



# “Vascon Engineers Limited Q1 FY14 Earnings Conference Call”

**August 14, 2013**



**MANAGEMENT: DR. SANTOSH SUNDARARAJAN  
MR. M. KRISHNAMURTHI  
MR. SANTHANAM**



*Vascon Engineers Limited  
August 14, 2013*

**Moderator**

Ladies and gentleman, good day and welcome to the Q1 FY14 Earnings Conference Call of Vascon Engineers 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 this conference call, please signal an operator by pressing \* followed by 0 on your touch tone phone. Please note that this conference is being recorded. I now hand over the conference over to Mr. Santosh Sundararajan – CEO of Vascon Engineers Limited. Thank you and over to you sir.

**Santosh Sundararajan**

Good afternoon everyone. A warm welcome to Vascon Engineers Post-Results Earning Call. Along with me I have senior management team members Mr. Krishnamurthi and Mr. Santhanam. The Indian economy is in a crisis with growth slowing down and fiscal and current account deficit turning high on persistent inflation. And apart from inflationary pressure in recent times; the depreciating rupee has also emerged as a major concern. Unfavorable macro economic variables and project levels concerns continue to create huge execution challenges in our business. Improvement in economic growth rate, the overall investment climate and rapid follow up actions over the series of policy announcements could have a positive effect on current scenario. We also continue to be a prey of the overall economic situations. However the increased focus on cost rationalization and project execution, we expect to yield better results in the coming quarters. We are optimistic about our prospect and as the Indian economy works towards recovery with our wide ranging capabilities, we expect to deliver a strong performance going forward. I will take you through our financials for the quarter. For the quarter ended June 30<sup>th</sup>, 2013 our consolidated revenue stand at 127.28 crores. EBITDA for the quarter amounts to 10.87 crores. Net loss registered by the company during the quarter amounts to 4.3 crores. Moving on to different segments, the EBT segment - revenue contribution from these segments is Rs.55.27 crores for the quarter. Order backlog as on 30<sup>th</sup> June 2013 stands at 935 crores including a fresh order intake this quarter of 43.6 crores. Additional orders worth 73.8 crores have been received in the month of July. The company in the previous quarter undertook an exercise of review and renegotiation of the existing EPC contract in the order book. Due to this contracts worth 200 crores have been discontinued by us. On the TNLA project, in the beginning of the quarter we received a letter approving the conversion of assembly building into medical college. Recently we have also received a provisional order in the current quarter stating the specification for the project and the permission to restart the work. We are anticipating payment anytime as we expect the work on the project to commence soon. Coming to our real estate segment, this quarter we have registered revenue of 18.58 cr. We have sold 27,000 square feet cumulatively in this quarter. For project under construction, the total sale value of about 15 cr. We have successfully completed 2 projects this quarter, Willows Phase-III and Tulips Phase-I. 100% collections have been made. In July, we have launched a new residential project in Pune Forest County Phase-II with the total saleable area of 0.52 million square feet. Sales in Forest



*Vascon Engineers Limited  
August 14, 2013*

County Phase-II in the month of July 2013 is around 59,000 square feet amounting to a sale value of around 30.5 cr. We are focusing on new launches of new phases in existing projects to improve the revenue from this segment.

Coming to our third segment Clean Room Partition and BMS – the business has shown positive signs of growth over the past few quarters. This segment has contributed 44 crores and we are actually increasing our proportion of exports in business and healthy order book in place. In the current quarter 2 major exports in Nigeria and Bahrain has started. In the domestic market, company is expanding footprints in another city with Bangalore, Hyderabad and Ahmadabad. With a steady order book in place we are working towards delivering stronger performance. With this, we reiterate our confidence on our business and its future prospects. Thank you so much. I would like to now take questions.

**Moderator**

Thank you very much sir. Participants, we will now begin with the question and answer session. Anyone who wishes to ask a question may press \* and 1 on their touchtone telephone. If you wish to move yourself from the question queue, you may press \* and then 2. Participants are requested to use handsets while asking a question. Anyone who has a question may press \* and 1 at this time. We have the first question is from the line of Manju Bhashini from Sundaram Mutual Funds. Please go ahead.

**Participant**

Could you just give us some sense in terms of the outlook on EPC business. You talked about order flow from TWD. So is this the order you talked about in terms of accretion of 43 crores during the first quarter and what's the pipeline looking like and what's the loss that's put on the projects cancelled or which we have forked out?

**Santosh Sundararajan**

See the EPC order book is going through a transition as far as our company is concerned. I did mention that we have discontinued orders worth about 200 crores. This was the conscious call taken by us because the margins on these orders were not convincing enough for us to continue and the clients have not responded to our request for claims which we have made on them because of delays in payments from their side. So we have taken a call to revamp our order book try and make it more healthy. So what we see now is a transition phase. The new orders that we mentioned 43 crores in the previous quarter and 70 quarters in this quarter are again, which we believe, the 43 crores in previous is extension order at BMC in Ludhiana which we are doing hospital for a trust over there and they have given us one more project within their campus. That is again a healthy order from a trust that as of now seems to have the funds in place. This is again on design and built turnkey. So we do anticipate to make good margins on that order. Again the order coming this quarter is also been negotiated on a design and turnkey basis. So we are now being selective, we have been in the last year and we continue to maintain the same strategy of being selective to the orders that we are picking up. As I said this is a transition phase, the



*Vascon Engineers Limited  
August 14, 2013*

balance sheet will reflect our transition from old unhealthy orders to hopefully much healthier orders in the future.

**Participant** What is the quantum of loss that is being booked in the quarter from discontinued projects? Is there any loss booked because of discontinued orders?

**Santosh Sundararajan** We have a provision of 15 crores as it stands in the balance sheet for these discontinued projects.

**Participant** Nothing made in the current quarter?

**Santosh Sundararajan** 2 crores provision for the current quarter as well.

**Participant** And in terms of this 900 plus crores order book, is the margin reasonable in this order book that we have or do we have some more pain in the current order book also?

**Santosh Sundararajan** We do have. In our field it is not so easy to just walk of orders which we are not happy with even establishing the fault on the client and trying to get him to accept our claims and pay. Big task going through many projects. Now we are taking management call every quarter on case to case basis where we feel the risks of getting out are higher than the risk if we continue. Then we take a call to continue even if we have not been adequately compensated by the clients in some projects. So having said that, we have analyzed our order book recently. About 60% to 65% of the order that we are carrying now is very healthy order book. And about 25 – 30%, I would say 20 - 20% of the order book would still remain what we are not happy with in terms of margins but there are prohibitive measures like huge BGs with the client asset lying at site which prevents us from taking drastic measures so easily.

**Participant** In the presentation you talked about 20 – 21% of gross profit margins in this projects. So is it right to assume that the current order book will have at least gross margins?

**Santosh Sundararajan** Yes in fact slightly more.

**Participant** What would be the mix of this contract EPC in terms of segments. It is more commercial projects or specifically some color of the broad order book in customer segments?

**Santosh Sundararajan** If we just run through the order book in 935 crores good amount of it is in commercial buildings that we have in TNLA order. The new order that you picked up hospital order Sadhu Waswani all of these are commercial but we do have a good mix of residential assets and then there is Godrej and there is a good order backlog at Noto in Chennai headwind for Unitech. So it's a 50% mix of both residential and commercial.



*Vascon Engineers Limited  
August 14, 2013*

- Participant** How is the pipeline looking at this point of time in terms of EPC, say compared to 6 months back, how is the pipeline looking in terms of bids and the market and where you are participating. Is it much lower than order pipeline looking much lower than what it was earlier of the activity resumed in YOY basis?
- Santosh Sundararajan** We are bidding; there are enquiries on a regular basis. But having said that yes you are right. It was lesser than it was a year ago or 6 months ago. And added to it we are still being very cautious in the kind of orders we pick up in this environment because the moment we pick up an order, it's a huge commitment. Getting out of an order as I said is not easy. So we have been very careful before we put our foot anywhere. We are negotiating on the kind of guarantees; we have to give the kind of margins we expect. So we have been very choosy and we are letting go of orders depending on the client profile, depending on conditions that are demanded by the client. We are letting go quite a few orders that we are tendering.
- Moderator** We have the next question from the line of Nitin Idnani from Axis Capital. Please go ahead.
- Nitin Idnani** I had a couple of questions starting with the real estate segment. I have seen that the revenue booking has fallen QoQ quite significantly. It is almost halved. What would you attribute this to?
- Santosh Sundararajan** Vis-à-vis last year, the last year revenue in real estate was due to one unit sold in Phoenix. But even 4<sup>th</sup> quarter the last quarter that has gone by QoQ, the numbers are quite dismal. The last quarter due to the financial year ending, there were lot of registrations and the recognition happens based on the registrations. So additional registrations have not happened in the current quarter.
- Nitin Idnani** So you said in your presentation you outlined you sold about 27,000 square feet of fresh sales in this quarter. Can you tell me which projects are selling, which projects are not because it is a small number compared to how much you have that's opened for sale?
- Santosh Sundararajan** For first quarter we have sold almost all the projects what we are undergoing like Willows, Windermere, if you look at Forest County is nearing completion and some sales have happened in Forest County also about 14,800. And other projects also it has happened but if you really look at we have launched the new project in second quarter, the sales will happen during the second and third quarter. Which has then response has been very encouraging.
- Nitin Idnani** But my fear is more on the existing projects because we are incurring costs on constructing all these projects by adding new launches, we are committing ourselves to more of cash outflow. Just wanted to know what our strategy to clear existing inventory is because I think projects like Windermere etc have not shown significant sales all of last year and this quarter also.



*Vascon Engineers Limited  
August 14, 2013*

**Santosh Sundararajan**

There is one Windermere, and then there is Forest County, 2 big projects, where Forest County, we phase 1 more than 85% complete. Now the last few houses normally do not go that fast and we as conscious call do not want to bring down the price on these houses because we have Phase-II to launch over there which we has just launched. So in fact we want to take the price forward. There will be always a backlog of few houses in such big projects. You know houses which are not preferred by customers, Vastu complaint, whatever. So those who go slowly. That we are not unduly worried about. Forest County with Phase-II launch will fund itself and take care of the construction of case 1 quite easily. On Windermere, your observation is right. We do have quite a bit to sell over there. But we are not yet closed all the TDR issue on paper. We have verbally closed our deal and we are in the process of getting this TDR. But then we have to load the TDR and get our plans approved. So good amount of the house are not even available for sales officially. That is one thing we are working on. This coming quarter we do hope to finish that issue and bring out these houses. In Ela, we are doing fine. Ela, there is no major issue. In Zotak again, we have 2 buildings, out of which one, we are doing fine on sales. The other again is not available for sale because we have not yet got the approvals.

**Nitin Idnani**

Can you help me just quickly understand the cash flows on the real estate side? How much is it that we collect on the quarter and how much do we incur as cost?

**Santosh Sundararajan**

We will come back to you on that.

**Nitin Idnani**

Also your presentation talks about having signed up sales of your three, 1 commercial and 2 land parcels and you have got 81 crores to be received from the order of which 8 crores have been received so far. What are the timelines on these Nasik and Katvi Pune, Zenith Pune cash flows. Is there cost to be incurred against these 81 crores of expected inflow?

**Santosh Sundararajan**

The cost to be incurred would not be more than 1 – 1.5 crores against this 81 crores. So this is free cash flow that would come in. on Zenith, we already got 8 crores as you mentioned. We still have to receive 19 crores which we expect anytime. The eventual purchases bank papers and loans sanctioned which has happened. So we expect this money anytime in fact in the next 2 weeks hopefully. For Nasik again the first trench of payment about 5 crores have been received by us. The balance, there is an issue of converting IT to commercial over there. We have applied, we are in the process hopefully again this coming quarter before the next quarter results we do hope to see the balance coming in from there as well. Katvi which is a deal which we had closed but have not received any money. So again we do expect it to happen this quarter but then we have to wait for next quarter to get a clear update on that.



*Vascon Engineers Limited  
August 14, 2013*

- Nitin Idnani** And you have this cash flow coming in but there was still an announcement I think in this quarter about this possible right issue. If you can elaborate in terms of where we are on that? What is our cash flow requirement that we feel?
- Santosh Sundararajan** Primarily we do tend to quarter on quarter, one big issue because of this environment we are functioning in and the EPC being paid stretched as it stands today are interest expenses on our balance sheet is something which we want to try and bring down and that was a major reason why we said we are trying to liquidate assets within the company. But we also thought it's a good strategy to get in some of fresh liquidity into the company. Cash collection during the quarter is 23 crores, expenditure is around 20 crores.
- Nitin Idnani** This 20 crores expenditure, my question is, are we limiting our cost outgo for our collections as of right now?
- Santosh Sundararajan** You are right to a certain extent, little bit of cash flow we were a bit stronger on cash flow in general. We could have spent a bit more on these projects and achieved a higher percentage of completion. And therefore a higher revenue recognition. There is no denying that but we are working on this. This quarter we were crunched again but as we released some cash flows from the sales, we just need to pump in bit of money to these running projects and achieve a higher percentage. We will do that in the coming quarter.
- Nitin Idnani** This cash mismatch, what has it done for our balance sheet, as in what is our gross debt number from last quarter to his quarter?
- Santosh Sundararajan** 338 was the last.
- Nitin Idnani** And our cash balance?
- Santosh Sundararajan** Cash balance 60.74. It is due to one disbursement which has happened for the Windermere project at the 3<sup>rd</sup> quarter. So this has been utilized in the current quarter.
- Nitin Idnani** So 338 crores is also your net debt sort of?
- Moderator** We have the next question from the line of Bhavya Gandhi from Philip Capital please go ahead.
- Bhavya Gandhi** This is regarding a clean room partition business from a sequentially from last 4 quarters, we have seen a de growth in our revenue.



*Vascon Engineers Limited  
August 14, 2013*

- Santosh Sundararajan** Actual revenue is more because there were some inter company. The order from Vascon we are eliminating under consolidation. It shows a slight slow down in representation. However the actual realization in GMP is higher.
- Bhavya Gandhi** It is because of gross sale?
- Santosh Sundararajan** There were some orders. We jointly took like NBCC and all. So the sales booked from Vascon quite consolidating, it gets eliminated. So the revenue is giving a picture of slow down but the actual revenue in GMP is increasing.
- Santosh Sundararajan** They have a growth of about 20%.
- Bhavya Gandhi** As of now they are showing it in the EPC?
- Santosh Sundararajan** This revenue is only the consolidated amount. In fact the NBCC project, one project we are doing is good order for almost 100 crores of order books for GMP which is being executed through Vascon. So there is work happening there every quarter but I think it gets reversed in consolidation. So its not reflected. 16 crores revenue got reversed because of the transaction between parent and subsidiary.
- Bhavya Gandhi** And you were stating that because of the export contribution on higher and the margin from here we go upward, can you just elaborate more on export front because,
- Santosh Sundararajan** This is a niche product which GMP is manufacturing. So the market abroad is very good for that. So it is LCs on two counts, one is with higher margins and the payment comes through LCs. So we make quicker realization. So we looked outside India. So we got orders in several countries of which the 2 significant orders have been mentioned in the presentation. One from Nigeria, another from Bahrain. This is for building pharma factories. So both the work has commenced. So Nigeria orders we have started dispatching the materials. So this will help us in improving the EBITDA margin.
- Bhavya Gandhi** Why because you are saying because of realization right?
- Santosh Sundararajan** Margins are better in abroad contract because they pay for the quality.
- Management** Also one place where we can be happy about the rupee becoming Rs. 60 now.
- Bhavya Gandhi** So in Q1 last year that is in FY13, how much is revenue from export?
- Santosh Sundararajan** It was 4 crores. It is significantly improving in 2<sup>nd</sup> and 3<sup>rd</sup> quarter.



*Vascon Engineers Limited  
August 14, 2013*

- Bhavya Gandhi** Because this quarter you are saying is around 15%?
- Santosh Sundararajan** Yeah so this quarter it will increase because the work has started in this the two major orders.
- Bhavya Gandhi** But if you see gross profit is not moved much from Q1 last year to Q1 this year?
- Santosh Sundararajan** Gross profit has increased as I told you because the parent subsidiary transaction it has got eliminated profit as well as turnover.
- Bhavya Gandhi** Profit was also eliminated. And in terms of real estate segment what is the total deliverable project on launching this year. Any new project launching this year?
- Management** We do, as I said Forest County Phase-II is 5.2 lakh square feet will get launched. So that is a good order book in our hand now to continue to sell over the next 3 quarters. Then we do plan to launch our Chennai project probably in the Pongal launch. So that could be January. That will come in 4<sup>th</sup> quarter. We are similarly planning to launch our project in Coimbatore which is again come around January.
- Bhavya Gandhi** So total turns out to be how much, in terms of million square feet?
- Santosh Sundararajan** Chennai and this would be another 4 – 5 lakh square feet. 0.5 million more.
- Bhavya Gandhi** This disinvestment on a hospitality property what is the status on that?
- Santosh Sundararajan** We are looking at exit of these properties. We have received interest far in the purchase of these properties. They are under negotiations. It will take some more time to conclude.
- Bhavya Gandhi** What about our receivables?
- Santosh Sundararajan** Receivables at the end of the quarter is 258 crores, consolidated.
- Bhavya Gandhi** And what is the more than 6 months and less than 6 months?
- Santosh Sundararajan** More than 6 month is 142 crores, then 117 less than 6 months and 71 crores is retention amount.
- Bhavya Gandhi** Out of this 142 more than 6 months, what is the receivable part to it or it is basically because of the project receivable from the customer or its from EPC business?



*Vascon Engineers Limited  
August 14, 2013*

- Santosh Sundararajan** Most of this is EPC only. That was 3 components. There is component on 3<sup>rd</sup> party EPC, where we have good amounts with 3 – 4 clients like HDIL, is still to come in. Some of the collections happened in July.
- Bhavya Gandhi** So HDIL is earlier one which project on hold, is it still on hold?
- Santosh Sundararajan** It is still on hold. But they are changing their business plan. They are planning to do . They are giving an offer to us to continue the contract. We are talking to them.
- Bhavya Gandhi** Have we provided for anything for HDIL or we are just carrying in our books?
- Santosh Sundararajan** We have not made any provision.
- Bhavya Gandhi** In terms of inventory, what is the inventory level?
- Santosh Sundararajan** Inventory again is 370 crores. Development inventory is 284. Other EPC is 86.
- Bhavya Gandhi** Out of this 284 crores of development receivable, what is the aging to it?
- Santosh Sundararajan** It is all unsolved inventory, semi-finished everything, under construction including Windermere project, our Nasik project.
- Bhavya Gandhi** So what would be the broader square feet or scalable area?
- Santosh Sundararajan** It is very difficult to arrive because we could assume an average price of 5000 or so and then calculate into square footage.
- Moderator** We have the next follow up question from the line of Manju Bhashini from Sundaram Mutual Fund. Please go ahead
- Participant** We were just trying to understand the problem they are facing in launching new projects especially the bigger projects we have been discussing on Nature Spring, Nature Nest and Tamil Nadu also. Last 2 years, all these have been on the drawing board but nothing has moved. So what is the issue, company could be little more transparent in disclosing the plants on launches and guidance which are more realistic will be helpful.
- Santosh Sundararajan** You are right, this have been bothering us in the company as well. I will take you project by project for Talegaon we had a land problem whereby there was an issue with the land owner with some claim by an adjacent land owner. So that went into court and as you know we have joint venture partner there. We do not own the land. So we had to wait for land owner partners to win



*Vascon Engineers Limited  
August 14, 2013*

the case. As it stands today the decision in favor of Land owner partners and we have applied again for NA. But as it stands today, the case has been paused in favor of our land owner partners. And we have applied again for NA but the collector is out on leave and you will be back again the next month. So we do hope to get this NA and get this project launched if not the coming quarter maximum by third quarter. And we are planning to launch half a million square feet on that project. And we are quite bullish about the sales that we will achieve there. The saving grace is that we launched this project couple of years ago and we launched it at 3000. So now when we re launch it we do hope to achieve better rates on the same project. As far as Chennai is concerned, Chennai also for the last 3 years, we have been patiently waiting to launch that project. First we had wetland-dry land issue, whereby the government classified this land as wet land and they wanted a conversion to be done before which it could be redeemed as constructible land. So that took us almost a year and half given the procedure and as it stands we have got those conversions. So the wetland has been classified as dry land. We are now allowed to construct on that land. Primarily we had an agreement with our land owners whereby we had plans to do high rise construction there 20 storey building which in the current economic scenario we found as unviable with the cost of 22 storey construction at the sales price being project to achieve over there. We found that our original master plan itself was unviable. So we have had negotiations with our land owner partners, we have done a markets survey and we have now come up with a new master plan on smaller portion of the land with lesser FSI being consumed and with low rise construction which we take is now fit for the locations and the market scenario. Again as I said, we are on track to achieve January launch on these project. So Chennai will also launch and so will Talegaon.

**Participant**

So is it right to believe that company is addressing some of the issues so that you are encountering. Internally what is the company doing better to avoid these kind of long delays. Its just wont be 3 months, 6 months. It's been 2 years in all the projects so what is the company doing or changing system to get better on all these fronts.

**Santosh Sundararajan**

You are right. We have taken an internal call now to be bit more capital when we do our diligences because we are not in most projects, we are not land owners. We are partners and if there is an issue with the land like in both these cases, the conversion of wetland-dry land was an issue on the land itself. So was the case in Talegaon where our neighboring person took a stay person took the stay on the land. So both these case we had to wait for land owner partners to solve and we were not much in control of the delays in the last 2 years. But having said that yes, you are right in terms of approval process and in terms of due diligence before we stepped into a project, we are now being more careful using our legal department bit more effectively than we were before.



*Vascon Engineers Limited  
August 14, 2013*

- Participant** So are these changes made to the people regard somebody on board who is more equipped to handle these projects?
- Santosh Sundararajan** Yes we have revamped on the real estate side. We have got in few people in architectural department also and in the legal side, and we are in fact now in different agreement with our external lawyers itself for being with us on a monthly basis on a regular basis to get all these issues and advices.
- Participant** Would we also continue on the JV model or we move to a model where we own the land to avoid these kind of delays, is there any thought process on that?
- Santosh Sundararajan** JV has been our strength all along and we still believe that in a JV model that is effective utilization of our expertise and our funds are more efficiently employed. Buying land today as you are aware is very expensive and if we lock our funds in purchase of lands, we still believe that we will be doing a much smaller number of projects than by diversifying ourselves. We are looking yes, in the current scenario we have had I would say a large amount of bad luck, where we didn't see 2 - 3 of our major projects not kicking off. And they had to be dependant on our partners but having said that in the past we have been very successful in JVs. We had completed on time. We have realized our profits. So I don't think these two experiences will make us hastily decide against the JV model itself.
- Participant** Because the concern is that we have not moved anywhere in terms of any significant sense in terms of growth adopting this model and if we have continuously faced issues, that's why our concern is on the basic model itself. That's why I asked you. So its not that we have been able to grow very quickly using this model in the last 2 – 3 years also.
- Santosh Sundararajan** You are right in the last 2 – 3 years have been aberrations. There are various factors you have been allowing the company you are well aware we have had internal factors, cash flows as well as to add salt to the wound these 2 – 3 big projects on the land owner side also had issues. So as I said, it's also a combination of bad luck. We don't anticipate that every time we will have issues on all fronts. But last 2 years have been tough and you re right we have not progressed as much as we would have liked to. But going forward, touchwood I don't think, we will be in the same situation?
- Participant** What's the guidance for launches this year on the real estate for FY14?
- Santosh Sundararajan** On the real estate side, to summarize on the projects that we are already executing and forget about the new launches, I am talking about the projects were we have already started work at sites we have revenue from sales that we already achived. Even ignoring new sales we have a revenue recognition backlog of more than 200 crores. So that is one thing where even just by



*Vascon Engineers Limited  
August 14, 2013*

achieving percentage completion on these projects 200 crores is a revenue backlog with existing phase then we also have sales backlog of about 10 lakh square feet which would translate to our share of another 300 crores. So this 200 plus 300 is 500 and we have Forest County Phase-II which is just launched where our share is again to be about 150 crores. So if we total up, without talking about the Oragadam, we still have 650 crores of revenue to be recognized in Vascon's book from these running projects. Now quarter-on-quarter it is difficult to measure and track these. We have issues of registration. We do have issues of cash flows percentage completion. But we even say on a conservative base that these running projects will get completed in the next 2 years, many of them are half way through. So even if we set a target of 2-2.5 years, 650 crores to be coming into our books. So we should see minimum of 200 crores from these running projects coming into our books. So that's the broader summary which quarter-on-quarter is difficult to measure but it will translate for sure.

**Participant** But is it possible to give guidance on new launches? Should we assume 1 million square feet in the current year or that is still not certain?

**Santosh Sundararajan** When I said new launched we are targeting Talegaon which is 0.5 million square feet and then Oragadam and Nizampur which is another 0.5 million square feet. So you are right. 1 million plus we have already launched Forest County which is again 0.5 million square feet Phase-II. So 1.5 for the whole year would be our target.

**Participant** Are you seeing any pricing pressure in Pune market especially are you seeing any price pressures coming through in the last 2 quarters?

**Santosh Sundararajan** Price pressure has been steadily there whereby the construction cost today in many especially in the suburbs where projects are being launched at sub-Rs.3000. Our view is that the construction costs have gone up drastically and these projects re not viable. That is also the reason why I told you that we renegotiated at Oragadam in Chennai to change the mix itself. So the price pressure is there. But fortunately for us the projects like Forest County Company where we have already heated up the market, it is a location which is already known and heated up in Pune. So when we are upwards of this 5000 range then we have good GPs over there so there we are not worried. It is only in suburbs. In Talegaon when we launch it is a bit sensitive the price at which we would have to launch.

**Participant** Lastly what is the equity fund raised that we are targeting from our rights issue or otherwise?

**Management** We have not debated and closed out on the exact numbers, it will also depend on these sales that we are targeting internally and by the time the rights issue does come for approval at and AGM we would have a clarity on what kind of money we would like to raise.



*Vascon Engineers Limited  
August 14, 2013*

- Moderator** We have the next follow up question from the line of Nitin Idnani from Axis Capita. Please go ahead.
- Nitin Idnani** Just one small data point, can you also tell me the customer advances that we have as of date?
- Santosh Sundararajan** 130 crores.
- Nitin Idnani** This is console or standalone.
- Santosh Sundararajan** Consolidated.
- Nitin Idnani** How much would be on account of EPC and real estate?
- Santosh Sundararajan** We will get back to you on that.
- Moderator** We have the next follow up question from the line of Bhavya Gandhi from PhillipCapital. Please go ahead.
- Bhavya Gandhi** As you were explaining that you have an unrecognized or recognizable income of around 500 crores. So where do you show it on your balance sheet or what is the break up of that? I am not be able to get that.
- Management** It won't come in the balance sheet. Your view on macro view, I gave a macro view on the existing real estate project. As I said 650 crores comprised of 3 components one is 150 crores from the Forest County which we have launched. And I am giving this numbers on assumption that we will compete selling this 5 lakh square feet that we have launched. We have already sold about 70,000. It has only been a week since we launched it. I am saying we have a backlog there assuming that we complete selling and execution. That is I am projecting over the next 2 years. Similarly, on the other running project we have yet to sell about 10 lakh square feet, all of these running projects we have 10 lakh square feet of sales to be achieved. So assuming these sales happen, we again generate 300 crores revenue to be recognized in our books and then the third component which is a more real component is for the sales which has already been achieved. If we just complete the construction at sites we have a 200 crores backlog to be recognized in our books.
- Bhavya Gandhi** So construction is completed the inventory is not yet sold.
- Management** Construction doesn't progress. As we achieve stages of construction is 200 crores will keep coming into our books as percentage completion keeps increasing if sales and registration have already been done. 200 is yet to be recognized as we construct they will recognize.



*Vascon Engineers Limited  
August 14, 2013*

**Bhavya Gandhi** because I was just seeing you representation on a real estate project progress slide what stating there is a sales value which is around 396 crores collection is 255 and avenue recognized is 200 crores.

**Management** That's what I am talking about. The 396 minus 200, 196 is yet to be recognized as we construct this project, this 196 will come into our books and in the same sheet you will also see about a million square feet is yet to be sold. That million will fetch us about 300 crores roughly but this is an estimate. It's not our real number but it will fetch us about 300 crores.

**Management** Construction would have happened but since booking has not happened or registration has not happened revenue recognition also has not happened.

**Bhavya Gandhi** And what's the loans and advances on the quarter ended?

**Santosh Sundararajan** Asset side you are asking?

**Bhavya Gandhi** Yeah.

**Santosh Sundararajan** 300 crores.

**Bhavya Gandhi** It is basically to the projects, to the JD and JV, for the land?

**Santosh Sundararajan** Yeah. Correct.

**Bhavya Gandhi** What is the repayment schedule to the banks for this year?

**Santosh Sundararajan** 12 crores.

**Bhavya Gandhi** Because predominantly that major of this is working capital, more or less your working capital is stuck in an inventory which is our developable area or debtors. Do you see any of the cash flow mismatched in this year?

**Santosh Sundararajan** In fact on the contrary it has improved. Only 12 crores I have to pay.

**Bhavya Gandhi** So net paid for this year is 12 crores?

**Santosh Sundararajan** Yes.

**Bhavya Gandhi** There was some problem with the Neelkanth project in Bombay. Is it sorted?

**Santosh Sundararajan** It is sorted out. They have paid the money.



*Vascon Engineers Limited  
August 14, 2013*

**Moderator** As there are no further questions from the participants I would now like to hand the floor back to Mr. Santosh Sundararajan for closing comments. Over to you sir.

**Santosh Sundararajan** I would like to thank everyone for participating on the call. And we will be happy to answer any further questions if you do have. You could send as an email and we will get back to you. Thank you.

**Moderator** Thank you sir. Ladies and gentleman, on behalf of Vascon Engineers Limited, that concluded this conference call. Thank you for joining us. You may now disconnect your lines.