

## S P Apparels : Average Issue

**IPO Note: Issue Price seems little bit expensive  
Ranking\*\***



### Issue details

Price band (Rs)	Rs. 258-268
IPO Opening Date	02/08/16
IPO Closing Date	04/08/16
Issue Size	Rs.239 Cr.

### Recommendation

Total revenues grew at a CAGR of 7.83.% from Rs.428.89 Crore for FY 2013 to Rs.537.75 Crore for FY2016. Net profit after tax grew from Rs.2.36 Cr. for the financial year 2013 to Rs.34.71 crore for the financial year 2016. In the last four year net profit grew at a CAGR of 145.01% from FY13 to FY16. Its current paid up equity capital of Rs. 17.15 crore will stand enhanced to Rs. 26 crore. Thus if we attribute latest earnings on fully diluted equity post IPO then the asking price is at a P/ E of around 20 at the upper price band, is in line with peers. Its listed peer company stock Kitex Garments trades at the same P/E of 20. Kitex has better profit margin compare to S P Apparels. Also Kitex's EPS is much better than S P Apparels. S P Apparels has a debt of Rs.259 crore. It has well-known brand like Crocodile. **Looking to its overall performance and fundamentals the company is good but offer price is bit expensive and has average EPS and profit margin.**

### Highlights

- S P Apparels are a leading manufacturer and exporter of knitted garments for infants and children in India.
- Company to become the second largest exporter among manufacturers of knitted garments for infants and children in India in terms of revenue in the Fiscal Year 2014.
- It sell the 'Crocodile' branded products through a sales and distribution network that includes 40 exclusive brand outlets, of which 37 are company owned operated stores and three are franchise stores, and third-party e-commerce platforms.
- It has total debt of Rs.259 crore in FY16

### Company Introduction

#### Company Profile

Incorporated in 1989, S P Apparels is engaged in manufactures and sells knitted garments for infants and children in India. Company's product range includes body suits, sleep suits, tops, and bottoms.

They also manufacture a broad range of menswear garments consisting of shirts, polo shirts, tshirts, trousers, jeans, sweaters, jackets and men's innerwear consisting of vests, briefs, boxer shorts and socks under the brand 'Crocodile' wh is subsidiaries through an agreement with Crocodile International Pte Limited, Singapore. They mainly export their products to United Kingdom. During FY16, the company exported approximately 35.98 million pieces of knitted garments for infants and children directly to its international customers, including TESCO and Primark. SP Apparels operates 21 manufacturing facilities in and around the region of Avinashi in Tamil Nadu. Company has 4,874 sewing machines, eight cutting machines, 79 embroidery machines, 17 printing machines, 16,896 spindles and 22 dyeing machines



**S.P.APPARELS Ltd.**  
*Dressing the world*

[www.s-p-apparels.com](http://www.s-p-apparels.com)

### Financial Summary (Rs. In Crore)

Particulars	FY2016	FY2015	FY2014	FY2013
Total Income	537.75	479.23	452.07	428.89
Net Profit	34.71	10.04	6.67	2.36
EPS (Rs) *	13.72	3.97	2.63	0.93

Source:RHP

\*EPS on diluted equity of Rs.25.36 crore

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

## Objects of the Issue:

The public issue comprises a fresh Issue and an offer for sale by the selling shareholders.

### The Offer for Sale

S P Apparels will not receive any proceeds from the Offer for Sale.

### The Fresh Issue

The proceeds from the fresh issue will be utilised towards the following objects:

- Repayment or prepayment of debt incurred by the Company;
- Expansion and modernization of their manufacturing facility at Valapady, Salem, Tamil Nadu;
- Addition of balancing machineries for their existing dyeing unit at SIPCOT, Perundurai;
- Opening of new stores for the sale of 'Crocodile' products; and
- General corporate purposes

### Issue details

The company is coming out with a maiden IPO of combo offer with fresh equity issue worth Rs. 215 crore (approx 80.23 lakh shares at the upper price band) and offer for sale by existing stakeholders of 900000 equity shares (worth approx. Rs. 24.12 crore at the upper price band). Thus the aggregate size of the issue is around Rs. 240 crore. Issue opens for subscription on 02.08.16 and will close on 04.08.16. Price band for the issue is Rs. 258-268. Minimum application is to be made for 55 shares and in multiples thereon, thereafter. Its current paid up equity capital of Rs. 17.15 crore will stand enhanced to Rs. 26 crore.

## DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.