

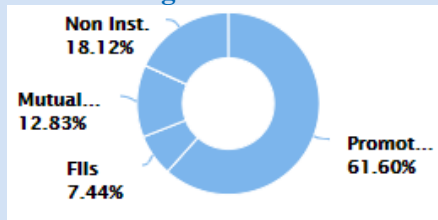
Company Details

Face value:	Rs.10
Market cap:	Rs.799.94 Crs.
TTM EPS	Rs.26.45
52 week high:	Rs.379.95
52 week low:	Rs.201.05
BSE Code:	540048
Sector	Other Apparels & Accessories

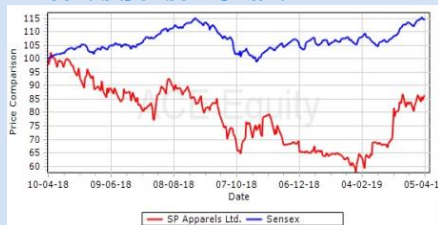
Consolidated 9M Financial Highlights (YoY)

Rs. in crores	9M FY19	9M FY18	% Var
Net Sales	604.15	479.68	25.9%
Total Expendit	503.32	407.28	23.6%
PBDIT	100.83	72.41	39.2%
Op.Profit	103.49	87.41	18.4%
OPM (%)	17.1%	18.2%	-6.0%
PBT	79.57	52.19	52.5%
PAT	54.28	34.59	56.9%
EPS (Rs.)	21.13	13.74	53.7%
Equity	25.69	25.17	2.1%

Shareholding Pattern



Price Vs Sensex Chart



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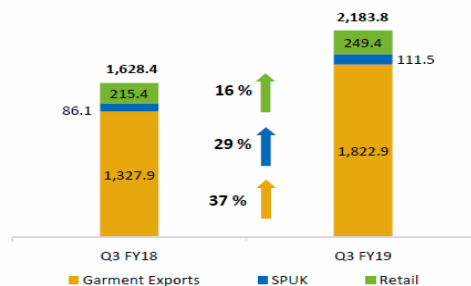
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Company Background

SP Apparels Ltd., a Tamil Nadu based company, incorporated in 1989; is a leading manufacturer and exporter of knitted garments for infants and children. Its products include body suits, sleep suits, tops, and bottoms. The company also manufactures and retails menswear garments under the 'Crocodile' brand, such as shirts, polo shirts, t-shirts, trousers, jeans, sweaters, jackets, and adult men's innerwear. The company has 24 manufacturing units in and around within 125km from corporate office Avinashi, Tamil Nadu.

Division wise analysis:

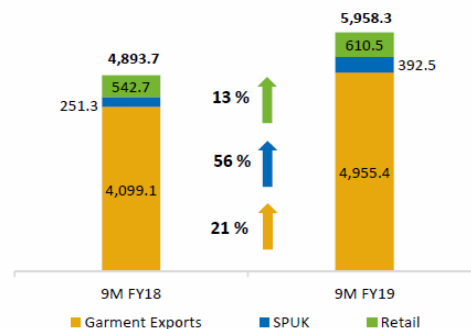
Q3 FY19 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



DIVISION REVENUES SHARE	In Rs Mn	
	Q3 FY18	Q3 FY19
Garment Exports	81.5%	83.5%
SPUK	5.3%	5.1%
Retail	13.2%	11.4%

Adj. EBITDA MARGIN % ²	In Rs Mn	
	Q3 FY18	Q3 FY19
Garment Exports	17.3%	18.1%
SPUK	4.1%	7.1%
Retail	14.6%	3.3%

9M FY19 YoY ANALYSIS – TOTAL REVENUE BREAKUP ¹



DIVISION REVENUES SHARE	In Rs Mn	
	9M FY18	9M FY19
Garment Exports	83.8%	83.2%
SPUK	5.1%	6.6%
Retail	11.1%	10.2%

Adj. EBITDA MARGIN % ²	In Rs Mn	
	9M FY18	9M FY19
Garment Exports	19.8%	18.1%
SPUK	4.1%	7.2%
Retail	7.7%	5.8%

Financial Performance

The company has reported Net sales of Rs. 604.15 crore during 9M FY19 higher by 25.9% against Rs. 479.68 crore during 9M FY18. The **Net profit was at Rs.54.28 crore in 9M FY19 up by 56.9% against that of Rs.34.59 crores in 9M FY18. The EPS improved from Rs. 13.74 in 9M FY18 to Rs. 21.13 in 9M FY19.**

Investment Rationale

- The company has set up integrated facilities to set up to scale up operations. Currently, it's operating 26 sewing facilities. There has been addition of 300 machines in the last quarter and capacity utilization is around 72%. Going forward the management expect to add 600 to 1000 machines additional per year.
- The company has in-house design and merchandise team which is competent to understanding the latest trend in fashion to suit the customers buying preference.
- The company is strongly placed to capitalize on future growth opportunity. Recently, added three major customers, two in US and one in Europe. The focus is going to diversify the customer base across different geographies globally. **New clients to the topline are around 7%, which was 3% - 4% in the last quarter.**
- The company has 30 COCO stores and 15 FOFO stores as on Dec,18. There are 257 large format stores and the expansion plans are in place for FY19-20 with capex of Rs. 27.85 crores for establishing new retail stores, expanding the presence across pan India.
- Presence across large format stores viz-a-viz Brand factory, Reliance market, Globus, D Mart, Walmart, Jabong .com and Myntra.com. Internationally Primark, Tesco, ASDA and Garan are the top 4 clients.** The company doesn't see any major

impact of Brexit.

- The contribution of retail operations to the total revenue for 9MFY19 is 10.2% at Rs. 61 crores against for FY18 is 9.6% or Rs. 64.6 crores.
- **With the current order book of Rs. 345 crores up to July,19, the management expects the topline to grow at 15-20% and margins to be in the range of 18-20%.**
- The company issued an IPO in Aug, 2016 with issue size of Rs. 239.12 crores and issue price of Rs. 258-Rs.268. The share price of the company has appreciated by 15%.
- **Mr. P. Sundararajan (promoter) of the company has been allotted 5,25,000 shares at price of Rs. 382.02 per share on preferential basis.**
- In terms, of debt Current Gross Debt is Rs.167 crores and Net Debt is closely around Rs. 140 crores, On the inventory level the company has Rs. 244 crores of inventory and receivables of Rs. 120 crores and payables of Rs. 105 crores, which is Rs. 259 crores of working capital as of Dec, 18, which was Rs. 262 crores last quarter.
- As on Mar 31st, 2019, the promoters hold 61.6% and FIIs hold 7.44% equity of the company, whereas Mutual Funds owns 12.83%, and the balance 18.12% shares are held by the public.

Concerns

Increases in competition from peers, Shortage of skilled labor, fluctuations in Foreign Exchange rates and raw material prices are the main concerns.

Valuation

The share of the Company is trading at **TTM P/E of 11.7x** against the industry PE of 17x. Keeping the capacity expansion at existing plant, consistent margins and ability to scale the top-line as well as bottom line, we expect the company to report an **EPS of about Rs. 26.5 for FY19 and the company being market leader in the segment deserve higher PE of 14.7x** and accordingly, we estimate the price of the scrip to appreciate to about Rs. 390 (an appreciation of about 25%) over the next 6-12 months.



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