



Nila Infrastructures Limited
Q4-FY2020 and FY2020 Conference Call
July 01, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY20 Conference Call of Nila Infrastructures 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, please signal an operator by pressing “*” then “0” on your touchtone telephone. I would now like to hand the conference over to Mr. Mehul Dhorda from Valorem Advisors. Thank you and over to you, Mr. Mehul.

Mehul Dhorda: Thank you, Janice. Good afternoon everyone and a warm welcome to you all. My name is Mehul Dhorda from Valorem Advisors and we represent the investor relations for Nila Infrastructures Limited. On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the company's earnings conference call for FY20/Q4 FY20. 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 the financial quarter and year under the review. Now, I would like to introduce you to the management participating in today's earnings conference call and give it over to them for the opening remarks. We have with us Mr. Deep Vadodaria – CEO of the company, Mr. Prashant Sarkhedi who is the CFO and Mr. Himanshu Bavishi who is the Group President for Finance. I now handover the call to Mr. Deep Vadodaria for his opening remarks, over to you sir.

Deep Vadodaria: Good afternoon I welcome you to the earnings call for the year and quarter ended on 31st March 2020. We're glad to share that the company has booked its historical highest quarterly revenue during Q4-FY2020. Equally true for the financial year too. While we have redefined the unique dynamics of redevelopment on PPP basis, for example slum, bus-port; our successful delivery of landmark projects like medical college campus has significantly boosted our Brand Equity. This financial year the revenue contribution has been relatively equal amongst both the sector that is Affordable Housing and Civic Urban Infrastructure projects. During FY 2020 while the company has reasonably grown, product mix and maturity stage of certain projects have been unable to offer profitability. We genuinely believe there are

endless possibilities in our prominent business and eagerly look forward to contribute meaningfully. We have already initiated steps to recalibrate accordingly, staying focused for a novel FY2021.

Now coming to our order book at 31st March 2020, the company has confirmed and practically executable order book of Rs.5345 million. The company's order book is quite balanced with a focus on its core competence Affordable Housing consisting about 61% which is Rs.3269 million; while for de-risking 39% is for the other Civic Urban Infrastructure projects like bus port, vegetable market, industrial and logistics. EPC is the major contributor with 54% which is Rs.2909 million. Geographically, the state of Gujarat accounts now for 90% of the orders, which is Rs.4802 million. Principal wise government entities account for more than 75% which is Rs.3991 million. The major government clientele comprise of Ahmedabad Municipal Corporation, Government of Rajasthan. Overall the company is executing construction of about 7729 units of affordable housing. With this, I now invite Mr. Sarkhedi, our CFO, to discuss the key financial and operational highlights for the quarter and year ended on 31st March 2020.

Prashant Sarkhedi: Thank you Mr. Vadodaria and good evening friends. I will quickly take you through the financial operational highlights for the financial year and quarter ended 31st March 2020. In terms of the quarterly performance, standalone revenue of the company increased by 17% to Rs. 888 million from Rs. 760 million as compared to the corresponding period of the previous year. On the profitability front, the operating EBITDA for the Q4-FY2020 has witnessed declined by 11% that is from Rs.121 million to Rs.49 million with an EBITDA margin of 5.78% in Q4-FY2020. The profitability at EBITDA level has reduced mainly due to the reduction in the operational efficiency on back of change in the revenue mix that is from the higher contribution from low margin EPC projects. The project operation cost has increased mainly due to an exceptional one time expenditure and non-cash provisions for expenditures. While the employee cost has reduced due to the reduction in overall employee base and replacement of high cost manpower with fresher economical main power. The profit after tax is 28 million that is 3.11%. The higher finance cost has further affected the PBT, which has collectively been marginally offset at the PAT level mainly due to the one time exceptional income tax rate reduction benefit. The marginal deduction in depreciation corresponds to the commensurate moment is fixed assets. The finance cost increased due to the higher utilization of fund based limits as well as towards the processing fees of fresh debt. None of the bank guarantee is submitted by the company has ever been invoked by any principle or client. Now with respect to the full year performance, standalone revenue of the company increased by 12% to Rs. 2633 million from Rs. 2341 million as compared to the corresponding period of the previous year. On the profitability front, the EBITDA for FY2020 has witnessed decline by 24% from Rs.379 million to Rs. 287 million with an EBITDA margin of 11.43% in FY2020. The profit after tax is Rs.176 million that is 6.69 percentage. At March 31st, 2020 the standalone networth of the company is Rs. 1433 million and standalone gross debt is Rs. 1195

million, while cash and bank balance is Rs.63 million. The net debt to networth comprutes to 0.79x.

I now open the floor for question and answer that may be required for the clarification, thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Deep Gandhi, Individual Investor. Please go ahead.

Deep Gandhi: I had a few questions. So primarily what has been our expected revenue loss in Q4 FY20 because of COVID or probably the economic slowdown and what is the expected loss in terms of revenues for quarter one, because of the similar reason?

Deep Vadodaria: So there has not been any loss due to COVID-19 in this specific quarter because historically here in Gujarat we have labors going back to their natives on account of Holi and this year the Holi was earlier on 10th March. So, very marginal or negligible losses due to COVID-19 and cannot be accounted for. However, few of the projects that we had envisage will start and we'll start booking revenues from Q4, were not possible. And we'll now start accounting for it once the work resumes. However, on the Q1 part, we're working on COVID-19 impact, which will be uploaded very shortly, it's in approval process. It will be uploaded very shortly for all the investors and everybody at large to refer to, which will have all the answers to what is going to be the impact of COVID-19 to the company. However, we are pleased to announce that currently the way it is, we see the impact coming into quarter one and going into quarter two, obviously the situation is very fluid at this point of time so it will be not right for me to comment about the future, but we've already prepared a very extensive document which will be available to all of you very soon.

Deep Gandhi: Okay, sure. Just a follow up question on that again, with regards to labor and operations. So, is the company facing any labor issues as a lot of migrant workers have gone back to the native stages as you also mentioned. And also, is there any expensive labor available now or how is that thing going on sir?

Deep Vadodaria: So, I will answer the first question first. Yes, obviously like everyone else in the sector is affected we are affected by the reverse migration of labor. We started the operations about a week or 10 days back, and we have about 30 to 35% of manpower which has returned back to work. Obviously, the numbers are different on different sites, but if we look at the cumulative total, we're looking at about 30, 35% labor which is already back to work. It's returning back as per usual, we see it returning back quickly now, the velocity has been faster than how we had expected it during the lockdown and the way the reverse migration was taking place. However, the impacts of future are still unknown, but no real significant cost has been seen. But however the time lost, the project over run cost obviously is going to remain, but at this point of time, we've not revised any labor agreements that we've done on the

higher side in terms of cost, so no real substantial cost increase in terms of availability of labor.

Deep Gandhi: Okay, sure. And sir is it fair to assume that you said 30, 35% is our expected labor on site on an average, not being specific, but on an average it's 30, 35%. So that is our operational capacity right now, at which all the sites are running, is that fair to assume?

Deep Vadodaria: Yes, that would be a fair statement to make.

Deep Gandhi: Okay, sure. And also sir one last question is, are we facing any receivables issue from the government side or from the private company side?

Deep Vadodaria: So we did face the receivable issue during the period of lockdown because a lot of people were nonoperational of course including us. But, since the Unlockdown ONE has started, we are seeing signs of recovery there. So we are hopeful that it's not going to be an issue which is going to linger longer. But yes, during the lockdown there was an issue with receivables of majority of the clients.

Deep Gandhi: Okay. So probably by Q2 the things would be back on track is what, I would assume?

Deep Vadodaria: Yes, with the current state of affairs, yes. But since the situation is ever evolving, it's too early to open.

Deep Gandhi: Agree.

Moderator: Thank you. We take the next question from the line of Ketki Shah, Individual Investor. Please go ahead.

Ketki Shah: I wanted to ask how will the revenue mix of the company be going ahead in FY21 and 22?

Deep Vadodaria: We just shared the order book breakup, we expect the revenue mix to remain the same. So we expect the revenue mix to remain within the tune on the unexecuted order book that we just discussed which is about 61% coming in from affordable housing and about 39% coming in from civic urban infrastructure. However, different projects are at different stages and obviously there is lumpiness of booking of revenue when it comes to the fag-end of the project. So it might vary within the range of about 60 to 40. So, 60% coming in from affordable housing and 40% coming in from civic urban infrastructure is a fair statement. However, that could vary a little bit of basis points here and there based on the actual execution.

Ketki Shah: Okay, sir I had another follow up question, considering the possible slowdown in the sector and government spends. So does the company plan to diversify its projects to other kind of infrastructure construction projects?

Deep Vadodaria: No, ma'am we don't see any slowdown in terms of sectors that we are invested in. In fact, we see government coming out even more aggressively and planning for houses for these people who don't have housing at this point of time, because the only cure to this pandemic has been to stay at home and we have to still brace the fact that there are millions of people in India who do not have a home of their own. So the sector that we are invested in obviously affordable housing and the same obviously goes with the other sectors that we're invested in something like a medical college, which obviously governments are going to invest more in. So all the civic urban infrastructure that we are focused on and the affordable housing segment, we believe that the government has no scope or even sense of slowing down in that. It will be not incorrect to say that they might even increase their allocations to these sectors as we move forward.

Moderator: Thank you. Next question is from the line of Ritika Maheshwari, Individual Investor. Please go ahead.

Ritika Maheshwari: How do you see the economic conditions improving in the coming quarters and what kind of inflows are you expecting based on the current scenario?

Deep Vadodaria: Well as I said, currently the situation is getting back on track in terms of labors returning that's obviously a good sign for us because the execution has already started. It's a little better than how we had envisaged in terms of the labor coming back to the site. So we hope that continues. However, that's not 100% in our control because the situation is still pretty much serious across the country in terms of the spread of the pandemic. So let's wait and watch and let's hope that, it doesn't deteriorate. However, it's too early for us to comment on what are going to be the repercussions. But one thing we are very sure of, that the orders that we have on hand, we don't see any problem on that and whatever orders that we have in pipeline as well, we don't see any hindrances because of these pandemic to affect that. So we are very buoyant, it is not going to affect us in a bigger way apart from the setback that it's going to take in terms of number of quarters which it can take to get back to normal.

Ritika Maheshwari: So is there any reason behind the overall order book number coming down based on last year?

Deep Vadodaria: No, so we are sitting comfortably right now at more than Rs. 500 crore of order book and going forward we are at about 2.8 book to bill ratio at this point of time and we expect to be in around that range of 2.4 to 2.8 going forward, there are orders in the pipeline which we are hopeful that once things settle down and once the operations began there, they will start allocating the order and we are confident that we will be in this range so we don't see the order book coming down.

Moderator: Thank you. We take the next question from the line of Deep Gandhi, Individual Investor. Please go ahead.

Deep Gandhi: Just a follow up question, just wanted to check what is our current bank guarantee available with us?

Prashant Sarkhedi: Rs.94 crore total bank guarantee is available to us, out of that we have utilized 76% of the total bank guarantee limit, so still we have Rs. 30 crore bank guarantee available to us.

Deep Gandhi: Okay, sure.

Prashant Sarkhedi: Good number of bank guarantees are to be returned back to us which are from the projects that will be completed, so that might also be available.

Deep Gandhi: Okay, sure. And how are we expecting the future margins to sustain or what is the expected number or some guidance on that aspect if you have any threshold or something?

Deep Vadodaria: Well, I would love to give you that but unfortunately we don't give out guidance. But the way it is the COVID-19 impact that we are factoring in, which is under approval post that documents we will be able to give you a figure in terms of what you can look at in terms of short term, which is 2021 financial year. Obviously, that's going to be a year, which is going to be normal as we discussed earlier. So we shouldn't assume that as the figure going forward, but for the financial year 2021, once this document is in place you would be able to have a little bit of guidance in terms of what are we looking at, at the EBITDA number which is going to be impacted of course because of higher operational costs.

Deep Gandhi: Agreed. And any other fixed cost where we are working on that could be bought down or something where there's efficiency or that also will be inculcated in that note?

Deep Vadodaria: Yes, it will be included in that.

Moderator: Thank you. We take the next question from the line of Ritika Maheshwari, Individual Investor. Please go ahead.

Ritika Maheshwari: Just a follow up question, is there any update on your Bechraji and Kent projects with respect to lease and development?

Deep Vadodaria: Yes, ma'am. So, there are two updates. In terms of that Romanovia has been on track and obviously there's been a momentary lapse, because the Suzuki plant had shut down which is the anchor there in terms of the demand coming in. So the demand had slowed down in the last quarter. However, we have started receiving the demands again and things seems to be back on track, when it comes to the other land parcel which is Kent Industrial Estate, that part is under the SIR and since the government machinery has been largely focused into the pandemic, nothing really has happened in terms of the ground action, where infrastructure needs to come in place from the government. So that majority of our real estate becomes motor-able. So we haven't seen much action happening in that parcel of land. However we

are very hopeful that things are returning back to normal in terms of demand for Romanovia Industrial Park.

Moderator: Thank you. Well ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Deep Vadodaria Azaria from Nila Infrastructures for his closing comments over to you.

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 if you have any questions we get in touch with our team and our IR team we would be happy to assist you. Thank you again. Stay safe all of you and all the best. Thank you.

Moderator: Thank you. On behalf of Nila Infrastructures Limited that concludes this conference. Thank you all for joining you may now disconnect your lines.