



November 19, 2019

To,  
**National Stock Exchange of India Limited,**  
Listing Department,  
Exchange Plaza,  
Bandra (E), Mumbai – 400 051

To,  
**BSE Limited,**  
The Department of Corporate Services  
Phiroze Jeejeebhoy Towers, Dalal Street,  
Mumbai 400 001

Ref Symbol: **VASCONEQ**

Ref: **Scrip Code: 533156**

**Sub: Earning Conference Call Transcript for Q2 FY 2019-20**

Dear Sir/ Madam,

Please find enclosed herewith Earning Conference Call Transcript for Q2 FY 2019-20.

This is for your information and records.

Thanking you,  
For **Vascon Engineers Limited**

**Vibhuti Dani**  
**Company Secretary and Compliance Officer**

Enclosures: As above

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“Vascon Engineers Limited  
Q2 FY2020 Earnings Conference Call”

November 05, 2019



**MANAGEMENT:**            **DR. SANTOSH SUNDARARAJAN – CEO**  
                                      **MR. RAJESH MHATRE – CEO-REAL ESTATE**  
                                      **MR. SOMNATH BISWAS – CFO**

**Moderator:** Ladies and gentlemen, good day and welcome to Vascon Engineers Limited Q2 FY2020 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 the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Santosh Sundararajan from Vascon Engineers Limited. Thank you and over to you Sir!

**Santosh Sundararajan:** Thank you. Good morning everyone. I welcome you all to the earnings conference call of Vascon Engineers for the quarter ending September 30, 2019. Joining me on this call is Mr. Rajesh Mhatre, our CEO of Real Estate, and Mr. Somnath Biswas, our CFO. I am sure you must have gone through the Q2 and H1 FY2020 financial results and the result presentation uploaded on the stock exchanges and on company’s website. To start with, I would initially brief you on the company’s performance during the quarter followed by the industry opportunities.

We are pleased to share we have doubled the EPC order book since the beginning of the current financial year. Our total order book currently stands at Rs.2,042 Crores with a strong external order book of Rs. 1,917 Crores and an internal order book of about Rs. 125 Crores. In the last two months we have received orders worth Rs. 1,130 Crores taking the total order intake in the current financial year to Rs. 1,407 Crores. Major orders received are the two large orders from Public Works Department Raipur, Chhattisgar and Maharashtra State Police Housing & Welfare Corporation totaling to Rs. 970 Crores.

We have also received an order for the Metro work worth Rs. 160 Crores from Bengaluru Metro Rail Corporation in Karnataka. Our strategy derived during the last two years of concentrating only on our core business that is EPC and real estate are yielding great results and as a company, we are back on the growth track despite few sectorial instability space during the last one-year. For the quarter and half year under review on consolidated basis we have reported a net profit of Rs.5 Crores and Rs.10 Crores respectively.

We expect to maintain the momentum going forward supported by the strong order book and our execution capabilities. With the huge order inflow in the current fiscal year and the robust order book, we have a strong EPC revenue visibility for the next three years. We remain confident of on time execution of orders within stipulated cost leading to better capacity utilization, better operating margins and improved cash flows. Inline with the company strategy we are making efforts to strengthen the balance sheet to bringing down the cost of capital by replacing high cost debt and also liquidating non-core assets.

Moving on to the real estate division, during this quarter we have launched tower-2 of Forest Edge and witnessing a decent traction in the same. Also our launches during the last financial year are progressing well with fair uptake in Windermere and Goodlife. In H1 FY2020, the company did new sale bookings of 64,383 square feet amounting to a sale value of about Rs. 57

Crores. We are happy to share during the period under review; our real estate segment has turned EBITDA positive. Our performance in real estate division is the outcome of our strong marketing, which has resulted in faster liquidation of the inventory.

As communicated during the last conference call, we had identified various launches of around 2.5 million square feet amounting to a sales value of about Rs. 2,000 Crores over the next 2 to 3 years.

Let me take you through the financial performance. Let me start with the standalone numbers. During H1 FY2020, the company reported a total income of Rs. 185 Crores as against Rs. 180 Crores in H1 FY2019. EBITDA for H1 FY2020 stood at Rs.24 Crores with an EBITDA margin of 13%. Profit after tax was at Rs. 8 Crores in H1 FY2020.

On a consolidated basis during H1 FY2020, the company reported a total income of Rs. 266 Crores. EBITDA stood at Rs. 32 Crores with the EBITDA margin of 12%. Profit after tax was Rs. 10 Crores in H1 FY2020. Total net debt as on September 30, 2019, is Rs. 211 Crores. We would like to reiterate with all the growth drivers in place we are all set to enter the new phase of growth. We are committed to deliver on our strategy and focus to enhance our shareholders value. With this we can now open the floor for questions. Thank you very much.

**Moderator:** Thank you very much, Sir. The first question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

**Rohit Natarajan:** Sir, in terms of the order inflows that we have seen so far, we are given to understand that we have some capacity utilization of the existing capacity that we have, we are working at 40% and we can nearly double up, so if I understand it correctly we have doubled up the order backlog, but the revenues continue to remain languish, probably we will see a good revenue in the next year, if I understand it correctly would it be fair to say that this is the peak order backlog right now that we maintain or is there more order inflows that you expect at this level?

**Santosh Sundararajan:** To answer your first question, you are right. The revenues will improve significantly over the next year because these orders have just been locked in the last quarter and execution on most of these jobs have not really started yet, they should be starting in the next couple of months and then we will see revenues going forward in fourth quarter this year and definitely next year. With regards to whether this order book is our peak order book, we set up this a target of minimum Rs. 1000 crores of the year, we have been fortunate, we exceed that target by a good 40% to 50%. We are still bidding for a few more jobs we are in fact L-1 in a job or 2 more, so the bidding process is not going to stop, we had a BG constraint, which we used to always discuss, we had solved our BG constraint to the extent of Rs. 50 Crores by getting a line of credit from UBI, so that has helped us in bagging these orders, we are in talks with couple of other banks to further give another Rs. 50 Crores of limit and we will be able to continue the process of order booking may not be at the pace that we have been fortunate in the last 6 months, but the process does not stop.

**Rohit Natarajan:** But if I understand with the current BG and non-fund base limits that you have, what is the execution from EPC segment that can be recurring every year?

**Santosh Sundararajan:** So, general thumb rule I always talk about is your order book divided by 3 should be a reasonable target for revenues, most of these projects are about 24 months, but there are always slippages, there are always some issues, delays, so if we divide our order book by 3, I think that in the past has been at reasonable estimate of the topline we should achieve from the EPC, which means upwards of Rs. 600 Crores is what is logical for the next year.

**Rohit Natarajan:** And 10% will be the EBITDA margins and 5% will be net margin that is the model that you are working on?

**Santosh Sundararajan:** The EBITDA currently are bit more than 10%, we hope we can maintain with revenues going up our efficiency should also improve, so hopefully we should be able to maintain better EBITDA than 10% surely.

**Rohit Natarajan:** And in terms of the GMP, what is the outlook over there for next year?

**Santosh Sundararajan:** GMP has also turned profitable after a good period of time, so this quarter has been good for GMP as well, we have always spoken about the cleaning up process we have been doing in GMP with the other division, all of that had a lag effect, all of that has been cleaned up and now we can see the manufacturing division is actually turned, it was always profitable, but the other divisions or other issues were pulling down the profit, now finally we have cleaned up everything and you can see GMP is profitable, going forward we can expect GMP to stabilize and grow marginally may be at the regular expected norms of 15% to 20% a year.

**Rohit Natarajan:** So, you mean to say EPC for the next year will be somewhere around Rs. 600 Crores odd and GMP will be roughly somewhere around Rs. 320 Crores odd kind of a number?

**Santosh Sundararajan:** So, GMP has done 80 Crores for 2 quarters, so if I extrapolate that GMP would probably not cross 200 Crores this year, then for the next year if you want to increase that it might hopefully cross 200 Crores, I do not think it will touch 300 that will be a bit too optimistic.

**Rohit Natarajan:** Okay and what about the non-core asset monetization in pipeline, do you have anything in the near term?

**Santosh Sundararajan:** The smaller ones, the low-hanging fruit that were there, a lot of apartments here and there, all of that we have worked on, we have already monetized over the last 15 to 18 months. We have as always a property in Andheri, in Kaledonia, we have a hotel in Goa, we have some land in Aurangabad, some bigger ticket items which we are working on, no real news to convey as of now, but we are working on them.

**Rohit Natarajan:** Just last question, what is the fund based limits, how much of that is exhausted and what is the unutilized portion of it, both fund and non-fund limits?

**Santosh Sundararajan:** Our fund base limit stands at Rs. 73 Crores of CC with SBI, that remains almost utilized at most periods of times, I mean it keeps hovering around between 63 to 73 depending on the projects or the monthly requirements of cash flow for our project. We do not see the need to augment that limit just as yet, CC limit. The non-fund limit, we had Rs 123 Crores line from SBI, they have assessed us for Rs 150 Crores more, and we have got a Rs 50 Crores line of credit from UBI based on this assessment of SBI, so the 50 Crores from UBI currently stands unutilized, but with these new jobs in hand, over the next two to three months, we would be requiring BG to be issued to the clients to claim our advances or to give some performance guarantees, so that Rs 50 Crores would get consumed pretty fast with this order book in hand. As I said, we are working for another Rs 50 Crores with a couple of banks, so that we have excess BG limits in hand.

**Rohit Natarajan:** That is it from my side, if there are any other questions, I will get back into the queue.

**Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

**Kaushal Shah:** Sir, if you could just share some thoughts on the pipeline the EPC side, are we looking at any other significant orders over the next six months or so? Also on the real estate side, how do we expect the next six months to one year in terms of traction?

**Santosh Sundararajan:** EPC side, as I said, our target for the year that is up to March 2020 was Rs. 1,000 Crores, so in the first two quarters, we have been fortunate to have well exceeded that target and we have already bagged Rs. 1,400 Crores. We are still hoping a couple of jobs will turn our way, we are L1 in a job or two in the next quarter, but to bid for a few more large projects, our BG limits first have to be again solved, so we will probably take a month or two to ensure we have Rs. 50 Crores more of BG limit in hand. Also, we need to start these RS. 2,000 Crores of job in hand, all these big projects now need to get started, so our focus will shift towards execution a bit in the next three to four months to ensure that we are fully mobilized in all these projects and we are kick started and they have started to give us revenue before the next financial year and then we will re-focus fully on order intake. But having said that, the business development department does not stop, they have their own targets and they will be continuing to work on that.

**Kaushal Shah:** Sir on the L-1 that you mentioned is it possible for you to share some numbers, what are the likely orders?

**Santosh Sundararajan:** We have L-1 in a few projects, so I would not want to share the numbers yet, we will hopefully wait for good news in this quarter.

**Kaushal Shah:** On the real estate side Sir, any guidance or any statement on how do you see the outlook for the next six months or so?

**Rajesh Mhatre:** Outlook for the sector looks subdued. The affordable segment is the most attractive segment, it is seeing a lot of traction and affordable and aspirational if I may call it aspirational in the sense houses with ticket size which are less than Rs. 60 Lakhs. In the next six months, we are looking at launching a couple of projects in Karadi with a total square footage close to 480,000 sq.ft. In the south, we have a couple of projects, which were our existing projects and we will be launching the next phases of those projects. These are under various stages of approvals. So combining roughly 1.3 million sq.ft of projects, new launches, that you would be seeing in the next six months.

**Kaushal Shah:** So would you sort of put a number on what is the likely target that we have for this year in terms of square feet?

**Rajesh Mhatre:** We had kept a target, but due to postponement of approvals, in fact we could not achieve that. In terms of square footage target in terms of new launches, we will have roughly 3 Lakhs square feet that would possibly come in the last quarter which will be Coimbatore and with regards to Karadi, it is a possibility, but we may get to launch 480,000 sq.ft. So combining it will be close to 800,000 sq.ft in the next six months.

**Kaushal Shah:** The total number you have mentioned is 1.3 million?

**Rajesh Mhatre:** Correct, that also includes Madurai which will be another 5 Lakhs sq.ft.

**Kaushal Shah:** Thank you Sir.

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

**Viral Shah:** Sir, since we have got a very healthy order inflow of close to around Rs. 1,400 Crores, what will be our Capex guidance for the year for FY2020 and FY2021?

**Santosh Sundararajan:** Since this is a much bigger order intake than we anticipated, so there will be some Capex needed. We used to say that our factories are running at 40% utilization and we have assets idle in the stores, so all of those would get put to use, but on top of that we would need, because some of these orders have specific requirements in terms of the type of shuttering or the type of asset that are needed to be used which we probably would not have in our inventory, so then we would have to invest, so I would say see the percentage of Capex if it was a fresh new project where we had no inventory in place compared to that, we may be 30% to 40% is what we would need to invest for these projects in hand now.

**Viral Shah:** So what would that amount be?

**Santosh Sundararajan:** In terms of construction assets I do not expect the total investment required for this Rs. 1400 Crores of order to be more than Rs. 30 Crores odd.

**Viral Shah:** This is for FY2020 right?

**Santosh Sundararajan:** That is right, over the next 12 months may be.

**Viral Shah:** Sir, when do we expect most of the projects to kick start construction, can we expect something in FY2020 from the newly awarded projects or not?

**Santosh Sundararajan:** We are hoping as well. Some of these projects are taking time. We have been awarded a PMC housing order way back I think in April which we announced and the work had not started till now, because they have not yet got their environmental clearances, but they have just got the clearance last week. So we are expecting work to start on that order starting November itself, so in fourth quarter definitely we should see revenue from that order. We are hoping to see revenue from Tycoon order which we had got and announced three to four months ago has also not really picked up speed in terms of execution at site because they were still having certain financial tie-ups that they wanted to close. That has also happened and they have started putting pressure on us to now start execution at site and they have made a few payments. So I expect that project will also give us revenues in the next four to five months. For the new project in Raipur, we have broken ground, we have done the pooja and started work, so Raipur will also give us revenues. Police housing is also waiting for some tree cutting and environmental clearance. They have promised us by the end of November they should have those in place. If that is the case, then again there will be work happening from December-January. So fourth quarter, for this year, yes, we do hope to see a significant rise in revenue.

**Viral Shah:** Apart from these external orders, what are the internal capabilities, till what extent we can take more amount of order inflows from our internal capital order book? You have a decent order book of around Rs. 1,917 Crores to be precise and I just heard that there is 1.3 million of additional new launches being there. So till what extent based on current Capex we can go ahead and take a new internal orders?

**Santosh Sundararajan:** If these orders translate to an execution of about upwards of 600 to 700 Crores a year, then I think our old factory would at least come closer to 100% utilization, so our assets in the yard would get fully utilized, our senior staff and management staff would be fully loaded with work, so going beyond this order book or going beyond 700 to 750 Crores of third party EPC execution, as you rightly said, I am talking about third party EPC, so this excludes this 1.3 million that Rajesh just spoke about which we will be launching, which will also translate into order book for execution only. Given all this in hand, I think from the current capacity, we would be close to our limits. Growth from there would not stop, as I said we might take five to six months to ensure that all these projects are kicked off and the revenues have started coming in and then growth from there would mean growing further with augmentation of assets and staff, so we will be doing that.

**Viral Shah:** Lastly Sir, in airport, can you elaborate the project in detail a bit?



**Santosh Sundararajan:** We are doing at Adampur which is a military airport which is close to Jalandhar. Currently there is in fact no building there, there is only a runway and it was used primarily for military purpose, it is a military airport. There is only one commercial flight that lands there currently which is a SpiceJet flight from Delhi, but I believe they want to make it a more popular civilian airport. It is a greenfield project, literally there is nothing on ground as of now and we have started a new building which is a small terminal building, but it is like what would see in the smaller airports if you travel across India. It is only about 85 Crores job for the entire civil plus MEP plus finishes. So it is not a big airport. The good thing for us is it is our first entry into the airport on a design and build basis including the whole scope. Last time we worked at an airport, we did only the parking building, so this gave us an entry into design and build which is our strength for an entire airport terminal building. Based on that we are now hoping to bid for a couple of more airports this year.

**Viral Shah:** Lastly, in Bangalore Metro Rail Corporation, what are we doing there?

**Santosh Sundararajan:** Car sheds. We do not normally get qualified for the metro works itself because it involves tunneling or it involves elevated recast constructions which we do not have the qualifications for. What we have got is the car shed, is the main metro shed.

**Viral Shah:** Okay and this is the first time we would be doing such a thing, it will be more of a precasting right, if I am not wrong?

**Santosh Sundararajan:** Probably it is not really building in terms of multistory concrete building. This would be a lot of steel work and precasting work as you rightly said and plinth works, lot of ground works.

**Viral Shah:** Congratulations once again on a very strong order inflow and all the best.

**Moderator:** Thank you. The next question is from the line of Tanmay Jagdale from Motilal Oswal. Please go ahead.

**Tanmay Jagdale:** First of all congratulations on your good performance in terms of the order book. Just a couple of questions. One is on your real estate business, your last full year was Rs. 272 Crores, but I think in first half of FY2020, it has come in at Rs. 57 Crores, could you just tell us about this, why the fall and what is the outlook for the next six months?

**Rajesh Mhatre:** Currently we have three projects, which are ongoing, four projects kind of. First is Citron, the other is Goodlife, Forest Edge and the fourth being Forest County. This year we did only one launch that was the Forest Edge new building. That launch also came in the later part of the last quarter, so we have done some amount of sales over there, but the sales have not been captured, so hopefully the next quarter should capture all these. All the projects have been sustenance projects which includes Goodlife, Windermere and Citron where the overall sales uptake has been slow. Windermere Q1 was decent but Q2 in fact was not that optimistic, in terms of closures. Yes, we are optimistic with regards to the number of outstanding deals that are almost

on to closure stage, overall in fact for this particular financial year, we are looking at closing this financial year if we get the Coimbatore launch, then we should close to in excess of Rs. 180 Crores odd, but definitely less than what we had done last year.

**Tanmay Jagdale:** The next question is your debt position. You said your consolidated net debt is around Rs. 211, what would be your debt position and are you comfortable at this level and what is your outlook for the next 6 to 12 months on the debt position?

**Santosh Sundararajan:** Our debt comprises mainly of two components, one is the 73 Crores CC limit with SBI, that we are comfortable with. We will of course continue to try and negotiate if we can get the rates down, but in general we are comfortable with the CC limit. We would need that CC limit to remain in place given that we have taken so many new orders, so that would not change. But other debts pertaining to Windermere, that we will definitely look to bring down the debt either preferably through sales of Windermere itself or through sales of noncore assets or some other means of accumulating cash flows through these projects, but I would not say we are very happily comfortable with that debt, we would definitely target to bring that down over the next 12 months.

**Tanmay Jagdale:** Any equity issue plans for the next quarter, two quarters or next year or so?

**Santosh Sundararajan:** No nothing that has been discussed so far in our management.

**Tanmay Jagdale:** Okay, thank you very much.

**Moderator:** Thank you. The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.

**Manish Goel:** Can you please give me the consolidated gross debt and the net debt number as on September?

**Santosh Sundararajan:** Gross debt is Rs. 262 Crores including current liabilities. Net debt is Rs. 211 Crores.

**Manish Goel:** Now Windermere related debt is how much outstanding?

**Santosh Sundararajan:** Rs. 108 Crores.

**Manish Goel:** At what interest rate, it is 15.5%?

**Santosh Sundararajan:** It is about 15%.

**Manish Goel:** On EPC side, for FY2020 what kind of revenue we are looking at?

**Santosh Sundararajan:** As I just said, we have a third party order book close to Rs. 2,000 Crores. The general thumb rule has been that we execute about one-third of our order book unless something drastic happens and

a big order stops for some reason, but otherwise we are expecting about Rs. 600 to Rs. 700 Crores next year would be reasonable, third party EPC.

**Manish Goel:** No, but you did say FY2019 our order book was 872 Crores, and we have got incremental orders in Q1 and Q2, part of which will get executed in the current year, so may be what kind of number should we look at?

**Santosh Sundararajan:** Again it all depends. As I said I hope all these projects start in the next two months and then in the fourth quarter we will get significant jump in revenues from these new projects. Otherwise, based on the old order book, we are in line to do about 300 odd Crores this year, but with these new orders starting in fourth quarter, this could be anywhere between 350 hopefully closer to 400 also if these projects all start in the next two months.

**Manish Goel:** What kind of margins can we expect?

**Santosh Sundararajan:** The gross profit or the EBITDA that we have been having EPC division would remain pretty much the same going forward. As I said may be in the next year, with revenue flow doubling compared to the 300, if it goes closer to 600, we can expect some improvement due to the scale. Otherwise, the EBITDA would remain stable.

**Manish Goel:** On real estate side, like in your opening remarks you did mention that we will maintain the revenue booking and the profit booking as we have seen in Q2, so basically what kind of number can we expect on the real estate side?

**Rajesh Mhatre:** It is difficult, because everything depends on we getting the OC and completing the projects.

**Manish Goel:** But any rough estimate, because it is all in terms of how many flats you are able to complete and deliver, so what we have seen in Q2 is quite strong number in terms of revenue booking and profit booking, so just wanted to get a sense for the second half?

**Rajesh Mhatre:** I do not think we will have anything completed, because what has happened is the projects which are closer to completion, we are either booked. Windermere being the only exception where the margins are not that great. If you sell Windermere, then also the reflection in terms of margin and in terms of profitability will not be so much. Except these two projects, all other projects are under construction.

**Manish Goel:** In Q2 we have not seen any monetization happening right?

**Santosh Sundararajan:** Nothing, the low-hanging fruits, we have already done. Now, we are working on monetization, we have three to four bigger assets which we are working on, so there is no real news to convey on that front except that we are working on it.

**Manish Goel:** Last question on the new sales booking, what we saw in Q2, was it largely from the affordable housing project, Goodlife?

- Rajesh Mhatre:** Kharadi.
- Manish Goel:** In Q2 we have done a new sales booking of roughly 17,600 sq.ft, which project you mentioned?
- Rajesh Mhatre:** Forest County and Forest Edge.
- Manish Goel:** Thank you so much.
- Moderator:** The next question is from the line of Viral Shah from Prabhudas Lilladher. Please go ahead.
- Viral Shah:** Sir what is the update on our Thane land parcel?
- Santosh Sundararajan:** No real update worth discussing on the call actually.
- Viral Shah:** Thank you.
- Moderator:** The next question is from the line of Nitin Jain from Capstocks. Please go ahead.
- Nitin Jain:** I believe that you said that our net debt stands at about Rs. 211 Crores, so what is the current portion of that long term debt for this year and next year?
- Santosh Sundararajan:** For this year there is nothing.
- Nitin Jain:** What about the next year?
- Santosh Sundararajan:** As I said there are only two debts primarily comprising there, one is the SBI CC which we have a repayment in that sense and the Windermere, the principal repayment starts only two years later.
- Nitin Jain:** One more question, we have done a credit rating of about six or seven months back and we have long pending noncurrent receivables of about Rs.45 Crores which we have like written off, so could you please give us an update regarding that?
- Santosh Sundararajan:** I will check and get back to you, I am not able to place exactly where this number came from, we will check and revert on this.
- Nitin Jain:** In the past you have said that we are expecting a topline of about 250 Crores both from Forest Edge and Goodlife, and we have spent about 45 Crores in construction cost, so how do you expect to fund the remaining construction cost, will it be from internal accruals or will you have to take a debt for the same?
- Santosh Sundararajan:** No we do not need debt for both these projects. The revenues of these projects are not coming to your balance sheet because of Ind-AS 115, so we will have to wait for the OC to see the numbers on our balance sheet of P&L, but sales are happening, collections are happening, so they are net cash flow positive projects. So, there is no worry on that front.

**Nitin Jain:** One last question, could you please explain to us how we actually book our real estate EPC revenue, I believe all our real estate projects are executed by our EPC, so on what basis do we actually book our own real estate EPC revenues, is it like a cost plus profit structure or what is it?

**Santosh Sundararajan:** If you see for the last more than a year, we have been analyzing our balance sheet by giving a separate analysis of EPC division alone and real estate division alone, so that you are better able to understand that. When it comes to the official P&L of balance sheet that we have to publish as a consolidated company, the EPC follows AS7 method whereby it is cost plus, the real estate is following 115 which means the revenues only get recognized upon completion and the EPC portion of the real estate does not get recognized till then, it sort of eliminated. It will come purely as real estate revenue whenever the completion happens.

**Nitin Jain:** So even though our EPC division are executing the real estate portion, nothing is actually recognized as revenue, right Sir?

**Santosh Sundararajan:** You are right. That is the problem because we are a single entity and so we have checked with the auditors, there is no way we can capture the EPC portion which we are executing for our own projects as revenue, they will get captured only when the project gets completed and the whole real estate revenue comes, so that is the entire reason why we have been showing a split analysis of our own balance sheet and P&L for the last few quarters as EPC separately and real estate separately so that you will be able to better understand that.

**Nitin Jain:** At the credit rating in front of me, it actually reads something like this, Vascon Global has significant receivables in EPC segment with receivables which are due for more than three years accounting about 36.49 Crores. Do you have any comments on that?

**Santosh Sundararajan:** Why that specific qualification, we have to check and revert, but my comment is that as it stands we do not have any doubtful receivables over three years to the tune of 36 Crores that needs to be written off or anything. Three years ago we took a few hits on our balance sheet, whatever we felt was doubtful we cleaned up. As it stands, the debtors are pretty live, there is nothing worth worrying on the debtors front. We review it every quarter with our auditors and I would not say there is 36 Crores of old receivables which are in doubt in our balance sheet as well.

**Nitin Jain:** As of this quarter what is the long pending receivables number, do you have the number with you? Noncurrent receivables number?

**Santosh Sundararajan:** I do not have it right now, we will have to check.

**Nitin Jain:** Thank you Sir.

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

- Mihir Desai:** Congratulations on great quarter. I just wanted to ask a question regarding the industry scenario. Yes, everyone is speaking about slowdown in the economy, but have to felt that on the ground level Sir? How is the economy, is it picking up, how is the order activity? Just wanted to take a sense from your insight?
- Santosh Sundararajan:** There are two aspects. There is the real estate aspect, the private real estate space which as Rajesh said the mood is not really buoyant, it is quite slow, the optimism has not really come to the levels of translating to sales, so there are a lot of enquiries. People keep enquiring, visiting projects, negotiating, but translation to sales is very slow. On the private side, definitely the economy what we hear is that the economy is not doing well; we are feeling the effect of it in our own business as well. We have been fortunate on our strategy on the EPC division, therefore not to focus primarily on private builders because of the vulnerability of their situation to their own sales and the market could affect us. So we have been focusing on the government side and as I said, we have been fortunate that we bagged more than we even thought we would in the last six months. These are all primarily government orders. On the one hand, there are good government orders that come up, I think the government is pushing construction through government projects, so that market seems to be good, but on the private side, real estate sales, we do not see buoyancy yet.
- Mihir Desai:** On the EPC business, I just wanted to know that the margins which we have achieved which is 16%, so are those margins really sustainable for a year or two or how do you look at it?
- Santosh Sundararajan:** That is EBITDA. At a project level 16% is sustainable that is what we are focusing on. At the company level by the time this translates to our overheads, this will come down to definitely below 10% as an EPC division unless our revenues drastically go closer to 1000 Crores, then may be the overhead component would reduce. But I think EBITDA of about 16% in EPC at the project level is definitely sustainable.
- Mihir Desai:** That is all from my end Sir. We have been patient as an investor and as we have always been guiding, so I think most of the things are turning positive now and hope that our patience now will start to get fruits.
- Santosh Sundararajan:** Absolutely, I appreciate your patience, we have all be patient as a management, we have been working hard in spite of whatever the market has been presenting us with. But we are all excited now with the order book in place, we should be doing well.
- Moderator:** Thank you. The next question is from the line of Sunil Taneja, an individual investor. Please go ahead.
- Sunil Taneja:** I have been a shareholder of your company for some years now, I just wanted to ask is that there is a turnaround, so congratulations for that. My only question is that where are we on the EBITDA to the turnover percentage wise now and what do you foresee end of this financial year?

**Santosh Sundararajan:** As I said, the EBITDA percentage is about 16% for the EPC division. This should remain stable. We will be working to ensure that project level profits are upwards of 15% on these projects. That would not change. The PBT, of course if we do more revenue, our overheads are going to be a smaller proportion of the turnover, the PBT should improve. The real estate EBITDA is also not up to the level that we would want it to be. This has a few factors, it has to do with the recognition methodology as well and it is also to do with as we said the market being a bit slower than we wanted to and our launches in Coimbatore and Madurai are not yet happening as per our time because of the approval process, but once these projects are launched hopefully next year we would definitely want the EBITDA of real estate to improve. EPC would remain where it is.

**Sunil Taneja:** Do you have any forecast; do you have any target, what is that you are looking at finishing this FY2019-FY2020 financial year?

**Santosh Sundararajan:** We had a mix of GMP plus EPC plus real estate, we would have to actually project each sector wise and then come up with the company forecast, so I would not want to give a forward looking number, but it should improve. As I said, even if the EPC remains stable, real estate should improve; GMP also should marginally improve, so I think our EBITDA will hopefully improve going forward.

**Sunil Taneja:** Okay, thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to Dr. Sundararajan for closing comments. Over to you Sir

**Santosh Sundararajan:** Thank you all for your participation. Wish you a great day and you could connect with Stellar IR advisors if you have any further queries. Thank you.

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