



# “Nila Infrastructures Limited Q3 FY16 Earnings Conference Call”

**February 26, 2016**



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**Moderator:**

Ladies and Gentlemen, Good Morning and Welcome to the Q3 FY16 Earnings Conference Call of Nila Infrastructures Limited. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict. 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 now like to hand the conference over to Mr. Deep Vadodaria. Thank you and over to you, sir.

**Deep Vadodaria:**

Good morning, Ladies and Gentlemen. I welcome you all for discussion of Q3FY2016 earnings conference call. Along with me I have Mr. Prashant Sarkhedi who is the CFO of the Company, we have Mr. Himanshu Bavishi who is the Senior Vice President of Finance and Strategic Growth Advisors who are our Investor Relations Advisors.

Let me start the call with a brief overview of the business. Nila Infrastructures is a Gujarat based company with civil construction at its core. We focus on projects relating to civil, urban infrastructure on EPCs and turnkey and PPP basis. We also undertake private white label construction projects, industrial infrastructure project and develop our own real-estate. With an objective to leverage our core strength of civil construction, we got ourselves registered as approved contractor in “Special Category - I Building Class” with “Government of Gujarat Roads and Building Department” which will be of great advantage to undertake various civic, urban infrastructure projects in the state of Gujarat, we are among the very few company to get this certification which will improve our profitability going forward due to less competition for the project where the certification would be one of the basic requirement for pre-qualification.

As a strategy to expand our footprint geographically, last year we entered into Rajasthan with a project of affordable housing in Jodhpur. We believe Rajasthan is a new sun rise state having immense potential in civic-urban infrastructure. During last quarter we have signed an MoU with Government of Rajasthan under the “Resurgent Rajasthan Partnership Summit – 2015” for development of civic urban infrastructure under this MoU of about Rs. 400 crore. We would bid for various civic urban infrastructure projects including affordable housing. We have currently put in our bids for various affordable housing projects planned by Government of Rajasthan and expect to receive meaningful projects which will strengthen our presence in Rajasthan.

Apart from this, we continue to perform well in our home market which is Gujarat. As a testimony to our robust experience and affordable housing project recently we were awarded a Slum Rehabilitation and Redevelopment Project by Ahmadabad Municipal Corporation on



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PPP basis. This project is among the first set of Slum Rehabilitation and Redevelopment Projects to be set out on PPP basis. The PPP project opens up a new sphere of activities for future business. The project was bid out under Slum Rehabilitation & Redevelopment Policy - 2013 of Government of Gujarat. One of the unique features of this policy is that the compensation to be received for the project execution is in form of Transferable Development Rights (TDRs) and the balance vacant land. The project is to be executed over a period of 24 months and we have already started the social coverage through Mahila Housing Seva Trust, an autonomous organization. We are in process to execute an agreement to sell TDRs and the funds will be deployed to execute the project. We expect our profitability to improve further from current levels as we execute this project due to its inbuilt better profitability margin. There is a significant potential of such Slum Rehabilitation and Redevelopments on PPP basis as there are more than 500 slums in Ahmadabad itself. The company is evaluating more of such opportunities.

Now coming to our order book. Our confirmed unexecuted order book as on December 31st 2015 is Rs. 2,598.4 million with 86% constitutes from affordable housing projects. Our EPC order book will keep on swelling due to a regular bidding process while we focus to build an order book on PPP basis. We are convinced about this affordable housing sector as it is now getting a significant push from the Pradhan Mantri Aawas Yojna i.e. "Housing for All by 2022". It aims to construct more than two crore houses across the length and breadth of nation with a span of next seven years. Our existing projects under execution fall under EWS, LIG and MIG categories which is Economically Weaker Section, Low Income Group and Middle Income Group housing. Hence, the company being already active in affordable housing space, the focus of central and various state governments on creating more affordable houses presents us a huge opportunity for growth in our core area of strength.

I would now request Mr. Prashant Sarkhedi, our CFO, to present results for the Q3 and Nine Months FY16.

**Prashant Sarkhedi:**

Good morning. We thank you all for joining us today on our third quarter FY16 earnings call. I believe you have had an opportunity to see our result and the presentation that we have circulated and uploaded on our website, apart from respective websites of BSE and NSE. I would now present the result for the quarter ended December 31st, 2015.

Our revenue has witnessed a strong growth of 29% to Rs.431.2 million in Q3 FY16 from 310.1 million in Q3 FY15. Our EBITDA for Q3 FY16 is Rs.78.8 million which has increased by 23% from Rs.63.9 million in Q3 FY15. The EBITDA margin for Q3 FY16 is 18%, the profit has also seen a healthy growth of 49% to Rs.45 million in Q3 FY16 as compared to Rs.30.3 million in Q3 FY15. The PAT margin is 10%, an improvement of 70 bps. The improvement in the margin is due to the fact that few of our projects are in the last stage of execution and are getting over. We expect EBITDA margin to be in the range of 17% to 18% going forward.



Now coming to the result for the Nine Months of FY16, Revenue for the Nine Months FY16 improvised by 31% to Rs.1,138.3 million from Rs.869.5 million in Nine Months FY15. Nine Months FY16 EBITDA came at Rs.199.1 million, a growth of 25% over Rs.159.1 million in Nine Months FY15. The EBITDA margin came in at 17%. Profit after tax saw an improvement of 58% to Rs.112.4 million in Nine Months FY16 compared to Rs.71.2 million in Nine Months FY15. The PAT margin for Nine Months FY16 improved by 170 bps to 9.9% from 8.2% in the Nine Months FY15.

Now coming to the balance sheet side. As on December 31st, 2015, the standalone net worth is Rs.1,691 million and standalone gross debt is Rs.1,558 million. The cash and bank balance on the standalone basis is Rs.47.8 million as on December 31st, 2015. The net debt to equity is at comfortable level of 0.89.

With this, now we open the floor for question-and-answers.

**Moderator:**

Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Chintan Seth from SKS Capital & Research. Please go ahead.

**Chintan Seth:**

Just wanted to understand your thought process, from earlier you guys entered the business primarily into AMC's projects, small and medium sized projects and then we shifted to EPC construction business and now we are focusing on affordable housing projects. So it is very volatile in terms of business view of the company where we started something as real-estate and all and then we shifted to EPC construction, small projects from AMC and then we are more focused on affordable housing. So how do we look at as an investor to study the business, because business fundamental or business model is being shifted very quickly?

**Deep Vadodaria:**

Yes, we basically started as a real-estate company. Obviously we have transformed and evolved over a period of time in the last few years. Obviously this has not been like a very quick shift, it has taken many quarters and maybe say three, four financial years before we got into this whole mode of becoming more of a urban infrastructure player rather than a real-estate player, because what we really observed in the peak of real-estate and around 2008-09 after the stock market crash is that any of this real-estate bullish phase is all short lived. It is a cyclic trend in the end and it goes through its own cycle which makes it very difficult for all the companies purely involved with only real-estate to stay there, sustain those profitabilities and the top-line and moving forward it becomes very difficult for you to grow because you are directly connected with how the market is going to flow. In the meanwhile, we got couple of opportunities from BRTS Ahmadabad and couple of other civic urban infrastructure projects where we thought that this is where the potential for India is going to come for the next two or three decades till there civic and urban infrastructure growth and there is still so much of growth which needs to be done, actually we have just started. So the shift actually happened in around 2010 when we thought that this should be our real focus and it has taken us about five



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years to convert this into a company which is purely looking at civic urban infrastructure and not looking at real-estate per say as their primary focus. What happens over a period of time is, of course when you get into the construction business you do not look at the sort of margin that you have on real-estate front, but at the same point of time the top-line and the bottom-line are both sustainable and as you have seen with the results that we have been showing over the past quarters and few years is that quarter-on-quarter and year-on-year we have shown basic growth. We have shown that the bottom-line that we are showing is sustainable and could improve over a period of time based on how the project mix is going to be. But yes, to answer your question in short, yes we looked at this space because we saw tremendous potential in India for urban infrastructure and we felt that this is a space where we can grow and we can also sustain at the same point of time.

**Chintan Seth:** So we will be looking at Nila as an urban infrastructure plus affordable housing PPP players broadly at least for a significant future?

**Deep Vadodaria:** Yes, that is true. That is what the outlook is and we are more bullish on the affordable housing segment because of a simple reason that this is a self-reliant model where government in usual terms is not putting in any money. The governments and various civic bodies are just acting as facilitators between the beneficiary and the developer where the money is collected by the government from the beneficiary and given to us as developers. So that comes about with risk minimization of points being stuck with the government which is usually the case in construction projects and urban infrastructure projects. That is why affordable housing is something that since the time it started in our home town Gujarat and Rajasthan we have been looking at very closely and we have been participating and executing a lot of orders in there.

**Chintan Seth:** And can you just give a breakup of the revenue in terms of the projects we have and what kind of the order backlog you mentioned around the Rs.259 crores of order backlog we have currently, recently we won some rehabilitation project, so I hope that has started contributing on revenue side, still work in progress. So can you please breakup the revenue as well as order book so that we can get a clear trend of how where the revenue is coming from and what will be the future revenue coming from the order book position?

**Deep Vadodaria:** Yes sir, we will just break it up it up into pieces.

**Himanshu Bavishi:** We started our year with Rs. 210 crore order book and we added during the year about Rs.143 crore, out of which we have executed about Rs. 93 crores order, so that gives us at the end of 31st December we were about Rs. 260 crore. Now out of the Rs. 260 crore, the clear breakup is: Affordable housing constitute about 86% and rest 14% is of civic urban infra which would include BRTS bus stations, multi-level parking and such niche project that the company has cherry-picked based on the viability of the project.



- Chintan Seth:** And on revenue, what will be the breakup?
- Himanshu Bavishi:** Rs. 93 crores has been added out of the total revenue for this Nine Months. It has come in from infra activity i.e. from total Rs. 113 crore for this Nine Months, Rs. 93 crore has been provided by infra activity.
- Chintan Seth:** Can you break it up project wise, like we have currently projects in Ahmadabad.
- Himanshu Bavishi:** LIG-6 gave us Rs. 22 crores, the VUDA-Sewasi project gave us about Rs. 15.5 crores, VUDA-Vemali gave us Rs.14.25 crore, Pratham of Adani Group gave us Rs. 12 crore, Multi-Level Parking about Rs. 11 crore. So these are the main ones.
- Chintan Seth:** So can you separately give the order book remaining of those projects?
- Deep Vadodaria:** Chintan, you want to know the balance of execution on these products?
- Chintan Seth:** Of project revenue and balance project wise order book.
- Himanshu Bavishi:** LIG-6 we have already executed about 84% of the project, Adani Pratham we have already executed about 77% of the project, Vemali is about 70%, BRTS is almost through, Sewasi (VUDA) is about 60%, Multi-Level Parking is about 50%.
- Chintan Seth:** So next growth or next key revenue contributor will come from that slum one?
- Himanshu Bavishi:** Yes, next main contributor would be Giridharnagar Slum Redevelopment and two Economical Weaker Section projects of AMC, that is Ahmadabad Municipal Corporation. These orders are worth about EWS-1 is Rs. 41.30 crore and EWS-4 is Rs. 54.39 crore.
- Deep Vadodaria:** Yes absolutely, that is true and then to just sum it up what you said, yes we will keep on focusing on the affordable housing segment. The revenue from the SRA that you are trying to talk about is only going to start coming in from as far as construction is concerned it is going to start coming in from the next financial year.
- Chintan Seth:** Yes, but that is not, the revenue booking will be based on your TDRs you will monetize over a period of time.
- Deep Vadodaria:** Yes, the TDR will possibly monetize in the current quarter, which is the quarter four, but as far as construction on the site is concerned we are anticipating that we will be able to start it by end of quarter four or maybe start quarter one in the next financial year, that is when the real construction will start.



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- Chintan Seth:** So how do you recognize this, like the cost is Rs. 41 crores of the project, you will recognize over a period of two years of the construction period wherein actual cost will be incurred, of which in lieu of that we are getting around market value of TDR Rs. 13.5 crores and land bank of around Rs. 27.5 crores. So when you execute or monetize this land you will recognize it and the cost will come back to P&L in the first place and then we will monetize this TDRs and land bank. So how do you basically foresee?
- Deep Vadodaria:** See, if you are talking about the accounting method, I think for TDR and the rest of the stock we are going to use AS-7 and for the balance land that we have we are going to use AS-9.
- Chintan Seth:** So of the 250, 86% affordable housing will start getting in to the P&L, what is the average margin on those orders?
- Deep Vadodaria:** See, average margin on orders absolutely varies from project to project because there are various projects like what we are doing in Rajasthan is a cross subsidized PPP model where we are getting some money from construction and the rest of the profit is coming in form of the balance land that the government gives us after the completion of the project. So that is a cross subsidized PPP model that we are working on in Jodhpur. When you talk about slum rehabilitation, obviously the model changes. If you talk about pure EPC contract, obviously it changes because it is just pure construction contract where you build and the government gives you money collecting it from the beneficiaries. So it will largely vary, but yes we are expected to continue on the margin front on what we have been showing in the last two-three quarters and we have been very consistent in it. So I think we can look at the EBITDA levels to be stable around 17%- 18%.
- Chintan Seth:** And what is the cost of debt?
- Himanshu Bavishi:** Cost of debt is about 13%, weighted average cost of debt is about 13% and we are in process to consolidate our high cost debt. We have recently consolidated our certain high cost debt into low cost debt and the further process is still on. So this 13% would probably come down going forward.
- Moderator:** Thank you. Our next question is from the line of Nandish Shah from Nirmal Bang Securities. Please go ahead.
- Nandish Shah:** Actually wanted to know more details regarding the sale of TDR of what you say the Shahibaug land and in which quarter will you book this or when it will flow in your P&L account?
- Prashant Sarkhedi:** We would monetize it by this quarter. And revenue from the same would be as per AS-7, so whatever construction for the slum rehabilitation takes place, similar percentage would be recognized from the part of TDR.



- Nandish Shah:** And can you let us know the difference in margins for the different verticals which you are in, especially in the private construction and for the government projects?
- Prashant Sarkhedi:** It really depends, because the few initial projects would have good margin, then the competition would start up and the margin would go down. So the margins have not been specified but if you consider PAT, it would be about 9% to 10%.
- Deep Vadodaria:** Nandish, again I would like to say the same thing that I told Chintan that it becomes very difficult, as our CFO said, the initial projects, which are now ending, competition would have EPC projects that I am talking about would probably have a higher margin than what the newer EPC that we have got into. Because of the competition getting more and more as government becomes one of the biggest clients for all of them of this real-estate flowing down over a period of time. So EPC is looking very-very competitive. When you talk about slum rehabilitation mode, you are in the selective zone where your competition is real-estate developers and not basic contractors, which we come across on the EPC front. So obviously the margins look better on the SRA front. And also at the same point of time when we look at Rajasthan, it is a dual model as in we are getting money from construction and we are also getting money realization from the balance land that the government gives us, so there the profit margin is different. So this all largely vary based on the specific location and based on the specific contract that we speak about. It will be very difficult for us to generalize a term, but if you want to generalize a term, yes, then the PAT and the EBITDA that we are showing right now and from last couple of quarters, I think largely it would remain in that range.
- Moderator:** Thank you. Our next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, what is the execution period of the existing Rs. 260 crores order book?
- Deep Vadodaria:** The average execution period is 23 months to 24 months.
- Shravan Shah:** And I know sir you have mentioned about the percentage completion of the different projects from the order book, but still if you give us, rather I would put it, Rs. 260 crores if you can break it up into the project in terms of the amount then it would be great help to us.
- Deep Vadodaria:** I will break it up and start with EWS-4, which will be Rs. 5,003 lakh. Jodhpur RAVIL in Rajasthan is Rs. 4,880 lakh.
- Shravan Shah:** Pardon, this is you are saying...
- Deep Vadodaria:** This is the balance execution which is pending as of 31st December, 2015.
- Shravan Shah:** So the amount we are saying is in million?





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- Deep Vadodaria:** Amount I am saying is in lakhs. So I will specify in crores if you are alright with it?
- Shravan Shah:** Yes.
- Deep Vadodaria:** So, Rs. 50 crore is what is balance on EWS-4, on Jodhpur there is Rs. 48.8 crore, on Girdhar Nagar the entire amount is pending which is Rs. 41 crore, EWS-1 is Rs. 40 crore, MLP which is Multi-level Parking is Rs. 27.7 crore, Pratham Adani is Rs. 12 crore, Vadodara Urban Development Authority projects, from which one of it is Vemali which is Rs. 11 crore and Sevasi is Rs. 10.58 crore, LIG-6 is Rs. 9.9 crore. So this is the breakup of unexecuted order book of Rs. 259 crore.
- Shravan Shah:** And sir in terms of you have mentioned about the opportunities but if you can crystallize in terms of going forward the kind of orders which is coming up in terms of opportunity and which we will be bidding for that, if you can specify than it would be great.
- Deep Vadodaria:** Sure. I will be able to give you a general answer on this because the details of the orders will only be known by the civic authorities which are going to come about, but if you look at the overall broad outlook as far as affordable housing is concerned, we have just started as we said. So there is going to be ample amount of opportunity across the country, if you talk about Gujarat, Rajasthan as we discussed in the opening comments we have signed this MoU with Government of Rajasthan where they have promised all the developers faster and single window clearances for affordable housing projects. They have come out with a lot of bid after the MoU on the same lines. We have participated in bids worth more than Rs.160 crore to Rs. 200 crore. So the potential is numerous. If we talk about slum rehabilitation, yes in Ahmadabad the slum rehabilitation drive has just started, there are more than 500 slums. So in the basic segment which we are focusing on right now, the sort of opportunities are going to come about are going to be more than enough for us to maintain this growth trajectory.
- Shravan Shah:** So in terms of the gross block or the CAPEX, how much we have done for the Nine Months and what is our plan in terms of CAPEX for the next year?
- Himanshu Bavishi:** Rs. 2 crore normal CAPEX for FY16 and for FY17 also we look close to about Rs. 2 to Rs. 2.5 crore, not more than that.
- Shravan Shah:** So sir with the current gross block how much in terms of revenue we can do it up for FY17, suppose in case even if we win let us say another Rs. 200 crores of orders in the next six months, so how much on an annual basis from existing order book gross block how much we can do the revenue?
- Himanshu Bavishi:** We can readily do up to Rs. 300 to Rs. 400 crore or we can build up order book of about Rs. 300 to Rs. 400 crore on our existing gross block.



- Shravan Shah:** So on an annual basis from the existing gross block we can do a top-line of close to Rs. 150 crores?
- Deep Vadodaria:** I think Shravan we are getting a little complicated here, I believe your question is that how much can we execute in the next financial year?
- Shravan Shah:** Not in the next year, I am saying that from the existing gross block how much...?
- Deep Vadodaria:** You are asking us how much are we going to execute in quarter four?
- Shravan Shah:** Not for quarter four, I am saying in terms of capability how much we can do? Suppose right now we have a Rs. 260 crores order book, let us say in the next two months also we receive another Rs. 200 crores orders, so from the existing one as you said only Rs. 2 crores – Rs. 2.5 crores will be the CAPEX for next year, so how much from the existing gross block we can do on an annual basis revenue?
- Deep Vadodaria:** See, I think the explanation to this could be very simple that any order that win the usual execution time is 18 months to 24 months, the average of our existing order book right now is 23 months, you can look at 24 months, so then starting from there that will give you the sort of estimate that you are looking at because it is very difficult for us to get into the actual numbers of what you are trying to ask.
- Shravan Shah:** No, I am not saying the actual number, what I am saying is current order book is Rs. 260 crores. Let us say in next one month also you have another Rs. 250 crores, so our order book will by end of FY16 will be Rs. 500 crores. So maybe FY17 or maybe on FY18 from the existing gross block how much revenue we have a capacity to book?
- Deep Vadodaria:** What capacity are we talking about here?
- Shravan Shah:** Normally any kind of affordable housing you have to do you definitely need your plant and machinery, no doubt you will be subcontracting it but still you need your plant and machinery.
- Deep Vadodaria:** No, we do not subcontract anything. All of these orders as I said are spread out over execution period of 24 months. So even if we win in this quarter, another Rs.250 crore worth of orders, it depends on a specific order that we are trying to talk about when the execution will start and from the start of the execution and a clear piece of land that is given to us and the time limit which is given to us which is 24 months. So that revenue will be spread across in the next 24 months and obviously the execution which we are already doing, the unexecuted order book, they are in various stages as we have already specified. There are two projects which are going to be completed in this financial year. There are two projects which are completing in Q1 next year. So all the projects are in different lifecycle stage at this moment. If you talk about new projects that are coming about, I do not really think there is any form of ceiling that we have as



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far as how much we can do in the next year or as you were saying as plan, but honestly I am not really getting the question what you are trying to ask. You are saying that what is the top-line limit that we can achieve?

**Shravan Shah:** Yes.

**Deep Vadodaria:** I do not think there is any limit to that, we are giving ample amount of support as far as plant and machinery is concerned based on each project execution as and when required and we will continue to do so.

**Shravan Shah:** And sir in terms of the working capital, how do you see going forward, we will be having the same working capital or as the revenue and maybe the geography in Rajasthan the revenue will be increasing, so in terms of the working capital will it increase or will it remain the same?

**Deep Vadodaria:** If you talk about specifically Rajasthan, yes Rajasthan I think it will remain stable or will increase a little because in Rajasthan the slight bit of profit is given by the balance land and the construction activity is self-reliant, so the working capital investment is more in any of the PPP projects as everyone knows compared to EPC. So depending on how the new project is, the project that we bid for, PPP will require more working capital and if it is EPC than it will remain in the same range.

**Shravan Shah:** And sir in terms of the land bank, if I am not wrong it will be close to 90 acres - 92 acres that we have in different parcels and in terms of the current market value how much it would be, rough estimate?

**Himanshu Bavishi:** This, probably, may not be the right yardstick because, if I quote Rs. 10,000 per square feet the other guy may not be ready to take it or offer even Rs. 5,000 per square feet. The third guy maybe ready to take it up even at Rs. 12,000 per square feet. It is how one would look at that piece of land. What we can probably do is, we can share that about Rs. 82 crore is our book value.

**Moderator:** Thank you. Our next question is from the line of Sanjay Shah an Individual Investor. Please go ahead.

**Sanjay Shah:** Just a couple of quick questions from my side. Sir, wanted to know the position about the land acquisition. Will we also acquire land and also get into white label construction in Rajasthan?

**Deep Vadodaria:** Not at this moment, that is not the plan. We will build up a land bank in Rajasthan based on these construction orders in which on due completion of the construction order on the same parcel of land we get 25% piece of land. So let me just give you an example. In Jodhpur we are developing a 10 acre land, out of which 7.5 acres land government asks us to build their houses and the balance 2.5 acre is given to us. Right now we have not really committed ourselves to



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going out there and developing that 2.5 acres land. Over a period of time, once we receive that land on our books, we will weigh our options as to what is coming out to be more feasible if you liquidate the land or to develop it ourselves. So that is an option which will be open to the Company.

**Sanjay Shah:**

So there is no timeline as of now?

**Deep Vadodaria:**

There is no timeline. Once the project of Jodhpur is completed and same ways in Girdhar Nagar, the slum rehabilitation project that we are talking about in Ahmadabad, once the land is in our possession that is when we will have to take a call on what is working out to be more feasible for the Company.

**Sanjay Shah:**

And sir what are your plans for the reduction of debt, any specific plans?

**Deep Vadodaria:**

No specific plan for reduction of debt, but as new orders are going to get added, I think we have maintained a comfortable position of less than one and we will try and continue to do so around the ratio of 1.

**Sanjay Shah:**

And just if you could throw some light on the working capital cycle also I think that would be good to understand the business.

**Deep Vadodaria:**

You can look at an average of about 60 days.

**Prashant Sarkhedi:**

If it is EPC contract, then it is definitely 60-days cycle.

**Moderator:**

Thank you. Our next question is from the line of Ekta Lalwani from Dewan Investments. Please go ahead.

**Ekta Lalwani:**

Sir, I just had a few questions. One, can you just throw some light on the MoU that we have with the Kataria Group?

**Deep Vadodaria:**

See there are three different companies that we have formed under this MoU. In association with Kataria Group, which is one of the leading logistic players and one of the leading automobile dealers in the country, we have started acquiring land near the new Maruti plant, which is near Mehsana in Becharaji. This MoU is pertaining to that where we both have agreed to acquire land together and over a period of time we plan development on it.

**Ekta Lalwani:**

So have you put a timeline to it, any timeline that you have?

**Deep Vadodaria:**

No real timeline, the execution process is on. I think in the next earnings call we will be in a better position to give you the exact details of what is the sort of acquisition that we have done,



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what is the sort of acquisition that we are going to do and probably a rough development plan that we are looking at.

**Ekta Lalwani:** Sir, my second question was basically, we also have a MoU with the Government of Rajasthan, so are we bidding for any projects for that?

**Deep Vadodaria:** Yes, we are already bidding for projects in Rajasthan. We are bidding for projects in affordable housing and also we have started bidding for projects like medical college and similar projects. We have already in the last quarter bid for projects worth Rs. 154 crore in Rajasthan. All of the bids are yet to open so we are not in a position (to comment on all, but) one of the bid has already opened and we are L1. Apart from that we are not in the position to talk about it. But yes, we are actively going to participate in Rajasthan and the bidding will be going to happen there.

**Ekta Lalwani:** Sir just my last question, sir we are also registered as an approved contractor in the building class, so any projects that we are bidding there?

**Deep Vadodaria:** It depends on what are the sort of projects that come about with the requirement of having that special certification, it keeps on coming. So as and when they come we do participate but as of now in this quarter we have not really participated in any of those bids. But yes, the bids will continue to flow and we will keep on selecting the bids. We are very selective with the bids, the target ratio or the number of bids that we place against the number of bids we win is very high and we would continue to keep it that way because we are very selective about bids that we do and it is not that any bid that you bid. We are possibly not just bidding for the sake of it. We only bid for projects which we feel that we have a good chance of winning it the way it is. So right now in the Special Category as you are talking about in Gujarat, yes this gives us the edge over other contractors because not a lot of them have this certification in lot of projects. Most of them which are on larger scale they require these certificates and we will actively participate in them as and when we get the opportunity or we feel that it is a good project to bid for.

**Moderator:** Thank you. Our next question is from the line of Chandrasekhar Daga, an Individual Investor. Please go ahead.

**Chandrasekhar Daga:** I wanted to understand the relationship going forward between your Group Company Sambhaav Media Limited and Nila Infra, what would be the relationship going forward?

**Prashant Sarkhedi:** These both companies are purely separate companies. One is into the media group and the other is purely in the construction group. So we do not have any relationship within the group, not right now and not in future. Only promoter group is (common) there otherwise there is no other synergy between these.



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- Chandrasekhar Daga:** Like your presentation was saying the sole contractor for urban development project of 260 decorative bus shelters complete for AMC, there they would be the exclusive publicity right holders.
- Deep Vadodaria:** That is right; it was pretty much in the past. Now Sambhaav Media Limited is not involved with any form of outdoor media. So none of these really match between two companies. You are absolutely right when you talk about AMTS bus shelters, Sambhaav Media Limited had won a BOT contract to construct these bus shelters and then have rights to advertise on them for a period of time and obviously Sambhaav Media Limited is not a construction company, so they had allocated that order to Nila Infrastructures. But, that was one-off case where there was a synergy between the two companies. We do not really see it in the future because Sambhaav Media Limited right now is not involved with any form of these activities as far as outdoor media or creating any form of assets on BOT basis of advertising, etc.
- Chandrasekhar Daga:** Another question, how do you foresee the prices of steel and cement going forward for the next one or two years?
- Deep Vadodaria:** One to two years, I believe, is a very long-term timeline but if we look at the immediate short-term, what the feeders that we are getting-in from across the global markets, I think steel is largely going to remain subdued or maybe in the range that it is, maybe not a lot of movement in there. When you talk about cement, in India, as we all know, is a very closely held affair but at the same point of time, the sort of demand that is coming down we are not expecting either of them to increase beyond a point. So we expect them to remain subdued over the short period of time. If you talk about long-term of two years, I think it is anyone's guess.
- Moderator:** Thank you. Our next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, you were talking about some projects where you bid in Rajasthan and you are L1 in one of the projects, so what was the total projects that we bid and the amount and in terms of issue can you say the L1 amount?
- Deep Vadodaria:** We have bid for projects worth Rs. 154 crore.
- Shravan Shah:** Those were how many, three projects?
- Deep Vadodaria:** Three projects, yes. And the one where we are L1 is around Rs. 40 crores.
- Shravan Shah:** So that will be in next one month it will be awarded to us?



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- Deep Vadodaria:** Yes, I mean we are hopeful that by the end of the year we will receive the LOI from the government.
- Shravan Shah:** And sir, if you can tell us how many share warrants are there including the ESOPs and in terms of conversion when it will happen, so just wanted to understand in terms of the increase in the number of shares going forward.
- Dipen Parikh:** There are 1.10 crore ESOPs that have been granted earlier and there were around 25.80 lakh (ESOP) granted around 15 days back from the overall ESOP plan of 1.50 crore options. With regard to the warrants, they were issued to the promoters last year i.e. 2.25 crores warrant convertible within a span of 18 months. So, up to July 2016 they are exercisable.
- Shravan Shah:** So by July this 2.25 crores number of shares will be added?
- Dipen Parikh:** Yes, if exercised, they will be added to the equity.
- Shravan Shah:** And that ESOP time limit is one year?
- Dipen Parikh:** ESOP is having entire time span of five years and it is at the discretion of the employees. So it is difficult to say the exact time limit but they will be exercisable within a period of five years as per the different vesting time periods.
- Shravan Shah:** And sir in terms of the territory or geography, apart from Gujarat and Rajasthan in maybe next one year are we looking at any other state or geography?
- Deep Vadodaria:** Yes Shravan, we are looking at lot of states in the country, but as of now we have already have set ups in Rajasthan and Gujarat and there are innumerable opportunities which are coming over here and there. So we will continue to look for other geographical states to expand in but not anything concrete has happened as far as expansion is concerned or is on the cards right now for me to speak about. But yes, we actively look at the bids that come out in the other states and the opportunities that are there. As I said, the affordable housing which we are basically concentrating on, that focus is across the country, it is not limited to one or two states but we already have a setup here in Gujarat and Rajasthan and the sort of potential that is there for new orders to come in, we have been concentrating on here. But at the same point of time, yes we do have our eyes on other states as well but no immediate plans of expansion on the cards as of now.
- Shravan Shah:** Are we looking at even joint ventures in other state to expand or we are thinking only going standalone?
- Deep Vadodaria:** No, (not standalone), we will look at joint ventures to venture in state depending on the partners having the same ideology as us and the same vision as we have. We would obviously



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be able to, and it is like a specialized field sometimes that you need a JV partner as it is not advisable to go by your own. Like investing in a mutual fund, you can also understand the balance sheet but you still use the fund manager to invest your money. So we might look at JV, yes (we) are open to that, it is not a closed option, it is not that we will go standalone everywhere. If there are good opportunities and good partners then just we would get into JV.

**Shravan Shah:** And in medium term we will be sticking to what right now, in terms of the segments we have or are we planning to venture into the roads or other bridges?

**Deep Vadodaria:** We are actively looking at different other spaces, but as you know that to make an entry into them and get orders from various civic bodies without having prior experience in the same subject becomes difficult, that is why I think your question is very right, right after the JV you asked about this. Yes, the JV and all these options we are going to possibly look at in other segments where we do not have technical experience in the past, but we do have the expertise to go out and do it, that is when we will look at JV partners and yes we will look at other segments. But it is too early for us to call right now which specific segments are we targeting, but yes we will have to look at other segments going forward.

**Moderator:** Thank you. Our next question is from the line of Piyush Tatiya from Panav Advisors. Please go ahead.

**Piyush Tatiya:** All my questions have been answered. Thank you.

**Moderator:** Thank you. Chandrasekhar Daga, an Individual Investor. Please go ahead.

**Chandrasekhar Daga:** Can you give some more details about the RJD Textile Park at Surat?

**Deep Vadodaria:** What sort of details are we looking at here, I mean you want to know the scope of work that we executed there?

**Chandrasekhar Daga:** Yes, what exactly are we doing out there?

**Deep Vadodaria:** We are not doing out there, it was in the past. It is already a completed project few years back. Prashant will give you more explanation on that but it is a project which is completed.

**Prashant Sarkhedi:** RJD Textile Park is a 56-acre textile park, was built up in Surat and we have constructed 120 industrial sheds for them and certain common infrastructure. It was completed in 2012.

**Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the conference over to the management for their closing comments.





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**Deep Vadodaria:**

So I guess it is time to wrap up. We thank you again for joining us today. During these nine months clearly we have created a strong momentum in our business, especially with the affordable housing contracts and winning the PPP basis contracts that will make us grow really confident in our ability to continue to successfully grow. We look forward to talking to you again next quarter. In the meanwhile my colleagues and I as well as Strategic Growth Advisors, our investor relation advisors will be happy to take any other question that you have. I believe nobody has really asked the question but yes the company really is committed to keeping the book to order ratio of 2 in check, so that is what we will target as far as new orders are concerned, so that is what we are aggressively bidding for and let us hope you will all join us in the next quarter and you all have a lovely day. Thank you.

**Moderator:**

Thank you, members of the management team. On behalf of Nila Infrastructures Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.