

Visit to Apollo Fashion Manufacturing Plant!

Introduction

UnlistedZone had the privilege to tour the manufacturing plant of Apollo Fashion located in Noida on June 6th, 2024. The visit provided profound insights into the company's operations, strategic alliances, and future endeavors.

Key Observations:

Manufacturing Units: Apollo Fashion operates four manufacturing units, encompassing sizes of 2700, 1500, and 1000 square meters. While two units are company-owned, the other two are leased.

Product Diversification: The company boasts a diverse product portfolio, ranging from leather shoes (both formal and casual), accessories such as leather bags, belts, and ladies' purses, to leather jackets. Each factory specializes in specific product categories, showcasing a well-structured production system.

Operational Dynamics: Apollo Fashion adheres to a single-shift operation model, ensuring product clarity and consistency among workers. This streamlined approach aids in maintaining high-quality standards across all manufacturing processes.

Market Presence: Primarily focusing on exports, the company has recently ventured into the domestic market through collaborations with Arvind Fashion and Reliance. Although the domestic segment is currently limited, strategic alliances indicate growth potential in the Indian market.

Manpower Utilization: Despite the integration of machinery from various countries, the manufacturing process remains predominantly labor-intensive. With over 1500 workers, Apollo Fashion emphasizes skilled labor to uphold product quality and precision.

Quality Assurance and Compliance: Rigorous audits conducted by international clients ensure compliance with labor laws, environmental regulations, and stringent quality benchmarks. This adherence to global standards underscores the company's commitment to excellence and customer satisfaction.

Supply Chain Management: Apollo Fashion strategically procures leather from diverse sources, including Russia and certified Indian suppliers. Strong ties within the supply chain mitigate operational disruptions, facilitating seamless production processes.

Business Potential and Expansion Plans: With its current capabilities, Apollo Fashion has the potential to generate additional revenues ranging from 50 to 100 crore, supplementing the approximate INR 200 crore achieved in FY24. The business boasts gross margins of 30% and a net profit margin (NPM) between 9 to 10%. To maximize growth opportunities, the company intends to invest in additional machinery and expand its operational infrastructure based on new order received.

Technological Advancements: Transitioning from Tally to SAP, Apollo Fashion aims to leverage SAP's specialized fashion module to optimize inventory management and streamline operational processes. This technological upgrade underscores the company's commitment to operational efficiency and scalability.

IPO Preparation: The fashion division of Apollo International is in the process of separation, with plans for an IPO. PricewaterhouseCoopers (PwC) is assisting in finalizing the books, and the IPO filing is expected post-September 2024, following the completion of financial assessments. The valuation is still not confirmed. But it might be somewhere between INR 250 to 300 Cr as per market expectations.

Risk Assessment: Despite its strengths, Apollo Fashion faces competition, particularly from countries like Bangladesh, known for their cost-effective labor. The risk of skilled labor migration and cost differentials poses challenges. However, Apollo Fashion's focus on quality, innovation, and strategic partnerships mitigates these risks to a considerable extent.

Conclusion

UnlistedZone's visit to Apollo Fashion's manufacturing plant showcased a robust operational framework, strategic market positioning, and a steadfast commitment to quality and innovation. With a blend of skilled craftsmanship, technological integration, and strategic foresight, Apollo Fashion is poised for sustained growth and success in the competitive fashion industry.

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