

#### Representative:

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#### Moderator

Ladies and gentlemen, good day and welcome to the Vascon Engineers Q3 FY '17 Earnings Conference Call hosted by Prabhudas Lilladher. 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 entering "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Sheth from Prabhudas Lilladher. Thank you and over to you sir.

#### Mr. Kunal Sheth – Prabhudas Lilladher

Thank you Melissa. I would like to welcome the Management of Vascon Engineering on the call. From the Management we have Mr. Sundararajan the CEO of the company, Mr. Santhanam, the CFO of the company, and Mr. Krishnamurthy the Chief Corporate Affairs Officer. So I would request the Management to give us some opening remarks post which we'll open the floor for a Q&A. Over to you sir.

#### Dr. Santosh Sundararajan – CEO, Vascon Engineering

Thank you. Good morning everyone. I am Dr. Santosh, CEO of Vascon. Welcome to the Q3 FY '17 Earnings Conference Call. I have with me Mr. Santhanam our CFO and Mr. Krishnamurthy and stellar investor relations, our advisor for investor relations.

We are witnessing positive development from the government on the housing front which is a very positive sign for our company. Government emphasises on housing for all, development of affordable housing and tax reforms for joint development projects, open up favourable opportunities for the company. Infrastructure status for affordable housing announced in the budget will further help in reducing the borrowing cost. The company has made considerable progress in moving towards consistent profitability in its business segment and remains committed towards reducing debt levels and improving operational efficiencies. Total consolidated debt as per Indian cap stands at 259 crores. As mentioned in previous quarterly call we expect incremental cash flow of 28 crores from IT refund very shortly as we have received orders from the settlement commission excluding for the assessment year '13-'14. In the current quarter we have received a refund of about 1.3 crores towards the same. Further during the current quarter we have also received Rs. 10 crores from Tamil Nadu PWD project.

The company has a third party EPC order book of 600 crores as on 31st December. Residential segment contributes major share of the order book. In the real estate segment Vascon has a total land bank of 310 acres and its share of developable area is about 16 million square feet. We are not investing in acquiring any new land bank and are focusing on the execution of the existing land bank. The cumulative area sold for projects under construction is 2.1 million square feet amounting to a sale value of 1100 crores.

Now let me share a brief summary of the standalone results for the quarter. Please note that we have declared standalone results for this quarter as the company is migrating to NDS accounting standards. The company reported revenue of 64 crores in Q3 FY '17 as against 81 crores in Q3 of FY 2016. Ebidta for this quarter was at 9.85 crores as compared to 22 crores in the corresponding quarter last year. During the 9 months of financial year 2017 the company did a new booking of 83000 square feet amounting to a sale value of 54 crores room partition that is manufacturing division recorded a revenue of 133 crores in the 9 months up to 3rd quarter this year, a growth of 70% year on year. Services division recorded a revenue of 60 crores in the same three quarters. We are looking to reduce our overall debt burden and are working towards the same. This is what I briefly had to share. Thank you. We would now like to take questions.

#### **Moderator**

Thank you. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may enter \* and 1 on their touch tone telephone. If your questions have been answered and you wish to remove yourself from the question queue you may enter \* and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. To ask a question you may press \* and 1.

We take the first question from the line of Nirav Shah from GC Investments. Please go ahead.

#### **Mr. Nirav Shah – GC Investments**

Yeah good morning sir. A few questions. First is sir can you just brief us on the opportunity available for Vascon in the low cost housing space? Any state governments or authorities we are talking with? And how do you see the working capital cycle in this space vis-à-vis the existing RE portfolio in terms of PPC?

#### **Dr. Santosh Sundararajan – CEO, Vascon Engineering**

See we are extremely bullish and excited regarding all the announcements that are being made by the Central Government to do with low cost housing. The budget was something which was really exciting from our perspective. Now there are two aspects to the incentives being given by the government on low cost housing. One is our real estate aspect where we would also be targeting to focus and launch a project or two in the near future on low cost housing ourselves. The other more exciting opportunity of course comes with registering ourselves with government agencies and bagging contracts from such agencies to completely construct low cost houses. We are working on both these directions. As far as our real estate direction is concerned, we have a plot of land in Talegaon which we have put in the plans for approval. We are awaiting approval and we should be launching a low cost project of our own in the coming two quarters hopefully. And as far as the contractual opportunities are concerned we are in the process of registering ourselves and with agencies like EPWD, MCD, MHADA, CIDCO and some other states. And we are hopeful that we will be bidding for some contracts. As of now there is a definite push from the centre. There are incentives being planned by the centre. The push is definitely being seen at the state level. And we are hearing of tenders that would be floated in a big way in the coming few months. So we are in touch with a lot of such agencies. We will be hopefully participating in a good amount of such tenders and hopefully definitely bagging something soon.

#### **Mr. Nirav Shah – GC Investments**

And how do you see the margins in the low cost, especially in focusing on the working capital vis-à-vis our existing APC?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

See as far as working capital is concerned on the contractual front we do hope to receive payments on time from the government bodies whoever would be promoting these projects. And as far as assets are concerned even today as it stands considering that our top line has only been reducing over the last few quarters, we do have a lot of idle assets lying in our yards. So in the short term to scale up we would not need much capex. So as such I don't see a working capital gap in the contractual segment. In the real estate of course you want to launch a project we would have some marketing expenses, some approval expenses and some upfront expenses before we can launch a project. But those are not huge and could be bridged in the short term.

**Mr. Nirav Shah – GC Investments**

And just continuing with your question on Talegaon project, I mean your plans regarding that, why would we do it in the low cost housing space and not in – I mean what were the thought process while going for this decision sir?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

We have been intending to do a low cost project there for the last more than almost a year. So we've been planning on it. We've got the plan, we've got the land clearances done. Got the drawings and plans and the research done in the market there. And we have put in the plans for approval. Currently we are in the process of getting the approvals through. The reason for low cost is again we actually as a company are very excited in entering this segment. We have done extensive research and costing and lot of design work has happened over the last couple of years whereby we have ensured that we have what we feel a very efficient, economical and good quality design catering to the low cost segment. Our observation is that the low cost segment is huge, and it's definitely a buzzword. But it is not easy to deliver at the lowest price a good quality product. We ourselves are not too happy with the product that are being delivered in that segment by the competition currently. And I think the customers could do very well with a much better product at that segment. And we think if we can bring in our brand name down at that level and deliver a house you know below 25 lakhs, 20 lakhs, 15 lakhs, that's the segment where we feel there is definitely be traction and fast sales. Yes the margins compared to what real estate players have had in mind over a period on medium and big sized projects won't be there. But then I think considering the traction in the market today and not like we are having too many sales in the high end projects. So you know...

**Mr. Nirav Shah – GC Investments**

I got it. And will you be sticking to any specific state like Maharashtra or we are now kind of open with that, with the idea?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

No so we are open – see contractual from a contracting perspective we are across India geographically. So we are open to working in any state in India as a contractor to any government agency or private agency for that matter. Of course we are very cautious when we take up a project with the private agencies as of now. But having said that as a contractor we are across the country we are looking to bag projects across the country. As a developer we are pretty much in and around Pune in Maharashtra.

**Mr. Nirav Shah – GC Investments**

And the recovery from the TN project was after Q3? 10 crore recovery? Or before?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

This was – when did we get this 10 crore? This was a few weeks ago. Yeah it just happened now recently. January.

**Mr. Nirav Shah – GC Investments**

What was the cash balance sir as of 31st December?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

One second. 28 crores.

**Mr. Nirav Shah – GC Investments**

28 crores. Great sir great. Thanks a lot sir and all the best.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Thank you.

**Moderator**

Thank you. Ladies and gentlemen to ask a question you may enter \* and 1. Mr. Sheth would you like to proceed with your questions?

**Mr. Kunal Sheth – Prabhudas Lilladher**

Yeah sure. Sir I had few questions. To start with just wanted to know if any new launches that we are looking at in the near term from the real estate side?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Yeah as I said see we are hoping to launch phase 3 in Kharadi Forest County. So the plans are in for approval and we are awaiting approvals. We are hoping to launch the low cost project in Talegaon which I just talked about. So those are also the plans are submitted already to the authorities and we are awaiting approvals. Other than this I think there's a commercial at Koregaon Park which we have not yet put in the plans for approval but that we would be targeting launch somewhere this year.

**Mr. Kunal Sheth – Prabhudas Lilladher**

Okay. And sir are we bidding for any private contracts for EPC?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Yes we do bid for private contracts. As I said over the last couple of years we've been very cautious considering the situation of real estate. We are very cautious in the clientele we choose while bidding. So on the private side we are trying to bid more on the industrial or on the organised companies like the Godrej's and the Tata's for the residential. Or for – there are projects every now

and then from trusts and funds to do with institutional work where normally the funding is secured. So those are also areas where we try to bid.

**Mr. Kunal Sheth – Prabhudas Lilladher**

But anything in the pipeline currently that we are bidding for?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

We are bidding for a few projects in Bombay currently, one in Poona as well for private developers whom we know well. So hopefully something will materialise.

**Mr. Kunal Sheth – Prabhudas Lilladher**

Sure. Thank you so much sir.

**Moderator**

Thank you. We have the next question from the line of Sagar Parekh from Deep Finance. Please go ahead.

**Mr. Sagar Parekh – Deep Finance**

Yeah hello sir. Thanks for taking my question. For 9 months FY '17 on the EPC space have we won any orders because till H1 there were no orders in the EPC right?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Yes.

**Mr. Sagar Parekh – Deep Finance**

In 9 months in Q3 did we win any orders?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Somewhere in the 9 months we just won a small order of 20 crores odd. I don't know when we did that point of 20 crores order. That's it. Nothing other than that.

**Mr. Sagar Parekh – Deep Finance**

Okay. So now what is your outlook for Q4? Any wins expected in the coming quarter? Or any L1 position? Anything?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

No so see in tenders that we fill with the government the moment we are L1 and we have opened tenders then normally the award happens. So only in the private it would be taking a process of negotiation even if you are L1 or L2 or L3. We have put in a couple of

tenders on the government side which we do expect them to open over this month. So keeping our fingers crossed if one of those works out that will be good.

**Mr. Sagar Parekh – Deep Finance**

Okay. So basically for next year then – so earlier we were anticipating about 300 crores top line from EPC space. So and what's your outlook now for FY '17 in terms of top line?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

See we have still with the running projects we have a 600 crore order backlog. Now technically speaking I mean from a very theoretical point of view we are supposed to – all the projects we are running should be done in the next 12 to 15 months. So technically speaking if that happens even with these projects I will be doing more than 300 crores next year. But factually speaking it doesn't happen. We do recognise that you know some of these projects slow down for various reasons beyond our control. So a 600 crore order book is probably not enough to keep us going at 300 crores. And then 300 crores should also be improved upon year on year. So definitely order booking is something which we should target and achieve.

**Mr. Sagar Parekh – Deep Finance**

Right. So what is our order pipeline then? About 2000 odd crores?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Order pipeline we are always in that space yeah 1500-2000 crores. But see end of the day – see as I said we are now very bullish on these housing projects from government department. We are talking to quite a few of them. We are in the process of negotiating. They are also – these departments are also a little bit confused on how exactly they want to award these tenders. They also seem to be a little bit confused on how exactly they are going to secure the funding. It's a combination of state and centre. So all of those as things get clear at those departments I am sure there is going to be so much work that we will definitely bag much more than what we've been hoping for in the short term. But we even bid for a couple of projects last quarter which finally when the tender opened the government was confused on how to award and again the funding wasn't secured. And they went for retender which will come up again this quarter. As I said things are moving. There's a lot of buzz. But nothing has really materialised yet.

**Mr. Sagar Parekh – Deep Finance**

Sure. So then any kind of target for order inflow for FY '18? Internal target that you have set up? At least 1000 crores kind of order booking?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

That will be a good target to have internally no doubt. See we were hoping – last year we talked about 500 crores order booking in a year. So I mean now as I said with all this activity happening next year 1000 crore definitely looks like an achievable target.

**Mr. Sagar Parekh – Deep Finance**

It looks like achievable right?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Yes.

**Mr. Sagar Parekh – Deep Finance**

Okay fine. That's it from my side and all the best for future. Thank you.

**Moderator**

Thank you. We'll have the next question from the line of Nandish Shah from Nirmal Bang Securities. Please go ahead.

**Mr. Nandish Shah – Nirmal Bang Securities**

Yeah. Thanks for the opportunity and good afternoon to all. I had one question regarding the clean room partition business. What is your strategy going ahead? And can you please share with us the 9 months number on the revenue and the ebidta front please? Thanks.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

In 9 months they have done about 200 – 193 crores in revenue. So which is 25% growth in revenue compared to the previous year 3 quarters. In terms of ebidta do we have a number here? 10%. So ebidta is running at around 10%. See we haven't consolidated and therefore we do not have the audited balance sheet of GMP for 9 months. But our numbers are in that range. In terms of strategy you all are aware we have two divisions where we have a clean room division and the services division. So the clean room division has done 133 crores in these 9 months. And the clean room division is having a good ebidta, good profitability in totality. The services division which has been struggling in terms of certain recoveries, bad debts and in terms of the profitability of the work overall, so fortunately the services division has not grown the way the clean room division has grown in this year. So all in all after all the balancing I think GMP would do better than last year in 4 quarters this year.

**Mr. Nandish Shah – Nirmal Bang Securities**

And can you throw some light regarding the IT refund which you discussed on the last quarter please? What kind of amount are we looking at and when can we expect to come?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

So there are a lot of IT refunds due to the company. There was a block assessment in settlement commission worth about 30-35 crores of refund which the orders are all pretty much clear as of now and the refund orders are issued. We've received 1.3. We expect to receive another 28 out of this within the next couple of weeks actually. But you know we don't know exactly how it will go with the department but we should be getting 28 crores pretty soon. And then further to that there is also refund due which is not part of any block assessment but in the normal course of business there is refund due over the last 3 years where we have not had significant profits. So about 20 crores of refund is due from normal business refunds in the last 3 years itself. So those would also be coming in over the year.

**Mr. Nandish Shah – Nirmal Bang Securities**

Okay thank you. I am done with my questions. All the best.

**Moderator**

Thank you. We have the next question from the line of Vikas T. an individual investor. Please go ahead.

**Mr. Vikas T. – Individual Investor**

Hi Santosh. My question – I had two questions. One is what is the impact of the impending RERA which is getting applicable in Maharashtra both on the residential EPC side and on the real estate side? And the second question is that when you look at affordable housing and all the buzz around affordable housing, I have always been sceptical and would like to know your view – is affordable housing on your own land, is it something which is affordable for a developer to execute given the regulation where scan, financing, and the timeline details and everything which are generally associated with real estate projects.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Yeah hi I think you have good questions. With regards to RERA I think so we being in both segments both real estate and EPC and a little more bullish on EPC in the short term, so RERA sort of excites us in that sense because RERA is trying definitely to protect the customer from delayed delivery and you know projects running far beyond schedule. Now as a contractor we were also pretty much suffering like the customer when these projects were extending way beyond schedule. So if there is some sort of ring fencing being done and the developer being forced to secure his finances either through sales or through some other sources and confirm delivery, then as a contractor that's pretty exciting to us because it sort of eliminates a lot of risks. Today currently we are very sceptical in bidding for private projects because of this exact scenario that we know the developer has probably not secured his funding and we are going to pay the price for it somewhere down the road. So as a contractor it's very exciting. As a real estate player see we have also only in the last couple of years have been in a situation where we have been forced to delay delivery on – you know that too only in couple of our projects have we really delayed delivery and run into a little bit of customer dissatisfaction. But otherwise over our history we've always been very cautious. We've never been over aggressive in launching and starting 10 buildings at a go and then not being in a position to finish them or not – and also the other provisions of RERA have always been something which we as a company have been following. So in fact we feel in real estate this only sort of ensures that these smaller developers who used to get away with false promises or plans that they didn't follow or you know the smaller things that they used to do are all being plugged. And we never took any of those measures anyway. So in that sense I think it's good. Of course it does put pressure that we would need to have some sort of a financial coverage of the project before we launch a project. We can't bank entirely on sales and then get stuck.

**Mr. Vikas T. – Individual Investor**

So Santosh just to ask a follow up question on this, you think that RERA which is getting implemented in Maharashtra which is where probably a key of our real estate portfolio is. Construction could be anywhere in Maharashtra – would put into full effect and the kind of pain it may create for a year or year and half or whatever is something which could hurt the real estate portfolio further? Like the implementation and things taking shape. Or is there something which you as a company is not really worried about? Because you actually seem to be benefiting from it.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Actually very frankly as I said even – see we are not in a position where we are intending to launch something fantastic in terms of a 100 acre project and a massive launch. So we are talking of two launches this year which is a sector 3 in Kharadi and a Talegaon low cost. Now in both these locations the locations are fantastic. The product is – and the project is small. And the product we feel is the perfect one. In Kharadi we have already warmed up the market. We are selling even today quite easily the stock that we have. So to launch a phase 3 and sell should not be a problem. Having said that see we would definitely be conscious in that we will not launch 4 buildings at a time and sell 5 houses in each of the buildings and then be forced to construct 4 buildings at a time. So those cautiousness which we were always cautious. But we will ensure that we don't get into a situation where we are not able to deliver on the promises we are making. So since we are doing something small I don't think that's a big worry on our head right now. And as I said in fact we are happy that you know lot of competition that used to make big promises will also have to be very cautious now. So that sort of helps us.

**Mr. Vikas T. – Individual Investor**

Okay and on the affordable housing and for a developer to develop it given the kind of pricing and the margins and the regulations which are involved.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

In low cost housing right?

**Mr. Vikas T. – Individual Investor**

Yeah correct. Because the delay is such a usual part of real estate projects. Then there are approvals and doing it in your own land which you may have taken years to consolidate or buy. Obviously you would not want. You would want a higher margin or anyone would want a higher margin. So is it viable for developers to do it on their own piece of land?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

So your question is right. See currently low cost is not viable within city limits even if it is Pune, forget Bombay, but even if it is Pune within our city limits because of the land pricing, whatever we do on construction and we can only knock off a few Rs. 100 per square feet by optimising and being efficient on construction. But we can't knock off anything on the land if that is the value of land within city. But low cost housing projects are now primarily being done on the outskirts, in the Wagholis, in the Talegaons. So these are directions. In the outskirts of the city is where it is possible. Again having said that even there the margins are low. It is something which has a – so we are best suited in this segment because as a developer who has been only developing and being giving contracts to a third party there is not much margin to keep a contractor happy and a developer happy. Now we considering that we are in both spaces, we can sort of overlap our margins between contracting and development and you know ensure that we get our project done quickly and whatever small margin we have we will in time. If we finish it in 2 years and get out I think it's a good ROI.

**Mr. Vikas T. – Individual Investor**

Okay. So essentially someone who is also a contractor, an EPC and a real estate player, developer, is someone who may find it viable. But for someone who is purely a developer and outsourced the contracting part it maybe the

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Yeah see I mean it's all relative to the market competition that is around and the prices at which products are being offered. Now if government comes in a big way, the way they are planning to come, government is getting most of their land free. So if they are able to now announce houses at sub-10 lakh rupees which a developer will never be able to compete whatever even in the outskirts there is a land price. So where the land price attached the developer – we will not be in a position to deliver sub-10 lakh. We are targeting sub-20, 25. Sub-25. Now if the government is able to come to all these locations at a good pace and start delivering at 10 lakhs and 12 lakhs I think developers in this segment will not be able to compete.

**Mr. Vikas T. – Individual Investor**

And if the government does it, who would have the sales responsibility to sell the project?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Government has agencies like the MHADA and the CIDCO. I don't know exactly how they will plan to allot these houses. That's a different thing altogether. But yeah they do have agencies which have been developing and selling. They might have to do much better than they have been doing so far.

**Mr. Vikas T. – Individual Investor**

Okay thanks a lot. That answers my questions Santosh.

**Moderator**

Thank you. We have the next question from the line of Manish Goel from Enam Holdings. Please go ahead.

**Mr. Manish Goel – Enam Holdings**

Hello?

**Moderator**

Yes please go ahead Mr. Goel.

**Mr. Manish Goel – Enam Holdings**

Yeah very good afternoon. Just couple of questions on GMP if you can highlight what is the expectation for FY '17 now after 9 months in terms of revenues and profits?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

After 9 months GMPs total revenue is 193 crores. So for the entire year after 4th quarter we expect that they should be upwards of 270 close to 280 crores in top line. So in terms of profitability I think the ebidta is in the range of 10%. Hopefully this will translate to a PBT. I don't know what would....

**Mr. Manish Goel – Enam Holdings**

Because till first half we were at ebidta level I believe we were at losses due to losses in services we had which we were expecting to break even by year end. So this ebidta of 10% is you were mentioning about both services and manufacturing put together or only manufacturing?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Only manufacturing side.

**Mr. Manish Goel – Enam Holdings**

But as an overall ebidta would be how much in 9 months?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

See in 9 months I think as we were saying the ebidta of the clean room has sort of covered up the issues and losses that the services side was making. As of 9 months that cover up has happened and we are roughly I think at a breakeven level. In the fourth quarter again if the clean room does the revenue that they have been doing, then we should hopefully have positive PBT at the end of the year.

**Mr. Manish Goel – Enam Holdings**

Okay, okay. And in first 9 months out of 193 crores services is 60 crores you mentioned right?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Right.

**Mr. Manish Goel – Enam Holdings**

Okay, okay. And how is the order book for GMP?

**Mr. Krishnamurthy – Chief Corporate Affairs Officer, Vascon Engineering**

Yeah okay fine, going on. So we have about 150-160 crores order book. But that order book is only for limited period.

**Mr. Manish Goel – Enam Holdings**

No what I actually meant was the pipeline in terms of visibility.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

See the clean room division is running out of capacity even after opening a second factory in Bombay. So they are – as Krishnamurthy said the order book would only be a 6 month, 8 months order book because their turnaround is quite fast compared to Vascon where we have a 2 year order pipeline. But they do have, they are quite happy with the work in the market and they are quite bullish that – in fact they are talking of expanding capacity.

**Mr. Manish Goel – Enam Holdings**

Okay. So in that case it's your – I am little curious to know why is it that even if we are able to grow well on overall basis at ebidta levels for full year we are still expecting to breakeven.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

No again that is to do with some – as we have been mentioning over the couple of quarters, there have been some lag effects of some bad debts and stuck money and the services division not being able to really do that well considering the markets. So unfortunately the clean room division in spite of growing on revenue....see there is a competition. Clean room division has also faced with stiff competition. So while there is work and they are able to bag orders, it is not that their margins are huge. So they are under always pressure to compete with other vendors. And therefore the margin is always restricted. So with that restricted margin from clean room we are just trying to sue this here and ensure that the issues with the services division, the backlog, all those are cleared up. And then yes you're right. Then we should be able to at least see the ebidta coming from the clean room division. So hoping for that over 3 quarters we have sort of cleaned up issues. So in the fourth quarter and then next year we definitely hope to see the clean room give the margins which we can see on the balance sheet clearly.

**Mr. Manish Goel – Enam Holdings**

Okay, okay. And can you please provide this break up of other income of 14.4 crores in the current quarter?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

We do have some interest. We have about – half of it would roughly be normal interest incomes that we have quarter on quarter because we do have some cash in bank balances FDs created and all. But also we had some – see we had a process of some creditor write offs. Quarter on quarter we do review creditors. So there were couple of projects. So once the projects are 3-4 years old and there are some old creditors pending we do take a call. So there were a couple of projects like the Ahmedabad project and all which reached that point of having finished the project and 3 years over. So this quarter we had a little bit more of creditor write offs. So I think that is what totalled up.

**Mr. Manish Goel – Enam Holdings**

Write backs you mean to say.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Haan write backs. Sorry. Write backs.

**Mr. Manish Goel – Enam Holdings**

Okay, okay. And on – so this IT refund I believe some 18 odd crores which you were expecting immediately in this quarter. So you mentioned that...

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

28.

**Mr. Manish Goel – Enam Holdings**

28 number now.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Yeah. So actually as of last quarter we had an 18 odd crores. 18 odd crores was being expected was already cleared by the settlement commission. There was one year the FY '13-'14 which was pending so about 10 crores was not cleared at that point of time. Subsequently that has also been cleared and in fact that order is also passed. So we should be expecting that money as well. That's why this 18 has become 28. And both this total amount is very much in an advanced stage of relief. So in fact we are hoping for it any time soon.

**Mr. Manish Goel – Enam Holdings**

Wonderful, wonderful. Fine. And on the execution of this Tamil Nadu project, is there any progress?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Tamil Nadu project we've again had very good news in this quarter that there was a government order that needed to be passed for the PWD to therefore allow us to start work again. Because they had exhausted their budget and they had put in the papers with the government to pass and because of all the political turmoil in the state that paper was not getting passed. But fortunately this quarter that paper has been passed. The order is issued. So PWD has then also put the need to set aside money for our project in their budget meeting which has also been approved. So in fact that's why they were able to release 10 crores to us. And now over the next couple of weeks they are planning to release the balance backlog also. And we have to start work.

**Mr. Manish Goel – Enam Holdings**

How much is that? How much is still pending?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

See about 15 to 20 crores is still to be received from them. And then we would have to start work. So the more important thing is about 50 crores of order backlog also remains on that project which was not being executed over this entire year. In fact our top line should have been at least 50 crores better because of that project which didn't happen this year. But that will at least come in next year. And there are some extra work that will be created at that project also. So we are hopeful another 30-40 crores of new orders will be bagged over there once the project starts.

**Mr. Manish Goel – Enam Holdings**

So when do you expect now with this project to start again?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

No project will start in the month of March. Over the next two weeks we will receive this pending money and then we will be under pressure to start working at site. So in March we will see some traction and next year the first two quarters definitely we will see revenues coming in from this project.

**Mr. Manish Goel – Enam Holdings**

Okay thank you so much. Thanks a lot.

**Moderator**

Thank you. Ladies and gentlemen to ask a question you may enter \* and 1. The next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.

**Mr. Sagar Parekh – Deep Finance**

Yeah sir just one question on your EPC, are we bidding for these redevelopment projects of NBCC?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

We are not – see many of them they have the qualification criteria where we have not fitting in because of the loss that we had 2 years ago. So we are in talks with NBCC to try and see if they can keep an alternative qualification criteria which is based out of net worth and not only profit loss. They have replied in the positive so we – but you know procedural and they would take some time to put in those. So the last couple of tenders we were not able to qualify on that front. But we are working on it.

**Mr. Sagar Parekh – Deep Finance**

Okay got it. And on your – what is our inventory for Windermere project? Any update on that? Did we sell any units this quarter?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

No we haven't registered any new sale this quarter also in Windermere. So the inventory remains pretty much the same. I think we have about 32 flats, we have about 42 odd flats yet to be sold. No 42 plus about 15, about 60 odd flats. We have about 60 flats there to be sold.

**Mr. Sagar Parekh – Deep Finance**

Okay and in terms of value what would be the inventory like in Windermere?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

104 crores as of our books.

**Mr. Sagar Parekh – Deep Finance**

And the project is complete or it's...

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

The project is about 80% complete.

**Mr. Sagar Parekh – Deep Finance**

Okay. And we have the necessary liquidity right to finish the project?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

That is a strain, the liquidity to finish the project has been an issue honestly which has slowed down the project over the last 2-3 months. So we are working on some refinancing methods and we are solving that in the short term.

**Mr. Sagar Parekh – Deep Finance**

Okay. And lastly sir on your real estate FY '18 sales any kind of guidance on sales and ebidta?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Not really. We haven't worked out the numbers. Once we know when these two projects will launch then we would because you know primarily FY '18 real estate would depend on when we are able to launch these two new projects that I mentioned. Those would give us revenues.

**Mr. Sagar Parekh – Deep Finance**

Okay but apart – so basically what I am trying to ask is the projects which are under construction right now which would have probably you know reached that revenue recognition threshold, would probably come in FY '18 in terms of revenues and ebidta right?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Those are running at an average rate as we have I think quarter on quarter about 30 odd. So 20 odd crores of revenue is getting – also there is a change because of NDS. See one major project is not in Vascon. And so earlier the revenue used to come in. Now the revenue will not be seen on our balance sheet. The share of profits does get pulled in. but the revenue from that Ajanta project which is Forest County which is the big project in Kharadi which we've been doing for the last few years.

**Mr. Sagar Parekh – Deep Finance**

Yeah.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

That won't reflect on our balance sheet which is the major project that is giving us revenues currently. So but if we were to look at that yeah roughly about 30 crores per quarter is coming in from real estate by way of just....

**Mr. Sagar Parekh – Deep Finance**

That is forest county right? Phase 2.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Phase 2 yes.

**Mr. Sagar Parekh – Deep Finance**

Okay. How much inventory is left for forest county phase 2 now?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

About 70 flats.

**Mr. Sagar Parekh – Deep Finance**

Okay got it. Great sir. Thank you.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Thanks.

**Moderator**

Thank you. We have the next question from the line of Amit Kasturchand Kochar from Padam Trading Company. Please go ahead.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

Yeah it is regarding the finance cost which is increasing from 6 crore to 8 crores year on year. And overall our debt is reduced I think.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Right.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

Is the cost of funding increasing or what?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

No so we did realise there is an anomaly there. see if we compare – so what you're comparing is same quarter last year and so last year we still had some rights issue money lying with us and therefore the net interest cost was coming down because we were also paralelly deploying the – we had not yet deployed all the money raised in the rights.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

Okay.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

But if you see 9 months cumulative, then you will see that there is a drop in overall interest cost.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

Yeah but it is increasing. What I am saying is quarter on quarter also if we see it is a time to increase right? So...

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

That okay. From last quarter to this quarter there is a slight increase yes. That is because temporarily we have been having very short term issue in terms of being over-drawn with our bank limits. And therefore we are paying some slight higher interests this quarter. But that should be solved as we get some of these refunds or some liquidation happens. That should get solved. So that's a short term issue.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

And how about the infra space benefit in interest as you say when starting?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Yeah so we do hope to. Now there has just been a recent announcement in the budget which is quite exciting. So as I said in our Talegaon project we will be now exploring how to get the infrastructure status. Definitely the house sizes that we have planned are within what the government requires to qualify as low cost housing. So we will be in Talegaon project make a start to ensure that we are able to raise finances using infrastructure status. So yes all of this juggling should happen in this coming year and our interest cost should overall decrease only further.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

And how about the deemed rent impact which was just proposed in the budget? Have we in any way calculated with such a high inventory of 100 odd crores in just real estate projects? What would be the deemed rent which will be held to account for?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

No I don't think we – does it apply to – no he is saying deemed rent inventory that you are carrying. But our inventories have not yet reached completion certificates.

**Management**

Deemed rent also in the budget they have given time. After completion 1 year time they are giving.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

Yeah after completion. So are we yet to get the completion certificate or we have obtained the completion certificate?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

No we don't, we don't. Even in fact for Forest County in phase 1 we still don't have completion certificate. Even we have inventory in phase 1 itself which is not much at all. But even that inventory is not going to be deemed as earning rent yet. Yes there is some very old inventory, you know few houses we have in Marigold which is an age old project. We have some houses in the north. So very few houses, maybe 20-25 houses that's on hold currently which would probably qualify from this deemed rent perspective which frankly we haven't studied the impact. But yes we will get back next quarter.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

And the last question sir. About the debt. Which are more than 1 year? As you said that we are in the process of cleaning the balance sheet and the service sectors many of the – GMP service sectors many of the bad debts have been written off. So any more debtors or any more cleaning up process which is pending and how long will it take to clean up?

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

No. So actually bulk of the Vascon clean-up happened last year and GMP has been doing it over last year and this year. We're just taking stock. So definitely nothing more going forward. Nothing more beyond this financial year.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

Okay.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Then it should be whatever, I mean no legacy of the past should remain on the balance sheet. That's an internal target that no legacy of the past should remain on the balance sheet. Going forward whatever is current should reflect.

**Mr. Amit Kasturchand Kochar – Padam Trading Company**

Thanks a lot, thanks a lot. That's all from my side.

**Moderator**

Thank you. Ladies and gentlemen to ask a question you may enter \* and 1. As we have no further questions I would like to hand the conference back to the **Management** for closing comments. Please go ahead sir.

**Dr. Santosh Sundararajan – CEO, Vascon Engineering**

Thank you all for your participation. Wish you a great day. Thanks.

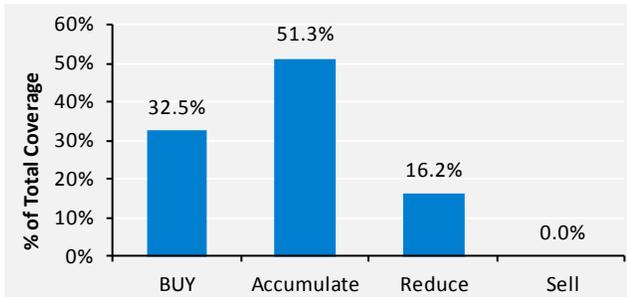
**Moderator**

Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

**Prabhudas Lilladher Pvt. Ltd.**

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