



“Nila Infrastructures Limited Q2 FY-16 Earnings
Conference Call”

November 17, 2015



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Moderator:

Ladies and gentlemen, good day and welcome to the Q2 FY16 Earnings Conference Call of Nila Infrastructures Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing '*' then '0' on your Touchtone phone. Please note this conference is being recorded. I would now like to hand the conference over to Mr. Deep Vadodaria – Chief Operating Officer, Nila Infrastructures Limited. Thank you and over to you, sir.

Deep Vadodaria:

Hi, Good morning friends. I welcome you all to the discussion on Q2 FY16 Earnings call. Along with me I have my team in which there is Mr. Prashant Sarkhedi who is the CFO; Mr. Himanshu Bavishi who is the Senior VP of Finance and we have Dipen Parikh he is our Company Secretary and we have Strategic Growth Advisors; our investor relation advisors.

As this is our maiden call, I would like to start by giving a brief introduction of our company Nila Infrastructures Limited. Post that we will have brief opening remarks on the financials by our CFO and Himanshu Bavishi. Following which we will have the forum open for interactive question and answer session.

Before we start, I would like to point out that some of the statements made in this call will be forward-looking and a disclaimer of this effect has been included in the Earnings presentation already shared with the stock exchanges and you. Let me start by giving you just an overview on this.

Our core strength is civil construction. Over the last few years we have developed a unique hybrid business model providing civic urban infrastructure projects on EPC, turnkey and PPP mode as well as private white label construction projects and industrial infrastructure projects. We develop our own real estate as well; as and when we see the opportunity to do so.

We started as a real estate developer and we have approximately built over 4,600 houses. It has been a journey of about 25 years of our existence now. We have a long track record of developing and marketing our own real estate projects with varied spectrum ranging from affordable housing to luxurious housing.

We do entire spectrum of project development activities starting from identification of land or the land which is to be acquired at an economically way to start project planning and development till the whole handover process of project execution, sales and marketing of these



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projects. In our endeavour to get on the growth trajectory we had planned to transform our existence gained from real estate projects because we analyzed the track record that real estate is something which goes through a cycle as it is cyclic in nature .

So it does go through consolidation; and what do we do when there is consolidation ? As we have seen in most of the other companies, you just consolidate with the market. But in order for us to differentiate ourselves from the rest of field we have a good expertise in understanding the EPC, PPP projects and we have a very strong team which works with civil urban infrastructure. So we concentrate on that and in that we have plans to transform our experience gained from our own real estate projects into executing civic urban infrastructure projects for local government bodies as well as private white label construction for reputed corporates.

Capitalizing on our core strength of civic construction and having an home ground advantage, we found civic urban infrastructure projects in Gujarat like affordable housing which is obviously the flavor right now because for a very long time people did not really concentrate on housing for urban poor; now it is like a key focus for almost all the state governments and Gujarat was obviously one of the first ones to start along with others.

So that is what we concentrated on with AMC and Vadodara Urban Development Authority. We are also working for multi-level car parks with AMC. We also have to our credit, which is actually the start or there probably the whole journey of getting into civic urban infrastructure when we got awarded with an order to construct BRTS bus stations here in Ahmedabad. Now I am sure you have read that Ahmedabad is one of the only much successful BRT project because here it had a dedicated lane and supporting infrastructure. It did worked out very well and got lot of award.

Then that is what probably gave the company the recognition at the start, when we ventured into the civic urban infrastructure project. It can be noted that looking at our track record, as how we started constructing these bus shelters, more than 80% of the bus stations in the city, out of total about 144, that were given to the company. We successfully completed all of them and that is what probably got us in to the whole foray of civic urban infrastructure. That is how we started rolling. With a strategic view of diversifying into new geographic territories last year we got into Rajasthan, which works out a very unique PPP model for affordable housing, which creates a TDR as in the transferable rights of the land and inclusive of giving us a little bit of real estate in exchange of construction of affordable housing over and above the money that has been paid for that.

That is a Rs. 51 crores project that we are doing which includes houses for economically weaker section (EWS), lower income group (LIG) and middle-income group (MIG). This is



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private-public partnership as I just said, by Rajasthan Avas Vikas & Infrastructure Limited. It can be noted that Rajasthan is one of the states, which offers one of the cheapest houses for urban poor compared to all the other states. It obviously helps to strengthen our presence further in Rajasthan. We have recently signed an MOU with Government of Rajasthan which will be showcased at Resurgent Rajasthan Partnership Summit 2015 which is coming across in the next couple of days. This will give the opportunity to the company to enjoy the single window clearances that Government of Rajasthan has been talking for quite a long time. Not only in just affordable housing but across the board they are talking about single window clearances and obviously, it will definitely help. They are coming out with a lot of houses for urban poor. The bids are going to come out. So getting in to these bids is definitely going to consolidate our position further in Rajasthan and we have just signed this MOU of Rs. 400 crores for civic urban infrastructure projects which obviously includes the affordable housing policy that allows private developers to get into transferable rights of the land and the government facilitates the smooth implementation of the project by offering the single window clearances through concerned local authorities because there are going to be different local authorities that we are going to be dealing with.

The MOU adds to our strategy of venturing into newer geographies while focusing on our core strength of civil construction and strong track record of developing affordable housing. We have also executed private white label construction of township projects for Adani group, which is Adani Pratham. Adani is obviously one of the good corporates that you have in the country. We also did a lot of luxurious bungalow construction, about 100 for Sandesh Group for their township Applewoods. Apart from affordable housing, we also have rich experience in developing industrial infrastructure projects like textile parks and construction of commercial buildings for the likes of BharatBenz, the Daimler Benz company.

We see a huge opportunity in this segment with auto companies going to follow through with Maruti Suzuki and Honda, which have already made their foray into Gujarat after Ford and Tata, which had already started with Sanand. Now this is something, which is again in outskirts of Ahmedabad near Mehsana that is where these companies are really very aggressive. They have already started, and soon we are going to see all the auto ancillary companies really diving for it this opportunity, which is developing as a manufacturing hub.

To capitalize on this opportunity we have built a huge land bank in the vicinity of the upcoming auto hub in-and-around the land parcels where Maruti Suzuki factory is going to come along as well as Honda is coming along. We have a long term plan to monetize it through developing industrial parks and logistics parks and also dormitories and other various residential facilities on long term lease basis for these companies who wish to do so.



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So that is obviously a very unique model. Recently we just entered in to an MOU with Kataria Group to work jointly on acquiring lands and develop industrial and logistic park unit shades and residential colonies and allied infrastructure within the vicinity of the upcoming facilities of global auto giants like Suzuki and Honda as we just discussed.

I think this probably gives you a little overview of the company. I will get in to the order book now. Our order book as on September 30, 2015 is at Rs. 2,522 million. Majority of which obviously constitute affordable housing projects since that is been our focus from last few quarters for the company. Post-September 30, 2015 we have received a slum rehabilitation and redevelopment project with a development cost of Rs. 410 million. We have received this order again from the Ahmadabad Municipal Corporation. The project envisages rehabilitating about 518 slum dwelling families living in Giridhar Nagar B colony in the Shahibag area of Ahmedabad. The total development cost is estimated at Rs. 410 million and as remuneration, we will get the balance vacant land at the prime locality of Shahibag worth Rs. 275 million and transferable development rights of Rs. 135 million.

This offers us financial and operational flexibility to either use the land parcel and TDR, which is the transferable floor space, in that area for captive consumption or to monetize, depending on market trends. Including this slum rehabilitation project, our order book as of today stands at Rs. 22,932 million which is not adjusted for execution post 30 September 2015. With the existing unexecuted order book we are at comfortable level in terms of execution for next two years at least.

I would now request Mr. Prashant Sarkhedi – our CFO, to present results for the Q2 & H1 FY16.

Prashant Sarkhedi:

Good morning all. I wish you had an opportunity to see our results and the press release that we have circulated and uploaded on our website, apart from the respective websites of the BSE and NSE.

I would now present the result for the quarter-ended September 30, 2015. Our revenue has witnessed a strong growth of 36% to Rs. 384.6 million from Rs. 283.6 million in quarter 2 of FY15. Our EBITDA for the quarter 2 FY16 is Rs. 73.5 million, which has increased by 59% from the Rs. 46.1 million in quarter 2 of FY15. The EBITDA margin for the quarter 2 of FY16 is 19.1%, which is an improvement of 280 basis points.

The profit has also seen healthy growth of 82% to Rs. 37.2 million in quarter 2 of FY16 as compared to Rs. 20.5 million in quarter 2 FY15. The PAT margin is 9.7% as an improvement of 250 basis points.



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Now coming to our first half results:

The revenue for the first half of FY16 improved by 26% to Rs. 707.1 million from Rs. 559.4 million in the first half of FY15. The first half of FY16 EBITDA came in at Rs. 120.7 million a growth of 27% over Rs. 95.2 million in the first half of FY15. The EBITDA margin came in at 17.1%. Profit after tax saw an improvement of 65% to Rs. 67.4 million in first half of FY16 compared to Rs. 41 million in the H1 FY15. The PAT margin for H1 FY16 improved by 220 basis points to 9.5% from 7.3% in H1 FY15.

Now coming to the balance sheet side. As on 30 September the standalone net worth of the company is Rs. 1,646 million and the standalone gross debt is Rs. 1,287.2 million. The cash and bank balance on the standalone basis is Rs. 54.1 million as on 30 September, 2015. The net debt-to-equity ratio is 0.86x

Meanwhile, we have put-up an interactive annual report for FY15 on our website in investors' section especially for the quick references of our analyst friends. You may please provide your feedback to improvise it in future.

With this, now we open the floor for question and answer.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session.

The first question is from the line of Vishal Agarwal, independent analyst. Please go ahead.

Vishal Agarwal:

Just a couple of questions. I was looking at the cash flow statements of your company and from March 2005 to March 2015 that is 11 years, we have earned positive cash flow only in three years. In these 11 years we have earned a total profit of Rs. 86 crores but that is not translating into cash. So only three of the years we have had positive operating cash flow and overall if we look at the 11 years it is a negative operating cash flow of minus Rs. 127 crores. So how is it working out and how do we plan to repay debt with the negative operating cash flow?

Deep Vadodaria:

Himanshu, would you like to take this one or you want me to answer this?

Moderator:

Mr. Bavishi, can you hear us?

Deep Vadodaria:

Vishal, just getting back quickly obviously the financial, Himanshu will be able to give you a better overview on that, but I will just give you a little bit of understanding of what you are trying to ask. Now when you are talking about the positive and negative cash flow, you also



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have to understand that the company has really transformed itself in last four five years. We are primarily a real estate company where you know everything, that we earned over a period of time, was invested into more and more of real estate, because that was the only focus at that point of time.

If you look at the cash flows, which are going around right now, not a lot of it is negative. What we are talking about repaying debt; yes, there is a debt on book right now, which primarily deals with unsold inventories on real estate. Obviously, that will be repaid pretty quickly and on the negative cash flows, I do not believe that the negative cash flows are going to keep on existing for the coming years. Because since we have changed the complete track and transformed the company into a complete civic urban infrastructure company, where cash flows are going to flow on the positive side.

We are very confident that we will be in a position to repay the debt that we have raised, but at the same point of time, obviously as you understand that real estate is a sort of business, where debt has to be created in certain ways to get more and more of real estate. There is a lot of land bank on our balance sheet, which obviously translates into this. Do we have Himanshu on line?

Himanshu Bavishi: Yes, see we are getting it and we are in process of consolidation. The existing debt is estimated to reduce, while the fresh debt may be required for the execution of the working capital intensive project such as the one that we have already got and for such projects that we are likely to participate.

Vishal Agarwal: Sir my question is not with regards to the finance cash flow I think sir has already addressed I mean.

Himanshu Bavishi: Yes, okay.

Vishal Agarwal: Another thing which I wanted to ask what is the kind of employee strength of the organization because I believe?

Himanshu Bavishi: What is the kind of sorry I missed your question?

Vishal Agarwal: Because I believe we are taking workers from contractors the cost of which are booked under project expenses. So that would be the one part, those would not be our employees. Apart from this how many employees would we have on our payroll?

Himanshu Bavishi: We have at present about 85 employees. These are our company employees and otherwise, as you understand the dynamics of this industry, a lot of things is being done through contractors.



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- Vishal Agarwal:** And which is booked under project expenses?
- Deep Vadodaria:** Yes, that is true.
- Vishal Agarwal:** So if I look at the breakup of these 85 employees what could be the broad breakup because the numbers are not getting translated in the employee cost. It is around Rs. 3 crores odd in employee cost.
- Deep Vadodaria:** Yes.
- Vishal Agarwal:** Out of which Rs. 0.5 crore is towards the senior management so with Rs. 2.5 crores and 85 employees comes to a very low base?
- Himanshu Bavishi:** Yes. There are two disclaimers. One, this company has been into existence for about 25 years now and was basically nurtured by the promoters as a traditional company. And then two, Ahmedabad has not been a market which is where the salary packages are as good as Bombay. Our employees have been with us for years together and there is hardly any attrition that we have experienced so far.
- Deep Vadodaria:** So I will just put it this way that your question was that it is not really translating in Rs. 2.5 crores, how do we have so many employees. Is that your question, Vishal ?
- Vishal Agarwal:** Yes sir. I just wanted to check if we have a bench strength enough to execute Rs. 2,500 million of projects. So I was just trying to get that?
- Deep Vadodaria:** Yes, we do and as and when it is required, we keep on taking fresh people on board. Like we have just taken Mr. Anand Patel who has a rich experience of almost 40 years in executing only affordable housing for the government. He has, in his life span, constructed or overlooked construction for about more than 40,000 houses. So, and when it is going to be required, we will get people who are willing to do the job and who have the sort of track record to do so, like I just mentioned one person at the senior level that we have just appointed. He is the first one who started the Slum Rehabilitation model so now it is going to be of tremendous value to us when he is on board and we are getting into the whole foray of slum rehabilitation project. So and when required for a specific project, we do make these appointments at senior level and also at junior levels. And as Himanshu rightly mentioned, that it can be noted that the attrition ratio of the company is very, very less compared to the overall market.
- Moderator:** Thank you. Next question is from the line of Satish Bhatt from Anvil Shares and stock broking. Please go ahead.



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Satish Bhatt: This question is pertaining to Mr. Deep. We are currently a very small infrastructure company, doing very limited scope of work. So how do you plan to increase scope of work and how do you improve your size to maybe a Rs. 1000 crores, Rs. 2000 crores, Rs. 3000 crores what is the management vision on that? And you have a very profitable business, your net margin as at 9% to 10%. Is the management thinking on the lines that they can reduce the margin and grow the business to attain a size. Because size brings another volumes where you can bid for bigger contracts and all those things. So current year management is not in a position to bid for a Rs. 1,000 crore order or may be if you are?

Deep Vadodaria: Obviously, we are not.

Satish Bhatt: So what is the management philosophy on the scaling up the business in next five to ten years? Would you be ready to sacrifice the margins and grow the business, manifold times?

Deep Vadodaria: I will probably answer your question in two steps. One is that you are talking about the scale; we are also concerned about the scale, but we are not going to go out and build order books just because we want to grow on top line. We need a robust bottom-line as well. We know that if we want to grow to a level as you were talking about a Rs. 1,000 crores or Rs. 5,000 crore on the top line, then we cannot talk about the EBITDA levels that we are talking about right now. See let us understand we are a very unique company, we cannot be placed along with the infra companies and we cannot be placed along with real estate companies, because we do both right now. Not really real estate, but now we are more focused on the industrial development which is going to take place and we are putting right across with the industrial thing, on we are placed very favorably on that. So over the next two years, we are very bullish on the exposure that we have taken on the industrial space and the land parcels that we have invested in the industrial area. We are very bullish that it is going to definitely make a very positive impact on the top line.

When you are talking about the scales, yes, we are looking at changing the foray from building construction to getting into things like pipelines and bridges but as you know it takes time. It is a slow process. Nobody really knows when civic bodies really give us an opportunity to build a huge pipeline or a bridge, unless we do not really have such experience. So as and where we have a comfort level with the civic body, we try and get into bids of pipeline, etc. Recently we just bided for couple of projects for VUDA pipeline project. We did not get it, that is a different thing but yes, the company does plan to change areas of operation into pipelines and maybe roads in future, which will obviously scale up the top line over the period of time.

Satish Bhatt: And sir, your MOU with the Rajasthan government, when will you start executing it?



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- Deep Vadodaria:** These bids will come out by January. I think the execution is not really going to start before next year. We will not see revenues coming in before next year.
- Satish Bhatt:** Maybe in FY 17-18 we will start getting the revenues?
- Deep Vadodaria:** Yes.
- Satish Bhatt:** We have still another 15 months away?
- Deep Vadodaria:** FY16-17 not FY17-18.
- Satish Bhatt:** Okay, we are maybe six months away from that?
- Deep Vadodaria:** Yes, we will be around 4 to 6 months away from that.
- Satish Bhatt:** Currently we are seeing the state of affairs of infra companies, lot of distress companies are available you know. So is management interested in getting some businesses where you are not currently present so you can get a direct foray because we do not have experience in many sectors like road construction, bridges whatever is there?
- Deep Vadodaria:** It could be looked at.
- Moderator:** Thank you. Next question is from the line of Nikunj Doshi from Bay Capital. Please go ahead.
- Nikunj Doshi:** Hi, I will just put the previous question of Satish slightly differently. Means for company of our size we are right now into real estate, we are into industrial parks, we are into affordable housing, we are into EPC, so we are very diversified kind of a activity or portfolio for a company of our size. How do you plan to consolidate this ? Because if you spread yourself too thin, then perhaps achieving scale also will be difficult?
- Deep Vadodaria:** You are right. But we want to be in the best of the position to at least decide a course of action for us. See as far as the dynamics goes of the local market, we have promoters who have such a rich experience in this field for more than about 30 - 35 years now. They envisage the proper growth for the company and the whole idea behind keeping our doors open to various opportunities, which are alive. I do agree with you that you know, if we are going to grow a little thinner, then it will be difficult to scale up. But yes, as I said that we are looking at all these assets, but largely we will keep on concentrating between the segments that we are already doing right now and not add too many unless we get into different scales of operations as far as building construction is concerned.. Not building construction but other level of construction projects.



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But what you were saying somewhere I agree to it, but at the same point of time you have to look at the positive side of it that if we would have had more exposure on the real estate part as of now, then we would not have been able to grow at certain rates that we have been growing for last couple of years or three years. So this gives us the best of both and it gives us the whole outlay because we are not yet such a size where we have to think about any of this. As we grow along yes, we will have to pick couple of favorites where we will concentrate more and penetrate deeper. But as of now we continue to concentrate on this.

Prashant Sarkhedi: My basic point is all our activities are supportive one to another. All activities are construction activities where we have expertise for many years. Further, any of the projects we are starting up, we ensure we have experience either from work on other side of clients. We have done a township project, then we have started our township project somewhere else. We have always done our work with the experience in the past. Either we have done joint venture with some good corporates or reputed groups. Like Kataria Group we have taken for this Bechraji Industrial project, for Nilsun project we have taken Applewood as a partner for our scheme. So we are just doing those activities where we have either experienced and good partner or executive with us to support these activities.

Moderator: Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.

Nitin Arora: Hi sir, this is Nitin Arora here. Sir, I just want to understand in terms of your affordable housing, what kind of a ticket size we look at, at this point, how much is the gross block currently we have which can support that ticket size? Plus in terms of Rajasthan can you give us a sense that how much would be the ticket size in terms of cost per construction which you will be ask for the affordable housing there?

Deep Vadodaria: I will just say one thing, which will probably answer all your questions. Whatever that we are doing on the affordable housing right now, none of it is ours. It is of the government's. So we do not need to worry about ticket size. But ticket size if you talk about Rajasthan is the cheapest of course where the EWS house starts from Rs. 3 lakh. If you look at Ahmedabad, that starts from Rs. 6.5 lakh, then goes further of course till about Rs. 18 lakh for the MIG which we are not constructing right now. We are only into EWS and LIG. LIG is around Rs. 11 lakh of ticket size where in Rajasthan it is Rs. 5 lakh. All of these are actually funded from the beneficiary itself and the government passes on to us from whatever the beneficiary pays. So that there is no real risk of us having to deal directly with the beneficiary in this case.

And if you talk about construction costs, it does vary from region to region, and model to model. Like in Rajasthan what they do is to subsidize this cost and give houses at a cheaper rate. What they are doing is, over and above the cost of construction that we quote, giving us



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the balance 25% parcel of land. So let us say a parcel of land of about 10 acres is to be developed, on 7.5 acres you have to develop the government housing as they tell you to, and after the completion of that project the 25% balance land is given to us for our use and we can do whatever we wish to on that land, or sell the tradable rights to other developers. Here in Ahmedabad, the EPC contracts are on the basis of per square meter carpet constructed and that also varies depending on if it is a EWS project, or it is LIG project. So it is a very varied sort, it will be very difficult number to give you on the cost, because the formats and the way that these bids go in various civic bodies change.

Nitin Arora: Sir, my question was pertaining to the ticket size with respect to the order size. Let us say if I have a gross block?

Deep Vadodaria: Largely around Rs. 50 crores to Rs. 60 crores, most of them.

Nitin Arora: Okay and how much we are envisaging going ahead now let us say for FY16 or FY17 because lot of schemes are not only coming from Rajasthan but other states as well? What sort of trajectory we are looking that we have to do let us say an X amount of CAPEX to increase our ticket size there? So what sort of CAPEX ticket size we are looking?

Deep Vadodaria: Increasing the ticket size is something that is not completely in our control. It depends on the land parcel that we identify for bidding. It could be Rs. 60 crores, it could be Rs. 100 crores, but yes, by the end of the year, the company will be able to execute ticket size orders of more than Rs. 100 crores to Rs. 120 crores, which is right now at Rs. 85 crores. It is something that we can do, but ticket size will go up to Rs. 120 crores that the company wishes to target. Now that is up to civic bodies that what are the sort of bids that they are going to come out. Our Rs. 60 crores block or Rs. 100 crores block actually depends on the civic body and not the company. But yes, we will target to get into higher ticket size so that will enable us to push the ticket size higher in the future.

Nitin Arora: But sir, Rajasthan tender are still not out right?

Deep Vadodaria: Rajasthan tenders will be out now any time by this month end or December end because they have changed the complete format. Actually, they were till now operating on a 2009 policy, which was made by the erstwhile government in power at that point of time. They just came out with a fresh policy of 2015 right now about a month back. So now, the tenders will start floating because they have actually changed the whole format of how the bidding process was taken care of and how civic bodies used the whole bidding process. So, that will come by December. That is what we are envisaging.



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- Nitin Arora:** Sir, in terms of some sort of guidance we require in terms of FY16 revenue and margins and '17 as well if you can guide us some numbers?
- Deep Vadodaria:** Well, as a policy we do not really give out guidance, but all I can say being a part of the company for a long time now, we are on the growth trajectory and we have shown growth. You can look at the H1, the earnings call that we are on. We have shown 30% to 35% of growth. We will try and target that for the whole year.
- Nitin Arora:** And similar something sort of revenue run rate you are looking for '17 as well depending the second half goes in terms of order intake now?
- Deep Vadodaria:** Depending the second half goes as well and depending the next year we keep the activity percentage same ways as what it is right now. We will start with the industrial projects next year, so that will change. So as of now if it remains the same then this is the growth trajectory that we are looking at; at least.
- Prashant Sarkhedi:** There might be certain projects, which are in pipeline right now. Maybe as a part of the industrial development, certain acquisition of the land has already been done. So the profit margins of the said project would be much higher compared to the Rajasthan. So the company would be in position to earn higher profit.
- Nitin Arora:** Is it something that could comprise on the EBITDA margin front as well because you are already doing 17%, 18%?
- Deep Vadodaria:** Yes, it will comprise on the EBITDA margin as well, of course it will.
- Moderator:** Thank you. Next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.
- Ritesh Poladia:** Sir, just wanted to know out of the Rs. 70 crores revenue, which are the projects have been booked in the first half?
- Deep Vadodaria:** Himanshu, will answer this question for you. He will give you a breakup of what projects have been added in, as in what projects have chipped in into this Rs. 70 crores for H1. Himanshu, if you can take in.
- Himanshu Bavishi:** It is from our existing on stream projects like on infra front we have LIG 6 for Ahmedabad Municipal Corporation, then we have multi-level vehicle parking from AMC. Then we have BRTS bus stations from AMC. Apart from that, we also have two projects from Vadodara Urban Development Authority, one at Sevasi, and the other one at Vemali. Then we have a



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white label construction of Adani Pratham. And apart from that we have Rajasthan Government's project going on at Jodhpur. So these are the infra projects from where we have got our revenue this half year.

- Ritesh Poladia:** Revenues are booked from BRTS also?
- Deep Vadodaria:** Yes, revenue has been booked from BRTS but we do not see further revenue coming in for next. We will see revenues coming in from BRTS for the next quarter but the projects is largely over now.
- Ritesh Poladia:** Okay so second question. Your receivables is about Rs. 30 crores, which is flat from March. So from the bills do you discount the bills or this receivable cycle it is quite stringent?
- Himanshu Bavishi:** No, we do not discount the bills, number 1. Number 2, our receivables, if you got a chance to analyze, we are at almost 100% collection efficiency for this half year 1 FY'16.
- Ritesh Poladia:** No, I was wondering that this project of the Gujarat government and Rajasthan government efficiency or you get such kind of collections because if we see your other companies their receivable cycles are pretty stretched?
- Himanshu Bavishi:** Right our main major customer is AMC i.e. Ahmedabad Municipal Corporation, I am sure you would be aware that AMC probably is the only corporation in India, which can offer its own bond without the sovereign guarantee. It is probably double A rated also and their operational efficiency or administrative and bureaucratic efficiency is very streamlined. So AMC is our major customer where we do not experience any blockages. The other one is Vadodara Urban Development Authority and the third major one is Rajasthan Government's Nodal Agency that is Rajasthan Avas Vikas and Infrastructure Limited. Apart from that there are private white label like Adani and Sandesh Group.
- Deep Vadodaria:** That really helps. Ritesh, I will just add into what Himanshu said. What really helps the process is that obviously AMC is a very good pay master and has a very good track record, that is how that enables it as one of the best municipal corporations but it can be also noted that majority of the projects that we are doing are all self-funded projects. So, basically the civic body or the government is just a nodal agency in the middle, and they are just collecting money from the beneficiary and giving it to us. There is no big budgeting or planning that is required from the government or the budgets are not really coming-in from the government. That is why the cash flows are smoother than what you probably see in other infrastructure companies where majority of the budget is going to come from Central government or the local government. And such budget gets affected by the stance taken by that government.



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- Ritesh Poladia:** Sir, what is the nature of the other income, which has booked Rs. 3 crores in this quarter and Rs. 6.85 crores in the first half?
- Himanshu Bavishi:** It mainly comprise from loans and advances that we have advanced to our joint ventures and LLPs. Apart from that, there are loans or advances that we have given to acquire land or land acquisition rights. There is also certain share of profit from our investments.
- Ritesh Poladia:** So loans and advances given to the JV is in the nature of equity contribution or it is?
- Himanshu Bavishi:** See, when we talk about loans and advances it is debt part of it on the books of that particular entity and equity contribution would be in the form of our investment.
- Ritesh Poladia:** Okay, that would be forming part of that non-current investments?
- Himanshu Bavishi:** Yes.
- Ritesh Poladia:** Yes, that was actually common sense. So sir, what is the rate of interest you charge to this?
- Himanshu Bavishi:** Rate of interest charged on all the transactions are at arm's length pricing and mostly most of these loans and advances are interest bearing in nature.
- Ritesh Poladia:** Sir, ideally your FY15 standalone and consolidated results there was not much difference, so would now consolidated results would be higher than the standalone?
- Prashant Sarkhedhi:** Some of the JVs were yet to start operations and that is why their top line has not been built up. For this current year, definitely we will have that top line of all the JVs and subsidiary. So this year's consolidation results might be different from the standalone.
- Ritesh Poladia:** And sir, what kind of revenue is there any policy of revenue guidance to be given for this year and the next year?
- Deep Vadodaria:** No, I think I just answered the question a few minutes back. We do not give out any revenue guidance. But yes, we internally ask ourselves to outperform what we did for the last year.
- Moderator:** Thank you. The next question is from the line of Hemang Kotadia from Anvil Research. Please go ahead.
- Hemang Kotadia:** Can you throw some light on MoU with Kataria Group what kind of investments we are looking for this JV or are we acquired any land till date or what is the plan there?
- Deep Vadodaria:** Prashant, you will answer this first?



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- Prashant Sarkhed:** According to land and developing industrial and logistic parks near the upcoming automobile hub at Mehsana, it is in the vicinity of forthcoming Suzuki and Honda plant.
- Himanshu Bavishi:** Yes hi Hemang, I am Himanshu. As you rightly got a chance to track us, we have entered into MoU with the Kataria Group. This is to acquiring land and developing industrial logistic parks and residential colonies including dormitories for the likes of auto giants that are coming up in the vicinity. The land acquisition is in process. There are certain parcels, which have already been booked on the books of respective entity and certain parcel is likely to be booked, by the end of this financial year. A part of it would spill over into the next year.
- Hemang Kotadia:** Okay, but what will be the like fund we had allocated for the land acquisition for particularly these JVs?
- Deep Vadodaria:** That is a very specific answer that we will answer in due course of time when we have to disclose. As of now, we have just started the acquisition. For this year end, it is very difficult for us to quantify right now the exact amount of land that will be finished for acquisition because there is a lot and it is a long process. The whole acquisition process is quite long, and it is difficult for us to quantify what is the amount of money that we will have to invest. In due course of time, we will disclose it.
- Hemang Kotadia:** So when the monetization will start from early next year or it will be in FY18?
- Deep Vadodaria:** Depends on the market but yes we are anticipating early next year.
- Hemang Kotadia:** And do we have also our own land bank near to this plant also?
- Himanshu Bavishi:** Yes, that is what we have. Certain part is on the books of respective entity where Nila directly or indirectly; indirectly in a sense our JV or LLP, would have interest and the respective land parcel would be lying on the books of that respective entity.
- Hemang Kotadia:** Okay and sir, on the affordable housing side, who are the other competitors also bidding for the AMC and Rajasthan contract?
- Deep Vadodaria:** I will take this one. See the competitors will not be the same in Rajasthan and Gujarat. It is different right now, it is definitely different for both of them and we are right now concentrating on two different segments. One is PPP and the other one is the EPC. Obviously, when you talk about EPC the competition is very steep right now because the real estate has not been doing really great. So all your old government contractors, which have been focusing on government projects, are participating right now on the EPC bid. But the bid that we just won right now on the PPP front of the slum rehabilitation project, that is where we will be



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competing with real estate developers, which is definitely a very select league compared to the EPC project. And Rajasthan is completely different because, Rajasthan is also a PPP cum cross subsidized PPP model, so there the competition is comparatively lesser than what we see on EPC contracts here in Gujarat.

- Moderator:** Thank you. Next question is from the line of Ruchi Shah, individual investor. Please go ahead.
- Ruchi Shah:** I would just like to follow up a little from the questions asked earlier. You had mentioned that you are concentrating more on EPC projects, just wanted to understand the new orders, are we seeing better margins in the scenario?
- Deep Vadodaria:** No, I do not remember saying that we are concentrating on EPC projects. Yes we will continue to concentrate on EPC projects but as and when it is required we will get into the PPP mode. Actually, we have been looking at getting into the slum rehabilitation mode. We bided for few projects but we did not, unfortunately, get it in that point of time. But, we have just made a foray into PPP model. In EPC, as I just said in the last question asked by Mr. Kotadia, that we are seeing a lot of competition right now because real estate is showing consolidation. So, the contractors who usually work for real estate firms, are also participating in government contracts right now and that is why the competition is a little more fierce and the margins are definitely under pressure on the EPC front. So, as and when it is required, we will look at another ways of balancing out this bottom line, like getting into PPP modes and distributing the exposure on how much we do on the EPC and how much is on PPP and other models.
- Ruchi Shah:** Okay so PPP would definitely have a better margin profile for us than if we go ahead from this?
- Deep Vadodaria:** Yes.
- Ruchi Shah:** And also you mentioned SRA now, so are we looking at bidding or winning any new SRA projects in the coming quarter?
- Deep Vadodaria:** We have currently not bided for anything right now but the way it is, yes, we are expecting to bid for a lot more in the remaining part of the quarter and the next quarter. Let us see how many bids come out, which actually depends on the civic body actually.
- Deep Vadodaria:** So to answer your question, the opportunity actually is about 500 plus slums. Ahmedabad has just started slum rehabilitation projects. There are in total about 10 to 12 projects which are completed and there are more than 500 sizable slums in Ahmedabad. So civic body is in process of identifying a lot of slums. But, we have the civic body elections coming up by the end of the month. So I believe that the bids will start rolling again in December-January. We



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will definitely see more bids of slum rehabilitation coming out and the company will be participating in them.

Ruchi Shah: I just wanted to understand by the end of the year we could see a change in our order profiling, especially when they are bidding for SRAs as well?

Deep Vadodaria: Yes, it could be but it is something that only goes by assumptions. How many PPP bids will come. Yes, PPP model will be higher because as we just discussed Rajasthan is also due for bidding by end of this financial year. So that is also not a complete PPP model but a cross subsidized PPP model so yes internally we do see the profile change more towards the PPP model than the pure EPC.

Ruchi Shah: Okay so can you give me like in terms of percentage wise, what kind of a differential in margins do we see when we bid for a different model for a company how would you span out differently?

Deep Vadodaria: It is very difficult for me to quantify that because as I said all the models are going to be different and all the specific bids of PPC that we are talking about are going to be different based on the sort of investment that has taken about. Right now the rehabilitation project that we won is for 518 slums. Now as soon as I bid for a slum, which is for 1,500 now it is going to change the entire magnitude of the project and with that the whole investment that goes along with it. So, it is very difficult to quantify. Plus in Rajasthan it is a cross subsidized PPP model, it is not a complete PPP model. So, it will be very difficult to quantify.

Ruchi Shah: Sir in terms of a thumb rule, as something at some way can we expect it to move when you announced that your order are....

Deep Vadodaria: Well, I would love to answer that but unfortunately, the thumb rule will not be able to apply to any of these. But yes, all we can say right now is it definitely looks much better than the EPC margins as of now. Plus what it does is it creates the real estate opportunity which goes very well with the company because as I started my call by saying that we are a very different company. We are not 100% a real estate company, which we were. We are now more of a civil urban infrastructure company but at the same point of time, we are also comfortable with dealing with land parcels because we have done so, historically. So, PPP model does give us the right opportunity and the right mix where we get top line coming in from civic urban infrastructure and it also creates a land bank for future.

Ruchi Shah: With SRA there will not be any real estate basically involved, it will be more of project construction only?



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Deep Vadodaria: Of course it is project construction but it also gives us the balance land for sale or to develop our own construction. I mean for sale or to develop our own real estate. So that opportunity is obviously going to be there. And over and above that there will be a transferable floor space index that we are talking about or the FAR that we are talking about which we can encash in the market or we can use it for captive consumption for our real estate projects.

Moderator: Thank you. As there are no further questions from the participants, I would now like to handover the floor back to Mr. Deep Vadodaria for his closing comments. Over to you, sir.

Deep Vadodaria: Thank you so much everyone for participating in our earnings call. We have uploaded the presentation on the company's website, and is readily available on respective website's of the BSE and NSE as well. I hope we were able to provide you an insight on the company and answer most of your questions in satisfactory manner. If you have any further questions or would you like to know more about the company, Strategic Growth Advisors our investor relation advisor would be glad to assist you on that or you can feel free to get in touch with us. Thank you again so much and all of you have a good day.

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