NILA
INFRASTRUCTURES
LIMITED

Nila/Cs/2021/27
Date: February 15, 2021

To,
The Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001

To,
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Scrip Code: 530377

Scrip Symbol: NILAINFRA

Dear Sir,

Subject: Transcript of Conference Call held on February 10, 2021

A conference call was arranged on February 10, 2021 to provide the information about the financial and operational performance of the Company for the third quarter and nine months ended on December 31, 2020.

In this connection transcript of the call is enclosed herewith for the information of exchanges and dissemination. The same is also available at the website of the Company at www.nilainfra.com which may please be noted.

Thanking you,
Yours faithfully,
For, Nila Infrastructures Limited

Dipen Y Parikh
Company Secretary
Membership Number: A24031

NILA INFRASTRUCTURES LTD. AHMEDABAD

Encl: a/a

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Moderator: Ladies and gentlemen, Good day and welcome to the Conference Call with Nila Infrastructures Limited December 2020 Results discussion hosted by Valorem Advisors. 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 now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you. 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 2021. Before we begin, I would like to mention a short cautionary statement. 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 to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decision. The focus 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 over to them for their opening remarks. We have with us Mr. Deep Vadodaria – Chief Operating Officer, Mr. Prashant Sarkhedi – Chief Financial Officer and Mr. Himanshu Bavishi – Group President. Without any further delay, I request Mr. Deep Vadodaria to give his opening remarks and over to you, sir.

Deep Vadodaria: Good afternoon friends. I welcome you all to the earnings call for the third quarter of financial year 2021. This quarter has been a quarter of comeback post COVID-19 with availability of labor, clear working days not made by lockdown or monsoon, execution has continued to increase from the September levels and crossed pre COVID levels post Diwali, in December. Though, our overall financials for this financial year have been restrained as the result of COVID-19 induced disorder.

The government bodies have just started functioning almost fully with priority to abate the spread of COVID-19 receding with every passing day. Looking ahead, the social housing segment is set to chart a new chapter of growth fuelled by affordability, reinforced desire to own a house and renewed interest from all stakeholders. During this quarter, we have added two meaningful and strategic orders aggregating to amount Rupees 883.3 million of slum rehabilitation and redevelopment for Ahmadabad Municipal Corporation. These would address the needs of permanent houses for 810 slum dwellers in approximately 24 months.

We believe our satisfactory engagement in the civic urban infrastructure segment, adherence to stipulated cost, quality and time put us in a good position to capture plentiful growth opportunities.

The continued pickup in the economic activity and a forward-looking union budget has since reset the tone for the growth. With the launch of nationwide vaccination drive, we hope this is the last stage of the fight against COVID-19. Several high frequency indictors such as GST collection, rural unemployment data, rail freight revenues, power consumption, e-way bill generation, electronic toll collections, indicate that economic activity has crossed pre COVID levels. These trends should also reflect in our business and results as we continue to think big and grow our business by staying focused on endless possibilities.

Now coming to our order book, on April 1st 2020 the company had an unexecuted order book of Rupees 5,345 million. During Quarter 3 FY21 AMC has awarded two orders on PPP basis under redevelopment of public housing scheme 2016 of integrated group housing facility along with common amenity infrastructure and development work of the entire site.

Khokhara Old Slum Quarters with estimated development cost of Rs. 505 million for construction of 448 dwelling units and 14 shop; and India colony Vijay Mill Municipal Health Quarters with estimated development cost of Rs. 382.8 million for construction of 348 dwelling units.

While AMC has cancelled to pursue the PPP project pertaining to integrate slum redevelopment project at Kanku Ma Ni Chali, Stadium, Ahmadabad under urban development and urban housing development. The company has reduced the order book to that extent further in line with the ethos of good corporate governance, ethical practices, fairness and transparency; the order book is prudently reduced and/or realigned to depict the factual revenue potential. At January 1st 2021 the company has confirmed unexecuted order book of Rupees 4,690 million.

With this, I now invite Mr. Prashant Sarkhedi, our CFO to discuss the key financial and operating highlights for the quarter under review.

Prashant Sarkhedi: Thank you Mr. Vadodaria and good afternoon friends. I will quickly take you through our financial and operational highlights for the quarter ended 31st December 2020. In terms of the quarterly performance, the company could not generate any meaningful revenue due to the COVID induced lockdown as well as the reverse migration of the labourers and heavy monsoon. During the Quarter 3 FY21 the standalone total revenue of the company is Rs. 377 million higher by Rs. 119 million to Quarter 2 FY21's Rs. 258.7 million, while it was Rs. 639.3 million during the Quarter 3 of financial year FY20. Profitability at EBITDA level has been restated to Rs. 39.3 million that is higher by Rs. 47.5 million to Quarter 2 FY21's negative profit of Rs. 8.1 million. The company has booked profit of Rs. 19.3 million that is higher by Rs. 40.5 million to Quarter 2 FY21's negative profit of Rs. 21.2 million.

For 9 months FY21, the total revenue of the company is Rs. 377.7 million while it was Rs. 1,745.2 million for the corresponding period of FY20. On the profitability front the EBITDA for the 9 months FY21 is negligible at Rs. 1.3 million which also wraps-up negative profit of first half FY21. The company has been able to reduce the negative profit and contained it to Rs. 38.5 million for 9 months FY21.

At the December 31st, 2020 the standalone networth of the company is Rs. 1,394.8 million and standalone gross debt is Rs. 1,440.6 million, while the cash and bank balances on the standalone basis is Rs. 51.7 million.

It may be noted that the profitability is restored to the positive level from the EBITDA level, though it is marginal mainly due to the cessation of the income during the first half of FY21 while the overhead was being incurred and increment in certain project and operations cost towards the projects that are preliminary stages. The depreciation has remained constant as there is no major increment in the PPE. The finance cost increased for Quarter 3 FY21 due to the higher utilization of the fund-based limit while it has reduced for 9 months FY21 as a result of the reduction in overall weighted average debt cost. The company has honored all its financial obligation and refrained from availing benefits of the moratorium under the Reserve Bank of India COVID-19 regulatory package except holding the reduction is SBI's DLOD limit - wherein the utilization was well below the stipulated drawing power.

On the back of loss, the networth of the company has reduced by Rs. 38.5 million to Rs. 1,394.8 million. The total debt of the company has increased to Rs. 1,440 million. The net debt to networth computes 1x. At the company's account is standard with all the lenders.

In terms of the 9 months' performance, consolidated revenue of the company stood at Rs. 596 million down from Rs. 1,615 million as compared to corresponding period of the previous year. On the profitability front, operating EBITDA for the 9-month FY21 has witnessed a loss of Rs. 53 million.

I now open the floor for question and answer 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 Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Sir our execution was improved QoQ like on a broader basis when do you see the overall run rate coming back to the pre COVID levels, any broader idea will be helpful?

Deep Vadodaria: From this quarter we have started, I have opened up the call on that note that from December things are normal. So, we are expecting this quarter, at where we are sitting on right now, which is the last quarter of the financial year to be back to absolute pre COVID levels.

Anurag Patil: Labor situation is it back to normal?

Deep Vadodaria: Yeah absolutely, post December we have no issues with labors, the labor availability is back in full swing.

Anurag Patil: In last quarter you have given up some of the projects I guess, so can you elaborate a bit on that side I am not fully clear on that part?

Deep Vadodaria: So, we have already come out and said, there were two orders that we had given out because government has crashed those orders. We were L1 but government priorities have change so there was one order of modernizing old vegetable market here in walled city of Ahmadabad and the other was which government has scraped off. So, we had downsized the order book to that extent. More than the order book it was the pipeline order book that we are talking about because these are two orders where we were L1 and those orders were scraped off and similar in this quarter as one PPP projects which were already allocated and they have withdrawn that project so it has been written off from the order book.

Anurag Patil: Sir any further orders you see potentially to be given up any possibility?

Deep Vadodaria: No all the orders that we are talking about now are already under execution or in process of starting execution. There are no orders where we are expecting any government delay or government to act differently because we have already moved further ahead in most of these unexecuted order book projects where government has already facilitated whatever processes that they had to facilitate. So, from the current order book there is no order which we think is going to get affected any further.

Anurag Patil: And one last question any update on the logistics part side?

Deep Vadodaria: Well yes, updates are we are talking to couple of our existing clients for their expansion plans later this year for which we are in dialogue and the general demand seems to have returned sometime post Diwali. The demand has picked up which is a great sign, but we are also waiting as we are not somebody who has already created speculative assets and I am waiting for tenants so we are in much better position, but the overall demand for build to suit facilities have increased and government work on the other land parcel has started as per which we own inside the SIR which is where things have not really moved for a very long time, but now finally there is some progress from the government and we are very hopeful that in another couple of quarters we start seeing traction coming in from there as well.

Moderator: Thank you. The next question is from the line of Mahesh Jain an Individual Investor. Please go ahead.

Mahesh Jain: So, my first question is out of our total new projects what are the numbers for which we have received the approvals and how much projects are still there under the approvals from the government and also if we have the appropriate funding for these types of upcoming projects?

Deep Vadodaria: A to answer question one first we have received all approvals from all of these unexecuted projects that we are talking about and there are no approvals which is pending from the government on any of these counts. As far as servicing these orders and the capital is concerned, we do not envisage requirement of any further capital than what we already have to service all the unexecuted order books.

Mahesh Jain: And the second question is for referring to the last concall there was one order cancellation in Dholera smart city project, so which was due to some changes in design from there end, so in comparison to it is there any order cancellation in this quarter?

Deep Vadodaria: I already stated in the opening speech there was one small order on the PPP we have pipeline of slum redevelopment out of which one slum the government has cancelled. It is because they have some disputes on the ground with the slum dwellers. So that is not going ahead that we have already written off, but that amount is pretty small I will have to check the amount with the team, but that is a pretty small amount apart from that there are no other orders that we have written-off.

Mahesh Jain: My final question is as I see you are largely focus more on government-based order and very selected private entity orders so what is the main reason for it, so it is because of the margins or what it is related to?

Deep Vadodaria: It is because of comfort of working. B we have said on multiple calls since a very long time is that we tend to invest or focus into the funding models of the project rather than the project in general. This is true for majority of the project that we do. So, when we do EPC projects for affordable housing for the government, we are very clear on the funding pattern that funding is not really coming in from the civic bodies that we are getting associated with, so they are nearly a facilitator. So we believe in that funding pattern that really keeps our cash flow pretty smooth and that is the precise purpose we focus on that, and when we talk about slum rehabilitation projects there is no literal exchange of money because we get TDR and we get land in some of the projects and we are supposed to be funding our own projects and now as we have a lot of experience in developing all of these slums, we are pretty confident of the way that we deliver and to balance out the cash flows even though the initial requirements of cash flows in such projects is a bit higher than the EPC project, but obviously the risk-reward ratio is also higher.

Mahesh Jain: In your slum rehabilitation project you were struggling those projects as there were some strict restriction from the government not to move the people due to this COVID restriction, so what is the current situation on that right now?

Deep Vadodaria: So that was obviously a larger picture at that point of time government had not given up the clearances to go ahead now they have given clearances. So, we have already activated our teams on the ground and they are in process of finishing the documentation because there is a very rigid documentation policy of the civic body before we can remove any one till they can claim a house. So, there are multiple issues on the ground which need to be sorted out. So, on all the projects, the work is already on as soon as the government gives the clearance to do so and usually depending on the size of the slum. It sort of takes that much time before we can start moving them out because we do not start moving out people unless we are through with the entire land parcel because then it becomes pretty much of an issue or negotiation setback for us as well. We will start moving out people pretty soon on one or two of the smaller slums, but the other ones could take little longer before we start moving them out, but the process has already been started - so a matter of time.

Moderator: Thank you. The next question is from the line of Rahul Choudhury an Individual Investor. Please go ahead.

Rahul Choudhury: Just a couple of things one was that on a lot of orders which has just started off the execution also what will be the execution time period for these new orders?

Deep Vadodaria: So largely Rahul we look at execution timeline of most of our orders would be within 24 months. Let us just give may be 26 months if we add these, but really all of these contracts the general mean average of most of our contracts will be two years unless it is a much larger project, but most of the project that are sitting in the unexecuted order book are largely two-year timeline project apart from two/three larger projects which will have longer timeline.

Rahul Choudhury: And also, on the order front how do you see the order inflow now and looking forward for the next year right now that the COVID is hopefully coming to an end and things are normalized started getting normalized, so how do you look at the general industry and how do you look at bagging orders going ahead?

Deep Vadodaria: The order situation is looking pretty good. We are eying a lot of bids which are coming out largely on the PPP segment. Much before COVID came in obviously we were adjusting the way that we look at business and adding more PPP orders and comparison to EPC. I think it has just cemented our position that we are heading in the right direction. The COVID had pretty much situation for most of our EPC orders because of cost overruns not because the government is not going to give us the extensions, but just in general with slim very slim profitability there is a lot of risk which definitely is involved. So, unless the profitability is of some threshold level, we had not too much on the ECP contracts and focused our attention on more public private partnership where we are comfortable. So that is where we are focusing on right now while we will continue to do a lot of EPC stuff, but there will be targeted projects where we think that the profitability is going to match our parameters. So, I think if you are asking me in general the industry situation then I think it sits all back to normal obviously the budget reinstating a lot of focus again on infrastructure, so we see no end plus on the affordable housing as well. So, both of these sectors that we are involved in is really going. Opportunity is not really going to be a problem.

Rahul Choudhury: And also, you know looking back at the previous concall you remembered you mentioning that you would be looking at eying in different states as well right, so just wanted to check that now would we again start looking at diversifying to different states because currently it is just Gujarat and Rajasthan where predominantly we are present in?

Deep Vadodaria: Yes we see, as I have been saying on multiple number of calls we are actively looking at some states where we think it is feasible to work, but again there is no underlying pressure that we need to scale up in terms of demography because there is no benefit of scales that now you get unless I mean you proving scalability on the demographic front really proved nothing we are rather focusing on diversifying in multiple areas like we did Barmer medical college for now education in medical field has opened up for us. So yes, some concentrated avenues to be opened, but we are not focusing too much on diversification just on the terms of demography while we continue to view some states very closely, but as I said and have been saying on multiple calls unless it is going to make a meaningful change to our order book we are not looking at exploring new demography for single projects amounts that we are already dealing in when we see that the comfort is pretty much there. The team is obviously pretty much here it is our home states, opportunities are plenty so is the case in Rajasthan. So, might just that we have a focus on there and keep an eye on something meaningful that is happening in the other states.

Rahul Choudhury: And how do you look at the competition scenario within Gujarat and Rajasthan right now because of COVID lot of smaller players would get impacted, so what that be an opportunity coming across for you guys?

Deep Vadodaria: Definitely there will be opportunity coming about because being organized and having your all the other financial position in place so that includes guarantees, bank guarantees it is definitely been a very challenging time for at least most of the infra players the smaller ones at least. So, going forward let us see how they catch up, but yes gives us the competitive edge while our competitors and their segments are completely different on to the different segment that we work with, but in general if your question is pertaining to how the smaller companies have been impacted, they have been impacted a lot than while they must be coming back to ground, but let us see how quickly they can gain them.

Rahul Choudhury: I think this was the last question I think this one is a bit of book keeping kind of a thing what will be the kind of bank guarantees available with us and what is the kind of bridge what we can do with that kind of bank guarantees?

Prashant Sarkhedi: The company has utilised approximately 57% of the bank limit as on 31st December 2020 and there may be availability to bid for approximately Rs. 2000 plus crore, with the availability of this bank guarantee companies can approximately give performance BG for more than Rs. 800 crores of project.

Moderator: Thank you. The next question is from the line of Sanjeev Bhaskar an Individual Investor. Please go ahead.

Sanjeev Bhaskar: So, in Becharaji have you sold anything in this financial year like how are the inquiries looking like?

Deep Vadodaria: As I just previously answered the inquiries are looking good now, we are talking some expansion plans where couple of our clients and the new inquiries have also started coming in, but lot of these inquiries take a lot of time to close actually depending on the organizations that we are talking about, but in this financial year we have not sold anything at Becharaji.

Sanjeev Bhaskar: So as of FY22 what kind of projections are we looking at there like overall the business?

Deep Vadodaria: Honestly it is too early for us to look at it in terms of monetization of that because that is not the immediate plan at this point of time, but yes if the opportunity arises we want to monetize a lot of it. Apart from that, we usually set targets in terms of having more land in use. So, as I said one fraction of the land or more than 50% of the land which lies under the FIR because most of the land is not motorable now it is going to be motorable with government roads opening up or the process of government roads which have already started. So, monetizing them is going to be much easier for us so that segment already opens up for projection in the next year where we are already working on things that we can do, too early to talk about them at this point, and the other part of the logistic park as I said we are not under any underlying pressure, obviously the real estate appreciation is not the goal, but that is obviously there at the back of the mind. We would have been under tremendous pressure if we have been sitting on an inventory which is speculative in nature where we have already build warehouses thinking that the demand is going to come and the demand has not come. So, we are focusing our energies on a lot of build to suit requirements which are going to come and let us just face it before COVID as well the quarter before that was small quarter for four-wheeler in the country anyone Suzuki and stuffs were Suzuki even being the largest one who is not looking very comfortable obviously their production facility is not directly linked to the sales in India, but still the mood is pretty much there. So, it has been wash out sort of a year, but we are happy to see the auto sales as well the production has already scaled up since many months to more than pre COVID levels actually. So, Suzuki looking very confident where we are definitely holding on, we have been holding on to this for little long now, but things are moving now definitely in the right direction.

Sanjeev Bhaskar: So just a couple of follow up so what would be the main focus in the type of projects that are coming in next year and is the company planning to increase its pie on projects with private players?

Deep Vadodaria: No actually we are not, because the precise purpose why we came out of private players because private players are also in the end linked there is money for the private players which are also coming in from someone. So while at some white label company we might work who is likely to work, with Adani in the past and it has been one of only private companies that we have been working within the last half a decade or so, but yes, we would look at those sorts of companies, but it is not area of interest. We are largely interested in sticking to the government and where the cash flows are completely secured and we are not really concerned about it.

Sanjeev Bhaskar: But in times like COVID are you not seeing a risk with payments from government has slowed down?

Deep Vadodaria: So that is exactly what I was trying to say on the previous question when I said that we invest into models rather than investing on to the projects. So, we are very confident like on the slum rehabilitation model there is no money that has to be exchanged from the government so we are not worried at all. We can create our own ecosystem in terms of the payment that we have to make in the overall cash flows and on the affordable housing front as I said the government is mearly a facilitator. There is a state government subsidy and a central government subsidy. Well, I can agree that because of COVID the state government subsidy is going to probably come two month later, but that is a very small part of my payment and my payment does not really get stuck because of that. So, it is an automated process 70% is to be paid by the beneficiary so beneficiary is definitely not affected anyway if the beneficiary is affected in the COVID times which if you put across a point, I might agree with you, but they have a lot of waiting people in line if people default on payment. So, we are pretty confident on the payment structure rather than talking about specific projects. So, all the projects that we are working on most of the projects are with clear funding patterns where the funding sources are clear and we are very confident about how the cycle is going to move.

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

Deep Vadodaria: Thank you friends for joining us today. Going forward we will continue on the growth path; we will 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 again.

Moderator: Thank you. On behalf of Valorem Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.