



Nila Infrastructures Limited
Q1 2021 Earnings Conference Call
August 11, 2020

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY 2021 Earnings 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 call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you, Steven. 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 first quarter financial year 2021.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today’s earnings conference call 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 and year under the review.

I would now like to introduce you to the management participating with us in today’s earnings conference call. We have with us Mr. Deep Vadodaria -- Chief Operating Officer; Mr. Prashant Sarkhedi -- Chief Financial Officer; and Mr. Himanshu Bavishi -- Group President.

I will now request Mr. Deep Vadodaria to give his opening remarks. Thank you and over to you, sir.



Deep Vadodaria:

Good afternoon, friends. I welcome you all to the earnings call for the quarter ended on 30th June 2020. I hope you all are doing well and keeping safe.

Quarter one of FY 2021 has witnessed unprecedented challenges induced by the COVID-19 pandemic. We have ensured health, safety, and hygiene guidelines for hundreds of our labors, of our site and supported them with healthy food, hygienic living conditions, and requisite medication.

We are affirmatives that the Government various measures to support the MSME could start revival of the economy. Also, we believe that the government will float more tenders for Affordable Housing, as merits of staying in the house have been established as the most resilient remedy to abate such pandemic.

The COVID-19 pandemic has rendered the future full of uncertainty. We are actively assessing the developments and adjusting our sails. We are putting all efforts to overcome such hurdles and perform as there are enhanced prospects in Slum Redevelopment, Affordable Housing, Medical Facilities, etc.

FY 2021 shall be an interesting year that shall set a lot of new normal. We continue our strong belief in Affordable Housing sector and are staying focused for endless possibilities that this crisis shell offer.

Now coming to our order book at June 30th 2020, the company has confirmed unexecuted order book of Rs. 5,282 million. The company's order book is quite balanced with a focus on its core competence of affordable housing with 61% orders, which is Rs. 3,214.2 million, while for de-risking 39% is from Civic Urban Infrastructure projects, including both Industrial, and Logistics. Medical Facilities, which we have completed, so that they will no longer be executed.

EPC is major tributary with 54% orders coming in from there, which is Rs. 2,856.9 million. Geographically, the state of Gujarat accounts for 90% of the orders now, which is Rs. 4,770.6 million and principle wise Government entities account for 75% of the orders, which is Rs. 3,936.6 million. The major Government clientele comprise of Ahmedabad Municipal Corporation, Government of Rajasthan.

Overall, the company is executing construction of about 7,729 units of Affordable Housing.

With this, I now invite Mr. Sarkhedi -- our CFO, to discuss the key financial and operational highlights for the quarter ended on 30th June, 2020.



Prashant Sarkhedi:

Thank you, Mr. Vadodaria, and good afternoon, friends. I quickly take you through the financials and operational highlights of the quarter ended 30th June, 2020. In terms of the quarterly performance, consolidated revenue of the company stood at Rs. 65 million as compared to Rs. 509 million of the corresponding period of the previous year.

On the profitability front, the operating EBITDA for the quarter one FY 2021 has witnessed a loss of Rs. 31 million. Standalone revenue of the company stood at Rs. 90 million rupees from Rs. 549 million rupees as compared to the corresponding period of the previous year.

The company could not generate any meaningful revenue due to the COVID-19 induced lockdown as well as the reverse migration of the labor.

On the profitability front, the operating EBITDA for the quarter one 2021 had witnessed a loss of Rs. 31 million, operating EBITDA has registered loss mainly due to cessation of income while overheads were being incurred.

The reported loss for the quarter is Rs. 36 million, the depreciation has remained constant, while the finance cost reduced due to the lower utilization of fund-based limits consequent to the lockdown of the operation. The company has honored all its financial obligations and refrained from availing benefits of moratorium under the Reserve Bank of India COVID-19 regulatory package, except holding the reduction in SBI Dropline OD payment wherein the utilization was well below the stipulated drawing power.

At the June 30th, 2020 the standalone net worth of the company is Rs. 1,396 million and standalone gross debt is Rs. 1,255 million, while the cash and bank balance on the standalone basis Rs. 53 million. The net debt to networth computes to 0.86.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of our Adik Shah, an Individual Investor. Please go ahead. Mr. Shah, you line is in talk mode. Kindly go ahead with your question.

Adik Shah:

My first question is, at what level has the construction activity revised to the current situation for the company?

Deep Vadodaria:

So I think, depending on the site, it is anywhere close to 70% to 80% of operations, which has resumed; and thankfully, in all our areas of operation, we have not seen subsequent lockdowns like in many other cities of the country. So, that has thankfully kept the momentum going, which we were trying to build up since the last month. And going forward obviously remains uncertain, but we are hoping to build up for a decent run forward because



availability of manpower may still be strained. But it is heading in the right direction as we are expecting more and more manpower to resume back to work as the week progresses.

Adik Shah: Okay. Sir, my question is like, is the company facing any labor issue? Or has the cost of the labor have gone up, if so that in at what level they are up?

Deep Vadodaria: Well, we have not seen any substantial change in terms of the labor value, which we should discuss about. Availability of labor remains a challenge, but it has not really meant that we have been paying higher amounts to labor to come in. But, however, we see the market getting very competitive going forward in terms of labor because we do not expect the same amount of labor, which was coming from other the states to come in. How that is going to affect the cost going forward needs to be seen. But as of now, we are not paying anyone increased; we have not revised anyone's labor contracts in terms of pricing. So as of now, the answer to your question is, no, we have not been paying any higher prices.

Adik Shah: Okay. And sir, lastly, So how is the order book in pipeline? So currently and also how is the like payment cycle as of now dealing with the situation? Is the company facing any issue in the terms of receivables?

Deep Vadodaria: Well, we did face issues in terms of receivable in the quarter that we are talking about, which is quarter one, because of the lockdown. Since then, a lot of the operations have resumed and the receivables have started coming almost to the level what they have actually clocked now. And getting back to your previous question in terms of the order book, we have couple of orders, which are pending for processing. But obviously, the processing remains low in Ahmedabad Municipal Corporation because the resources are depleted to fight the pandemic, so the operational work has been hampered. Apart from the existing orders, order book pipeline looks good with these two orders coming in. Once they happen, but we have not really bidden from any order in the last quarter, because we were waiting and watching and obviously it was on lockdown as well, so not a lot of opportunities also were rolled out. But once the situation normalizes in the next few weeks, hopefully more and more orders are going to come in and we will continue to bid.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: So sir, this Bechraji, can you share any update on this? What is the current status and is it facing any issues due to slowdown in the auto sector?

Deep Vadodaria: Well, the two, we discussed on the last call as well obviously, because of the lockdown we did face issues in terms of demand. Well, since then, the demand has started coming back in. Obviously, there was a little bit of a setback when the Suzuki plant was shut down because of



the lockdown and since then, they have resumed the operations pretty much back to normal action.

But of course, the because car sales have been hit, so their demand could have gone lower, but going forward, we do not see a long-term impact because Maruti remains pretty much committed to generating the amount of cars that they have to manufacture, the amount of cars that they need to from the operations that they have there, because they are also going to use that facility to export a lot of stuff in other parts of the world.

So going forward in the medium-term to long term we do not see much of impact coming in and as we discussed on the last call as well, we have two properties in Bechraji. One is inside the SIR, which has not seen a substantial development, because the Government development has been very slow and just when we actually started seeing some things on the ground moving in terms of the Government came in the pandemic. So that has since been on hold.

However, we have been told that things are going to start moving as soon as the monsoon gets over in terms of the basic infrastructure of the Government coming in place. So hopefully, once that comes in place and a lot of our real estate assets become motorable, we will be able to make use of that opportunity.

However, the existing park which we have, which is Romanovia Industrial Estate, remains operational and all our clients are pretty much well placed. And as I said, the order inflow or the inquiries have also resumed in the last month. However, timeline of that could be a little bit in the future. But we have inquiries coming in from our existing clients as well as new clients. So, that has since resumed, which is a good sign.

Anurag Patil:

Okay, sir. And particularly in Rajasthan state, how is the order pipeline or any visibility on orders there as of now?

Deep Vadodaria:

We have not bid for any fresh orders in Rajasthan except there is one that we have. Apart from that, there are no other orders that we have bid for in the state of Rajasthan as of now. But we are waiting for more opportunities to open there in terms of the orders and as soon as the Government starts normal operations, the Civic bodies start normal operations. Unfortunately, because of the way the crisis is and the way that they are handling it is pretty much at the micro level. So, we are seeing most of the Civic bodies completely entangled into and all their resources entangle into fighting the crisis, so no real normal work has happened. So even the orders that we were possibly targeting that should be out for bidding in this quarter have not really come out and needs to be seen when they actually come out. But in our target areas in Rajasthan, as soon as new opportunities come out, we will definitely be participating in them.



- Anurag Patil:** Okay. And one last question, how is our liquidity positions at the consolidated level?
- Deep Vadodaria:** Prashant Bhai, I will let you answer that one.
- Prashant Sarkhedi:** Yes. Due to this COVID situation, some of the receivables are not coming in time. But however, we are alright now. Overall liquidity position has been improved in the market and all payments are being regularized. We have enough availability of unutilized loans with us as well as there are unutilized Bank facilities with us. There are new funds available with the Government itself and now Government is working well with the operation and they are releasing the payment.
- So we are not facing any liquidity problem and that is why we have not yet obtained moratorium from the Bank on any of our credit facility. So we are not facing right now any liquidity problem. Next one year even we do not foresee (any liquidity problem), (even) if the same situation remains. If something adverse happens then it is a different thing, but right now with this position, we are not facing any liquidity issue.
- Moderator:** Thank you. The next question is from the line of Ketki Shah, an Individual Investor. Please go ahead.
- Ketki Shah:** Yes. Sir, I had this question assumes the company is mainly present in Gujarat. Do not you think that increasing the geographical reach will also help maybe in diversifying the offering to other construction related activities? So what are your thoughts on this?
- Deep Vadodaria:** Well, what we have really tried to do is we have always tried to de-risk and that is why we are involved into two different segments, mainly Affordable Housing; and the idea of doing Barmer Medical College was on the precise grounds that the education and medical fields open to us in terms of pre-qualification criteria. Since that project has been completed now it opens up our doors to foray into Education and Medical opportunities, which are going to be quite a few going forward.
- And as we have discussed, multiple times in the past that we have been looking at various states, but the opportunities coming in from these two states where we already have our operations absolutely set up are good enough for us in terms of execution as of now. However, we may have over doors closed for opportunities coming in from other states.
- But Gujarat obviously being a home state will have the advantage, because we have our set-up here, we have a good equation with most of the Civic bodies, which we have worked in the past. So obviously, the concentration is always going to be in Gujarat and the opportunities here. But we are pretty much open to looking at other states as well as other opportunities in terms of building construction.



However, obviously our qualification criteria's and eligibility would be building construction, so we can shift sector from building construction, but within building constructions. We have consistently tried to add more and more avenues where we can go out and bid - education and medical being the last one, as we completed the Medical College in Barmer and which now enables us to open up those opportunities, maybe in the state that we operate or newer states as well.

Ketki Shah: Okay, sir. That was helpful. And another follow-up question. So what is the debt position of the company as on 30th June? And has there been any significant increase in the long-term or short-term debt of the company?

Deep Vadodaria: Well, we have not seen any significant increase, but Prashant will give you...

Prashant Sarkhedi: Rs. 119 crores was the closing debtor as on 31st March and 30th June it is Rs. 125 crores. So there is no significant increase into the debt. And we are not seeing further increase because right now, our liquidity position is comfortable and Government is paying all their dues in time. So, we are not seeing any major increase. But in such case, if situation worsen then it might go increasing upcoming quarters, it may, but we are not seeing its occurrence right now.

Moderator: Thank you. The next question is from the line of Pooja Mehta from Equirus Securities. Please go ahead.

Pooja Mehta: Are we looking to bid for large ticket size projects worth Rs. 300 crores going ahead?

Deep Vadodaria: It depends on what project these are because all the bids that come out have qualification criterias. Rs. 300 crores probably will be a very large size order compared to what we do i.e. more than the annual revenue. So, I have doubts, if we would be able to qualify for such large order. However, the capability definitely is to go out and execute those. So, if the qualification criteria permit us, then we would like to look at these opportunities.

But, how we progress depends on the specific job on hand, the duration in the timeline in which this needs to be executed and obviously, the qualification criteria. So, however we may be interested in doing a project of Rs. 300 crores that does not necessarily mean that we will qualify for it. We have been constantly building more and more capabilities in terms of qualification criteria. We started out from literally scratch many years ago and now we have built a very large criteria in terms of the areas that we can target. So we will continue to do that and in the process yes, as we execute more and more larger orders, we will be in position to bid for larger projects where obviously, the competition is lesser and the profitability could drift marginally higher than what we are doing here in the conventional EPC contract.



Pooja Mehta: So, can you just guide me what are the key qualification criteria's?

Deep Vadodaria: So, ma'am, see, depends on the criteria that a specific project or the nature of work would have. But I would give you a certain thumb rule criteria, which the CVC has which is to have completed one project of similar nature, which is 80% of the work that you are bidding for in terms of size I am taking about or possibly you need to have two projects, which you have completed which are 50% of the order value that we are bidding for. And the third option usually is that you need to have completed three orders to the tune of 40% of the order size that you are bidding for. So, these are general CVC guidelines.

Now based on these, depending on the project, depending on the specific civic body, which comes out with the bid; they are free to play around with - depending on the nature of work and how much competition they are willing to accept.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Deep Vadodaria for closing comments.

Deep Vadodaria: Thank you friends for joining us today. Going forward, as a pure play civic urban infrastructure company, we will continue on our growth path. We look forward to having you with us on the next quarter's call. In the meanwhile, our IR team would be happy to assist you, if you have any queries. Thank you, again. Be safe, thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Nila Infrastructures Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.