"Vascon Engineers Limited
Q1 FY27 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to the Vascon Engineers Limited Q1 FY27 Earnings Conference Call. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Akhilesh Gandhi from Stellar Investor Relations. Thank you, and over to you, Mr. Gandhi.

Akhilesh Gandhi: Thank you, Avirat. Good morning, everyone. I, Akhilesh Gandhi. On behalf of Stellar Investor Relations, welcome you all to the Vascon Engineers Q1 FY27 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the first quarter ended on June 30, 2026.

Today, we have senior management team of Vascon Engineers. We have Dr. Santosh Sundararajan, he's the Group CEO. Along with him, we have Mr. Raveesh Rao, he's the Chief Executive Officer for Real Estate. And along with him, we also have Mr. Somnath Biswas, he's the Chief Financial Officer.

Before we begin, I would like to state that this call may contain some of the forward-looking statements, which are completely based upon the company's beliefs, opinions and expectations as of today. The statements made in today's call are not a guarantee of future performance and also involve unforeseen risks and uncertainties.

The company also undertakes no obligation to update any forward-looking statements to reflect developments that occur after the statement is made. Documents relating to the company's financial performance, including the investor presentation is already been uploaded on the stock exchange.

With that, now I invite Dr. Santosh Sundararajan sir, to state his opening remarks on the company's performance for the first quarter ended on June 30, 2026. After that, we'll open our floor for the Q&A session. Thank you, and over to you, sir.

Santosh Sundararajan: Thanks, Akhilesh. Good morning, everyone. It is my pleasure to welcome you to Vascon Engineers earnings conference call for the first quarter of FY27. Thank you for taking the time to join us today. I trust you've had an opportunity to review our financial results and the investor presentation available on the stock exchanges as well as the company's website.

As we commence FY27, our key priorities remain clear, to accelerate project execution, strengthen our order book, improve cash flow efficiency and maintain financial discipline across the businesses.

On the EPC business, EPC continues to be the cornerstone of Vascon's growth strategy. Over the years, we have successfully delivered more than 225 projects covering over 45 million square feet across India. Our integrated turnkey abilities, along with our in-house design and engineering expertise continue to be an important differentiator for us in the market. During Q1 FY27, our focus remained on progressing our existing portfolio while simultaneously strengthening the pipeline for future quarters. As of June 30, 2026, our total EPC order book stands at approximately INR2,850 crores, comprising an external EPC order book of INR2,531 crores and an internal order book of INR319 crores.

This represents about 3x our FY26 EPC revenue and provides strong revenue visibility over the medium term. During the quarter, we secured a INR295 crores order from CPWD for the construction of the RBI Colony in Guwahati. This further strengthens our presence in large government-led infrastructure projects. In addition, we further strengthened our EPC pipeline with an LOI worth INR126 crores, excluding GST from Maharashtra Public Works Department for the development of a 300-bedded General Hospital at Wardha, Maharashtra. The LOI was received on August 12, 2026.

This opportunity further strengthens our presence in the health care and government infrastructure segment and add to the visibility of our future order inflows. Looking ahead, we are targeting approximately INR1,500 crores to INR2,000 crores of new EPC order intake during FY27.

Our focus will remain on securing large and high-value civil construction projects from government as well as reputed private sector clients. On the execution, during the quarter, we did experience some moderation in EPC execution. The key factor was temporary cash flow constraints in 2 major government projects, which impacted the pace of execution and consequently, revenue recognition during Q1 FY27.

We consider this primarily a timing-related execution issue rather than a structural concern with our order book. Fund flows for the affected projects are expected to commence from August 2026, which should enable us to progressively ramp up our execution. At the same time, some projects awarded in earlier years are now approaching completion and therefore, contributed relatively lower revenue during the quarter. The newer projects secured during FY26 and Q1 FY27 are still in initial stages of execution and are expected to make a more meaningful contribution from Q3 onwards.

Our immediate priority, therefore, is to accelerate execution across the existing portfolio, ensure timely mobilization of resources and convert our strong order book into revenue. Our strategic engagement with Adani Infra India Limited is also expected to support future order inflows and further strengthen our EPC order book over the medium term. Our strengthened banking relationship will also play an important role in supporting the next phase of growth.

As of June 30, 2026, we had total sanctioned banking limits of approximately INR760 crores, including fund-based and non-fund-based facilities. Of this, approximately INR355 crores remains unutilized. This provides us with additional financial flexibility to mobilize resources, support project execution and pursue opportunities as our order book continues to grow.

Let me now spend a few minutes on our real estate business. We have set ourselves a clear long-term ambition of building towards an annual booking value of INR1,200 crores to INR1,500 crores by FY31. As outlined in our investor presentation, this forms an important part of our FY30, '31 growth and acquisition strategy. To achieve this objective, we first needed to strengthen the capabilities required to build a business of this scale.

Design, engineering and construction execution have always been our core strength and remain deeply embedded in our DNA. However, building a scaled real estate platform requires additional capabilities across business development, sales, marketing, quality and customer experience. Over the last quarter, we have, therefore, focused on strengthening 3 key areas.

First, business development. We have strengthened the team to create a robust and derisked project pipeline across our core micro markets of Mumbai and Pune. Our focus is on redevelopment opportunities as well as select joint venture, joint development greenfield projects.

Second Sales and marketing. We have brought in senior leadership to strengthen our internal sales capabilities and further expand our channel partner network. Our objective is to build consistent month-on-month sales momentum across our live projects rather than relying predominantly on launch-led sales.

Third is on quality and customer experience. We have onboarded a senior professional from the Armed Forces to strengthen quality control throughout the construction cycle and enhance the overall customer experience, including handover and post-handover building and services management. These are strategic capability investments, and we expect their full benefits to become increasingly visible over the next few quarters.

Importantly, we are already seeing encouraging early traction. Against a total booking value of INR113 crores achieved in FY26, we recorded INR66 crores of booking value in Q1 FY27 alone. During the quarter, we recorded new sales bookings of approximately 30,690 square feet, while total collections were approximately INR20 crores. Orchid witnessed a meaningful improvement in sales momentum, recording approximately INR38 crores of booking value during Q1 FY27, taking the cumulative bookings to approximately INR87 crores.

We also launched Tranquil Heights in Powai during the second week of June, and the initial market response has been encouraging. Separately, for Prakash in Santacruz West, we have received the required approvals, including RERA approval and expect to launch the project shortly.

Our near-term pipeline also includes Tower of Future in Baner, Pashan, Pune and the Ajanta redevelopment opportunity in Kharadi. Together with Prakash, these projects represent approximately 1.74 million square feet of salable area with an estimated sales value of around INR2,000 crores, of which approximately INR1,000 crores is attributable to Vascon. In terms of new project acquisitions, while no transaction has been assigned at this stage, we have several active opportunities under discussion. We continue to follow a selective and disciplined approach and are working towards converting some of these opportunities over the next 2 to 3 quarters.

Our objective is clear to build a healthy, high-quality and derisked project pipeline that can support launches from FY28 onwards. At the same time, we will remain disciplined in capital allocation and project selection. Operationally, our focus will remain on 3 key priorities. First is accelerating the launch of projects already in our pipeline. Second is achieving the price points embedded in our underwriting rather than pursuing volumes at the expense of value. Third, ensuring timely execution with a strong emphasis on construction quality and customer experience.

Alongside this, we will continue to focus on improving collections and maintaining financial discipline across the portfolio. We believe that these strengthened capabilities, combined with our established design, engineering and execution strength provide a solid foundation to scale our real estate business in a measured, sustainable and value-accretive manner over the coming years.

I'll carry on -- let me now take you through the financial performance of the company. The company reported consolidated revenue from operations of INR152 crores compared to INR221 crores in Q1 -- this Q1 compared to Q1 last year. The decline was primarily attributable to lower EPC execution during the quarter, which has been discussed earlier. Consolidated EBITDA stood at INR10 crores compared with INR34 crores in Q1 FY26. It is important to note that in Q1 FY26, we had an INR18 crores of profit from the sale of an investment.

Excluding this onetime gain, Q1 FY26 EBITDA stood at approximately INR15 crores. On this adjusted basis, the EBITDA margin for Q1 FY27 was approximately 6%, broadly in line with the corresponding quarter last year. Profit after tax stood at INR2 crores compared to INR22 crores in Q1 FY26. The moderation in profitability was primarily due to the lower revenue base during the quarter, coupled with the impact of the onetime investment gain recorded in Q1 FY26.

At the segment level, the EPC business remained profitable during the quarter. EPC revenue stood at approximately INR148 crores compared with INR203 crores in Q1 FY26. EBITDA stood at approximately INR13 crores, translating into an EBITDA margin of around 9% compared to 8% in Q1 FY26. This demonstrates that despite the lower execution volume during the quarter, the EPC business continues to maintain healthy project level profitability. The Real Estate segment reported revenue of approximately INR4 crores with an EBITDA loss of approximately INR4 crores. This was primarily due to the timing of project revenue recognition and the associated costs.

From a balance sheet perspective, net debt stood at approximately INR152 crores as of June 30, 2026. We remain focused on improving liquidity, optimizing our funding structure and enhancing cash flow efficiency as project execution improves. Looking ahead, we expect financial performance to improve progressively as the current execution constraints are addressed. While Q1 FY27 was impacted by execution timing and lower operating leverage, our underlying fundamentals remain supported by a strong INR2,850 crores order book and healthy government project mix, strengthened banking support and a growing real estate pipeline.

Our key priorities for the remainder of FY27 are, to accelerate EPC execution, further strengthen the order book, improve liquidity and cash flow efficiency and scale the real estate business in a disciplined and value-accretive manner. We remain focused on converting our strong order book and project pipeline into sustainable growth and improved profitability over the coming quarters.

With that, I would like to thank you once again for joining us today. We now welcome your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Himanshu Upadhyay from SteadFort.

Himanshu Upadhyay: My first question was on real estate project. Am I audible?

Moderator: There is some disturbance.

Santosh Sundararajan: Yes, if you can be a little bit louder, yes.

Himanshu Upadhyay: Yes. So my first question was on the real estate projects, okay? From the projects what we have sold, the pending collection is around INR116 crores. And the value of unsold inventory is around INR414 crores. I am looking at your Slide 35 and 34. And how much is the construction spend pending to complete these projects? So what can be the cash flows from these projects over, let's say, next 2 to 3 years?

Santosh Sundararajan: So see, for us, all the EBITDA on our real estate projects or our gross profit on the real estate projects still continue to remain in the range of about 25% to 30%. So we have about 50% of the balance as construction cost of the balance cash flows, INR300 crores. So out of this INR400 crores plus INR116 crores, we have about INR300 crores as pending construction cost. You would still get INR220 crores as free cash flows.

Himanshu Upadhyay: Okay. Okay. And one more thing. In last 1 year if we look at our balance sheet the debt has increased quite materially. But if I look at on EPC projects, we have not got any big projects for which we need to pay a substantial money.

The order book has been continuously flattish or not grown at all. So where has most of this cash flow gone because the value of projects and if you look at it on the real estate added and let's say, INR135 crores, what net debt we would have added on real estate, the operating cash flows or final cash flows from that projects may also not be INR135 crores. So where has a substantial amount of capital gone in the business? Some thoughts on that will be helpful.

Somnath Biswas: Yes. Your observation is correct. But at the same time, if you look at that, if you do comparison between March '26 vis-a-vis June '26, the significant increase in the debt portion happened due to the EPC. So if you look at that, CC limit has been drastically -- utilization of the CC limit has been quite significantly increased because a couple of projects are there.

There is 2 aspect. There are a couple of projects are there, which is a milestone basis payment, unless you reach to that milestone, you have to pump the money and reach to that level of milestone, then only you are entitled to get them -- get your bill certified, number one. Number two, over the last couple of years, 4, 5 years, we used to get a very healthy working capital cycle of 45 days, net working capital cycle of 45 days. But over the last 6 months or something more due to some geopolitical instability, local issues and all these things, we are seeing that the net working capital cycle has been increased from 45 days to almost 65 to 70 days.

So there are also some kind of stretches happening. But we are quite sure we are seeing the light at the end of the tunnel that things are getting pretty improved. So that is -- so this working capital cycle also will be aligned to the back -- earlier system.

But temporarily, that function has happened to keep the momentum of the project. But in overall, if you look at that, obviously, the real estate also needs some capital to infuse, without capital infusion, you can't have the real estate project keep going. So initial cap...

Himanshu Upadhyay: I agree to that. But if I am looking more from March '25 to June '26, not on the 1 quarter, I understand some days, it may happen. But...

Somnath Biswas: Yes, obviously March '25 to June '26, there is some capital infusion happened in the real estate. And then currently, some capital infusion has been gone into the EPC also. It is a blended in both the cases. But still, if you look at our overall debt equity ratio is not -- quite pretty well within the limit. And we always strive to maintain that balance as it is.

So initial -- once the project will kick off nicely, sales will keep on happening, the ratio will be better off and this debt burden will be reduced.

Himanshu Upadhyay: No, I agree to your net debt to equity is low. But see, our profitability on the EPC side is only 10% to 12%. We have to take a substantial debt and the debt is also not low-cost debt we are getting at 5%, 6%. Generally, our debts are nearly double digit or low double digits. So in that type of scenario, my profitability remains low and then my return on capital -- see, at some point of time, I also want the company to be highly capital efficient or let's say, try to aspire to at least 15% to 16% return on equity. So from those perspective, the question was there.

Santosh Sundararajan: Absolutely. So on EPC, even today, you'll get much more than 15%, 16% return on equity. These are short-term debt, which we have to -- sometimes we have an option of drawing down advance from the client. Most government projects, even today offer you advance at about 12% interest only. And so what happens is then we have to put in a BG, they expect you to put about 10%, 15% higher BG limits to draw down on those advances.

And we are anyway paying interest. But if we had taken that, those would actually not come as a debt. Those would come as a project advance and get recovered from the project.

So sometimes it's not visible as debt. For a couple of projects this time, we took a call to take short-term debt from outside rather than avail certain advances available from the client. We also have a project where there is no advance available from the client. So these are -- but these costs are factored in, in our budget as far as the project profitability is concerned. And for EPC, these are very short-term debt, which will be rolled over in a matter of 6 to 8 months as our project kicks off and the cash flows come.

The other aspect on the real estate side, of course, the debt will be a longer debt, which would get paid back over a period of the project over 2, 3 years. But you are right. And the ROA on EPC is very well under control and in fact, it will be well more than 15%.

Himanshu Upadhyay: And that 65 days of working capital, what is the requirement? Is it -- or what has increased from 45 to 65. Is it mainly because of the 2 projects which are not moving or in other projects also, the working capital has increased. So is it...

Somnath Biswas: No, not for other projects, these 2 projects, obviously, now these projects are also getting shaped properly. And there are a couple of projects which is at the fag end of the completion. So final bill, certification takes its own sweet time to get it done.

Himanshu Upadhyay: Okay. Okay. And generally, what would be the completion time line for the residential projects what we are having right now?

Santosh Sundararajan: Real estate ones?

Himanshu Upadhyay: Yes, yes, yes.

Santosh Sundararajan: So yes, I think I'll let Raveesh answer. Each one is different.

Raveesh Rao: Each project is different. So the current Santacruz project, we are planning to -- we are targeting to complete by the end of this financial year. That's Orchids. Powai is a 36-month kind of a development because it's 2 basements -- 3 basements plus ground plus 22-story building. It's a 70-meter high rise.

So that's a 3-year development. And on the Prakash Society redevelopment, again, this is a ground plus 8 kind of a structure. So that's again a 24-month. So each project is different.

Himanshu Upadhyay: Okay. Okay. And one more thing. See, today, when we are looking on the residential real estate side, every builder in Bombay wants to double or triple the revenue line in next 4 to 5 years. And everybody is going into redevelopment left, right and center.

And we don't have any inventory on our hand, means to launch or something quickly recapture. So we have to acquire more projects, okay, or a significant number of projects in the next 2 years to reach what we are trying to aim yearly revenue of INR1,000 crores in the next 4 years.

How viable is there in terms of getting projects at the decent margins because the intensity of competition seems to be pretty high and every developer, if I speak to Bombay, the aspiration is to double or at least double the revenue on the redevelopment side. So just difficult to understand and with our limited balance sheet, how are you thinking?

Raveesh Rao: Fair point. And I think the aspiration and the ambition is likewise the way you mentioned it. Bombay is a pretty large market when it comes to redevelopment. And we already have had a presence in both the Western suburbs as well as the central suburbs. So the 2 projects that we acquired about 2 years back and where we have come fairly in our execution on the first project and to be launched in the second one, that has given us a fair amount of visibility as well as a lot of trust in the local markets to say that these guys are quick with execution and the quality is in good shape and et cetera, et cetera.

So that gives us a lot of scope when it comes to business development because delivery story is the most important factor when society is going for redevelopment because they're giving their houses up. So that's been working in our favor. From a target, we are also looking at those locations where we are already present. So Western suburbs between the Bandra, Khar till about Juhu, Andheri is where our key focus has been, and we are having a significant pipeline of projects already there.

Similarly, on the central suburbs as well, we are looking at doing anywhere between Sion till about JVLR, where we already have a presence in Powai right now. So we are not strengthening business development beyond the current set of geographies that we have identified for ourselves.

Second is from a competition that is there, fair point that the competition is intense, both from the local developers as well as the large developers. But if you look at our narrative that we have shared with you, we are looking at projects which are with a minimum GDV of at least about INR250 crores to INR300 crores.

And for that, the investment generates about 10% to 15% upfront. And in projects where you have INR500 crores to INR750 crores, the large developers are kind of not looking at these. So these are the 1- to 2-acre development where the societies are very keen to have listed developers with Grade A quality construction and construction background as well. So that's been helping us. So this has been the key area that we have been looking.

Somnath Biswas: Just to add in another part of this, what you are talking about the competitors are quite aggressive to make this 1x, 2x kind of thing. If you look at Slide #26, we are also aspiring the same kind of growth on the way, and we are pretty confident to achieve that kind of growth.

Santosh Sundararajan: So I mean, to be fair, to be honest, it's a bit easier for us because our base currently is low. So for us to grow from INR100 crores and double over the next 3, 4 years is a must for us to even see reasonable profits in the real estate business. We did that to EPC already 3 years ago. Once we reach INR 700 Cr, INR 800 Cr, or INR 1,000 Cr, then to continue to grow at 40% or 50% would be a big challenge..

From here, because our base is very low on the real estate side, I think doubling is a minimum that we need to set ourselves.

At the same time, what is the base for the last year? If you talk about the total sale value of the booking value of the last year, already we are very close to achieve that number as of now. So still 7-8 good months is still there to catch up this number.

Himanshu Upadhyay: And one last thing. On the INR80 crores what we have raised, okay, through preferential issue, what is the application of that capital? Or how are we thinking to use that capital in, let's say, next 6 to 9 months?

Santosh Sundararajan: It's a combination of all 3 for general corporate purposes a little bit, but primarily for real estate and a little bit for the EPC working capital as well.

Somnath Biswas: And eventually, that INR80 crores is not an upfront kind of thing. This is a warrant, which is having a time horizon of 18 months to get this money done. So the first tranche has already happened that minimum 25% capital infusion that has already happened. And what Mr. Santosh told about, we are in line with that kind of investment plan putting all this sector making strong.

Moderator: The next question is from the line of Kunal Shah, an Individual Investor.

Kunal Shah: So my first question is on the EPC side. You had mentioned in the investor presentation that there are 2 government projects which are currently facing some cash flow related issues. So could you please provide some clarity on which projects this belongs to?

Santosh Sundararajan: They were the Bihar Supaul project in Bihar and the Sindhudurg project in Maharashtra, 2 projects that were to give us a high run rate of revenue over the last 5 to 6 months. They have been held back for some cash flow issues from the client side. So that is why even in our Q4 last year and Q1 this year, we faced the brunt of lower revenue than what we should have done. But now both these projects are -- the issues are sorted and the cash flows are available with our clients. So we expect them to ramp up immediately over the next 1, 2 months itself.

Kunal Shah: Okay. So there will be no further delays now in this?

Santosh Sundararajan: Yes. These 2 are now back on track.

Kunal Shah: The next question, probably, if I may ask, is on the ongoing projects that are nearing the completion. and the revenue recognition is pending. So could you please specify which projects are these? And if we can expect a meaningful portion of the pending revenue to be recognized in the quarter 2?

Santosh Sundararajan: In second half -- second half of this year, you will find -- I mean, over the next 3 quarters, we will be targeting to complete both our Coimbatore project and our TOA, Tower of Ascend commercial project in Kharadi. So these 2 real estate projects, we are targeting to achieve the OC within this year. And we are also actually targeting to do it for Orchid Santacruz. That's a little bit of a tight task, but we've taken it as a target as well. So if all of these 3 get done, we will see a good amount of revenue recognition this year in real estate.

Kunal Shah: So it won't be in the quarter 2, most likely in the Q3 or Q4.

Santosh Sundararajan: That's right. I mean Orchids will definitely be only in Q4, if it happens. Coimbatore and TOA will also come Q3, Q4, not in Q2.

Kunal Shah: Okay. Understood. Understood. So next question probably, sir, on the order book side, that remains largely unchanged. We have been seeing in the investor presentation, the projects like Vedanta, Mumbai high-rise.

So could you just help us understand the reason for the slow progress on these projects? Is this the delay primarily due to the pending payments from the client side? Or can you just throw some light on this?

Santosh Sundararajan: No, as I said a couple of -- like Vedanta project was stuck for a long period. The client had also shifted focus elsewhere, and we were not doing much work. There were cash flows that were pending from the client. But even that project now they are keen to finish it. So we've started -- we have scaled up there, and we've started building again. So that project also we hope to finish over the next -- this financial year for sure.

Other than that, as we said, a couple of projects have been very slow, and so you would not see their order value or their order backlog diminishing. But going forward, now at this point of time, all the projects in hand are progressing well, except the one, Royal Rides in Goa has not taken off and the Vashi Hospital, which we bagged a few months ago, has not kicked off. So these 2 EPC projects, the order backlog remains -- the entire order value remains as order backlog because we haven't done much work at site in both these locations as the projects haven't kicked off.

Kunal Shah: Okay. So these projects that we -- that you mentioned probably are going to kick off probably in the second half of the year?

Santosh Sundararajan: So this Vashi one seems to be -- the client has been now talking to us to mobilize and start some work shortly. There were some political or local level issues, which they were sorting out. So we weren't offered the fronts to start work. But I think as it stands, they seem to have sorted that out and so that project should start in this coming quarter itself. Royal Rides, still no feedback from the client when they want to start it.

So it remains stalled as of now. We don't know when it will start. But the Vashi one will start now.

Kunal Shah: I just have one last question, if I may squeeze in. Just wanted to understand the status of that INR225 crores Royal Rides. I know that you mentioned this. in the previous -- while answering the previous question. So could you just update on -- as in what exactly stage are we in on this project? And how much revenue has been recognized from this order so far?

Santosh Sundararajan: We are at a very ground level, some ground leveling work and some basic development work has been done. But since there is not much progress from the client to tie up and some certain other back-end integration also, the project has not moved as per the required thing. So revenue recognition, hardly INR10 crores, INR12 crores kind of has been recognized, INR15 crores.

We report about INR15 crores, basically whatever initial mobilization and initial groundwork as Somnath mentioned. But after that, we've stalled -- the project is stalled because it's part of a much bigger project as far as the client is concerned. It's a ropeway project, which is on a BOT basis. So I think some other vendors are being tied up by the client at this point of time.

Kunal Shah: Okay. So this particular project is then canceled from our end? Or how are we seeing it?

Santosh Sundararajan: We don't want to call it canceled yet. But at the same time, there is no go ahead from the client. So for this financial year, let's just assume there will be no revenue coming. On the conservative side, let's just assume that the next 3 quarters, we don't see revenue from this project.

Kunal Shah: Okay. And then what is your thinking on this particular project? And how do you see -- are there any chances that the project would -- might come to us or it will go to other vendors?

Santosh Sundararajan: No, no. The project is already with us. It has been awarded to us. So the question of it going away doesn't arise. It is a matter, as I said, it's a much bigger -- it's a INR2,000-odd crores investment by the client on a BOT basis to set up the ropeway and then set up all the facilities around it to operate it. What we had got was just one admin building out of this entire investment that our client needs to make.

And so until he ties up other things and take the project on in full swing. But there is no question of the project starting and this building going to someone else unless we decide we don't want to do it. So it remains an order. It remains a live order. We don't say it's a canceled order or any such thing. But as I said, for the purpose of estimating anything in this financial year, we do not want to take any revenue coming from that.

Moderator: The next question is from the line of Chaitanya Mantra, an Individual Investor.

Chaitanya Mantra: Sir, my question is what is the reason behind Reliance order cancelled?

Santosh Sundararajan: So the Reliance team, when we awarded the order, their design was based on a non-Mivan method of construction. Eventually, they also made quite a few changes to the design after awarding us the order, and they shifted directly to a different concept, including Mivan and other things. And the rates at which we had quoted for concrete, for example, were totally different to what it would mean if the method of construction had changed. And so in a mutual -- because the whole concept and design had changed, we mutually -- it was beneficial for us to, in fact, not go ahead with the execution. So it was, in a way, a mutually decided thing.

Chaitanya Mantra: Okay. Okay. And last year, we have -- company has promised that the top line was INR1,200 crores. And this year target...

Santosh Sundararajan: Sorry, top line of?

Chaitanya Mantra: Top line is INR1,200 crores. I think in the previous con call, company has promised that they will achieve around INR1,200 crores or INR1,300 crores. So since the numbers are not good for Q1, so what is the new target for this financial year?

Santosh Sundararajan: No. So this financial year, we still target to achieve INR1,200 crores because we do expect INR200 crores plus revenue coming from real estate as well, which did not come in last year. So on the EPC side, even now, we've had our internal reviews. The first quarter, as explained in my address as well as by Somnath, the first quarter has been bad for various reasons. However, no -- structurally, there is no loss of project or anything hampering any of our order pipeline, except the Royal Rides one, which remains stagnant, which is just INR200 crores.

So we are seeing that executions have ramped up at all our sites. So EPC should do, if not better than last year, at least equal to last year, which is INR900 crores plus. We hope to achieve INR1,000 crores on EPC itself this year. And real estate, as we said, 3 projects are going to be completed. So we will be getting real estate revenue recognition also.

So we are still -- in spite of just doing INR150 crores this quarter -- see, our real estate revenue will come only in Q4, all of a sudden. Till then, we will not see it. So we are still confident that we can achieve INR1,200 crores.

Somnath Biswas: And so typically, in the EPC business, what you will say that Q1, Q2 comprise 40% and Q3, Q4 comprise 60% of the estimated top line of the year. But this year, Q1, Q2 comprise 30% and Q3, Q4 will comprise 70% of the top line because whatever the slow progress is going on, that is now picking up nicely. So we are pretty confident that we'll catch up the number.

Chaitanya Mantra: And the operating profit margin, sir?

Somnath Biswas: It is dependent on the volume. If you look at the ratio-ratio, EPC ratio has not declined. The operating profit number declined due to the volume game.

Santosh Sundararajan: at the gross profit level in all our EPC on an average, we are still at between 13% and 15%. And this -- if we execute INR1,000 crores over the year, you will see that our PBT numbers come closer to 10%, 8%, 9% at least. As of now, it is low, obviously, because the volume of execution is very low.

Chaitanya Mantra: Okay. And last question is, what is the status of Adani project, when the numbers will be -- come on financials?

Santosh Sundararajan: I wish I knew the answer to that question. But we have been engaging with them on at least 3 or 4 projects at this point of time. Since they have this early engagement model, they have chosen their partners at a very early stage, which is not normally what developers do. So we were also surprised to note that we are on board at a stage where they haven't even finished their conceptual design, frozen the design and then going for approvals.

So these processes in real estate always takes more than a year, a couple of years sometimes and they have brought us onboard at a very -- at that kind of a nascent stage. We are participating with them in all these projects and giving input for constructability and so that their idea is that they want the contractor to be part of this design journey so that we do not have any execution surprises at a later date, and we are able to be their partner rather than a vendor who's chosen at a later date.

So to that aspect, to be fair, it's been nice engaging with them so far, contributing as much as we can theoretically. But to hit ground and start construction, I don't see it happening again in the next 6 months. So I don't want to forecast anything. We thought we would get revenues this year, but it looks like it might go to maybe Q4 or next year because certain approvals are still pending.

Moderator: The next question is from the line of Saumil, an Individual Investor.

Saumil: I have only one question. In April, the company approved a preference issue of up to 2 crores convertible warrants. Could management help us to understand the primary objective behind this fundraise and how this fund are being deployed?

Santosh Sundararajan: So one, see, we did have a strategic investor who was interested in picking equity in the company and guiding us. He's been very helpful in bringing certain contacts and guiding us to certain projects, and he's very bullish on the company and is also very -- has a lot of contacts in the market who can help us grow.

So along with them, of course, our promoter family also wanted to increase their holdings and not lose their percentage of holdings if there's a new participation. So they also decided to subscribe to the warrants. So with these 2 parties willing to fund and put in money into the company. And then we -- anyway, we were looking to do a QIP a year or 2 ago. So funds are always welcome in a place where real estate is targeting to grow aggressively.

So we would always be needing funds on the real estate side, a little bit on the EPC as well. So -- and as Somnath pointed out, this INR80 crores is not coming in one shot. It's going to come over a period of 18 months. So it's going to be in trickles. And as and when it comes at that point of time, whatever the real estate -- so we have declared that we would be using it almost 60%, 70% for real estate and a little bit for EPC and a little bit for corporate purposes.

Every time the warrants are due and funds are available, we will then share at that point of time in line with this prediction.

Moderator: The next question is from the line of Vedant Sarkhot, an Individual Investor.

Vedant Sarkhot: Sir, just one question from my side. Could you give us an update on the Thane land parcel? Has the acquisition being processed, completed or still pending?

Santosh Sundararajan: It is under process, but still not completed.

Vedant Sarkhot: Government corridor acquisition?

Santosh Sundararajan: No, no news on the government corridor acquisition over the last 3 to 6 months. We are waiting for some decision from them. And on the other acquisition on the road side, which we are targeting to get a continuous parcel, work is going on. We have people at site who are trying to acquire pieces. We have done a little bit of progress, but it's much slower than what we had hoped for also in terms of negotiating and closing parcels.

So work is going on. No immediate time line to say that we will have a continuous parcel to work on, at least a year plus from here.

Vedant Sarkhot: Okay. And also, what will be the value of the land?

Santosh Sundararajan: So ready reckoners values or the acquisition value of government, we were told it is in the range of INR6-odd crores per acre. So yes, we have -- we hold 45% of that 150 acres. Of course, Corridor is only going to acquire about 40% of the 150 acres roughly. And so that would only mean about 60 acres out of which 20, 25 acres would belong to Vascon if that happens.

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

Santosh Sundararajan: Thank you, everyone, for your questions and taking time to join us today. To conclude, our focus will remain on accelerating project execution, strengthening our pipeline and improving our cash flow as well as scaling up the real estate business. We have a strong EPC order book. We will be definitely booking INR1,500 crores to INR2,000 crores as a target for this year as well. And we remain confident in our ability to grow progressively from here on.

It has been one of the worst quarters we've had over the last 3 to 4 years, but I think there's nothing structurally wrong that has led to that. It is just a matter of execution. And all these projects, in fact, remain in our hands. So we're looking forward to achieve the target we have set for ourselves this year. And thanks again, and see you all next quarter.

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