



September 04, 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 Q1 FY 2019-20

Dear Sir/ Madam,

Please find enclosed herewith Earning Conference Call Transcript for Q1 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 Q1 FY20 Earnings Conference
Call”

August 19, 2019



MANAGEMENT: DR. SANTOSH SUNDARARAJAN – CEO

MR. RAJESH MHATRE – CEO - REAL ESTATE DIVISION

Moderator: Good morning, ladies and gentlemen. Welcome to the Vascon Engineers Limited Q1 FY20 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 the operator by pressing ‘*’ and then ‘0’ on the 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 ended June 30, 2019. Joining me on this call is Mr. Rajesh Mhatre – our CEO of the Real Estate division and Mr. Somnath Biswas – our new CFO. I am sure you must have gone through the Q1 FY20 Financial Results and the Result Presentation uploaded on the stock exchanges and on the 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 happy to share we are on track with respect to our order book guidance. During the quarter, we have received orders worth Rs. 276 crores from Tycoons Avanti and from Pune Municipal Corporation. Our current total order book stands at Rs. 1,079 crores. Out of which, the external order book is Rs. 949 crores and the internal order book from our own real estate launches is Rs. 130 crores. As expected, we were able to sustain our performance during the previous quarter and on a standalone basis, we have reported a net profit of Rs. 5 crores. We are confident to maintain the momentum going forward supported by the strong order book and execution capabilities.

In line with the company’s strategy, we are making continuous efforts to strengthen the balance sheet by bringing down the cost of capital and by replacing high cost debt and liquidation of our noncore assets. This will help in improving the cash flow of the company which in turn will lead to incremental order book and high utilization levels.

Coming to the real estate division:

Our launches during the last financial year are progressing well with decent traction in Windermere and GoodLife. In Q1 FY20, the company reached new sale booking of 46,720 square feet amounting to a total sales value of 44 crores. We have identified various launches of around 2.5 million square feet amounting to a total sale value of Rs. 1900 to Rs. 2000 crores over the next 2-3 years. This will also add up to our internal EPC order book going forward.

Let me take you through the financial performance:

Let me start with the standalone numbers. During Q1 FY20, the company reported total income of Rs. 106 crores as against Rs. 98 crores in Q1 FY19. EBITDA for Q1 FY20 stood at Rs. 13 crores with the EBITDA margin of 12%. Profit after tax was at Rs. 5 crores in Q1 FY20. On consolidation basis, during Q1 FY20, the company reported a total income of Rs. 141 crores. EBITDA stood at Rs. 15 crores with the EBITDA margin of 11%. Profit after tax was at Rs. 6 crores in Q1 FY20. Total debt as on 30th June 2019 is Rs. 254 crores. We are committed to deliver on our strategies and focus to enhance the shareholders' value with government thrust on infrastructure sector and policy initiatives towards housing for all will give us huge opportunities going forward. Government has put impetus on the growth of real estate sector as well which has been facing various challenges. We believe the government will take necessary measures for the growth of this sector.

With this, we can now open the floor for questions. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Harsh Shah, an Individual Investor. Please go ahead.

Harsh Shah: Can you throw some light on the Pune and Mumbai markets, how are they looking and are you seeing any new trends in the real estate market?

Rajesh Mhatre: As a company, we are totally focused towards Pune market. As far as the real estate trends in Pune market is concerned, the commercial real estate is showing very good buoyancy. In fact, there is a considerable increase in the absorption level of commercial real estate which is happening in Pune. Now due to this high offtake of commercial eventually would mean higher demand for residential, housing also. So, therefore we strongly believe that Pune's real estate market is going to be resilient and it is going to be strong. What we have also realized that as a company focusing on mid sized projects as a strategy would be much better for us considering the uncertainty in the financing scenario which is going on and which is affecting the overall real estate as a sector. But as far as our focus is concerned, in fact we would be launching some projects which would be housing and few projects which are also focused towards commercial real estate considering the present offtake that is happening in the Pune market. With regards to Bombay market, as far as we are concerned, we are not focused on Mumbai as a market, but yes as a sector, real estate is seeing a slowdown and the demand for real estate is always strong. So, the long-term growth story for the sector is always there. It is only a question of when this offtake has happened. The offtake predominantly is dependent on how the consumer sentiment is. As soon as we see the sentiments improving, the other industry is improving. In fact, real estate will definitely see a demand in both these markets.

Harsh Shah: And what about the affordable housing sector because that is the focus of government and how do you see this segment shaping up?

Rajesh Mhatre: From the demand point of view, obviously the affordable housing segment will see a strong growth. From demand side, there was never a question whether there is demand really in the

affordable housing segment. The challenges which the sector seeing is how the financing side for this demand is to be catered. If the home loans for this kind of demand is handled or catered properly, then the affordable housing segment will see much traction than what it has been seeing off late. But yes as a segment, the demand for affordable housing is there and it will remain strong and it will continue to propel the real estate market.

Harsh Shah: So, all these issues are mainly everyone says this because of the NBFC, liquidity crisis and all, do you expect these issues to settle down in the near future like have the industry people recommended anything to the government?

Rajesh Mhatre: I believe government is also focused towards settling these issues. What happens is if there is one chair which is vacating a particular job when the newer players come and take their roles, for example we are seeing some large NBFCs either they are scaling down their books considerably, we are hopeful that the other NBFCs would pick up the tab or the banks will pick-up the tab and will provide to cater to this demand. As far as this happens, this happens fast. The sector will see buoyancy. The slower it takes, in fact there will be pain.

Moderator: Thank you. The next question is from the line of Nikhil Saboo from SKP Securities. Please go ahead.

Nikhil Saboo: Sir, I need your guidance and your timeline for completion of order book for all the three divisions like EPC, real estate and GMP like what kind of sales were looking for FY20, 21 and margins?

Santosh Sundararajan: Yes. On the EPC, the general thumb rule has always been that we will do about 30%-35% of our order book in a given year that has been the trend, although most of these orders are 18 months, 24 months. So, theoretically, we should be doing more than 30%-35%, but due to whatever circumstances that we have observed over the last few years, the general trend is if we have an order book in the range of Rs. 1,100 crores, it will translate to an order execution for the year of about Rs. 350 crores- Rs. 400 crores maximum, but the good news is that we had set ourselves the target of Rs. 1,000 crores of order booking for the year minimum. We already achieved about Rs. 270 in the last 4 months, 5 months. We are aggressively bidding. When I say aggressively, we are bidding many jobs, not at a compromise on the expected bottom-lines, but we are bidding for many projects and we are currently L-1 on more than Rs. 1,000 crores of orders. So, hopefully, these will pan out as news in the next few days and if these orders are in hand and our order book doubles up, then we will be hoping to do more than Rs. 400 crores, close to Rs. 500 crores this year and next year. So, EPC, you could assume it takes 3 years to liquidate the order book, but we will be continuing to grow our order book. So, hopefully, we will only be increasing our numbers quarter on quarter. For the real estate, I think each project has a different period for completion. So, all the projects that we discussed as current order book in hand, our projects that we have already launched, the projects we have already launched would not take again not more than 3 years to finish in totality. The new projects that we are trying up, new JVs that we are signing or the new launches that we intend

to have over the next 12 to 18 months, those would then take 3 to 4 years from the time of launch.

Nikhil Saboo: Sir, what are the margins we are looking at in each of the division, EPC and real estate?

Rajesh Mhatre: We have been saying this for the last year or so, couple of years, it is slowly moving towards what we have been saying we will achieve in that. The final profit in terms of PBT that we will see will entirely depend on growth in terms of top-line in both these divisions. We are currently doing about Rs. 100 crores for this quarter. The target is to get upwards of Rs. 150 crores as soon as we can. Once we reach those numbers, the overheads are getting taken care of and we will see very good PBTs that we will be able to report. Currently at Rs. 100 crores level, there is good EBITDA in both divisions. There is a gross profit in EPC which is very healthy, but because of the overheads, I think by the time we come down to PAT and PBT levels, they are getting more attractive quarter on quarter and I think this trend will continue. By end of this year, hopefully we will be at a stage where definitely we will be doing more than Rs. 150 crores every quarter going forward and then we will see good.

Nikhil Saboo: Sir, we have not identified the sales of Forest County, Forest Edge and Vascon GoodLife worth Rs. 140 crores in our book. So, how much sales will hit in our books in this year and next year?

Santosh Sundararajan: Because of IndAS 115, we will only be able to recognize them when they reach the stage of completion. So, Forest Edge, the first building is about from a construction angle is about 40%-45% complete, more than 50% complete as it stands at site. So, definitely not by March 20, but before March 21, we will complete the project and get the OC. That is when the revenue recognition in the books will happen. So, it will not be in this financial year, it will happen in next financial year and I think it is the same for GoodLife. GoodLife has also started construction in a big way. We have started 4 buildings and we are almost 25%-30% done on those 4 buildings. But we will not get OC before March 2020. So, these recognitions will happen in the next financial year.

Nikhil Saboo: And in your PPT, you have mentioned that Rs. 880 crores of Kalyani Nagar project is in the pipeline. So, can you share some details about it because it seems to be a large project for company like us?

Rajesh Mhatre: The project is pretty large and in fact it is a very old joint venture that the company had. It is an extremely prime piece of land parcel in the heart of Kalyani Nagar which is one of the premium locations in Pune and we are very upbeat about it. We are hopeful that we should be in a position to launch it at least by the next 3 quarters.

Nikhil Saboo: So, most probably in FY20 only?

Rajesh Mhatre: Yes.

- Nikhil Saboo:** So, the project will be completed in phases right?
- Rajesh Mhatre:** Yes, obviously.
- Nikhil Saboo:** So, can you give us guidance on the revenue like by what time, how much of revenue can be booked?
- Rajesh Mhatre:** So, overall, the rate in Kalyani Nagar is currently in the range of Rs. 10,000 per square feet, it is an 8 lakhs square feet project. So, it will have a top-line of 800 crores. Obviously, there will be certain price inflation over a period of time. As it would be a large project, it will take at least 6 to 7 years from the time the project is launched because there will be at least 3 to 4 phases. The location is also very strategic. So, it can also be very attractive to some funds who would like to directly take up a commercial space over there. In case we need to de-risk ourselves, then we can get into any of forward arrangement with some particular funds so that is also option. So, we are keeping all the options open as far as the company is concerned. The idea is to take minimum risks and maximize returns for us.
- Nikhil Saboo:** Sir couple of more questions left like can you throw some light on Windermere inventory and like have we paid the high cost loan or not?
- Rajesh Mhatre:** The repayment of loan has already started before schedule. In fact, the total loan was Rs. 110 crores. The current outstanding is close to Rs. 109 crores – Rs. 108.7 crores. As far as the inventory is concerned, in fact we have in Tower 1 and 2, roughly 1,65,000 odd, close to 30 odd units. We have 4 bungalows basically. The overall revenue that we are expecting from all this will be close to Rs. 380- Rs. 390 odd crores, of which including the current receivables of which, our share will be roughly Rs. 170- Rs. 175 odd crores.
- Nikhil Saboo:** Against which we have a loan of Rs. 110 crores and do we need any amount to complete the project?
- Rajesh Mhatre:** The existing buildings certain finishing level work is pending, internal finishes. So, in fact this can be done only when the units are sold and therefore, we cannot really time the construction of this finishes. So, these are roughly around Rs. 25 odd crores and Rs. 20 odd crores for the bungalows. So, net we should be left with roughly Rs. 130 odd crores.
- Nikhil Saboo:** So, can you throw some guidance on the cash flow and get debt positions for the year like what would be your cash flow and debt position at the end of this year?
- Rajesh Mhatre:** The consolidated debt for all the three divisions stand at Rs. 254 crores and with less cash and cash equivalents which company has, it will be much lesser. It will be around Rs. 230 odd crores.
- Santosh Sundararajan:** So, for answer your question, we are working on sale of noncore asset as always. So, there will be a big difference at the end of the year what is the debt we will be carrying would depend

entirely on whether we are able to achieve these noncore sales. We are working on a couple of them. We are positive that we will achieve at least one of them. If that happens, then immediate response would be to bring down our high cost debt at Windermere not waiting essentially for sale of Windermere units. We will try and bring it down through other sources, but if the noncore sales do not happen, then through retail sales of real estate as well as the EPC collections over the year, we will target to bring down this debt by about Rs. 20- Rs. 25 crores to the end of the year. That is what is a reasonable target.

Nikhil Saboo: And sir what would be your expected cash flow like internally you must have worked out on some kind of cash flow. So, is it possible for you to share that?

Santosh Sundararajan: You want the net positive cash flow or?

Nikhil Saboo: Net positive cash flow.

Santosh Sundararajan: We can work out. See, there is a detailed chart that we do have and we can probably share it with you offline through Stellar. Each project has an independent details thorough chart that we have. We do not mind sharing this offline.

Nikhil Saboo: I will get to connect offline sir. Small suggestion sir, please add some slides about GMP also in your presentation and the order book because like we also need to know how is GMP performing?

Santosh Sundararajan: We will look into this. The reason we keep that asset because for the purpose of this call, we view that as an investment. So, GMP is a separate company altogether of course, but fair enough from the next call we can have a few slides on...

Nikhil Saboo: Sir, what is the current status at GMP? How it is performing and like what is the order book?

Santosh Sundararajan: GMP is currently doing about Rs. 40 crores a quarter. And the good thing is that most of the revenue is from manufacturing division only, almost 90%-95%. The earlier division that we had on the MEP front which we have cut short has almost been closed down. So, there is no real top-line coming in from that division. So, that is the hit rate today about Rs. 150 crores-160 crores for the year is what I think would be achieved as top-line. In GMP, the order book unlike Vascon, the order book takes 3 years to liquidate. In GMP, it normally takes even 3 months or maximum 6 months. So, the order book in GMP would keep coming. It will not give you a long-term perspective of top-line because you will never get an order that much in advance. But they are having orders enough to keep this rate going of about Rs. 40 crores a quarter. And as we have already declared Tata has given us a big order to make their doors. So, that order is gaining speed quarter-on-quarter. It took a while for it to start off, but this quarter we are delivering quite a few doors to them. So, that order if it picks up speed because the commitment from Tata is huge. We still waiting for traction to pick up and it has been

increasing quarter-on-quarter. So, if that order goes big, then the top-lines would again increase.

Nikhil Saboo: Sir if I am not wrong, the order amount was Rs.100 crores.

Santosh Sundararajan: That is right. There was an initial amount. They do have plans to make much more than that. So, as I said once that Rs. 100 crores is actually seeing traction, we are confident we will get much from them.

Nikhil Saboo: Sir, any timeline to liquidate this asset?

Santosh Sundararajan: See, I do not think the market conditions today are conducive to get the right valuation and liquidate this. We are always on the lookout, but we would take a year or two more to stabilize the EBITDA levels at GMP and then we will be able to command the right valuation.

Moderator: Thank you. The next question is from the line of Vini Jain from Jain & Sons. Please go ahead.

Vini Jain: Sir, you have touched upon noncore asset monetization. So, may I ask that what will be the quantum we are expecting to generate in maximum 6 months to 1 year?

Santosh Sundararajan: So, it is an internal target to generate Rs. 100 crores. We have 3-4 assets we are working on. Even if 2 of them fructify, we should be able to achieve our target of Rs. 100 crores for the next 12 months. So, that is the target, but having said that the status of the market, the conditions of the financial market today, we do not really know how fast our deals will close, but we are working on 4-5 assets and that target to answer your question would be hopefully Rs. 100 crores for the year.

Vini Jain: And where the fund will be utilized?

Rajesh Mhatre: We have high cost debt in Windermere. Parallely, of course the focus is also to liquidate the Windermere debt through sale of Windermere which is also happening. So, we do not want to have only noncore assets. So, plan A is of course to sell Windermere which we are working on which is happening. Every quarter we are having sales there that will already bring down the high cost debt at Windermere. In the meantime if we do have cash flows coming in from sale of noncore assets, then we will quickly try and bring down some more debt at Windermere and then of course for growth of business in terms of real estate always need little bit of capital infusion for tying up new projects for launching new projects for getting approval and reaching the stage of launch. So, these are the two directions in which we will use our cash flows.

Vini Jain: On the high cost, there was an interest cost which is captured in P&L as of now and what is the comfort level, we have in terms of servicing this debt?

Rajesh Mhatre: So, the rate of interest is 15.5% we are comfortable servicing it from the project cash flows. Project has sufficient cash to service the interest and also to repay. So, considering the overall

debt level, the debt levels are not so high. So, we should be in a position to completely see this liability knocked off in the next 2 years naturally without doing any extraordinary debt.

Vini Jain: Any other fund raising activity we are looking in near future?

Rajesh Mhatre: We constantly look out for fund raising activities. In fact, the amount of new projects that we would sign, in fact would need funds. There are fund requirements of 2 types. So, there is an initial fund that is required essentially which goes towards a deposit or maybe getting approvals, for which typically the construction funding or maybe the low cost funding is not available because low cost funding is available only for construction finance. So, for this, we are trying to create a pool by liquidating the noncore assets so that this can be used as growth capital typically. So, overall outflows in the form of high cost interest payment from the company's point of view decreases and we are just dependent on the construction finance that to not to the extent. If the launch is very good, so the requirement will also be low. But yes, we will be needing construction funding for all these projects. From the EPC side, we are always looking for incremental BG limits considering that we are constantly now looking to expand our order book. So, these are only the two avenues where we are looking for fund raising activities for approval.

Santosh Sundararajan: So, as Rajesh said, yes on the EPC side, we are looking at getting a lot of orders in the short term and then the working capital demand would increase a bit, but again we would not need huge cash flows coming from sale of asset to fund the EPC division. They are normally taken care of by the project, the money that you get from the project itself. BG limits, we did not announce this on the report over here that we got a Rs. 50-crore limit sanctioned by UBI. So, we have been working on this for a while and then that has been sanctioned. So, our BG limits are now reasonably healthy to book some orders and we are constantly working to increase our BG limits. So, we are looking at Rs. 50 crores more and we are in talks with the couple of banks. So, that is some good news.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

Nitin Gandhi: Can you share some more thoughts on Windermere sales strategy, absorption levels in the market considering last 4 months, there is hardly any sales happening. Is it not advisable to slash prices and get trade of it little faster?

Rajesh Mhatre: The luxury market obviously is sluggish and considering the size of the project and the location, we are very confident that an asset light Windermere once its complete, it is kind of a unique proposition for the Pune market. In the last quarter, we have sold 3 units roughly. So, currently we are left with 30 odd units in Windermere.

Nitin Gandhi: How many in Tower II, how many bungalows?

Rajesh Mhatre: There are 4 bungalows, 30 units are there in Tower 1 and 2. Tower 1, typically is the more premium tower, roughly 8,000 square feet apartments and in Tower 2, in fact it is more of 3 and 4 BHK combinations.

Nitin Gandhi: So, in Tower 2, how many are left?

Rajesh Mhatre: In Tower 1, we have 11 units and Tower 2, it will be 19. So, in terms of units, in fact we do not have a number of units. We just have those identified and for which of these units, in fact we have at least 3-4 clients which have been chasing. Yes, it is like a long journey to working with these clients, working with them. Pricing typically is not the only thing always. If it was so easy, in fact to cut down the prices and sell inventory, I think real estate as an industry would have taken this decision long ago and we would have not faced such scenario. Typically, in the premium segment, the aspiration of the people is more important. How you handle those and considering the challenging environment, the decision making takes time, but last year in fact we managed to sell close to Rs. 100 crores worth of inventory. This year also, we are confident that we should be in a position to close in on that number. That is an internal target that we have kept. We have seen the projects in fact which are competing to Windermere which have dropped prices by more than 30% have not seen traction. Windermere has seen more traction than those other projects. So, therefore as a strategy, we feel that Windermere is an asset which people would really aspire. The current pricing that Windermere commands is very pragmatic, very realistic and we are confident that we should be achieving the internal target that we have kept for Windermere.

Nitin Gandhi: So, how much we are expecting sell this year?

Rajesh Mhatre: Rs. 100 crores of sale.

Nitin Gandhi: And bungalows, any of them are sold or are they likely to be sold or they are made for Directors?

Rajesh Mhatre: No, they are not made for Directors and all bungalows are open for sale. Yes, if Directors are really willing to pay the price, in fact my job will be easier. Yes, there is a price to those bungalows. Whoever is ready to pay the price, the bungalow is theirs. Yes, in fact we have not brought it out in the market currently. In fact, we are working or actually completing one bungalow so that people get, they look and feel of it and then it will be easier for the rest of the bungalows. But the enquiries for bungalows is very strong and we should see some movement in this financial year.

Nitin Gandhi: And out of 3-4 bhk apartment, anything is left out or that is fully sold out because that is a ticket size which is easily getting absorbed as comparatively?

- Rajesh Mhatre:** In fact in 3 BHKs, we have 6 units which are sold. All those 6 units have been blocked by a particular client. We are under discussion with that particular unit and hopefully, we should be in a position to announce something.
- Nitin Gandhi:** So, that could be little faster because if one client is holding back 6 units..
- Rajesh Mhatre:** Yes, right.
- Moderator:** Thank you. The next question is from the line of Aditya Nahar from Alpana Enterprises. Please go ahead.
- Aditya Nahar:** Sir, I have two broad questions. One is what is the nature of the work you are doing with the Pune Municipal Corporation and the new Kalyani Nagar project, could you give me a rough idea of whether project is going to be located in Kalyani Nagar?
- Rajesh Mhatre:** The work we are doing with PMC is again a Pradhan Mantri low cost housing scheme which they have floated. We are just contractors. They are waiting for the environmental clearance. Actually, the order has been awarded to us 4 months ago, but the work at site has not started because they are still waiting for certain clearances. It is expected by this month end. They will have everything in hand and we are hoping to start construction in September. In a way blessing in disguise because the monsoons were extremely heavy and we would have got stuck. So, that is about Rs. 100 crore housing, design and build, construction of low cost 320 square feet carpet houses mass housing. That is the nature of that work. Our scope involves everything, everything inside the building. It is a turnkey project. It is a design and build where we will be doing the engineering design. For your second question, in Kalyani Nagar, if you are aware of geography of Kalyani Nagar, there is Marigold which we have developed over the years. There is a main gate to Marigold on the road that leads further down to Kumar, the project Kumar. So, on that road right in front of that main gate, Marigold main gate, there is a green color building of Ventura that you would have already seen an IT building, right next to that, empty piece of land right in front of the gate, that is where we will be doing this project.
- Aditya Nahar:** So, that location is pretty premium?
- Rajesh Mhatre:** Extremely premium.
- Aditya Nahar:** And this land owner, it is a third-party right?
- Rajesh Mhatre:** Yes, the land owner is a third party. We have a joint venture with them.
- Moderator:** Thank you. The next question is from the line of Mihir Desai from Desai Investment. Please go ahead.

Mihir Desai: Sir just I will start from the strategy point of view. So, as you explained that we are expecting a good order inflow in our EPC business. So, I just wanted to know that from which sector are we looking the demand coming from?

Rajesh Mhatre: We are now getting a little bit biased in the short term towards the government sector more than the private sector and that is not really a long-term strategy or as such, just a short term view point considering that there are projects getting launched by a few state governments as well as central governments and various government bodies. There are a few building projects that are getting launched and so we have been focusing on bidding for those. So, the order book we are hoping to improve upon in the short term would mostly come from the government sector. Having said that, we are also bidding on the private side. Things will improve. Real estate as we discussed primarily due to the NBFC crisis, real estate is down currently, but with RERA in place, I think once real estate, the sentiments improve, we are happy to explore private sector because RERA is giving us a lot of confidence in terms of funding tie-up and our payments coming on time even if it is the private sector.

Mihir Desai: Just a follow-up question on the real estate sir. So, having said that that the time currently the sector is not supporting, but what is our marketing strategy or different kind of schemes that we are providing towards attracting the customers in our affordable specifically for the affordable housing segment sir.

Rajesh Mhatre: In fact for the affordable housing segment, what is required is more as I have told earlier is financing for the end users. It is the biggest challenge that we as a company are facing. So, lot of customers who want to buy a house. In fact, they are ready to pay their share of the booking value; however, in fact their home loans are not getting converted, so that becomes a challenge and that is a challenge which we are facing. That is one problem which we cannot solve. In fact to that extent, the industry tried to address this through subvention schemes or whatever. So, as his EMIs and everything will start post-possession if he has some initial hiccups, at least those will be taken care of by launching such schemes. That again now has been stopped. So, as far as this particular segment is concerned, there are no specific schemes that you can really and when you are looking at a sector, launches cannot be scheme based, in fact, the demand is pretty high, the marketing strategy concept is about the positioning, is about the proposition as to how you are taking to the market, how well you are reaching the market and how are you distributing it. So, as far as you are getting these things right, I do not think selling the affordable story is difficult. Considering the challenge that we are facing from the low-end customers, we have recategorized our segment. So, now in fact in the affordable housing segment, what we as a company have done is in fact focus on products which are priced, greater than 20 lakhs. So, you do not focus on products which are lesser than 20 lakhs. So, you focus the products which between 20 and 50. So, where you find more of organized sectors, people coming and buying units more so with us so the finance becomes easier that is the change in strategy which we as a company has followed which has nothing to do with the demand side of the story, but it has more to be done with how the financing of this units are concerned.

- Mihir Desai:** Sir coming to the financials, this quarter I noticed that on a standalone side, our other expenses has been reduced and so can you please throw some light on that?
- Santosh Sundararajan:** So, I think we had advertisement cost for our GoodLife project last year. So, those directly hit the other expenses. We are not allowed to capitalize them. We have taken them out. So, I think that is the reason.
- Mihir Desai:** So, do we see this trend to continue like going forward, so the EBITDA margins which we have achieved on a standalone of 12%, so we can consider this as a margin like 11%-12% which we have been during the past also achieving these margins on the EBITDA levels?
- Santosh Sundararajan:** The endeavour is to ensure that we have those kinds of EBITDAs. These EBITDAs are not unachievable going forward. To answer your question in terms of other expenses, we cannot predict when we have new launches, we will have advertisement expenses again. So, those other expenses will be keeping spiking depending on the launch in the quarter. We did not have a launch in this quarter that we had to advertise too much for and that is why the other expenses are low this quarter. But having said that on an average over the year, absorbing these other expenses also as I said if the revenue increases from the Rs. 100 crores and goes towards Rs. 150 crores, even when we start crossing Rs. 120 crores, we will see that these EBITDAs definitely will remain sustained.
- Mihir Desai:** So, it was a great sign to notice that our real estate business is also turned positive now. Every quarter has been asking the same question and now we see the results coming out. So, it is a great thing to see that your efforts are coming fruitful. So, can we consider that this positive trend would continue for the year and going forward?
- Santosh Sundararajan:** See, again real estate is going to be the quarter-on-quarter P&L or balance sheet for the real estate side is going to be very dependent on this IndAS-115 and first quarter, we are able to get an OC for which project. Moment we get an occupation certificate for any of our projects, then the revenue will hit in that quarter. So, it is very difficult to actually monitor this quarter-on-quarter. So, going forward I can tell you for the next 2-3 years on an average, we definitely will be seeing good profits only.
- Moderator:** Thank you. The next question is from the line of Nitin R from Capstocks. Please go ahead.
- Nitin R:** Could you please share some insights on the pending construction cost for the project which you have already launched like Vascon GoodLife and Forest County?
- Santosh Sundararajan:** So, both these projects are the land belongs to us. Therefore the construction cost is going to be, for GoodLife we are targeting to achieve the construction all in less than Rs. 2,000 a square feet. We are on track to do that. We already started. So, there should not be a problem. Forest Edge is slightly more premium that is more in the range of less than Rs. 3,000 crores, but about Rs. 2,500 crores for the construction cost alone.

Nitin R: On a gross level for all these projects combined which you are already on, could you please give me a ballpark figure in crores for how much we are going to spend in the next two years I believe all these phases would get completed within the 1-1.5 years right?

Santosh Sundararajan: That is right. Both Forest Edge and GoodLife phase I would get completed in the next 1.5 years. The Forest Edge, there are 2 buildings in Forest Edge. One is already launched and 90% sold out. The other will be launched shortly. So, the total top-line from both these buildings, so Rs. 64 crores per building, so about Rs. 130 - Rs. 140 crores is the top-line from the two buildings in Forest Edge and in GoodLife, the phase I is about Rs. 120 crores. So, these two projects put together is Rs. 250 crores top-line. These will get done in the next 1.5 years too.

Nitin R: And the pending total construction cost, is that figure available with you?

Santosh Sundararajan: The balance cost to completion or the total cost?

Nitin R: The balance cost construction?

Santosh Sundararajan: See in GoodLife, we only spend about Rs. 15 to Rs. 20 crores as of now. For the Phase I, our cost of construction was about Rs. 60 crores. So, we spent about Rs. 20 crores, another Rs. 40 crores to go for Phase I. And in Edge, our cost of construction would be about Rs. 60 crores in totality for both the buildings, we would have finished about Rs. 25 crores of that roughly.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Sundararajan for his closing comments.

Santosh Sundararajan: We thank you all for the participation. Wish you a great day and I will see you again next quarter. In the meantime, you could connect with Stellar, our IR advisors for any further query or if you do want to meet us, as the management, we are always available. You are welcome to approach us directly or through Stellar and we will arrange a meeting. Thank you.

Moderator: Thank you. 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.