



September 02, 2020

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 2020-21

Dear Sir/ Madam,

Please find enclosed herewith Earning Conference Call Transcript for Q1 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
Q1 FY2021 Earnings Conference Call”

August 20, 2020



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



*Vascon Engineers Limited
August 20, 2020*

Moderator: Ladies and gentlemen, good day and welcome to Vascon Engineers Limited Q1 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, Group CEO, Vascon Engineers. Thank you and over to you Sir!

Santosh Sundararajan: Thank you. Good afternoon everyone. I welcome you all to the earnings conference call of Vascon Engineers for the quarter ending June 30, 2020. Joining me on this call is Mr. Rajesh Mhatre, our CEO of Real Estate Division, and Mr. Somnath Biswas, our CFO. I believe you would have gone through the Q1 FY2021 results and the result presentation uploaded by us on the stock exchanges and on the company’s website. We hope that all of you on call and your family are safe and healthy during this unprecedented time. I would like to take a moment to thank all the frontline workers for keeping our communication together and protected during this time.

During the previous call, we had updated you on the immediate impact of COVID-19 and the various measures taken by the company to handle the situation. Further let us take you through the impact of COVID-19 on the company’s operation and financial performance for the quarter ended June 2020 and also update you on how the situation is panning out currently.

The country wide lockdown had an adverse impact on the construction sector. The company’s operating in the urban areas were most severely impacted due to the delay in relaxation of the lockdown, unavailability of labor and disruption of the supply chain. The impact of which is also reflected in our financial performance. During the quarter gone by, the execution levels were significantly low resultant of which Q1 FY2021 result declined 66% year-on-year which is Rs.38 Crores.

To mitigate the challenging market dynamic, we focussed our work on three key areas. Firstly protecting the health and safety of our employees, laborers and customers, second, resuming the business operation safely and efficiently across all projects, third, enhancing liquidity through prudent business operations and cost reduction measures.

For us the health and safety of our employees and our laborers was always paramount. As a result, we have increased our health and safety initiatives and the measures such as physical distancing, enhanced hygiene and additional PPE at all our project.

Focus on ramping up the execution level, as we all are aware MMR and Pune regions were majorly impacted because of the extended lockdown. Months of April, May and partially June were completely washed out amidst the lockdown. In July, we started witnessing easing of lockdown norms and with this we have restarted the business operations almost all our project sites. We are operating at 60% capacity utilization and with the improving labor availability we are gradually ramping up the operations and expect to reach near normalcy in the second half of this financial year.

Our current total order stands at Rs. 2,036 Crores which includes an external EPC order book of Rs. 1,920 Crores and an internal order book of Rs. 106 Crores; forming a very healthy order book i.e. about six times of our FY2020 EPC revenue thus, providing a comfortable and strong visibility of EPC revenue growth to the next two years to three years. The high share of public sector orders in the total order book provides us a visibility of faster execution while ensuring uninterrupted cash flow. As a strategy, over the last few years, we took the cautious approach towards building up an order book which has enabled us maintaining our order book intact during these challenging business environments. As we approach towards normalcy, we are confident that the execution of new orders within the stipulated time and costs will lead to better capacity utilization and better margin for the EPC sector going forward.

Commenting on the liquidity position, we focused on maintaining adequate liquidity to meet uninterrupted business operations. As you all are aware, over the last couple of years, our incessant focus has been on improving liquidity of the company. In the wake of the current crisis, when the sector is facing working capital issues and bank and NBFCs sectors are getting risk averse, our company's liquidity is sufficient to carry out operations smoothly and we do not foresee any liquidity concern.

Further commenting on the company liquidity position during these challenging times, we have taken the benefit of special liquidity announced by the Government of India. We have also applied for the release of proportionate performance guarantees from various clients in our partly completed projects which has been allowed by the Ministry of Finance. This will also release in significant release of non-fund limit and thereby provide liquidity as well as open up the limits. We are on track in meeting up the obligations and liquidity for the business.

Coming to the real estate division, real estate being a discretionary expense and uncertainty arising to the customers on account of pandemic experience deferment of demand during the quarter gone by, some revival in demand has been observed after the partial lifting of lockdown. For efficient safety, we initiate innovative measures like approaching customers

through videoconference and virtual walk through to show the flats and many more innovative measures comforting customers during the pandemic. Furthermore, after subdued demand during Q1 FY2021, we are witnessing a gradual revival in customer enquiry currently. At that time currently, we have low levels of unsold inventories which leaves us with limited impact of piling up of unsold inventory which many players in the industry are facing currently. In Q1 FY2021, during this lockdown period new sale booking of 9,220 square feet amounting to those sales value of 5 Crores were achieved. Our focus will continue in liquidating the existing inventory with the support of our strong real estate sales in marketing team.

Going forward we would adopt the cautious approach while launching new projects in real estate.

Let me take you through the financial performance, as mentioned earlier, the lockdown was imposed to contain the spread of the COVID-19 pandemic has adversely affected the company's operation and financial results for the quarter ended June 30, 2020. Hence, the results for this further are not comparable with the corresponding quarters last year or of any previous years.

Let me start with the standalone numbers, during Q1 FY2021, the company reported a total income of Rs. 36 Crores as against Rs. 106 Crores in Q1 FY2020. Recorded an EBITDA loss of Rs. 28 Crores and a net loss of Rs. 29 Crores in Q1 FY2021. The company has booked a onetime expense of Rs. 20 Crores mainly due to additional provisioning of Rs. 15 Crores towards EPC contract as a precautionary measure on receivables of two past projects from some private entities and Rs. 5 Crores for its performance incentives to Mr. Vasudevan - Executive Chairman on account of commendable services rendered to the company in previous years.

On consolidated basis, during Q1 FY2021, the company reported a total income of Rs.45 Crores, the EBITDA loss of 27 Crores and profit after tax of Rs. 37 Crores in Q1FY21. Total gross debt as on June 30, 2020 is Rs. 242 Crores, we continue to focus on reducing the debt significantly in few quarters with initiative cash flows generated from asset sale and Windermere Apartment sale.

To sum it-up, the industry is going through challenging market dynamic on account of COVID-19, thus giving up an unclear picture on the faith of economy revival in the short term. The proactive support of the government and recovery in economic activities is gradually bringing the growth back to normalcy, Infrastructure being the vital factor for economic growth; we shall again retain our own trajectory.

We would like to reiterate that our strong root and experience will make us to fight through this tough time and with efficient execution capabilities, we thrust to maintain the momentum going forward supported by the strong order book and the strong pipeline of launches in the real estate sector.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

Rohit Natarajan: Thank you for this opportunity. Sir, I just wanted to touch upon that provisioning that you have done for the old clients, can you just qualitatively and quantitatively give some color to it as in what exactly those projects are, how much additional provision will you have to take or what else the accumulative provision will you take, anything on that?

Santosh Sundararajan: So, in our book we have about Rs.30 Crores of receivables with the age of which is more than 2.5 almost 3 years and given the COVID, we are following up these clients and there is no specific provision against the specific receivables because all these receivables are in concerned by clients and they are willing to pay, but given that the COVID situation is now going to make life tougher for all our private clients, so we were anticipating delays, I would not say it is anticipating now proceeding the liquidity but definitely anticipating delays in receipt of receivables and so discussion with the auditors instead of going with the normal ageing process that these would come as provisioning based on the age in the next few quarters, instead we might as well be cautious in taking the provision upfront; however, I would like to say that there is no particular trigger for us to be doing this on any project which is general cautious provisioning and these receivables are received over the next year or so when we will be reversing this provisions.

Rohit Natarajan: Can you name those projects which, who those projects or provision pertains to?

Santosh Sundararajan: No, I would refrain from taking names over here because I do not think that is the right thing to do at this moment.

Rohit Natarajan: I appreciate that. Then my second question is more to do with the labor availability, in the slide it talks about 60% pre-COVID levels of labor is back and you expect that number to move to the normalcy you are expecting H2, so in the overall scheme of things, earlier we had a Rs.600 Crores kind of target for EPC segment, now where do this entire structure really stand like?

Santosh Sundararajan: As you have seen Q1 is obviously a washout, 500-600 Crores standalone is obviously not on target, but the second quarter has been quite encouraging in the sense that now we are already back to 50%-55% labor strength and in the Q2, we should be doing at least 50% to 60% of our earlier target and then hopefully in Q3 & Q4 we will be on track as per the earlier suggested at the beginning of the year or pre-COVID.

Rohit Natarajan: The order backlog that we have, we also have some private sector players like Adhiraj and Kailash Enclave, would you want to give some, I mean is it like a slow moving order or will it be removing order backlog as such, what is the situation over there?

Santosh Sundararajan: The private sector, in our own projections when we plan-out for the year and set up a target, we do see slow rate on some of these projects that we pointed out because real estate market is sluggish, so we do project or anticipate that these projects will take a bit longer than the contractual timelines because of the market situation. Corona of course adds to that situation so given the current situation, but we already know that these projects would take a bit longer so that is factored in our projections, in our targets for the next few quarters.

Rohit Natarajan: Okay, can you just help me with some unbilled revenue and receivables portion that you have as of now?

Santosh Sundararajan: They are the part of ongoing projects as I said the only receivable which is the long term receivable regarding aging beyond three years, we have 34 orders for which we have kept the one time provision this time just as a precaution, but otherwise all other receivables are live, they are all in running project so there is really no stress on those or on the unbilled portion of the work.

Rohit Natarajan: No, I was just trying to appreciate the cash flow from operation in this particular quarter that you have.

Santosh Sundararajan: This quarter in fact because of the work from the previous quarter, Q4 of last year, we were fortunate to have decent collections even in this Q1 of this year even when there was literally not much happening on ground. There was no cash flow stress because as there were no work happening in the Q1 little bit of collection stress is currently in the last two months July and August but again in July, we have done work in August we are collecting decent amount I think we have gone past the worst.

Rohit Natarajan: I appreciate that but if I have to look at the fund and non-fund base limit, what is the utilization level, have you availed any COVID loans that lot of players have actually tapped?

Santosh Sundararajan: This is again a small top-up of about 10% of CC limit. Our CC limit were at 63 Crores with SBI and this is promised us 10 Crores top up which we did avail, 63 Crores was our CC limit and 10% of the 63 Crores is what we did avail during this period to ensure the cash flows are smooth, beside that our debt level have not gone up instead we have repaid some debt, so our debt level is under control, in fact debt it is coming down.

Rohit Natarajan: Okay, so how the utilization power for both non-fund and fund, what is the utilization looking like?

Santosh Sundararajan: The fund base limit is to almost 90% utilized. We have a 73 Crores limit out of which I think current utilization as of June 30 is 58 Crores and in the non-fund limit in totality is 126 Crores.

Rohit Natarajan: 160 Crores is what last time you mentioned?

Santosh Sundararajan: 160 Crores, yes 160 Crores and utilization is about 135 Crores to 140 Crores.

Rohit Natarajan: Okay that means you have not really done any strong bidding in this quarter as such?

Santosh Sundararajan: No, we have not done any bidding in this quarter I mean we did bid for a couple of projects but we did not bagged them, so we did not have any order gain in this quarter.

Rohit Natarajan: Even for that matter nothing is there in the prospective stage as such, tied up in earnest money or possible or something of that?

Santosh Sundararajan: Sorry?

Rohit Natarajan: Anything tied up in EMD or some kind of retention money that?

Santosh Sundararajan: Couple of projects bidding are live. I think a couple of EMDs are live, but in number of enquiries in this quarter has been low because all the clients whether they are private or government have also been busy or rather specific, lot of government tender that we are going to be present this quarter has been postponed. Now, we see these enquiries opening up, so definitely those orders will be coming up for tender, our bidding will definitely increase in the next three months going forward till the end of the financial year.

Rohit Natarajan: Last question from my side, on monetization, the non-core activity, I understand this is very tricky situation, it is very difficult but what is the progress over there, have you made any, and are we closer to clinching a deal or something out of that?

Santosh Sundararajan: I think given the previous call, all low hanging fruit, all small non-core assets that we had which we have been focusing for the last three years, we managed to liquidate all of that pre-Corona and now we only left with two or three big ticket one asset in Kaledonia, we have a hotel in Goa, we have a land in Aurangabad, these are the bigger tickets items, which take some time; today and obviously in the Corona situation it is not the right time to try and liquidate this, so this will floating entirely and we still hope to do something on these bigger items going forward but yes otherwise there is really no non-core assets left with us with our low hanging fruit and smaller one that we could work on the liquidity.

Rohit Natarajan: That is it from my side. If there are any questions, I will get back to the queue.

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

Manish Goel: Thank you so much. How much provision we have taken in Q1?

Santosh Sundararajan: 15 Crores.

Manish Goel: 15 Crores and you mentioned that total 50 Crores receivables are on the balance sheet which are more than 2.5 years to 3 years old, 50 right?

Santosh Sundararajan: 30 Crores.

Manish Goel: Okay, so 30 Crores, so are you looking to take provision for balance 15 Crores in the later part of the year?

Santosh Sundararajan: No, we are not, actually these are all receivables which are existing, not taking any specific provision against any one of them going bad, all of these are live receivables which we will in fact follow up and should be able to get, all our clients are confirming the receivable, so it is just that as ageing goes on over a period, the auditors also have a certain guidelines where the company guideline policy to keep providing with age, so this time because of Corona, we are anticipating that these receivables might take a bit longer next two month or three, four months, which is anticipating, we might be wrong and I would be glad to be wrong but we did anticipating that because of the current cash flow situation in the market especially in real estate that these receivables might get postponed and we did not want to keep pushing over all the quarters with small amount of provisioning based on our guidelines, so we decided to provide it upfront and provide in the Q1. So we do not have any provisioning going forward.

Manish Goel: Okay, sure and on the cost cutting measures if you can highlight if you can quantify as well that to what extent we can probably see our fixed cost going down in the current year and how much has it fallen in the Q1?

Santosh Sundararajan: In Q1, we would see it in our balance sheet if you analyze as well we have taken lot of measures to bring down our fixed costs for the year and the good amount of it reflecting in Q1 part of it will also reflect in Q2. We have reduced our salaries across the company to an average of 25% to 30% given at various slabs and that is also being reflected already and even the renegotiated these bottomed out for few range is renegotiated for the few other expenses that we normally of course in the Q1 since there was no travelling, there was no movement, so automatically a lot of those costs has also come down, it is really reflected in other cost also if you compare this quarter. We have taken very proactive measures to ensure that EBITDA in Q1 in topline is balanced out as much as we can by taking reductions in the fixed cost also. So this is really aggressive on that and this is done as such as you can.

Manish Goel: Like on an entire year basis like what is if you can quantify or indicate as to roughly how much percentage of fixed cost we should be able to reduce?

Santosh Sundararajan: In my opinion about 25% to 30%.

Manish Goel: In both EPC division as well as the real estate division?

Santosh Sundararajan: Both divisions.

Manish Goel: Okay, can you provide me with the gross debt number as on June?

Santosh Sundararajan: 242 Crores.

Manish Goel: 242 Crores, okay and net debt number?

Santosh Sundararajan: 180 Crores.

Manish Goel: So as you mentioned that in current quarter, we should be seeing nearly 50% execution run rate and get back to normal run rate in second half, so like on EPC, what kind of revenue if you can guide as to what level can we see and what margins can we see on EPC business?

Santosh Sundararajan: I will answer your second question first, the gross margin in our EPC division has always been in the range of somewhere between 15 and 20 percent for a while that was above 20, I had explained that the growth unsustainable, but in general I think the margins on EPC

gross margins on EPC will be anywhere between 15% and 20% that is on quarter-on-quarter depending upon accounting methodology and all our projects are impacted in that production there has been no undue cost escalations because these are all fixed cost during this COVID period. So the margin will be there. In terms of how much work we will do the Q1 of course has been a wash out. We had projected EPC alone we have a target of about 500 Crores for the year, standalone along with real estate we were to 600 Crores. As I said first quarter is a wash out so in a one-fourth of that literally goes away. Q2 it should be 50% of a quarterly expected run rate, and Q3 and Q4 hopefully we will be 100% so I would not want to predict them number I think still inline to be more than what we did last year for sure both in terms of gross profits and in fact because we have taken cross cutting measures gross profit should improve and topline it should be done what we did last year.

Moderator: Thank you. The next question is from the line of Ranjit CA from Capstocks. Please go ahead.

Ranjit CA: Thank you for the opportunity and you did touch upon this provision thing a few times before but my question was with respect to provisioning we might have to do with respect to real estate segment so my basic understanding is that our share in this Windermere project stands at about Rs.220 Crores and we have like recognized Rs.115 Crores so we are left with around Rs.100 Crores of unsold inventory in Windermere while the net debt which we have not paid back to ECL stands at about Rs.100 Crores, so do not you think the net debt in a sense exceeds the potential cash inflow, expected potential cash inflow from this particular project?

Santosh Sundararajan: No, the cash flow margin in Windermere still shows that we will have an excess cash flow after paying off the debt and completing the construction that is to the cost towards the construction. I think we are making out on the balance collection from already sold units, we are also not considering the villas that we have in the front so definitely our share of cash flow coming in from Windermere received the Rs.100 Crores debt that we have going forward.

Ranjit CA: No, Sir but our total share of 45% right, so in total it should be like Rs.220 Crores and we have already recognized Rs.120 Crores so that leaves us with Rs.100 Crores and given the situation that we are in because COVID is there we do not know like when the whole thing would get back to normal and we are ourselves are not like launching new projects so do not you think it should be a bit more prudent for us to?

Santosh Sundararajan: Ultimately you are referring to the revenue recognition in the books. Cash flow is a different number. I think we can actually calculate and show with you the cash flow expected from Windermere going forward but we have done our numbers and I do not

know are these specific right now but Windermere cash flow is more than sufficient to take care of the debt and little bit of balance cost to completion and plus we were looking to the free cash flows. The question is of course how fast we sell and how fast we collect.

Ranjit CA: One more thing, have we made capitalizing the interest on this project because my understanding was that this project was commissioned, was actually handed over for possession a year back?

Santosh Sundararajan: Yes, that is the dealers in the project have got the possession certificate, deals completed 97% complete so we are not capitalizing any interest, we are expensing out any interest in this project.

Ranjit CA: I was just going through your website and I found the exchange filing which said that we have like restructured some of our NCDs?

Santosh Sundararajan: We have one that is not the protocol. We have an NCD from private firm erstwhile owners, erstwhile shareholders of the company before the rights issue and those NCDs were restructured.

Ranjit CA: Okay, so it is different from the ECL one?

Santosh Sundararajan: It is separate.

Ranjit CA: Okay and we had done some monetization a few quarters back, have we like got the entire proceeds from that around Rs.55 Crores or something like that?

Santosh Sundararajan: Yes, we have got that. In fact that cash flow has helped us to remain free of liquidity hassle even through such tough times.

Ranjit CA: So, as of this quarter would it fair to say that our long-term debt which is basically our Windermere what much could be the total outstanding debt long-term debt?

Santosh Sundararajan: The debt as of first quarter end is Rs.104 Crores. The total debt from Windermere is Rs. 104 Crores as of June.

Ranjit CA: Thank you for the answers. I will probably go into the queue for further questions. All the best.

Moderator: Thank you. The next question is from the line of Jignesh Sisodia from Sisodia Investment. Please go ahead.

Jignesh Sisodia: Thank you for the opportunity. Sir, recently I was listening to the DLF call and Mr. Tyagi was mentioning that they are seeing a traction in the luxury segment, so do you think any such preference changes there from the customers and for our real estate launches or for our existing inventories?

Santosh Sundararajan: I will just ask Rajesh to take that question.

Rajesh Mhatre: You are quite right. In fact we are seeing lot of interest as far as the luxury segment is concerned and the visits in fact we have seen a very high footfall as far as our Windermere projects are concerned. In fact in this month we have even registered six transactions in Windermere which are close to Rs.24 Crores and we are just hoping in fact to close at least an additional one in this particular quarter and we are seeing a good traction as far as at least in terms of enquiries, our projects which are either to a Crores so what you have mentioned is right, we do see a traction and we confirm that.

Jignesh Sisodia: Sir, are we planning any new launches going forward for the year?

Rajesh Mhatre: As a strategy in fact what our company had been following, we were very cautious about the projects that we do and I mean in line with that strategy we had Coimbatore launch which was planned. Obviously, because of this COVID when last approval got struck and we are expecting that any point of time now. This product again was designed in the same lines so it comes in the kind of premium category and we are very hopeful that considering the customer interest in high end, the customer interest in the south so this project should see traction and at the same time the second launch this will be followed which we are expecting and the last quarter of this financial year or the first quarter of the next financial year which is in Kharadi again in this kind of segment, though both these segments which I am mentioning, these are not the luxury segment but yes they were premium segments where the products that would be launched in the range of Rs. 90 lakhs to Rs. 1.2 Crores.

Jignesh Sisodia: Sir, are we seeing any payment delays from the government and from the private sectors for our past projects?

Rajesh Mhatre: Are you seeing any?

Jignesh Sisodia: Payment delay.

Rajesh Mhatre: Fortunately for us most of our projects which are live, which have just started are all government projects and so far all the government agencies that are supposed to be paying us have confirmed that their funds which are allocated for these projects having more been diverted or to questions given the stress on the government to handle the pandemic so that

way we have been fortunate and on the private side also as I said we are cautious on the private side, we would never know the fund allocations in all honestly, but so far nothing is indicated to us they have any problem in paying us and so far last July as what that we have done with getting to collections in August also. So, that does not seem to be any stress on that front.

Jignesh Sisodia:

Thank you Sir. That is from my side.

Moderator:

Thank you. The next question is from the line of Amit Kochhar, individual investor. Please go ahead.

Amit Kochhar:

Good afternoon Sir. This is regarding to the provision made for compensation to Mr. Chairman. At a time when the pandemic is going on and the cost cutting measure is on from the company's side, could not this have been delayed by a quarter or two undoubtedly Chairman Sir has devoted and has accomplished a lot in the last year but should not have this delayed so that the employees who are taking the pay cut should have got some kind of moral boost that including Chairman Sir is thinking of a pay cut?

Santosh Sundararajan:

See, our Chairman has not taken any commission, any salary; any kind of remuneration from the company for the last three years so already discussed by the Board earlier and was due to him after three years of achieving certain targets that we had set internally. Now, having said that this provision is not for this year it is for the past April, currently the provision because it has been passed in the board, the cash flows is another matter altogether, the company obviously is not going to be creating cash flows to honor that provision at this point of time till we are clearly online with the other commitments to the staff and peoples in general so it is not that the company's cash flow has been impacted by the immediate term.

Amit Kochhar:

Right. Thank you. That is all from my side.

Moderator:

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

Nitin Gandhi:

Continuing with the previous question, will it not be fair that since this Rs.30 Crores receivables has also arisen during that time and company is in a serious cash issue, this ex-gratia be paid only and only after the company becomes debt free, can there be such covenant?

Santosh Sundararajan:

I would refrain from answering that. I think these decisions are being taken at the board. You would appreciate that Mr. Vasudevan, our Chairman has been steering this ship even

of the last three years to four years in ensuring that even in these tough times being afloat in managing our debt, in managing all our cash flows issue and you would also appreciate that for the last four years he has not taken any remuneration from the company. Last year in fact all these assets efforts that have led us to even manage the sales and I am confident that last year was profitable I think that is when the board decided that he does deserve a commission or an ex gratia. As I said it is definitely more seeing the much to ensure that the company's cash flow are never at stress because of the cash flows that we used to go to the promoter family in anyways so it will not impact till now it is almost half years gone, we are not even decided a discussion on paying those amounts of the cash flows clearly it is only when the company can offer to do that we will take this call.

Nitin Gandhi: Last three years we were never told that there is such kind of 1.5 Crores to 2 Crores is not provided for you. Just showing one year profit but in that three years if you see I do not think that the situation is that good. So, just by showing one year profit, I do not think that such a big amount is a reason. Anyway if the board is considered and as a minority shareholder we do not have any much choice so we will be forced to accept this but I do not find some justification to what you are saying because there is no growth in overall company's market capitalization for that matter if that would have been there, yes we would have been greatly accepted such kind of provision. Anyway it is your call, but this is a serious descent you can say which needs to be revisited and I think it is not only going to be mine but it may be on behalf of the most of analysts here. Thank you.

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

Manish Goel: Just to clarify on that provision that Rs. 15 Crores provision is taken through other expenses and that is why other expenses have jumped up?

Rajesh Mhatre: Yes, that is right.

Manish Goel: Okay and real estate did we mention that in the current month we have registered sales of Rs.24 Crores at Windermere, can you clarify that?

Rajesh Mhatre: Yes, we have registered sales of Rs.24 Crores in Windermere.

Manish Goel: So, is that deal closed or is it finalized and have we received?

Rajesh Mhatre: Manish Sir that is what I have told you, it is ready otherwise in fact token the deal was on for quite sometimes but we are selling it, it is registered.

Santosh Sundararajan: The deal is done it is registered, we have received the token and the balance amount is received in the next two years to three years.

Rajesh Mhatre: We have received 15% of the amount and the balance will be received in the next two months to three months.

Manish Goel: Sorry, next?

Rajesh Mhatre: Two months to three months and I would volunteer that would help us reduce debt because the project is almost completed so we do not have those costs to completion and so that the cash flow will definitely help us bring down the Windermere debt in the two months to three months.

Manish Goel: So, how much do you expect Windermere debt to decline from current Rs.104 Crores?

Santosh Sundararajan: So, this deal is giving us about Rs.25 Crores cash flow. We do hope to reduce the debt to achieve Rs.15 Crores to Rs.16 Crores using this deal itself and then further if we sell something else, we will hopefully further reduce that.

Manish Goel: Okay and on the GMP technical if you can provide some insights as to how is the order book over there and how is it expected to do in the current year?

Santosh Sundararajan: I think they have had a good order book, they were doing well it is just this quarter of course it has been a shutdown but I think they will do slightly better quarter-on-quarter than last year so I do not have the exact guidelines as of now from then I think if you really want more details we could engage offline and we could share that.

Manish Goel: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Dhvani Sanghvi from Sanghvi Investment. Please go ahead.

Dhwani Sanghvi: Good afternoon Sir. If you could throw some light on the revenue target for this year considering the order book size?

Santosh Sundararajan: As I said we had originally pre-Corona we have set up a target of Rs.500 Crores for EPC for this year and about Rs.600 Crores standalone for this year. Quarter of that is wiped out, first quarter was close to zero so that brings us down one fourth and the second quarter is only going to be 50%-60% of the target. As I said and again we are living in difficult time, now the labor is coming back we are down to 60% to 70% of our required labor strength

and hopefully the balance 25% will also be back working in the next month or two. The situation in Pune and Mumbai, huge amount of our order book is in Pune and Mumbai and unfortunately the situation in both Pune and Mumbai even now has gone up, a little bit of apprehension of the other parts of India in terms of the news that goes out in terms of the number of cases, so the labor is still a bit worried to come back, so we have to see whether it takes another one month, two months for all the labor to come back. If they come back only we be in a position to predict, but I would still stick my neck out and say we would do more topline than last year in spite of all the problems this year.

Dhwani Sanghvi: Okay, so we understand that H1 has significantly impacted and the things reaching back to normalcy, so can we assume from here as you mentioned to do 1x of the last year's numbers?

Santosh Sundararajan: Yes.

Dhwani Sanghvi: In terms of our order book have we experienced any order cancellation amid the COVID situation?

Santosh Sundararajan: So far no.

Dhwani Sanghvi: Okay Sir. That is it from my side. Thank you.

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

Nitin Gandhi: Thanks for taking question again. Out of this Rs.172 Crores, which is to be recognized from the projects under recognition, they will be done within what time frame Sir, I am referring the real estate project?

Rajesh Mhatre: Yes, basically Goodlife we should see a recognition of at least 70% of whatever we have sold, we are hopeful and we are trying that we should get completion by this financial year if we are lucky, but it is like labour availability and also the balance construction having lost three months and also rains very, very heavily, otherwise whatever we have sold in Goodlife by the first quarter of the next financial year 100% it should get recognized. What we have sold in Forest County in fact in Forest as there is one particular tower, which will go on the residential, but that will appear only as a share of profit in our balance sheet because that part falls in the partnership firm that is joint venture, so as a part of profit share in fact once our recognition will be in this particular financial year and as a small project capex that should be recognized in this particular financial year.

Nitin Gandhi: Out of Rs.172 Crores may be Rs.60 Crores to Rs.70 Crores will come in this year and balance Rs.100 Crores will come in next year right?

Santosh Sundararajan: Yes, it should be close to that number and considering Windermere because whatever we are selling in Windermere directly comes from the balance sheet.

Nitin Gandhi: Yes, I am counting only Rs.64 Crores to current year so I think the Rs.60 Crores-Rs.70 Crores so I think since Windermere Rs.30 Crores is already done that is additional anyway?

Santosh Sundararajan: You are right so that is the number which should be.

Nitin Gandhi: Yes, so that means EPC will contribute somewhere around say Rs.250 Crores to Rs.270 Crores in H2 and Q2 will be somewhere around Rs.70 Crores-Rs.75 Crores so Rs.325 Crores coming from EPC and balance approximately Rs.100 Crores coming from real estate that should be at least worst case scenario figures for the current year right?

Nitin Gandhi: Yes, I am just saying whatever you have concluded H2 is normal.

Santosh Sundararajan: We are on track I think hopefully yes. Correct you are right.

Nitin Gandhi: Any impact on margin you are saying because of now or we will be able to sustainable margin?

Santosh Sundararajan: This is sustained because we are fortunate and we could see this order book that we had the doubling of the order book, tripling of the order book last year is going to help us right through this situation this year without much stress because we have got an opportunity, rather than say an opportunity we have got the circumstance whereby we had to reduce fixed cost, a lot of fixed cost is coming down while the topline will not come down so that will protect our margins so really there is no stress on margins.

Nitin Gandhi: Okay and this Windermere what kind of appropriation we are seeing because we have sold somewhere around Rs.27 Crores and you are saying net debt will reduce only by Rs.15 Crores?

Rajesh Mhatre: Yes other collections are also linked to certain minor milestones. As we have the minor costs, which are pending in other units also, so we are using the cash flows to complete all that project, we accelerate collections, so one of this focused area that is particular financial area and there is pandemic has also been more on driving collection, so we have tried I think unit by unit collection, speaking to each and every customer, what his requirement is, trying to accelerate each and every penny whatever we can get from other source, so we are

using this process to accelerate the collections, accelerate the balance completion also, otherwise what you are saying is right, otherwise we could have indeed allocated more funds towards repayment, so it goes either towards constructions, now when we allocate towards construction we accelerate collection and eventually in fact everything will consummate into faster repayment, so the goal is obviously repayment and that is the way we are planning to do it.

Nitin Gandhi: I was in the impression that Windermere is own lender has first right of collection and appropriation towards the debt rather than allowing it to be sourced?

Santosh Sundararajan: A percentage of it go to construction, a percentage of it goes to the numbers and what you are saying is right and whatever collections we are collecting, in fact we have a very, very detailed discussion with the lender, we have submitted the exact plan of each and every penny as to how it goes, in fact lender monitors each and every rupee to be mentioned in detail as to where the money is going, so there is a category one kind of lift where those are priority things which even the lender is focusing on or making us complete the small, small things faster so that the overall collections are accelerated.

Nitin Gandhi: What is the cost now, is there any reset done in that?

Santosh Sundararajan: No, there has been no reduction as far as the rate of interest is concerned; the rate of interest remains the same.

Nitin Gandhi: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Varun from ValueNotes. Please go ahead.

Varun: Thank you. The question I had was around the non-core assets, any progress in trying to monetize some of these non-core assets particularly GMP?

Santosh Sundararajan: As I said earlier in the call the low hanging fruits now are non-core assets that we all had on the another project, which we have completed and all we monetize everything. Now we are only left with three or four big ticket as you said GMP near Kaledonia in Andheri we have the Goa Hotel and we have a land in Aurangabad, these are all big ticket items, given the situation in the market today with Corona I do not think is a right time to aggressively follow up on these; however, the mandates are out and we are looking for the opportunities if we get anything on these assets we will do those set of things done. GMP might take a little bit of time to get positive offers from the market, but yes we are working on it.

Varun: Okay.



Vascon Engineers Limited
August 20, 2020

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

Santosh Sundararajan: We thank you all for your participation. We wish you a great day and be connected to our Solar Advisors for any further queries that you may have. Thank you and I will see you again in next quarter.

Moderator: Thank you. On behalf of Vascon Engineers that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.