Nila Infrastructures Ltd.

21st annual report 2010-11

CASE OF THE HIDDEN RETURNS

THE 'FIGURES' BEHIND THE FIGURES

SOME RETURNS ARE NOT SO OBVIOUS. A CASE IN POINT IS THE ANECDOTE BELOW.

In a special issue of Business Today brought out in January 2009, Chairman and MD of TVS Motors, Venu Srinivasan recalls the advice that has had a tremendous impact on the strategic thinking of his company.

Crediting Prof. Lord S K Bhattacharyya, head of Warwick Manufacturing Group, University of Warwick, UK, for the words of wisdom, Srinivasan says, "Never take more than one risk at a time. He (Prof. Bhattacharyya) classifies risks into people, markets and money – the three legs of a tripod. If you take more than one risk, the tripod loses balance. For instance, he would say that a financial risk such as an acquisition can be attempted successfully only if you have a strong team and a stable market."

Advice that works is a hidden return, a sort of 'figure behind the figures.' Although of immense value, it does not show up in the accounts. Likewise, there are other hidden pay-offs shaping and consolidating a company.

Our annual report this year is about how such intangibles are quietly at work, making Nila Infrastructures more robust and ready for opportunity.

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THE COMPANY - IN BRIEF

Nila Infrastructures Ltd.

Nila Infrastructures is a Sambhaav Group Company based in Ahmedabad, Gujarat. It is currently engaged in construction as well as development of real estate and infrastructure projects. Nila Infrastructures is a public limited company incorporated on 20th February 1990 and listed on BSE (Bombay Stock Exchange).

With the real estate sector slowing down across the economy and unexpected delays surfacing for the company, the residential real estate segment of the company saw less action than expected in the year gone by. However, this has been compensated to an extent by the pick-up in infrastructure construction.

Total turnover of the company went up from Rs. 69.97 crore in 2009-10 to Rs. 91.09 crore in 2010-11. Profit After Tax (and before extraordinary items) remained nearly at the same level, from Rs. 13.74 crore in FY10 to Rs. 13.49 crore in Fy11.

Nila Infrastructures entrance foyer

VISION

To become a key real estate and infrastructure player with excellence at its core

VALUES

Passion: for ideas and innovations
Reliability: of processes and practices
Dedication: to goals and targets

Conditions are only temporary; it is performance that is permanent.

Manoj B Vadodaria, CMD
Nila Infrastructures

CMD'S SAY

The recent slowdown, especially in the real estate and construction sector, has had an impact on our earnings growth this year. But, I see no cause for concern. There are a couple of reasons for this – both at the economy and our company level.

Real estate: temporary speed bump

Real estate in Gujarat has been underperforming in recent times due to a general liquidity crunch, hike in interest rates, increase in Jantri (state government's guideline rates for registering immovable property deals) and a 'wait and watch' mindset of home buyers. But, I would classify all this as temporary stagnancy rather than a prolonged slowdown. A demand like housing is too great to be kept down for long. Soon, I am sure real estate will start picking up again.

Infrastructure: unending joyride

As for our company, we have a recession-proof segment to fall back on – infrastructure. This year we executed a much larger portion of infrastructure projects than last year. Being generally government projects, they are a sure-shot deal with assured payments on successful completion. Another intangible advantage: from being known as a real estate developer, we have gained the reputation of a genuine infrastructure company.

Nila: performance fundamentals intact

We continue to focus on operational improvement so that we are doing things faster and better. We have a more dynamic management on board to spearhead new company initiatives and explore new business avenues.

I believe we have the capacity to thrive in both calm seas and choppy waters. Conditions are only temporary; it is performance that is permanent.

TRACK TO BIGGER SIZE & STABILITY

BRTS Station, CTM, Ahmedabad

HIDDEN RETURNS FROM INFRASTRUCTURE

SIZE

Infrastructure projects help ramp up operations and turnover at relatively less risk. A higher turnover provides Nila Infrastructures leverage and credentials to take up larger and more prestigious projects.

STABILITY

The majority of infrastructure construction projects like the BRTS are pushed by both central and state governments. As such, not only is the number and ticket size of projects more, the project pipeline does not dry up for the company even during lean times.

REPUTATION

Being mostly in the public realm, infrastructure projects command attention in the industry and media: definitely an image-booster for the company. Projects like BRTS also deliver niche areas with relatively less competition.

BRTS Station Interior, Kankaria Lake, Ahmedabad

HOME TO BETTER MARGINS & MARKET-ORIENTATION

Ananya Housing Project