



“Vascon Engineers Limited Q1 FY-19 Earnings  
Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Vascon Engineers Limited Q1 FY19 Earnings Conference Call. 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 '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. Santosh Sundararajan – CEO of Vascon Engineers Limited. Thank you and over to you, sir.

**Dr. Santosh Sundararajan:** Thank you. Good morning everyone. I welcome you all to the Earnings Conference Call of Vascon Engineers for the quarter ending June 30, 2018. Joining me on this call is Mr. Rajesh Mhatre, our CEO-Real Estate; Mr. D. Santhanam, our CFO and Mr. M. Krishnamurthi, our Chief Corporate Affairs and Stellar Investor Relations our advisor for Investor Relations. I am sure you must have gone through the Q1 FY19 Financial Results and the Result Presentation uploaded on the stock exchanges and on the company's website.

**To start with I will initially share with you key developments in terms of order book, status of recent project launches and industry opportunity followed with the Q1 FY19 financial performance.**

From a journey that began with humble beginnings in the year 1986, we have come a long way. During the course of over three decades, the company has come across many milestones that has shaped it to become what it is today. We have been regularly sharing our strategy and growth plans and I am happy to share that as a company, we have made important progress towards our plan and are witnessing the positive results of it.

Going with our strategy of being selective in bidding for new orders, we achieved an external order intake of over Rs. 650 crores since Q1 FY18 till date, much ahead of what we had targeted for. In the quarter under consideration, we have received an external order intake of Rs. 190 crores. The total EPC order book of the company as on date stands at Rs. 965 crores including internal orders from our real estate division worth Rs. 178 crores. We expect that with the execution of new orders, there will be improvement in capacity utilization and revenue leading to better operating margins. For the financial year 2019, we are targeting orders worth Rs. 500 crores.

We had always highlighted about our focus on affordable housing opportunities. There has been a huge rise in the demand for affordable housing projects in recent times. The increased urban migration as well as the various initiatives by the Government of India has fueled the growth in housing needs.

In India there is an estimated shortage of around 40 million houses both urban and rural. In addition, population growth of 1.3% per annum, favorable demographics, rise of the concept of nuclear families, increased migration to urban areas, fiscal benefits, rising income/aspirations, etc. could lead to another 10 million demand for houses per annum.

Given the housing demand of the country, the real demand lies in the mid segment. While the government will keep on pushing reforms, it is critical that more developers get in to this segment and with RERA getting stabilized, consumers will get attracted to the lower interest rates along with tax benefits attached to it.

With the Government nod of infrastructure status to affordable housing, this sector is expected to grow at a higher pace. The affordable housing segment is expected to be the next big growth driver of the Indian economy. With this in mind, various property developers and builders in India are gearing up to develop affordable housing projects which is expected to improve the market sentiments in the time to come.

Our project Vascon Goodlife launched in Katvi, Talegaon during Q1 FY19 is the first ever value home project of the company that focuses on nurturing, learning and growth. The project boasts of amenities for all age groups such as libraries, study rooms in each tower, online education room with computers, etc. By utilizing technology and expertise, the project offers a unique value addition for each and every member of the family.

We were able to sell 544 units worth Rs. 102 crores during the initial days of the launch. The launch success reiterates our belief in this segment and we would make sustained efforts for new launches in this segment. Overall, in the real estate division, the company did sales of Rs. 164 crores in Quarter 1 FY19 including Goodlife.

With regards to large opportunities available in front of us, we have been continuously working towards building the organization and have been strengthening teams across various functions and across levels of both business verticals.

**Now moving on to the financials.**

We have reported the standalone financial results for Q1 FY19 as per Indian Accounting Standard 115 which replaces the existing Revenue Recognition Standard. This has impacted the company's accounting for recognition of revenue from real estate residential projects. Please note that there has been no impact on our EPC business which continue to be accounted on the progressive method. The comparatives periods have not been restated and hence Q1 FY19 figures are not comparable with previous period figures.

During Q1 FY19, the company reported a total income of Rs. 98 crores as per Indian Accounting Standards 115. Without the effect of Ind As 115, the total income was Rs. 103 crores as against Rs. 95 crores in Q1 FY18. EBITDA for Q1 FY19 was at Rs. 8.5 crores as compared to Rs. 8.9 crores in the corresponding period previous year. Profit after Tax was at Rs. 1.5 crores in Q1 FY19 as per Indian Accounting Standards 115.

The company did new sales bookings of about 3 lakhs square feet amounting to a total sales value of Rs. 164 crores in Q1 FY19 as against new sales bookings of 2.5 lakhs square feet in FY18 amounting

to a sale value of Rs. 197 crores. With this we can now open the floor for question-and-answers. Thank you very much.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Harmish Desai from Nalanda Securities. Please go ahead.

**Harmish Desai:** Sir, I have a question on the EPC business. You mentioned the order book outlook for the year FY19 to be around Rs. 500 crores, right? Can you tell me any L1 orders in the pipeline?

**Dr. Santosh Sundararajan:** That is right. There are a couple which we are almost at L1. I mean see effectively in a government order if you are L1, you would have been already awarded the job. In private orders it is not necessarily L1 who gets the job but to answer your question we are at the final stage of negotiation in a couple of orders.

**Harmish Desai:** When do we start seeing the revenue out of the recent order intakes?

**Dr. Santosh Sundararajan:** Our quarter 1 revenue this year has seen a higher revenue compared to last year Quarter 1 was Rs. 85 crores this year we have touched Rs. 105 crores and in Q1 this year we do not have a huge amount of contribution coming in from the real estate actually so therefore you can see the revenue increase happening already.

**Harmish Desai:** So, is this revenue going to be effected in the next quarter or when can we see the revenue coming in?

**Dr. Santosh Sundararajan:** Which projects are you talking about?

**Harmish Desai:** I am talking about the recent order that we have won.

**Dr. Santosh Sundararajan:** In the last quarter we have got two orders totaling up to Rs. 190 crores, we had announced those. One is from Tamil Nadu, the hospital that we have already been working on for a while, we have got an additional order there and we got one from Adiraj. Now both these works have started, so those revenues in quarter starting from the next Q3 and Q4 will see a huge amount of revenues coming from these projects. Even in Quarter 2 there will be revenues.

**Harmish Desai:** In the real estate business you mentioned that there has been a good response to the Goodlife project that you have been getting. So, what is the management have as future plans for this particular project, the brand Goodlife project?

**Dr. Santosh Sundararajan:** On that particular location itself we have potential inventory of about 1100 houses. We only launched the phase1 and part of phase2 which was an inventory of totally about 700 odd houses out of which we have sold 550. We are currently in the process of getting all of these registered and the construction is started at site and we are waiting for the approvals for the last phase of the project. It is in the advanced stage and we should get those approvals maybe in the next month and we will plan to then re-launch

or rather launch the phase 3 and complete this entire project at least from a sales of point of view within this year.

**Harmish Desai:** What is the real estate pipeline going ahead?

**Dr. Santosh Sundararajan:** We did a project in Coimbatore called as Tulips, done the first phase and the second phase longer maybe 3 or 4 years ago we had completed phase 2 and we have been waiting for better market conditions to launch phase 3. We feel that we can now launch phase 3 so that the approvals for that is also at an advanced stage. So, we plan to launch phase 3 which is about 2.8 lakhs square feet in Coimbatore.

We also intend to launch a low-cost housing project in Madurai this financial year, we are working towards that. And in Pune we have Forest County which will give us another 2 odd lakhs square feet, again the approvals are at the final state. So, once we will get those approvals we will launch Forest County, we will also the second tower of Forest Edge, the first tower we launched last year. There is one more tower there which is also pending approvals, we will launch that as well.

**Harmish Desai:** All those projects I am hearing are mostly affordable housing, so will the company going ahead still we focusing on affordable housing?

**Dr. Santosh Sundararajan:** Yes, this Katvi so far touchwood has gone very much to our plans, our marketing campaign was extremely successful. The ticket size for the first time, Vascon attempted this ticket size and this apartment size and this segment and we had a very good response even in Talegaon which was the toughest market to crack. So, that has given us a lot of confidence and definitely we will be focusing at low cost housing as a growth engine going forward at least in the short to medium term.

**Moderator:** Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

**Pankaj Kumar:** My question pertains to the loss that you reported in the real estate segment. So, if you could help us in understanding that?

**Dr. Santosh Sundararajan:** The real estate segment, I think Rajesh will just answer that.

**Rajesh Mhatre:** Basically, if you see the statement for Quarter 1, the total topline that is reflected in real estate is close to Rs. 21 crores. In addition to other income then it will be Rs. 23 crores but if you see the cost of sales employee cost, employee cost is a reflection on the entire sales effort that has gone. So, if you see the Quarter 1, the quantum of sales that we have done is Rs. 160 odd crores of which so it is disproportionate recognition of cost and very, very under estimation of the revenues obviously it is obviously it is as per accounting standards. At some of point of time that would happen when the other sales recognize and then the profit will be truly a reflection of that. So, the statement in itself is not truly a reflection of exactly what is happening but yes, the statement is what statement is, there is a loss what is seen as far as real estate.

**Dr. Santosh Sundararajan:** I think to add to that see we are going to see unless there is 100% clarity on how we are able to if at all we are able to come back to any kind of a percentage completion kind of recognition. If that option does not exist and we are married to 115 in the long run, then these spikes Quarter-on-Quarter on the real estate side is bound to happen because revenue will get recognized only in spikes.

**Pankaj Kumar:** Even if I look at your numbers which you have given in the PPT based on our previous accounting standard there also there was a EBITDA loss, so of course one reason cited is the employee cost which has increased. So, if we can get the sense to what extent the employee cost has increased in the real estate segment?

**Dr. Santosh Sundararajan:** Employee cost has not increased, it increased last year when we sort of recruited new real estate team. Currently in the last 2 quarters there has been no real increase in staffing.

**Pankaj Kumar:** It was on a YOY basis I am asking?

**Dr. Santosh Sundararajan:** On a Year-on-Year basis also, I do not think there will be a huge increase in employee cost this year compared to last year a little bit of increments that we have done not much. But see again the real estate portion till the revenues of something like a Katvi we have launched, and we sold Rs. 160 crores worth of inventory in this quarter but only Rs. 20 crores is getting recognized as topline. So, once this Rs. 160 crores start to flow in once we reach percentage, certain amount of completion at Katvi and if the revenues can come in, that is when we will be able to really see this mismatch go away.

**Pankaj Kumar:** In last quarter we cited that the Windermere project we might have incurred certain losses because we got recognized with the old inventory, so that is also contributing to this?

**Dr. Santosh Sundararajan:** Yes, that is also contributing, you are right.

**Pankaj Kumar:** And what is the sale in the Windermere project that we did in Q1?

**Dr. Santosh Sundararajan:** We sold 8 new apartments after the re-launch so roughly that should be a sale value of about Rs. 50 crores.

**Pankaj Kumar:** Because I think in Q4 you had certain Rs. 10 odd crores of value you sold, so balance Rs. 40 crores that you have sold in this current quarter?

**Dr. Santosh Sundararajan:** Yes.

**Pankaj Kumar:** And if I look at the collections in this particular project since it is completed, overall collection seems to be at 50%. So, if you can help us in terms of understanding the collection and by when we expect this collection to be completed?

**Dr. Santosh Sundararajan:** There are two towers in Windermere, Tower-I and Tower-II. Tower-II we have already got the OC, the people have started residing in there. We have about Rs. 50 crores to be collected in Tower-II as it stands from the sold apartments including these new sales that happened recently. So, this Rs. 50 odd

crores that is to be collected in Tower-II will get done mostly within the next, by end of the financial year not even the financial year, by the end of calendar year itself we should target to be collecting because we are handing over apartments one by one every day now.

For the Tower-I these collections will only kick in after we get our OC, there is still a little bit of time, a couple of months more that we would need to get our Occupation Certificate in hand. Once that happens the Tower-I backlog of collections can also be focused upon by us.

**Pankaj Kumar:** And for the full year how much sales that we are expecting from Windermere?

**Dr. Santosh Sundararajan:** Windermere does have at least excluding the bungalows, it still has Rs. 350 crores worth of inventory to be sold. To set a target for the year is tough but we are working on it, so I think.

**Rajesh Mhatre:** So, we are working on a Rs. 100 crores target on Windermere, so roughly, Yes 50% we have done so.

**Pankaj Kumar:** And lastly on this debt side, how is debt position console basis as well as in the Windermere project that NCD that we have? So, any status on repayment on that?

**Dr. Santosh Sundararajan:** The debt condition remains pretty much the same. It is pretty much been stable over the last year or so. Our consolidated debt is Rs. 276 crores, Rs. 40 crores is in GMP, Rs. 236 crores is in Vascon. This Rs. 236 crores is broken up into Rs. 95 crores for project specific Windermere debt, and then there is a Rs. 49 crores Zero coupon debt NCD that we have and then SBI has a Rs. 63 crores, currently it was Rs. 63 crores drawdown on the CC and other than that a few ICDs totaling up to about Rs. 20 crores, Rs. 30 crores.

**Pankaj Kumar:** So, Windermere debt that we were planning to repay in this year, so we are on track on that?

**Dr. Santosh Sundararajan:** Yes, Windermere as units sell these debt levels will keep coming down. We are also looking at options to see if we can bring the interest down in the interim by because we have got an Occupation Certificate in one of the towers. So, we are working on both options of one refinancing it a little bit to get the interest down as well as to reduce the debt itself progressively.

**Moderator:** Thank you. The next question is from the line of Anurag Randev from Edelweiss Broking. Please go ahead.

**Anurag Randev:** I just want to understand what is our credit rating right now and are we looking for any upgrade?

**Rajesh Mhatre:** We are presently BBB minus from SMERA.

**Anurag Randev:** So, any anticipation of upgrade in credit rating?

**Rajesh Mhatre:** We are approaching it notch by notch, so from BBB minus we are looking to get it upgraded to BBB that is the first target we have.

- Anurag Randev:** So, any timeline on that you people have kind of thought?
- Rajesh Mhatre:** September is the time when our renewal is due so by that time there will be an upgrade in the credit rating.
- Anurag Randev:** What is the status of our Thane land, so any development plans for that or how would you like to proceed with that?
- Rajesh Mhatre:** Thane land we have started the initial study. Now that this land has come under affordable zone basically from the government so that is the big development and a significant development as far as Thane land is concerned. So, we have started basic architectural drawings the basic work that requires to be done so that going forward then we can form a strategy as to what is to be done on that. If the project is to be launched then how bigger project it would be, what kind of funds it requires.
- Anurag Randev:** So, as we understand now possibly nothing finalized on when it will be launched, so is it just under conceptual stage or do we have some sort of blue print also that you will be launching it in let us say 6 months down the line or year down the line that sort?
- Rajesh Mhatre:** Already mentioned, a concrete launch is at least 2 years away, because it will need a significant amount of fund commitment from our side which at this point of time we as a company are not ready to commit to it. We are making it ready so that we can reach that particular stage and we can launch in couple of years.
- Anurag Randev:** And what is the status on this Tata Steel order which we bagged around 3 to 4 months back?
- Rajesh Mhatre:** That order is bagged, that work has started, the revenue from that order would primarily start coming into GMP's books in Quarter 3 and Quarter 4.
- Moderator:** Thank you. The next question is from the line of Abhilasha Satale from Dalal and Broacha. Please go ahead.
- Abhilasha Satale:** Sir, I want to understand that this external order book is executable over how much period? And which are the major orders in that order book?
- Dr. Santosh Sundararajan:** In the order backlog of about Rs. 1,000 crores again we still have order backlog in Lucknow, where we have been working. So, those two orders which totaled up to almost Rs. 400 crores I think we still have about Rs. 120 crores pending execution over there. Then we got new orders from Adiraj and Godrej totaling up to about Rs. 100 crores each. Adiraj is Rs 120 crores, Godrej is about Rs. 95 crores. So, these are the new ones and as I said we have got a new Rs. 70 crores order from the Tamil Nadu College that we have been working on. We got a Rs. 63 crores from Sriram Educational Trust in Chennai and we picked up Rs. 200 crores of low cost housing in Andhra.
- So, these are all fairly new, so this is primarily how the order backlog breakup is. And to answer your question see all of these orders technically should never go beyond 2 years in theory. So, this Rs. 1,000

crores divide by 2 should already be a expected execution target for 2 years, 500 per year. The only reason that at the end we do not achieve 500 is because some of these orders go through their own periods where they do not pay on time, project gets stuck for a while for various reasons of approvals or funding but otherwise theoretically speaking it is not more than 2 years.

**Abhilasha Satale:** With all of these orders we will be able to maintain margin because we have seen some commodity prices going up Year-on-Year, so is that cost build up while bidding the order?

**Dr. Santosh Sundararajan:** In most of these contracts the only risk that we carry as contractors is the cost of sand, metal and labor. The other commodities in terms of steel, cement or whether it is tiling or fixtures all of these are spec at a particular price in the contract. So, the variation risk remains with the client, not with us. Sand and metal I think are not been hitting us too much or labor, all 3 have not really been hitting us too much in the last few months or last year. They did have a huge impact couple of years ago but now they have been touchwood stable.

**Abhilasha Satale:** And as far as real estate is concerned with the projects we have in hand excluding Windermere, what kind of feasibility we have like what kind of revenues we can generate over next 2 years?

**Rajesh Mhatre:** The balance tower in Forest Edge will have a topline of Rs. 55 crores. The two buildings in Forest County would have a topline in excess of Rs. 10 crores. Coimbatore again 280,000 square feet at an average realization of Rs. 5,500 per square feet, topline in Coimbatore. The first phase of Madurai which is roughly 5 lakhs square feet at Rs. 4,000 per square feet that will be another Rs. 200 crores. So, this is the visibility that we have and plus whatever are the balance projects in hand.

Katvi we have done 102, another Rs. 80 crores, Rs. 90 odd crores to go. Windermere as Santosh had already pointed out that Rs. 100 crores is the target for the present year, rest we will also come with a small project in Zotec which will have a topline which is a miniscule project topline of Rs. 20 odd crores. So, we have a good pipeline for this year, good healthy pipeline and also may be a year forward.

**Moderator:** Thank you. The next question is from the line of Ritwik Sheth from Deep Finance. Please go ahead.

**Ritwik Sheth:** Just a couple of questions. Firstly on the Tata Steel order. Where are these doors used by Tata steel?

**Dr. Santosh Sundararajan:** So, Tata has launched their own products for steel doors, so they are planning to use it. Conventionally steel doors have so far been used in India in fire doors and they have not been used as main doors of apartments or internal doors of apartments, wood has primarily been the material used. Steel doors in other places of the world are being used as regular doors as compared to wood, they have their own strength. And Tata as part of their policy to consume more steel I guess they have also come up with this own branded product to make steel doors for regular consumers rather than industrial or fire for the residential.

**Ritwik Sheth:** And what are these doors finish like? Is it steel finish?

**Dr. Santosh Sundararajan:** They have lot of options, since it is painted. In fact they are now making it look like a wooden door itself, so it is wood finish but they have lot of options it can be plain color, it can be.

**Ritwik Sheth:** You will be supplying steel doors to them and then they will be doing wood finish or the painting?

**Dr. Santosh Sundararajan:** No, we will do everything, so they will give us exactly what they want, we will supply the final door itself.

**Ritwik Sheth:** You said that from Q3 onwards you will start supplying to them?

**Dr. Santosh Sundararajan:** Yes, that is right.

**Ritwik Sheth:** And we will be doing what around 2,000 to 3,000 doors per month?

**Dr. Santosh Sundararajan:** In terms of number of doors I do not know, but we are expecting to do at least Rs. 40 crores to Rs. 50 crores of order execution in this year in Q3 and Q4 and then hopefully next year this alone should take us more than Rs. 100 crores for the per annum basis.

**Ritwik Sheth:** So, what will be the value of one door or window?

**Dr. Santosh Sundararajan:** We will get back to you, I do not know the exact value of a door.

**Ritwik Sheth:** So, we do not have any ballpark also for these 125,000 doors that we are going to supply to them over 3 years roughly?

**Dr. Santosh Sundararajan:** It is about Rs. 600 crores. It comes to Rs. 6,000 or Rs. 7,000 per door, I do not know we will have to confirm and get back to the exact value for door and how that.

**Ritwik Sheth:** And what is happening with our non-core bucket; sale on that and what is it currently if you can throw some light on that?

**Dr. Santosh Sundararajan:** All the low hanging fruits in terms of small apartments here and there, that were not sold we have been working on aggressively and we have managed to sell most of them, we hardly have any smaller inventory left to be called unsold. On the other side of things we have of course unsold would also consume the huge inventory left in Windermere, we have the hotel in Goa, we have the Aurangabad land.

We have Kaledonia in Andheri, all of these will be bigger assets we have been working hard but we have not yet managed to strike a reasonable. So, we have sold Phoenix this quarter, we have couple of office spaces in our old building called Phoenix office in center of Pune, so that also we have managed to liquidate. So, that leaves us with only these bigger sticky assets.

**Ritwik Sheth:** So, excluding Windermere what would be the value of that, ballpark?

**Dr. Santosh Sundararajan:** These assets, it is very difficult to estimate. But I can tell you the bigger ones, Aurangabad land is about Rs. 40 crores, Kaledonia is about Rs. 15 crores to Rs. 20 crores, the Goa hotel stake could be anywhere close to Rs. 50 crores as an estimate. So, these are the 3 big ticket ones about Rs. 150 crores you could say is readily available for sale but we are not able to sell it for various reasons.

**Moderator:** Thank you. The next question is from the line of Kalpesh Parekh from Prabhudas Lilladher. Please go ahead.

**Kalpesh Parekh:** Couple of questions. One on your revenue recognition policy on your real estate business. So, how we recognize this like are we factoring on a percentage completion certain percentage completion or heavy chain this thing because just want to understand that thing?

**Dr. Santosh Sundararajan:** No, it is chain, we do not have an option as deliberated with our auditors and seeing what the industry is practicing I do not think there is an option in this quarter. I think the entire real estate industry has migrated to 115 which is clear mandate that you will only recognize on completion in fact on possession. Till then you cannot recognize revenues, that is why we had to rewrite. Fortunately for us in this quarter it was not that we had any huge project that was significantly complete but not got its Occupation Certificate. Windermere Tower-II has already got Occupation Certificate.

So, what we were recognizing continues to be recognized as a completed project. Windermere Tower-I and Forest Edge which we launched would have contributed to revenues this quarter but we could not, we had to revert those. Going forward Katvi which we have launched would have actually contributed to revenues in this calendar year in Q3 and Q4 because construction has already started. But if we are stuck to 115 then we might not be able to recognize that revenue in this financial year.

**Kalpesh Parekh:** So, basically, this new principle is like on 10% of your project cost to be incurred or 10% of the payment received right based on the RERA thing?

**Dr. Santosh Sundararajan:** No, that is RERA. See RERA is different thing. This accounting recognition norms they have come up with 115 which is simple and clear you can only recognize revenue from a residential real estate project once it is completed, in that sense you have to get the OC and in fact they go to the extent of saying that you know possession should have been taken by the tenants.

**Kalpesh Parekh:** Secondly on this rating thing also like we had discussed for a while because of our BBB minus thing, our cost of fund have always been on higher side. So, like you mentioned in September probably there is something likely, so what can be the change in the cost of fund post if there is any upgrade coming in?

**Rajesh Mhatre:** Basically, rating for a company of our size will not have any impact as far as cost of funds are concerned because actually we are not raising any NCDs or going to the bond market and typically raising fund just on the strength of the rating itself per se. As far as the Indian bond market is concerned typically the bond market opens to you only if you are in the AA kind of category where just on the strength of your rating you can go and raise a bond which is many years forward for us. Not at this point of time.

As far as the banking system is concerned if you are into an investment grade, then yes you know lot of banks look favorable to us which already we are in that particular stage and the projects where we can actually give the right kind of security where we have land where we can give security there raising funds at competitive costs again is not an issue. What happens is in fact we just have one particular debt. If you see the rate of interest as far as our SBI CC is concerned it is just in the range of 10.75 which is competitive.

What happens is people see Windermere, the funds which we have raised from Edelweiss now over here the JV agreement restricts us from offering land as a security because the land owner restricts us from offering that. So, essentially what happens is the loan that is in our books is kind of unsecured loan that has come from Edelweiss and that is why it carries a high cost of funds. Now obviously with we are receiving the Occupancy Certificate that status has changed and definitely we would try to refinance it as Santosh has already mentioned and we should be in a position to decrease the cost of funds.

**Kalpesh Parekh:** But as on today what is the cost of the fund if I take it in a blended front then?

**Dr. Santosh Sundararajan:** 14 odd it used to be 16 odd close to 17 just a few quarters ago, now it has come down to about 14.

**Kalpesh Parekh:** 14%, but then we do not foresee any fall of the cost of this fund right despite the rating upgrade?

**Dr. Santosh Sundararajan:** As Rajesh pointed out that the rating unfortunately is not going to help us drastically reduce this. What is more important is that in Windermere we have already reached a stage where we have got OC for one tower we will get OC for another tower in couple of months. So, since it has reached a stage where we have already completed the project we can refinance it irrespective of our investment grade rating upgrade we would be able to refinance it at a lower price than what we are currently paying Edelweiss.

**Kalpesh Parekh:** We had some sort of tie-ups with Lodha Group in the past, so any such tie ups or are we evaluating any such options on that front or we are now just completely on the standalone mode only?

**Dr. Santosh Sundararajan:** No, we are not evaluating any such thing, we are on our own.

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

**Tejas M:** I wanted an update on the debt reduction plan. And second question is on the Vascon Home sales which we have made, how do you see the collections panning?

**Dr. Santosh Sundararajan:** On the debt side we have been constantly reducing our debt on one side we have brought down our CC limits with SBI. The limit was more than Rs. 100 crores, just recently we brought it down to Rs. 73 crores. In fact the current draw down is Rs. 63 crores. We have also reduced, we made the payment on the NCDs that was pending and we have brought that down by Rs. 10 crores it was Rs. 58 crores it is down to about Rs. 48.5 crores.

So, on one side we have used funds that are coming in from businesses to reduce debt. Unfortunately, on the other side Windermere as a project needed to draw down further from 70 to 95 from Edelweiss. So, whatever we reduced on our little bit of low cost debt has actually increased on our high cost debt in that sense, though it is only project specific and though it is short term because once the inventory is liquidated this debt will be wiped out.

**Rajesh Mhatre:** Basically, our debt reduction plan is totally linked up with our assets sale plan. So, we have some of pretty large assets. Just to give you an example, GMP is one of our large assets which in fact we plan to liquidate. In fact, we are very, very confident that we should surely be close to a zero debt company in couple of years on the basis of the asset sale plan.

**Tejas M:** What is the status and how would the collection look over Vascon Home in the next say 2, 3 quarters or a year from now?

**Dr. Santosh Sundararajan:** See we have sold more than 500 apartments, so clearly the sales target has been achieved. Now we are in the process of registering all of these clients. Also we are in the process of ensuring their loan is sanctioned because all of these clients, literally all of them would be banking on a loan to make their payments. So, we are ensuring that all their loans are sanctioned. In fact we had sold more than what we are currently reporting as 544, we crossed 600 odd, but as we go through the loan process we do realize that some of them are not eligible and therefore they back out as clients.

We are going through this entire process. This was taking a little bit of time but once all these registrations are done then the collection is only a matter of drawing down from the approved bank loan itself directly for us. So, the pain is only in the beginning to ensure their sanctions and ensure their registrations. After that it is construction linked, so to answer your question I think beyond that it will only be in the Quarter 3 and Quarter 4 we would get significant collections out of this Rs. 100 crores that we have sold. More than half, more than Rs. 50 crores, Rs. 60 crores could definitely be collected in two quarters.

**Tejas M:** What is the total value of the home, how much is funded through the loan, how much through the government scheme and how much is the person putting up the money?

**Dr. Santosh Sundararajan:** Some of them are eligible for this PMAY benefit of Rs. 2.5 lakhs, some of them are not case by case basis. So, if they get that then out of an average ticket size of about Rs. 20 lakhs, Rs. 2.5 lakhs would be the government funded portion. They would be coming up for the registration and stamp duty so which is again about Rs. 1.5 lakhs from their pocket immediately. So, this Rs. 4 lakhs is taken care of and the balance Rs. 16 lakhs would be loan.

**Tejas M:** And Vascon Home is in a different subsidiary, right?

**Dr. Santosh Sundararajan:** We have a subsidiary called Vascon Value Homes, but for this particular project Katvi that we have launched the land belongs to us in this case, and the land was already in the books of Vascon. So, we have launched this only in Vascon. But going forward Yes, we do plan to, we have already floated a

subsidiary called Vascon Value Homes and we will probably start doing our other projects in that subsidiary.

**Tejas M:** So, the tax benefit that the developers get for affordable housing would only be eligible once you book the revenue, accounting revenue is booked in the books, that is after the completion of the project and not before that?

**Dr. Santosh Sundararajan:** Tax is again now confused on when they want us to, whether they want us to follow 115 or not because their collections also get postponed if our revenues get postponed. It is not yet clear to be honest.

**Moderator:** Thank you. The next question is from the line of Mihir Desai from Desai Investments. Please go ahead.

**Mihir Desai:** I just wanted to ask on the financial part. So, there if we see that currently in our real estate we are experiencing a loss on EBITDA because of the increased overheads and whatever like we are financing our real estate business to grow in future. So, by when can we expect this business to come EBITDA positive?

**Dr. Santosh Sundararajan:** See as Rajesh put it, see if you calculate the value we have already sold Rs. 160 crores. We have another Rs. 80 crores in Katvi itself which we will most definitely sell in this year. So, you add that, that is Rs. 240 crores and then we have a target of at least another Rs. 50 crores in Windermere. So, that is Rs. 290 crores and we are not even talking of so then we have Forest County which will be a launch of Rs. 100 crores which also positively we should sell this year. So, if you add up we are talking of a sales value of Vascon this year which should close to, probably Rs. 400 crores even counting Madurai and Coimbatore, at least Rs. 300 crores.

Now if we are selling Rs. 300 crores and we are completing within 2 years then all this revenue has to come to our books in some way whether it is through 115 at some point of time in the future or whether it is through percentage completion, currently it is 115. So, these revenues will come to us probably in next year when we finish the project. So, it is going to be little bit topsy-turvy in that sense because on a particular quarter, the quarter in which we finish Katvi Phase 1 we will suddenly get a revenue of Rs. 80 crores, Rs. 90 crores in that sector. And next quarter we might not get revenue at all. But all in all these costs are well covered by the revenue that we are going to get through the sales that are happening.

So, it is not really that we are waiting for something, for us real estate is already positive only, recognition is unfortunately not in our hands.

**Mihir Desai:** The reason for asking this was that in EPC business we are already experiencing an EBITDA margin of roughly 18%, 19% which has been currently dragged by our real estate business. So, once when the real estate business would start contributing in a positive way then we can envisage that our current margins of 8% can jump up to some at least 12% to 15% at least?

**Dr. Santosh Sundararajan:** You are right. I mean if you want to get into the detail analysis one, 18% on EPC is also not real and sustainable. The reason it is a little bit higher than it normally would be, is because in our Ajantha project we are only getting the share of profit into our balance sheet but we are not getting the base

cost of material and labor and therefore this percentage EBITDA in EPC. Once Ajantha stops and we are having all the costs in our own balance sheet, I think this will come down a bit. But to answer your question on how real estate is dragging it, see we were also expecting that in this year we will see revenues from both Forest Edge and from Katvi.

And that would have given us real estate revenues of more than Rs. 100 crores or Rs. 150 crores from the project itself and then within this year itself the EBITDA of real estate the way we project it here would have been higher than that of EPC. But now if 115 does not allow us to recognize these revenues then from a balance sheet perspective we will continue to see this loss maybe to the end of the year and then suddenly next year you will see a huge profit.

So, that is the problem with recognition because we really do not know how to bridge that gap. We are not able to have unless we have a project that launches every quarter and sells and get completed every quarter then you will have uniformity in real estate numbers, otherwise we are going to for a while at least we are going to see these patchy numbers.

**Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research Technologies. Please go ahead.

**Jigar Shroff:** Sir, just brief outlook on GMP. You had guided for a turnover of approximately Rs. 250 crores in the current year with an EBITDA margin of 12%. So, are we on track to achieve that? And what are the divestment plans relating to this? And how much can one expect from this divestment of GMP?

**Dr. Santosh Sundararajan:** So, first question first. In the first quarter we have done a topline of close to about Rs. 50 crores. We have not gone for consolidation so the balance sheet of GMP is not signed off by the auditors yet but the topline is about Rs. 50 crores. EBITDA of 12% see we still probably have some write off from the past. The operational EBITDA is definitely for the project that we are currently executing the operational EBITDA is in that range.

How much of it would reflect on balance sheet. In this year we would, no going forward. So, to answer your third question on divestment see we are not actively talking to anyone at a valuation level currently. Definitely GMP is for divestment down the road but may not be in the next few months unless something out of the blue comes up on its own. We are not actively looking yet. We are still concentrating on stabilizing the P&L and balance sheet of the company and the operational procedures within the company. And then subsequently may be a year down the road we will look for options.

**Jigar Shroff:** You would like to implicate I mean what can be the expected realization I mean what is the company generally targeting for GMP?

**Dr. Santosh Sundararajan:** It is very difficult to put number to that. But it is an industrial company which as is normally gets valued on EBITDA multiples. So, as I said our concentration is currently to ensure that there is no past backlog that is killing the EBITDA. And the EBITDA is seen on the balance sheet and then valuation would be procedural. But I do not want to put a number to it.

**Moderator:** Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

**Pankaj Kumar:** Sir, on the GMP you have stated that it is making around 12% of EBITDA margin. Is that the right understanding?

**Dr. Santosh Sundararajan:** Yes, so the projects that are running are all in that range. Yes, about 12% EBITDA margin.

**Pankaj Kumar:** Second thing on the EPC business. What kind of revenue that we are guiding for the year?

**Dr. Santosh Sundararajan:** So, hopefully again I do not want to speculate. We have done Rs. 100 crores out of which I think Rs. 80 crores odd was from EPC in the first quarter. So, even if and normally the first and second quarters are when we get lower revenues. Second quarter is normally hit by rain. Third and fourth quarters is when the revenue peaks. So, we did only about Rs. 250 crores last year. We will definitely grow on that heavily this year. So, it looks like so hopefully Rs. 400 crores was our target. Let us see maybe we might even achieve that.

**Pankaj Kumar:** And sir, on this order inflow we are targeting Rs. 500 crores of new orders. Then we have already got Rs. 200 crores. So, do you see that we may be able to exceed the guidance or is there not in the pipeline that we have?

**Dr. Santosh Sundararajan:** So, we might see again as you rightly said this Rs. 300 crores more is the target. It does not mean we will stop and feel happy we have achieved Rs. 500 crores in the month of September. It is not like we are going to stop bidding for projects. We are already talking as I said we are in the advance stage of at least about Rs. 150 crores of order which might get announced soon. Then we will be very much on track to achieve Rs. 500 crores for the year. But if we achieve it earlier we will carry on and take more. There is no restriction.

**Pankaj Kumar:** And what is the sustainable margin in the EPC business that we have barring just one off that we have in this current quarter?

**Dr. Santosh Sundararajan:** See this 17%, 18% will probably come down to the range of 12% and 13% is what I feel from the kind of projects that we have in hand and the kind of projects we normally get. The EBITDA in the range of 12%, 13% is probably logical and sustainable unless things go wrong. So, once this agenda normally that is only getting profits and not getting the costs and once that stops I think this will come down from 17% hopefully to the range to the 13%, 14% would be very healthy.

**Pankaj Kumar:** And by when this will normalize in which quarter you see this agenda not continuing?

**Dr. Santosh Sundararajan:** No, so agenda we just launched Forest Edge, so till that Forest Edge project still being executed by us. And normally will continue for the next four quarters at least. So, what we will probably do is next quarter onwards since anyway we ourselves splitting the balance sheet and analyzing this from an investor perspective we could remove agenda and also look at the EBITDA for all other projects. We will do that next quarter.

**Moderator:** Thank you. The next question is from the line of Pratik Bora, an individual investor. Please go ahead.

**Pratik Bora:** Sir, first wanted to understand on this segment manufacturing and BMS, Building Management System. So, what exactly is the profile over there and like who all are the clients and what exactly we do there, what is the offering there?

**Dr. Santosh Sundararajan:** GMP had two divisions. It had a BMS and it had a Manufacturing arm. The BMS arm is what we in fact last year communicated that we sort of brought it down we did a slump sale sold of certain assets in that company. And that arm we are not aggressively growing. That arm was not doing very well. So, we have cut it off almost. And currently the focus remains on the manufacturing arm of the business which is purely based out of two factories one in Baddi, one in Bhiwandi. And these factories they make clean room partitions and they make doors. Primarily these are the two products that they manufacture, aluminium and steel based.

**Pratik Bora:** As of now the outstanding purchase order used over there only for the Tata Steel project, right or is there anything more to?

**Dr. Santosh Sundararajan:** No, they have been so if you see even last year this manufacturing division alone did about Rs. 170 crores, Rs. 180 crores of topline and there was no Tata order then. So, they have other orders, smaller orders in the industry they have a lot of clients. This Tata order is a new thing that has come in which will contribute a significant percentage going forward. But they still have other orders with other people.

**Pratik Bora:** So, sir, last year we did around topline of around Rs. 200 crores in this vertical?

**Dr. Santosh Sundararajan:** Right.

**Pratik Bora:** And it contributed hardly anything to the bottom-line like somewhere around Rs. 14 lakhs, around Rs. 1 million or something. So, is there a margin issue or is this very competitively priced or like how do we view this vertical?

**Dr. Santosh Sundararajan:** So, this manufacturing division is competitively priced. The margins will be small but having said that see again that is what we are trying to work on from Vascon side the balance sheet of GMP for the last two, three years is not at all reflecting the correct business or the correct EBITDA that the manufacturing business has. The reason being the Bombay arm which was the BMS arm that sort of totally performed badly went in to lot of issues. It was making losses and whatever profit was being made by the manufacturing arm was being cancelled off by the BMS arm.

So, we have taken that harsh call to cut off that business to wind it down. Yes, there are still some issues of the past that creep in to the balance sheet. Maybe I think this year would be the last year where something from the past would creep in and spoil the balance sheet as such. But if you analyze the manufacturing division separately without being put it on by any of the historical issues they will be doing about 12% EBITDA on their product. They would not be getting much higher, but it is sort of fixed. Since it is a fixed product the margins are also pretty fixed.

**Pratik Bora:** So, this year or probably next year like two years what kind of topline are we estimating in this vertical in manufacturing and BMS?

**Dr. Santosh Sundararajan:** So, the topline should exceed Rs. 200 crores we have done about Rs. 50 crores in the first quarter and the Tata order has not yet kicked in. So, once that kicked in Q3 and Q4 this will definitely cross Rs. 200 crores hopefully may be Rs. 250 crores in that range would be the topline.

**Pratik Bora:** And what sort of margin like adjusting for these trading issues or these lagging costs?

**Dr. Santosh Sundararajan:** Yes, so unfortunately, we have not audited the balance sheet in the first quarter we are not in a position to comment on the bottom-line. I can only say that the project that we will be operating are all healthy projects they are not loss-making projects. The projects that will be getting executed this Rs. 250 crores that will be executed are all profitable projects where they will have their EBITDAs in the range of 12%. I am only not able to give you a number now because we do not know what issues of the past would creep in beyond that. That is a little bit too much to speculate right now.

**Pratik Bora:** Just to summarize like my understanding. On the EPC vertical we are comfortably placed so we are looking at some topline of around Rs. 300 crores odd this year in the EPC vertical?

**Dr. Santosh Sundararajan:** Right.

**Pratik Bora:** Which is around 12% realistic margin?

**Dr. Santosh Sundararajan:** Right.

**Pratik Bora:** So, in the real estate only on the basis of ongoing projects we are estimating around Rs. 300 crores total cumulative topline in next two years put together?

**Dr. Santosh Sundararajan:** That is right.

**Pratik Bora:** Is that a fair estimate and this is not factoring in any additional launches, this is factoring in only on the basis of the pipeline projects?

**Dr. Santosh Sundararajan:** Right.

**Pratik Bora:** So, basically in two years then we could be a very reasonably a debt free company, right?

**Dr. Santosh Sundararajan:** Yes, we could be. This Rs. 60 crores the way we look at our debt is that one is the Rs. 60 crores, Rs. 70 crores CC limit with SBI which we are not in any hurry to pay off at this point of time which is a small debt which we can manage. The debt on Windermere project specific Rs. 95 crores that will definitely get paid off in the next couple of years because if Windermere sells we have almost finish our construction. So, whatever revenues come from future sales in Windermere the first thing that would happen is the pay back of that debt.

**Pratik Bora:** And this is again the contracting is post strategic sales, sales of that Aurangabad land and the Goa hotel?

**Dr. Santosh Sundararajan:** If any of those happens see we have assets, we have huge value attached to our assets. We are working on all of those sales. If any of those sales happens, yes, debt will come down faster. The Windermere debt could be paid off faster.

**Pratik Bora:** Because then are we like deliberating on the dividend policy or anything because now we are foreseeing that we might be in that situation where we are a cash rich company which might become like net debt negative kind of company?

**Dr. Santosh Sundararajan:** So, that will be a very good position to be in. See very honestly, we have not deliberated this at our board or management level yet. But yes, if debt is paid off and then we are cash positive then obviously dividend would be a topic that we will discuss and take up hopefully next year. Faster we see that the better.

**Pratik Bora:** And sir, one last question on more on the strategic front. Like what has exactly like has driven this revival in our strategy or focus like over last three, four years? Because these assets were always there on the balance sheet. But like the kind of pace this is gathering the kind of momentum this is gathering now. So, like what is driven this?

**Dr. Santosh Sundararajan:** So, we have got in a new team I think last year we got Rajesh became our real estate CEO and then we got in a new team. Our real estate team had sort of dwindled it down and we were also stuck. It is not that we never wanted to sell these assets or gather this momentum. I think everything has its own right time to peak.

We were concentrating on other issues of rights issue and bringing down the debt in the first place which was more pressing the matter for us. Once those things were sorted and as luck we have got a very good excellent team under Rajesh over the last 12 months. They have been working very hard to liquidate all these smaller assets and that has borne fruit.

**Moderator:** Thank you. Ladies and gentlemen, we take the last question from the line of Kirit Gogri, an individual investor. Please go ahead.

**Kirit Gogri:** What would be the fixed cost of real estate business currently?

**Dr. Santosh Sundararajan:** Fixed cost?

**Kirit Gogri:** Because see we have around I think in this particular quarter other expenses and employee cost is around Rs. 11 crores. If I analyze that it would be around Rs. 45 crores. But I do not know whether you have completed your recruitment of 100 people team which you wanted to have and whatever other things which you wanted to do for real estate business in creating that?

**Dr. Santosh Sundararajan:** No, so the salary cost would remain in that range only for the year even if we recruit the few I do not think it is going to make a big dent on that number. So, Rs. 45 crores and you said Rs. 11 crores for the quarter take it to four quarters would come to around Rs. 45 crores. So, salary cost should remain there. Roughly about half of this in our of course we do not bifurcate this on a thump rule basis, we go and bifurcate it actually on each staff whether they are working for the real estate division or for the EPC Division and based on that kind of an analysis.

It is coming out that about half or about 55% of the cost are towards real estate, about half of it is towards EPC. So, the overhead from real estate angle if you see primarily they are only salaries. So, about Rs. 22 crores of salary is a fixed cost on the real estate side.

**Kirit Gogri:** No, I am just referring to only real estate business the bifurcation what you have given in the presentation?

**Dr. Santosh Sundararajan:** Correct so I think in the presentation.

**Kirit Gogri:** Nearly about Rs. 6.3 crores.

**Dr. Santosh Sundararajan:** Rs. 6 crores so Rs. 6 crores you can say times four, Rs. 24 crores, Rs. 25 crores would be the fixed cost. What the other expenses that you see about Rs. 4.94 crores that is not a fixed cost. That Rs. 3 crores out of that Rs. 5 crores, Rs. 3 crores was advertisement cost for this Katvi project that we launched. So, that would only happen if we are launching projects and there are advertisement costs or marketing cost.

Then the other cost would continue to but these are not exactly fixed cost. They are variables in that sense that they are depended on the project that we launch. So, only salary primarily is a fixed cost which would yes you could say about Rs. 25 crores for the year.

**Kirit Gogri:** Okay so you are not expecting any increase in this even if you recruit more people, that is what you are saying?

**Dr. Santosh Sundararajan:** Yes, not much for this year. For the launches that we have planned for this year I think we have the manpower to cover it little bit of recruitment here and there would not affect the number.

**Kirit Gogri:** These are 100 people so is it in place right now?

**Dr. Santosh Sundararajan:** We are already at about 60. The 100 people team would happen if we have another couple of big projects like the other one in Talegaon that come up then we will take that to around 100 otherwise we would stabilize at around 60, 70 in the short term at least.

**Rajesh Mhatre:** See to answer your question, the real estate team which presently is in can handle our topline easily of Rs. 600 crores.

**Kirit Gogri:** Rs. 600 crores on an annualized basis what you are saying?

**Dr. Santosh Sundararajan:** Yes, annualized sales value. Now when we are talking about from 70 odd people moving to 100 this 30 really are junior level staff and not much at the senior level which will not really significantly increase the overall employee cost as such.

**Kirit Gogri:** Okay then basically whatever increments and that inflationary increase what we will see we should expect going forward, that is what you are saying?

**Dr. Santosh Sundararajan:** Correct.

**Kirit Gogri:** And in your EPC business you mentioned about taking Rs. 500 crores of order in this particular year. So, are we constrained by our DG limit or given the current DG limit we can even take much more than Rs. 500 crores?

**Dr. Santosh Sundararajan:** So, you are right the reason we set ourselves a Rs. 500 crores target is because our current BG limits will permit us to take up to that much. In order to take more orders than that again it depends sometimes an order comes by which is not very DG intensive then maybe we could be able to take it or by the time we bag this Rs. 500 crores of orders if some of our old DGs from projects come back and our DG limits are available within the existing limits then maybe we could take another Rs. 100 crores, Rs. 200 crores. But yes, we cannot go for a Rs. 1,500 crores order intake with the existing DG limits.

Somewhere in the range of Rs. 500 crores, Rs. 700 crores is what we can manage with the existing. But we are in talks with the banks. I think once we have a few order in takes and one they see that our quarterly topline and bottom-line are steadily improving and EPC has stabilized. We are in talks with them our rating has also come to investment grade. So, soon we will augment our DG limits also.

**Rajesh Mhatre:** Just to add what Santosh had mentioned. See additional Rs. 150 crores worth of DG limits are already assessed by banks.

**Kirit Gogri:** So, is it primarily constrained because of the total borrowings what we have on books or what is it which is constrained not allowing us to take more DG limits or not been we are unable to get those DG Limits?

**Dr. Santosh Sundararajan:** No, see the overall borrowings as compared to net worth is in a very, very healthy position. In fact we are underleveraged on that on that front as far as banking is concerned. Going for additional Rs. 150 crores DG limits, banks because obviously these limited are from public sector banks. Most of the banks were under ECA. In fact, when we actually went for you are tying up this Rs. 150 crores limit now from this quarter onwards we see the banking situation improving and therefore this Rs. 150 crores we are confident that we should be in a position to tie up at least by the third quarter of this financial year.

**Kirit Gogri:** Okay so then that will allow us to what additional order book once we get that Rs. 950 crores?

**Dr. Santosh Sundararajan:** So, typically you need your DG requirements are in the range of about 15% of your order intake.

**Kirit Gogri:** For Rs. 750 crores?

**Dr. Santosh Sundararajan:** Yes, about Rs. 1,000 crores, 15% so yes about Rs. 1,000 crores if we will get a Rs. 150 crores new line then that opens up Rs. 1,000 and then of course the old DGs which are already consumed from old limits will keep coming back. So, the ball will roll.

**Kirit Gogri:** Yes, because we have a fantastic opportunity in terms of scaling our PKC business.

**Dr. Santosh Sundararajan:** That is right.

**Kirit Gogri:** I was just wondering why we are not unable to get more orders?

**Dr. Santosh Sundararajan:** There are two reasons there. One is again I will tell you there is a lot of competition in the market in the sense that we bid for a lot of orders is not that we do not we do not but we are choosy when it comes at the end because we are very clear that we do not want to compromise and take orders that do not give us bottom-line. We do not have any such pressures, we do not have such tactics or strategies. Whereas there are many companies in the market who seem to have strategies beyond bottom-line.

And every now and then in an order we find that orders are going at ridiculous prices which make no sense. And we dispassionately non-emotionally just let it go. So, our rate at which we bare orders compared to what we bid is very less. And we have discussed this at our management and board level and I think we are all very clear that we do not want to make mistakes that we made in the past of just going over for topline. So, we will be careful in order booking. Those remain?

**Kirit Gogri:** What is the threshold margin at which you work when you bid for an order including your finance cost?

**Dr. Santosh Sundararajan:** So, as I said these orders Yes, including our finance cost for that order which is not high because normally these are funded by the client, they give some advance. So, the finance cost is not huge around EPC order. But including all of that we hope to make that kind of gross profits in the range of 15%. So, that is what we bid at normally so that even if some things go wrong he will come to a gross profit in the project in the range of upwards of 10%. We will never go and bid for a project upfront knowing that we are expecting to make only less Rs. 10 crores to start off with because that could erode by the time we finish and then. Yes, that is roughly the strategy we work on.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question in the queue. I now hand the conference over to Dr. Santosh Sundararajan for closing comments.

**Dr Santosh Sundararajan:** I thank all of you for participating. And we will see you again next quarter with better results as always. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Vascon Engineers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.