

22nd August, 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,
Bandra Kurla Complex,
Bandra (East),
Mumbai – 400 051.

Scrip Symbol: NDL

Dear Sir,

Sub.: Transcript of Conference Call with Investors / Analysts

The Company had organized a conference call with the Investors / Analysts on 11th August, 2016 to discuss the first quarter results for the period ended 30th June, 2016. The copy of the transcript of the conference call is enclosed herewith and the same has also been put up on the Company's website at www.nandandenim.com.

You are requested to kindly take the same on record.

Thanking You,

Yours sincerely,
For NANDAN DENIM LIMITED


Purvee Roy
Company Secretary
Mem. No. A26925



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

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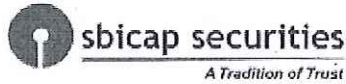
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“Nandan Denim Limited Q1 FY2017 Results
Conference Call”

August 11, 2016



ANALYST: MR. JIMESH SANGHVI - LEAD ANALYST –
RESEARCH EQUITIES - SBICAP SECURITIES

MANAGEMENT: MR. DEEPAK CHIRIPAL – CEO - NANDAN DENIM
LIMITED
MR. GOVIND SHARDA – PRESIDENT - NANDAN
DENIM LIMITED



Moderator:

Ladies and gentlemen good day and welcome to the Nandan Denim Limited Q1 FY2017 Results Conference Call, hosted by SBICap Securities 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 phone. Please note that this conference is being recorded. I would hand the conference over to Mr. Jimesh Sanghvi of SBICap Securities. Thank you and over to you Sir!

Jimesh Sanghvi:

Thank you. Good afternoon everyone. Welcome to Nandan Denim’s First Quarter FY2017 Results Conference Call. For the call today we have with us Mr. Deepak Chiripal, the CEO of Nandan Denim and Mr. Govind Sharda, the President. They will probably update us with the results and the future performance of the company. I would now like to hand over the call to the management. Over to you Sir!

Govind Sharda:

This presentation and the following discussion may contain “forward looking statements” by Nandan Denim Limited (“Nandan Denim”) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of Nandan Denim about the business, industry and markets in which it operates. These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Nandan Denim’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a



representation as to future performance or achievements of Nandan Denim. In particular, such statements should not be regarded as a projection of future performance of Nandan Denim. It should be noted that the actual performance or achievements of the company may vary significantly from such statements.

At the outset, we would like to inform that we are well on the track to complete the final phase of our ongoing capacity expansion over the next couple of months, erection of machines to be completed by the end of the second quarter. On the capex front we are left with the last lap of around Rs.40 Crores investment in the plant and machinery to complete the project. Post this completion of the capacity expansion Nandan would have an installed Denim manufacturing capacity of 110 million meters per annum from the current level of 99 million per annum.

Our spinning capacity would increase to 124 tonnes as compared to 70 tonnes as of now and we would be fully integrated on the yarn dyed shirting business. The expanded capacities would help us to build potential to create product and market diversity through backward integration and also make inroads into the yard dyed shirting business. The company is currently manufacturing grey shirting fabric and entering into the process the yarn dyed shirting segment would help significantly improve shirting realizations and the profitability. We expect that larger denim capacities and capability to offer a wider product basket would enable company to effectively tap the increasing demand from both domestic and overseas market and achieve the best of the profitability potential.

Coming to our performance in the first quarter of the fiscal our Denim business continued to witness good growth supported by healthy growth in the Denim volumes in meter terms by around 15% on YOY basis. Confirming our philosophy that more and more Indians are choosing Denim as a fabric of choice.



We are undertaking continuous effort towards shifting our product mix more in favor of value added Denim. On the margins front EBITDA margins and PAT margins were largely intact despite the volatility in the input prices. Once our expanded spinning capacity comes on stream, we expect operating margin should see further improvement. Specifically on the key financial metrics for the first quarter our topline for the Q1 grew by 7% to stand at Rs.301 Crores.

We reported an EBITDA of Rs.49 Crores, with stable gross margin along with lower operating overheads helping us to record an 8% YOY increase in EBITDA despite higher employee acquisition costs on account of the ongoing capacity expansion.

Profit before tax witnessed healthy growth of 18% YOY basis to 23.5 Crores. Profit after tax for the quarter was at 16 Crores whereas the cash PAT stood at 33 Crores up by 3% YOY.

Looking to the rest of the financial year we remain fairly optimistic on our business process, once we complete the last lag of our capacity expansion with added capacities on board, our endeavour would be to absorb and adopt the latest in the technology to drive productivity and profitability of the company on sustainable basis.

The domestic market is growing at a CAGR of 15% plus to welcome new capacities filling the demand for the fashion fabric that we are good at in delivering every time.

With this I would now like to hand over the call to the participants, we would be happy to answer any of their queries. Thank you very much.

Moderator:

Thank you very much. We will now begin the question and answer session. We have the first question from the line of Abhilasha Satale of First Global Stockbroking. Please go ahead.



Abhilasha Satale:

Hello Sir, I just wanted to know the increase in cotton and yarn prices on our profitability. Denim prices have also moved up in tandem with cotton prices, therefore, we have maintained our margin or we already have cotton and yarn inventory which has protected our margin and what is the scenario going forward?

Deepak Chiripal:

Regarding the cotton prices, actually the cotton prices have drastically shot up only after I would say May or June, so really the impact of cotton rise has not been felt that much to that extent in the first quarter, it will be felt in the second quarter, because company also carries some stock, so really the cotton impact has not been that aggressive in the first quarter, though some impact has been felt, but it has not been that aggressive. As far as what company is doing is, company is trying to change the product mix, so as to get out of the situation of the input cost increasing, also company is trying to increase the prices and pass on some of the input cost to the final consumer. So two-way strategy we are doing, we are also increasing the prices to some extent. We have done that and also partially we are changing the product mix and entering into products, which are less competitive so as to maintain healthy bottom line.

Abhilasha Satale:

Okay so if at all Sir, if there is any impact on our margin and how much would lag behind; how much cotton inventory do we have as of now and when we will require to procure it at the market price?

Deepak Chiripal:

We are already procuring, but I would say partially we are procuring and partially we are carrying the inventory, so depending on like say waste we are using, so waste would not be carrying inventory, but when it comes to rich premium cotton, which is high quality cotton that we carry, so it is a mix of cotton that we carry and mix of cotton that we buy, we have also imported lot of cotton so that is also going to help the company. So yes definitely company is also feeling the impact of higher

cotton prices, but it is not that aggressive because company has taken precautionary action, so to some extent definitely the prices in fact will be felt, but some extent also the finished product prices have been raised, so as to nullify the effect.

Abhilasha Satale:

All in all like can you summarise how much will it be around 100 or 150 basis point in Q2?

Deepak Chiripal:

Difficult for me to give a number because I have not done that math, but I would say largely going by instinct I would say 5%, I would expect the finished prices to increase to about 8% to 10% I would expect the cotton input prices to go up, so this is all I would say, but I have not really done that math, what will happen in next quarter.

Abhilasha Satale:

Okay and what about next season like the coming season, what is your assessment of cotton price and if they prevail at the current price and how much will our cost go up because of that?

Deepak Chiripal:

New season is concerned definitely from the current level the prices will go down, so we expect about 8% to 10% prices getting corrected, minimum 10% the prices should get revised, this is the expectation of the cotton arrival and there is supposed to be a good monsoon, so good crop in the coming season, the quality of the crop would also be good and imports also are happening, so that should also support the system, so that should correct, but however, this year we feel that the average cotton prices will definitely be higher than what it was prevailing last year just about the same time, in fact it will also be a good signal for the industry because that will help maintain the fabric prices. Had the cotton price gone down too drastically, the fabric prices would also have been impacted drastically, however, if 8% to 10% of the prices are corrected then I would hope that the fabric prices is maintained at the revised levels.



Abhilasha Satale:

Okay in the second half are we seeing any margin impact because of increase in cotton price?

Deepak Chiripal:

Second half I already mentioned that the cotton prices, cotton input cost will go up, so to correct that we have already increased and we are in the process of further increasing the fabric prices and second impact that, second action that company has taken is changing the product mix and getting out of the products, which are too tightly budgeted on the costing front, so these are the couple of actions that company has taken to avoid the hit on the bottom line, so we hope that second quarter also we are able to maintain a healthy bottom line and avert the cotton increase input cost.

Abhilasha Satale:

Once our new capacity kicks in what kind of volume and how will we ramp up on a quarter-on-quarter basis like in H2 how do we see volume growth coming because of that?

Deepak Chiripal:

As of now our capacity is about 100 million including the shirting, which is 10 million and together it is about to increase to 120 million, so I would say about 20% growth should be seen in terms of volumes, so similar increase we can feel in the top line and I would say about anywhere between three to six months if you take to actually stabilize the entire volume, so I would say latest by fourth quarter of this year we should have the entire capacity operational and stabilized, so the actual impact will be seen, the top line will ramp up third and fourth quarter, but I would say first quarter of calendar year 2017 is going to whole lot 2017-18, we will keep the robust top line.

Abhilasha Satale:

Okay, fine Sir, thank you.

Moderator:

Thank you. Next question is from the line of Bajrang Bafna of Sunidhi Securities. Please go ahead.



Bajrang Bafna:

Very good afternoon Sir, just on the warrant issue part, you have again announced that you are about to raise Rs.100 Crores from strategic investors by issuing warrants, if we see clearly you are ending the capex program which was to the tune of Rs.600 Crores this year and next year onwards even if we go by the current profitability we are almost making around Rs.200 Crores EBITDA and hopefully with the guidance that if you go by 19% to 20% kind of margin may be two years down the line we could see Rs.300 Crores EBITDA from this expansion program itself, so what is the need for us to raise this capital and dilute equity, if you could just give us the merit in that?

Govind Sharda:

Bafna Ji we are looking at multiple options to expand the revenue stream of Nandan, the issue is that the central government TUFs has already been withdrawn, almost withdrawn and the Gujarat Government scheme is available till August, September 2017, the only thing is if we want to expand our capacity by way of capacity addition in Nandan or in any other line of business related to Nandan's business we definitely need equity to infuse into SPV or whatever form of the company that we may create. The EBITDA margin numbers that you have shared, the cash profit numbers that you have shared touchwood that to be reality but as of now in order to meet the capital requirement for the new business expansion we have taken an in- principle approval of the board, which we will be subjecting it to the shareholders approval. I think this money will move into the value added business of Nandan to expand the future growth engine of Nandan.

Bajrang Bafna:

Is there any plan to go into the branding segment of the market because that is where we have seen off late KG Denim and all have come up and they have really reported good margins off late, so any plan on that front?

Deepak Chiripal:

As of now if we talk about next 12 months I would say there is no real seriousness in coming out with any brand because as of now



we are having good projects in hand, which we are yet to commission, so once we have commissioned those projects and once we have stabilized those projects, any new kind of project would only be considered after that, so one project at a time or one assignment at a time that would be the policy that we would like to go ahead with. So as of now branding is not really on the front plan.

Bajrang Bafna:

And one more thing, if we see last two or three quarters, we are seeing the run rate, which we used to maintain in terms of average realization, which were continuously improving, off late we are seeing that the realization per meter in Denim have started coming down, so though you talked about that value addition and innovation would be the trick to improve the realization and the margins per se, but that is not really getting reflected in the numbers at least of last two quarters, so just if you could highlight what are the states that management is considering to correct that part going forward?

Deepak Chiripal:

Actually the company is continuously striving to go for more value added products and value added segments, however, this is, I would say a little slow process and this does not happen overnight, it takes sometime, besides also a lot of capacity as far as new processing or value added capacity is concerned is yet to be commissioned in the company, as project is not yet implemented as was and it will be completed only by the month of September, so post that we are expecting major goals to happen in these areas, the project is still underway. Definitely the marketing efforts are started and definitely development efforts have started, we are already after it and we are hopeful those coming times we will see not only the topline improvement in terms of revenue improvements per meter theory basis, but also the bottom line improvement.

Bajrang Bafna:

What sort of value addition that we are talking about, if you could slightly provide more color will be really helpful?

Deepak Chiripal:

We talk about value addition, we talk about more products, which are in tune with the fashion technology, so when we talk about value addition we are talking about such products, which are fast changing, we are talking about products, which are difficult to replicate, we are talking about products, which are upcoming, so we are basically trying to reduce the commodity or we are trying to reduce the products which are sort of evergreen product, so that they are less copied and there is less competition, so when we talk about value addition basically we mean that better margin products could have various characteristics depending on the fashion, but basically where we can have better margins.

Bajrang Bafna:

Sir how much equipped are our R&D facilities for doing this job, how many people we are having in the R&D side for carrying out this kind of change or value addition?

Deepak Chiripal:

To talk about this thing, it is not just R&D, there is lot of things that goes into it, it is also the customer, it is also the market, it is also the marketing team, it is also the marketing services, it is also the development, it is also the infrastructure, which is going to be able to deliver this kind of products, so it is about everything, it is about the whole philosophy, it is not just team of I would say a few people, the company is going to do these developments, so it is basically changing the whole focus of the company and basically changing the whole business model, so a lot of activity is underway and a lot of work is going on in the company and we are investing in right from market research to marketing to product development to also building up the infrastructure as you are aware, which is going in the proposed expansion, which should be completed by next month. Also secondly since we are setting up new facilities we have the advantage of making products, which are new age products and

which are recent in the market, which would also be an advantage to the company as compared to some of producers who are having facilities, which are little older and which has a lot of limitations, so that also will be a good advantage, so in terms of low demand times or the low times company would be in a better position as compared to other competitors.

Bajrang Bafna:

On this point the differentiating factor with the other competitors, what you highlighted is that the market research and the feedback from each and everybody and then the internal exercise, I hope that Arvind and including all other people might be doing the same exercise, everybody would try to maximize the value addition part and try to garner more and more realization, which is possible, so what is different that probably Nandan is trying to do, which could really fetch the results going forward, if you could slightly highlight what is the different thing from the competition that we are deploying or we are about to deploy to bring this change would be really appreciated?

Deepak Chiripal:

I would say the first and the foremost thing, which is different is the management, Nandan is a different management from Arvind management and Nandan is a different set of people from Arvind people, so that is the first take if you ask me one factor, which is going to differentiate is going to be this. It is all the decisions that we take on day-to-day basis because currently Nandan focus is fabric business, so this is our bread and butter, secondly Nandan is not a very old company in terms of it being a decade old when you compare with Arvind, it is the first company of India to introduce Denim, so it has its own legacy, it has its own advantage vis-à-vis Nandan has its own opportunities because it is a clean slate, so it can write its own story and depending on how the market is perceived by Nandan team, we can develop a different business model, so there are a lot of things that we are trying to learn not only from Denim industry, textile industry, but we are also trying to learn noble ways of doing business from other industries like FMCG or other fashion product companies to



incorporate those kind of practices into our marketing system and also our production system so as to be able to deliver something which is different from what our customers have been experiencing or our market has been experiencing in past. So we see a lot of opportunities and we see a lot of areas that we can improve upon and I cannot comment on Arvind because I am not an expert on Arvind, I can comment about Nandan that as Nandan we see a lot of opportunities to improve and areas to work upon, so that is the reason why we say we are optimistic about our future and we know what we want to do and we have a lot of homework at hand to do, which will only, help us improve our performance.

Bajrang Bafna:

Thank you and Sir if we see broadly the industry dynamics now you see the TUFs is already over and next year this scheme Gujarat Government scheme is also going to be over. So as CEO and President has highlighted that we want to take the advantage of this opportunity, but if you see the broader picture beyond this once these subsidies are over and we come to the general operating environment where the capital will be charged whatever investment that we do, so how the dynamics post that will look like because if you see as per the last presentation which Nandan has made, we have roughly 1200 million meters capacity in India and out of that roughly 800 is the consumption and 200 is the export, broadly the growth has been 15% to 16% if you see the historical period, going by that number how the dynamics beyond 2016 or 2017 looks like for the sector, if you could provide some color on that will be really helpful?

Deepak Chiripal:

Actually to our satisfaction Denim has been doing phenomenally well and this year also the Denim is the colour of the season and next year also as the forecast goes it is going to remain popular, so I would say for 2016 and 2017 Denim seems to be good at that and as far as the production increase is concerned definitely the production is increasing in India, supply is increasing, new players are coming in, competition is going to increase, but the positive



side is that market is also growing to support this kind of suppliers and post 2017 once the policy has expired I would say it would be even better for the old players because they would be in a competitive advantage as compared to somebody who would be investing capacity post 2017, so that will further improve the competitiveness of the company in the market, so that would in fact turnout to be an advantageous situation for the company, so market is growing, all in all the market is growing, the supply is also growing and hopefully if the market is able to absorb the supply, future is only brighter; however, if this market cannot grow at the same pace as the supply grows I would say it would be a period of one year or something by the time the demand and supply would be balanced that is also one of the reason why company is also targeting the export market, so that we can diversify our market base in case there is an oversupply situation in domestic market. So as such domestic market is running out very strong. It is growing. There are a lot of areas where Denim is entering which was previously not the case; however, if anything goes wrong or the pace does not match up the supply situation we are working to avert that situation, we are targeting on the export front.

Bajrang Bafna:

But Sir, does it really come true, because if we see this 1200 even if it grows 15% in three to four year's time we will need at least 2000 million meters and do you see those 800 million meters capacity is getting added in the system in next two, three years time because if we rough cut see the companies because it is hardly 30 players industry so even if we go and talk to the other players I have spoken to few of them I do not get the math correct that 800 million meters capacity is getting added over next three, four years time?

Deepak Chiripal:

There is no deadline that any Government has posted that after two years, there would be a ban on Denim production, Denim capacity addition, there is no such ban or regulation, it is just that beyond this time the benefits will be say withdrawn or may



be modified, so post that expansion would become uncompetitive or a disadvantage that is the only change, so for example after two years if the demand is supporting these supply or requiring the supply definitely more capacity will be added in the country. That would always be the case, it will always be a case of demand and supply, but earlier players would be hopefully in a better competitive advantage situation as compared to the new capacity, which are added after withdrawal of Central Government and State Government TUFs.

Bajrang Bafna:

But this overcapacity situation is there in the system that is what I am trying to understand because?

Deepak Chiripal:

Over capacity situation is not there as of now.

Bajrang Bafna:

Okay, but going forward that is also seems slightly difficult because though we say a bit even currently we are almost utilizing 80%, even if we consider this 1200 million meters capacity and consumption of roughly 1000 including export, so we are almost 80% capacity utilized and going by the trend next year onwards it will be very difficult for the other players to put up new capacity, so where this overcapacity question comes into the picture that I am not able to understand?

Deepak Chiripal:

But I do not know why you keep understanding that there will be oversupply?

Bajrang Bafna:

No you pointed out that if it comes then that is why I am just asking?

Deepak Chiripal:

I am just giving you different scenario, there could be oversupply situations, there could be short supply situation, I am just giving out different scenario if the Denim does not grow at the pace it is growing, if the supplies come out and there is a demand supply there, there is more supply, so there are various scenarios, what will happen tomorrow is difficult to say, we can only keep

forecasting. Even if there is an oversupply situation what I am saying is even if there is in a worst case scenario, even if there is an oversupply situation it will be for a short time, market is growing, I do not say that there will be an oversupply situation, there could be one of the scenarios.

Bajrang Bafna:

But Sir as per your knowledge how much capacity is getting added in the system considering since you are close to this association also, so what is that which is getting added as per your knowledge?

Deepak Chiripal:

Next one year about on a conservative basis I would say minimum 300 to 400 million will be added.

Bajrang Bafna:

Over next one year?

Deepak Chiripal:

Yes.

Bajrang Bafna:

Thank you Sir. If I have more questions I will come in the queue.

Moderator:

Thank you. The next question is from the line of Rahul Agarwal from VEC Investments. Please go ahead.

Rahul Agarwal:

Good afternoon. Again first question on the realization part of Denim, Deepak mentioned that since the work is still under progress you cannot really have a higher share of value added Denim being sold, just wanted to understand if you can highlight what is that wherein the work is under completion wherein which will help you change and sell higher share of value added stuff into Denim?

Deepak Chiripal:

Yes as I mentioned the project is still not completed and a lot of capacity is yet to become operational and this should happen in next few months' time, so once that capacity is becoming operational, so those are the machines that is the capacity which is I would say required by the current market and it is as per the

trend, which is going on in the market. So I would say that is more flexible, more nimble, more qualitatively it is a richer facility, so which will give more flexibility to the company in terms of the kind of products that it can do and the speed at which the company can deliver the products to the market, it is a qualitative aspect, which is going to help the company to be a differentiator in the market, so this is what is going to help, so whether it is related to spinning or whether it is related to processing or whether it is related to even weaving, so all these things are yet to become operational, which we are expecting by next month, September end we are expecting everything is on the verge of completion, so we are expecting by next month we should be able to make it operational.

Rahul Agarwal:

You are referring to the 11 million meters to be added to Denim is what you are referring that capacity is basically more value added because my sense is the 100 million what we have in Denim since last two years, the understanding what I carried was that you can easily have higher share of value added coming from that capacity itself, is that not the case?

Deepak Chiripal:

When you talk about value added it is not just putting up one machine and that is going to overnight have the value addition, it is about lot of things as I mentioned, it starts with the customer, so it is the customer, it is the market research, it is the marketing approach, it is the development, it is the infrastructure which is going to churn out the orders, so it is about everything, so as far as the infrastructure is concerned, it will become operational next month because lot of it is, as far as Denim is concerned last two years also lot of changes have come into the industry, so that has also demanded a lot of change in the kind of configurations that we expect in the product, so it has demanded a lot of change also, so I would say only the new age players can do those kind of products or the new age machines can do those kind of products and it always going to be advantageous to the company, so that is definitely going to help. As far as the culture or as far as the management approach is concerned there also a lot of work is



going on, lot of investment is being made, not only in terms of infrastructure, but also in terms of the market research, the market, the customers, the development, building up the marketing team, building up the distribution network, so all these things also is going to further enhance the kind of products that we are doing, the profitability in the product and also it is going to make a differentiator, create a differentiator in the market, so there are a lot of things that together as a combination need to be done to really get the success, that the company is already working on all the fronts and hopefully with time we are also very satisfied with the kind of progress that we are doing at Nandan. We do understand that it is a slow process and it is going to take time, but we are on the right way and right track and in coming times we are very confident that we will reach and will continue to drive in the direction where we want to reach.

Rahul Agarwal:

So let us say whatever things you just explained right now or happening on the go as well as some are completed and some are not, when do you think do you report better realization, if all these things have to get completed and you start reporting and get reflected in the number. Will April 2017 be a reasonable estimate or you think it will take more time?

Deepak Chiripal:

It is like understanding how much you can improve, it is like that, it is kind of question how much you can improve and how much can you go down, it is a drive for excellence and it is a movement for improvement, so I will say we are currently seeing a lot of improvement scope and I cannot make a statement that April 2017 we will stop seeing that, definitely I would say we will be better than today, April 2017 will definitely be better than April 2016 and April 2018 will definitely be better than 2017. Now how much better? It depends on really not only just our planning, but also our execution and also how the market scenario turns out to be, so there are a lot of variable, but one thing that we are very sure about is this will be better than yesterday and definitely we will see higher margins and definitely we will see better numbers going



ahead.

Rahul Agarwal:

Secondly on the capex thing you mentioned next month it will get completed, just wanted to break it up, so will the Denim thing get completed as well as spinning both of them gets completed by September 30, is that what you intend to?

Deepak Chiripal:

Yes, this September is going to be spinning, also it is going to be weaving capacity, also it is going to be processing capacity, so it is going to be a mix of all three, which is going to become operational.

Rahul Agarwal:

All these to be announced as commercial from?

Deepak Chiripal:

Yes it is going to get commissioned next month.

Rahul Agarwal:

Third quarter?

Deepak Chiripal:

September 30 is our target date, which is being announced, so I hope we are able to meet that and we are able to complete all three by then. However as of now things are very much in line, so I do not expect too much of variation could be a few days here or there, but I do not expect too much of variation to happen in the company.

Rahul Agarwal:

Okay and just lastly on the capex spent till now Govind Ji mentioned about Rs.40 Crores left, is that part like out of 600 is 40 left or that is only for plant and machinery?

Deepak Chiripal:

Around Rs.40 Crores is yet to be invested, balance has already been invested in the project as far as the investment is concerned.

Rahul Agarwal:

So about Rs.550 Crores already done right?

Deepak Chiripal:

I think yes.



- Rahul Agarwal:** All spend?
- Deepak Chiripal:** All spend, 40 Crores is yet to be spent which we are expecting that in next one month we should be able to spend that and complete the project.
- Rahul Agarwal:** I will come back in the queue if I have more questions. Thank you Sir.
- Moderator:** Thank you. We have the next question from the line of Jimesh Sanghvi of SBICAP Securities. Please go ahead.
- Jimesh Sanghvi:** Just wanted to get a sense on your export business, we are still at around 11%, 12% kind of in terms of our total volumes, so how do you see it improving over the next two years and if you can have a guideline in terms of percentage that you would like to reach probably in the next one year timeframe. Secondly, if you can throw some light on the cotton market in the Gujarat region wherein there are reports that the cotton crop is likely to get affected, so how do you see that impacting our capacity because we are adding a lot on this spinning side, so how would that pan out for us over the next cotton season probably if you can throw some light on that as well?
- Deepak Chiripal:** So I think the first question that you mentioned was regarding the exports right?
- Jimesh Sanghvi:** Right.
- Deepak Chiripal:** Are we planning to increase the export is that topic you wanted to ask?
- Jimesh Sanghvi:** Yes.
- Deepak Chiripal:** Basically how we are planning to increase export is making more



efforts into that segment, so basically we are more focused towards this segment, we are more serious about this segment and we see a lot of opportunities as we go along, we see a lot of opportunities in export because India being cotton based country, so now internationally it is being recognized as a good sourcing destination for cotton based products, so as far as company is concerned, Nandan is concerned from fiber to fabric we are vertically integrated, so we have a good sourcing option for any buyer and we are having an updated state of art manufacturing facility, so that would be a good attraction for any reputed buyer. So as far as the fundamentals are concerned we are very strong with that and as far as the timeline, it takes about because the export is about relation, as any marketing export is also about relationship building and channel building and distribution building, so it is a slow process; however, the company is already on its way building up the distribution network and relationships and making networks, so slowly things are also moving in the right direction. It will take sometime, but we should be able to achieve what we are targeting and our exports are certainly to increase in coming times. However, the company's priority has always been domestic market as far as the realization or ease of business is concerned, so company's priority has always been domestic market, so company is going into export market as an alternate market to even out market variations, which may happen in domestic market, so it is only as a strategy to balance out the ups and downs of the demand and supply. Our company also sees, in coming times if the export market turns out good, company can also get a good future growth engine from the export market. As it is, the company is fully operational and it is also working on full capacity and going ahead also we are expecting we will be able to run at full capacity once the new capacity also becomes operational, so we will have appetite for more capacity addition, which will tap new markets in future, so that will be a plus point for the company.



Jimesh Sanghvi:

I understand that, but is there a time, a number to it like would you like to increase it from 12% to 14% by FY2017 or something of that sort in terms of your volume percentages that you would have in mind for this?

Deepak Chiripal:

As such we do not have fixed minimum number that we want to have because it all depends on demand and supply and so as such we do not have requirement of any such number that we have to increase by so and so number or something as far as intention is concerned definitely our intention is that we would like to be above 25%, 30% of our volumes should come from export market whether it is direct export or whether it is deemed export. Currently I would say about 18% or 20% would be from direct to deemed export currently the company where it is standing and hopefully it will only increase as we go along.

Jimesh Sanghvi:

Right, secondly from the Gujarat cotton market if you can throw some light because there you are hearing that the area under cultivation is less as well as there are concerns of something worm, which could affect the cotton production, so how would it affect us in terms of our cotton procurement considering that we are increasing our spinning capacity?

Deepak Chiripal:

You are talking about the current year right?

Jimesh Sanghvi:

Yes current or the upcoming season?

Deepak Chiripal:

New season, you are talking about the current year?

Jimesh Sanghvi:

Yes.

Deepak Chiripal:

Current year I would say two more months to go and October we should see the new crop coming in, so once that comes in obviously we will see the correction in the prices to happen. As far as the current year is concerned company is not exposed to market. We have stocks and we have some imports also which are coming in, so

as far as the impact is concerned, it is not that bad for the company, so I would say about 60% of the company's requirement is hedged, about 40% is definitely exposed, but to cover up that we are also increasing the finished good prices and passing on some of the impact to the final buyer and hopefully that will also have a good impact because after the new crop comes in we may not have to revise the price.

Jimesh Sanghvi:

In terms of price increase, what is the quantum of increase that we have had in the first quarter, which was more driven by the increase in the cotton prices and what was it because of the product mix change if you can quantify that number, is it possible?

Deepak Chiripal:

First quarter is concerned, I see it was not really that much impacted per the price increase, it is only second quarter which will feel the impact of the quantum price increase.

Jimesh Sanghvi:

No I am talking in terms of the Denim realization if I have to look at?

Deepak Chiripal:

Yes I am just coming to that, what I am saying is, first I am talking about cotton, cotton was not really that badly impacted in the first quarter, it is only the second quarter when the Indian mills will really feel the impact of cotton import prices going up. But as far as the finished good prices are concerned first quarter we did not have that much of upward revision because industry was able to somehow compete and somehow balance it out, only in second quarter the situation has been that everyone has started increasing prices and really, I would say for 5%, 6% of the prices have been, we have been able to revise the prices.

Jimesh Sanghvi:

Thank you.

Moderator:

Thank you. That was the last question. As there are no further questions, I would like to hand the conference back to Mr. Jimesh Sanghvi for any closing comments.

Jimesh Sanghvi:

Thank you all of you. I would like to hand over the call to the management for the final closing comments.

Govind Sharda:

Thank you very much all. It was really enlightening to have an idea about what is your expectation from the Company that gives us some guidance to do better than what we have done, thankful to you and we look forward for your honest opinion. Thank you very much.

Moderator:

Thank you very much. On behalf of SBI Cap Securities that concludes this conference. Thank you joining us ladies and gentlemen you may now disconnect your lines.

