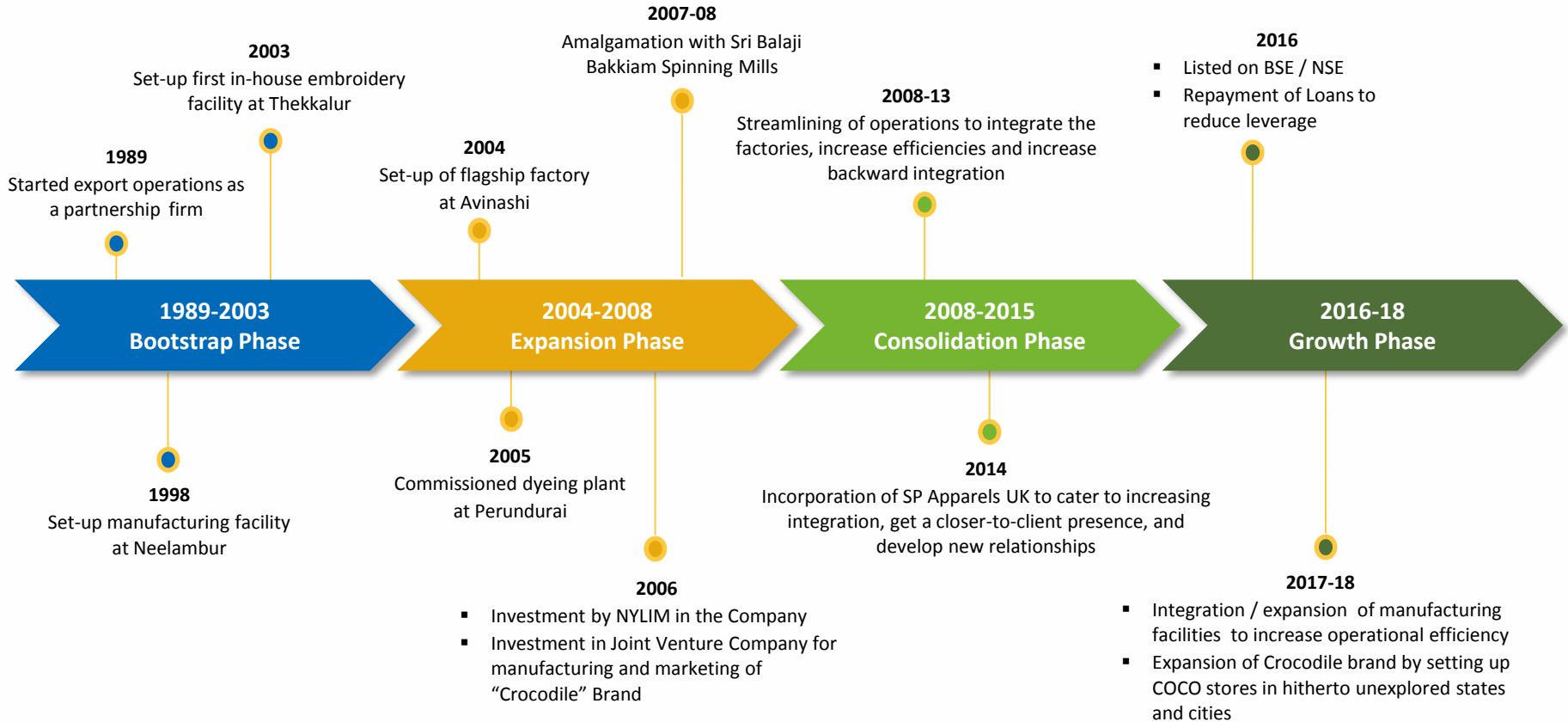
- Consolidated Revenues, EBITDA and PAT were Rs 6,624 mn, Rs 1,058 mn and Rs 478 mn in FY18.
- Strong balance sheet with Net Debt : Equity ratio of 0.37x as on Mar-18.
- Improving profitability & return ratios over FY14 to FY18 –
 - PAT Margin: 1.4% to 7.2%
 - Cash Adjusted ROCE: 12.3% to 17.1%
 - ROE: 10.3% to 12.9%

* Figures are as per IND-AS for FY17 & FY18

OUR EVOLUTION



S.P. APPARELS LTD.





SPAL IS A SPECIALIZED PLAYER IN THE HIGHLY CHALLENGING INFANT & CHILDREN WEAR KNITTED GARMENT INDUSTRY

INDUSTRY'S UNIQUE CHALLENGES

1

- Labour intensive operations.
- Employee training & skill development.
- Employee occupational health & welfare.

2

- Demands large variety and small batch size orders.
- Highly complex manufacturing.

3

- Stringent safety and quality requirements in developed markets.
- Severe restrictions on the use of chemicals, dyes, accessories and other additives to prevent any side-effects on infants and children.

SPAL'S CORE COMPETENCIES

Demonstrated manufacturing excellence for over two decades

Clear understanding of buyer preferences and specifications of knitted garments and embellished garments in infants and children category

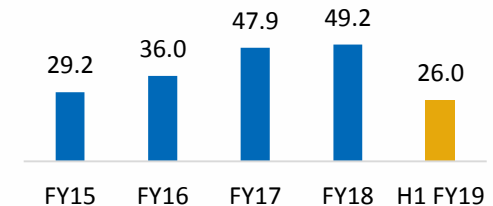
Ability to consistently deliver high quality products on timely basis

Meeting stringent compliance requirements of international customers

Long standing relationships with reputed global brands

SPAL is strongly placed to capitalize on future growth opportunities

SPAL – EXPORTS VOLUMES SOLD IN MILLION



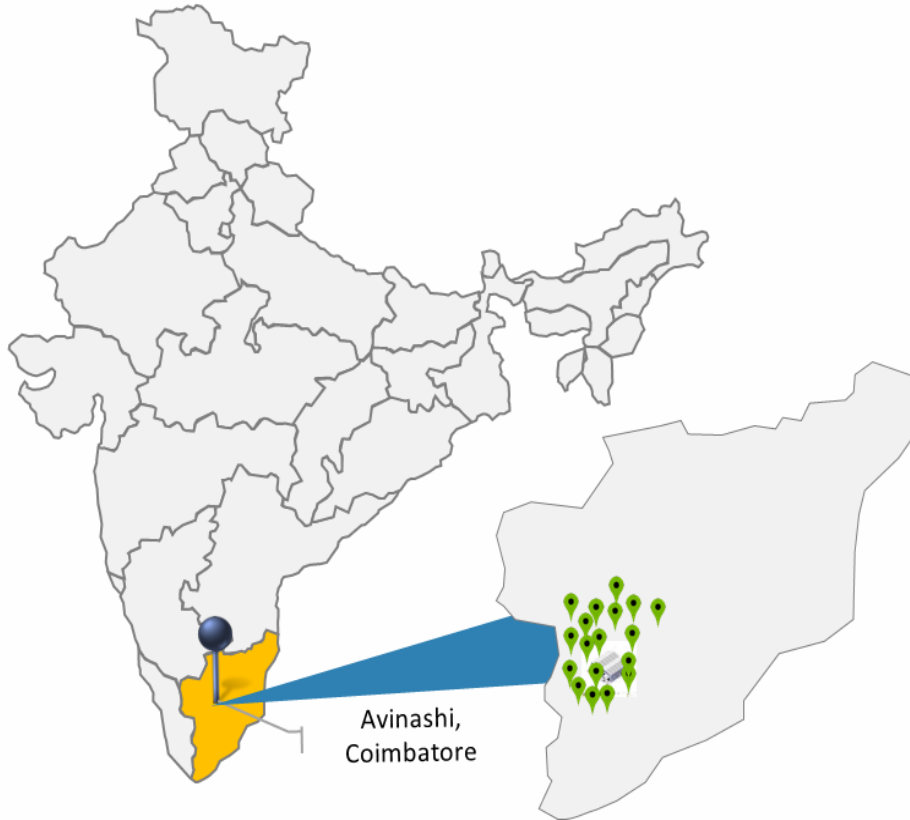


SPAL IS THE PREFERRED VENDOR FOR KNITTED GARMENTS FOR INFANTS AND CHILDREN TO REPUTED INTERNATIONAL BRANDS AND RETAILERS

WHY SPAL?

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

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



LOCATION ADVANTAGE:

- All 23 manufacturing facilities are located within Tamil Nadu leading to significant economies of scale.
- Convenient access to skilled labour and raw materials and also to machinery supplies and replacement parts.
- Significant savings in production, labour and transportation costs.
- Close proximity to international port.

TECHNOLOGY & AUTOMATION:

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

* ASRS: Advanced semi-automated storage and retrieval system

STRATEGICALLY LOCATED MANUFACTURING FACILITIES



S.P. APPARELS LTD.

Spinning



Knitting



Dyeing



STRATEGICALLY LOCATED MANUFACTURING FACILITIES

Printing



Automated Embroidery



Sewing



Automated Sewing Assembly Line



Semi-Automated Inventory Management



STRONG DESIGN IS SPAL'S CORE COMPETENCY

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



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

ACCREDITATIONS AND AWARDS FOR OUR MANUFACTURING FACILITY/ABILITY

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



TESCO 'F&F Gold Rated Supplier Award' 2013



Marks and Spencer award 2011



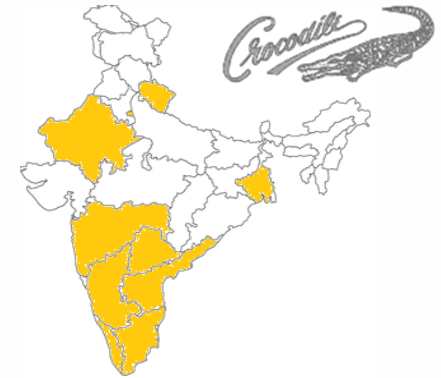
SPAL's PRESENCE ACROSS LARGE FORMAT STORES



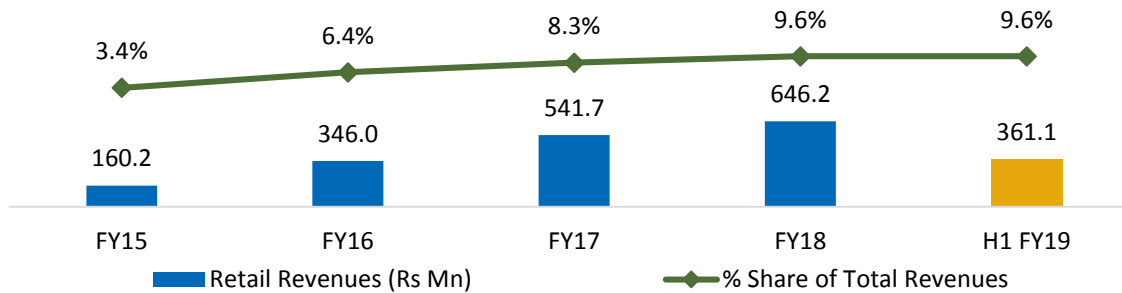
SPAL IS STRENGTHENING ITS RETAIL PRESENCE BY EXPANDING THE REACH OF CROCODILE BRAND

- SPAL undertakes manufacturing and retailing activities in India under the 'Crocodile' brand.
- SPAL sells wide range of adult menswear products like shirts, polo shirts, t-shirts, trousers, jeans, sweaters, jackets and innerwear products like vests, briefs, boxer shorts.
- In addition to EBOs and MBOs, we are also present in large format stores and e-commerce platforms like Myntra ,Jabong.

OUR RETAIL STORE PRESENCE



SPAL – RETAIL OPERATIONS *



Retail Network	September – 18
EBOs – COCO	31
EBOs – FOFO	18
MBOs	4,200
LFS	237
No. of States	22
Outlet Size (Sq. ft)	400 – 1,500

* Figures are as per I-GAAP for FY15-16 and IND-AS for FY17-18 and H1 FY19

QUALIFIED MANAGEMENT WITH DEEP UNDERSTANDING OF APPAREL SECTOR



S.P.APPARELS LTD.



Mr P. Sundararajan
Chairman and Managing Director

- Founder director of SPAL with 33 years of experience in the textile and apparel industry
- Bachelor of Science from the Bangalore University



Ms S. Latha
Executive Director

- Founder director of SPA with 26 years of experience in the textile and apparel industry



Mr S. Chenduran
Director Operations

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

Ms P.V. Jeeva, Chief Executive Officer

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

Mr V. Balaji, Chief Finance Officer

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

Mr V. Shankar Raam, Chief Operating Officer

- 23 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

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



Mr P. Yesuthasan
Independent Director

- 42 years of experience in banking
- MS in Business Administration, Cass Business School, London and MS in Arts in Public Admin, Madras Christian College



Mr G. Ramakrishnan
Independent Director

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



Mr V. Sakthivel
Independent Director

- 42 years of experience in the fields of commerce and accountancy



S.P.APPARELS LTD.



Q2 & H1 FY19 Results Update

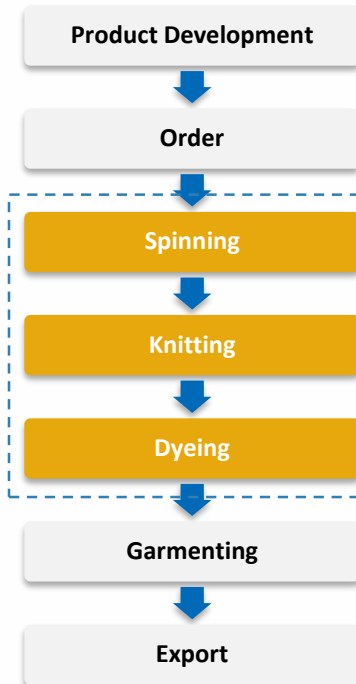
Company Overview

BUSINESS STRATEGY & OUTLOOK

Financial Overview & Shareholding Structure

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Existing Business Model



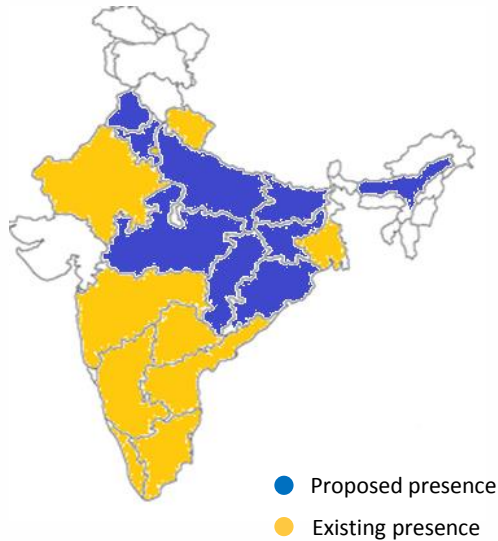
SPAL proposes to utilize Rs 750.7 mn from the Net IPO Proceeds towards:

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 (Completed)
3. Addition of balancing machineries at existing dyeing unit at the SIPCOT facility – Capex of Rs 49.1 mn (Completed)
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.**

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 new retail COCO stores, expanding its presence across pan India.



S.P.APPARELS LTD.



Q2 & H1 FY19 Results Update

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Business Strategy & Outlook

**FINANCIAL OVERVIEW &
SHAREHOLDING STRUCTURE**

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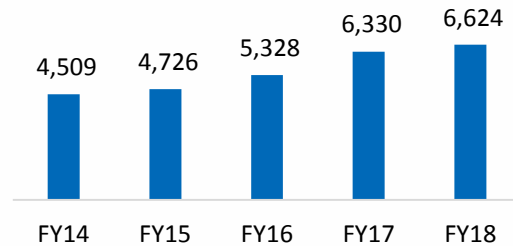
FINANCIAL OVERVIEW

FY14-16 Figures are as per the I-GAAP standards, FY17 & FY18 Figures are as per IND-AS standards

In Rs Million

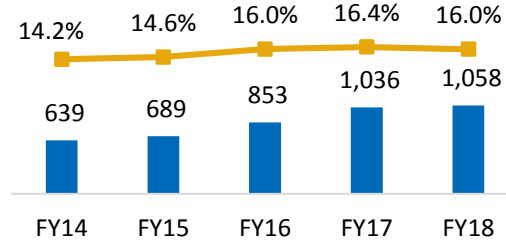
REVENUES

CAGR: 10 %



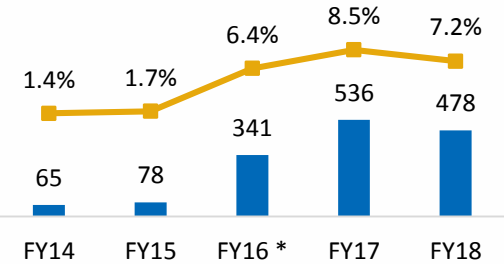
EBITDA & EBITDA MARGIN

CAGR: 13 %



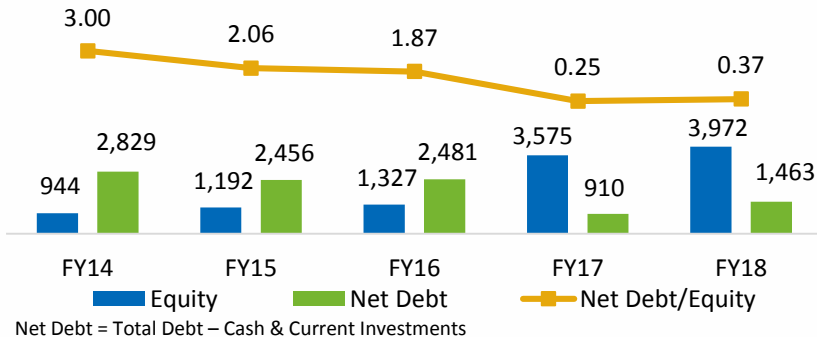
PAT Before MI & PAT MARGIN

CAGR: 65 %

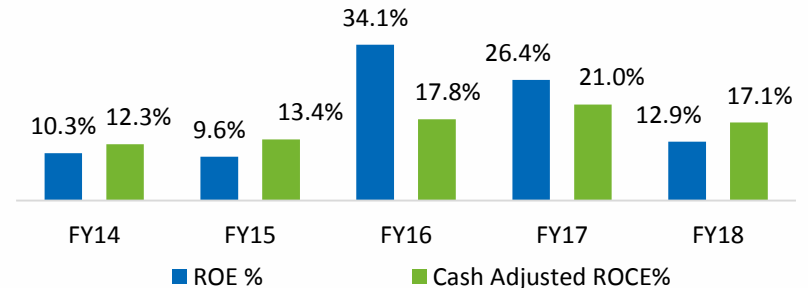


* Excludes exceptional item of write-off of amount considered recoverable from a bank on account of matured foreign currency contracts as of April 1, 2011

LEVERAGE ANALYSIS



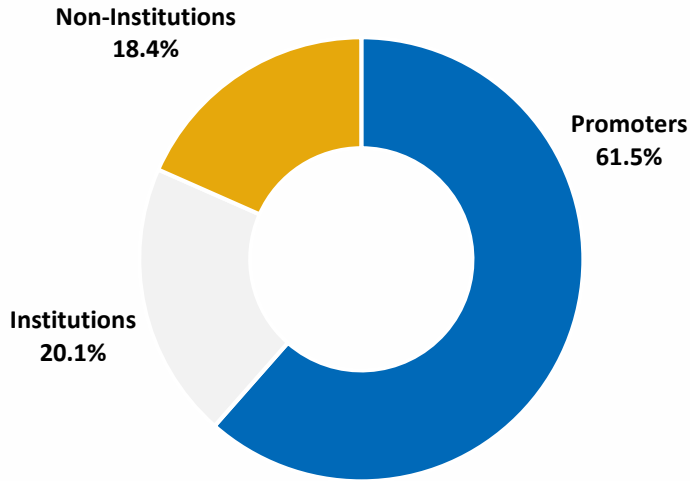
RETURN METRICS



Utilization of Net proceeds as on 30th September 2018

Particulars (Rs million)	Utilization Planned	Amount Utilized	Amount Pending Utilization
Expansion and modernization of manufacturing facility	701.6	347.5	354.1
Repayment or prepayment of debt	630.0	630.0	0.0
Opening of new stores for the sale of 'Crocodile' products	278.5	161.2	117.3
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	1,678.6	471.4

SHAREHOLDING PATTERN – 30th September 2018



Source: BSE

KEY SHAREHOLDERS – 30th September 2018

Goldman Sachs India Ltd	5.21%
UTI Mutual Fund	5.18%
DSP Blackrock Small Cap Fund	4.81%
Birla Sun Life Insurance Company Limited	2.89%
The Scottish Oriental Smaller Companies Trust	1.99%
Principal Mutual Fund	1.86%



S.P.APPARELS LTD.

FOR FURTHER QUERIES:



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