"Vascon Engineers Limited
Q2 FY '23 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day, and welcome to Q2 and H1 FY 2023 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 star and then zero 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 second quarter and half year ended September 30, 2022. Today, joining me on the call is Mr. Somnath Biswas, our CFO and our Investor Relations team, Stellar Investor Relations.

I believe you have gone through the Q2 and H1 FY '23 financial results, presentation uploaded on the stock exchange and on the company's website.

The key development in Q2 and H1 FY '23 are:

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 18 months, we have reduced our gross debt by Rs 59 crores to Rs 155 crores as on September 30, 2022, as against Rs 214 crores as on March 31, 2021.

This, along with improved cash flow generation has led to a net debt of only Rs 41 crores as on September 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 costs. During the aforementioned period, the total debt-to-equity ratio has improved to 0.19x from 0.30x earlier.

Further, our credit rating profile has also improved. Like we mentioned in the last con-call, Acuite Rating has upgraded its rating for our long-term bank facility to Acuite BBB stable and for the short-term facility to Acuite A3+ stable. Other in September, CRISIL has also assigned long-term credit rating of BBB stable and a short-term credit rating of A3+. With improving business performance and cash flow generation, we are hopeful of further upgrading our credit ratings going forward. We continue to focus on liquidity management by monetizing the non-core assets.

The second key highlight continues to be the improving run rate of EPC execution. During the quarter, EPC revenue increased by 53% year-on-year and 14% quarter-on-quarter to Rs 156 crores. While on a year-on-year basis, it may look highly growth-centric with the base effect of a partial lockdown last year in the first quarter. When compared on a quarter-on-quarter basis, growth in EPC execution run rate is quite encouraging.

And that typically in the construction industry, Q2 of any fiscal is lower than Q1 due to seasonal effect. We attribute this growth to the rigorous efforts by our teams to resolve the challenges that we faced in the past.

Santosh Sundararajan: Thirdly, our EPC order book has been robust. As on September 30, 2022, the total order book stands at about Rs 1,800 crores of which, external EPC orders are about Rs 1,500 crores and the balance is from internal orders. Further almost 74% of the order book is towards government projects, which provide visibility of cost execution and uninterested cash flows, helping us improve our execution run rate.

With that, we believe we are well placed to improve performance in the next couple of years as our order book forms about 3.9x of the FY '22 EPC revenue, providing strong visibility of EPC revenue growth for the next 2-3 years. The company is witnessing increased demand in real estate EPC segment as we are trying after realtors based in Pune, Mumbai and Coimbatore

Lastly, on the real estate and GMP businesses, we are happy to report that there is meaningful progress in both the segments as well. Real Estate segment, after various headwinds in the recent past is gaining momentum steadily. There is a gradual recovery in demand as the economy moves towards normalcy. Our new sales booking in H1 FY '23 stood at 135,000 Sq. Ft. for a total sales value of Rs 83 crores.

During H1 FY '23, our real estate revenue stood at Rs 48 crores and an EBITDA of Rs 22 crores. The gross margin came in at 61%, while EBITDA margin at 45% in H1 FY '23. Due to the nature of accounting treatment driven to revenue and expenses for real estate business based on Ind AS, the recording of revenue happens on project completion basis, making it lumpy in nature, whereas administration and other expenses are recorded as incurred quarter-on-quarter basis. Due to this timing difference of revenue and expense recognition, in certain quarters where revenue is not booked. The real estate business will show a loss as opposed to those quarters the revenue is booked.

During the first half, we have launched new residential project Tulip Phase 3 in Coimbatore. Out of 49 units, which is Vascon share, 44 units were sold within one month of launch, as well as a project Eco Tower in Pune in which Vascon has a 70% share, 25% is sold out as on 30th September 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 shares. Also, we have recently received the first redevelopment project based in Santacruz in Mumbai, which yield a total value of Rs 225 crores.

GMP business continues to deliver sustainable performance in the past quarter as well. Revenue of Rs 113 crores for H1 FY '23 and a healthy gross margin of 28% is what GMP has delivered in the first six months. EBITDA stood at Rs 7 crores with a margin of 6% in H1 FY '23.

Coming to the industry sector; A thriving construction industry is indicative of a strong expanding economy because it creates homes, rates of employment and other official infrastructure like bridges and dams.

This year, India has anticipated to have the fastest growing major economy worldwide. Construction will be one of the main focus behind long-term growth at millions of Indians consider moving to urban areas in search of high-quality employment. Three key factors we cast the demand will likely continue, contributing to a good holiday season for real estate.

Firstly, prices have been gradually rising due to rising interest costs. This contributes to higher demand with buyers prefer to buy in the rising priced market. In a 140-basis point increase in home loan rates to 7.9% haven't dampened demand because rates are still low from the pre-pandemic levels. This is due to the fact that despite the global crisis, which has resulted in an increase in interest rate, the Indian economy continues to grow at a rate of 7%.

Lastly, as people work from home more frequently, there is greater demand for larger homes with attaining amenities. Given this backdrop, the festive season is selected to see strong demand for residential property since the monsoon and the Shradh period, the preceding quarter Q2 is views as a poor sales time and sales are often considered in the October-December quarter.

On the overall financial performance, let me start with the standalone numbers. During Q2 FY '23, the company reported a total income of Rs 183 crores as against Rs 119 Crores in Q2 FY '22 year-on-year a growth of 53% year-on-year. In Q2 FY '23, EBITDA stood at Rs 26 crores and remained Rs 11 crore in the corresponding period last year. EBITDA margin was at 14%. Reported net profit of Rs 22 crores in Q2 FY '23 as against Rs 3 crores in Q2 FY '22 with a growth of 535% year-on-year.

On a consolidated basis, Q2 FY '23, the company reported a total income of Rs 235 crores as against Rs 161 crores in Q2 FY '22, which is a growth of 46% year-on-year. EBITDA stood at Rs 29 crores, with EBITDA margin of 12% as against Rs 13 crores in Q2 FY '22. And the net profit of Rs 23 crores as against Rs 3 crores in FY '22, which is a growth of 562% year-on-year.

On the strategy, the company stressed towards building a strong order book, enabling the execution to continue at current levels. The EPC business will be prime focus for the company going forward. With this, we can now open the call to question and answer. Thank you.

Moderator: We'll take the first question from the line of Ranodeep Sen from MAS Capital.

Ranodeep Sen: So my question is with respect to the gold mine that we have in the Thane land. And I understand out of the 150 acers land that Vascon has, I think, around 70 acres is of Vascon. Recently, Amazon had a deal with a real estate developer in October, which is being counted as the biggest real estate deal of 2022 valuing that planned at Rs 1,800 crores for 60 acres. So what is Vascon's plan to unlock value for our shareholders?

Santosh Sundararajan: Yes, you are right, a couple of fantastic deals that happened in and around our land parcel. This is excellent news in the demand in that area is being established and the price is also being established at much higher than what we have ever calculated or signed to Vascon, of course, we hold it on our balance sheet at book value,. So, there is a huge gold mine there, as you rightly said.

Our issue is that what the land that we possess is not entirely contiguous. And we will be waiting for some more time. And then we are talking to a few partners who are willing to partner us in acquiring land in and around our parcel, so that we can have kind of a swap deal and create a continuous parcel for both of us.

So definitely work has started, but it is a long-term process. We do not want to be bagging values or application for shareholders in the short term over the next 2-3 years on this parcel. But this will yield great numbers, great profits, great revenue everything in the medium term. But we do not want to give any guidelines in the next 8 quarters or so.

Ranodeep Sen: My second question, I think first of all, congratulations on bagging the first three development project in Mumbai, I think at Rs 225 crore revenue opportunity sounds great. So in the larger scheme of things, do you see Vascon doing a lot of redevelopment in Mumbai, given the large Mumbai redevelopment opportunity that exists?

Santosh Sundararajan: Yes. So we do feel that smaller project from Vascon standpoint to be able to do extremely big projects in Mumbai is not in our bandwidth, we would want to focus on small projects like this, which we have acquired now. This is an excellent starting point for us. It's in a very prime location, probably one of the most prime locations from they can have on right in Bandra and so this would be our pilot project. We would want to get this kicked off. And yes, question, we're having a separate team that is entirely looking at redevelopment options wherever we feel the value is right and wherever the owners are ready to choose as us a partner. We are keen on making a few more entries within Mumbai in this aspect.

Moderator: We take the next question from the line of Mr. Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna: Congratulations for a great set of numbers, sir. My first question pertains to the real estate business. If we see the pipeline projects, which we have categorized in two parts, one is the near term another one is the only pipeline closer to almost Rs 1,500 crores plus Rs 900 crores, so almost Rs 2,400 crores kind of sales value potential. If you can guide us the launch timeline and the completion timeline and at what time frame we expect this Rs 2,400 crores to be convert into sales and then eventually the position to be given? So if you could guide us will be really helpful. Some ballpark timelines on these projects?

Santosh Sundararajan: So all of these projects, which is in Powai in Mumbai, Kharadi in Pune, the other four acre housing in Pune, the Baner land and the Santacruz redevelopment that we have signed in Mumbai. All of these are tied up and at various stages of obtaining approval. So you can expect that these five projects should definitely be launched in the next months and putting an upperside number 12 to 15 months at max. And if you take -- if you expect two, three years max for execution. So in the next four years, the Rs 1,600 crores plus the Rs 900 of existing, all of this would definitely be getting executed, sold and revenue realized booked. But as we said, the real estate revenues come in a quarter where we obtain OC. So how we will be able to sort of linearize since by getting an OC every quarter yet to be seen because we do not have so many projects that we can keep getting OCs, but having said that, this quarter or the next quarter, somewhere the revenues will have to come, these profits will have to come. So yes, over a four year period, I think we target the depreciating both the buckets should get executed.

Bajrang Bafna: Yes. Sir, what I'm trying to sense is that we understand this accounting annually, which is existing. But fairly to understand from an average yearly perspective, Rs 500 crores to Rs 600 crores kind of the top line that can be expected. I'm not purely asking from a P&L perspective. I'm just saying from a cash flow perspective.

Santosh Sundararajan: Yes, cash flow perspective, you're obviously right from next year we will see extremely healthy cash flows compared to what we have seen in the past in the real state. Cash flows come in advance and the recognition comes later. However, all projects that has being launched in the next 7-8 quarters, I do not know how many will actually reach the stage of OC. So suddenly, you would see an upside recognition of all the revenue for three years and four years from now.

And the projects that we are booking will get recognized in the next year. But the one estate much more in volume than what production. So we've a lot of work to the real estate division to bring back positivity and kind of new projects. So all the remains in that every quarter, almost we are signing up a new project and yes. So we will be launching a new project every quarter going forward for sure. And even two years, given 20 - 24 months from today after that in every quarter will also see a completion in projects a in revenue growth taking place.

Bajrang Bafna: Yes. Sir, your voice is a little bit breaking. So we are not able to understand it fully. I don't know whether it is with me or with everybody. So just to get slightly more sense. Can you also start disclosing this because most of the real estate companies also gives the expected construction cost and the total operating cash flow, which can be expected from these projects. So that gives us some sort of valuation metrics. So what can be the expected construction cost, which can be assumed for these projects on a ballpark basis?

Santosh Sundararajan: So generally, on an average, I think Rs 3,000 /Sq. Ft. to Rs 3,300, Rs 3,500 kind of wherever it is, in general, could be taken as the construction cost. But rather than you calculate things because there are shares to the landowner. I understand what you're saying. And I think we will calculate this as a ballpark projection and share it.

Bajrang Bafna: That would be great, sir. That would be they give us some sort of cash flow that we are going to for the next 4-5 years from this order.

Santosh Sundararajan: Yes. So we also have operating. So over a 4 year period, what would be our operating cost of running the real estate division? What would be the cost of construction for all these projects that we have? And then what is the top line? So effectively, what would be the...

Bajrang Bafna: The operating cash flow that -- so rather than going to P&L, it is better that we focus on cash flow that would be – are superior for us. And sir, my second question pertains to the EPC side where you have now almost Rs 1,500 crores order book and the execution cycle has picked up very well at least in this first half. So what can be sense in terms of this financial year and maybe going into next financial year, purely from the EPC side and getting into newer orders and all. So if you could guide us on that parameter, it will be really helpful?

Santosh Sundararajan: Yes. So EPC, fortunately, we had an excellent order book even now in hand. This year, we haven't bagged much. We do intend -- hopefully, we will bag a few more orders before the end of the year and keep this order book at same level or upward of what it is now. But having said that, even if the order bagging is a little bit delayed, the current run rate is expected to only increase with all these projects having taken shape and giving us full execution front on ground in all these projects.

And so as you saw, our execution run rate has only increased quarter-on-quarter. We have done about Rs 156 crores in this quarter. So next two quarters would definitely be better than second quarter. Third quarter and fourth quarter generally are a better quarter for construction. We've already seen that in the month of October, we've done quite well, more than what we've done monthly in the previous quarter. So I would expect us to do a good percentage more than the first half in the second half of this year. So our guideline has always been about Rs 600 crores EPC. I think safely, we should do that much or more in EPC this year.

And next year, we would like to have at least a 20-30% growth on this Rs 600 crore target of this year. So that would hopefully go up to Rs 750 crores, which we will definitely achieve considering the run rate at which we are working currently.

Bajrang Bafna: And sir, can we work with 10% sort of margin on this EPC on a conservative side?

Santosh Sundararajan: So what is happening in EPC is at the end of the day, we're still looking at a single-digit PAT, if it comes down to a PAT level. We do have EBITDA or gross profit in double digit in the teens...

Bajrang Bafna: No, I'm talking about operating margins, EBITDA margin.

Santosh Sundararajan: The EBITDA margin is over 10% anyway. So that is not a problem. But we will, hopefully, next year, when we reach Rs 750 crore and upwards of Rs 750 crores execution, that's when we will hope to at least reach 9-10% PAT because that is where we would want to be. 4-5% PAT is quite low, we will hopefully be closer to 10% PAT. That is our target for next year.

Moderator: We'll take the next question from the Rusmik Oza from Kotak Securities Limited.

Rusmik Oza: Sir, I just wanted to get a small clarification. You said you want to keep the order book at the current level by end of FY '23. Does it mean if you continue to remain at around 3.9 times of revenue or it was absolute figure?

Santosh Sundararajan: So I would actually talking of absolutely, you're right. I was actually talking about absolute figures. They are doing Rs 600 crores, and we won four times that, so we should be at Rs 2,400 crores. That's a very ideal point to be in, but we still -- we've lost six months in focusing on our BG and getting those limits. So we've got our ratings plus. We are now at an advantage of mines to get our limit retention to the existing collateral we have. And then we'll be in a position to bid for much more projects.

Today, we are a bit constrained in choosing which project we want to bid for. But having said that, we've taken an internal target that at least in the next six months, if I'm going to extinguish another Rs 300 crores, as me at least back Rs 300 crores and remain at Rs 1,500 crores, Rs 1,900 crores level to start the next financial year. And then quickly within the first half of next financial year, we'll ramp that up towards upwards of Rs 2,000 crore, Rs 2,400 crore for sure. Yes, we should be at around Rs 2,400 crores so that the healthy growth story can continue for the next three, four years.

Moderator: Yes, sir, we can hear you, but Rasmik line is disconnected. So we are promoting the next question from the line of Mr. Balasubramanain.

Balasubramanain: My first question is monetization of Thane land and second question on progress on Powai project.

Santosh Sundararajan: I'm not able to hear you. Your line is cracking.

Moderator: Sir, your line is breaking up, sir. If you are on speaker phone, I would request you to please use your handset.

Balasubramanain: My first question is monetization of Thane land. Any update on that? And any update on Powai projects and the Goa projects also.

Santosh Sundararajan: The third one was Goa project is it?

Balasubramanain: Goa project.

Santosh Sundararajan: So the first one, Thane. I think I just answered we do not want to be giving any updates or highlights or expectations on that parcel for the next 8 quarters it is definitely moving in an excellent direction as far as we are concerned, as we all know, some deals are being signed and closed in and around land parcel exactly the same region in Thane, which is taking the valuation of the land much higher than what we have ever thought to. So it's a gold mine, which is waiting to be tapped. But I think we will still have to wait for a few more quarters to get a partner who will help us in test.

So no guidelines for the short term. For the second one you mentioned was the Powai project. Yes, Prowai project we are working on launching a project over there. We've got an investor side up in principle who will be partnering us so that we get the initial cash flows required to get the approvals and launch the project. So we hope to launch that project within the next 12 months, get the approvals and launch it. So we are working on that, that will get launched soon. And the third one in Goa, the project that we bagged so Goa Airport is going on fine. They are constructing it an EPC project. The other one that we had bagged, which was a convention center that is on hold as far as we are concerned. So we are not taking it in our order book as of now.

Balasubramanain: Next question regarding the margin side in this current quarter, around 5% margins. So we expect around 8-9% kind of in that?

Santosh Sundararajan: Sorry, your voice you cracking?

Balasubramanain: Sir, right now, our current margin is around 5% for this quarter. So previously, if you look at a few quarters, we are around 8-9% margin. So when we can expect that recovery going forward?

Santosh Sundararajan: Yes. I think over the next two quarters, the margin percentage would increase for sure.

Balasubramanain: Can the higher single digit or higher double digit?

Santosh Sundararajan: Yes, high single digits, double digit will still take, hopefully, next year.

Moderator: We take the next question from the line of Mr. Rusmik Oza from Kotak Securities.

Rusmik Oza: So I was asking earlier a question is that we have execution project of 3.7 Million Mn Sq. Ft. in EPC, whereas our ability is around 8 Million Sq. Ft. I just wanted to understand how do you then look at tapping this ability of 8 Million Sq. Ft. or any path or guidelines you have in mind?

Santosh Sundararajan: So see, we always maintained that our ability to do Rs 800 crores, Rs 1,000 crores, Rs 1,000 crores of -- as in we can always grow beyond that. It's not the feeding on our ability. But the current bandwidth that we have in terms of assets and senior staffing would enable us to execute about Rs 1,000 crores. We're doing about Rs 600 crore this year, next year, hopefully, we'll do Rs 750 crores, Rs 800 crores. The year after that, we will exhaust our bandwidth in terms of assets, capex and senior staffing. So three years from now, definitely, we will have to look at investments to grow beyond Rs 1,000 crore EPC mark.

Rusmik Oza: Sir, there is a slide in the presentation about noncore assets identified for sale, a 9-acre land parcel in Aurangabad and GMP Technical Solution. Can you just give us some timeline or guideline how this will play out in the future?

Santosh Sundararajan: So the nine-acre land parcel Aurangabad is currently that anyway consortium banks there being a lead banker to get our CC and BG limit. So in the meantime, we are looking to sell off that parcel because it is a non-core asset as far as we are concerned. If we do -- we are in talks with a party who is interested in purchasing. If the deal does go through, then you might realize about

Rs 30-odd crores cash flow, but that would gain it could not be free cash flow for us to reduce debt or use in business growth because it will have to be with SBI to retain the limits that we have as a collateral.

The other one, GMP Technical Solution, we're still not looking actively to divest it yet. I think we will still give it a year or maybe year and half, two years to stabilize quarter-on-quarter, like Vascon EPC is now stabilizing in terms of execution run rates as well as bottom line. GMP is also at that turning point. It is doing well, the next two quarters, we expect to do much better than what it has done in the first two quarters. So we would wait for it to have a reasonable healthy EBITDA and PAT that is being seen at the end of each quarter. And then based on that, then we look at the valuation, maybe a year or two down the road to divest that company.

Rusmik Oza: And my last question, sir, is this entire Thane land parcel which we own in the book, what was the book value or the amount which is sitting in the balance sheet as of now on book value?

Santosh Sundararajan: Book value, it's about Rs 50 crores.

Rusmik Oza: Rs 50 crores.

Moderator: We take the next question from the line of Mr. Vijay Sarda, Canara HSBC.

Vijay Sarda: My question pertains to two things. One, I just wanted to know about the construction cost for the real estate with the current cost on the steel and all that going down, so has that decreased a bit for us? And secondly, you already stated on the bank part, how things are getting on the bank's ratings last time when we spoke, you talked about the rerating and all that, so our limit will get announced so that we will be able to bid for a higher order book, so is that process going on? When can that get concluded?

Santosh Sundararajan: Yes, I'll answer the banking part first. The process is very much on. This quarter, we got about a couple of months ago, we've got a rating revision from CRISIL to BBB which is now a very positive news for us as far as the banking liquid is concern. The banks are now doing our credibility in a much more positive light. So we are in negotiation with the existing consortium of banks as well as with a new bank to see over offers the best limits within collaterals that we have. And so that is -- the discussions are going on, our finance team is continuously working on it. And hopefully, in the next call that I had by then we should hopefully have revised our limits with the consortium. So that is making positive progress. And yes, once the limits are revised, we will have much more bank guarantees in hand, and we can aggressively look for order booking. Sorry, what was the first question?

Vijay Sarda: First was regarding the cost of construction in residential, now has that gone down with the price decrease in the steel and all that?

Santosh Sundararajan: Yes, definitely. Suddenly, the steel and most raw material prices have gone to an extreme peak. I think they have stabilized a bit, but they are still much higher than pre-COVID levels. So it's not that it has come back down to what we were two years ago. So the price is also stabilizing at those levels. So yes, in real estate, considering that they are yet to launch, we are talking about. This is going to be stabilization of raw material price happens. And then we are able to sale price after calculating all our costs.

Santosh Sundararajan: Yes. So I said, yes, the costs have come down, and we will work out the cost of construction and the cost of operating real estate division, and therefore, the cash flows over the next few quarters based on the projects we are launching and the projects we have already launched, and we will share this.

Vijay Sarda: Okay. Sir, last question on this development project that we won in Santacruz. So that value is worth Rs 225 crores. So how much time execution will happen for this project? And secondly, what kind of margin can we expect? Because the Rs 225 crores order that is there, we have taken Rs 180 crores order book in EPC. So Rs 45 crores is a gap. So do we need to pay for rent and other costs also? So what's kind of the margin we can expect in this?

Somnath B. Biswas: The Rs 225 crores, orderbook of real estate so factoring all these things, the rent and everything has been calculated on this part. So really easy part. So this will be considered as the real estate part

Vijay Sarda: So what can be typical time frame for the completion in margin on this entire like project if we can...

Santosh Sundararajan: Get full run rate 2-2.5 years.

Vijay Sarda: 2- 2.5 years. Yes. Okay.

Santosh Sundararajan: 3-4 years.

Moderator: We take the next question from the line of Mr. Manish Shah, individual investor.

Manish Shah: The Santacruz project is in our book?

Santosh Sundararajan: Yes.

Moderator: We take the next follow up question from the line of Mr. Rusmik Oza, Kotak Securities.

Rusmik Oza: Yes, sorry. Sorry. You have given the guidance on the increase for this year around Rs 600 crores next year, Rs 750 crores. Any guidance you would like to give on the real estate side are looking for a bit holistically on the overall potential revenue of the company for the next two years? And secondly, as I understand, maybe this year, next year, growth will be led by EPC and then as you are the launches certified, then that will fire up maybe after FY '24 and that will reality back ended and drive the growth in FY'24, FY'25, something like that?

Santosh Sundararajan: Yes, you're right. So I think it's fairly easy to give guidelines because it is recognized quarter-on-quarter in a linear fashion. So as long as we continue to grow our order book step by step and continue to execution, we can with offset such linear targets of growth. Real estate, we have now back in full trend, we lined up. We have five projects to be launched in the next 12 to 18 months, and then we have a couple of projects which we have launched, which are to be executed and finished.

All this put together should get us more than Rs 2,000 crores of revenue to Vascon over the next four years. But now the recognition of this revenue will only come mostly in the third year and fourth year because the projects are getting launched now. And while cash flows will start accruing from the next few months itself, the revenue will get recognized as you rightly said, in FY'24 and FY'25 or rather FY'25 and FY'26 impact. And only then we will see at the balance sheet or P&L level that real estate is pushing growth as much or more than EPC. Till then in the books, it will look like EPC still be a significant contributor to our growth story. But the fact is that we are focusing very much on real estate as well.

And we will continue to update you with the new projects we are launching. We will also share – as was pointed out, we will also share the cash flow projections over the next three, four years coming from real estate, and that will give you all an idea of where real estate is heading. The recognition will happen as per the guidelines down the line.

Moderator: The next question is from the line of Mr. Surya Nayak, Individual Investor.

Surya Nayak: So regarding the Ajanta project, around Rs 15 crores has been from the FSI sales we have got this quarter. So what is the case, if I see your project pipeline status, so our share from the Ajanta is around Rs 230 crores. So what is the future? When are you going to actualize these profits? Because of the cash flow statement, so it has not been increased. So what is the status of regarding the Ajanta case?

Santosh Sundararajan: So in Ajanta, you see the top line does not come to it'd be very difficult to monitor that we eat share of profits eventually from that entity that comes as top line and bottom line to our balance sheet. So that is why you're seeing what you're seeing. The Rs 230 crores is project in the future. It has not yet been launched. So that will happen over the next three years, that execution of Rs 230 crores. And that plan is also with us in a very long time at low value. So Rs 230 crores will have upwards of 35% of gross profit when we execute that one.

Surya Nayak: So can we expect a similar kind of profit to come in the subsequent quarters?

Santosh Sundararajan: No, you will not see. So this quarter, we got a recognition because of certain sale and completion that could be recognized in the books from Ajanta. Next quarter, we not something similar. And then when this project is launched this Rs 230 crores. So we are already working on a project, which will get its OC in next quarter. So yes, in next quarter also, we will get some profits from Ajanta. And the next two, three quarters, we'll get some profit from Ajanta. After that, there will be a lull because this Rs 230 crores will get launched and will get executed over the next three years. And so only three years later will we be seeing the OC and recognition of those profits. But we'll see cash flows. Throughout the period, we will see positive cash flows coming in.

Surya Nayak: Okay. And regarding the other monetization of your projects, I mean one is your Kalyani Nagar Sorry, the Aurangabad land parcel. When the -- and along with the GMP Technical Solutions, when are you going to actualize those sales? Are there any parties going talks going with any parties or still it is in the nascent stage?

Santosh Sundararajan: So Aurangabad, we are in talks with parties who is interested and hopefully, we can close it in the second half of this year. I had explained that, however, that cash flow would not accrue to us as we can to be used in either business growth or debt reduction because the brand is pledged as collateral with our banking consortium or limit. So whatever we realized we have to be used as replacement for the collateral with the bank in the short term. So as far as GMP is concerned, we are not talking to anyone as it stands.

We will be hopefully waiting for a year or two more. GMP is also doing well, stabilizing and expanding its footprint in market as well. So we expect that GMP over the next two quarters will do much better than it did in the first two quarters of this year. The projection has been very healthy. And hopefully, then if that trend continues next year will be much better for GMP. And once we are able to establish linear quarter-on-quarter growth in top line and bottom line for GMP,. Then it will be the right time to be able to value the company. Today, I don't think we will get the true value a bit of because we're not talking.

Surya Nayak: So you are waiting for good times to plan out in GMP to exit? Or because if you are looking so much optimistic about the future, then we should not be looking at exiting from the GMP?

Santosh Sundararajan: No. We will exit. I'll tell you what, as a long term as a we have been taking over the last three, four years and we'll be sticking to it, and we intend to continue to stick to it that we will be focusing on execution of EPC as much and as fast as we can. The second focus will be on lining of real estate, which is again verified EPC without huge investments in land parcel. So rising of joint venture development and focusing on those executions.

So as a company, our expertise, our knowledge, our bandwidth is in executing these two aspects, and we will focus only on these as we go ahead. We do not intend to hold on as investment, shareholders' money that's invested by shareholders wherever they feel is right. GMP, we will exit. But I think today is absolutely not the right -- we will get an extremely wrong valuation for the company because we have balance sheet over the last eight, nine quarters is not going to support a good multiple or whatever that we look at in terms of valuing the company. So we'll let it stabilize for more five, six quarters more, get a linear bottom line, and then we'll value it and use those proceeds to focus back on our core strength, which is again, real estate and EPC.

Surya Nayak: And when the shareholders can look forward to good dividend distribution in terms of good results that is coming out?

Santosh Sundararajan: Yes, we haven't discussed this at the management of the board level. Hopefully, we have more two more quarters, let’s see at the end of first quarter, we will take this with our Board and management and cash flows should we declare or we need investments and we wait for a year or so more, then we may take the call. No commitment, no discussion on this at the board, so I do not want to give any guidelines on this. But we will come back after we discuss internally on this.

Surya Nayak: Yes. Seeing is believing so that is what would be...

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

Santosh Sundararajan: Thank you, everyone, and I will see you all again next quarter and hopefully with a better set of results than this quarter. Thank you.

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