



February 15, 2021

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**

Dear Sir/ Madam,

Subject: Earning Conference Call Transcript for Q3 FY 2020-21

Please find enclosed herewith Earning Conference Call Transcript for Q3 FY 2020-21.

This is for your information and records.

Thanking you,

For **Vascon Engineers Limited**

Vibhuti Dani
Company Secretary and Compliance Officer

Enclosures: As above

VASCON ENGINEERS LTD.

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“Vascon Engineers Limited
Q3 FY2021 Earnings Conference Call”

February 04, 2021



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 Q3 FY2021 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. Sundararajan. 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 December 31, 2020. Joining me on this call is Mr. Rajesh Mhatre, our CEO for the real estate division and Mr. Somnath Biswas, our CFO. I believe you would have gone through the Q3 FY2021 financial results and the result presentation uploaded on the stock exchanges and on the company’s website.

To begin with I would like to wish everyone on this call a very Happy New Year. The year 2021 has started on a positive note as the rollout vaccine for coronavirus creating positive sentiments across all businesses. For us the recovery from the low that started in the previous quarter itself and Q3 has been able to build on it strongly and our quarterly performance reflects the sales. We are happy to share that our revenues have reached at pre-COVID level on the back of accelerated execution aided by the healthy order book.

During the quarter, our focus has been on further ramping up of the execution. We have witnessed month-on-month improvement in the execution levels. Our execution run rate has reached back to 80% of pre-COVID levels and execution has commenced across all the project sites and all the projects are progressing well without any worries. Only at MMRCL Mumbai metro rail project has witnessed some delay in commencement of execution with the delay in necessary approvals that we have to obtain. We have acquired all necessary approvals currently and work should commence soon.

In this quarter we have received an order from Transcon-Sheth Creators Private Limited worth 38 Crores for construction of Composite Sale Building No. 3 Rehab, Malad, Mumbai with execution period 27 months. With this we have received orders worth 69 Crores during the financial year 2021. As a strategy we are not going for the aggressive bidding of projects and have adopted a cautious approach towards project selection. Our focus is on accelerating the execution of order book which will be the better capacity utilization translating into improved top line and margins.

Our current order book stands at Rs. 1740 Crores which include external EPC orders of Rs.1642 Crores and internal orders from our real estate launches of Rs.98 Crores forming a heavy order book of 6.3 times FY2020 EPC revenues, thus providing comfortable and strong visibility of the EPC revenue for the next two to three years. Government orders comprise 75% of our total order book which provides visibility of faster execution while ensuring uninterrupted cash flow.

Coming to the real estate division, as we all know real estate sales were significantly impacted due to COVID-19. Government has taken various steps by reduction of stamp duty, reduction of

construction paid builder by 50% lower interest rate among others to provide much required boost to the sector. It's heartening to see that these measures aided the real estate sales reaching back to normalcy with the minor improvement in average prices. Also, inventory is lowest in six years in both, absolute and percentage terms. The project launched in the premium plus and luxury segment are witnessing uptick. As mentioned on previous calls, due to the lower inventory we did not record significant uptick in our real estate sales. In 9 months FY2021, we had a new sale booking of 71,984 square feet amounting to total sales value of total 76 Crores. Our ongoing luxury project Windermere registered the uptick in sales enquiry. Furthermore, this positive development in the real estate market provides the conducive environment for our new launches. At the current market situation, we maintain a cautious stand over new launches.

Coming to the liquidity, as you all are aware over the last few year our continuous focus has been towards debt reduction. We are pleased to share that during the quarter we made debt repayment of Rs.20 Crores. With this now over total world debt as on 31st December 2020 stands at 233 Crores. We continued to be committed towards reducing the debt significantly with incremental cash flow generated from non core asset sale and Windermere apartment sale. Our liquidity position continues to remain adequate with an operation smoothly.

Moving on to the industry update, infrastructure being the priority sector for growth revival, received the major push on the government in the Union Budget 2021. Infrastructure sector received a capital outlay of Rs.5.5 lakhs Crores for FY2021-2022, an unprecedented increase of 34.5% year-on-year to push growth via infrastructure development. As a part of the infrastructure push the government announced to launch PM Atmanirbhar Swasth Bharat Yojana with a capital outlay of Rs.64,180 Crores over a period of six years for developing capacities of primary, secondary, and tertiary care health systems, strengthening existing National Institution and to create new intuitions. It has announced to build seven integrated textile parks over the next three years to boost the textile sector. Also, the government plans to set up a new education institution and has announced to build 100 new Sainik schools. Additionally, the railways were allocated almost 15 billion for spending on infrastructure during the coming financial year.

Coming to affordable housing, the government exhibited a continuous commitment towards affordable housing by extending the timeline for availing additional tax benefits for both buyers and developers by one year i.e. till March 2022. Further the government is committed to promote supply of affordable rental housing for migraine workers. For this, the government derives tax exemption for notified affordable rental housing projects. We believe these steps to garner growth in the affordable housing sector. Overall steps of government to provide a huge opportunity of growth in the near term are visible. At Vascon, we are well placed to capitalize on the same.

Let me take you through the financial performance. Let me start with the standalone numbers. During Q3 FY2021 the company reported a total income of Rs.105 Crores as against RS.104 Crores in Q3 FY2020, EBITDA was at Rs.8.4 Crores with a margin of 8% and reported net profit of 0.2 Crores. On consolidated basis, during Q3 FY2021 the company reported a total income of

Rs.158 Crores as against Rs.146 Crores in Q3 FY2020. EBITDA stood at Rs.15 Crores with a margin of 10% and profit after tax was at Rs.5 Crores. 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. We take the first question from the line of Viral Shah from Prabhudas Lilladher. Please go ahead.

Viral Shah: Good morning Sir. Thank you for the opportunity. To begin with Sir in terms of going forward because our order book there is an excess of six times, Sir what is our plan for bidding we will continue to bid, what is the strategy going for that in that sense.

Santosh Sundararajan: We will continue to bid, we are bidding. While we are cautious it does not mean we are staying away from order booking or being extra cautious. When we say we are cautious we are not desperate for order booking but at the same time at normal margins that are in the market we are continuing to bid and we do hope to book some more orders in the next six months. So yeah we want to keep this order book about 2000 Crores going forward so that there is always a visibility for the next two to three years. So yes, we have our vigilance in place also we will be bidding we will be bagging more orders in the near term.

Viral Shah: Sir in terms of bid pipeline what kind of projects are you bidding for, are you bidding for institution, hospitals, because there are huge number of projects coming in hospitals as wells so are we keen for going that segment, what kind of areas we are focusing upon, commercial, residential?

Santosh Sundararajan: Our focus is remaining primarily government projects and any kind of buildings, hospitals we have a lot of experience and pre-qualifications for hospitals as well. So definitely we will be participating in all the healthcare projects that the government is rolling out through various entities and also the educational projects have started coming, tenders of schools have started coming, each school tends to be of a smaller value but nevertheless we are keen on picking up a few schools. So yes there a lot of government projects that are in the pipeline from various state and central agencies and we would be bidding for any kind of building whether it is commercial, residential, industrial, IT park or Health or any kind of institutional building, educational, all of them are in our radar.

Viral Shah: Fair enough Sir, but largely it will be government funded right that is what we are having?

Santosh Sundararajan: Largely, it will be government so there is lot of metro and airports as well which are coming those are also on our radar.

Viral Shah: What are the typical margins we are looking at as the margin improved or it is in the range of around 10% to 11%.

Santosh Sundararajan: See on an average with all various projects which relate plus minus 2 or 3% here and there but the assets margin would be that in the range, we are looking to maintain an EBITDA in the range of close to 17-20% that is the range we would have for margin size.

Viral Shah: Last two questions from my end when you look at in terms of capability and visibility in the current bandwidth and the system what we have so what is the top line we are very comfortable with at the gross block what we are continuing to and in terms of capex addition going forward what will be the plan?

Santosh Sundararajan: With the current capex that we have and the senior level staffing that we have and we have always maintained we can easily execute more than double of what we have been executing. We can easily execute up to 800 Crores without adding strength to the current system in terms of staffing as well as machinery. We are well below that mark, even in the coming years we will not be touching 800 for sure so we have two years to go before we cross the hurdle of having to expand through additional capex and additional staffing so that you are still not up to our capacity utilization in that term but we are now improving at a good pace.

Viral Shah: Sir lastly what percentage of our order book will be on-ground execution we started now because and the guidance for next year if you could guess on that could be greater.

Santosh Sundararajan: So out of the 1750 Crores, Mumbai metro rail project which is 130 Crores has not yet started that is expected to start in March because there was some approval that they have to get which they have recently obtained. So that is not yet started, but other than that 130 Crores everything else is on track.

Viral Shah: Fair enough Sir. That is it from my side. All the best.

Moderator: Thank you. We will move on to the next question that is from the line of Rachit Kamath from Anand Rathi Share and Stock Brokers. Please go ahead.

Rachit Kamath: Thank you for giving me this opportunity. Sir my first question actually pertains to the fact we had this healthy order book in terms of when we look at a revenue assurance basis we have six times kind of order book as of now and we have been stuck at 360 to 370 Crores kind of revenue range for the past few years so just looking ahead like what stops us from scaling from 360 Crores per year to like the clearly revenue is 600 to 700 Crores next year. Given the fact especially considering that majority is going to affect is already that we have seen?

Santosh Sundararajan: In short the answer is nothing, nothing stops us actually now because the order book is in hand and as I said out of 1750 Crores only 130 Crores has not yet started execution at site which is also expected to start in March. So when we started in April literally our 1750 Crores of order book was in action. You will notice from our results that this quarter we have done 93 Crores, for EPC third-party EPC execution which the highest that the company has done in the last 12 quarters, so that number has been steadily increasing of course corona took us back for a while.

But now, That number is growing up so if you have 93 this quarter and with one more projects start and in fourth quarter we should hopefully be crossing 100 and then next year would be 600, 600 I did not want to predict number of 600 but definitely we are doing much better in terms of top line than the last two to three years so we have been stuck in those 300 odd level for three or four years which is fair enough right observation but definitely next year there is going to be a big jump.

Rachit Kamath: Basically we are not seeing no development back in January so 800 Crores kind of revenue we will see in the next two or three years kind of EBITDA line?

Santosh Sundararajan: We always mentioned typically if things go well 50% of your order book will translate to revenue and now if you start the year about 1700 to 1800 so you are right about 600 could be target anywhere between 500 and 600 if you want to achieve 800 we should have an order backlog to start the year of close to 2500 Crores then we can hope to achieve 800 Crores of revenue for the year. So maybe next year as I said we are continuing to have an order book target for ourselves we want that order book to remain upwards of 2000, it was more than 2000 it has got executed and come down to 1750 levels we have not bagged any big orders in this financial year as yet but we are on the job and now orders are coming on from the government sector and everywhere and we will definitely bag a few more orders and keep the order book healthy of about 2000 Crores.

Rachit Kamath: Sir my second question actually is pertaining in this direction itself what kind of competitive intensity are you looking at in terms of inflows especially in light that government has been allowing contractors to lower the prequalification limit which I think you have, bank guarantees for certain projects earlier requirement was 10% but now anybody with 3% kind of capacity can also come and bid for project, so just wanted to understand your take and what will be the average order size that you are eyeing say even if you are looking at healthcare products or something what kind of a ticket size like power project that you are looking on?

Santosh Sundararajan: It is a very good question you are absolutely right we always started seeing that moment government relaxed, government has given two major relaxations i.e. one is that the performance guarantee that needs to furnish once you got a job to 3% it usually used to be 5%. Specially, the more important you know is that, the government has done is the tender deposits have been worked out in most projects. Now that I do not know whether it is a really good thing because you said what happens now earlier only four or five people coming for taking tenders people were cautious we could not be filling all the tenders because every time you fill up tenders you have to put up some money, now that is good all of us are filling many tenders and therefore the entry for other competition especially the not so organized competition has opened up so having said as the 100 Crores level, 150 Crores level we see that a lot of people are putting in their bid, lot of new contactors, smaller contractors were more aggressive on putting up their bids, but at 300 and upwards where we do qualify between 300 and 600 Crores over there a lot of smaller guys and bigger guys do not get their qualification so I think that is comfortable ticket where we

will be able to get good quality competition and therefore we will be able to keep getting at our expected margins and hopefully that is one contact once in a while.

Rachit Kamath: At present you will be targeting for orders in the range of 300 to 600 Crores.

Santosh Sundararajan: Yes, I think that seems to be a sweet spot where the privilege competition sort of prevented then there we are left with good competition.

Rachit Kamath: Sir in the construction side of the business what kind of EBITDA margins we will be target like semi construction, EPC?

Santosh Sundararajan: If you see we traditionally had gross margins upwards at 23 to 24% I have always maintained that because two to three projects were extremely healthy projects which were giving us a lot of topline in the last two three years that things are expected to come down and as you think it is coming down but the way we bid we expect to keep our gross profit margin between 15% and 20% under 17%, 18% is what we would like to keep our average gross profit.

Rachit Kamath: Gross profit seems 15% to 18% and then at the time of transfer to EBITDA margin I think it will be somewhere in the range of 10% to 11% or 9% to 11%?

Santosh Sundararajan: So from gross profit to EBITDA is a function of what topline we achieve more we do the higher, the healthier the EBITDA will look.

Rachit Kamath: If I have some time, on the real estate side of the business I think you said we are cautious about new launches could you throw some light on that Sir as to what we feel too cautious? We are at a lower inventory per se

Rajesh Mhatre: In fact, this year fortunately the focus obviously was more on collections and on doing sales in the existing projects rather than picking a bet and launching newer projects before the market stabilize. With the government impetus, yes in fact we have seen sustained activity hopefully this activity should remain only time will tell whether it is a just a time bomb thing or whether the strong demand is going to persist and the sale. So in fact from a collection perspective in fact we have done very, very well in fact in terms of collections we are almost near about the same collection level the money that we have collected in the previous years. The sales definitely from a booking value perspective nine months last year as compared to nine months this year you are lower by around 10% to 15%. Going forward in fact we have around four projects in the pipeline and all these projects in the approval stages we are hopeful that we should be receiving approvals in fact in the coming years and our projects would be good for launch also. The expected top line from these project is 800 Crores being joint ventures the document that would come to in fact our company would be close to 500 Crores and this will have margins in excess of 150 Crores so considering that in fact we have a very, very good pipeline we have thought about this projects planned them very, very well considering you know the micro market demands overall in fact what the absorption in the market is, the locations are great therefore we do not want to leave any

element of doubt before we launch these products so that in fact whatever we launch, we launch it successfully and execute them well. So that has been our strategy and hopefully we should be successful in the coming year.

Rachit Kamath:

Rajesh, my second question that basically present in terms of leadership in the Pune market. During the renovation time I think in terms of some of the larger players likes of Godrej, Kolte Patil or some of the other players like Mahindra they also have been eyeing bigger share in terms of their own growth that they are looking at Pune real estate market in a big way and they are also trying to come and enter into the market so in such a case how do we see ourselves panning out in this in terms of just you know scaling up the leadership side of the business because essentially when we have to get this deal so that sense also I was speaking, definitely the analyst people there are some big names Puranik Builders or something they are also coming up in this market so everybody like Pune as a piece of pie and then they want to grow, so my question pertain from that side.

Rajesh Mhatre:

This is actually a very, very good development that is happening. A lot of organized developers are eyeing the Pune market. Now you should also understand the demographics. Overall yes in fact the Pune market has been great. The office demand is going to remain strong and therefore you know the ancillary demand for real estate is going to be stronger so Pune is extremely strong. As far as the entire EPC from a macro point of view, Pune is close to 25000 Crores to 30000 Crores market in that the amount of pie that we are targeting is very, very less. So in terms of overall macro factors if you say it is not going affect that much that is point number one. Second is in fact if you see most of the larger developers like Godrej in fact they operate on very, very larger land parcels. Now this larger land parcel typically are located in the outskirts of city in fact within the city in fact it is very, very difficult to find the sizeable amount or sizeable size of these projects because of this what happens is typically if the topline is less than 200 Crores to 300 Crores, larger players would not be interested. With the new unified guidelines what has happened the amount is FSI has increased this has changed strategic dimensions in the city if you see. What has happened is the stock in the city has increased so therefore one question every buyer would typically ask is what does we really needs to travel outskirts of the city you know this is getting the same product closer to the city. In fact what we are doing is we are targeting locations which are within the city because we are not targeting any projects which have a top line 1000 Crores our projects typically are in the range of 250 to 300 Crores typically predominately more micro market dependent rather than macro market we do not really have to bother about catering demand from Mumbai for any outskirts, NRIs so the location itself generates sufficient amount of demand we give a quality product we know our pricing is perfect we launch and we get out of the project so for us if you see considering the present dynamics whatever developments have happened good in fact and we should be performing well.

Rachit Kamath:

My last question pertaining on debt side if I can take some time, we will be speaking on monetizing certain noncore assets, there was this hotel I think in Goa there is some land parcel that they used to speak about and Coimbatore surrounding and these assets always looking

monetizing leased assets to kind of lower our debt, this was the gearing of the books, so could you just throw some light as to what kind of realization that will be expected?

Rajesh Mhatre: Our noncore program has always been strong so this had been extremely bigger scores also that you know the low hanging fruits we have done with in fact now the difficult road we are traversing now. So if you see the gross debt in this quarter also stands reduced to Rs. 233 crores in fact this trajectory is going to continue considering that our focus is on Windermere and do you know we are thinking some positive developments over there so we should see some additional reduction in the coming quarter too. With the non-core assets in fact there are discussions there are certain credible discussions but you know we do not speculate on those at this point of time.

Rachit Kamath: Anything on the driving factor or deal that is made, horizon would be conditions of the Windermere project will I be correct?

Rajesh Mhatre: Yes.

Rachit Kamath: Have you seen any kind of benefit in terms of interest cost because a lot of people, many of us volume has come down over the period of COVID because of the reduction in the statutory rates.

Rajesh Mhatre: Bank rates reduced and banks have also given some additional COVID related facilities which are coming at an interest rate of closer to 8-8.5% and we have taken advantage that despite taking advantage of all those factors we have reduced that you know the entire if you see from the start we eventually had to the current wherever it stands, so overall yes you know the interest rates have reduced but we will continue on debt reduction path.

Rachit Kamath: What is the cost of borrowing as of now if you have any figures handy?

Rajesh Mhatre: It should be 14 plus.

Rachit Kamath: 14 plus. Thanks a lot.

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

Manish Goyal: Thank you so much. Sir I just have couple of questions. You mentioned that Windermere our luxury product is seeing uptake in sales. So in Q2 also we had seen certain sales and Q3 I believe also would have happened so if you can throw more light as to how much sales happened in Q2 and Q3 and what is the inventory available for us?

Santosh Sundararajan: This year we have sold 51 Crores worth of sales. In fact, Windermere has been our focus areas the largest contributors of the current year sales. As far as the inventory in Windermere is concerned we have close to roughly 250 odd Crores in Windermere to be sold which is ours and JV partners combined.

- Manish Goyal:** What would be our shares now in this?
- Santosh Sundararajan:** It will be close to around 100 Crores.
- Manish Goyal:** And can you give me a number for Q3 Sir how much we would have sold?
- Santosh Sundararajan:** Q3 we have sold around 20 odd Crores.
- Manish Goyal:** I believe in last call you had mentioned that the impact on the margins were also because of sales realization was little lower than expected so how has been the case in the current quarter Sir, Q3 quarter.
- Santosh Sundararajan:** Sir Windermere will take a hit on margins so more or less this quarter we are targeting that the impact should be close to 0.
- Manish Goyal:** You are referring to Q4 or Q3 Sir?
- Santosh Sundararajan:** I mean Q3.
- Manish Goyal:** Q3 and we also look forward that in Q4 the current ongoing quarter also we expect some sales to happen?
- Santosh Sundararajan:** Yes, Windermere we are positive. We should be in a position to do some transactions in Windermere.
- Manish Goyal:** So this 51 Crores sales what has happened how much cash we would have realized and how much is pending Sir?
- Santosh Sundararajan:** Out of this, 51 Crores we have gained and moved to 26 odd Crores of the balance sales in fact can be initial stage I think significant portion of the cash flow should be realized before March.
- Manish Goyal:** Okay that should help us to reduce debt further?
- Santosh Sundararajan:** Yes, absolutely.
- Manish Goyal:** This is the high cost debt we are reducing first.
- Santosh Sundararajan:** This is the high cost debt we are reducing in the last quarter also in fact we reduced Windermere debt by 23 odd Crores.
- Manish Goyal:** Okay and what would be the number for the high cost debt now?
- Santosh Sundararajan:** 15.5% currently 74 Crores.

Manish Goyal: 74 Crores and 15.5%, okay. Do you expect to reprice these because you have been paying debt and is there any possibility to kind of restructure these debt?

Santosh Sundararajan: There is a possibility, any possibility either in terms of reducing debt, reducing interest rate, checking the bank all the options are on table as far as in fact we keep on discussing evaluating these options at all points of time so to answer your question. We are looking at refinancing this at a reduced rate so that you know the savings would come to us, the answer yes and yet the major focus reminds taking the advantage of current opportunity that is being available we have never seen such traction as far as luxury sales are concerned. We just want to capitalize possibly in fact if you ask me I personally believe this might be last quarter that traction in luxury would continue we just take advantage of that and finish as much as possible.

Manish Goyal: Sorry on harping this 74 Crores number do you expect to fall to what number by March end Sir, high cost debt?

Santosh Sundararajan: See minimum reduction would be 10 Crores we may target higher

Manish Goyal: Right Sir, on GMP technical after long time we have seen a very strong margin so and revenue have been quite decent so can you guide us as to was there any one-time element in Q3 numbers or this is now normal run rate going forward Sir?

Santosh Sundararajan: GM,P has had a good turnaround you are right we have cleared off all the past legacies and we have provided for whatever has to be provided and actually GMP for the last four to five quarters pre Corona also the manufacturing division was doing well and was realizing profit but we had certain backlogs and provisions coming from the other division, the MEP division which was still holding back the actual numbers on the P&L but now all that is done and therefore it is bird that is left out of the cage so you will see that there is nothing abnormal in this quarter there is nothing on time we should expect the same run rate in terms of topline and bottom lines to continue going forward.

Manish Goyal: What would be our order book here now Sir?

Santosh Sundararajan: We will have to check and come back there was a new order we were expecting this month also,

Manish Goyal: Just we had a one large order from Tata Steel so it had been executed?

Santosh Sundararajan: We got an international order recently from Iraq, the order book in excess of 100 odd Crores see GMP will normally not have huge order back log because those projects get extinguished within two to three months so you know even one-time annual top line is very good order backlog but the exact number I think we will get back to you Manish. I will just check that for you and get back to you.

Manish Goyal: Just now you mentioned you received order, international order from?

Santosh Sundararajan: From Iraq.

Manish Goyal: Roughly what could be indicative size of this?

Santosh Sundararajan: 20 odd Crores, 22 Crores.

Manish Goyal: Last question Sir you have been definitely trying to monetize certain assets any near term opportunities which we can kind of complete Sir?

Santosh Sundararajan: See there are only those three parcels remain on the table for us there is a land in Aurangabad, there is Kaledonia, and there is Goa hotel all of three of them we have been actively pursuing Corona put a break on all of these especially the hotel nobody was interested but now Goa has picked up so again all these three assets are back on our list and we are trying our best to liquidate these three. Any of them happens it will help us bring down the debt.

Manish Goyal: Sir you also mentioned that in your initial remarks that the inventory levels are lowest in six years and incremental sales have been kind of got somewhat impacted in real estate for us so now going forward how should we look at it, you mentioned that even certain projects are awaiting approvals so in near term like what project launches can happen Sir?

Santosh Sundararajan: In the first quarter of the next financial year we should expect Coimbatore that will be the first launch you will be expecting and post that impact we have maybe by the second or third quarter in fact we should have the Karadi one that would be coming in. So then there are many smaller other discussions that are also going on we might find some separate additions to that but you know it will be circulating in nature but at least two concrete launches we should see in the next year.

Manish Goyal: Great Sir and on EPC next year you indicated 500 to 600 Crores revenue and already we had very strong revenue booking in Q3 so from here onwards ideally we are looking at 30 to 40% increasing the current revenue run rate to achieve 500 Crores and that is fairly possible?

Santosh Sundararajan: Yes, even in Q3 some of our orders have not started. They started midway somewhere in November, police housing we started in November, December this give us one bill in Q3 and also the labor was not fully back when we started Q3, Q4 would be much better in that sense and then from next year Q1 as I said Goa airport as well as Mumbai metro are also starting so the entire 1750 Crores order backlog will be active and if that is the case then definitely we can achieve 500 Crores target because as you think even at least 20 to 30% more quarter-on-quarter from where we are today that should not be a challenge once all these orders are active anything further that we are able to add to our order book within the next three to four months will also give us some topline in next year. Typically once you buy an order we are saying it is taking easily 6 to 8 months for the order to start in any government project because there are certain initial approvals and certain hurdles that normally tend to exist so whatever we bag in the next three or four months would still probably start by Diwali and can give us two quarters of revenue

in next year so that will add to this 500 if it all so that will you know help us go through the 600 definitely but 500 I think should not be made a challenge.

Manish Goyal: Recent commodity inflation like increasing steel and cement prices do we see impact for us and how are we covered in terms of contract how much our fixed prices or how much our orders with price revision closer?

Santosh Sundararajan: So out of 1750 Crores we have done this study steel has gone up crazily on a real estate project of course we have to see how we bear that cost but fortunately for us not much has happening on the RPC level for real estate so steel is not impacting us there, projects like Windermere even Kharadi steel consumption is completed on the EPC side out of 1750 Crores there is only one Bengaluru metro order worth 150 Crores where we do have an issue in the sense that contractually we are covered by index clause with the government indices and that government index is not really catching up to reflect the real crazy increase in steel price that has happened in the last two months we had returned to the client and they are considering our request positively to look at these issues. Other than that in the balance 1550 Crores order book from government we have base rate for steel and cement in all our contracts and therefore whatever increase in these commodity prices does not affect us in anyway.

Manish Goyal: Wonderful. Thank you so much. Thanks a lot for all the answers.

Santosh Sundararajan: Thank you.

Moderator: Thank you. The next question is from the line of Koushik Sekhar from Vermilion Capital Advisors. Please go ahead.

Kaushik Sekhar: My question is on the high rise recently Gujarat government opened up almost up to 70 stories Chennai also there was a project announced on top of metro station I think for 22 stories. So this is going to be a big trend and how will it affect Vascon in sense that how are you geared for high rises rather more entry barrier in such buildings and specifically for Pune market how do you think regulatory revenue involved for high raise and in the markets of Pune, Coimbatore, etc. everywhere.

Santosh Sundararajan: I will answer that question from the EPC standpoint you know outside Pune where we are participating contractors whether the private sector or government sector there are lot of high rises coming up you are right. More cities are opening up their ceiling limits and that is a good news as far as Vascon is concerned because we are one of the few who has done enough high rises in Mumbai to qualify for these kind of projects in India. We are very few contractors who had the good fortune of having executed more than 100m building in India because only Mumbai and little bit of NCR is having these kind of buildings. We have done a few so those come on our prequalification criteria. So in any such building smaller contractors get disqualified. We will get qualified. We will get chance to compete with the bigger guys. So that is a good news and in terms of executing these buildings we have done in the past. We have the expertise. We had the

equipments, we had the know-how, so is not a real challenge in fact it is quite within our bandwidth in terms of staffing and capex to be able to do these projects. In terms of real estate in Pune, Pune is also opening up their city limits. We have already done Windermere which is 22 stories which is one of the highest that Pune has allowed so far going up if it goes further up it helps us further utilize FSIs and do better projects in terms of more green spaces down it is always good so either we will be opening up of heights wherever the happening is good for us.

Koushik Sekhar: One more question I had was in the Windermere you said your share is 100 Crores now 100 Crores is on the revenue or on the net contribution after completion cost for both?

Santosh Sundararajan: Revenue, total revenue.

Koushik Sekhar: What you will actually get after spending the complete?

Santosh Sundararajan: We have expected cost to complete of about 20 odd Crores going from here then we have a revenue as you said of unsold inventory of 100 Crores of our share we have a debt of 74 Crores with Kotak and we have some collections pending from sold inventory as well so net to net I mean if it happens fast then covering interest we will still be positive if it happens very slowly you know interest will be eating up that is the scenario, but as of now we still healthy enough to cover the debt as well as the cost to completion and still realize some profitable catchments.

Koushik Sekhar: One more question I had was on the railways you had mentioned they have budget for 15 million dollars. The railways did two projects on a trial basis in Habibganj and Gandhi Nagar that is they converted the stations like the one which are overseas multiuse on top of the station do you see any orders of that nature coming in. Do you see any orders of that nature in the coming year FY2022?

Santosh Sundararajan: See lot of the railway lines in various cities, railways are the biggest landowners in the entire country and they are opening up their land parcels but what has happened so far is that those are huge projects and prime parcel and they have been so far opened up by the government on a PPP model where they expect infusion of capital from the private players, the land was brought as equity from the government and the rest of the capital made it to launch and market and sell the projects with expected from the private players it is sort of a JV model that has come up that is capital intensive and we are not in a position at this point of time to look at those projects as a real estate player having said that we are in talks with the few funds and bigger entities who would want to play the real estate game and we could be there design and build contractor for the execution purpose in other cities.

Koushik Sekhar: Thank you.

Moderator: Thank you. The next question is from the line of Vini Jain as an individual investor. Please go ahead.

Vini Jain: I just wanted to check on what are our fund-based and non-fund-based limits as of now and how much of it we have utilized already?

Santosh Sundararajan: So on the CC side we have a fund-based limit of 73 Crores I think that is more or less normally utilized little bit play remains there depending on the cash balance from projects from time to time on the non-fund limit we have got a sanction of an additional 40 Crores BG this quarter so that totals our non-fund limit to 200 Crores the 40 Crores unutilized and also in the old limit I think another around 20 Crores is unutilized so we have about 60 Crores of unutilized non-fund limits.

Vini Jain: Sure, thank you so much.

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

Mihir Desai: Thank you for the opportunity. Sir I just wanted to ask one question one question on strategy front so how do you look on the strategy front from say down the line FY2023, if you have to look EPC and real estate business what is the internal strategy or how you are planning to change this business?

Santosh Sundararajan: So on EPC side I have been mentioning we in terms of capacity utilization we have been at 60% we can do about 800 Crores of execution with the existing staffing and capex so our target for the next two years is to reach our current capacity utilization because then augmenting capacity and growing would be the next challenge, but to answer your question in the short-term the next two years hopefully we can scale up to 500 to 600 levels and then carry on the growth to standard 700 levels closer to 800 levels going forward. For that we have BG limits now in place we have augmented our limit this was a stumbling block but now we have got 40 Crores of BG limit so what we need to do essentially is order book close to 1000 more Crores in this coming year by March 2022 which is a target we have taken it should not be too difficult to achieve that given the number of projects coming from the government but because of the relaxation of EMDs and lot of new people bidding every now and then the projects are being eight out of ten projects do end up going to a contractor at a price which we know for sure is a wrong price and so we are cautious that we are not desperate enough to compete at wrong prices, stake at close to 0 or some 5% margins so we will wait for the opportunity where we get our desired margins but I think we will still be able to get a 1000 Crores order book at our terms over the next 12 months so that is the target if we do that we are well on short term for EPC to reach our capacity utilization in terms of real estate I guess I will have Rajesh to answer that.

Rajesh Mhatre: On the real estate front with the current projects that we have in hand and the way it is going roughly in fact real estate should be 30% contributor as far as the overall strategy is concerned in time considering the cash flow situation as a possibility of improving going forward so taking advantage of the same and scale up with the current infrastructure in terms of the sales happen, in fact it is very, very easy so what happens in this case we acquire a large project and then

executing that will really not mean incremental addition in the staffing level to an significant extent so that can easily be done so that gear change can happen at any point of time. Currently, considering the same policy of conservatism that we are following we will focus on the projects which are in hand we are very, very careful positive and healthy and with the EPC going strong so that in the short-term at least that will be the strategy that will remain focused on.

Mihir Desai: Sure Sir, great Sir. One last question on the accounting front, the raw material prices which has increased so going forward how should we look at these prices Sir?

Santosh Sundararajan: That as I mentioned from section perspective the one that is majority affecting us at this point of time is steel, steel has drastically increased in the last two to three months and so luckily as I said on the real estate side this is not having an impact for us because the projects which we are currently executing are not consuming steel at this point of time they have finished the steel consumption we are in finishing stage whether it is forest edge, whether it is katvi, and Windermere is almost finished. So we are not buying steel in real estate. On the EPC side in 90% of the order backlog that we have has a base rate clause in our agreement and so whatever the steel price increase remains with the clients we are not carrying that risk. So in that sense we are luckily covered and the steel price increase is not affecting our bottomline at this point of time. Other commodities have not increased as much but diesel and petrol going up now we do expect prices of all other commodities to go up but in all our contracts we have covered in terms of base prices for most things including labor indices so from the utility side we should not really struggle if commodity prices go up.

Mihir Desai: Okay so most of it would be a pass through.

Santosh Sundararajan: Yes, most of it is a pass through.

Mihir Desai: Thank you Sir. Best of luck Sir.

Moderator: Thank you. As there are no further questions I now hand the conference over to the management for their closing comments. Thank you and over to you!

Santosh Sundararajan: Thank you everyone for the continued interest. We are surely seeing very good days ahead I think. Thank you and see you again next quarter.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Vascon Engineers Limited that concludes today's call. Thank you for joining us. You may now disconnect your lines.