



“Vascon Engineers Limited
Q1 FY2023 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Q1 FY2023 Earnings Conference Call of Vascon Engineers Limited. 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 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 – Group CEO, Vascon Engineers Limited. Thank you and over to you Sir!

Santosh Sundararajan: Thank you. Good morning everyone. I welcome you all to the Earnings Conference Call of Vascon Engineers for the quarter ended June 30, 2022. Today joining with me on this call is Mr. Somnath Biswas, our CFO and our investor relations team Stellar Investor Relations. I believe you would have gone through the Q1 FY2023 financial results and the results presentation uploaded on the stock exchanges and on the company's website.

The key development in Q1 FY2023, we have been highlighting over the past few quarters that we are focused to improve our debt position and in continuation to that we are happy to report that over the past 15 months we have been able to reduce our debt by Rs. 59 Crores to Rs. 155 Crores as on June 30, 2022, as against Rs. 214 Crores as on March 31, 2021. This along with improved cash flow generation has led to net debt of only Rs. 48 Crores as on June 30, 2022, as against Rs. 134 Crores as on March 31, 2021.

More importantly, a significant part of the debt reduction has been on the high-cost debt, which helps in bringing down our finance cost. During the aforementioned period, the total debt equity ratio has improved to 0.19x times from 0.30x times. Further our credit rating profile has also improved. As mentioned in the last con call too, our credit rating for long term bank facility has been upgraded from Acuite BBB - to Acuite BBB stable and for short term bank facilities has been upgraded from Acuite A3 stable to A3+ stable. With improving business performance and cash flow generation, we are hopeful of further upgradation in our credit rating going forward. We continue to focus on liquidity management by monetizing the non-core assets.

The second key highlight is the improving run rate of the EPC execution. During the quarter, EPC revenue increased 78% on Y-o-Y basis and 4% on Q-o-Q basis to Rs. 137 Crores, while of course on Y-o-Y basis it may look high growth centric due to the base effect of the partial lockdown last year, but when compared on Q-o-Q basis too, a growth in EPC execution run rate is quite encouraging. Even typically, in construction industry, Q1 of any fiscal year is lower than Q4 due to seasonal effects. We attribute this growth to vigorous efforts by our team to resolve the challenges that we have been facing in the past.

Thirdly, our EPC order book have been robust, as on June 30, 2022, the total order book stands at Rs. 1,777 Crores of which external EPC orders are Rs. 1,638 Crores and the balance would be Rs. 139 Crores from internal orders. Further almost 76% of the order book is towards government projects, which provides visibility or faster execution and an uninterrupted cash flow helping us improve our execution run rate. With that, we believe we are well placed across improved performance in the next couple of years, as our order book forms 4.2x times FY2022 EPC revenue providing strong visibility of EPC revenue growth for the next two to three years. The company is witnessing increased demand in real estate EPC segments as we are tying up with realtors based in Pune, Mumbai, and Coimbatore.

Lastly on the real estate and GMP business, we are happy to report there is meaningful progress in both the business segments. During the quarter, we launched new residential project Tulip phase III in Coimbatore, the first tower 6 and out of the 49 units which is in Vascon share 44 units were sold within one month of launch. We are planning to launch tower 7 of the same project in August 2022. On the other project, Vascon Spring, we have fully sold the building consisting of an area of 33,387 sq.ft. out of which 70% is Vascon's share. GMP business is also looking turnaround. Company has generated a profit of 1.3 Crores in the current quarter.

With that, Vascon Engineers embarks to move towards growth trajectory, the company's proficient team and rigorous hard work has begun to show meaningful outcome in the performance. In the recent past, the company faced various headwinds, which progressively resolved thus heading towards achieving new high. Our emphasis towards debt repayment and building a robust order book with reliable clientele.

Coming to the industry sector, the rating companies have revised the construction sector outlook to neutral in FY2023 from an improving FY2022. A stable sector outlook reflects the expectation of a continued uptick in business activities for EPC players. Order inflows have increased significantly in majority of the segments and tendering activities gaining momentum owing to the financial assistance by the central government granted back in FY2022. Order inflows for FY2022 were also aided by resurgence in state government capex expenditure on economic activity, which had been limited in FY2020 and FY2021 due to the downturn in economy and the effects of the pandemic.

According to the industry reports, order book visibility is likely to be strong in the medium term given the overall number of tenders declared increase by over 11% Y-o-Y in FY2022 and that significant central government budget expenditures are expected to continue in FY2023.

At Vascon too, the company is witnessing a robust ordering activity and continued strong execution across EPC projects. In Q1 FY2023, all the projects were operating at optimum levels enabling faster project execution and resulted in better results.

We believe that the execution will continue to gather momentum going forward. I would like to reiterate that the company is relentlessly focusing towards deleveraging its balance sheet by repayment of high-cost debt. Deleveraging will aid efficient working capital management. We are continuously working towards liquidating the assets to generate additional cash flow. The EPC segment during the quarter witnessed a fast-track execution of the projects. EPC segment revenues stood at Rs. 140.7 Crores including those of internal orders for Q1 FY2023 with an EBITDA at Rs. 13.2 Crores.

Major projects namely the Maharashtra State Police Housing, PWD Raipur Hospitals at Kaushambi and Bijnor are running smoothly. The order book of close to Rs. 1,777 Crores we envisage that EPC segment will deliver a strong performance going forward. We are witnessing orders from segments like Mumbai Police, Raj Bhavan, Vedanta in Barmer, Samyama Project etc., in our EPC segment. Real estate segments, after various headwinds in the recent past is gaining momentum and there is a gradual recovery in the demand as the economy moves towards normalcy.

Our new sales booking in Q1 FY2023 stood at around 123,716 sq.ft. for a total sale value of Rs. 71 Crores. During Q1 FY2023, our real estate revenue stood at Rs. 7 Crores for Q1 FY2023 and EBITDA of Rs. 1.73 Crores. The gross margin came in at 66% while EBITDA margin at 25% in Q1 FY2023. Due to the nature of accounting statement given to revenue and **expenses for real estate** business as per Ind AS. The recording of revenue happens on project completion basis making it lumpy in nature whereas administrative and other expenses are recorded as incurred. Due to the standing difference of revenue and expense recognition in certain quarters where revenues not booked the real estate business will show a loss, as opposed to those quarters where revenue is booked.

Currently, we are executing almost 6 to 7 projects, it is expected to generate a potential revenue of Rs. 352 Crores on completion basis, which is estimated to be within the next 6 to about 24 months. The projects in near pipeline include residential and commercial projects at Coimbatore, Madurai, Pune, Mumbai with aggregate sales value of Rs. 1,760 Crores with Vascon's share being Rs. 1,304 Crores.

The GMP business continues to deliver a sustainable performance with the revenue of Rs. 60.3 Crores for Q1 FY2023 and a healthy gross margin of 28%. EBITDA stood at Rs. 4 Crores with the margin of 7% in Q1 FY2023.

On the overall financial performance, let me start with the standalone numbers. During Q1 FY2023 the company reported a total income of Rs. 143 Crores as against Rs. 78 Crores in Q1 FY2022 the growth of 80% Y-o-Y. In Q1 FY2023, EBITDA stood at Rs. 14.53 Crores as against a loss of Rs. 0.17 Crores in the corresponding period last year. EBITDA margin was at 10%. Reported net profit of Rs. 10 Crores in Q1 FY2023 as against a loss of Rs. 7.2 Crores in Q1 FY2022. On a consolidated basis in Q1 FY2023, the company reported a total income of Rs. 203 Crores as against Rs. 114 Crores in Q1 FY2022 a growth of 78%. The EBITDA stood at Rs. 18 Crores and a margin of 9% as against Rs. 2 Crores in Q1 FY2022 and the net profit at Rs. 10.8 Crores as against a loss of Rs. 7 Crores in Q1 FY2022. On the strategy, the company is focused towards building a strong order book enabling the execution to continue at current levels. EPC business will be the prime focus of the company going forward, however, we are also having emphasis on growing our real estate exposure in chosen markets.

With this we can now open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vineeta Kapoor an individual investor. Please go ahead.

Vineeta Kapoor: Hi thank you for the opportunity. I just wanted to know how much real estate sales the company is expecting by the end of FY2023?

Santosh Sundararajan: Rs. 130 Crores. So, we will be finishing about four projects, which will get their OCs this year so we will be able to recognize them progressively in Q2 and Q3 and Q4 and the total sales would be about Rs. 130 Crores.

Vineeta Kapoor: Okay and can you throw some light on new order coming quarter in the EPC segment and are there any L1 order for the company?

Santosh Sundararajan: No as it stands we are not aware of any order where we have been declared as L1 so normally I mean in the open tender and we are L1 in government sector then we would receive the LOI recently so but we are working on, as I said there are quite a few orders that are coming up being posted on the portals of various departments so we are having a keen eye on it and we are targeting a few so hopefully we were waiting for a little bit of BG limit augmentation but that is also happening parallelly we are in talks with the banks, it looks very promising that in another three months we should have lot more BG limits than we have today. But even with the current available limits we are hoping to take at least a couple of orders in the next quarter or two.

Vinit Kapoor: Okay, fine. I will come back in the queue thank you and congratulations.

Santosh Sundararajan: Thank you.

Moderator: The next question is from the line of Shrey Gandhi from Arihant Capital Market. Please go ahead. Due to no response, we will move to the next question which is from the line of Renuka Jadhav an individual investor. Please go ahead.

Renuka: Thanks for the opportunity. So, my first question is like what is the interest rate of the Aditya Brila Capital Loan and can you also help me like when the company will be debt free or by what time the company will fully pay off its high-cost debt?

Somnath Biswas: Aditya Brila interest rate in the range of 12.5% and if you would talk about the debt optimization more or less we are very close to debt optimization some plus/minus if you are look at high cost debt totally, a meaningful high cost debt quota is left out, which is to the tune of Rs. 10 Crores rest all the high cost debt has been extinguished, so current debt portfolio is significant part is the cash credit limit of SBI and UBI which is the part of EPC business and one or two projects construction finance, which will in some cases will be extinguished and in some cases new sales book and cash flow will be raised. So more or less we are very close to optimization, another Rs. 10-15 Crores plus/minus will be there in two months. When we say debt free, we are not debt free, I think see we had a target plan over the last two years to bring down our high cost debts to, currently we had a net debt of Rs. 48 Crores and for an EPC segment that is growing what we are expecting to grow is not as expected year on year for the next two to three years where there will be a credit requirement of CC/BG limits so that is the only debt we will be living with that we do not intend to extinguish down to zero or any such thing in the short term, but all other high cost debts that was bothering us that were not getting relevant cash flows to service them on time in easy fashion all that we have pared and so now we are very comfortable with our cash flow situation.

Renuka: Okay that was helpful, so my second question was on the other income side like there is a drop in the other income so like if you look historically there has always been in the range like Rs. 3 Crores range so is there any specific reason for that?

Santosh Sundararajan: See there is always, I think there are two aspects to other income one is a steady interest that we gain on our FDs that are passed to the bank by way of margin money that we have to put up with the bank that has gone up a little bit because the margin money has only continued to increase a little bit over the last few quarters, but the other aspects of other income is one off sales which will hold us inventory in our books so sometimes old house projects which has not been sold will get sold or old real estate asset being held as inventory gets sold then we get spike, so I think normally we do get one or two sales this quarter we have not had any such small apartment or something getting sold.

Renuka: Okay. So, I have another question like what is the status of the non-core asset, like any sales happened in the non-core segment during the quarter?

Santosh Sundararajan: Specifically in this quarter noting much, as of now we step by step extinguished most of our non-core assets now we have the big-ticket ones like the office in Kaledonia then we have Thane land ofcourse, we have land in Aurangabad which is not yet sold and then of course GMP the strategic investment, which at some point we could look at divesting, but these are the bigger ticket ones which will take their own time to exit from but all the other ones low and medium hanging fruits we have worked hard on and including inventory in Windermere, which was a year ago was staring at us because the interest was very high over there, all of that we have extinguished over the last 12 to 15 months.

Renuka: Okay Sir that is it from my side and all the best.

Moderator: The next question is from the line of Shrey Gandhi from Arihant Capital Market. Please go ahead.

Shrey Gandhi: Sir my question was like with regard to Thane land when you expect the monetization to happen and second question would be on the margin outlook like what do you think on the margin outlook?

Santosh Sundararajan: On the Thane land there is no answer that I would be able to provide as to when we will demonetization happening it is still little bit ahead of us, but day by day what is indeed happening is the boundary of the city is stretching Thane land has coming to developable zone and the prices are only going up development is only expanding so at an appropriate time, if we want to do it today we need a lot of capital which we do not have and we are not focusing in terms of capital on a balance sheet to solve the Thane puzzle so we would wait for a while and we will find a partner who will then come in and we will solve this together. So it is a goldmine it is only gaining in value as we sit on it. When we will be able to monetize it, I do not really have an answer but definitely not in the next couple of years. Having said that, there is also a corridor that is being proposed by the government a highway or something that is going to be constructed, which does cover a good portion of our Thane land about 20%-25% of our Thane land comes under that corridor that is being proposed, it is not yet officially declared by the government, but preliminary plan show that and if that acquisition does happen from the government side, then a portion of Thane would have to be liquidated by sale to the government. And the rates are normally good, they are, if that does happen that will be also good for us. And to do with expected margin I think the EPC division is sort of stabilizing about, it used to about 17%-18% gross profit now its stabilizing around to about 15% we hope this remains, we should be in line to remain at 14%-15% level, this year we do have a little bit of effect of the steel and all

escalation that had happened in the last six eight months most of them are covered but some are not so those aspects have also brought down the gross profits a little bit but I think going forward we hope to stabilize EPC gross profits in this range of 14% - 15%. Real estate will be spike Q-o-Q, it is very difficult to put a number to it but on a general basis the real estate margin, the gross profit margins would be about 20%.

Shrey Gandhi: Okay thank you Sir.

Moderator: The next question is from the line of Milan Shah from Urmil Research Consultant team. Please go ahead.

Milan Shah: First of all, congratulations good set of number. I want to understand the employee benefits expense is it decreasing every quarter due to replacement of employees or it is efficiency of productivity?

Santosh Sundararajan: So it is a combination of both dip in our employee cost a little bit last year we did have a certain decisions that we did take to bring down our overheads a little bit, but also there is an effect of the ESOPs of that gets loaded Q-o-Q so in the initial quarter when we had a ESOP scheme that was declared last year so that the way it hits your balance sheet cost is a bit upside in the initial quarters, there is a higher loading that comes to our P&L and as the date pass by every Q-o-Q the loading decreases, so that is also a reason why the employee cost looks lower.

Milan Shah: Okay so it may be also going to increase in next time when we are going to allot ESOP right?

Santosh Sundararajan: No so ESOPs for the next four years so what has happened is we have already taken an approval from AGM and board and allotted ESOPs to all staff all the way up to 2026.

Milan Shah: So up to 2026 it is not going to come up?

Santosh Sundararajan: Yes, so up to 2026 we will not be coming up, I mean we do not expect to be coming up with any new ESOP schemes there is no such plan in the short term so the new ESOPs would not be hitting our balance sheet for three to four years, what is there existing will continue.

Milan Shah: Okay. Then this is an excellent move by the company for product testing and wish you best of luck for growth.

Santosh Sundararajan: Sure, thank you.

- Milan Shah:** Thank you.
- Moderator:** The next question is from the line of Deepesh Sancheti from Maanya Finance. Please go ahead.
- Deepesh Sancheti:** Hi Sir, I joined in a bit late, so if there any repeat question apologize me for that, I want to know what is the percentage of sales in terms of self-development and developing for others or in contractual development?
- Santosh Sundararajan:** So, in contracting I think it will not be 5% or 7%, less than 10% accrues currently from our self-development project more than 90% is from 3rd party.
- Deepesh Sancheti:** And going ahead it is going to be this way only or we are going to develop ourselves?
- Santosh Sundararajan:** Of course not, I mean I will tell you honestly speaking my best client is obviously our own real estate division, as an EPC player our preferred client or best client is obviously our own real estate division where we do not have to worry about collections, we do not have to worry about risk of payments, we do not have to have man to man marking monthly basis to satisfy client requirements on various so our overheads come down. We can focus on engineering, we can focus on quality delivery so I would be very happy as an EPC player if this percentage comes below 90 to 80 and 75, but for that the real estate division should see opportunities and should be able to launch and sell enough projects to bring us there, real estate division is also working very hard now to sign up new projects in both Pune and possibly in **Coimbatore** so as we go along, this percentage can come down to at least 80:20 over the next year or so.
- Deepesh Sancheti:** So, 20% should be our own development, right?
- Santosh Sundararajan:** I hope so, yes it would be good percent to target which would means that we putting extra pressure on the real estate side because EPC some third party will continue to grow there is no intention to not take projects, as we take more projects on third party the growth of our own development would have to be even higher than that so that this ratio comes down to 80:20.
- Deepesh Sancheti:** And because of the prices, the price increase in steel and cement is there any pressure on our gross margins or it does not matter?
- Santosh Sundararajan:** There is as I said I would be wrong to say that nothing matters because although good, in most of our contracts the good amount of these escalations are pass through to the client and that is a saving grace but still everything has gone up and everything is not a pass through

so if diesel goes up what happens is transportation of small things to site, small things that we purchase including up to sand and metal in some contracts are not covered so there is a price increase in every aspect not only steel and cement so it is definitely affecting our margins in a small way, that is why I said our gross profits which used to be at 17%-18% now we are looking at a 14%-15% level so as a percentage it is definitely being seen as an effect of these escalations.

Deepesh Sancheti: Okay, so going ahead what is the margin estimate you can give us?

Santosh Sundararajan: So I would like to stick to 14% to 15% I mean we do try to target projects where on a design and built basis we can make higher gross profits, but as we are looking for growth we cannot continue to remain extremely sparing when it comes to take projects, so far we have been very choosy we turn up a lot of projects where we feel the margin is one or two percent basis points lower than what we want, but if we want know about order booking then growth from these levels of EPC to 30%-35% Y-o-Y then we might not have the luxury of being choosy so it might have to take up on an average bring down our gross profit levels by a percentage or two so that 17-18 is coming down to 15, yes as I said we were operating at 17%-18% level this has come down to about 15% currently because of escalations but going forward we will expect to make in the same region of 14% to 15% gross profit, therefore we want to grow we will not have the luxury of being choosy to that level on the profit that we expect from projects so if you want to compete and grab a few more projects we might have to take them at one or two basis points lower in terms of margins. So, 14% to 15% is kind of a prediction we would make and work to it.

Deepesh Sancheti: And what is the status of payment from customers are the builders or these real estate players paying properly right now, no longer situation which used to be happening in two to three years back, are things better?

Santosh Sundararajan: So, we have 80% of our exposure to government sector we have only one or two project going on in in the private sector and that too to clients whom we know marquee clients, so yes we are not facing that kind of a problem in the last few quarters but whether in general real estate sector has revived there is time for us to say, but I do think there is an improvement because of RERA coming in and because of answerability and Escrow accounts which RERA mandates and some financial tie ups happen with financial partners so automatically discipline comes in on real estate side where we do open ESCROW accounts so I think it is improving and we are hoping to increase our exposure to private sector also going forward.

Deepesh Sancheti: Okay. And Sir last question, I heard somebody talking about your Thane land and you said that it is a goldmine which you are sitting on can you quantify as of now what is the size or

what is the price which, what is the value of the land and is there any other goldmine that you are sitting on?

Santosh Sundararajan: We are sitting on GMP which is also a goldmine, GMP has now started doing, is going to do more than Rs. 200 Crores this year they will give decent gross profit EBITDA this year and if it continues for a year or two which it will then you will be able to plot price time earning times multiple and accordingly look for a decent valuation and so that is also a goldmine we are sitting on but Thane land the reason I call it a goldmine is because even as it stands we are having in that company it is about 150 acres of land 45% of that company belongs to Vascon so you can say about 70 acres of land belongs to Vascon. It is not contiguous and it is not entirely saleable at that price today but the ready reckoner value or the going rate in Thane around our parcel is always upwards of four to five Crores an acre, so even by doing nothing and this is being held in our books that Rs. 50-60 Crores kind of valuation whereas this is already just at market value of sale this is worth more than Rs. 350 Crores and if you look at the kind of FSI that is committed there and the buildability that is possible in that location because it is next to a main road its crazy so those excel number looks extremely crazy I would not want to quote them here and you know..

Dipesh Sancheti: Yes, I understand. This is good enough to build our confidence. Just one more question about GMP, that land for how many years can we project the sales and what is the project lifecycle?

Santosh Sundararajan: The project lifecycle likely in GMP it is not more than six months to eight months generally. We have currently we are sitting on about Rs. 250 Crores of order backlog so which is very healthy from their perspective because they do extinguish it very fast.

Dipesh Sancheti: So that kind of sales will be seen in the next two quarters that is what you are trying to...

Santosh Sundararajan: You are already seeing it, see this quarter they have done Rs.60 Crores of sale so even if that goes times four you are looking at Rs. 240 to 250 Crores of topline from GMP this year I am just linearly projecting, it might even do better.

Deepesh Sancheti: And what will be the reasonable expectation of margins over there?

Santosh Sundararajan: Currently we are still looking at single digit PBT may be 7%-8% is what we are looking at over this year and next year and then if some operational efficiencies of sale catch up then hopefully that would reach towards 10.

Deepesh Sancheti: Okay. And on bad debtor side is there any payments, which have been received or is there any fresh new addition?

Somanth Biswas: No there is no such new addition, payment is also not risen in these five quarters but we keep on pursuing and expecting something to happen in the next quarter.

Deepesh Sancheti: Okay and what is the payment cycle from the government as we work basically with the government only in the EPC what is the payment cycle?

Santosh Sundararajan: They are paying us every month, so we raise a bill every month and we do receive payments every month.

Deepesh Sancheti: That is really fair government....

Santosh Sundararajan: No some departments are paying after we raise a bill not more than 40-45 days we do receive the payments so far.

Deepesh Sancheti: That is nice and you are able to pass on all the increase in raw material cost especially steel and cement and everything you are easily able to pass it on?

Santosh Sundararajan: In most of the projects, steel cement and tiles and the base rated items so 90% of our escalation cost are passed on, in a couple of projects we do have a clause in the contract, which does not help us pass on in entirety these costs, but we are in talks and negotiations with the government because in both these projects what has happened is that is Goa Airport as well as in Bangalore there were delays from the government side in terms of obtaining their environmental certificate or tree-cutting permission and then the project got delayed by more than a year and when the project started Covid happened and post Covid we are seeing is escalation. So these projects we basically should have been out of it had the government given us the clearances on time so that is a very strong case for us to put it back to them that these delays have been initiated from your side and currently we are facing the wrath of the escalated prices so they are amenable to listening to these arguments they have a committee, which is listening some places they are giving us benefits and otherwise all said and done and if it does not work out through negotiations then we will be doing through arbitrage, to recover any more than the escalations that we are facing on these couple of projects, but in all other projects 90% is covered and the small 8% to 10% which is not covered we are facing that on our account.

Deepesh Sancheti: Okay and just one more question about the Thane land, who is the 55% landowner if you can mention his name?

Santosh Sundararajan: So, there are couple of HNIs, I do not want to mention their names.

Deepesh Sancheti: No, I do not want the HNI's names I just want to know if there was a single entity?

Santosh Sundararajan: So, the company, it is a single entity it would be entire 150 acres and the shares of the company are held in 45:10:45 so 45 is another HNI from Mumbai 10 is another HNI and 45 is with Vascon.

Deepesh Sancheti: So fine, there are not the too many players?

Santosh Sundararajan: No.

Deepesh Sancheti: Great thanks a lot Sir, this really builds a lot of confidence in the company thank you so much.

Santosh Sundararajan: Thank you.

Moderator: The next question is from the line of Shrey Gandhi from Arihant Capital Market. Please go ahead.

Shrey Gandhi: Am I clear now.

Moderator: No Sir I would request you to please check your phone line and rejoin the queue. In the meanwhile, we will move to the next question which is from the line of Vineeta Kapoor, an individual investor. Please go ahead.

Vineeta Kapoor: Since all the segments are doing well any EPC guidelines can you give us on EPC segment and how is the real estate panning out to be?

Santosh Sundararajan: So we are looking, EPC has done Rs. 137 Crores in the first quarter so we had set ourselves a target of Rs. 600 Crores I think we are very much in line to achieve that you know one thing only COVID phase IV if at all can pull us back otherwise everything looks promising, Q2 will always be lesser than Q1, Q2 is the worst quarter because of rains, we are already seeing that we have a 15 days continuous rains in July and Bombay could not do the projects or do the targets for the month, but that is known and expected but Q3 and Q4 are our best quarters so I would still project that achieving 600 as we projected for the year looks well on track for the EPC. Real estate we feel that they will get about 3 to 4 projects will be getting their OCs this year and those sales were total up about Rs. 130 Crores so unless we have one off sale other than this otherwise we should stabilize at about Rs. 130 Crores from the real estate for the year.

Vineeta Kapoor: And they all are in Pune, I mean Pune these OCs for, the four projects that you mentioned?

Santosh Sundararajan: One is in Coimbatore and three are in Pune.

- Vineeta Kapoor:** Okay and what is your overall guidance for this year and next year?
- Santosh Sundararajan:** It is almost consolidated basis if you add up the EPC Rs. 600 plus Rs. 130 from the real estate that takes you to Rs. 750 plus GMP is looking to do around Rs. 200-250 Crores, we have minimal target that we touch the four-figure mark hopefully we will or we might just land up a bit short, hopefully we will. And on the profit side as I said the percentage is rough as of now, it will translate to about single digit PBTs at the end of the day because real estate does much more than Rs. 130 Crores if we have one off sales coming from there then we could look at higher PBT, but otherwise the PBT would be single digit 6%, 7%, 8% is what we might end up with.
- Vineeta Kapoor:** Okay. That is great. My last question, what is the interest rate of Aditya Brila capital loan and if you can just help me when the company will be debt free or by what time the company will be able to pay off its high-cost debt?
- Santosh Sundararajan:** The Aditya Brila loan is at 12.5% it is also a short-term project related loan so as the project gets executed this will get extinguish in the next 18 months or so. The only high cost debt that remain the last amount of the Kotak debt that we have taken for our Windermere Project, the Kotak debt was Rs. 110 Crores we have brought it down all the way to only Rs.10 Crores at this time and this Rs.10 Crores we are waiting for one sale in Windermere which is globally tied so we will be extinguished in next couple of months, if that does not happen then we will extinguish it from other sources so this way or that way in the next quarter or two this ten Crores would disappear that is the only high cost debt that remains with us. Without debt which we do not intend to extinguish is the little bit of CC limit that we have with SBI we would appreciate that EPC is growing in a significant way we did only Rs. 300 Crores the year before and we have done Rs. 400 Crores last year and we are looking to Rs. 600 Crores this year and hopefully carry on for a year or two at least with the same percentage of Y-o-Y growth, so at these levels about Rs. 50-60 Crores of CC from a bank is not service and it is in a way needed to keep pushing the business so we do not intend to extinguish and that is a low cost debt that is only 9% or so, so we do not intend to extinguish that last piece of debt that would remain on us.
- Vineeta Kapoor:** Okay that was very helpful. Thanks, that is it from me.
- Moderator:** Thank you. The next question is from the line of Shrey Gandhi from Arihant Capital Market. Please go ahead.
- Shrey Gandhi:** Thank you for taking my question again, just wanted to have an outlook on the Goa land when will it get monetized so that is Goa land, and with regard to the real estate I wanted to

know when is handover for the real estate and if you can give some guidance on the overall margin, segment wise you have already given overall consolidated margin how it will be?

Santosh Sundararajan: So, we do not have any land in Goa we had a Hotel in Goa, which we already sold couple of quarters ago and so as of now we do not hold any asset that is up for liquidation we are only executing as an EPC player the Goa Airport project other than that we do not have anything in Goa. Your second question was real estate, sorry?

Shrey Gandhi: When will be the handover in the real estate?

Santosh Sundararajan: Handover of what exactly?

Shrey Gandhi: Real estate project.

Santosh Sundararajan: That is an on-going process we have Windermere which is 98% completed so that is almost handed over we have got OCs for both the buildings in that project and we have a project going on in Talegaon factory with the phase I we expect to get the OC and handover in this financial year we have a project going on in Kharadi, Forest Edge, which again the phase I is handed over to people currently in the process of handing over the last stage of handover to customers we have already got the OC and recognized that last year, this year the phase II the second building we are expecting to get the OC and start the handover process in the Q3 and Q4 and again one project in Coimbatore, which we have sold fully and we intend to handover in the Q4 of this year. Other than these, there will be new projects which we will be launching in Coimbatore we have just launched a residential project as we said we have sold a good percentage in the first building, this handover will now happen one-and-a-half years from now.

Shrey Gandhi: And some view on overall consolidated margins going ahead?

Santosh Sundararajan: So if everything goes to plan, as I said GMP will also stabilize, high single digit 7%, 8%, 9% kind of margins are easily achievable and stabilize closer to 10% of PBT and the real estate will give a little bit higher so on an average because the weightage of real estate is in our total top line even for this year is going to be only 10%, 12%, 15% so I think on an average we will still put our head out and say we will be in the high single digit as a consolidated PBT.

Shrey Gandhi: Okay thank you so much.

Moderator: Thank you. As there are no further questions in the participants, I now hand the conference over to Dr. Sundararajan for closing comments.

Santosh Sundararajan: Thank you everyone for the participation and interest, I miss pointing out that I am sure you would have observed but for the first time we have Rs. 10 Crores of profit in this quarter which is entirely completely operational no one off in fact given the other income did not even get Rs.1 or 2 Crores from sales of old inventory so we are back on track to getting operational profits and this will only continue to improve going forward. Thanks for your interest and I will see you all again next quarter. Thank you.

Moderator: Thank you. On behalf of Vascon Engineers Limited that concludes this conference. Thank you joining us and you may now disconnect your lines.