NILA
INFRASTRUCTURES
LIMITED

Nila/Cs/2022/14
Date: February 19, 2022

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

Scrip Code: 530377

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 Symbol: NILAINFRA

Dear Sir,

Subject: Transcript of Conference Call held on February 15, 2022

A conference call was arranged on February 15, 2022 to provide the information about the financials and operational performance of the Company for the third quarter and nine months ended on December 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

Dipen Y Parikh
Company Secretary

NILA INFRASTRUCTURES LTD. AHMEDABAD

Encl: a/a

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NILA INFRASTRUCTURES LIMITED

RESILIENCE

For a Sustainable Future

Q3-FY2022 Earnings Conference Call

February 15, 2022

Management:

- Mr. Deep Vadodaria – COO
- Mr. Prashant Sarkhedi – CFO
- Mr. Himanshu Bavishi – President (Finance)

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9 months FY22 conference call of Nila Infrastructures Limited. As a reminder, all participants' 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 '*' and 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, Mr. Anuj.

Anuj Sonpal: Thank you. Good morning, everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent 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 3rd quarter of financial year 2022. Before we begin, I like to mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature, such forward looking statements are subject to risks and uncertainties which could cause actual results should out from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management or it is a caution not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is fairly to educate and bring awareness about the company's fundamental business and financial quarter under the view. And let me introduce you to the management participating with us in today's earnings call and give it over to them for opening remarks. The firstly have with us Mr. Deep Vadodaria – Chief Operating Officer (COO), Mr. Prashant Sarkhedi – Chief Financial Officer (CFO), Mr. Himanshu Bavishi – Group President. Without any further delay I request Mr. Deep Vadodaria to give his opening remarks. Thank you and over to you, sir.

Deep Vadodaria: Good morning, friends. I welcome you all to the earnings call for 3rd quarter and 9 months of the Financial Year 2022. Our latest presentation has been uploaded on the Stock Exchanges and our website. I hope you got a chance to take a quick look at the numbers. Before we proceed, I would gladly wish to share that our business model of executing Urban Infrastructure projects mainly on Public Private Partnership (PPP) is working well. As you know just prior to the onset of the COVID-19 pandemic, we had initiated well thought out transition of our business model from EPC to PPP mode in alignment of our vision of sustainable growth. We are now successful in achieving this through a series of policy initiatives and have since moved away from the ever stress dynamics of the EPC. Meanwhile, the government's momentous effect on CAPEX is expected to enhance aggregate demand of infrastructure development, which will eventually percolate to the private CAPEX too. Also, the RBI's decision to continue with the accommodative stance to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward, is enabling the conducive financial condition. Under this scenario, the company continues to focus on profitable execution of its larger order book, leverage strong momentum in affordable housing, cost optimization measures, release of funds through improved working capital management and a phased divestment of non-core assets. We have been striking a balance between profitable growth and capital employed with the return ratios being pushed through rigorously, irrespective of the macroeconomic volatility. The company is confident building on the current business momentum and is committed to creation of sustainable returns for all stakeholders. Now coming to our order book at December 31st, 2021, the company has confirmed and practically executable order book of Rs. 6,803.2 million. In line with the ethos of the good governance and ethical practical, fairness and transparency, the confirmed and executed order book is prudently realigned to depict the factual revenue potential. The book to build ratio is not comparable at this point. The average execution cycle of this order book is around 27 to 28 months. Very briefly, I will now comment on the commitment of each of our business segments before we move on. The company's order book is in line with its focus on core competence of affordable housing with 92% orders, which is Rs. 6,230.3 million while better margin PPP is the major tributary with 91% of orders which is Rs. 6,223.6 million. Geographically, the state of Gujarat account for 85% of the orders, which is Rs. 5,782.1 million and principal wise government entities accounts for 92% of the orders, which is Rs. 6,230.3 million. Overall, the company is executing construction of 7,407 units of affordable housing while it has already satisfactorily delivered 8,739 units. With this, I now invite Mr. Sarkhedi our CFO to discuss the key financial highlights from the period under review.

Prashant Sarkhedi: Good morning, friends. I quickly take you through our financial and operational highlights. In terms of the quarterly performance, during the Quarter 3 the total revenue of the company is Rs. 274.4 million that is lower by Rs. 103.3 million to Quarter 3 of 21 that is Rs. 377.7 million, while it was Rs. 280.2 million during the Quarter 2 FY22. Profitability at EBITDA level has improved Rs. 21.3 million as compared to Rs. 16.3 million of Quarter 2 FY22. The company has booked profit of Rs. 7.3 million that is higher by Rs. 4.1 million to Quarter 2 FY22's Rs. 3.2 million. During the 9 months of FY22 the total revenue of the company is Rs. 785.7 million that is higher by Rs. 58.7 million to 9 months FY21's Rs. 727 million. Profitability at EBITDA level has also improved Rs. 58.9 million higher by Rs. 57.6 million to 9 months FY21's Rs. 1.3 million. The company has booked profit of Rs. 12.8 million that is higher by Rs. 51.3 million to 9 months FY22's loss of Rs. 38.5 million.

Coming to the revenues; the total turnover reduced on quarter-on-quarter and year-on-year basis due to the second wave of the COVID-19 pandemic induced disorder, including the delay into commencement of the new projects, as well as the heavy monsoon restricted the operations. Quarter 3 FY22 total operational income as increased on quarter-on-quarter basis, mainly due to the lower base of effect, while reduced on the year-on-year basis. 9 months FY22 turnover and total operational income has increased on year-on-year basis, mainly due to the lower base the effect. moving to the EBITDA margin, the profitability at EBITDA level has substantially positive, mainly due to the lower base of the 9 months FY21 owing to cessation of the income while overhead were being incurred. The project operation cost has reduced mainly due to the execution of the favorable product mix amongst the PPP and EPC. The depreciation and amortization expenses charged to the profit and loss accounts have increased corresponding to the increase in the fixed assets. The finance cost has been reduced mainly due to the reduction in the debt or overall utilization of the fund base limit as well as the availment of the working capital term loans under the ECGLS 2.0 with subsidized rate of interest. Moving on to PAT the overall increment in the income has increased the PBT which is also spilled over the PAT level. Moving to the balance sheet the net worth of the company has increased corresponding to the PAT on the account of 100% ploughing back of the profit. The total debt of the company has reduced by Rs. 239.1 million during the 9 months FY22. The company's account is standard with all the lenders, none of the bank guarantee submitted by the company has ever been invoke by the principle. In terms of the quarterly consolidated performance during Quarter3 FY22, the total consolidated revenue is Rs. 253.6 million lower by Rs. 74.6 million to Quarter 3 FY21 Rs. 328.2 million, while it was Rs. 276 million during the Quarter 2 FY22. The consolidated profit is Rs. 2.4 million, which is significantly improved as compared to the Quarter 2 FY22 loss of Rs. 5.4 million. During the 9 months FY22 the total consolidated revenue is Rs. 698.7 that is a higher by Rs. 25.5 million to 9 months FY21 Rs. 673.2 million. The consolidated loss of Rs. 8.9 million signify substantially improved by Rs. 44 million to 9 months FY22 loss of Rs. 52.9 million. Now, I open the floor for question and answer that may be required further clarification.

Moderator: We have the first question from the line of Tanush Kanakia who is an Individual Investor. Please go ahead.

Tanush Kanakia: So, we have consistently had poor performance for the last many quarters. Is the management thinking of any change in strategy or change diversification in projects or geography as how long can this kind of performance continue?

Deep Vadodaria: Well, first of all, I disagree with disappointing performance. I think it's in the back of the conscious transition that we have been trying to make for the last few quarters. Obviously, pandemic was one of the factors which have affected across the World but in that process we were able to speed up the entire transition and that's why in the initial part of the call, I already said that we successfully completed that transition. Now the unexecuted order book that we are sitting on is coming 91% from the PPP project. So, that's a conscious call that we had taken before the pandemic actually began. So, pandemic actually helped us to speed up the process because the new EPC orders are now coming in, we finished of the old EPC orders into place and things look pretty good for the next financial year. And most of these PPP projects that we have been awarded, work has already started on the ground. The execution speed, obviously in the PPP project takes couple of quarters to catch up to the speed in terms of booking revenues. So, you would see the revenue is probably comparable in the next financial year to the pre-pandemic levels. So, we are not really concerned in terms of the performance going forward. However, I believe the last two years have been stressful for most of the companies out there, especially in the infra space. We are very grateful that this call of moving our focus to PPP was taken much before the pandemic, which allowed us to have a clarity of thought and that's why I commented that the transition now stands complete, and we have more than 90% of the unexecuted order book which are on PPP basis and not on the EPC.

Tanush Kanakia: In what kind of revenue or profitability are we targeting this year or some kind of guidance you can comfortably provide?

Deep Vadodaria: As a policy, we don't come out with guidance's, but 1 quarter to go in this financial year where all the projects have begun, but most of the projects have begun execution. But as I said on PPP projects, the execution speed takes about couple of quarters to catch up because the first part of the execution period is vacating the land and taking possession of a tenant. And then eventually starting construction and then we will be moving into the break of the year, which is Holi by the end of March. So, this quarter is going to be as usual, but going forward in the next financial year, as I said, we can look at the revenues which will be comparable to the pre-pandemic level and margin as well.

Tanush Kanakia: So, like I just said, well, it's not been more restrictive to focus only on PPP not EPC. Like, will its not be more restrictive to focus only on PPP and not EPC, will this not reduce our orderbook?

Deep Vadodaria: Answer of that is yes and no. so Yes because, it's not that we are not going do EPC projects, but we have a very clear cut guideline in terms of what other profitability that we are going to work with. Everybody's seen how people focused on heavy EPC orders have suffered in the last two years and we don't wish to go down that shore and anybody who's been tracking our company since many years, our focus has been very clear. We want growth, but we want sustainable growth with decent profitability. We are not only chasing revenue growth. We wanted to be sustainable at the profitable level and that's where PPP projects give us that flexibility because it's a higher profitability business. So, going forward, yes, growth obviously is this one of the key criteria's but then growth has to be clubbed with decent profitability into equations. We are not going to chase revenue madly irrespective of profitability sinking.

Tanush Kanakia: Okay and lastly just one point, we have given up a lot of orders. Can you elaborate the reason for that?

Deep Vadodaria: There are couple of orders that the civic body, because of the change in thrust because of the pandemic has, had withdrawn and a couple of the orders where there were design changes. The order was scrapped by the employer. Not many, we have already reported all of them in the last few quarters, whichever have been withdrawn in the good governance practice. But most of these orders were withdrawn because of either a changes by the employer, in terms of the focus that they wanted and to the other element of orders which were withdrawn where pertaining to design changes in terms of Pandemic has changed a lot of things but if you look at the overall scheme of things, the number of orders had not been sizable in terms of the orders that we scrapped and even today we are sitting on unexecuted order book of Rs. 680 crores, which is a sizeable order book.

Moderator: Since we have no further questions, I would now like to hand the conference over to Mr. Deep Vadodaria from Nila Infrastructures Limited for closing comments.

Deep Vadodaria: Thank you friends for taking the time out to attend this call. We will look forward to having you in the next quarter's call. Meanwhile, I and our team will be more than happy to assist you. Thank you again. Have a good day.

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