NILA INFRASTRUCTURES LIMITED

Nila/Cs/2021/65
Date: June 28, 2021

To,
The Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001

To,
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Scrip Code: 530377

Scrip Symbol: NILAINFRA

Dear Sir,

Subject: Transcript of Conference Call held on June 22, 2021

A conference call was arranged on Tuesday, June 22, 2021 to provide the information about the financial and operational performance of the Company for the fourth quarter and year ended March 31, 2021.

In this connection transcript of the call is enclosed herewith for the information of exchanges and dissemination. The same is also available at the website of the Company at www.nilainfra.com which may please be noted.

Thanking you,
Yours faithfully,
For, Nila Infrastructures Limited

NILA INFRASTRUCTURES LTD. AHMEDABAD

Dipen Y Parikh
Company Secretary
Membership Number: A24031

Encl: a/a

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Nila Infrastructures Limited
Earnings Conference Call
June 22, 2021

Moderator: Ladies and gentlemen, Good Day and welcome to the Q4 FY21 Conference Call of Nila Infrastructures Limited. 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. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you Aisha. Good afternoon everyone and a warm welcome to you all. I hope everybody is keeping safe and well. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Nila Infrastructures Limited. On behalf of the company, I would like to thank you all for participating in the company’s earnings conference call for the fourth quarter and financial year ended 31st March 2021.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today’s earnings conference call maybe forward looking in nature. Such forward looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management’s belief as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today’s earnings conference call is purely to educate and bring awareness about the company’s fundamental business and financial quarter under review.

Now I would like to introduce you to the management participating with us in today’s earnings call. We have with us Mr. Deep Vadodaria – Chief Operating Officer, Mr. Prashant Sarkhedi – Chief Financial Officer and Mr. Himanshu Bavishi – Group President Finance. Without any further delay I request Mr. Deep Vadodaria to give his opening remarks. Thank you and over to you, sir.

Deep Vadodaria: Good afternoon friends. I welcome you all to the earnings call of the fourth quarter and financial year ending March 31, 2021. We are glad to demonstrate resilience to counter the impact of COVID-19 induced disorder which constrained our financials during the first half of 2021. The company could generate limited revenues during the financial year 2021 mainly because of H1 2021 was lackluster while the Q4 2021 has some strains of wave 2 picking up and labor also being a point of concern. Meanwhile certain running projects were at a completion stage while the fresh orders which we were planning to give us revenues by the end of this quarter did not really impact because of subsequent delays in first half in terms of approval and stuff so they could not contribute much to the revenue.

Looking ahead, social housing segment is set to start a new chapter of growth fueled by affordability being core desire to own a house and renewed interest from its stakeholders.

During Q4 FY21 we have added four meaningful and strategic orders which are small orders aggregating to Rs. 588 Million to construct EWS housing in Jaipur by Jaipur Development Authority. This would provide 1,192 units and the completion time will be approximately 30 months. We believe our satisfactory engagement with the civic urban infrastructure segment adhere to stipulated cost, quality and timelines put us in a good position to capture plentiful growth opportunities with wave 2 now looking to cooling down and starting to get back to normal and the vaccination trial being in full swing in the country we feel that there is some bit of normalcy which is going to return very soon and hopefully we can look forward to this year and have another year where there is going to be challenge because there is so much which is uncertain, but we are very hopeful that we are going to do better than last year.

With this we come to our order book as on 31st March 21 the company has confirmed and practically executable order book of Rs. 5,558 million. In line with the efforts of the good governance and ethical practices, fairness and transparency, the confirmed unexecuted order book as on 1st April 2021 was prudently reduced or realigned so as to depict the actual revenue potential. The book to bill ratio is not comparable at this point in time. The company’s order book is quite balanced with a focus on its core competency of affordable housing with 87% orders of about Rs. 4,849 million, while for de-risking 13% of civic urban infrastructure project which is Rs. 709 million.

High-margin PPP is major tributary with 67% orders at Rs. 3,726 million. Geographically the state of Gujarat accounts for 80% of the orders now at Rs. 4,463 million and principal wise government entity accounts for 87% of the orders with Rs. 4,832 million. The major government clientele comprise Ahmedabad Municipal Corporation and Government of Rajasthan. Overall, the Company is executing construction of about 8,778 units of affordable housing.

With this, I now invite Mr. Prashant Sarkhedi our CFO to discuss the key financial and operating highlights for the quarter under review.

Prashant Sarkhedi: Thank you Mr. Vadodaria and good afternoon friends. I quickly take you through the highlights of the quarter and year ended 31st March 2021. In terms of the quarterly standalone performance during the Q4 2021, the total standalone revenue of the company was INR 384 million higher by Rs. 6 million to Q3 FY21's revenue of Rs. 378 million. Profitability at EBITDA level has also improved to a large extent to Rs. 90 million, higher by Rs. 50 million compared to the Q3 FY21 EBITDA of Rs. 40 million. The company reported the profit of Rs. 43 million, higher by Rs. 24 million compared to the Q3 FY21 of profit of Rs. 19 million.

In terms of the quarterly consolidated performance during the Q4 FY2021 the total consolidated revenues of the company was Rs. 386 million, higher by Rs. 58 million of Q3 FY2021 revenue of Rs. 328 million. Profitability at EBITDA level has also improved to a large extent to Rs. 92 million that is higher by Rs. 49 million compared to the Q3 FY21 EBITDA of Rs. 43 million. The company reported a profit of Rs. 46 million higher by Rs. 30 million compared to the Q3 FY21 profit of Rs. 16 million.

In terms of the yearly standalone performance for FY21 the total standalone revenue of the company was Rs. 1,111 million compared Rs. 2,633 million in FY20. The EBITDA for the FY21 was Rs. 91 million which is reflected the effect of the loss reported in the first half of FY21 and the company was able to report the marginal profit of Rs. 5 million for FY21.

In FY21 profitability at EBITDA level has reduced mainly due to the reduction in the operational efficiency on break of change in the revenue-mix that is higher contribution from the low margin projects. The project and operational cost and other cost also increased with the few projects being in a preliminary stage. The employee cost reduced due to the reduction in overall employee base while the depreciation and amortization expense has marginally increased corresponding to the increment in the net-block on back of fresh purchase of real asset. The company has been successful in renegotiating the rate of interest with lender for existing as well as fresh debt and lowered the finance cost.

The overall reduction in the income has constrained the PBT which has been offset at PAT level mainly due to the lower income tax amount. The net tax payable for FY21 is reduced mainly owing to the reduction in overall reduction in income. None of the bank guarantees submitted by the company has ever been invoked by the principle or clients.

As on 31st March 21 the standalone networth of the company was Rs. 1,439.1 million and standalone gross debt Rs. 1,454.5 million while the cash and bank balance on standalone basis was Rs. 189.4 million. The net debt to networth compute 0.88.

In terms of the yearly consolidated performance FY21 the total consolidated revenue for the company was Rs. 1,060 million compared to Rs. 2,551 million for FY2020, with the loss of Rs. 6.5 million in FY21 against the profit after tax of Rs. 165 million.

I now open the floor for the question and answer that may require the further clarification. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankit Parikh from Aska Capital. Please go ahead.

Ankit Parikh: So I just wanted to ask what was the there is an increase of around 10% in the EBITDA margin in this quarter compared to the last one, so what is the primary reason for that like what type of the projects that have higher margins have we gained income from so that this has happened?

Prashant Sarkhedi: There are few of the TDR interest which was over the inventory level and being realized at the higher level for approximately Rs. 7 to 8 crore of revenue we have realized from this quarter.

Deep Vadodaria: Just to elaborate that on one of the projects which was completed due to rearrangement or rather recalculation we got additional TDR which went into the inventory and was successful to monetize it so you can look it as one time sort of an income.

Ankit Parikh: So going forward like what is the margins that you are able to expect and be sustainable on?

Deep Vadodaria: Well, I would love to answer that, but unfortunately at this point of time there are so many variables. So, I would not be able to answer it for the financial year that we are talking about right now FY21-22 but going forward as we have said we would be able to maintain a decent EBITDA margins and as the revenue mix you can see on the order book has changed completely and we have 67% orders which are of PPP in nature which are high profitability businesses. So, EBITDA margin you can definitely look at being improved going forward, but this specific year I am a little optimistic, but at the same point of time there are lot of uncertainty which are floating around at this point of time for me to comment on the absolute numbers in terms of the EBITDA that we would be working to achieve, but if you want to look at it on a vision perspective definitely the profitability is going to remain the same or maybe improved because revenue mix has change now going forward and more revenue from H2 of 2021-22 is going to start to come from the PPP project.

Ankit Parikh: And my other question was we have an order book of around Rs. 550 crores as of now with majority of our projects are towards the affordable housing, so going forward what is the expectations of increase in order book like double digits or single digits or what is that and what is the revenue breakup like we are towards affordable housing as of now, but going forward down the line in two to three years are we expected to have the majority of the revenue from affordable housing only or are we trying to like diversify it and shift to other projects as well?

Prashant Sarkhedi: So answering your questions in two parts again one is affordable housing obviously will remain our core and we are very confident about the project because of the funding mechanism that it shares and how light it is on government bodies and the funding pattern is pretty clear and we never really had any form of issues with multiple number of contracts that we have gone through in terms of cash flows. So, we want to speak to and we also believe that there is a still a lot that needs to be done on affordable housing we are now there on the ground and we see that there is still lot of demand which needs to be catered by the government and that is what they are doing. So, the focus will remain on affordable housing. However, as you would have seen we have tried to open up multiple number of sectors on the civic urban infrastructure project so with completion of Barmer Medical College that we did last year education in medical fields have also open up and we all know post the pandemic how much focus is going to be on medical infrastructure across the country. So it was a very timely move from our end to get into that specific contract which now enables us to participate in medical bids or medical colleges in hospital which should be built across our country. So that was a key contract for us that opens up the education and medical field for us. So, we will be looking at various fields in terms of expanding opportunities, but largely of course the focus is building to structure and that is where we plan to stay focused. About the order book we are pretty comfortable at this point unfortunately the problem is that because of these lockdowns or rather I would not say lockdown in phase 2, but the COVID surges a lot of our orders are PPP in nature which deals with dealing with people, moving them out from existing locations which was not really possible in this year. So, we are pretty comfortable with the order book situation as of now, but going forward obviously we are going to not let any good opportunity go by. So as and when new opportunities come about we are going to be bidding for them and adding up the order book. We have potential in terms of bank guarantees, in terms of execution capabilities that we can scale this order book up, but at this point of time we are pretty comfortable with the existing order book on hand.

Moderator: Thank you. The next question is from the line of Meera Nair an Individual Investor. Please go ahead.

Meera Nair: My question is could you comment on the outlook of the next few quarters and FY22 overall and do you think you will be able to showcase a top line or bottom-line growth?

Prashant Sarkhedi: As I said in the previous question that I wish I would be able to do that, but there are at this point of time so many variables. However, I can comment that the current quarter or Quarter 1 of 21-22 definitely is affected by wave 2 in a very massive way because construction industry has been affected in two or three different ways. One is obviously by the surge two is again the reverse migration of labour plus subsequent lockdowns by different states. So, most of our labors comes from neighboring states in Rajasthan had a pretty extended lockdown compared to Gujarat. So, manpower has been an issue plus COVID surge was a major issue. So, Quarter 1 definitely looks compromise as of wave 2 and as the uncertainties loom over wave 3 where we certainly all hope that we are not going to see a wave 3, but at this point of time it looks something that we cannot predict, but commenting on the other part of your question we are definitely looking at profitability per se as I said earlier also on the call is that the revenue mix has now changed and as we start executing more PPP orders we would definitely going to see the profitability rise because they are high profit businesses compared to the EPC projects. However, for revenues to scale back up we definitely couple of three quarters to go ahead and perform. So, if you can look at H1 2021 has been definitely it was affected because of the lockdown in round 1, but H2 we were able to at least tolerate some bit of comeback. Right now let us see now things have started moving a little, but we are still now even at 100% to be able to comment on that plus we are going to be facing the monsoon season now which is obviously something which disrupts the construction process. So the H1 even in FY22 looks to be something which is going to be a challenge, but going forward we are very confident that H2 is going to be pretty clean hopefully the wave 3 does not look at as much people are predicting it to be and hopefully does not come at all that is all what we all pray for. We are definitely more excited about H2 than H1 because this is the sort of pace where even one quarter is compromised and it becomes very difficult for you to put it back because you can elevate the construction speed, but there are obviously limitations to the amount of time leg that can be recouped.

Meera Nair: So next question is what is the update on the logistics parks or has there been any traction there and what was the contribution to the revenues in FY21 from this segment and the future outlook for this?

Deep Vadodaria: So, we are unfortunately in this specific I mean in the last two quarters we did see demand pent up by around last quarter 2021, but then of course it was pretty cold in the quarter that we are in which is the first quarter of FY21-22 because obviously there were also all affected by lockdown in multiple number of states plus the demand obviously was not really there in terms of the auto parts are concerned because which is obviously a predominant player there, but we are pretty confident about that in a way because Suzuki has scaled up production to pretty respectable level now and is only looking at expanding from this level and we are working very closely with Suzuki and based on very confident obviously there have been road blocks because of whatever has happened in the past of the globe, but they are looking very confident in terms of their expansion plans there which makes us very certain about the investment that is made in the logistic space and fortunately even in the challenging times this is the most challenging times for the logistic park we have not had any exit and all our tenants have stayed into it even through the difficult times where we had practically had. So that is bit of an achievement because we have had a lot of logistic player move out of competitors spaces because of the challenging times that there were facing. As far as revenue composition of that is concerned I believe Prashant Sarkhedi will be able to answer that data.

Prashant Sarkhedi: Can we email that to you later in the interest of times the exact revenues that are coming in from the logistic and space.

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

Deep Vadodaria: Thank you friends for joining us today going forward as pure play civic urban infrastructure company we will continue on the growth path. We look forward to hearing you with us in the next quarter call. In the meanwhile, our team and our IR team will be more than happy to assist you. Thank you again, stay safe.

Moderator: Thank you. On behalf of Nila Infrastructures Limited that concludes this conference. Thank you everyone for joining us and you may now disconnect your lines.