



“Nila Infrastructures Limited Q4 FY'16 and FY2016  
Earnings Conference Call”

**June 06, 2016**



**MANAGEMENT:**    **MR. DEEP VADODARIA -- CHIEF OPERATING OFFICER**  
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**Moderator:**

Ladies and Gentlemen, Good day and Welcome to the Q4 FY'16 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.

**Deep Vadodaria:**

Good Morning, Ladies and Gentlemen. I welcome you all for discussion of Q4 FY'2016 and FY'2016 Earnings Conference Call. Along with me I have Mr. Prashant Sarkhedi the CFO; Mr. Himanshu Bavishi Senior Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors.

For the benefit of the people attending the call for the first time I will give a brief introduction of the company. Nila Infrastructures Limited is a Gujarat based company with a core competence in civil construction. We focus on projects relating to civic urban infrastructure on EPCs and turnkey basis and PPP basis. We also undertake some private white label construction projects, industrial infrastructure project and develop our own real estate. We have positioned ourselves as a complete civic urban infrastructure player to execute turnkey projects. We are registered approved contractor in a "Special Category for Building Class" with Government of Gujarat which gives us an additional advantage of a very important prequalification criteria while tendering for the projects.

We have secured meaningful EPC construction projects in the state of Gujarat and Rajasthan under the schemes of affordable housing and envisage that on the back of enhanced prequalification and bidding capacity it will grow in natural course of business.

In line with our strategy to expand foot prints geographically we entered to the neighboring state of Rajasthan with a project of affordable housing in Jodhpur. We believe Rajasthan is a sun rise state having immense potential in civic urban infrastructure. Having tested and well understood the business dynamics we have signed an MoU with the Government of Rajasthan under the "Resurgent Rajasthan Partnership Summit – 2015" for development of civic urban infrastructure for about Rs. 4,000.0 million.

We have recently entered into five different contracts aggregating Rs. 668.7 million with two urban improvement trust of Rajasthan i.e. Bhilwara and Udaipur for the construction of total 2,044 affordable housing units on turnkey basis under the "Chief Minister's Jan Awas Yojana –



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2015". We are putting up our bids for various other civic urban infrastructure 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 of our robust experience in delivering affordable housing project. Recently, we were awarded a "Slum Rehabilitation and Redevelopment Project" by Ahmedabad Municipal Corporation on PPP basis. The company has already got possession of project site from AMC.

Onsite operation has already commenced and billing will commence from H1 FY'2017. Such projects will improve our margins. The potential of "Slum Rehabilitation and Redevelopment Projects" in modern urban cities like Ahmedabad, Vadodara, etc. is tremendous. We are working on to build significant PPP based order book or such "Slum Rehabilitation and Redevelopment Projects" where the remuneration is superior in from of TDRs and balance vacant land.

I will now like to hand over the call to Mr. Prashant Sarkhedi, to give out the details on the financial performance of the Company. Prashant bhai, please if you can take over.

**Prashant Sarkhedi:**

Hello, Good Morning, all. Now, coming to the order book, the total confirmed unexecuted order book at 31st March, 2016 is Rs. 2,025.9 million. The composition of such order book is inline line with the company's core competence as 90% is from affordable housing and 10% in other civic urban infrastructure project. We are convinced about the affordable housing sector moreso, as it is now getting a significant push from "Pradhan Mantri Awas Yojana- Housing for All by 2022" scheme. That aims to construct more than 20 million houses across the length and breadth of the nation by 2022. The mission has an unenviable task of creating housing for the complete population of India within a fixed span of time.

Currently we are executing about 8,100 affordable housing and we are already very favorably placed to seize the growth opportunities in the area of our core competency with the government's focus. Our vision of consciously concentrating on the civic urban infrastructure project has started paying off with the robust growth during FY2016.

I believe that you have had an opportunity to see our results 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 March 31st, 2016.

Our revenue increased by 86% to Rs. 694.4 million as compared to Rs. 374.3 million during the Q4-FY2015. Our EBIDTA for Q4-FY2016 has witnessed a growth of 12% from Rs. 68 million to Rs. 76.3 million with an EBITDA margin of 11% in Q4-FY2016.



The PAT has also seen a steady swelling of 17% to Rs. 58 million in Q4-FY2016 as compared to Rs. 49.3 million in Q4-FY2015. The PAT margin is 8.4%.

Now, coming to our standalone results for FY'2016. Standalone revenue for FY2016 increased by 47% to Rs. 1,831.1 million from Rs. 1,243.7 million in FY'2015. FY'2016 standalone EBIDTA is Rs. 274 million, a growth of 21% over Rs. 227 million in FY'2015. The standalone EBITDA margin is 15%.

Standalone PAT saw an improvement of 41% to Rs. 171 million in FY'2016 compared to Rs. 121 million in FY'2015. The standalone PAT margin for FY'2016 is 8.6%.

Now, coming to our consolidated results of FY2016. Consolidated revenue for FY2016 increased by 47% to Rs. 1,831.3 million from Rs. 1,243.7 million in FY'2015. FY'2016 Consolidated EBITDA is Rs. 268.9 million, a growth of 19% over Rs. 225.9 million in FY'2015. The consolidated EBITDA margin is 15%. Consolidated PAT saw an improvement of 17% to Rs. 140.2 million in FY'2016 compared to Rs. 112 million in FY'2015. The consolidated PAT margin for 2016 is 7.7%.

Now, coming to the standalone balance sheet. As on March 31st, 2016 the standalone networth is Rs. 1,700 million and standalone gross debt is Rs. 1,549.4 million. The cash and bank balances on the standalone basis is Rs. 31.7 million as on March 31st, 2016. The net debt equity ratio is at comfortable level of 0.89x.

Now coming to consolidated balance sheet. As on March 31st, 2016 the consolidated net worth is Rs. 1,657.5 million and Consolidated gross debt is Rs. 1,589.6 million. The cash and bank balance on consolidated basis is Rs. 32.6 million as on March 31st, 2016. The Net debt to equity is at comfortable level 0.94x.

In the current year we have consolidated part of debt which is State Bank of India this consolidation has result in better term and rate of interest. It will also result in realization of the interest expenditure.

With this, we now open the floor for Question-and-Answer. Thank you.

**Moderator:**

Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. First question is from the line of Ajay Singh, Individual Investor. Please go ahead.

**Ajay Singh:**

Sir, just wanted to know few things any guidance in terms of the project pipeline which you have in the future?



**Deep Vadodaria:** Ajay, we cannot give out notional guidance for revenues that we are expecting for the year but the unexecuted order book as of 31st March is of Rs. 2,025.9 million and after which we have already got Rs. 668.6 million worth of contracts from Rajasthan Government so, may be it is right now at around Rs. 2,700 million and going forward yes, there are a lot of opportunities we are targeting in the home state of Gujarat and Rajasthan so we will be bagging a lot of orders in this current year but as far as notional value is concerned we will not be in a position to give a proper figure that you are looking at. But yes, we have got on the growth trajectory now, so you will see us give us consistent and sustainable growth that we have shown in the past.

**Ajay Singh:** Okay. And sir, what is the current status of the SRA projects which we have and also are we planning to bid only in terms of Gujarat and Rajasthan for SRA projects?

**Deep Vadodaria:** Right, firstly the SRA project that we are already working on; the status is that we have already vacated the land and we have given out the remuneration for one year for the slum dwellers to almost 95% of them and the construction will begin in next month. So that is well on track; well ahead of the schedule that we have planned. As far as SRA is concerned; yes, we are looking at Gujarat and Rajasthan because we are at the places where we have comfort of working. We will keep on looking at other states. It is not that we are not open to work in other states, but as-and-when the opportunity arises, we will definitely look at it. But, the focus right now remains is on Rajasthan and Gujarat.

**Ajay Singh:** The final question from my end is like that the land parcels which we have any thought process of monetizing the same?

**Deep Vadodaria:** It is too early for us to decide that. Right now we have just signed an MoU for sale of the TDR which is going to generate cash and which is going to be used for the execution of the project. As-and-when, if needed, we might look at monetizing the land or to consume it ourselves. We have not really taken a call and we do not need to probably take a call at this stage. As the project progresses we will take a call which will be in the best interest of the company.

**Ajay Singh:** Sir, how much cash it would provide the TDR?

**Deep Vadodaria:** TDR is going to be Rs. 213.7 million.

**Moderator:** Thank you. Next question is from the line of Sahil Jain from RM Financial. Please go ahead.



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**Sahil Jain:** Just wanted to get a sense from you what are the capabilities and what areas can our company do projects in? I am just trying to understand the various segments of infrastructure that you all can execute projects?

**Deep Vadodaria:** We can do it in civil urban infrastructure and housing. But, largely in building construction because that is where all our order book has been executed in the past and that is where we have the majority of the order book coming in. That is also because we have been specifically focused on affordable housing as a segment as we believe that it has a long running future while the funding pattern is very clear, where the government funds are not really deployed and working with the government as the specific UITs are only the facilitating agencies between the beneficiaries and the developer.

**Sahil Jain:** Okay. In terms of what is the kind of revenue that the company can generate on the current asset base that you have?

**Deep Vadodaria:** We work on a very asset light model. We believe in empowering the subcontractors that work with us. So majority of the assets are deployed as and when they are needed. So we are working on an asset-light model right now. So there is no real figure that is for me to give. This can be executed but right now we have ample asset to execute the order book that we have in hand or the unexecuted order book that you see. As-and-when more assets are needed we will be acquiring them.

**Sahil Jain:** So what is the current order visibility that you all have the next one year to two years?

**Deep Vadodaria:** See the unexecuted order-book stands at Rs. 202 crores after which we have already got about Rs. 66 crores, so we are at about Rs. 269 crores.

**Sahil Jain:** You will execute it in how much time?

**Deep Vadodaria:** It is difficult to generalize. But, usually all of these projects have timelines of 18 months to 24 months. So, you can look at that time line for execution of all the unexecuted order book and this unexecuted order book also consist of projects which are at various stages. But when we talk about a project which is completely unexecuted then you can look at the timeline of about 24 months for it to get completed.

**Sahil Jain:** Okay. And what is the kind of incremental debt that you will require to execute this current order book?

**Deep Vadodaria:** This current order book we do not see a very massive change in debt which is to be needed. We are in process of consolidating our debt. We have already consolidated a large chunk of debt with SBI and we will continue to trim the interest outflow for becoming more competitive



for the bids and to reduce interest cost. So as of now, we do not see it rising drastically as far as this is concerned. But yes, as we execute new projects more working capital will be deployed.

**Moderator:** Thank you. Next question is from the line of Ruja Gandhi from Kavya Investments. Ruja Gandhi, please go ahead.

**Ruja Gandhi:** Just to take it forward from the previous question, you mentioned that your consolidated debt with SBI so, can you provide us some numbers in terms of benefit that we have incurred from it?

**Deep Vadodaria:** Himanshu Bhai, would you like to take over on this one?

**Himanshu Bavishi:** We have already got about Rs. 50 crores debt consolidated in the quarter four of this financial year and it is only the part of the year effect that we have already got. We have been able to save about 2% - 2.5% about 225 bps overall. However, this year we look forward to get the full year effect. So it would be substantial in that sense. Plus it also gives the kind of repayment schedule that has been drawn that gives cushion to our cash outflow towards the repayment obligation, so that would also add up.

**Ruja Gandhi:** Okay, sir. And sir, follow-up on that working capital cycle you have mentioned that so how will it move in coming years as how do you see that going forward?

**Himanshu Bavishi:** More or less it would move in the same direction what it has been moving because there has not been substantial change in the kind of orders that we are going to execute. Of course we would be executing EPC; and PPP-where we are focusing more, would start getting traction from probably H2 of this financial year or so. There would not be much relaxation on working capital front, it would remain more or less in line with what it is today.

**Ruja Gandhi:** Okay, sir. Then what will be the maximum order book that we can execute without taking additional funding?

**Himanshu Bavishi:** Just addressed. Deep Bhai, would you like to address it one more time for the benefit of ma'am ?

**Deep Vadodaria:** See, most of these orders are from the government so we do not mobilization advances that we get in usual work contract which are of private companies. So, there is more capital deployment when we bag more project so that is why we would need more capital and at the same point of time all these projects, that we are working on, are the government project EPC in nature that is what I am taking about, the profit margins are always at the end of the project. So the working capital is deployed. So based on the number of projects that we are going to



keep on adding, the demand for working capital will gradually keep on increasing but it will be in line with the order book that we will execute and the new orders that we will receive. But it is very difficult for us to put it in absolute number term because each project has different phase, each project has different payment stages so it is possible that one of the project has more deployment of fund then the other project of the same nature but that needs a little less working capital.

**Moderator:** Thank you. Next question is from the line of Pritesh Vora from Incedo. Please go ahead.

**Pritesh Vora:** What is our capability to execute the job in terms of revenue per year?

**Deep Vadodaria:** I did not get that correctly sir, what is the peak of top-line that we can do?

**Pritesh Vora:** Our enterprise value is close to Rs. 580 crores we are valued at 3.1x EV/revenue so, I just wanted to understand what is the inherent capacity to execute the job in a year's time?

**Deep Vadodaria:** We have shown over a period of time that whatever orders that we have bagged we are consuming the orders at a faster pace and all the projects are running on time. So all the new orders that we are adding on, are to be executed within the span of next 24 months and we are successfully able to do so over the period of time. But if you are talking about threshold top-line that you are looking at with the current resources, then the resources we keep on adding as-and-when it is needed for the project. But I do not think there can be any absolute value terms defined to it that this is the number. When you talk about valuations, that is the market moment and is not connected to the company in certain way. But yes, if you look at quarter-on-quarter results over a period of time, we have shown consistent and sustainable growth and that is what we will continue to show on the top-line as well as EBITDA and PAT.

**Pritesh Vora:** Our current book is Rs. 240 crores, right unexecuted order book?

**Deep Vadodaria:** As on 31<sup>st</sup> March, 2016 it is Rs. 202 crores but after which we have added Rs. 66 crores in May 2016.

**Pritesh Vora:** And how do you recognize the revenue is projection completion or is on the millstone?

**Deep Vadodaria:** We use AS7 method of accounting for computing completion of the project.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand over the floor back to management for their closing comments. Over to you, sir.





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**Deep Vadodaria:**

We thank you again for joining us today. During the FY'2016 clearly we have charted into new projects within our core competency especially with affordable housing contract. We intend to continue to look for various opportunities to utilize our vast experience and execution capabilities build from civic urban infrastructure project like BRT stations, affordable housing project, multi-level car parking, etc., With the swelling of opportunities and an impetus for infrastructure development, FY'2017 looks very promising to us. We have taken a stance to grow with seizing all the meaningful opportunities. We look forward to talking to you again in next quarter. In the meanwhile, my colleagues and I as well as Strategic Growth Advisors, our Investor Relation Agency, will be happy to take any other question that you might have. Thank you.

**Moderator:**

Thank you very much, sir. Ladies and Gentlemen, on behalf of Nila infrastructures Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.