



**NILA
INFRASTRUCTURES
LIMITED**

NILA/CS/2017/286
Date: September 28, 2017

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 September 18, 2017

It is submitted that Nila Infrastructures Ltd. had held a Conference Call on September 18, 2017 to provide the information about the financial and operational performance of the Company for the quarter ended on June 30, 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In this regard we are hereby, in terms of the Code of Practices for Fair Disclosure of Unpublished Price Sensitive Information read with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, submitting transcript of the said conference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

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“Nila Infrastructures Limited Q1 FY 2018 Earnings Conference Call”

Monday, September 18, 2017



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

Moderator:

Ladies and gentlemen, good day and welcome to the Q1 FY 2018 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 participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deep Vadodaria, COO of Nila Infrastructures Limited. Thank you and over to you, sir.

Deep Vadodaria:

Good evening friends. I welcome you all to the earnings call of Q1 FY18. Along with me, I have Mr. Prashant Sarkhedi, CFO; Mr. Himanshu Bavishi, Group President (Finance); Mr. Dipen Parikh, Company Secretary and Strategic Growth Advisors, our Investor Relation Advisors. Before I begin with Q1 FY18 updates, I would like to give industry update first, because that is the epicenter where all of this movement happening.

The government effort to boost affordable housing has started giving its fruitful return to achieve its goal of “Housing for all by 2022”. This can be indicated by increase in disbursement of affordable housing loan. Disbursement of loan below 10 lakhs had grown 43% in the last financial year which is a huge growth figure. Affordable housing finance with loan ticket size to 1.5 million will become a large segment for housing finance companies in the next 5 years, with the estimated share to increase to around 37% by FY22. As many projects of private players are stuck with the government bodies, Reserve Bank of India has come up with a single window clearance proposal. This will provide greater focus and stronger impact by removing bottleneck. Government initiatives like infrastructure tag, extension and timelines for project completion, interest subsidy schemes on affordable housing loans etc. has boosted up the sector. As per India rating, demand for 25 million homes is expected which is 4x of the entire current housing finance stock over financial year 2016-2017 to 2021-2022 in the medium income group and lower income group categories.

With the high demand and low supply of affordable houses in the segment it is all set to grow. The total number of affordable houses approved for construction under the Pradhan Mantri Awas Yojana (urban) has increased to 20,95,718 as against 13,82,768 sanctions for 1,061 cities in the earlier 10 years. Pradhan Mantri Awas Yojana launched in 2015 is a very successful yojana if compared it with the scheme of the government which was prevailing earlier which is the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). There is almost 250% increase in the numbers of houses approved for construction under PMJAY. Massive urban inward migration and increasing neutralization of family is one of the prime factors driving this affordable housing growth. With government focus on development of smart cities and to increase the job opportunities in urban areas, more and more people are shifting from rural to urban area resulting into demand gap shrinking. It is expected that the number of Indians living in urban area will increase to 600 million from 434 million.

To achieve the target housing by 2022, government is collaborating with private developers under a public private partnership (PPP) model. Recently government has laid down 16 new construction technologies and various public private partnership model for increasing the pace of construction.

We are present in the state of Gujarat and Rajasthan and we see tremendous opportunity in these two states. Over the next 5 years until 2022, we see immense opportunities in affordable housing and with government effort the long-neglected end user of affordable housing stands to benefit. We find ourselves at the epi-center of this huge opportunity with our core expertise in construction of niche government affordable housing units.

Generally, for the government project, we bid for project in either of the three forms which are EPC, which is vanilla construction contract. EPC plus EPC which is more of a hybrid between PPP and EPC and public private partnership which is PPP. The projects under housing for all admission of government is generally in these three forms.

The authorities in our home space in Gujarat generally award work either on EPC basis or the PPP basis, whereas the Rajasthan government awards project majorly on EPC plus PPP basis.

We are also well established player in developing civic urban infrastructure projects like Development of Medical College Campus, Office Complex, BRTS Station, Multilevel Parking, Community halls, Bus terminals on EPC turnkey or PPP mode.

The EPC project that we execute are simple contracts awarded for engineering, procurement and construction and generally are fixed price contracts with a Low Risk-Moderate margin profile. However, the project on PPP basis are kind of Moderate Risk-High Margin profile where the company funds the construction of the project and the government reimburse the company in form of Balance Vacant Land Transferrable Development Rights or commercial selling right.

The interesting point of the differentiating point of the TDR is that the government has itself created the market for these in the state of Gujarat and are currently very high in demand. Total EPC projects constitute about 68% of our unexecuted order book while in the case of PPP project, it is 14%.

The third form of contract, we execute is a combination of EPC and PPP project where government reimbursement is in part development cost through direct payment and part through transfer of balance Vacant Land at 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. EPC plus PPP right now constitutes about 18% of our order book.

This brings to me to the discussion of our confirmed unexecuted order book which is Rs. 4,521.2 million as on June 30th 2017.

Of that total order book, 58% is towards affordable housing and balance towards civic urban infrastructure projects which consist of construction of medical college campus and Residences at Barmer in Rajasthan, a multilevel parking in Ahmedabad, construction of a PMC office building for Adani Port and SEZ for their captive consumption inside their township on the outskirts of Ahmedabad.

If we look at the geographical breakup, we have 66% of our order book in the state of Gujarat and the balance 34% in the state of Rajasthan.

The two projects that Amreli and Modasa in Gujarat were Rs. 292 million are for construction of bus terminals facility with an iconic structure and design as well as modern facilities that integrate commercial facilities on BOT basis. These projects are on public private partnership (PPP) basis by the Gujarat State Road Transport Corporation (GSRTC). As a part of the remuneration the company will get right to develop design, finance, construct, operate and maintain the commercial facility such as shops, offices, restaurant, hospitals, multiplexes etc. which can be leased up to 90 years. For these projects, SPV will be created and we will maintain the certain bus terminal facility for the next 30 years.

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

Prashant Sarkhedi:

Good afternoon and we thank you all for joining us today on our Q1 FY2018 earnings call. I believe you have had an opportunity to see our results and the presentation that we have circulated and uploaded on our website, apart from the respective websites of the BSE and NSE.

I would now present the standalone result for the quarter one ended June 30th, 2017 which are presented under the Ind-AS.

Revenue for the Q1 FY2018 grew by 45% from Rs. 471.5 million in Q1 FY2017 to Rs. 684.8 million.

On the profitability front, EBITDA for the Q1 FY2018 grew by 68% from Rs. 72.2 million in the Q1 FY2017 to Rs. 121.2 million.

During the quarter, we have seen the EBITDA margin expansion of 238 basis points to 17.7% from 15.3% in the Q1 FY2017.

The profit after tax is Rs. 66 million for the Q1 FY2018, growth of 64% compared to Rs. 40.3 million in Q1 FY2017.

PAT margin for Q1 FY2018 is improved by 109 basis points to 9.6% compared to 8.5% in Q1 FY2017.

At June 30th 2017, the standalone net worth Rs. 2,081 million whereas standalone gross debt is Rs. 1,638.5 million while the cash and bank balances on the standalone basis is Rs. 14.9 million. Net debt-to-equity is at comfortable level of 0.78x as on June 30th, 2017.

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

- Moderator:** Sure, thank you very much. We will now begin with the question and answer session. We have the first question from the line of Prem Anand Panda from BLB Limited. Please go ahead.
- Prem Anand Panda:** Myself Prem Anand Panda from BLB Limited. I have questions to Mr. Deep Vadodaria. There was an MoU with the Kataria Group. So, my request is can you throw some light on the size of opportunity for the company?
- Deep Vadodaria:** Good afternoon, Prem. We had an MoU with Kataria Group and it is publicly available. There have been updates on that. Our annual report consists of a lot of information that you would need on the Becharaji project, but just to sum it up in a quick brief that will become easy for everyone else to understand. The idea is to develop industrial and residential facilities over a period of time near the new Suzuki plant which has already been inaugurated and potentially, going to be the largest Suzuki plant in the country. With an expanded capacity, it will produce 7.5 lakh vehicles and another 2.5 lakhs is on clearance which will make it 1 million vehicles that they will produce from this facility towards a span of next 3-3.5 years and which will make this the largest plant in the country. Owing to thus, we are seeing a lot of traction in the market. We have already launched one industrial park in that belt, purely an industrial park of approximately 150 acres where we are right now providing three different facilities for the people, for the client which are coming to us. Largely, the first space is dominated by the logistics players because usually they are the first mover their operation starts for any of the automotive company. We are getting good attraction out of this and will develop this land in a very short span of time and post which, there is one more township that we are going to come up with. I say township because it is a mixed use where some bit of it is going to be residential and the other bit is again going to be industrial park and that is inside the special economic region of the Kent Residential Park and that falls under the special industrial region that the government has declared in that region of Becharaji and we are waiting for government clearances on that and maybe in another two quarters we will be able to start working on them, but as of now we have already launched this one industrial park and we are looking at the model for largely for long-term leases for build-to-suit facilities.
- Prem Anand Panda:** Thank you very much. I also have one question. What is the typical land size of the JV?
- Deep Vadodaria:** Typical land size?
- Prem Anand Panda:** Yes, total land size for the JV?
- Deep Vadodaria:** The land is divided into two different land parcels largely and approximately put together, the land is accumulating to about 300 acres.
- Moderator:** Thank you. We have the next question from the line of Pankaj Arora who is an individual investor. Please go ahead.

- Pankaj Arora:** Myself Pankaj Arora, an individual investor. I have question actually last as per BSE site, you won last order on 22nd June. After that, as per the site we have not won any order in the Gujarat or Rajasthan. Is it impacted by GST or is it normal process?
- Deep Vadodaria:** It has got nothing to do with GST, sir, but the order pipeline is strong and very prudent. We are going to be disclosing orders that we are getting and our pipeline looks pretty strong in Gujarat as well as Rajasthan. It is just a coincidence that the orders that we have been accepting are getting delayed because of few clearances from the client, but very shortly we will be able to add on to that and no, there has not been an impact because of GST but this is just usual type which is being taken by them, but it is taking a little longer than we expected, but very soon we will be seeing the order inflows because the order pipeline is pretty strong.
- Pankaj Arora:** Thank you. I have one more thing. We heard lot of rainfall in Gujarat this year flood state is also very bad in Gujarat. Has it impacted our quarter one result or is as per our expectations?
- Deep Vadodaria:** Well, Q1 has actually been much better than our expectation. The rainfall actually will not affect Q2 number, but we do not really envisage it to affect the Q2 numbers a lot, but a couple of the week work was affected in most of the sites in the state of Gujarat because of the heavy rainfall last week.
- Moderator:** Thank you. The next question is from the line of Nirvi Mehta from Mehta Advisory Limited. Please go ahead.
- Nirvi Mehta:** Sir, my first question is I just wanted to know what is the average life of your order book?
- Deep Vadodaria:** The average life of the order book is 24 months.
- Nirvi Mehta:** And sir on the margins, can you just give me some guidance on what sort of margins do we get from EPC business, EPC+PPP business and PPP project?
- Deep Vadodaria:** Margins that I will clarify right now are going to be indicative margins because they keep on changing based on the actual project itself, but you can look an indicative EBITDA margin of about 9% to 10% on the EPC. The EPC + PPP around 15% and on the PPP basis, it ranges from 25% to 30% based on the project that we are talking about.
- Nirvi Mehta:** Okay, that is very helpful. I just want some more understanding on why we have such a high debt and inventory?
- Deep Vadodaria:** On the debt front, if you see the last few quarters or the last couple of financial year, the debt has been rather stable in all ways while we have been adding on the revenue front, the debt has remained stable. This is largely because in the last couple of years, there was massive expansion and number of projects got multifold in the year. Usually these are all government contracts. and government does not provide any mobilization advances. Also because of the project that we start, usually the profits are rear-ended because of whatever the government has done over the period of time. That is why it requires more

working capital. So, if you look at over a period of time, the debt has stabilized and we are practically going to look at it to see that over a period of time it comes down and it will start helping us on the revenues. While on the inventory side, inventory probably is showing on the heavy side because the land which has been shown on the inventory side of the business because we are no longer in the business of real estate, but it is showing on the inventory side. We are generating land in various land parcel, though we have not received any possession as far as manufacturing on the land on the project where we are supposed to get land, but still there is land which is on the books showing on the inventory side that is why maybe it is a little heavier than you usually see in infra company.

Nirvi Mehta: My last question is can you just give us some outlook on what sort of revenues, topline you expect to see in next 3 to 4 years?

Deep Vadodaria: As a matter of policy, we do not come out with official guidance, but we can safely assume that looking at the unexecuted order book and the order book pipeline that we have that in the next 3 to 4 years, we are going to consistently show the magnitude of growth that we have been showing for the last 2 quarters and we expect this growth to continue. Since we had been very selective for the project because our real idea is sustainable growth and not just growth in the revenue. So, we look at margins very seriously. So, going forward, you can expect the same intensity of growth to continue.

Moderator: Thank you. The next question is from the line of Pankaj Arora who is an individual investor. Please go ahead.

Pankaj Arora: Sir, I have one more question. As I belong to UP, I have seen so many ads in newspaper nowadays as per you told that there is a Pradhan Mantri Graha Yojana. Are you planning to come in UP, Madhya Pradesh because all these states also need a lot of houses? Are you planning to just have a collateral with some other company so that we can just won an order in these states also?

Deep Vadodaria: Yes, Pankaj. We are actively pursuing few other states apart from the states of operations but this sort of opportunity that we have seen in Gujarat, Rajasthan sort of market, we have to understand that Gujarat was one of the first movers into this domain and Rajasthan is coming up with innovative models and doing business and providing subsidized houses to the government house buyers and pushing demand a lot. UP, well, we will look at it now since the elections are over and new government taking place, UP is definitely a state which has underperformed till now. MP is also looking pretty good. We have been actively looking at MP, but we cannot single out individual state because we are actively pursuing a lot of states and as and when we see opportunity, we will try and step in there, but the overall idea remains that we will focus on wherever we have the advantage and since growing demographically is not the only target that we have. The opportunities in Gujarat and Rajasthan right now are looking ample enough, but we are actively pursuing lot of in the state.

Moderator: Thank you. The next question is from the line of Sachin Shah who is an individual investor. Please go ahead.

- Sachin Shah:** I just wanted to ask couple of questions. How much amount of the TDR that is Transferrable Development Right has been recognized in the books from Rs. 34 crores of TDR?
- Prashant Sarkhedhi:** Sir, we have almost monetized all that part of this TDR worth Rs. 34 crores. Nearly we have sold it to the market and 90% of that amount has been received towards sale of the TDR.
- Sachin Shah:** And how do we recognize the revenue in the PPP model?
- Prashant Sarkhedhi:** We have recognized as per AS-9 and AS-7, but now as per the Ind-AS we are just recognizing it as per the Ind-AS 18 and Ind-AS 11.
- Sachin Shah:** In the presentation, you have mentioned that the balance vacant land is approximately 4,100 square meters. How and when Nila is going to get revenue from this vacant land and is Nila going to build its own project?
- Deep Vadodaria:** So, the possession of land we are going to receive very shortly till project has been completed. We are evaluating both the options which of it is working out to be more feasible for the company, we will decide it in the due course of time either to monetize the land or to develop a project in there and maximize that. Of course, we have not reached the conclusion on that, but we are sure that the decision that the company takes will be in the best interest of stakeholders.
- Prashant Sarkhedhi:** And adding more to that we have made partnership with the specific land of this Girdhar Nagar and received an amount which is Rs. 14 crores as an advance. We have yet not decided to sell it off or we make a joint program of the development of the sale.
- Deep Vadodaria:** Joint development and monetizing the complete land, both remain an option as of this stage and we will decide in due course of time.
- Moderator:** Thank you. The next question is from the line of Juhi Maheshwari who is an individual investor. Please go ahead.
- Juhi Maheshwari:** I just wanted to know if you could provide me an update on Romanovia and Kent Residential Park and are we expecting any further orders from Maruti Suzuki or Honda Motorcycle?
- Deep Vadodaria:** I just quickly spelt out, I do not know if you were part of the call at that point of time, but the update is Romanovia, we have already started construction. We have 2 clients as of this moment where we have started the construction. One of them has started operation. One is TVS Logistics and the new one which is starting operation very soon in the next month is Mitsui Logistics these are long-term leases. Going forward, we see a good order pipeline coming in there. We are in talk with lot of serious player, but however we are closely working with Suzuki to develop whatever support infrastructure that they are looking at, but the order flow is just going to be nominated more by the ancillaries and the logistic companies which are dependent on Honda and Suzuki upscaling their operations over the period of time rather than the primary company themselves like Suzuki Maruti, but Suzuki is a very important client to

us and we have been engaging with Suzuki about the future and whatever that we can do for them to provide and support infrastructure for a better growth of the industrial area.

- Juhi Maheshwari:** That is great. Sir coming to Rajasthan like what sort of opportunities are we looking at in Rajasthan?
- Deep Vadodaria:** Rajasthan is looking very good on the opportunity front. It could be noted that in Rajasthan, the sort of targets that they have going forward is clearly much better than most of the other states because finally they have their affordable housing team which is getting very good response from people and even the execution is doing pretty well. So, going forward, we do not have a real classified number per se, but the numbers that we have as per the data is that Rajasthan is one of the few states as I told you providing affordable housing is one of the lowest cost in the country and under the scheme, they are going to continue to do so. So, we see demand being quite robust over a period of time in the state of Rajasthan.
- Juhi Maheshwari:** So in a Q2 FY2018, could there be more concrete numbers in that span?
- Deep Vadodaria:** Yes, there will be concrete numbers on there. We have a few numbers, but they are not well-indicated that is why I cannot share it with you, but overall potential is very good. The order book pipeline also looks pretty great. We have already billed it for couple of projects in affordable housing in Rajasthan which are due to open up pretty soon and same sort of opportunities coming in from Gujarat as well. So, the order pipeline in both the space as far as affordable housing is concerned is looking pretty focused.
- Juhi Maheshwari:** Now just one last question. Q1 FY2018 revenue is Rs. 68 crores and last year we had about Rs. 200 crores. So this year what are our projections like? Are we still expecting about Rs. 300 crores?
- Deep Vadodaria:** That is again a repetition of that previous question, but as a matter of policy, I cannot give you official guidance, but yes, it is safe to assume that we will keep on growing at the same intensity that we have shown in the last 4 to 6 quarters.
- Prashant Sarkhedi:** Just a thing that we have given some operational detail of our Romanovia and Kent Residential Park on our annual report, Page #24, 25, 26 and 27. So that will be helpful for you to refer those detailed ones.
- Moderator:** Thank you. The next question is from the line of Suraj Shah who is an individual investor. Please go ahead.
- Suraj Shah:** Sir, just wanted to know what has been the government's focus on the PPP projects related to affordable housing?
- Deep Vadodaria:** I think it is pretty clear for everyone to see the project that we are talking about in the update and the investor presentation is the Girdhar Nagar project which is a slum rehabilitation project on PPP basis. Let us first understand 100 of the cities in the country have been declared as smart cities in phase I. The government is going to make conscious efforts to convert them into smart cities and this is one of the first moving thing to a smart city is a slum-free city and when you talk about any of these slum development projects across 100 cities, all of these projects still have to be compulsory being done or

government does not really have a lot of option when it pertaining to that table have to come out on public private partnership. Affordable housing on public private partnership looks absolutely a space to be in and we are delighted that we made early in roads into this and we already have started making track records of delivery which are of quite big importance when it comes to bidding process.

Suraj Shah: Sure sir. Sir just one last question from my side. Sir, can you brief on the bidding pipeline for the future project and can you quantify a number to it?

Deep Vadodaria: Well, it is difficult to quantify a number for it, but you could have the number of tenders that we have bid for right now, the details can be shared by different platform, but the order book pipeline on the retail front, looks robust and sort of tenders that we are waiting for them to come into the foray are also pretty decent in size. So, we are really excited about it.

Suraj Shah: Sir just one last question. Sir, as per FY17 balance sheet on consolidated basis, why have we shown such a high working capital?

Prashant Sarkhedi: Our two projects are under the consolidation phase that is Romanovia and Kent Becharaji. If you look at the balance sheet an update is given on the page number #24, 25, 26 and 27, you might be aware that we have acquired more than 70 acres of land in our books of the account. So, we started this project and number of another advances are given to acquire the remaining the land also. So, this is the main purpose of the working capital effectively high.

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

Deep Vadodaria: We would like to thank you again for joining us today with a strong order inflow last year mainly towards affordable housing with executions of the current year sustaining the growth trajectory which we achieved last year. The diversified order book also gives us the cushion in terms of maintaining the profitability which is a very important fact. With the various state governments gearing up to achieve the housing for all target sooner than planned, we see a huge opportunity coming our way for the next few years. Also, the project under the smart city mission being taken up for more aggressive execution. This year, civic urban infrastructure business getting boost with these new projects. Our focus on affordable housing as well as civic urban infrastructure help us to diversify and de-risk our business. We look forward to talking to you again next quarter. In the meanwhile, my colleagues and I as well as strategic growth advisors, our investor relation advisors will be happy to take any questions that you may have. Thank you.

Moderator: Thank you very much. On behalf of Nila Infrastructures Limited that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.