



**NILA
INFRASTRUCTURES
LIMITED**

NILA/CS/2017/154
Date: June 12, 2017

To,
The General Manager
Department of Corporate Services
Bombay Stock Exchange Limited
Phirozee Jeejeebhoy Towers,
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,

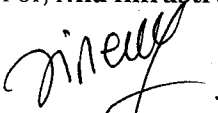
Sub: Transcript of Conference Call held on May 29, 2017

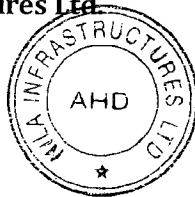
It is submitted that Nila Infrastructures Ltd. had held a Conference Call on May 29, 2017 to provide the information about the financial performance and business of the Company for the quarter ended on March 31, 2017.

In this regard we are hereby, in terms of the Code of Practices for Fair Disclosure of Unpublished Price Sensitive Information read with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, submitting transcript of the said conference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


Dipen Y. Parikh
Company Secretary



Encl: a/a

Registered Office:

1st floor, Sambhaav House,
Opp. Chief Justice's Bungalow,
Bodakdev, Ahmedabad 380015
Tel.: +91 79 4003 6817 / 18, 2687 0258
Fax: +91 79 3012 6371
e-mail: info@nilainfra.com

www.nilainfra.com

CIN : L45201GJ1990PLC013417



“Nila Infrastructures Limited Q4 FY2017 Earnings Conference Call”

Monday, May 29, 2017



**MANAGEMENT: MR. DEEP VADODARIA – CHIEF OPERATING OFFICER
MR. PRASHANT SARKHEDI – CHIEF FINANCE OFFICER
MR. HIMANSHU BAVISHI - PRESIDENT (FINANCE)
MR. DIPEN PARIKH - COMPANY SECRETARY**



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Moderator:

Ladies and gentlemen, good day and welcome to the Nila Infrastructures Limited Q4 FY2017 Earnings Conference Call. 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 assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deep Vadodaria – Chief Operating Officer. Thank you and over to you, sir.

Deep Vadodaria:

Good afternoon friends. I welcome you all to earnings call for Q4 and FY2017. Along with me I have Mr. Prashant Sarkhedi our CFO, Mr. Himanshu Bavishi our President of Finance, Mr. Dipen Parikh our Company Secretary and Strategic Growth Advisors our Investor Relations Advisors.

I will start with an industry update, in which affordable housing has been accorded the Infrastructure status by the government. The sector has seen an increased level of activity. The scheme regarding profit linked income tax deductions for promoters of affordable housing has brought back the interest of the developers towards launching new projects in affordable housing space. Likewise, the government is also driving the demand of affordable housing with various schemes targeted directly towards the end users like Housing for All, Interest subsidy schemes on affordable housing loans, etc.

To share some small statistics, the Ministry of Housing and Urban Poverty has sanctioned a total of 1.9 million houses with a total approximate investment of Rs. 1,00,000 crores for economically weaker sections, under Pradhan Mantri Awas Yojana in 2,151 cities and towns and in 34 states and union territories. Again, of the total houses sanctioned so far, 0.7 million houses are under construction and above 0.1 million houses has been completed, which provides for a huge opportunity for players like us to participate in construction of these houses. Gujarat followed by Rajasthan are the leading states for construction of houses for urban poor under Pradhan Mantri Awas Yojana and again on the city wise basis, Ahmedabad followed by Jaipur are the leading in construction of affordable housing for urban poor.

This is also visible in the on-ground activities by the state government where the number of tenders has increased for affordable housing which directly benefits us as the competition and as we have our core operations in Ahmedabad, Gujarat and currently we execute a couple of projects in Rajasthan. While loans which are meant for affordable housing, home loans of ticket size less than Rs. 10,00,000 has shown a robust annual growth with rate of 23% over the last 5 years. Gujarat is among the top 5 states with highest number of affordable housing loan in the



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last 5 years. There is a robust demand of affordable houses due to decrease in home loan rates. With the government creating an eco-system around affordable housing space we find ourselves at the epi-center of the huge opportunity, with our core expertise in construction of niche government affordable housing units.

We have been executing government projects on EPC, EPC + PPP and PPP mode, which are generally focused on Housing for All mission of government. We are also well-established player in developing civic urban infrastructure project like development of medical college campus, office complex, BRT stations, multi-level car park, community hall, bus terminals, etc. on EPC turnkey PPP mode. For any government projects, we build the project is either of 3 forms, like EPC, EPC + PPP or PPP. The authorities of our home state Gujarat generally award projects on EPC basis or on PPP basis, whereas the Rajasthan government award majority of the projects on EPC + PPP basis.

The EPC projects that we execute are simple construction awarded for engineering, procurement, construction and are generally fixed price contract with low risk moderate margin profile. However, the project on PPP basis are kind of moderate high-risk margin profile, where the company fund the construction of the projects and the government reimburse the company in the form of balance vacant land or transferable development rights or the differentiating point of these TDRs. The government has itself created a market for these TDRs and are currently very high in demand. The third form of project, we execute are a combination of EPC and PPP projects, where the government reimburse the part of the development cost through direct payments and part through transfer of balance vacant land of the project. Through this mode the government, ensures that the project itself subsidizes the cost of the houses for the beneficiary rather than government providing direct subsidy to them.

These kinds of projects are more prevalent in Rajasthan where we have entered in an MOU with the government of Rajasthan worth Rs. 400 crores through which we do bid for various civic urban infrastructure project including affordable housing. Under this MOU, we have already received 5 projects aggregating Rs. 669 million last year. This brings us to discussion of our unconfirmed order book which is of Rs. 4,076 million as on 31st March 2017. Of our total order book, 65% is towards affordable housing and the balance towards civic urban infrastructure projects, which consists of construction of medical college campus and residences at Barmer Rajasthan, a multi-level parking in Ahmedabad, Gujarat construction of PMC office building by Adani Ports and SEZ in the outskirts of Ahmedabad. Geography wise 59% of our order book is from state of Gujarat and the balance 41% is from Rajasthan.

We were recently awarded project for civic transport and logistics related construction business aggregating Rs. 292 million. These projects are for construction of bus terminal facility with an iconic structure and design as well as modern facilities that integrate commercial facilities on BoT basis. The bus terminal facility construction work envisages development of the latest



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infrastructures including work space, administrative area, operating area, repair area, passenger amenities. These 2 projects are on PPP basis by Gujarat State Road Transport Corporation for Amreli and Modasa city in Gujarat.

With this, I will now invite Mr. Prashant Sarkhedi our CFO, to share the highlights on the financials of the company.

Prashant Sarkhedi:

Good afternoon and we thank you all for joining us today on our Q4 FY2017 earnings call. I believe you have had an opportunity to see results and presentations that we have circulated and uploaded on our website, as well as with respective websites of the BSE and NSE.

I would now present the standalone results for the quarter and year ended March 31st, 2017. Revenue for the Q4 FY2017 grew by 7% from Rs. 692.7 million in Q4 FY2016 to Rs. 740.9 million. Revenue for FY2017 grew by 22% from Rs. 1,831.1 million in FY2016 to Rs. 2,242.0 million. On the profitability front the EBITDA for the Q4 FY2017 grew by 49% from Rs. 74.7 million in Q4 FY2016 to Rs. 111.1 million. During the Q4 we have seen EBITDA margin expansion of 420 basis points to 15% from 10.8% in the Q4 FY2016. EBITDA for FY2017 stands at Rs. 365.3 million compared to Rs. 274.2 million for FY2016, a growth of 33% year-on-year basis. The EBITDA margin for FY2017 expanded by 130 basis points to 16.3% from 15% for the FY2016.

The profit after tax is Rs. 77.1 million for Q4 FY2017, a growth of 33% compared to Rs. 58 million in the Q4 FY2016. Profit after tax for FY2017 has grown by 34% from Rs. 170.4 million in FY2016 to Rs. 228.4 million. The PAT margin for the Q4 FY2017 improved by 200 basis points to 10.4% and the PAT margin for the FY2017 improved by 90 basis points to 10.2%. At the March 31st 2017 the standalone net worth is Rs. 2,014.3 million, whereas the standalone gross debt is Rs. 1,467.5 million, while the cash and bank balances on the standalone basis is Rs. 51.4 million, the net debt equity is at the comfortable level of 0.7 on the March 31st, 2017.

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

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Maulik Shah from Dolat Capital. Please go ahead.

Maulik Shah:

Sir, I just wanted the outlook on your sales and the EBITDA part and also on the balance sheet side, I need the outlook on the debt as well. So, if you could help me with that, please?

Deep Vadodaria:

Yes, the outlook on the margin front looks better because the unexecuted order book that we have has shown increase of the orders that are coming in from EPC + PPP basis and PPP basis. So, they are going to account for more number of revenues in FY2018 compared to FY2017, so



the margin picture is definitely going to look better than what you see right now and as far as debt is concerned the debt has consolidated at this level and the revenues have grown. We have not envisaged the immediate need to raise debt. So, we largely look at debt remaining stable or may be gradually coming down in the due course of time.

Maulik Shah:

So, on the sales part at what rate do you expect to grow for the next 2 years?

Deep Vadodaria:

Well, I will not be able to come out with categorical number but I think it is safe to assume looking at the earning and with the order book that we already have on hand, which is the sizeable with more than Rs. 400 crores, it is going to be a good year going forward and you can expect to see the same sort of topline growth that we have seen in the past 3 years and continue forward for the next few years to come.

Maulik Shah:

On the working capital side as a percentage to sales, what is your guidance on that? As the sales will grow on that part of also grow? So how much do you expect?

Prashant Sarkhedi:

Definitely the working capital will improve there is no doubt about it. But the percentage would be definitely higher than what present financial year was showing this year.

Moderator:

Thank you. Our next question is from the line of Prabhat Chandra of Green Field Advisory. Please go ahead.

Prabhat Chandra:

I have couple of questions, the first question is looking at the project mix, EPC, EPC + PPP and PPP we see that proportion of PPP projects have gone down. So, in 2016 on the unexecuted order book almost 30% of the projects were PPP but in 2017 that is only 6%. So, my first question was, do you still expect the margins to improve considering the PPP projects have gone down?

Deep Vadodaria:

Yes, we will definitely expect the margins to go forward because there are two points here. One is the two PPP award contracts that we won in this financial year for constructing bus port. Actually the order value is only calculated on the basis of the bus terminal facilities that we had to construct, which all put together in both places is combine to about Rs. 30 crores but in both places we are going to get to construct 17,000 square meters of commercial space in Amreli and 34,000 square meter space in Modasa, that is the revenue model of that. So, the overall revenue booked on that specific project is going to be substantially higher than Rs. 29 crores.

Prabhat Chandra:

So, that is going to support your margin expansion going forward?

Deep Vadodaria:

Yes and then going forward we have already participated in lot of PPP bid for which we have not yet received the LOI or work orders and the sort of outlook that we see for PPP orders coming in is very positive. So, it is possible that moving forward in this current quarter and going forward



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we would add a few more orders on the PPP front and the percentage that you are talking about will more or less be achieved as we grow forward.

Prabhat Chandra:

The second question which I had was in relation to the land parcel that you have in area called Ranip near Ahmedabad and the second thing is that I do not see any mention of these lands near the Suzuki and Honda plant in North Gujarat. So, if you could throw some light on these two as in how was the first land acquired, what is the purpose it going to put forward to and second is what happened to the land in near the Suzuki plant and has it already been monetized and if not then what are the plans for that?

Deep Vadodaria:

So first I will answer for the Ranip land, where we are deliberating possible avenues either to monetize or to develop affordable housing, it is under deliberation. About the Becharaji that you are talking about near the Suzuki plant, yes we have signed MoU with the Kataria Group and we are in process of acquiring land and as far as the money coming in and the money coming out we are in process of preparing white paper specifically for these industrial projects which will come out very shortly we were waiting for the results to come out and the white paper on the investment and all of that going to come very soon to the market and I will just give you a broader idea of what is the development plan of the company there. The company is going to develop three different industrial parks in and around the Suzuki plant and we have seen very good traction coming in from the logistic players right now because they are the first movers usually when the plants start. Suzuki has already started production in February end with the modest size of only one assembly line but it is expandable to about 15 million units which is the combined capacity of Gurgaon and Manesar put together that is what they plan to achieve in the next three years and we see a very good potential going forward because everyone see areas like Manesar and Gurgaon grow in a form when an anchor like Maruti is coming in and considering the size of the Maruti and the Suzuki plant here it is going to definitely transpire into one of those industrial hub going forward.

Prabhat Chandra:

So, considering that this is not a government infrastructure plan, I believe the margins would be higher on this particular project, so if that is the case how much margins due expect on this?

Deep Vadodaria:

See, margin that we would expect on this is the something that the white paper will talk about but I will just highlight a couple of positives that is there for the company. See, all of these parks that I am talking about are going to be done by SPVs that the company has made already and these SPVs will execute the projects. What is in it for Nila is that it is going to get all the construction. So the entire development of the industrial park which usually is extensive development considering the size of the land that we are proposing plus we are going to offer long term lease models to most of the companies because not everybody is looking to purchase the land and a lot of people are looking for build-to-suite facilities for long-term lease. So, that construction will also be done by Nila for the SPVs. And Nila is obviously going to deal with at an arm's length basis so you can expect the decent general margin level on that front but



about the profitability coming in from the park, we will have to wait for the white paper to come in, which will be out very shortly.

Prabhat Chandra: One last question which I have if I may is on the operating expenses? So, when I look at the operating expenses actually in the 4th quarter both in 2016 and 2017, the operating expenses are very high as compared to the previous quarters, is there any particular reason for that when you compare 4th quarter with second and 3rd quarters?

Prashant Sarkhedi: Because we have 80% of that project operations expenses compare to the 81% in the FY2016, and overall percentage has come down in comparison to FY2016. So, total operations have overall increased. So that is why the total operation expenses have increased but the percentage is down and that is why the EBITDA level is being improved by certain margin.

Prabhat Chandra: But I am comparing 3rd quarter 2017 with 4th quarter 2017 numbers for operating expenses.

Himanshu Bavishi: During Q3 it was 77%, which has increased to 80%, so it has increased marginally by 3% due to the diversity of the project as well as quite a few projects being at certain maturity, these are quarterly phenomena, however, if you compare nine-month-to-nine month and year-to-year it is in sync.

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

Manan Mehta: Sir, I have couple of questions, sir. So, the first one is, what is our status update on the Girdhar Nagar projects sir and are we being able to monetize the TDR that we received from the project?

Deep Vadodaria: Yes, so first question, the status of Girdhar Nagar project is that we have partly completed the project and by end of Q3 of this financial year, the project will be completed in all respect and handed over to the civic body and as far as TDR is concerned yes, we are in talks and we have finalized few of the TDRs. However, the paper work is still on and we will be able to liquidate it very shortly.

Manan Mehta: Sir, the second question is that we have recently got the construction of the bus terminal facility which is a kind of a new segment for us. Now I want to understand whether there is a change in strategy to go towards asset development business?

Deep Vadodaria: There is no change of strategy and we are actively looking at new and new business models, on especially the public-private partnership projects. Government has also been very forthcoming in coming out with new ideas and we were actually actively monitoring this bus port space because this is not the first time there are already few bus ports up and running in the metros of



the state but we consciously kept out of it because the specific revenue model of these projects is dependent on the commercial space that you get around the project to develop that. So, we were waiting for the Tier-2 cities to come in for this bidding that is why we waited for the Tier-2 cities like Amreli and Modasa where we believe that the commercial selling space, the realizable value is much better. As far as the demographic relevance is considered you would be happy to accept that even in city like Ahmedabad there is a place called Ranip where this thing is developed which probably was area of much better relevance few years back. But now it does not have that much economic relevance to the functioning of the city, so even though there is best of infrastructure right now created as the bus port and commercial value but it is possibly a lot of people from Ahmedabad have not seen yet, vis-à-vis when you go to Tier-2 sort of cities these bus ports are still pretty much in the heart of the city. So, if the commercial development is being done there that is going to be in the heart of the city that is why the realizable value of this is much better than the metros. So, no real change in stance that we want to create more and more assets but yes obviously when you get projects which do create assets for you it is always a much better project for the company.

Manan Mehta: Sir, just one last thing sir, wanted to understand, sir we have high loans and advances sir, to whom are we given these loans and advances?

Prashant Sarkhedi: Loans and advances are to the contractors and our suppliers. Second, we have given advances for the purpose of purchase of land to the tune of Rs.50 odd crores for the acquisition of land at Bechraji and Sitapur projects for Maruti project.

Manan Mehta: So, that is why our loans are increased, sir?

Prashant Sarkhedi: No, loans have comparatively remains at the same level comparison to the previous year.

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

Ashish Parekh: I had couple of questions. The first being now looking at this affordable housing which is gaining momentum, are we looking and planning to enter into some new state?

Deep Vadodaria: Well, we have been actively looking at a lot of states apart from Rajasthan and we are observing those states and we are studying the opportunities and few of the bids that are coming out but as soon as we find the relevant opportunities which we feel is going to benefit company in the longer run, we are going to venture out in these states but as of now the opportunities that are coming in from Rajasthan and Gujarat is showing the appetite for the company. But we are actively looking at expanding in other states if the opportunity sounds feasible to the company.



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- Ashish Parekh:** And sir, the second question was we have seen some decent expansion of EBITDA and PAT margins. So, would this be sustainable?
- Deep Vadodaria:** No, this is not questionable; I believe it is sign of things to come in the future. As we said last year that majority of the revenues were coming in from only EPC business right till half of FY2017. From the second half, we have started booking revenues from the PPP projects and more revenues again from EPC + PPP projects. That is why the margin picture is showing improvement and based on the order book data it is easy to understand that going forward the margin is going to improve and that is the sign of things to come.
- Ashish Parekh:** And I had one last question we recently had large order for affordable housing from Vivyan. So, could you shed some light on this order from Vivyan Infrastructures?
- Deep Vadodaria:** Yes, based on our capabilities and the way we have executed Slum Rehabilitation project, we have two projects out of which, one is in advance stage of construction where we were very efficient in dealing with ground situations, negotiating with the slum dwellers, moving them out and starting construction. Vivyan have won this contract of affordable housing and it is a slum redevelopment projects and they have given it to us to execute the project on turnkey basis looking at the Girdhar Nagar site progress and sort of expertise that we have in executing these projects they have given us EPC contracts for same projects because Vivyan has been observing the company since a very long time and they appreciate that we have efficient model to work this project out at the best way with minimum efforts. That is why they have given the order on EPC construction basis to us.
- Moderator:** Thank you. Next question is from the line of Pooja Shah, an individual investor. Please go ahead.
- Pooja Shah:** Sir, I had only one question regarding on your Becharaji land like last quarter earnings you said that you are going to release some white paper on that, so I just wanted to know what is the update and when we can expect that to be released?
- Deep Vadodaria:** Well it is under preparation, it will be released as soon as possible. However, the timeline is something that we are not in position to give you right now but it will be very shortly because we are waiting for the results to come out. So, we are already in advance mode of preparing the white paper and we will be getting it to market very soon.
- Pooja Shah:** Still, I mean when can we expect if you can just let us know because last earnings also you said that it would be done?
- Deep Vadodaria:** We are waiting for the financial year to close. So, since the financial year has closed and the results we have already announced, it will come out very shortly in the next 4 or 5 weeks.



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Prashant Sarkhedi: Pooja I would like to add something more. We have made Rs. 32 crores of investment in the form of loans and advances to our joint venture companies and in these joint venture companies, Kent & Romanovia, we have made a total investment of Rs. 90 crores for land acquisition. Equal part has been provided by our joint venture partner that is the Kataria Group. Remaining we have taken a loan. So, this is the update on the financial and that is how our total Rs. 102 crores of loans and advances in total has been provided to these companies. So out of that Rs. 50 crores is given to these joint venture companies and Rs. 40 crores other advances is given to the suppliers and contractors.

Moderator: Thank you. Our next question is a follow up from the line of Prabhat Chandra from Green Field Advisory. Please go ahead.

Prabhat Chandra: Just one more question I had on the interest charges. We were expecting the interest charges to come down but when I look at the data it seems like the borrowing has gone up just by 1% but the interest charges are up by more than 20%, so which means that the borrowing cost have gone up. So, would you like to throw some light on that as to what is caused the interest charges go up?

Himanshu Bavishi: Yes, it is only due to higher utilization during the year. As you can appreciate the total debt is about Rs. 145 crores, which is on balance sheet date. The earlier year's comparable number was Rs. 155 crores. So, while rate of interest has surely gone down, there could have been certain incidents where we would have utilized higher, and due to which the overall interest appears to be a bit higher.

Prashant Sarkhedi: And last year we have just increased the loan in last quarter, so full year utilization might be much lower in comparison to this year.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference back to the management for closing comments. Over to you, sir.

Deep Vadodaria: We would like to thank you again for joining us. With strong order inflow in the last year, mainly towards affordable housing this year our execution for the current year sustaining the growth statutory which we achieved last year. The diversified order book also gives us a cushion as far as terms of maintaining the profitability. With the various state governments gearing up to achieve Housing for All targets sooner than planned, we see huge opportunity coming our way for the next few years, also the projects under the Smart City Mission being taken up more determinately, we see our civic urban infrastructure business getting boost with new projects being awarded. Our focus on affordable housing projects as well as civic urban infrastructure projects serves diversify and de-risks our business. We look forward to talking to you again in the next quarter. In the mean while my colleague and I as well as Strategic



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Growth Advisors, our Investor Relation Advisors, will be happy to take any further questions you have. Thank you.

Moderator:

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