"Vascon Engineers Limited

Q3 & 9MFY24 Earnings Conference Call"

February 08, 2024

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Moderator: Ladies and gentlemen, good day, and welcome to Vascon Engineers Limited Q3 and 9 Months FY24 Earnings Conference Call. As a reminder, all participants' line 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, then zero on a touch-tone 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 afternoon, everyone. I welcome you all to the earnings conference call of Vascon Engineers for the Third Quarter and Nine Months ended December 31, 2023.

Today, joining me on the call is Mr. Somnath Biswas, our CFO, and our Investor Relations team, Stellar Investor Relations. I believe you would have gone through the Q3 and 9-month financial results and the results presentation uploaded on the stock exchange and on the company's website.

During the 9 months of FY24, company saw uptick in the overall business. All the business segments witnessed a gradual revenue growth as compared to the same period last year.

During the quarter, we have won a few EPC orders as well and some redevelopment projects as well as we have an experience an uptick in the company's growth momentum for FY 2024. In terms of profitability, standalone EBITDA margins have been maintained at 10% in Q3 FY24. Our outlook for the EPC segment remained strong, backed by a strong order book of Rs 3,613 Crores, which is the highest in the company's history -- with an order book, which is about 5.4x of FY23 revenue.

We have a strong balance sheet and high efficiency of all business segments and along with our overall improved financial position has helped us increase our BG limits. We believe we are well positioned to continue this growth trajectory in the coming quarters.

Let me take a few minutes to restate our recent developments, which have built a strong foundation for the company to grow on. EPC execution and order book. During the quarter, EPC revenue increased 12% Year-on-Year, Rs 185 Crores in Q3 FY24. We have received a few new orders with execution will kick start and we expect it will happen in the next 3 – 4 months. The execution run rate will then gain higher momentum going ahead.

Our total order book as on date stands at Rs 3,613 Crores, which forms 5.4x multiple of our FY23 revenue providing strong visibility for EPC revenue growth for the next 2 – 3 years. Of the total orders, external EPC orders are worth Rs 3,064 Crores and the balance of Rs 549 Crores are internal orders. 78% of the order book is to government projects, which provide visibility of faster execution and uninterested cash flows.

We have new orders worth Rs 1,808 Crores in the 9 months of FY24, which is the highest ever order intake by the company. These comprise of Rs 222 Crores work from the Bridge and Roof Company, India, which is the government of India Enterprise for construction of medical college at Kanker in Chhattisgarh. Another job of R 299 Crores from the Jharkhand State Building Corporation for construction of a medical college and upgradation of district hospital at Koderma, another Rs 514 Crores from Bihar Medical Services and Infrastructure Corporation for the construction of Lohia Medical College and hospital at Suphal. From PCMC Corporation for the construction of hospital in Moshi, totalling to Rs 357 Crores. And finally, a LOI, we've received from Capgemini for the construction of an IT Park in Chennai for a total of Rs 416 Crores.

Real estate continues towards growth momentum

Coming to our real estate business, as mentioned earlier the book-keeping procedures as per the Ind AS requirements, may result in timing differences between the recording of expenses and revenues. With a significant portion of our real estate project portfolio now completed, we anticipate a favorable impact on the results of our real estate business segment starting next year.

New sales booking in 9-month FY24 stood at 104,000 square feet of area with total sales value of Rs 97 Crores. During 9 months FY24, our real estate revenue stood at Rs 47 Crores and an EBITDA of Rs 18 Crores. Gross margin came in at 64%, while EBITDA margin was 35% in 9 months FY24. We are very much optimistic about sustaining the positive movement in the real estate sector, given the promising pipeline of projects ahead.

Additionally, we are establishing partnerships with realtors located in Pune, Mumbai and Coimbatore, so that we have a pipeline of new launches in the year ahead. In the real estate segment, we successfully introduced 1 project in FY

2024 and we are presently gearing up to launch 2 new projects in the next couple of months. Despite a decrease in real estate revenue this year, we anticipate offsetting the decline through increased EPC sales during this year, ensuring that our overall top line remained consistent with the previous year.

Lastly, coming to the GMP businesses. It has started looking healthier and showing optimistic performance now, and it has continued to deliver sustainable performance in the past quarter as well. Revenue of Rs 187 Crores in 9 months FY24 and healthy gross margins of 32% with EBITDA of Rs 14 Crores and 8% PBT in 9 months FY24 -- sorry, 8% EBITDA.

The company has been repaying a significant amount of high-cost debt over the last 30 months, and this has helped the company bring down its finance cost substantially during the year. We are happy to report that over the past 30 months, we have reduced our total debt by Rs 47 Crores to Rs 168 Crores in December 31, 2023, as against Rs 214 Crores as on March 31, 2021.

Over the last 9 months, the gross debt have increased in current fiscal year majorly can be attributed to the company's involvement in new joint venture for real estate along with utilization of funds for bid bond money and earnest money deposits for recently secured EPC orders. Consequently, the net debt has risen to Rs 72 Crores in the last 9-month period.

As I mentioned earlier about the rating upgrade in the previous call, I would like to reiterate that our company's CRISIL has upgraded our credit rating to CRISIL BBB+ for long term and CRISIL A2 for short-term facilities. This upgrade has led and has also played a crucial role in negotiating favourable interest rates in the company's favour.

Before going through our financial brief overall industry update

The Indian economy has expanded 7.2% in FY23, which is highest amongst the major economies of the world and continuing this it is anticipated the Indian economy is expected to grow by 6.3% in FY24 as compared to 3% in the world.

The real estate sector actually contributed to India's GDP has increased activity throughout the current year. It is anticipated to sustain its growth momentum in 2024. The residential market is expected to continue its upward trend in the coming years, fuelled by the prevailing inclination towards home ownership. Anticipated burgeoning business up for large multinational corporations, Tier 2 cities are poised to draw attention due to cost advantages and a readily available local talent pool.

This surge in corporate interest is expected to drive demand not only for office space, but also for residential assets in these cities. The Smart City mission is set to capitalize multi-faceted development, road network and real estate, thereby enhancing the overall liveability of these cities and attracting residents from neighbouring areas.

The comprehensive development of roads and industrial corridors across the country, is poised to elevate the connectivity and economic spending of Tier 2 cities, rendering them increasingly attractive logistic companies to establish their facilities. Moreover, the rapid expansion of e-commerce market is likely to contribute to heightened demand for warehouses in these cities. Overall, we remain positive on the industrial growth prospects.

Coming to the financial performance of the company in Q3 FY24.

The overall financial performance, let me start with the stand-alone -- during Q3 FY24, the company reported a total income of Rs 206 Crores as against Rs 200 Crores in the corresponding quarter last year. We saw a growth of 3% year-on-year. In Q3 FY24, EBITDA stood at Rs 22 Crores as against Rs 17 Crores with a growth of 28% compared to the corresponding period last year. The EBITDA margin was at 10%, and we reported a net profit of Rs 16 Crores in Q3 FY24 as against Rs 13 Crores in Q3 FY23.

At a consolidated level, Q3 FY24, the company reported total income of Rs 282 Crores as against Rs 256 Crores in Q3 FY23, a growth of 10% year-on-year. The EBITDA stood at Rs 28 Crores with EBITDA margin up 10% against Rs 23 Crores in Q3 FY23 and the net profit of Rs 19 Crore as against Rs 16 Crores in Q3 FY23.

To conclude, we would like to reiterate that the company continues to be focused towards building a strong business with focus on execution of our projects, efficiently deploying our capital, increasing our order book while maintaining financial prudence, which will all enhance our profitability.

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

Moderator: Thank you very much. First question is from the line of Prateek Bhandari from Aart Ventures. Please proceed.

Prateek Bhandari: So I have a couple of questions to ask to. As you stated that your order book is approximately Rs 3,613 Crores, which is 5x the revenue of Financial Year '23, right?

Santosh Sundararajan: Right.

Prateek Bhandari: So can you just let me know as to what was the order inflow in the quarter 3 and 9 months FY24?

Santosh Sundararajan: So as I said, we've -- in the 9 months FY24, we have got Rs 1,800 Crores of order.

Prateek Bhandari: Okay.

Santosh Sundararajan: And in Q3, I think -- Q3 is about this only 1 job, only Rs 400 Crores. Yes.

Prateek Bhandari: Rs 400 Crores in Q3 and Rs 1,800 Crores in 9 months FY24, right?

Santosh Sundararajan: Nine months is Rs 1,808 Crores.

Prateek Bhandari: Rs 1,808 Crores.

Santosh Sundararajan: Yes.

Prateek Bhandari: All right. And what kind of order inflow you are expecting for the upcoming quarter?

Santosh Sundararajan: We are bidding for a couple of projects, but we do not know with the government elections that is set to happen early March probably. So, we do not know how many of these decisions will be taken in the next 2, 3 months. We expect these months to be a bit slow until the election.

And so, we do not want to put a number, we've already overachieved our order booking target for the year. And then we have another target of booking another Rs 1,750 Crores to Rs 2,000 Crores of orders before March 2025.

Prateek Bhandari: Okay. And another question to us too, as you stated that the order book is Rs 3,613 Crores. So, can you give me the tentative ratio of the order mix there?

Santosh Sundararajan: So in terms of government to private, we are about 70% -- 75%, 77% government balance would be private. In terms of types of buildings, that is about 50% of this order backlog is hospitals and...

Prateek Bhandari: So I heard that you have stated a 77% is coming from the government side.

Santosh Sundararajan: Right.

Prateek Bhandari: So in terms of EPC, what would be the ratio, EPC, and your other business?

Santosh Sundararajan: No, this is all EPC order book we are talking about.

Prateek Bhandari: Okay. So this Rs 3,613 Crores is entirely EPC.

Santosh Sundararajan: Out of Rs 3,613 Crores, Rs 549 Crores is an order backlog for the EPC from the real estate division. The real estate project has been the launch or just launched and the construction value of those projects have been consider in EPC Order Book.

Moderator: Thank you. Next question is from the line of Rajendra Kulkarni, an individual investor. Mr. Rajendra your line is unmuted. Please proceed with your question.

Rajendra Kulkarni: Yes. I wanted to ask about the bank guarantee, what is the current status? Has it gone up or not

Santosh Sundararajan: Yes. So we have got over the past about Rs 40 Crores increase in our bank guarantee limits tie-up to tie-up. And also, as of this quarter, we've got a fresh assessment from SBI, which has increased our bank guarantees by Rs 200 Crores, the asset limit. And so now we are in the process of about Rs 100 Crores has been tied up by SBI itself. We are in the process of tying up the balance Rs 100 Crores with other banks.

Rajendra Kulkarni: Okay. And you have opened office in Mumbai, right, a few days back. I just wanted to understand whether you are going for the redevelopment projects only in Mumbai or are you planning new joint ventures also in Mumbai?

Somnath Biswas: As of now redevelopment not joint venture.

Santosh Sundararajan: We have one JV in Powai, I mean, a share of project in Powai where partly we own the land. So that also will be launching. So as of now, these are the 3 projects, 2 redevelopments and 1 in Powai is the focus of the company is to launch. Parallelly, our business development team is looking for, again, nice small redevelopment projects in Mumbai. So in the short term, that would be the strategy.

Rajendra Kulkarni: And 1 more thing. About the real estate division, you are surprisingly very quiet on the real estate projects, I mean new launches. Is there any conscious decision by the management that right now you're putting a full stop on real estate or are you launching some new projects, I want to know that.

Santosh Sundararajan: Yes, yes, very much. In fact, we are not putting full stop. We are pushing real estate to year 4 and 5 because we believe -- we have 2 engine EPC and real estate. We want to be pushing both. The last 3, 4 years have seen that we have managed to push EPC almost to its potential. From here on, things have been sorted out, ratings have improved, BG limits are coming in. So we are taking a steady growth challenge of at least 20%, 25% year-on-year for the EPC division.

And now real estate, we want real estate to also reach its capacity over the next 3 years, we have tremendous infrastructure In, terms of launches, as I said, we have these launches coming up in this year. We have four projects which we will be launching shortly. One is Powai project which is residential in Mumbai. One is, again, a residential project in Kharadi in Pune. One is the commercial project. We are at the final stage of closing out in Baner in Pune and then the 2 redevelopment projects that we have signed up in Santacruz. So we have 5 launches scheduled to happen in the next 12 to 15 months.

Our team is aggressively working on these. Some of them are at an advanced stage and might get launched in the next 2, 3 months. Some of them will take 10, 12 months to get all the approvals in place and lots. So these projects are all tied up, and you will be hearing about our launches quarter-on-quarter on these projects.

Somnath Biswas: So if you look at the number also this year, we launched around 0.5 million square feet already. So there over a period of this 12 months or something, another 2 million square feet is supposed to be launched. So we are aggressive and we are at this stage, we have just consolidated our portfolio very clearly.

Rajendra Kulkarni: I just wanted to add 1 more question. You have this recently backed projects, which have a registration period of near about 30 months. So -- can you say that '25-'26 or '26-'27 will be your growth year in terms of revenues and profitability?

Santosh Sundararajan: So let me tell you in the interest of everyone on the call, we have Rs 3,600 Crores. So out of Rs 3,600 Crores order backlog, about Rs 500 is our own real estate. Let's take that aside for a moment, then we're looking at about Rs 3,100

Crores to Rs 3,200 Crores of third-party EPC. Now the standard, as you said, it's 30 months, some of them are 24 months, some are 30.

Generally, 1/3, 30% of our order backlog in April is what we have always ended up executing in the next 12 months, okay. So going by that, we will be starting April with upwards of Rs 3,000 Crores. And so we will target to execute Rs 1,000 Crores in the next financial year of third-party EPC. And then the year after that, we would endeavour to take that 20%, 25% upwards and go to Rs 1,200 Crores to Rs 1,250 Crores. That is our target.

Rs 1,000 Crores looks entirely visible because you already have the order backlog in hand. There are no ifs and buts in terms of limits or order booking or any such thing. The Rs 1,250 Crores target to achieve it the year after that is '25, '26 before March '25, we would have to book about Rs 1,800 Crores to Rs 2,000 Crores of fresh orders going forward, which is what we have taken as a target the BG limits are almost in place for this.

And now we will be bidding, as I said, the upcoming elections might put the hold on getting good government orders for the next 3, 4 months. But we are positive that on elections are through, we will be able to easily achieve our order booking target. I would also like to let everyone know that as far as EPC is concerned, now our bid size that we get accepted for has gotten increased.

We've got Rs 600 Crores order from Bihar. Going forward, we might be able to qualify for orders up to the size of Rs 700 – 750 Crores also. And at this level, the competition also reduces. And it is better to take a slightly bigger job at a single location and work on it. So maybe 4 orders would suffice to help us book Rs 2,000 Crores for next year.

And now coming to real estate. In real estate, we have about unrecognized revenue from projects that we are already working on to the tune of about Rs 250 Crores to Rs 270 Crores which have not hit our balance sheet, plus the new 5 launches, which I spoke to you about just now will bring a revenue of about Rs 1,400 Crores to Vascon's books.

So Rs 1,400 Crores plus RS 250 Crores, Rs 1,650 Crores are already tied up and projects we are working on at various stages. Rs 1,650 Crores of Vascon's share of top line will have to come to our books. Now if real estate unlike EPC will not be quarter-on-quarter, it will depend on completion.

But it is fair to say in the next 4 years, all these projects would have to get completed. So, we're looking at Rs 1,600 Crores coming in 4 years. So, an average of Rs 400 Crores without talking of any other new tie-ups on the So this is an overall summary of what is in hand at this point of time.

Rajendra Kulkarni: Last question, sir. But when are you expecting to conclude your QIP this quarter only?

Santosh Sundararajan: We are hopeful, I mean we've got the necessary approvals from Board and the shareholders. And now we have actually started meeting conducting a few roadshows and meeting a few potential QIBs. And the interest looks positive. I mean I'm sure they will also be waiting for the results of this quarter to be out.

And now that we have finished our quarterly Board meeting. I think we will really ignite this topic, go back and again meet the potential QIB. And yes, hopefully, we don't want to delay it much hopefully this quarter.

Moderator: Next question is from the line of Himanshu Upadhyay from Bugle rock PMS.

Himanshu Upadhyay: Congrats on good results. My first question was, we got a large order from private sector and where we have been thinking of growing. How is the pipeline on private sector side? And do we think that this revenue mix, which can be now sustainably around 70% for government and 30% private over next few quarters? Or do you think the pipeline is still not very strong and hence, it will get back to government being dominant 90%.

Santosh Sundararajan: See, it's a very interesting question. We keep debating about it internally. We do not want to be overly exposed to 1 sector, we were extremely highly exposed only to private sector 10 years ago and then we went through a tough phase because of that.

So, as a strategy, we want to be exposed to both private and government, and we want to be at the 70-30, 65-35 mix at this point of time. So, 1 aspect of private is also that as our real estate launches are happening and the real estate division is set to grow. A proportion of that will come as our order division as well that adds to the order book and then there is definitely pipeline, the capex cycle, I think, is turning around.

So we are seeing that industries soon will be looking for more and more expansion. We are looking that whoever we bid with the supply demand ratio of commercial spaces, I think that has sort of panned out and now commercial spaces are again in demand in spite of the work-from-home scenarios and everything. And so we see that there will be commercial buildings coming up, which we are happy to try and grab compared to residential buildings.

And so yes, at the same time, we would, at any point of time, whatever projects are available to us in that quarter, whichever we feel is the best project we would back it. So the endeavour is trying to maintain a 30-70 mix. temporarily, it might keep going up and down. But overall, we would like to be at least 30% private.

Himanshu Upadhyay: And a second question is on the See, we have certain assets for sale, look and the GMP and Thane land again, whatever happens at some point of time. And at least GMP is now profitable and everything is there. By this QIB and why in this growth base, our balance sheet is good, okay? My assets for sale are there, which are also maturing, we want to dilute the equity. And historically, we have always stated that we don't want to put a lot of money into the real estate business. We want it to be past capital journey. Some of your thoughts will be helpful. And how should I understand your capital allocation strategy going forward?

Santosh Sundararajan: Sure. So, you are right. We want to be an asset-light real estate player. We do not want to buy land and we have refrained from buying land even now with any proceeds that we might get from QIP or from our accrued earnings from these projects as we extinguish them or if we do asset sales, like you mentioned, like GMP, whatever we get in terms of cash flows we would not intend to be buying land.

Having said that, the real estate game has changed over the last few years, where in most of the cities Mumbai, Pune, Coimbatore across India actually FSI rules have changed.

What happens in FSI it does not come free; it comes by having to buy premium FSI from the government or having to buy TDR from the private market and getting it loaded. And so when we get land from redevelopment society or from a joint venture partner, they bring only the bare land, which comes with an inherent FSI of maybe 1, 1.25. Beyond that, for the project to be viable, profitable we would have to exploit the maximum FSI potential not the entire thing at least close to the potential.

And so, there is an investment element in terms of having to buy the approvals now there are 2 strategies. So We have 2 options to fund either go for an NBFC debt or to go private equity at project level, which were working on. And at that stage, we do not get construction finance from the banks.

Himanshu Upadhyay: Sorry to interrupt, sir, your voice is breaking.

Santosh Sundararajan: I said at the point of launch of these projects, we have 2 options to fund the additional premium cost of FSI. So if the go for an NBFC debt or to go for private equity at the project level, which we were working on. We did not want to take the NBFC debt route because the uncertainties would launch and the servicing starts on time, and so we do not want that short-term, long-term cycle, which we have faced in the past.

So we were ready to go the private equity route to fund the initial cost on these projects. In the meantime, I think we have already lined up for such projects, and then we felt that instead of offering heavy IRR to a private equity partner who expects 23%, 24% IRR from projects which we have lined up ourselves, it is probably better to raise -- as you said, are a listed company, there is an advantage that we can raise funds in the market, raise equity.

And when we know the returns that we are staying ahead in the next 2, 3 years on the money we are raising is extremely high. So we said, why should we be offering these returns to others by not to bring it within the company.

Himanshu Upadhyay: A very interesting point, very important point, but why not the rights issue because as an existing investor, it would not be beneficial for the existing investors to participate in rights issue and be a part of the story. So why do we do...

Santosh Sundararajan: We talk about it internally and discussed at the board level. We also felt as a company -- we are just about hitting; we were below the Rs 1,000 Crores market cap value for a long time. We were extremely underperforming in terms of our valuation that we deserve in the market for a long time and, they have backed the company throughout this period.

We felt that strategically, we have done a right issue in the past. I mean, very theoretically speaking, it's always good to do a rights issue. But we felt that at this point of time, we -- there was a need to sort of create interest among a little big investor who would then become part of our shareholders. And I think this will be overall beneficial to all of us as shareholders going forward if we have some of the bigger players coming in and expressing interest in the company, understanding about the company.

This would give us a chance to access those kinds of investors and present the company to them. And if they start tracking us and seeing the potential in the company, I think it will help all of our shareholders, that was the thought process. Also, valuation is very less at this point of time.

Himanshu Upadhyay: And best of luck for the future.

Moderator: Thank you. Next question is from the line of Deepesh Sancheti from Maanya Finance. Please proceed.

Deepesh Sancheti: Okay. Is it that you are thinking of using our own funds to get better returns what ROE are we expecting to do in the projects which we are running to do? I mean our own projects, the development projects?

Santosh Sundararajan: So, this -- our calculations show that this -- let's say, we raised Rs 100 Crores and deployed it in our own real estate project, which we have lined up, the 5 projects that I said we are launching we deploy the Rs 100 Crores into this project. Our calculations show that over the next 3 years itself, we would increase our profit by Rs 100 Crores. So Rs 100 Crores is to Rs 100 Crores in a period of 3 years.

Deepesh Sancheti: So that -- so that will give you an ROE 35%, 36%?

Santosh Sundararajan: Near about 25% to 30%.

Deepesh Sancheti: Okay. And how much sales are we looking in that? I mean if you're looking at Rs 100 Crores profits, how much sales are we looking at?

Santosh Sundararajan: Our share of the top line, as I said, about Rs 1,600 Crores and Rs 100 Crores is an increase in the profit. Not with profit.

Deepesh Sancheti: So increase in the profit. This year to deploy.

Santosh Sundararajan: By raising this equity internally rather than by sharing portions of our profit to private equity players in the market, if we raised this equity then our profit in the Rs 1,600 Crores would increase by Rs 100 Crores.

Deepesh Sancheti: So then why are we raising Rs 100 Crores. Why not Rs 200 Crores?

Santosh Sundararajan: So good question, see, for these projects that we have in hand we need about we said about Rs 200 Crores, Rs 150 Crores Rs 200 Crores of net. We have internal accruals to fund the balance. So we needed about Rs 100 Crores, all of them put together. And at this point of time, so we thought we'll just do and we do not want -- so looking ahead, there are various courses of funds on more projects going ahead. You would always need that in the -- although, as I keep saying, we have set like, but real estate is never going to give you an EPC kind of a situation where -- you do not put your money into the game.

You would have to buy TDR exercise, marketing expenses and launch approval costs and launch the project. So as we look for new projects, we would need more investing 6 months down the road, a year down the road.

But we have, as you said, as we discussed, we have planned to probably high walk GMP. If that happens, we will get 1 trench of equity or cash flows available from that. Also, our EPC and real estate numbers for the next year look good. So we will be making much better profits next year than this year. So those cash flows will also approve and will be available.

So we will see as it goes. And if at all, we need to raise more. I mean, we would be happy to come back to shareholders or whatever in the future, when our valuation is higher and then the dilutions are lower.

Somnath Biswas: See if you look at another aspect also, we go for Rs 200 Crores kind of raise and all these things, this will end up diluting the existing base in the range of 13% to 14% kind of dilution is likely to happen. And a number 2 is that for raising a QIB also, we also have a very definitive aspect of that for which projects we are going to raise fund. So as of now, the definite aspect of the requirement is to Rs 100 Crores, rest a little bit indefinite. So that will really lift of this of it could be in shareholder the system and get another Rs 100 Crores or something or a base.

Deepesh Sancheti: Great. I mean...

Somnath Biswas: We need to restrict...

Deepesh Sancheti: Right, right. That makes sense. If for a higher valuation if we are looking at. And as time goes, we will call in for more money, that's good. Now I just want to understand where this Rs 1,650 Crores comes in the presentation because in the presentation, I was saying that there is an order book pile-up of Rs 3,000 Crores, which is external order book and Rs 549 Crores is the internal order book I didn't get the figure of Rs 1,650 Crores, which you have mentioned.

Santosh Sundararajan: Yes.

Deepesh Sancheti: I was not getting the Rs 1,650 Crores figure in your investor presentation. I got Rs 549 Crores as your internal order book.

Santosh Sundararajan: So you see out of Rs 1,600 crore -- so real estate projects, I'll tell you the total value of those projects will be upwards of Rs 3,000 Crores. Rs 1,600 Crores is Vascon share, the other partners have a share. So Vascon share of the project 5 projects that I announced, which we will be launching in the next plus -- so 5 projects which are currently in the various stages of execution, all put together, we have an order -- we have Rs 1,600 Crores of Vascon share of revenue yet to be recognized.

Now out of this Rs 1,500 Crores, only Rs 500-odd Crores would be construction, Rs 600 Crores will be construction or maybe Rs 800 Crores. I mean we consider only when we get an approval and consider the order backlog in terms of EPC order backlog. That's ready purpose.

Let me put it this way, we have Rs 3,100 Crores of third-party EPC, which is clean and clear, plus Rs 1,600 Crores of real estate revenue, this is our order backlog, Rs 4,700 Crores on a standalone basis.

Somnath Biswas: So I will just summarize another one also. When you look at that number, the real estate top line we're talking about Rs 1,650 Crores. So if you look at that our current portfolio which is ongoing portfolio in that portfolio revenue is to be recognized in the tune of Rs 150 Crores and value of unsold stock, we will be it is something another Rs 150 Crores. So Rs 300 Crores is revenue is likely to be a supposed to be recognized from the existing portfolios.

And whatever the 5 project is under launch, that is supposed to be almost Rs 1,400 Crores. So that is the way Rs 1,650 Crores our numbers coming up.

Deepesh Sancheti: Okay. And how do we assess the profits come off the JVs coming in the future? Because last quarter, we had a used profit coming in. This quarter, we had a bit of loss coming in. How do we assess in future that how the JV profits and sales coming.

Somnath Biswas: The loss and profit, if you look at it, comes at the best on the revenue recognition method. As with every quarter, as you always keep on saying, the real estate doesn't recognize every quarter is revenue. It happens only based on the completion and all those things. But you're the other overhead admin costs and all this thing, it keeps... So that's a little bit fluctuating, but overall basis, it will be steady.

Deepesh Sancheti: Okay. And interestingly, you mentioned that you were looking at some big names coming into your QIP. I know you would be able to share it right now. but I wish you all the best, and you may -- you get good names into your institution basket?

Santosh Sundararajan: Yes, exactly, it is the same target we are also striving projects out of this transaction.

Moderator: We have our next follow-up question from the line of Prateek Bhandari from Aart Ventures...

Prateek Bhandari: Can you just let me know as to the way you are saying that the top line from the EPC division is the revenue growth should be coming from there. So do we see the margins to be improving from 9% to 10% -- range of 9% to 10% to a bit higher side?

Santosh Sundararajan: So firstly, the revenue growth, hopefully going forward will be coming from both divisions, EPC and real estate. Because I think real estate is punching way below our -- so we want real estate to grow faster and try and catch up and the profit persuades in real estate are also higher. Having said that on the rapidly performing at around we did Rs 360 Crores last year, we hope to exceed that Rs 700 Crores maybe this year. And next year, we have set a target of Rs 1,000 Crores. As the top line increases, the PBT will inch up

Moderator: Sorry to interrupt sir, but your voice is breaking in between.

Santosh Sundararajan: Yes. So I said as the EPC revenue goes up from the Rs 660 Crores, Rs 700 Crores levels that we are currently in the last 2 years. And next year, we hope to cross the Rs 1,000 Crores mark of third-party EPC execution. And as these top lines go up, the PBT will go up. We've been tracking our PBT quarter-on-quarter.

This quarter, we are happy to see that we have actually crossed 8% PBT. And as we touch Rs 1,000 Crores next year, we hope to introduce closer to 10% cross 9% and then go towards 10%. I wouldn't want to stick my head out and say as out as it will be more than 10%.

Prateek Bhandari: Hello. Yes. Sir, there was a slight interruption at your end in the voice?

Santosh Sundararajan: Yes. So as the top line increases, we want to push this PBT level of the EPC division from 8 towards 10, step by step.

Prateek Bhandari: And also let me know as to what is the planned capex for the upcoming year?

Santosh Sundararajan: We do not have much capex actually even for 1 more year, we have a significant amount of assets in place. And so -- and the new project might need a little bit of investment at the project. I mean, not more than Rs 15 – 20 Crores or what we see as potential -- those are also equipment, machinery equipment and staging materials that we might need to procure over the next year.

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

Santosh Sundararajan: Thank you. Thank you, all shareholders. We have had a good quarter. We are looking at a good fourth quarter as well, and we hope to have even a better next 4 quarters in the year coming ahead. Thank you for your continued faith in the company, and I'll see you all again next quarter. Thank you. Bye.

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