

7th May, 2019

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 Con-Call

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 12th February, 2019.

You are requested to kindly take the same on record.

Yours faithfully,
For NANDAN DENIM LIMITED


Purvee Roy
Company Secretary



Nandan Denim Limited
(CIN:L51909GJ1994PLC022719)

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“Nandan Denim Limited
Q3 FY2019 Post Results Conference Call”

February 12, 2019



**ANALYST: MR. THOMAS V ABHARAM - 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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Moderator: Ladies and gentlemen good day and welcome to the Nandan Denim Limited Q3 FY2019 Earnings Conference Call, hosted by Karvy Stock Broking Limited. 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 now hand the conference over to Mr. Thomas V. Abraham from Karvy Stock Broking Limited. Thank you and over to you Sir!

Thomas V Abraham: Thank you. Good evening ladies and gentlemen. On behalf of Karvy Stock Broking Limited, I welcome you all for the Q3 FY2019 Earnings Conference Call of Nandan Denim Limited. Today, we have with us the Senior Management of the Company represented by Mr. Ashok Bothra, the Chief Financial Officer, and Ms. Purvee Roy, the Company Secretary. I now request Ms. Purvee Roy to give the opening remarks. Thank you and over to you Madam!

Purvee Roy: Good evening ladies and gentlemen. Greetings and a very warm welcome to everyone present here for the earnings call of Nandan Denim Limited to discuss the performance during the third quarter and nine months of the financial year 2018-2019. Talking briefly about the third quarter and nine months result, during Q3 FY2019 and nine months FY2019, Nandan Denim was operating at around 65% of its capacity. The company has sold 17.03 million meter of Denim fabric in Q3 FY2019 with average realization of Rs.123 per meter versus 17.26 million meter at Rs.133 in Q3 FY2018. Temporary oversupply is the key factor that has impacted both volume and realization.

During Q3 FY2019, the company sold 1.62 million meter of shirting fabric at an average realization of Rs.121 per meter versus 2.3 million meter at Rs.118 per meter in Q3 FY2018. During Q3 and nine months of FY2019, the company reported revenue of Rs.3398 million and Rs.10675 million respectively. Denim fabric sales for Q3 FY2019 stood at Rs.2103 million, shirting fabrics at Rs.197 million while yarn and other sales stood at Rs.1127 million.

Growth profit for the quarter stood at Rs.1039 million with a margin of 30.6%. Margin declined by 224 BPS year-on-year primarily due to lower sales realization and higher cost of raw materials. During Q3 of FY2019 EBITDA stood at Rs.359 million while EBITDA margin declined by 596 BPS to 10.6% mainly on account of the factors mentioned earlier,. Finance cost for the quarter remains stable at Rs.137 million, which may decline on account



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of a scheduled debt repayment of Rs.150 million per quarter. The company has reported PAT of Rs.48 million during the third quarter of FY2019.

In the coming period, we look forward to higher capacity utilization as a revival in the demand for Denim is on the cards. As this happens our operating margins will commensurately improve in near to medium term.

With this I would now like to hand over the call for question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentleman, we will wait for moment while the question queue assembles. The first question is from the line of Akshay Jain, Individual Investor. Please go ahead.

Akshay Jain: Good afternoon. I have two questions. Could you please tell the realization for Denim as well as shirting for the quarter and for the full year FY2019?

Ashok Bothra: For Denim realization it is around Rs.123 per meter and shirting it is around Rs.120.

Akshay Jain: Okay. My other question is other expenses have increased approximately around 20%, could you let us know the reason for such rise?

Ashok Bothra: In absolute terms, but if you are comparing with the H1, it is more less at par, if you got September quarter ending it is around 47 Crores, again it is at 47 Crores in this quarter.

Akshay Jain: Sir. How much subsidy we have booked in this quarter and what is the breakup for the same like GST reimbursement, power and interest cost?

Ashok Bothra: So, we booked this power subsidy for three months approximately 1.2 Crores in this quarter. GST we will look in Q4 the moment we apply for the same, so that is expected shortly.

Akshay Jain: Okay, so with this quarter Q4 we are expected to book a GST subsidy?

Ashok Bothra: Yes.

Akshay Jain: So what is the outlook on the cotton price and how do you foresee it coming next couple of quarters?



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- Ashok Bothra:** India is going to have lower production in this year as compared to previous couple of years, which may increase the cotton price. But at the same time, business is not there as far as end product is concerned, so it may go in any direction, but we are not very much bullish on the cotton pricing.
- Akshay Jain:** Sir any ballpark figures you foresee for the cotton price per bale or something?
- Ashok Bothra:** It should hover around 45000 to 46000 and may touch 47000 to 48000 in some few days, but sentiments are not very much bullish.
- Akshay Jain:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Ninad Sabnis, Individual Investor. Please go ahead.
- Ninad Sabnis:** Sir. As it was mentioned earlier that Indian Fabric industry is facing issue of oversupply, can you just tell me what is the quantum of the gap and how is it moving ahead?
- Ashok Bothra:** There are basically two things in that, one is that Gujarat produces around 65% to 70% of total Denim requirement for the India. Gujarat was having very lucrative state textile policy so lot of people advanced their capex plans, which they intent to set up in two or three years leading to temporary oversupply, but if you see demand side other sectors are still intact like India's growth story, increase in population, etc.
- Ninad Sabnis:** So the second question is on the liquidity issue, which was mentioned in the last call, so is there any improvement on that Sir?
- Ashok Bothra:** It will take some time. Liquidity is still a major factor in the market. It may take some more time to ease out.
- Ninad Sabnis:** Okay and for this quarter can you please tell me what are the receivables in terms of absolute values and number of days?
- Ashok Bothra:** It is more or less at the same level of H1 ending.
- Ninad Sabnis:** Could you just repeat, I do not have the number available right now?
- Ashok Bothra:** Receivable is around 70 to 75 days also.



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- Ninad Sabnis:** No problem. Thanks a lot. That is all from my side.
- Moderator:** Thank you very much. The next question is from the line of Navneet Bhaiya, Individual Investor. Please go ahead.
- Navneet Bhaiya:** Hi Sir. Just a followup from the previous question. You mentioned that the Gujarat state policy was quite conducive for setting up capacity. I believe this ended sometime in September 2017 right, so how was the demand fared from then. Your capacity utilization in Q1 was about 64%, Q2 61% and right now it is 63, so is the demand increase also slower than expected because I do not think any new capacities coming up right now?
- Ashok Bothra:** New capacity has not come in the last one year or so and it is not expected to come in the next few years. The policy got expired in 2017 and extended for another one year, so people advanced their capex plan, so there is a temporary mismatch in the demand supply position, but that will stand corrected over a period of time. Second thing is liquidity, which resulted due to demonetisation and other GST measures. Once liquidity is eased out and then we will again come back to the previous levels.
- Navneet Bhaiya:** Okay. I understand. However the last three quarters there has not been a substantial improvement in demand based on your capacity utilization is what I understand, am I right in that?
- Ashok Bothra:** Yes. It is almost at the same level mainly due to liquidity tightness, it will take sometime in the market.
- Navneet Bhaiya:** So do you foresee any amenable changes also in Q4 or next year Q1 or you have to see any signs of improvement?
- Ashok Bothra:** Quite hopeful market should recover due to sufficient liquidity in the system, may be post election.
- Navneet Bhaiya:** Okay. My second question Sir, is on your debt repayment, the lady mentioned that there was 150 million per quarter of debt repayment, so in terms of pure liquidity are you comfortable in paying 60 Crores every year as repayment or how it work if the demand continues like this?
- Ashok Bothra:** We are quite comfortable with the debt repayment schedule. There is no delay. There is no cash flow issue as such. We are yet to receive the subsidy portion also, we received 15



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Crores in first week of February, another 10 Crores is further expected in a couple of days, so liquidity is not an issue at all, we are talking about market liquidity not of company liquidity.

Navneet Bhaiya: I understand so basically if the demand continues like this that utilization continues at 60% for the next year you do not foresee any company liquidity issue right, you can continue with your interest and debt repayment as per schedule?

Ashok Bothra: We are not burning out any cash at this point.

Navneet Bhaiya: Yes. Of course I saw your numbers, but 150 million is not from your P&L, so that is why I was checking, so if you are comfortable that is what I wanted to check? That is all from my side.

Ashok Bothra: Yes. Thank you.

Moderator: Thank you very much. The next question is from the line of Akshay Jain, Individual Investor. Please go ahead.

Akshay Jain: Sir, I just wanted to check with you, what can be the realization can we expect for FY2020 next year?

Ashok Bothra: FY2020. What I can say is it should improve, it should not fall below existing utilization.

Akshay Jain: Okay and Sir just to add to the question, which earlier participant asked. Do we see increase in the capacity utilization for FY2020?

Ashok Bothra: Capacity utilization is going to improve.

Akshay Jain: By how much quantum approximately?

Ashok Bothra: Should improve because we were operating at 85% of the capacity utilization level. At present we are at 65, there is much scope for improvement.

Akshay Jain: Correct. Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Ravi Kumar, Individual Investor. Please go ahead.



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Ravi Kumar: Sir what is the level of sales you can achieve with this realization, what is the maximum assuming full capacity utilization?

Ashok Bothra: Right now, we are at 60% to 65%.

Ravi Kumar: Right. Is there any kind of prediction or something when you can reach this looking at the demand scenario?

Ashok Bothra: I cannot issue any forward looking statement. Second thing is it will gradually improve, may be 5% to 10% in a quarter and so on.

Ravi Kumar: Sir where do you see the company has headed now, I mean there is a demand slow down, the capacity utilization is not picking up, realizations are low, we are almost at a no profit, no loss level, where do you think this is headed for this calendar year 2019?

Ashok Bothra: Demand is not a constraint per se. If you see we completed our expansion in December 2016. The moment we completed our expansion we encountered demonetisation and GST. You see liquidity tightness in the market that is one of the factor, but that is also easing out over a period of time. GST resulted some disruption, but again it will have long-term benefit for the economy for the public at large. Hurting demand per se is not reducing it is because of some factor, which has suppressed demand and lot of players have come up with a capacity expansion, so these are the factors, which resulting in lower capacity utilization. I mentioned earlier also Indian population is growing, so demand is bound to go up from the level. These are the aftermath impact of the GST, demonetisation and other couple of things, which I mentioned earlier. My personal opinion is we are at the lowest level from here we can go up only.

Ravi Kumar: But suppose the situation remains like this and improves a little marginally how much debt can you pay down?

Ashok Bothra: We are not finding any major disruption from this level if you look at the January sale.

Ravi Kumar: In percentage terms how much debts can you pay let us say FY2020?

Ashok Bothra: Why should I answer hypothetical question?

Ravi Kumar: No. It is not a hypothetical question, I think how much debt can you reduce in six months or so?



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Ashok Bothra: Annual repayment is 60 to 65 Crores, which shall be met out by way of internal accruals, etc.

Moderator: Thank you very much. The next question is from the line of Neha Kshirsagar from Trivikram Consultants. Please go ahead.

Neha Kshirsagar: My question was regarding the tax story, so was there any write off reversal for the quarter.

Ashok Bothra: No. We have not written back any amount. This is based on tax calculation for the period ending 31.12.2018.

Neha Kshirsagar: Okay, so how much tax rate should we expect for the whole year?

Ashok Bothra: It will again depend on full year profits, MAT availability and other factors.

Neha Kshirsagar: Okay and second question was on the interest subsidy, so any interest subsidy booked for the quarter?

Ashok Bothra: I mentioned earlier also, we applied till June 2018 and now we are in the process of applying from July to December. The applied we will book in this quarter, so we have not booked any subsidy income in this quarter other than power subsidy around 1.2 Crores.

Neha Kshirsagar: Thank you so much.

Moderator: Thank you very much. The next question is from the line of Shankar P from Vrudhi Investments Private Limited. Please go ahead.

Shankar P: Sir. What is the quantum of subsidy that can be booked in Q4?

Ashok Bothra: Roughly this interest income is around 1.10 Crores on monthly basis, GST subsidy will be around 20 to 25 Crores till September for 15 months period.

Shankar P: So 25 Crores plus roughly around 6.6 so totally 31 Crores subsidy can be booked in Q4, as this thing is correct Sir?

Ashok Bothra: I have not mentioned 25 Crores. I have mentioned 20 to 25 Crores. It can be anything between 20 to 25 Crores.



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- Shankar P:** Even if you say the lowest of your bank 20 Crores from GST and 1.1 Crore per month is interest rate subsidy, so on the lower side it has to be 27 Crores subsidy in Q4, am I right Sir in my calculation?
- Ashok Bothra:** 20 to 25 Crores for 15 months that is coming around again 1.5 Crores per month and 1.10 for interest, but interest subsidy will come down on quarterly basis because repayment is there on quarterly basis.
- Shankar P:** Thank you.
- Moderator:** Thank you very much. Sir we do not have any one in the question queue.
- Thomas V Abraham** Yes. We can close it for now, I am not able to log in, so we can close the call.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Ms. Purvee Roy for closing comments.
- Purvee Roy:** Thank you for being part of the call and we look forward to connecting in the next quarter.
- Moderator:** Thank you. On behalf of Karvy Stock Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.