

24<sup>th</sup> February, 2018

To,  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001.

To,  
National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1, G – Block,  
BKC, Bandra (East),  
Mumbai – 400 051.

**Scrip Code: 532641**

**Scrip Symbol: NDL**

Dear Sir,

**Sub.: Transcript of Con-Call held on 15<sup>th</sup> February, 2018**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith, a transcript of Con-Call of the Company with Investors and Analysts which was held on 15<sup>th</sup> February, 2018.

You are requested to kindly take the same on record.

Yours faithfully,

**For NANDAN DENIM LIMITED**

  
**Purvee Roy**  
**Company Secretary**  
**(Mem. No.: F8978)**



**Nandan Denim Limited**  
(CIN:L51909GJ1994PLC022719)

**Registered Office**

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## “Nandan Denim Q3 FY2018 Post Results Conference Call”

February 15, 2018



**ANALYST: MR. THOMAS V ABRAHAM - KARVY STOCK  
BROKING LIMITED**

**MANAGEMENT: MR. ASHOK BOTHRA – CHIEF FINANCIAL OFFICER  
- NANDAN DENIM LIMITED  
MS. PURVEE ROY – COMPANY SECRETARY-  
NANDAN DENIM LIMITED**



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*February 15, 2018*

**Moderator:** Ladies and gentlemen good day and welcome to the Nandan Denim Limited Q3 FY2018 Earnings Conference Call, hosted by Karvy Stock Broking Ltd. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Thomas V. Abraham of Karvy Stock Broking Limited. Thank you and over to you Sir!

**Thomas V Abraham:** Thank you Rayo. Good evening ladies and gentlemen. On behalf of Karvy Stock Broking Limited, I welcome you all for the Q3 FY2018 Earnings Conference Call of Nandan Denim Limited. Today, we have with us the Senior Management of the Company represented by Mr. Ashok Bothra – Chief Financial Officer, and Ms. Purvee Roy – Company Secretary. I now request Mr. Ashok Bothra to give his opening remarks. Thank you and over to you Sir!

**Ashok Bothra:** Good afternoon ladies and gentlemen. Greetings and a very warm welcome to everyone present here for the earning call of Nandan Denim Limited to discuss the performance during the third quarter of the financial year FY2018.

We recorded robust financial performance this quarter and there is significant improvement both on the turnover and margin front and our nine-month revenue in this financial year has nearly reached the FY2017 level, which places us in a commanding position to deliver higher turnover growth on annualized basis.

Coming to our Q3 financial performance, our revenue from operation substantially increased by 55% YOY basis from Rs.235 to Rs.363 Crores. Denim fabric sales increased by 13% YOY basis from Rs.203 Crores to Rs.230 Crores. Shirting fabric sale increased from Rs.17 Crores to Rs.28 Crores.

Our Denim realization per meter for the nine-month period is Rs.135 per meter, registering a 3% increment over FY2017 realization. Similarly, our nine-month FY2018 shirting realization has improved by 7% on YOY basis.

Growth profit margin stands at 32.8% for the quarter and has improved on YOY basis by 198 basis points, remained flat on QOQ basis. EBITDA margin this quarter has gone up by 3% on YOY basis and 1.17% on QOQ basis.



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Depreciation increased to approximately Rs.30 Crores from Rs.17 Crores because of expanded capacity but is in line with the quarterly run rate. Finance cost increased to Rs.13.7 Crores from Rs.6 Crores YOY basis. The reason for increase is because in Q3 FY2017 project was under installation and interest got capitalized to the extent applicable but on QOQ basis, reduction in interest expenses has been possible due to debt repayment of approximately Rs.15 Crores in the previous quarter coupled with interest rate reduction.

We recorded 63% growth in our PAT on YOY basis, which stands at Rs.13.7 Crores. The PAT margin was flat both on YOY basis and QOQ basis. The demand scenario is expected to pick up from the first quarter of next financial year and then we can start witnessing higher capacity utilisation level.

With this I would like to hand over the call for further questions and answer session.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Abhishek Maheshwari from Wallfort Portfolio.

**Abhishek Maheshwari:** Thank you for the opportunity. Sir a couple of questions; my first question is regarding the Denim realisation; Rs.135 per metre on net level or gross level?

**Ashok Bothra:** This is with the GST.

**Abhishek Maheshwari:** Okay. Sir my second question is regarding the utilisation level on QOQ basis; the utilisation levels have decreased considerably. So, in Q4 can we expect a slight uptick, or 75% only?

**Ashok Bothra:** Q3 is a subdued period for the fabric manufacturers. This is industry trend, otherwise there is no significant fall in the sales.

**Abhishek Maheshwari:** Okay. So, we can expect a slight uptick in Q4.

**Ashok Bothra:** Slight uptick in Q4, but market is slightly subdued because GST impact is still not over yet, but we are expecting the market to revive by the end of Q1 FY19.

**Abhishek Maheshwari:** Sir, my last question is regarding cotton market. What is that like nowadays? Because cotton prices have not fallen as we expected because of pest attacks. How do you see that situation?



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**Ashok Bothra:** Cotton prices, if you compare with last year, it is on the lower side. In December or January previous year, the prices were between Rs.42000 and Rs.44000, whereas as of now the cotton price is around Rs.40500 to Rs.41500. So, there is a declining trend compared to previous year.

**Abhishek Maheshwari:** Sir, last question, the news articles and industry experts says that there is globally overcapacity of Denim fabric, so do we see any import risk in coming years or do you think you are quite sustainable in domestic market?

**Ashok Bothra:** If you see Indian Denim Industry is quite competitive mainly because of abundant availability of quality raw material, skilled manpower, state of art machinery, so I do not perceive any import threat as such.

**Abhishek Maheshwari:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sumrat Singh, an individual investor. Please go ahead.

**Sumrat Singh:** My question is regarding the capacity utilization. What is your current capacity utilization Sir?

**Ashok Bothra:** Around 75%.

**Sumrat Singh:** There is one more question regarding the debt repayment, you already said that your interest rate has been decreased, so that means you have refinanced your term loan from one financial institution to other, so how much is that impact?

**Ashok Bothra:** We have negotiated with the existing bankers to get the interest rate reduced.

**Sumrat Singh:** What is the repayment that you have done during that nine-month period Sir?

**Ashok Bothra:** Around Rs.45 Crores Sir.

**Sumrat Singh:** Rs.45 Crores and the same is for the next year?

**Ashok Bothra:** Annual repayment will be around 60 Crores Sir. We are talking about nine months, so we have repaid Rs.45 Crores.



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- Sumrat Singh:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Ojasvi Aggarwal from India Capital. Please go ahead.
- Ojasvi Aggarwal:** Sir, I wanted to know the power subsidy benefit and the interest subsidy. Are you expecting the approval and has that come Sir?
- Ashok Bothra:** We have already applied, and it is under process of approval.
- Ojasvi Aggarwal:** Okay and Sir could you give us a guidance for financial year 2019, the EBITDA margin that you are looking at for the entire year?
- Ashok Bothra:** Right now, I am not in the position to quantify the EBITDA margin or PAT margin. Post revival of market sentiments / demands, there will be improvement in turnover and profits.
- Ojasvi Aggarwal:** Thank you Sir. That will be all from my side.
- Moderator:** Thank you. We have the next question from the line of Anirban Bhattacharya from Alpha Alternatives. Please go ahead.
- Anirban Bhattacharya:** Hi Sir, I just wanted to ask about the price realisation for this quarter?
- Ashok Bothra:** Price realisation is around Rs.133 for this quarter.
- Anirban Bhattacharya:** For this quarter, okay. Next question would be how is the power and fuel cost shaping up, like quarter-on-quarter, year-on-year what has that been?
- Ashok Bothra:** Roughly around 7% of the sales.
- Anirban Bhattacharya:** Has it increased or decreased, like year-on-year, quarter-on-quarter?
- Ashok Bothra:** It depends on the machinery, how many days, how many shifts you have run the plant. Power and fuel are semi-fixed and variable in nature.
- Anirban Bhattacharya:** That's it.



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**Moderator:** Thank you. The next question is from the line of Abhishek Maheshwari from Wallfort Portfolio Financial.

**Abhishek Maheshwari:** Sir it is a follow-up question. Sir you have a spinning capacity of 141 tonnes per day, so are we operating that at full capacity or even utilizations for that have reduced?

**Ashok Bothra:** Around 80% to 85% was our spinning capacity utilisation. Whatever we can consume in-house we consume it; otherwise we sell it to the outside market, depending on the demand.

**Abhishek Maheshwari:** Okay. Thank you, Sir. That's it from my side.

**Moderator:** Thank you. The next question is from the line of Deep Walia, an individual investor. Please go ahead.

**Navneet Bhalla:** Sir, is there an oversupply in Denim market in India as well? so could you give your comments on that as well, is that leaping out or are there any new plans that is coming up domestically?

**Ashok Bothra:** If you see Gujarat supplies around 65% to 70% of total Denim production in India and state subsidy policy was supposed to expire on September 4, 2017, in anticipation of people advancing their expansion, so there is temporary mismatch in Denim demand and supply. Going forward, population is growing and because of more urbanisation and migration of people from village to city, will correct this in the medium to long term run.

**Navneet Bhalla:** So, what would be the gap between the demand and supply right now?

**Ashok Bothra:** Most of the manufacturers are operating anywhere between 60% and 80%, like we are operating at 80%, so there is enough scope for increasing the capacity utilisation.

**Navneet Bhalla:** Would you be aware if there are new capacities in the industry coming up or do you think you will improve the utilisation right now?

**Ashok Bothra:** As I told Gujarat is the major hub of Denim production. So, whosoever having the expansion plan, they already have set up their plant, because of the supply exceeding demand. So. I do not foresee any player setting up a major plant for Denim manufacturing.

**Navneet Bhalla:** Can you give an outlook in terms of topline for next year? I heard the margin would be the same, but any outlook in terms of topline?



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**Ashok Bothra:** Everything depends on the demand. If demand will revive, our topline will also grow, but if you see our past track record, we grew at CAGR of around 15% and GDP grew at around 7%. So, you can take the clue from that.

**Navneet Bhalla:** Okay. Thank you.

**Moderator:** Thank you. As there are no further questions, I would like to hand the conference back to the management for their closing comments.

**Purvee Roy:** Thank you everyone and we look forward to connecting with you again in the next quarter.

**Moderator:** Thank you very much. On behalf of Karvy Stock Broking we conclude this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.