



**NILA  
INFRASTRUCTURES  
LIMITED**

NILA/CS/2018/202

Date: June 20, 2018

To,  
The General Manager  
Department of Corporate Services  
**BSE Limited**  
Phirozee Jeejeebhoy Toweres,  
Dalal Street, Fort, Mumbai - 400 001

To,  
The Manager  
Listing Department  
**National Stock Exchange of India Ltd.**  
Exchange Plaza, Bandra Kurla Complex,  
Mumbai - 400 051

**Scrip Code: 530377**

**Scrip Symbol: NILAINFRA**


Dear Sir,

**Sub: Transcript of Conference Call held on June 01, 2018**

It is submitted that Nila Infrastructures Ltd. had held a Conference Call on June 01, 2018 to provide the information about the financial performance and business of the Company for the quarter ended on March 31, 2018.

In this regard we are hereby, in terms of the Code of Practices for Fair Disclosure of Unpublished Price Sensitive Information read with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, submitting transcript of the said conference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

  
Dipen Y. Parikh  
Company Secretary



Encl: a/a

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**Nila Infrastructures Limited**  
**Q4 FY18 & FY18 Results Conference Call**  
**June 01, 2018**

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**Moderator:** Good day ladies and gentlemen and a very warm welcome to the Q4 FY18 and FY18 Conference Call of Nila Infrastructures Limited. As a reminder all participants' lines will be in the listen-only mode. 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. I now hand the conference over to Mr. Pranav Kandhwala from Valorem Advisors. Thank you and over to you, sir.

**Pranav Khandwala:** Good afternoon everybody and a warm welcome to you all. My name is Pranav Khandwala, Associate Vice President of Valorem Advisors. We represent the investor relations of 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 Q4 and financial year ending March 2018.

Before we begin I would like to mention a short cautionary statement. Some of the statements made in today's earnings con-call 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 beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place undue reliance on these forward-looking statements and making any investment decision. The purpose of today's earnings conference call is to purely 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 con-call. We have with us Mr. Deep Vadodaria – COO, Mr. Prashant Sarkhedi, CFO and Mr. Himanshu Bavishi – President (Finance). Without much ado, I request Mr. 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 of Q4 FY18 and FY18. Along with me I have Mr. Prashant Sarkhedi, our CFO, Mr. Himanshu Bavishi, our Group President (Finance) and Valorem Advisors, our Investor Relations Advisors.

We will start with an update on the announced scheme of de-merger. The honorable National Company Law Tribunal bench Ahmadabad has approved the scheme of arrangement of the

demerger whereby the real estate undertaking of the company shall be transferred to and vested in Nila Spaces Limited and the shareholders of Nila Infrastructures Limited will get equity share of Nila Spaces Limited in 1:1 ratio as per the record date fixed June 15, 2018. Accordingly the equity shares of Nila Spaces Limited will be listed on both BSE and NSE.

Now moving onto providing the highlights for business operations in this quarter; in affordable housing the company is currently developing about 10,000 units for affordable housing aggregating to 6.4 million sq ft. So far the company has already delivered 3,290 units under this. The Gujarat state elections have caused a certain effect that led to delay in initiation of certain new projects. However over the last couple of quarters we have witnessed an increase in order billing and inflows on higher margin in businesses like the PPP model. The opportunities in affordable housing as you are aware are humongous and we are very favorably placed to participate.

Within civic urban infrastructure the company has witnessed a robust quarter and year. One of the projects the company is working on is at Barmer, Rajasthan where we are working on a medical college campus which will start in the coming year. We will make further inroads into institutional and healthcare building construction post completion of this one. Further the company has constructed a customized office building of Adani Port and SEZ as well as the commercial park that we are developing for Adani Group in Ahmadabad.

Significant progress has been made in our industrial efforts at Becharaji-, Gujarat under the MoU executed on 7<sup>th</sup> of August, 2016 with the Kataria Group. The company has jointly acquired land and developing industrial and logistics park units, sheds, plots, residential colonies and allied infrastructure at various locations situated near the upcoming auto-hub at Becharaji, about 90 km from Ahmadabad at Gujarat. The two joint venture entities have started delivering warehouses, dormitories etc. to selected clients including reputed MNCs. With this I would now like to hand over the call to Prashant Sarkhedi.

**Prashant Sarkhedi:**

Thank you Mr. Vadodaria. Good afternoon friends and thank you for sparing the time to participate in this call. Before giving you the highlights of the financial performance of our company for the year gone I wish to bring to your notice that this year brought structural changes in terms of the financial statement and key business ratios. The company has gone through a couple of transitions, for example IndAS convergence of the financials, demerger of the real estate undertaking, implementation of GST, all these happened within the single financial year. IndAs transition with the retrospective accounting statements, revaluation of the investment in joint ventures and subsidiaries, GST implementation phased together with the effect of the transfer of real estate business after demerger are the result makers of this year. Revenue account of the GST has impacted the top line of the company by about 12% with the demerger of the company embedded risk, with GST impact and changes in the accounting policy to IndAS. And to top it up most of the accounting entries have been impacted during the Quarter 4 FY18. Hence, the financials of the previous year are now not

simply comparable in a way we usually analyze. We request you to please ensure to analyze our latest financials with this backdrop.

Overall improvement in the PAT has resultantly doubled the ROCE to 21% as compared to the pre-demerger 11%. Apart from this the financial flexibility has improved the balance of debt with respect to Quarter 4 2018. It may be mentioned that the negative growth is mainly attributed to the accounting entries that have been passed to provide the GST adjustment. To top it up the state elections in Gujarat delayed the initiation of certain approvals as well as certain projects.

Having said that we are glad that we have been able to successfully overcome most of such constraints and grow by 8% on the top line and 41% on the bottom line. Through this con-call I also wish to express the gratitude to BSR & Associates for whom this is the first year of the statutory audit and we have finished the process in the statutory timeline smoothly in spite of having all such transitions phases for the company in a single year. A mention worthy event was that CARE rating initiated our bank loan rating for bank facilities with the BBB+ and A2 for the credit watch with the developing implication on account of the demerger.

The board of director has recommended the dividend of 11% subject to the approval of the shareholder at the ensuing annual general meeting. With that we can now open the floor for the question and answer session.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Somal Bhatia, individual investor. Please go ahead.

**Somal Bhatia:** Can you throw some light on your affordable housing business, so what will be the margins in this business and I also wanted to know the working capital cycle in the affordable housing segment.

**Deep Vadodaria:** In affordable housing segment we work in three different business models right now. One is pure EPC contracts in which there is no underlying, you build, you construct, you get paid money in the prescribed method that is mentioned in the bid and it is obviously because there is no or less risk associated with this, you get nominal margins. So we usually see margins ranging from 7% on the EBITDA to about 9% on the EBITDA on that business. We have a hybrid PPT model which we work on in Rajasthan which is a different model than Gujarat that we work in. So in that model that's a cross subsidized model in which we do get money plus we get land as remuneration as an additional profit, so that is a model which gives us to the tune of 14% to 17% on the EBITDA margin and then we do affordable housing and slum redevelopment. Slum redevelopment which falls under affordable housing but that falls under the category of public-private partnership that is obviously a high risk business compared to the EPC business and that's why it would have higher margins which would

range from anywhere between 25% to 30% on EBITDA. As far as working cash cycles are concerned if you look at about 60 to 70 days when it comes to Gujarat and about 75 to 90 days when it comes to Rajasthan.

**Somal Bhatia:** What will be your vision as far as the affordable housing segment is concerned?

**Deep Vadodaria:** As far as our view on affordable housing goes is, we obviously joined in the affordable housing movement in the country very early in 2013 and we have closely seen the sort of demand which is coming in because this was the specific demand which was being ignored across the country and no real move had been made to address this demand. So even today in the bids that we participated and the feedback that we get from the government is demand is very-very robust and what makes us think that this demand is only going to increase is because of the quality of product that we are delivering and the government is expecting which is definitely state of the art sort of infrastructure which is being made, something that we have not seen in India because if you look at the affordable housing which is being delivered in the country right now especially where we are doing it I can't comment too much about the other states because I have not seen all of them. But all the states that I have visited and seen there is a sea of change from the quality of housing that was being made by the government in the past and the quality of houses which we created in this type of affordable housing. And unfortunately the government doesn't advertise us as real estate developers, so as more and more people are starting to live in these units which are being allocated to them, the word of mouth is only going to make the demand stronger as we move forward.

**Somal Bhatia:** Any other geography which we are looking after Rajasthan maybe?

**Deep Vadodaria:** We are closely watching a lot of states but when you actually working with the government there are lot of parameters involved so you really need to weigh and check before you actually enter. But it's very simple for us if we enter a state we are not really going to enter it on ad-hoc order. It will be a designed effort to make it in one of the revenue churning states like we have done with Rajasthan. So we are actively looking at a few states but right now we have not really participated in any of the bids there but we are closely watching a few states.

**Somal Bhatia:** If you can give a guidance as far as the growth is concerned over the next few years, so what are the growth rates which are looking at internally?

**Deep Vadodaria:** As a policy decision we have not really come out with the guidances. But now there is a clear divide with the demerger I think we are in the best position in terms of order book, in terms of flexibility post the demerger and obviously with the sort of ratios that we see and the business model that we have discovered. We believe that we should be able to match the growth path that we have seen in the previous three years, obviously this year is not comparable as cited by Prashant earlier in the presentation.

**Somal Bhatia:** Are we seeing any funding issues from the banks?

**Deep Vadodaria:** Not at all. In fact the banks have been very forthcoming in this specific segment. And plus whatever that we are associated with here is not directly related to our direct exposure to them, as they are funding the beneficiaries and are obviously they are much more lenient funding the beneficiaries of Pradhan Mantri Jan Awas Yojna and I think there is a clear focus on lending more on affordable housing and we are seeing most of the financial organizations quite forthcoming.

**Somal Bhatia:** Any delays we are seeing from the government as far as payments to be released to you?

**Deep Vadodaria:** Not at all. That was the precise reason for us to get involved into affordable housing because the funding pattern is very clear. The funds are already in their bank accounts before they actually have to pay us. The budgeting is done because most of it is collected from the beneficiary who is obviously in hurry to pay because he or she wants the house. So it's been quite smooth till now.

**Somal Bhatia:** I was just looking at that, the elections are coming in 2019, so we won't face any issues with regards to that, right?

**Deep Vadodaria:** I don't think we will face any issues on that because whatever that we are working on is a pro-poor policy, has to be continued irrespective of the government or the leader that is in question. I don't think anyone can really afford to take a back step now as far as affordable housing and developing affordable housing is concerned.

**Moderator:** The next question is from the line of Urmil Pandya, an individual investor. Please go ahead.

**Urmil Pandya:** My question is the order book that we have and the trend that we're seeing from the new orders coming in, so I just wanted to know from which areas we are seeing the orders that is like more from affordable housing or the other aspects that we have that is like civic urban infra, so from where we are getting the orders?

**Deep Vadodaria:** We're getting in from both. But right now if you look at the confirmed unexecuted order book, it splits into 71%-29% which may move around based on execution and new projects starting anywhere between 65%-35% to what we are seeing right now 71%-29%. I think we can expect to go on the same lines around 65%-35% or maybe 60%-40% going forward. Affordable housing obviously continues to be one of our prime focuses because we really like the funding pattern. As discussed earlier we have already delivered so many of the units successfully and it has become an area of expertise for us because we have the head start and we have the technical expertise in the strong engineering team to address any specific concerns that come to these projects. But going forward if you come from both aspects, civic

urban infrastructure also we see it as one of our key focus areas going forward the way infrastructure needs to be developed in a country like India.

**Urmil Pandya:** Are we seeing any increase in size of the projects or some movements over there like some bigger projects or something like that?

**Deep Vadodaria:** Yes I think government has been more forthcoming when it comes to public-private partnership. There is an open mindset where they are working out the innovative models as well and that is why I say that civic urban infrastructure is also going to be a focus area because now working out of special sort of projects with the government or government thinking out of the box and creating a PPP project which is a win-win for all the stakeholders that is the public and the government and the developer. There are more instances of such nature across the country and luckily we are in one of the most action-packed states that is in Gujarat which is obviously the first mover in lot of these innovative models. Going forward we see lot of focus coming in from the government to upgrade the existing fractured infrastructure that they are sitting on, so civic urban infrastructure obviously is going to be important. But in affordable housing it actually depends on the land parcel, the size of the order. It's been in a specific range but yeah, the bigger orders are coming in sometimes. But it largely depends on the specific land parcel in question but the average order size remained in the tune of INR 50 to 60 crores.

**Urmil Pandya:** What's the timeline like when exactly we would be seeing the execution of around order book that we have?

**Deep Vadodaria:** Most of our orders apart from one or two which are larger orders which have a larger time and the longer timeline, all the others would have timelines of 24 months. We would have executions panned out in between these 24 months.

**Urmil Pandya:** Like around INR 517-518 crores of unexecuted order book that we have, so mostly it would take around at least in between 20 to 24 months for us to execute?

**Deep Vadodaria:** 24 to 27 months, 24 months is usually the timeline and sometimes there are reasons pertaining to drawings or XYZ coming in from the government, so the safe assumption would be anywhere between 24 to 27 months where the execution of projects is completed.

**Moderator:** The next question is from the line of Dhruvil Upadhyay, individual investor. Please go ahead.

**Dhruvil Upadhyay:** I had a few questions on the demerger front, first is basically what was the rationale behind demerging the entity into real estate and infra entities separately?

**Deep Vadodaria:** I think we have answered these questions in the past and if you can go to the website we have the demerger presentation clarifying all the rationales which we obviously went through

before filing in for demerger. And now since the order has already come in now talking about why we did it is not really in question because the demerger has already taken effect. But very valid point you've put out there but we have spoken about this in the past and you will find all the details in the demerger presentation that's there on the website.

**Dhruvil Upadhyay:** I will look into that. Another question regarding the same as what are the amount of assets which will be transferred to Nila Spaces?

**Prashant Sarkhedi:** We have transferred roughly INR 117 crores total net asset and liability to them, INR 115.46 exactly.

**Dhruvil Upadhyay:** Is there any value of land bank involved in it like land bank which is transferred to the other entity?

**Prashant Sarkhedi:** Yeah majority of the land bank which is related to the real estate where the nature of the land is and there is a potential of real estate development we have transferred with loans and advances along with the land bank.

**Dhruvil Upadhyay:** Right now in Nila Infra what is the total value of the land bank?

**Deep Vadodaria:** INR 59 crores. Total INR 63 crores is the inventory, out of that INR 59 crores is the land value which are related to the two land parcels, one is located at Bavla and second is located at Vinzol both are industrial in nature. So we have kept it in the Nila Infrastructures Limited.

**Moderator:** The next question is from the line of Meet Jain from Prithvi Finmart. Please go ahead.

**Participant:** As you mentioned that you have a land bank of around 52 acres in your real estate business, so I want to understand how much is the potential salable land bank in that?

**Deep Vadodaria:** We are not in a position to because there are various multiple factors which work into it. There are a few industrial lands which are being transferred or some lands which are of different usages but ultimately we have only transferred everything to the real estate company which has real estate scope in future. But right now it's not possible for us to give you a exact figure because very quickly or let's say in the last two years we have seen three different changes in the GDCR as resulting into additional FSIs which can be used in all these spaces. So right now to give you a specific figure of developable area is purely a speculative figure.

**Participant:** In this 52 acre it's including the industrial land bank also and real estate land bank?

**Deep Vadodaria:** Not industrial land bank, there is only some land which could be of industrial usage where we will obviously do the right movement and do it for residential or whatever that is deemed feasible for. But we are in process of starting two new projects under Nila Spaces.



**Participant:** Can you guide me about the future outlook of this year in real estate business like additional land bank you're planning to acquire and the states are looking forward?

**Deep Vadodaria:** You're talking about Nila Spaces?

**Participant:** Yeah Nila Spaces, the real estate business.

**Deep Vadodaria:** Nila Spaces, this year's target is very clear is to develop potential lands which look good for real estate business going forward and as far as acquiring new lands is concerned – yes, now since the business is only going to focus on real estate obviously if there are lands which we find attractive then there will be land acquisition. But no specific land that we are targeting as of this moment.

**Participant:** So the Nila Spaces will operate in Gujarat and Rajasthan or other states you're planning to go with this separate business?

**Deep Vadodaria:** With GST coming in now and RERA coming in it make this far simpler to scale up in other states but we have seen in the past that real estate business in India is a difficult business because all the states have completely different choices and the way that they operate and the customer trends, so obviously the start will be with Ahmadabad because our historical land bank is in and around Ahmadabad. Going forward yes, obviously Rajasthan is the first step because we are already working in Rajasthan and we have working comfort. But going forward we are not ruling out going out to other states but nothing planned as of now as far as making entry into another state.

**Moderator:** The next question is from the line of Raj Sinha, individual investor. Please go ahead.

**Raj Sinha:** I just wanted to check with you what would be the target bid to book ratio?

**Deep Vadodaria:** I think we are in the comfortable zone right now but now the execution is going to start pretty quickly. We had a few projects as we discussed in the presentation earlier getting delayed because of the election and couple of other planning issues since now they are going to start execution very quickly I think we are comfortable with 2.5X that we are sitting on right now. We are not targeting more than 2.5 or 3 on the... 2.41 is the exact figure right now, so yes, in this range I think we will be comfortable with 2.4X.

**Raj Sinha:** Are we facing any issues for the clearance in the Special Investment Region?

**Deep Vadodaria:** Not at all. And one of the land parcel we have not faced any issues. On the other land parcel it's part of government special industrial zone, so that's the special investment region. So that had delayed but now very gradually they have started moving things so now we are going to start development there, so it was dormant for a little bit of time in the last 2 to 3 years but

now we see government forthcoming and they are giving this clearances for at least the starting point.

**Moderator:** The next question is from PN Panda from DLB Limited. Please go ahead.

**PN Panda:** In the standalone the PAT figure is 22.5 Cr but in consolidated it is 19.9, can you put some color on it?

**Prashant Sarkhedi:** That is basically due to the interest charged by joint venture that is Romanovia & Kent. So when we are consolidating that figure the income between the two is netting off. But this basically impact is for this year due to the revaluation of the investment in the company and that's why it's showing it more.

**PN Panda:** Is there one-off item in this quarter?

**Prashant Sarkhedi:** It's in fourth quarter.

**PN Panda:** Can you put some color in the Becharaji Project.

**Deep Vadodaria:** Yes we had two different land parcels in Becharaji, both very close to the Suzuki plant which is coming about and one of the land parcel we have already launched an industrial Park called Romanovia Industrial Park which is about 150 acres of gated development in which we have already built about 4 built-to-suit facilities and operations have started on four of these facilities and the common infrastructure is under construction and is almost more than 30% to 40% complete. Going forward we see more action coming in on the built-to-suit, we are largely focusing on logistics players because we are very close to the Suzuki facility and as far as the logistics players are concerned they need to be very close to their customers, so that is what the development is. And on the other land parcel which is part of the special industrial region of the government, things were not moving on the clearances front from the government because the final town planning scheme for the SIR was not getting finalized. But now it is getting finalized, they have released the draft town-planning scheme and now are in process of finalizing that town planning scheme and then actually implementing it on the ground. So we will start seeing more action in that land parcel in the next two quarters but in the meanwhile Romanovia Industrial Park is where the development has already started and we have already started signing the deals.

**PN Panda:** So all the land bank is in the JV of Nila Infra?

**Deep Vadodaria:** Yes, they are staying in the Nila Infra business.

**PN Panda:** So EPC work will be done by the Nila Infra itself?

**Deep Vadodaria:** Yes the EPC work is being done by Nila Infrastructure itself because construction is our expertise of course and the rationale behind keeping the industrial parcel near it because that we are focusing largely on built-to-suit leases and this is purely a construction play and the industrial play we want to keep it in the infra company and the real estate company is going to focus largely on everything else but industrial.

**Moderator:** The next question is from the line of Jubin Paul from Vircusa. Please go ahead.

**Jubin Paul:** My question is that compared to the last year same quarter, this year the revenue growth comes below 50 crores, so any specific reason for that? I also have one more question like what will be the CAGR for next 2 years?

**Deep Vadodaria:** So the question one is yes we clarified that when we presented the numbers that just because of the impact of GST and the Ind AS conversion that we went through and the demerger the figures of last year are not comparable to this year and most of the adjustment entries have happened in to the Quarter 4 that's why it's not comparable. So that answers your question one. And when you talk about question two, I answered that as well in one of the previous questions. But when you talk about CAGR growth well as a policy we don't come out with guidances but if you leave apart this year which is obviously not comparable because of the various aspects that we have discussed in the presentation but in the past 3 to 4 years the average growth that we have seen it's looking that we are going to easily achieve that.

**Jubin Paul:** When the demerger will happen, when will it be finalized?

**Deep Vadodaria:** The demerger has been finalized on the 9<sup>th</sup> of May. NCLT court has already given out the order and we have kept the record keeping date as 15<sup>th</sup> of June on which the record will be taken on the shareholders and each shareholder will be issued 1:1 share of Nila Spaces Limited.

**Jubin Paul:** So by July the share will be listed.

**Deep Vadodaria:** We are expecting it to be by end of July, yes, as per the timeline.

**Moderator:** Thank you very much. That was the last question. I now hand the conference over to Mr. Deep for closing comments.

**Deep Vadodaria:** I would like to thank you again for joining us today. We are extremely hopeful of the prospects within now demerged and pure-play civic urban infrastructure company with the added impetus on the impactful infrastructure projects and clear policy guidelines; we aim to march ahead in the right direction while being mindful of our values of passion, reliability and dedication. Thank you all.

**Moderator:**

Thank you very much. Ladies and gentleman, on behalf of Nila Infrastructures Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.