

31st December, 2016

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

Scrip Code: 532641

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

Scrip Symbol: NDL

Dear Sir,

Sub.: Transcript of Conference Call with Investors / Analysts

Pursuant to regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, please find attached the transcript of Conference Call with Investors / Analysts held on 15th November, 2016 to discuss the second quarter results for the period ended 30th September, 2016.

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
(Formerly known as Nandan Exim Limited)
(CIN:L51909GJ1994PLC022719)

Plant & Regd. Office:

Survey No. 198/1, 203/2, Sajipur-Gopalpur, Pirana Road, Piplej, Ahmedabad - 382 405
Ph.: +91 9879200199 Website: www.nandandenim.com Email: info@nandandenim.com

Corporate House:

Chirpal House, Shivranjani Cross Roads, Satellite, Ahmedabad - 380 015
Ph.: 079-26734660/2/3 Fax: 079-26768656



“Nandan Denim Q2 FY2017 Post Results
Conference Call”

November 15, 2016



ANALYST: MR. SACHIN BOBADE – DOLAT CAPITAL

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





Nandan Denim Limited
November 15, 2016

Moderator: Ladies and gentlemen good day and welcome to the Nandan Denim Q2 FY2017 Post Results Conference Call, hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and 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 like to hand the conference over to Mr. Sachin Bobade from Dolat Capital. Thank you and over to you Sir!

Sachin Bobade: Good evening everyone. On behalf of Dolat Capital, we welcome you all for the Nandan Denim Q2 FY2017 Post Results Conference Call. From the management side we have with Mr. Ashok Bothra – Chief Financial Officer, and Ms. Purvee Roy – Company Secretary. I will hand over the floor to the management for their opening remarks and presentation then we will have a question and answer session. Over to you Sir!

Ashok Bothra: Good afternoon ladies and gentlemen. This is Ashok Bothra, CFO of Nandan Denim. Greetings and a very warm welcome to everyone present here for the earnings call of Nandan Denim Limited for the second quarter of FY2017.

At the outset, we would like to inform you that we are on track to complete the final phase of our ongoing capacity expansion by December 2016 or January 2017. The erection of most of the machines and ramping up of capacity would be completed by December 2017. We have already spent around Rs 5,700 million on this expansion as on September 30, 2016 and post the completion of the capacity expansion, we would have a Denim manufacturing capacity of 110 metric million per annum up from 99 million metric per annum and our spinning capacity would increase to 124 TPD as compared to 70 TPD at present.

Installation of processing facility will also be completed. As we have highlighted in our earnings calls, the expanded capacity along with backward integration would help us provide a wider product range and deliver on stringent order timelines of clients enabling us to effectively tap the increasing demand from both domestic and overseas market.

Expanded spinning capacity would help us improve our operating margins significantly. In addition to this, setting up of our processing facilities would also allow us to enter into the yarn dyed shirting business which has much higher profitability as compared to the grey shirting fabric the company is currently supplying.



Nandan Denim Limited
November 15, 2016

These positive factors provide us significant headroom to drive revenue growth and improve our profitability going forward.

Coming now to our performance during the second quarter, we continued to maintain our growth impetus in the Denims business supported by growth in Denim volumes. Considerable growth in the Denim business have helped us record a top-line of around Rs 3,026 million up from Rs 2,945 mn registering a growth of 3% on year-on-year basis.

On the margin front, our gross margins declined by 200 basis points to 33.1% primarily on account of steep increase in cotton prices. EBITDA margins for the quarter were around 16.2%. Despite the lower gross margins better cost control during the quarter helped us offset decline in EBITDA margin to some extent. Lower finance cost, lower taxes and other expenses helped us to record PAT growth of around 4% year-on-year basis to reach Rs 163 million as compared to 156 million in Q2 FY2016.

PAT margin also improved by 10 bps on year-on-year basis to 5.4% in Q2 FY2017 as compared to 5.3% in Q2 FY2016.

Going forward we are positive on our business prospects in the long run as we execute the final stage of our capacity expansion. With added capacity on board we would be able to deliver better top-line growth along with improved profitability. Our endeavor is to achieve better revenue growth and better operating margins in the next fiscal.

With this I would now like to hand over the call to the participants and we would be happy to answer any questions that you may have.

- Moderator:** Thank you very much. We will now begin with the question and answer session. We have our first question from the line of Abhishek Shah from DM Investment Advisory. Please go ahead.
- Abhishek Shah:** Sir I just wanted to ask you that this 110 MMPA capacity has been already installed right.
- Ashok Bothra:** It is in the final leg of installation and would be over by the end of December.
- Abhishek Shah:** Sir any other further expansion plans we have.
- Ashok Bothra:** No major capex is planned in near future.



Nandan Denim Limited
November 15, 2016

- Abhishek Shah:** And sir how is the demand in India.
- Ashok Bothra:** Demand is growing for Denim. We do not see any issue on the demand front.
- Abhishek Shah:** Thanks a lot Sir.
- Moderator:** Thank you. We have our next question from the line of Vinod Singh from Victor Capital. Please go ahead.
- Vinod Singh:** I just wanted to understand could you elaborate what is the impact of GST on your business.
- Ashok Bothra:** It needs to be worked out, basically as of now we are in the process of studying the GST impact. But everything it has to be passed on like every other industry. So as of now nothing concrete can be said about impact of GST on this segment, because we sell to dealer and we are not into garments.
- Vinod Singh:** And sir what about demonetization have you started feeling the impact because I think at the front-end I think retail customers would have already started feeling.
- Ashok Bothra:** Yes actually it is too early to say what would be the impact of this, because it's only been of few days. So there would be some impact, but ultimately everything should settle down in near future.
- Vinod Singh:** You would have clients starting already postponing dispatches from your factory.
- Ashok Bothra:** There is some delay in off take on the part of dealers. So initially we might face some difficulty to some extent but ultimately things should settle down.
- Vinod Singh:** Sir how much of the trade is cash in this entire value chain.
- Ashok Bothra:** Actually we sell through our dealers only, payment of which is 100% through banking channels only. How much the dealers sell through cash we do not have the data with us. In our case we sell 100% through banks only.
- Vinod Singh:** And on the supply side.
- Ashok Bothra:** Supply also 100% through bank.



*Nandan Denim Limited
November 15, 2016*

- Vinod Singh:** Okay sir I will come back in the question queue.
- Moderator:** Thank you. We have our next question from the line of Kapil Yadav from Nirpan Securities. Please go ahead.
- Kapil Yadav:** Sir I just wanted to understand could you throw some light on the rural urban demand in the last few quarters. Going forward what is your sense?
- Ashok Bothra:** We are witnessing growth in demand in both the markets over the past few quarters.
- Kapil Yadav:** And sir can you throw some light on the export business and what are the steps you have taken to improve exports.
- Abhishek Shah:** Actually we have got one full-fledged export department to cater to the export markets. So our focus will be on exports primarily to tide over this temporary issue of shortage of demand due to demonetization. Over the next two to three years we would like to have more than 20% our revenue to come through exports.
- Kapil Yadav:** Thank you. That is all from my side.
- Moderator:** Thank you. We have our next question from the line of Vinod Singh from Victor Capital. Please go ahead.
- Vinod Singh:** Sir who are your primary domestic competitors and what would be your market share vis-à-vis Arvind.
- Ashok Bothra:** Actually Arvind is in different league. They are into a higher value chain. They are into garments whereas we are into manufacturing of Denim fabrics only..
- Vinod Singh:** Sir how big is the unorganized segment in the business. Unorganized the unbranded market, how big is that market.
- Ashok Bothra:** The unorganized segment is significantly larger. We do not have the exact data on that available with us.
- Vinod Singh:** Thank you.



Nandan Denim Limited
November 15, 2016

- Moderator:** Thank you. We have a follow-up question from the line of Kapil Yadav from Nirpan Securities. Please go ahead.
- Priya:** This is Priya. Sir the thing is I wanted to ask you what is the revenue mix in terms of denim, khaki, and shirting.
- Ashok Bothra:** It is roughly around 88% to 90% coming from denim, around 10% to 11% coming from others including shirting.
- Priya:** Sir any plans to reduce debt as and our debt equity ratio somewhere around 2:1 I think so any plans to reduce debt further
- Ashok Bothra:** Debt will come down as we repay debt as per our repayment schedule by way of internal accruals. There is no major expansion planned in FY2018 as of now so our debt to equity ratio should also come down going forward. .
- Priya:** Sir what would be the GST impact I am sorry I missed the call...
- Ashok Bothra:** We are in the process of studying the impact of GST.
- Priya:** So what would be the current excise duty & VAT that you all would be paying actually the current VAT?
- Ashok Bothra:** VAT is nil as of now on fabrics.
- Priya:** So there is no excise duty and VAT.
- Ashok Bothra:** Excise duty is not applicable on denim fabrics if CENVAT is not availed.
- Priya:** Thank you I will join the queue if I have any further questions.
- Sachin Bobade:** This is Sachin. I have one question this is related to this rural and urban mix as we have mentioned normally when you have been explained do you see last two years there was a drought and now this time monsoon was good so if I look at overall textile sector is there any trend that uptick happens after good monsoon specially in Denim segment.
- Ashok Bothra:** In case of good monsoon the demand will go up from the rural market but since we are selling through dealers so exact data is not available with us.



Nandan Denim Limited
November 15, 2016

- Sachin Bobade:** It is too early to ask you this question but the from your dealers do you get any sense that what is happening in the secondary market because of this demonetization and everything, few companies have started to see that but no proof, evidence is because why is there any slow down or not.
- Ashok Bothra:** Initially there may be some slag in demand due to the demonetization, but ultimately demand will come. Ultimately instead of paying through cash, retail customer/s will pay through credit card, debit card or other forms of electronic payment.
- Sachin Bobade:** Sure. thanks a lot Sir.
- Moderator:** Sir, there are no further questions from the participant side.
- Sachin Bobade:** Sir if you have any final closing comments?
- Ashok Bothra:** We thank you on behalf of Nandan Denim to all our participants so in case of any further query or clarification you may drop an email to Ms. Purvee. With this I conclude the call with vote of thanks to all our participants.
- Moderator:** Ladies and gentlemen, on behalf of Dolat Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.