

Nila Infrastructures Limited
Q2 FY2021 Conference Call
November 09, 2020



Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2021 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, sir.

Anuj Sonpal: Thank you Ayesha. Good afternoon everyone and a warm welcome to you all. 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 Q2 FY2021. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's conference call maybe forward looking in nature. Such forward looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by information currently available to the 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.

I would now like to introduce you to the management participating with us in today's earnings conference call and give it over to them for their opening remarks. We have with us Mr. Deep Vadodaria – Chief Operating Officer, Mr. Prashant Sarkhedi – Chief Financial Officer and Mr. Himanshu Bavishi - Group President, Finance. I would now request Mr. Deep Vadodaria to give his opening remarks. Thank you and over to you, sir!

Deep Vadodaria: Good afternoon friends, I hope you are keeping safe and moving ahead with caution. I welcome you all to the earnings call for the second quarter of the financial year ending 2021. As you all know that the COVID-19 Pandemic has impacted the economy and the market sentiments significantly, being a constitute of the economy it has hit us too.

Certain projects that were slated for commencement of execution have been either called-off or are being reviewed by the relevant client which is the government authority in our case. As the prime focus of the entire government is to abate the further spread of COVID-19 Pandemic. While certain others have since been delayed for want of certain government approvals and sanctions. We believe this financial year we will have to live with such disturbances. Meanwhile, concurrently we are optimistic as the government has accelerated its focus to address the socio-economic impact by increased delivery of say thousand solutions with improved access to living conditions to a scale needed to respond to the needs



of the vulnerable and marginalized population. Resultantly, the government will float more opportunity for affordable housing as merits of staying at home has been established as the most resilient remedy to abate such Pandemic. Also, it is likely to act as stimulus and contribute to a speedier recovery of the civic urban infrastructure and especially the affordable housing sector. We are actively accessing the developments and adjusting our sails. We are putting all efforts to overcome such hurdles and perform as there are enhanced prospects, so in slum rehabilitation, affordable housing and medical facilities. We remain optimistic about our business and growth returning to normalcy. The affordable housing segment has seen green shoots of demand with beneficiary interest witnessing rising trends. We are getting ready to bid for a lot of new opportunities which we have identified, favorable orders in pipeline to be executed across segments and geographies over the next few quarters. Our long-term outlook towards the civic urban infrastructure business remains positive.

Now coming to our order book as of 30th September 2020; the company has confirmed order book of about Rs. 4051 million. The company's order book is in line with its core competence of affordable housing with 75% orders coming from this vertical, that is Rs. 3207 million and 25% coming in from other civic urban infrastructure projects. PPP which is a Public Private Partnership side of the business is the major contributor to this with 58% orders coming in from there which is Rs. 2390 million. Geographically, the state of Gujarat accounts for 88% of the orders which is Rs. 3566 million and principalwise government entities accounts for 71% of the construction orders which is Rs. 2899.3 million. The major government client comprises of Ahmedabad Municipal Corporation and government of Rajasthan. Overall, the company is executing the construction of 7693 units of affordable housing.

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

Prashant Sarkhedi:

Thank you Mr. Vadodaria and good afternoon friends. I will quickly take you through the financial and operational highlights for the quarter ended on 30th September, 2020.

In the terms of the quarterly performance, consolidated revenue of the company stood at Rs. 234 million down from Rs. 534 million as compared to the corresponding period of the previous year. The company could not generate any meaningful revenue due to the COVID-19 induced lockdown as well as the reverse migration of the labourers and monsoon.

On the profitability front, the operating EBITDA for the quarter 2, FY21 has witnessed a loss of Rs. 8 million mainly due to cessation of the income while the overheads were being incurred for certain projects and operations towards the PPP projects that are in the preliminary stages. The reported loss for the quarter ended was Rs. 29 million, the depreciation has remained constant as there has been no major increment in PPE. The finance cost reduced due to the lower utilization of the fund-based limit consequent to the lockdown of the



operations. The company has honored all financial obligations and refrained from the availing the benefit of the moratorium under the "Reserve Bank of India COVID-19 Regulatory Package", except holding the reduction in SBI's DLOD limit – wherein the utilization was well below stipulated drawing power. Due to the loss incurred, the standalone net worth of the company is Rs. 1376 million and standalone Gross Debt is Rs. 1426 million, while the cash and bank balances on standalone basis is Rs. 56 million. The net debt to net worth competes to 1x.

In terms of the half yearly performance consolidated revenue of the company stood at Rs. 300 million, down from Rs. 1044 million as compared to the corresponding period of the previous year. On the profitability front, the operating EBITDA for the first half 2021 had witnessed a loss of Rs. 38 million, the reported loss is Rs. 69 million.

I now open the floor for questions and answers that may be required to the further clarification, thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question, may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. The first question is from the line of Gauri Ahuja, an individual investor, please go ahead.

Gauri Ahuja: Good afternoon sir, thanks for taking my question. Just trying to understand the last six months has not been the best but can you explain how the situation is today, have we reached pre-covid levels in terms of projects. Also, loan book has come down significantly, just want to know and why that is happening with you all, is there a reason and what is the strategy to counter that?

Deep Vadodaria: I am going to answer your first question. So well the normalcy has resumed in terms of manpower, so depending on the site we are talking about, we have reached almost 80% to 100% in many cases to pre-covid levels in terms of execution. So, we are going to have a scheduled short break again for Diwali, so let us see. We are very hopeful that from this quarter at least the normalcy in terms of revenues are going to be restored but on yearly basis, the full recovery is still about two to three quarters away. I believe, hence 2022 financial year should be the full year where we expect normal revenues to return. And on the second question, I would have Prashant sir, he will help you with that.

Prashant Sarkhedi: I am not able to hear those questions.

Deep Vadodaria: Maybe if she can repeat the second question, thank you.



Gauri Ahuja: Yes sir, so your loan book has come down, your order book has come down significantly, so just wanted to understand what is the explanation behind this and what is the strategy to counter it going forward?

Prashant Sarkhed: We have taken a debt for the new projects which are going to be start up, all those projects are under approval right now and that is why the debt level has reducing and the execution, it is a particular quarter phenomenon where we have expected that few of the orders going to start where government has not given the approval on time, so that is why. In future, definitely if you remove these things for six months from our topline, our second half with comparatively will double into the overall revenues then there would be nearby changed operations, we would be at the previous levels. Debt for upcoming year will be below one.

Deep Vadodaria: Just to add on to his answer in terms of the order book, so we had one order in this quarter which the client has in terms of change of design withdrawn back the order. This is a DICDL order in Dholera smart City which was for construction of their service buildings, now that is because of the employer's request. So that has deleted from the order book, plus we were expecting couple of orders to come into this quarter but because of clearances of opening the bids things got delayed on the government's end, it is going to come in this quarter. So again, same ways, the answer that Prashant gave in terms of the debt, it is a quarter phenomenon, the order book pipeline is pretty strong and we are confident that we are going to keep on adding the order book and stay in the area that we are very comfortable in, which we are at this point because of the pipeline that is down there, thank you.

Gauri Ahuja: Thank you for answering that, just one last question. Are you looking to explore projects outside Gujarat and Rajasthan as well?

Deep Vadodaria: We have said it multiple times; yes we are but at this point of time we are first concentrating on resuming back the normalcy. So while we are on, there is nothing really significant which is coming out of other states but we are closely watching a few states, yes.

Moderator: Thank you. The next question is from the line of Steven Velkes, an individual investor, please go ahead.

Steven Velkes: Hello good afternoon sir. Thank you so much for taking my question. Sir my question to you is, what is the update on the logistic park at Bechraji? With the slowdown of the auto sector, are we seeing any progress here and what is the outlook for this segment?

Deep Vadodaria: Yes, so in terms of the logistic park, the logistic park has been as it is because of two reasons; one is the auto sales which had taken beating a couple of quarters leading upto the lockdown and then subsequently the lockdown happened. So, we had a little bit of slowdown in terms of the demand while we have been able to keep the existing users which are already there in the logistic park, queries have started flowing in. And just answering that question, as is



further in terms of the auto sector demand being there, demand has obviously picked up but somewhere the Suzuki production facility that our logistic parks are near are not totally dependent on the local consumer market and they are going to largely export a lot of production that they are going to manufacture. So it is not really relevant but however, in the current terms the auto sales have picked up, however it needs to be seen if it is going to remain in that pace once the festival period is over.

Steven Velkes:

Okay sir and my second question to you is, so have the orders which you have mentioned has started flowing, have they been increasing from the government as well as the private sector or only one of them? And also my second question is what the order book pipeline is and what is your confidence to win them?

Deep Vadodaria:

So the opportunities are from both areas of course, private and government but largely we have only focused on government entities and only very select limited private players. So opportunities are definitely there in pipeline and we know a lot of bid which are going to come in this quarter and the next quarter, so we are very confident in terms of how the opportunity phase is going to go. And answering the question on the pipeline, pipeline also looks robust because we have bidden for few orders which are going to open in this quarter and few of the orders as I said were delayed by the government. So now we feel that it is back on tracks and the pipeline looks robust to us. The chances to win back is obviously once the bids open there scrapped, a bid that we were L1 and it got scrapped but going forward all the bids that we have bidden for right now are of slum rehabilitation which are the bids that they cannot scrap because of various reasons.

Steven Velkes:

Okay sir and follow up sir, can you please quantify the order book pipeline on a proximate basis?

Deep Vadodaria:

So there are 8-10 separate bids that we have bid for, we will send you those details but it should quantify, in terms of the quantum, I will have to check. I do not have the immediate number handy with me right now but yes orders in pipeline and a good chance to win them.

Moderator:

Thank you very much. The next question is from the line of Malhar Mehta from M M Advisory, please go ahead.

Malhar Mehta:

I have couple of questions; one is since majority of our order book pipeline is from government sector and especially Ahmedabad Municipal Corporation, the funds that Ahmedabad Municipal Corporation has, have already got diverted towards Covid, so do we see any change in the order book of AMC or the payment that they are going to make on our order book, that is the first part of the question. And the second part of the question is, that what is the run rate that we expect in the H2 of FY20?



Deep Vadodaria: Okay, so answering your first question. Yes, there have been funds that AMC has diverted which has resulted into them re-arranging few of their civic urban infrastructure projects, so we were in L1 in one of their bids for creating a vegetable market which has been since scrapped but all the orders that we have bidden for right now are slum rehabilitation orders where there is no exchange of money from AMC. And AMC is purely a facilitator and that is the same sort of contracts that we do with AMC even on EPC contracts, where AMC is merely a facilitator and the money is coming in from the state government, the central government and the beneficiary. So, nothing coming out of the AMC budget, so we are not concerned on those orders. And answering your question on the second part, the H2 run rate, we see normalcy returning in terms of H2 but as I said the time which is lost in terms of the lockdown and situation then becoming normal because of the reverse migration that time has been lost and not all of it is something that we can make, however we are trying to do the best that we can in terms of pushing the execution and we expect the H2 of the year to be in line with what we have been able to do in H2 in the successive years but obviously the situation is not something that we can predict in all terms with the rise in COVID across the world, we cannot rule out another COVID sort of disruption, not maybe by lockdown but how we have to manage the disease going forward. So no real visibility on that count but we personally hope that the run rate is going to return back to the normal levels of H2 that we have been achieving.

Moderator: Thank you. The next question is from the line of Rishab Shah, an Individual Investor. Please go ahead.

Rishab Shah: Thank you for the opportunity. I wanted to ask this question; there are certain projects in our order books like Sabarmati that for many quarters are not getting executed, what is the reason for the same?

Deep Vadodaria: Well Sabarmati has not been there for many quarters. Prashant Sir if you can help me with this, if you identify this bid that gentleman is talking about and why is it dormant?

Prashant Sarkhedi: That is a PPP project and it has been there for about 2 quarters.

Deep Vadodaria: However, I do not understand it from Sabarmati, Rishab but since we are talking about delay in terms of execution, there are many slums that we are supposed to start, unfortunately the government has asked us not to move the people out at this stage and have execution began because of the COVID crisis. However, things are returning back to normal, so we are very hopeful that in the next few weeks we will be able to move these people out and start execution on the ground.

Rishab Shah: Okay. What about Sonaria and Gulbai Tekra?



Deep Vadodaria: Same thing, just a difference in Sonaria, Sonaria is a reconstruction project which is a reconstruction of old government buildings, so there again the government has the same guideline, so we are just expected to get clearances from the government. The members are willing to move out obviously, so that is not really a problem in most of the cases. And as soon as we have the clearances, we are going to begin the process in terms of relocating these people and starting execution on the ground.

Moderator: Thank You. We would request the participants to please press '*' and '1' to ask a question. As there are 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 joining us today. Going forward we will continue on the growth path; we will look forward to having you with us in the next quarter's call. In the meanwhile, our team and our IR team will be more than happy to assist you. Thank you again.

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.