



Nila Infrastructures Ltd.
Q3 and 9MFY2020 Conference Call
February 17, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY20 Conference Call of Nila Infrastructures Ltd. 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, please signal an operator by pressing '*' then '0' on your touchtone telephone. I would now like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Anuj Sonpal!

Anuj Sonpal: Thank you, Janice. Good afternoon everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Nila Infrastructures Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the third quarter of financial year 2020. Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

I would now like to introduce you to the management participating with us in today's earnings conference call and give it to them for opening remarks. We have with us Mr. Deep Vadodaria – Chief Operating Officer, Mr. Prashant Sarkhedi – Chief Financial Officer and Mr. Himanshu Bavishi - Group President. I now request Mr. Deep Vadodaria to give his opening remarks. Thank you and over to you, sir!

Deep Vadodaria: Good evening friends. I welcome you all to the Earnings Call for 9 months and quarter ended on 31st December 2019. Our proven execution leadership in affordable housing, ability to master a new age business model for example Public Private Partnerships, strong talent pool, financial discipline and professional process driven strategies places us in an advantageous position to effectively capture meaningful business. We are certain about the sustainable growth during FY2020. Our reasonable margins in 9M FY2020 vouch for our proprietary knowledge to select right tenders, execute accurately, and in augmenting the functional

capacity we need to fulfill our strong order book. We continued to focus on cost efficiency, resource optimization and efficient fund management with the ultimate aim of delivering shareholder value.

Now coming to our order book, at January 1, 2020 the company has confirmed unexecuted order book of Rs. 5,774.9 million. The composition of the order book is well balanced and in line with the company's core activity as 41% is from Affordable Housing and 59% from other civic urban infrastructure projects. Overall, the company is developing 7,552 units of affordable housing. The major government client comprise of Ahmedabad Municipal Corporation, Ahmedabad Urban Development Authority and Government of Rajasthan, EPIL, which is Engineering Projects India Limited.

With this, I now invite Mr. Sarkhedi our CFO, to discuss the key financial and operational highlights for the 9 months and quarter ended on 31st December, 2019.

Prashant Sarkhedi:

Thank you, Mr. Vadodaria and good evening friends. I will quickly take you through the financial and operational highlights for the 9 months and quarter ended on 31st December, 2019.

Standalone Revenue of the Company increased by 17% to INR 639.3 million from INR 546.0 million as compared to the corresponding period of the previous year.

On the profitability front, the EBIDTA for Q3-FY2020 has witnessed decline by 14% i.e. from Rs. 96.9 million to Rs. 83.7 million with an EBITDA margin of 13.75% in Q3-FY2020. The profitability at EBIDTA level has reduced mainly due to reduction in operational efficiency on back of to change in revenue-mix i.e. higher contribution from low-margin EPC projects. The project/operations cost has increased with a few projects being in preliminary stage, the employee cost has reduced due to reduction in overall employee base and/or replacement of high-cost manpower with fresher/economical manpower.

The Profit after Tax is Rs. 51.6 million i.e. 8.07%. The higher finance cost has further affected PBT, which has collectively been marginally offset at PAT level mainly due to one-time exceptional income tax-rate reduction benefit. The marginal reduction in depreciation corresponds to commensurate movement in fixed assets. The marginal reduction in finance cost corresponds to lower utilization of credit facilities. None of the Bank Guarantees submitted by the Company has ever been invoked by any Principal/Client. And now with respect to the 9 months performance, standalone Revenue of the Company increased by 10% to Rs. 1,745.2 million from Rs. 1,580.6 million as compared to the corresponding period of the previous year. On the profitability front, the EBIDTA for 9M-FY2020 has witnessed a decline by 265 bps i.e. from Rs. 258.1 million to Rs. 238.5 million with an EBITDA margin of 14.35% in 9M-FY2020. The Profit after Tax is Rs. 148.7 million i.e. 8.52% margins. At December 31, 2019, the Standalone Net worth of the Company is INR 1,406.0 million and Standalone Gross Debt is

INR 1,468.0 million, while the Cash and Bank Balances on the standalone basis is INR 68.5 million. The Net debt to Net worth computes 0.99x.

I now open the floor for the question and answers that may require further clarification. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-answer session. We take the first question from the line of Bhavik Shah. Please go ahead.

Bhavik Shah: One is the, what is the order inflow sir for this particular quarter?

Deep Vadodaria: The order inflow is Rs. 89 crores i.e. Rs. 8,962 million.

Bhavik Shah: And sir, we had that Vadaj project in JV. So is it included in this order book and.

Deep Vadodaria: No, it is not included in the order book. So, we had won this project on 31-3-2017 but it is a slum project and it was awarded to us based on our expertise in developing the slums. But however, that is a large chunk of slum as Ahmedabad's largest slum. Actually they are undergoing a lot of negotiations and we believe that the project is not going to start for another 3 quarters maybe and the rates that we had quoted to the party were no longer applicable at the this point of time it is under construction. So, we have decided to withdraw from the order.

Bhavik Shah: So, it has been withdrawn?

Deep Vadodaria: Yes, it's been withdrawn in the, it is not comprising in our unexecuted order book.

Bhavik Shah: And just last questions, sir. On the demand side how do you see over a period of 2 years panning out? And how will be the margins going forward, basically it has been below 15% now. So, what will be the stabilized margin within 3 to 5 years down the line, sir?

Deep Vadodaria: 3 to 5 years down the line seems a very far-fetched thought at this point of time. We have been very flexible in terms of our business model and that is being our key to success till now. So, whenever we have seen opportunities the overall focus has always been on profitability. So, we have also kept on shifting our product-mix depending on that. And now when the market that is too competitive on the EPC business. We have slowly shifted focused to some more PPP orders as well. In terms of growth you are talking about, I believe we are in the segment which is going to continuously grow and we were expecting things from the budget to come in. Obviously nothing great was going to come in from the budget because they have already given a lot to the affordable housing segment. But yes, obviously the continual push from the government on the affordable housing model and the consistency with the new government, the 5 year government which came in 2019, will keep on chasing the affordable housing, "Housing for All" mission with a more aggressive vigor. So, we are reasonably

confident on the demand front in terms of the order opportunities that are going to come to us from the areas that we operate in, even in the areas which were just-on-watch-only basis. In terms of margins, margins look pretty much around the same window. I think we will be settling-in around anywhere close to 14% to 15% at the EBITDA. We are pretty comfortable with that sort of margins.

Bhavik Shah: So basically in excess of ballpark figure can you elaborate on the order book what will be the ballpark figure growth based on your assumptions?

Deep Vadodaria: That is a really speculative figure but if you can study the company over the period of time, I think we will be reasonably growing at a pace that with its commendable and at the same point of time the core thing remains profitability has been intact and that is something that we want to focus on. And order book, obviously giving a ballpark figure to the order book position, but we are pretty much comfortable around this window of X of order books. So, we will be somewhere close to 2X, 2.5X in that range not beyond not below that.

Bhavik Shah: So, this 2X will be over a period of 3 to 5 years?

Deep Vadodaria: Well, again 3-5 years is a larger span but yes I think we will be, we will try and keep it above 2 at all points of time and then if its potential opportunity is coming up there has been periods in time where this has even gone to about 2.6-2.7. So, we are broadly above 2 is this something that I can comment at this point of time. 3 to 5 years is a longer time. May be we may open up more territory, we don't know.

Moderator: Thank you. Next question is from the line of Vikram Raina, individual investor. Please go ahead.

Vikram Raina: Sir, I have 2 questions. The first question is, sir, what is the leasing revenue received from Bechraji projects in year-to-date? And how much are we expecting it to come in financial year 2021?

Deep Vadodaria: Prashant can you take this one for me in terms of the numbers.

Prashant Sarkhedi: Leasing revenue from Bechraji we have already clocked about Rs. 6 million during this year, and next year we expect about Rs. 85 million.

Vikram Raina: And just a follow up question for this. So, what is the current status of Kent and Romanovia, logistic path?

Deep Vadodaria: Romanovia Phase-I is almost complete, it is already leased out. We are going to start Phase-II. We have not been into any sort of building activity as of this now. This is not a slowdown in terms of demand but in terms of the relocation in that where to happen because of the production line of Suzuki obviously to took a little bit of hitting in the last quarter. However, it

is stabilized now and the productions been elevated to almost maximum and they are committed to the exports and they want to do from that unit to the African markets because of its good connection to the ports. So, the demand will pick up in the last couple of months. We have not really built up warehouses on presumptive demand. So, as and when the demand comes-in we have been quoting. The Phase-II common areas, we will start construction in another quarter or two's time. So, that is on Romanovia. As far as Kent is concerned, we already have about 5 dormitories which are leased. To be very honest, there are still land related disputes that are taking place between the farmers and SIR which has been formed, which is delaying the process of SIR really opening up the roads and putting up the common amenities in terms of the basic amenities that are required inside the SIR. But we are very hopeful and we already have plotted out projects. We will be plotting out a housing project pretty soon, maybe by end of this financial year or at the start of the next financial year. That is purely a housing project. And that is a large project and that is something that is on the cards. And then as and when the more real estate that we hold becomes motorable because of the government infrastructure coming in place in the TP Scheme-I, which is where majority of our land lies. The order has been issued by the government to a specific contractor for construction of roads and essentials of this. So, we are expecting the work to begin on the ground pretty soon and once that is done obviously with more of our real estate is motorable, the development will be much faster in the years to come.

Vikram Raina: Just one last question. How will our revenue mix for the company will change going ahead in FY21 as there is a composition change between affordable housing and civic urban infra?

Deep Vadodaria: Yes, it is because of that because of this large order which is gone off from there. So, I think we will be in range of 45 to 55 that is 45% civic component infrastructure and 55 affordable housing. Because affordable housing has always been the area of interest so that is the mix, composition mix that we are targeting for FY21.

Moderator: Thank you. Well ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Deep Vadodaria from Nila Infrastructures Ltd. Thank you and over to you, sir.

Deep Vadodaria: Thank you friends for joining us today. Going forward as a pure play civic urban infrastructure company we will continue on the growth path. We look forward to having you with us on the next quarter's call. In the meanwhile our team and our IR team will be more than happy to assist you. Thank you. Thank you again.

Moderator: Thank you. On behalf of Nila Infrastructure Ltd, that concludes this conference. Thank you for joining us and you may now disconnect your lines.