



## S.P. APPARELS LIMITED

### S. P. APPARELS LIMITED EMPLOYEES STOCK OPTION SCHEME 2024

DISCLOSURE STATEMENT REQUIRED UNDER REGULATION 16(2) OF THE SECURITIES EXCHANGE BOARD OF INDIA (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014

[The same should be read along with the detailed S. P. Apparels Limited Employees Stock Option Scheme 2024]

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**S.P. Apparels Limited**

CIN: L18101TZ2005PLC012295

39-A, Extension Street, Kaikattipudur, Avinashi – 641654

Tel:04296-714000 Website: [www.spapparels.com](http://www.spapparels.com)



## S.P. APPARELS LIMITED

### Part A: Statement of Risks

All investments in shares, options are subject to risk as the value of shares may go down or go up. In addition, the options are subject to the following additional risks:

1. **Market Volatility:** The value of stock options is inherently linked to the market price of the company's shares. Fluctuations in the stock market, driven by economic conditions, industry trends, or company performance, can significantly impact the value of the options.
2. **Concentration Risk:** Employees holding a significant portion of their investment portfolio in company stock may face increased financial risk if the company's stock price declines.
3. **Liquidity Concerns:** Stock options are typically non-transferable, which means employees may not be able to sell or otherwise monetize their options before they are exercised, potentially leading to liquidity issues.
4. **Vesting Periods:** Options may have vesting schedules that require employees to remain with the company for a certain period before they can exercise their options. If an employee leaves the company before the options vest, they may forfeit their options.
5. **Termination Clauses:** The ESOP may include clauses that cause options to lapse if an employee's employment is terminated, particularly in cases of gross misconduct.
6. **Performance Conditions:** The number of options that vest or become exercisable may be contingent upon meeting certain performance targets, which could be affected by factors beyond the employees' control.
7. **Regulatory Compliance:** The company must comply with various regulatory requirements related to the issuance and administration of stock options, and any failure to comply could result in penalties or restrictions on the ESOP.
8. **Tax Implications:** The tax treatment of stock options can be complex and may change, potentially affecting the net benefit to employees.
9. **Dilution:** The issuance of additional shares through the ESOP can dilute the ownership percentage of existing shareholders, including employees who hold stock options.
10. **Changes in Management or Strategy:** Shifts in the company's management team or strategic direction could affect the company's performance and, consequently, the value of the stock options.
11. **Economic and Political Uncertainty:** Broader economic and political factors can influence the financial markets and the apparel industry, potentially impacting the company's stock price.

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12. Company-Specific Risks: Factors such as competition, supply chain disruptions, changes in consumer preferences, and operational challenges can affect the company's financial health and the value of its stock.

### **Part B: Information about S. P. Apparels Limited (“the Company”)**

#### **About S. P. Apparels Limited**

S. P. Apparels Limited is an India-based manufacturer and exporter of knitted garments for infants and children. The Company provides end-to-end garment manufacturing services from cotton to finished products. The Company’s subsidiaries include S.P. Apparels (UK) (P) Limited (SPUK) and S. P. Retail Ventures Limited (SPRVL). Under S. P. Retail Ventures Limited the company has two brands Crocodile and Angel and Rocket. S.P. Apparels (UK) (P) Limited is engaged in trading activities with new customers in the United Kingdom, Ireland, and other European countries. It also provides after sales service to their customers for any technical and other grievance.

#### **History and Development of the Company**

Led by its Promoters, who are first-generation entrepreneurs, the Company has successfully grown to become the second-largest exporter of knitted garments for infants and children in India. The Company's export business in this category includes a diverse product range such as body suits, sleep suits, tops, and bottoms, catering to a global customer base. The Company's extensive facilities are well-equipped with the necessary infrastructure and machinery for yarn production, fabric dyeing, sewing, cutting, printing, embroidery, and garment finishing, enabling it to efficiently manage and fulfill large-scale orders. A dedicated design, testing, fitment, and quality inspection laboratory ensures the delivery of high-quality products that meet the exacting standards of its customers.

In addition to its children's wear segment, the Company also retails men's garments under the 'Crocodile' brand in India, operating under a sub-license from its subsidiary, Crocodile Products Private Limited (CPPL). The Company's operations are structured into two primary divisions: the garments division and the retail division. CPPL, a joint venture with Crocodile International Pte. Ltd. (CIPL), is actively involved in manufacturing, trading, and exporting garments and holds an exclusive technology license agreement with CIPL for the 'Crocodile' menswear brand in India.

To tap into new markets, the Company established S.P. Apparels (UK) (P) Limited in 2014, focusing on marketing and trading activities in the United Kingdom, Ireland, and other European countries.

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S.P. Apparels (UK) (P) Limited features a design studio and employs seasoned design consultants to offer support services to the Company's customers, along with providing after-sales service for technical issues and other concerns.

The strategic location and integrated nature of the Company's manufacturing facilities allow for optimized operations and prompt service delivery to customers. The Company's unwavering commitment to quality has positioned it as the preferred vendor for some of its major international clients and has led to several awards.

### **Key Milestones in Development:**

1. Foundation and Early Years (1989-1995): Established as a small-scale operation, S.P. Apparels initially focused on producing basic knit garments. The company quickly gained traction due to its commitment to quality and timely delivery.
2. Expansion and Diversification (1995-2005): The company expanded its product range to include various types of apparel, catering to both domestic and international markets. It began exporting to countries like the United States and Europe, establishing a reputation for quality.
3. Technological Advancements (2005-2016): S.P. Apparels invested in advanced machinery and technology, enhancing production efficiency and product quality. This period saw significant growth in export volumes, cementing its position in the global market.
4. Public Listing and Growth (2016-2024): In 2016, S.P. Apparels went public, raising capital to fund further expansion. The company has since focused on increasing its capacity, exploring sustainable practices, and expanding its international footprint.
5. Sustainability Initiatives: In recent years, the company has prioritized sustainability, implementing eco-friendly practices and certifications, appealing to a growing market for sustainable fashion and investing into sustainability.

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### Abridged Financial information

### Standalone audited financials

(All Amount in INR Millions except per share data)

S.No	Particulars	For the Financial Year Ended				
		March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020
		Ind AS	Ind AS	Ind AS	Ind AS	Ind AS
1	Total income from operations (net)	9,483.20	9,424.96	7,350.87	5,360.12	7,583.10
2	Net Profit / (Loss) before tax and extraordinary items	1,356.94	1,222.75	1,207.81	633.67	409.15
3	Net Profit / (Loss) after tax and extraordinary items	1,037.62	918.13	832.00	386.84	440.27
4	Equity Share Capital	250.93	250.93	256.93	256.93	256.93
	Ordinary Share Capital					
	“A” Ordinary Share Capital					
	Total Equity Share Capital					
5	Reserves and Surplus/Other Equity	7,539.11	6,499.74	6,044.32	5,264.61	4,963.30
6	Net worth	7,790.04	6,750.67	6,301.25	5,521.54	5,220.23
7	Basic earnings per share <sup>1</sup>	41.35	36.01	32.38	15.06	17.14
	Ordinary Shares					
	“A” Ordinary Shares					
8	Diluted earnings per share <sup>2</sup>	41.35	36.01	32.38	15.06	17.14
	Ordinary Shares					
	“A” Ordinary Shares					
9	Return on net worth (%) <sup>3</sup>	13.32%	13.60%	13.20%	7.01%	8.43%
10	Net asset value per Share <sup>4</sup>	310.45	269.03	245.25	214.90	203.18

Please Note:

1. Basic earnings per share is computed by dividing the profit for the year after tax by the weighted average number of equity shares outstanding during the year.

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2. Diluted earnings per share is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.
3. Return on net worth (%) is computed by dividing the net profit after tax by the net worth.
4. Net asset value per share is computed by dividing the net worth by the outstanding number of equity shares.

### Consolidated Audited Financials

S.No	Particulars	For the Financial Year Ended				
		March 31 2024	March 31 2023	March 31 2022	March 31 2021	March 31 2020
		Ind AS	Ind AS	Ind AS	Ind AS	Ind AS
1	Total income from operations (net)	10,873.55	10,808.55	8,594.27	6,523.14	8,089.66
2	Net Profit / (Loss) before tax and extraordinary items	1,176.40	1,107.64	1,147.90	591.42	444.09
3	Net Profit / (Loss) after tax and extraordinary items	896.25	825.12	846.93	431.72	469.19
4	Equity Share Capital					
	Ordinary Share Capital					
	“A” Ordinary Share Capital					
	Total Equity Share Capital	250.93	250.93	256.93	256.93	256.93
5	Reserves and Surplus/Other Equity	7,385.49	6,485.18	6,120.81	5,326.92	4,975.29
6	Net worth	7,636.42	6,736.11	6,377.74	5,583.85	5,232.22
7	Basic earnings per share <sup>1</sup>	35.72	32.37	32.96	16.80	18.26
	Ordinary Shares					
	“A” Ordinary Shares					
8	Diluted earnings per share <sup>2</sup>	35.72	32.37	32.96	16.80	18.26
	Ordinary Shares					
	“A” Ordinary Shares					
9	Return on net worth (%) <sup>3</sup>	11.74%	12.25%	13.28%	7.73%	8.97%
10	Net asset value per Share <sup>4</sup>	304.325	268.446	248.229	217.330	203.644

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### Please Note:

1. Basic earnings per share is computed by dividing the profit for the year after tax by the weighted average number of equity shares outstanding during the year.
2. Diluted earnings per share is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.
3. Return on net worth (%) is computed by dividing the net profit after tax by the net worth.
4. Net asset value per share is computed by dividing the net worth by the outstanding number of equity shares.

### Risk Factors

An investment in the Securities involves a high degree of risk. The risks described below together with other information contained in this disclosure statement should be carefully considered before making an investment decision. The risks described below are not the only risks which are relevant to our Company or investments in securities of Indian issuers. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business operations. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks, the trading price of the Securities could decline, and all or part of your investment may be lost. Unless otherwise stated, we are not in a position to specify or quantify the financial or other risks mentioned herein.

1. **Share Price and Market Fluctuations:** The trading price of the Shares may be subject to significant fluctuations due to a variety of factors, including market volatility in India and globally, operational results, competitor performance, negative press, changes in financial analyst projections or ratings, and shifts in India's economic policies and tax regulations. Additionally, the initial trading price of the Shares may not reflect future market prices.
2. **Investment Value Volatility:** The Indian securities market has historically been volatile, with listed securities experiencing significant price variations. Issues such as exchange shutdowns, broker defaults, and settlement delays have occurred on Indian stock exchanges like the BSE, potentially impacting the market price and liquidity of Indian securities, including the Shares. Regulatory actions, such as trading restrictions, price limits, and margin requirements, as well as disputes between companies and regulatory bodies, have sometimes negatively influenced market sentiment.

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- 3. Price Movement Restrictions:** The Shares are subject to daily price fluctuation limits set by Indian stock exchanges, which can affect a Shareholder's ability to sell, or the sale price of, Shares at any given time. These circuit breakers, which are separate from the broader market-wide circuit breakers, are determined based on the historical volatility of the Securities and can change without notice to the Company, potentially limiting price movements and affecting Shareholder transactions.
- 4. International Market Influence:** Developments and market volatility in other countries can impact the Indian economy and its securities markets. Global financial instability may affect exchange and interest rates in India, and negative economic events in other emerging markets could reduce investor confidence, increase market volatility, and lead to a decline in the price of the Shares.
- 5. Potential Dilution and Impact of Share Sales:** Future issuances of Securities by the Company could dilute existing shareholdings. Sales of Securities by the Promoter or other major shareholders may also negatively influence the trading price of the Shares. Additionally, investor concerns about potential issuances or sales could affect the trading price.
- 6. Listing Approvals for Option-Exercised Shares:** The Ordinary Shares issued upon the exercise of Options require approval from the Stock Exchanges where the Company's Shares are listed. Following the Board of Directors' resolution to allot the Securities, and before crediting them to investors' Depository Participant accounts, the Company must obtain final listing approval from the Stock Exchanges. Subsequent to this, the Securities will be credited to investors' accounts, and final trading approval will be sought. Delays in these approvals could postpone the listing of the Securities on the Stock Exchanges and restrict investors' ability to sell their Securities.

### Continuing Disclosure Requirement

The option grantee shall be provided copies of all documents that are sent to the members of the company. This shall include the annual report of the company as well as notices of meetings and the accompanying explanatory statements.

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### **Part C: Salient Features of the Scheme**

The Nomination and Remuneration Committee (“NRC”) at its meeting held on 10.08.2024 formulated the detailed terms and conditions of the Scheme which was duly approved by the Board of Directors at its meeting held on the even date and approved by the members on 26.09.2024.

The Scheme has been formulated in accordance with the provisions of the Act and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (“SBEB Regulations”). The salient features of the Scheme are as under:

#### **a. Brief description of the Scheme:**

The Scheme is intended to reward, retain and motivate the Eligible Employees of the Company for their performance and participation in the growth and profitability of the Company. The Eligible Employees shall be granted all the stock options, as determined by the NRC, which will vest on particular dates and could be exercisable into Ordinary Shares, on the terms and conditions as provided hereunder, in accordance with the provisions of the applicable laws and regulations for the time being in force.

#### **b. Total number of options to be granted:**

Not exceeding 250000 (Two Lakhs Fifty Thousand) options may, in aggregate, be granted that would entitle the grantees to acquire, in one or more tranches, not exceeding xxx (xxx) Ordinary Shares of the Company of the face value of Rs.10/- (Rupees Ten Only) each fully paid up (representing 1% of the issued share capital of the Company as on date). The total aggregate limit of 250000 (Two Lakhs Fifty Thousand) options may be adjusted for any corporate action(s) of the Company announced prior to the Exercise Period pertaining to the relevant Options, as may be decided by the Board.

#### **c. Identification of classes of employees entitled to participate in the Scheme:**

The following Eligible Employees, as may be decided by the NRC, shall be granted options under the Scheme:

- Senior level employees of SPAL
- middle management employees and employees who have got experience more than 10 years in SPAL
- The Committee may also at its discretion exceptionally decide such other Employees who shall be eligible to participate in Scheme.

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As per SBEB Regulations, the following category of employees/directors shall not be eligible to participate in the Scheme:

- An employee of the Company who is a promoter or belongs to the promoter group
- A director who either by himself or through his relatives or through anybody corporate, directly or indirectly, holds more than 10% of the outstandings equity shares of the Company; and
- Independent Directors of the Company

#### **d. Requirements of vesting and period of vesting:**

Subject to the continuing employment of the Participant, the Unvested Options shall vest with the Participant as per vesting schedule below:

<b>Sr. No.</b>	<b>Vesting period</b>	<b>Options to be vested</b>
<b>1.</b>	<b>At the end of 12 months from the date of grant</b>	<b>25% of the total number of Options granted</b>
<b>2.</b>	<b>At the end of 24 months from the date of grant</b>	<b>25% of the total number of Options granted</b>
<b>3.</b>	<b>At the end of 36 months from the date of grant</b>	<b>25% of the total number of Options granted</b>
<b>4.</b>	<b>At the end of 48 months from the date of grant</b>	<b>25% of the total number of Options granted</b>

The above vesting schedule shall be subject to satisfactory work performance of the eligible employee.

#### **e. Maximum period within which the option shall be vested:**

Options granted under SPAL ESOP Scheme 2014 would vest within a maximum period of 5 (five) years from the date of grant of such options.

#### **f. Exercise Price or pricing formula:**

The Exercise price payable by the employee with respect to such vested options for the purpose of this Scheme shall be INR 250/- (Rupees Two Hundred and Fifty Only) per option, the NRC may, at its discretion, fix the Exercise price at Rs.250/- per option so as to ensure that the Scheme is not detrimental to the interest of the existing Grantee/Participants/Beneficiaries .

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### **g. Exercise Period and the process of Exercise:**

The Exercise period would commence from the date of vesting of options and will expire at the end of one year from the date of vesting of options. The options will be exercisable by the employees by a written application to the Company accompanied by payment of the Exercise Price in such manner and on execution of such documents, as may be prescribed by the NRC from time to time. The options will lapse if not exercised within the specified Exercise Period. Lapsed options cannot be re-issued by the Company.

### **h. Appraisal process for determining the eligibility of employees**

The appraisal process for determining the eligibility of the employees to the options at the time of grant and to the number of Ordinary Shares at the time of vesting will be decided by the NRC from time to time.

### **i. Maximum number of options to be issued per employee and in aggregate:**

The Committee may offer the Options to a Grantee in accordance with the terms and conditions of the Notified Scheme(s) under the Plan for the time being in force. The Committee reserves the right to decide the number of Options to be granted to each Eligible Employee.

### **j. Maximum Quantum of benefits to be provided per employee:**

The maximum quantum of benefits underlying the options issued to an Eligible Employee shall depend upon the number of options held by him/her and the market price of the Ordinary Shares as on the date of sale.

### **k. Route of Scheme implementation:**

The Scheme shall be implemented and administered directly by the Company.

### **l. Source of Shares:**

The Scheme contemplates issue of new Ordinary Shares by the Company through the NRC and the Allotment Committee.

### **m. The amount of loan provided for implementation of the Scheme by the Company to the Trust, its tenure, utilisation, repayment terms, etc.:**

Not applicable. Company would not provide any loan for implementation of the Scheme.

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**n. Maximum percentage of Secondary Acquisition (subject to limits specified under the Regulations) that can be made by the Trust for the purchase under the scheme:**

This is not applicable under the present Scheme.

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