NILA
INFRASTRUCTURES
LIMITED

NILA/CS/2016/860
Date: November 28, 2016

To,
The General Manager
Department of Corporate Services
Bombay Stock Exchange Limited
Phirozee Jeejeebhoy Toweres,
Dalal Street, Fort, Mumbai – 400001

Scrip Code: 530377

To,
The Manager
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Compelx,
Mumbai – 400051

Scrip Symbol: NILAINFRA

Dear Sir,

Sub: Transcript of Conference Call held on November 22, 2016

It is submitted that Nila Infrastructures Ltd. had held a Conference Call on November 22, 2016 to provide the information about the financial performance and business of the Company for the quarter ended on September 30, 2016.

In this regard we are hereby, in terms of the Code of Practices for Fair Disclosure of Unpublished Price Sensitive Information read with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, submitting transcript of the said conference call for the information of the exchange and doing needful.

Thanking you,
Yours faithfully
For, **Nila Infrastructures Ltd.**

NILA INFRASTRUCTURES LTD
AHD

Dipen Y. Parikh
Company Secretary

Encl: a/a

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"Nila Infrastructures Limited Q2 FY2017 Earnings Conference Call"

November 22, 2016

MANAGEMENT: MR. DEEP VADODARIA – COO
MR. PRASHANT SARKHEDI – CFO
MR. HIMANSHU BAVISHI – PRESIDENT (FINANCE)
MR. DIPEN PARIKH – COMPANY SECRETARY

Moderator: Good morning ladies and gentlemen. Welcome to the Q2 FY17 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 date of this call. These statements are not the guarantee of future performance and involve risks 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 the 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. Thank you, and over to you sir.

Deep Vadodaria: Good morning friends. I welcome you all and thank you for sparing time for this conference call. Alongwith me, I have Mr. Prashant Sarkhedi – CFO, Mr. Himanshu Bavishi – President (Finance), Mr. Dipen Parikh – Company Secretary, and Strategic Growth Advisors i.e. our investor relation advisors.

Just to give you a brief background on our company:

We are well established players in developing civic urban infrastructure projects on EPC, turnkey, PPP mode and as well as Private White Label Construction and Industrial Construction projects. In the past, we have also undertaken our own Real Estate projects. As we are based in Ahmedabad, our major operations are spread in Gujarat. In the last couple of years, we have expanded our footprint in to the neighboring state of Rajasthan. As an expansion strategy, we have expanded our presence in Rajasthan mainly with projects in affordable housing segments. We started with project at Jodhpur awarded by Rajasthan Awas Vikas and Infrastructure Limited worth Rs.509.4 million through PPP mode. During the last Resurgent Rajasthan Partnership Summit in November 2015 we have signed a MoU of Rs. 4 billion with government of Rajasthan for development of civic urban infrastructure projects including affordable housing. Also we had widened our horizon in civic urban infrastructure segment by securing a project to create medical infrastructure in Barmer, Rajasthan. This is the first project for us into medical and health segment and with the huge deficit of doctors and medical professionals in the country, we opened up yet another area for company's sustainable growth. Apart from EPC, EPC+ PPP, last year we embarked on PPP basis a slum rehabilitation and re-development project. We were awarded our first project by Ahmedabad Municipal Corporation for a total development cost of Rs. 492 million. Remuneration is in form of TDR and the balance vacant land. We are in process of monetization of TDR and the fund will be used to execute this project. Recently we secured our second PPP order from Ahmedabad Municipal Corporation for slum rehabilitation and redevelopment in Ahmedabad, with a total development cost of Rs.68 million. We received an order to construct PMC office building from Adani Ports and Special Economic Zone. The construction involves ground plus 13 floors plus 2 basement covering about 3 lakh square feet of built up area. The project has to be completed in 390 days. We have received this order after September 30 and hence this is not included in the order book as 30th September 2016. Now coming to our order book, a confirmed unexecuted order book as on September 30th 2016, is at Rs. 2,974.1 million with 65% of that is affordable housing projects and rest 35% is from other civic urban infrastructure segment which also includes Private White Label construction. We secured an order of Rs. 435 million in private white label segments post 30th September 2016. The broad break up is: affordable housing segment is 14% EPC, 36% of EPC plus PPP, and 15% is PPP projects relating Slum Rehabilitation and Redevelopment project. While civic urban and infrastructure forms rest of 35%.

Now I would like to give you an update on our graduation into construction of medical infrastructure as part of a civic urban infrastructure. We got an order of Rs. 874.6 million from EPIL for construction of medical college campus and residential at Barmer in Rajasthan. Department of Medical Education and Government of Rajasthan has entrusted EPIL to execute the construction of medical college campus for 100 MBBS admissions annually. The project of 3 lakh square feet has to be completed within the span of next 12 months.

Now I would like to give you an update on the Slum Rehabilitation and Redevelopment projects. We secured the possession of Giridharnagar, Shahibaug project site from AMC which was the first PPP order that we got and we have already initiated the construction process and all the slums has been evacuated. The project now involves construction of 609 residential units and 21 shops. We are in the process to execute the monetization of TDR and funds to be deployed for the construction of the project. Onsite operation has begun in this quarter and we have started revenue booking also. We have also secured work order for Kailash Nagar Sabarmati project site from AMC for construction of 80 residential units over a time frame of next 18 months. The total cost of the project is Rs. 68 million. The contract remuneration is in form of vacant land, with a current market value of Rs. 78.1 million. The project execution shall commence by end of FY17.

Updates on projects received under MoU with government of Rajasthan. We received 5 contracts aggregating Rs. 669 million from 2 Urban Improvement Trusts of Rajasthan in Bhilwara and Udaipur. The total construction in 3,044 affordable housing units on turnkey basis on government land with the overall construction of approximately 8 lakh square feet area under the Chief Ministers Jan Avas Yojna 2015. The projects will be constructed on 75% of the land and remaining 25% will be allotted to company free of cost.

With this, I would now request Mr. Prashant Sarkhedi, our CFO to present financial results for the second quarter of FY17. Prashantbhai, please take over.

Prashant Sarkhedi: Good morning. Let me thank you all for joining us today in our quarter 2 and first half 2017 earnings call. I believe you have had an opportunity to see our results and the presentation circulated and uploaded in our website apart from the respective website of the BSE and NSE.

I would now present the result for the quarter and half year ended on September 30th 2016. Revenue increased by 36% to Rs. 567.9 million from Rs. 416.1 million in quarter 2, FY2016. Revenue from the first half 2017 grew by 39% from Rs. 775.6 million in first half of 2016 to Rs. 1,074.6 million. On the profitability front, the EBITDA for the quarter 2 FY2017 grew by 20% from Rs. 73.5 million in quarter 2 FY16 to Rs. 88 million with an EBITDA margin of 17%. EBITDA for the first half 2017 stands at Rs. 157.9 million compared to Rs. 120.7 million for first half 2016, a growth of 31% year-on-year basis. Margin for first half 2017 has come in 16%. The profit after tax is Rs. 55.1 million for quarter 2 FY17, a growth of 48% compared to Rs. 37.2 million in quarter 2 FY16. Profit after tax for first half 2017 has grown by 42% from Rs. 67.3 million in first half 2016 to Rs. 95.3 million. As on September 30th 2016, the standalone net worth of the company is Rs. 1,872 million whereas the standalone gross debt is Rs.1,403.1 million, while the cash and bank balance on standalone basis is Rs. 50.7 million, a net debt at comfortable level of 0.72 as on September 30th 2016. With this, we now open the floor for question and answer.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question answer session. We will take the first question is from the line of Pranav Tendulkar from Edelweiss. Please go ahead.

Pranav Tendulkar: I have few questions about SRA business, so in slum rehabilitation, how is the business as in, once you get the contract from government that you have to build X houses and rehabilitate the people, so how is the payment from government side, is it part wise, is it slab wise or is it after one year of completion, how is it?

Deep Vadodaria: As far as SRA goes, there is no payment which comes in from the government. The remuneration is given by the government in form of TDR and balance vacant land. So we have to monetize TDR and generate the cash flow which is needed in order to execute the project. So right now we are monetizing the TDR which is acceptable all across the city of Ahmedabad and we can sell it to any other real estate developer and realize the value out of it. And that will be used for execution of the project. So practically the government gives remuneration in form of TDR and balance vacant land and it is not financial in nature.

Pranav Tendulkar: So the TDR, in that case, do you take land price risk in this?

Deep Vadodaria: Land price risk yes, on the balance vacant land, there is risk involved.

Pranav Tendulkar: Even on TDR right?

Deep Vadodaria: No, it could come down but what is different in Ahmedabad compared to let's say in Mumbai, or any market is, here government itself has created a market of TDR. Just to give you a brief example, there is a development zone in Ahmedabad called the R2 zone. Now this is a very predominant zone when you talk about any form of new development which is happening in Ahmedabad because a lot of land lies within the R2 zone. Now what government has done to ensure that the TDR demand stays in place is that if you own a land in R2 parcel, then you are only allowed to construct at 1.8 FAR. But to give a market to TDR, what they have done is, if you buy slum TDR which is from a player like us, then you can buy 0.6 more and go as higher as 2.4. Now this specific 0.6 has to be compulsorily brought from a developer who has developed a slum and government itself is not selling it. So in order for you to develop more in R2 zone, you will need this TDR. That's why there is this whole formulation of TDR market which is here and we don't envisage the demand to go any lower. In fact the demand is at its peak right now and with not a lot of TDR coming into the market with a new project, I believe that the demand is sustainable.

Pranav Tendulkar: Even Rajasthan has a same sort of scheme which promotes the selling of TDR?

Deep Vadodaria: Rajasthan, we are not getting TDR. Rajasthan whatever affordable housing we are doing is a cross subsidized PPP model in which government asks us to build houses as per their requirement on 75% parcel of the land and at the completion of the project, they also give remunerations to us in financial form for that construction and apart from that, they give us a balance 25% vacant land after the completion of the project. So that's a different model compared to slum rehabilitation. Let's say if there is a 10 acre parcel, then the government asks us to develop 7.5 acres as per their requirement and after the 7.5 acres is developed, the 2.5 acres is given to the company as freehold land.

Pranav Tendulkar: And out of the 7.5 acres that you develop, suppose you incur Rs.100 cost on the 7.5 acre development, then out of 100, how much government pays you roughly?

Deep Vadodaria: It depends on all various projects. Let's say in most of the projects we are meeting ends, so whatever remuneration the government is giving us, we are putting it in to construction and the balance profit will be the land in most of the cases. There could be cases in which there is cross subsidization as in where my input cost is more than what the government is giving me and I am envisaging the land is going to give me the profit.

Pranav Tendulkar: So basically 2.5 is your margin on 10. So that is good business actually. Overall if you see, are other state governments open to this idea? Because my worry is that although you had amazing revenue growth and also margin which is hard to find in this business, your debt is continuously going up and may be you are investing it in more growth, but operating cash flow is not flowing. So how do you envisage the company's growth trajectory over say next 3 – 5 years?

Deep Vadodaria: Let us start with debt, debt has actually reduced in this quarter and we don't envisage creating more debt at least in the medium term and which we seem amply funded for the projects which we are taking off. See usually what is happening right now at this stage is there is a lot of input cost which goes inside a project especially at the start of the project. So when you talk about government projects, they are not giving mobilization advance. So when we mobilize on site there is a lot of inflow which goes inside. Plus all the tenders which we are getting remuneration from the government, they are all skewed towards the end of the project. So my profit lies at the end of the project. That's why the profit realization and cash flow investment is more. But it may be noted that this year we will be cash flow positive.

Moderator: Thank you. We take the next question from the line of Rohan Mandora, from Equitas. Please go ahead.

Rohan Mandora: Given the current demonetization, just wanted to get a sense on the impact on our business because I believe a considerable amount of payment to contractors and subcontractors will be in cash?

Deep Vadodaria: We pay no remuneration to our sub-contractors in cash but they in turn would be paying people in cash. As the dust settles down, there is initial hit that we are taking as far as the strength of the labors is concerned. So if we look at the last week, I think people have started coming in. So I don't see any immediate effect of demonetization on us. In fact, I think it is going to be quite positive for the company because whatever order book that we have, we have got nothing to do with peoples' demand or their whole mindset is concerned, because these are all projects which are already sold by the government to beneficiaries. And they have started paying money. So I don't think it will affect. What will be the positive for us is, if the reduction in interest cost which we envisage now after government actually implying demonetization, we believe that the banks will get more aggressive on all accounts and that will definitely affect as far as improvement in PBT / PAT is concerned and reduction in input cost of course, because as we are all seeing whatever is happening in the market, as far as demonetization is concerned, we expect the raw material pricing to come down substantially over a period of at least in medium-term. So that will obviously have improvement on the EBITDA levels for the company.

Moderator: Thank you. We take the next question from the line of Nisha Shah from NH Limited. Please go ahead.

Nisha Shah: I just want to understand is there any criteria needed for construction of these hospitals, schools or colleges, is there any pre-qualification criteria for this and are we intending to bid for them?

Deep Vadodaria: Yes there are pre-qualification criteria, but in this specific contract that we are talking about in Barmer, what they have done is, they have split the medical college into 2 components, one is to construct the residential facility and college itself and the other one is to create hospital. The hospital base obviously, we are not eligible because we do not have a track record of the past but this is an opportunity now because now this is a relevant work order for us to go in future that we have executed medical facilities and this will be counted as past experience as far as medical construction is concerned.

Nisha Shah: I missed it, but can you just let me know what is the expected margin from this year from Adani Port project?

Deep Vadodaria: Adani Port project is a private white label construction job where the margins that we are talking about are a little more than the conventional EPC projects with the government. Let's say on the EBITDA level, we can expect somewhere between 12 – 15%.

Moderator: Thank you. We will take the next question from the line of Ashish Parekh, an individual investor. Please go ahead.

Ashish Parekh: Could you explain what is the bid pipeline of the projects going ahead and my second question being what are the sustainable margin levels for affordable housing segments?

Deep Vadodaria: The bid pipeline looks good. We have bided for a lot of projects and lot of projects are expected to come in this quarter and the bid pipeline is obviously on as we have now spread our wings in PPP as well. So we have bided for a few PPP projects also and at the same point of time, EPC project we keep on doing with the government. When you talk about margins on affordable segments, what we have successfully been able to do is to moderate the order book based on the growth that we wanted to see the company to grow and so we have been moderating our order book coming in from these segments like EPC, EPC+PPP and PPP. To give you an exact number of what is the sort of margin that we would receive from affordable housing, will be difficult. But we will keep on variating it because sustainable margins on pure EPC are going to be much lesser compared to EPC+PPP and then PPP will obviously have more margins from rest of them. So all put together, I think the margins are going to be different in each projects. But we keep on moderating that as and when we need to.

Moderator: The next question is from the line of Roohi Sethi from Kanya Investments. Please go ahead.

Roohi: This is Roohi here from Kanya Investments. Just wanted to follow up on a couple of questions that came through recently, you had mentioned that white label construction gives you higher margins, so could you give us a little more idea on what kind of resources you deploy there versus what we see in the others?

Deep Vadodaria: The resources are actually different in a format, depending on the construction contract, like white label construction for affordable housing, there the resources deployed would be almost the same as resources deployed in a government project. But the recent White Label construction job that we have got, is a commercial building and it's a multi-storied 13 floors building, so obviously resources involved there are a little more than what you have in affordable housing as far as set-up is concerned.

Roohi: So overall when we say a project wise if you calculate returns, more or less it will be similar to what we are doing in the other projects?

Deep Vadodaria: You are talking about white label construction jobs?

Roohi: Yes.

Deep Vadodaria: It will be little more than EPC contract that we get from the government, yes it will be more.

Roohi: It will still be more?

Deep Vadodaria: In the range of 12 – 15% on the EBITDA, that's what we envisage.

Roohi: Are we internally having any sort of cap that we would like to put on the white label constructions that we would do or we are open to taking orders as and when we keep coming?

Deep Vadodaria: We don't really have a cap but we don't want it beyond a certain level because ultimately what we have done is even in white level construction job, we have to pick a) on real estate construction which is somebody else's real estate and b) somebody's internal consumption project like the first set we received is for Adani Ports PMC building, so it is not connected to real estate. So it is a white label construction job but at the same point of time, it is not connected to any form of real estate that we have to sell to the market, it is for an internal consumption. So yes, we will keep some cap on it but there is an internal cap we would not like to hold high on private white label construction job.

Roohi: I might be asking you this question again, but today, what portion would be this in our books?

Deep Vadodaria: Only white label construction jobs?

Roohi: Yes.

Deep Vadodaria: Himanshu Bhai, can you give an exact break up, if you have?

Himanshu Bavishi: Sure, out of Rs. 297 crores, it is about Rs. 93.5 crores, that is about 31%.

Deep Vadodaria: Because we have just received.

Roohi: Because of the newer projects and more or less it is going ahead we would not be taking it much higher in our books from these?

Deep Vadodaria: No, because then we will get more orders from other segments as well. So the actual percentage is not expected to go any higher.

Roohi: Just one more question, on your Barmer project, that is into hospitals right?

Deep Vadodaria: Yes, hospitals.

Roohi: What kind of project cost or margins are we seeing, is it going to be similar to these higher white-label or its going to be earlier?

Deep Vadodaria: No, it is going to be as per the EPC contract of the government and is a very competitive bid and it was essential for the company to make an in-road into this segment. So we have been aggressive on our bid, so it will be lesser.

Roohi: This is our first hospital bid?

Deep Vadodaria: Yes, this is our first hospital bid.

Roohi: And we will be able to execute that, we don't see any clearances or government level issues?

Deep Vadodaria: No, all clearances have been received. The site is in our possession and we have already started construction.

Moderator: Thank you. The next question from the line of Pranav Tendulkar from Edelweiss. Please go ahead.

Pranav Tendulkar: I just wanted clarification on 2 things, one is current split of revenue is how much? How much from SRA, how much from EPC?

Deep Vadodaria: Right now the split is 65% – 35%, 65% coming in from government, not SRA, I will give you the breakup of that 65%, affordable housing 14% EPC, 36% in EPC+PPP, that is Rajasthan and 15% is PPP project.

Pranav Tendulkar: And 35% is White Label?

Deep Vadodaria: No, not white label, Civic Urban Infrastructure in general. That will include Barmer and one of the other multilevel car park that we are constructing in Ahmedabad and white label, all put together.

Pranav Tendulkar: So there is no actual exposure to a builder building a building, right?

Deep Vadodaria: No, as of now, no.

Pranav Tendulkar: Also about the TDR and Rajasthan model, as you explained that you actually sell TDR in Gujarat whatever is available, but in Rajasthan the 25% land that you get, what is the policy on that, do you sell that also?

Deep Vadodaria: No, we cannot sell it as early as early as possible because we get possession of the land at the end of the process, but as of now, we have both the options open, we have not taken the call on monetizing the land because we will receive the land at the end of the project. But whatever will be the feasible cost as far as the company is concerned, we will take a call in due course of time and when the project reaches that stage. So we can either monetize the land or may develop it depending on the market circumstances.

Pranav Tendulkar: Also in the start of the call, you also envisaged what is the order book and split of that, can you just repeat it?

Deep Vadodaria: Order book Rs. 297 crores, out of which 65% is affordable housing and 35% is Civic Urban Infrastructure. And I give you the breakup of 65% of the affordable housing, in what format it is coming into, EPC, EPC+PPP and PPP.

Pranav Tendulkar: Also how is the competition in affordable housing projects executing these orders?

Deep Vadodaria: Competition is very different in all 3 segments that we are involved in. In EPC obviously the competition is very steep because of whatever is happening in the real estate segment for the last couple of years. So it is very competitive. We have a lot of contractors that is coming in, purely based out of real estate construction but they are also bidding into government project, because there is a lot of opportunity now, so yes, there is a lot of competition in EPC. When you talk about EPC+PPP there is a little less competition because there is land involved in the process and when you talk about PPP contract, our competition completely changes from contactors to real estate developers, because contractors would not be interested in something where they have to make such huge investments to get the project, and get the project executed. The remuneration is in form of TDR and balance vacant land. So there on the PPP front, we have competition coming in from largely real estate developers and not the conventional contractors.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for their closing comments.

Deep Vadodaria: We would like to thank you again for joining us today, we are confident to continue growth momentum in FY2017 in line with quarter 2 performance. Our goal is to grow the order book in all segments by leveraging our execution capabilities to deliver within the stipulated time and cost while maintaining sustainable profitability levels. We believe despite the effect of de-monetization on the interest cost, our swift execution will be the key to maintaining the growth strategy. We look forward to talking to you again next quarter. In the meantime, my colleagues and I, as well as Strategic Growth Advisors our investor relation advisors will be happy to take any other questions that you would have. Thank you.

Moderator: Thank you members of the management team. Ladies and gentlemen, with that we conclude today’s conference call. Thank you for joining us and you may now disconnect your lines.