

August 23, 2024

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**

**Subject: Regulation 46(2)(oa)(ii) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 - Disclosure of the Transcript of the Analyst Meet**

Dear Sir/Madam,

We wish to inform you that the Company had conducted Analyst Meet with Investors / Analysts on August 20, 2024 with respect to the Unaudited (Standalone and Consolidated) Financial Results of the Company for the quarter ended June 30, 2024.

The Transcript of the aforesaid Analyst Meet with Investors /Analysts is available on the Company's website and can be accessed at:

<https://www.vascon.com/investors/quarterly-financials-presentations>

Kindly take the same on your records.

Thanking You,

For **Vascon Engineers Limited**

**Neelam Pipada**  
**Company Secretary & Compliance Officer**

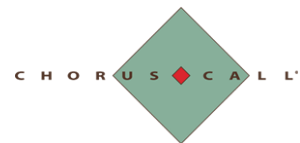
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“Vascon Engineers Limited  
Q1 FY ‘25 Earnings Conference Call”  
August 20, 2024



**MANAGEMENT:** **DR. SANTOSH SUNDARARAJAN – GROUP CHIEF  
EXECUTIVE OFFICER – VASCON ENGINEERS LIMITED  
MR. SOMNATH BISWAS – CHIEF FINANCIAL OFFICER –  
VASCON ENGINEERS LIMITED  
STELLAR – INVESTOR RELATIONS – VASCON  
ENGINEERS LIMITED**

**MODERATOR:** **MR. VISHAL MEHTA – STELLAR INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Vascon Engineers Limited Q1 FY '25 Earnings Conference Call. As a reminder, all participants will be in 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Mehta. Thank you, and over to you, sir.

**Vishal Mehta:** Thank you, Sejal. Good morning, everyone. I, Vishal Mehta, on behalf of Stellar Investor Relations, welcome you all to Vascon Engineers Limited Q1 FY '25 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the first quarter ended June 30, 2024. We have with us today the senior management team of Vascon Engineers Limited, Dr. Santosh Sundararajan, Group CEO; and Mr. Somnath Biswas, Chief Financial Officer.

Before we begin, I would like to state that this call may contain some of the forward-looking statements, which are completely based upon the company's beliefs, opinion and expectations as of today. The statements made in today's call are not a guarantee of future performance and also involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statements to reflect development that occur after the statement is made. Document relating to the company's financial performance, including the investor presentation have already been uploaded on the stock exchange and the company's website.

I now invite Dr. Santosh Sundararajan to state his opening remarks on the company's performance for the first quarter ended June 30, 2024. Then we will open the floor for Q&A session. Thank you, and over to you, sir.

**Santosh Sundararajan:** Good morning, everyone. We are pleased to report a significant growth in our overall revenue, driven primarily by our EPC segment. Despite facing challenges such as the longest period of elections, they were conducted in the country and the severe monsoon conditions in several regions, our project executions have proceeded smoothly and efficiently, reflecting a substantial increase in performance. We achieved an impressive 35% year-on-year revenue growth in Q1 FY '25. This robust growth underscores our ability to maintain momentum and execute projects effectively.

As mentioned earlier, the nature of the book-keeping treatment in terms of Ind AS requirements means that there can be some timing differences between booking of expenses and booking of revenue in real estate business, which has resulted in decline in profit before tax, along with the tax component as compared to the previous quarter.

Looking ahead, our outlook for the EPC segment remained robust, backed by a strong order book of Rs 3,482 Crores, which is 4.9x the FY '24 EPC revenue, which reflects a strong foundation for growth and execution. Of this, the order book was Rs 2,979 Crores are

attributed to external EPC orders, while the remaining Rs 503 Crores are internal projects. About 82% of these orders are from government projects, which not only supports a steady and reliable cash flow, but also ensures fast execution time lines. As we move forward, we expect this momentum to continue building in the coming quarters, supported by a healthy and robust order book.

In terms of order intake, the company has received new orders from PWD Sindhudurg for the construction of a medical college worth Rs 331.38 Crores in this year FY '25 till date. Our bank guarantee limits have increased in the last fiscal and led by our strong balance sheet and financials. And with this, we are looking forward to continuing growth in the EPC division.

Coming to the real estate segment, the market appears to be promising for us as most of our projects were completed in the FY 2023, and we intend to launch 2 new projects in the current fiscal year with revenue contributions expected in the future quarters.

We are optimistic about our business prospects in the coming year. In addition to our core real estate business, we are in the process of forming relationship with AAA-rated realtors in Pune, Mumbai and Coimbatore, with the goal of establishing a consistent stream of new property and project launches over the next year.

In Q1 FY '25, we achieved new sales booking totalling 12,244 Square Feet, generating a sale value of Rs 7 Crores and a total collection of Rs 11 Crores. We are very optimistic about the trajectory of our real estate sector. Promising pipeline of upcoming projects gives us confidence that we can sustain and enhance positive momentum going forward. We are committed to leveraging these opportunities to drive growth and improve our performance going forward.

Lastly, coming to the GMP business. GMP continues to deliver improved performance during the quarter. Revenue of Rs 79 Crores in Q1 FY '25, which is up 42% year-on-year and a healthy gross margin of 26%. The EBITDA was Rs 4 Crores with a 6% EBITDA margin in Q1 FY '25. During the fiscal year 2025, the company's Board of Directors has considered and approved a proposal for divestment of its 100% equity stake, which is an 85% holding in GMP Technical Solutions to Shinryo Corporation, a Japanese firm for an aggregate consideration in the range of Rs 155 Crores to Rs 157 Crores.

As against the company's share of the Rs 155 Crores to Rs 157 Crores post tax and other allied expenses, we will have a net cash flow in the range of Rs 100 Crores to Rs 110 Crores. This fund will be majorly utilized as growth and opportunity capital for real estate and to create assets for the EPC division, which will be collateral for the EPC working capital augmentation. Company is expecting to receive the money by the end of this month.

The status of debt. This fiscal year, we have seen our total debt go up because we are involved in new real estate joint ventures. As a result, our net debt has risen to Rs 38 Crores over the past last year. Even with this increase, we are committed to capital financial management and are focused on sustainable growth and creating value.

As I mentioned about the ratings in previous fiscal year as well, I would like to reiterate again that we have a stable credit rating in the past 1 year that is CRISIL BBB+ for long-term facilities and CRISIL A2 for short-term facilities. This upgrade has played a crucial role in negotiating favourable interest rates in the company's favour. We are also hopeful to continue this increase in rating as we go forward this year.

Let me take you through some of the key industrial updates in the recent union budget, which outlines a robust framework for infrastructure industry in India, which is focusing on significant capital investments and strategic initiatives aimed at fostering growth and sustainability that the government of India has allocated Rs 11.11 Lakh Crores for infrastructure development, marking an 11% increase from the previous year, and it's a clear indication of its commitment to developing the country's core infrastructure. It will drive demand for EPC services across various infrastructure projects. This represents about 3.4% of India's projected GDP for 2024-25, emphasizing the government's commitment to infrastructure spending despite fiscal challenges.

The budget emphasizes sustainable infrastructure development with a focus on renewable energy projects, climate resilient construction practices. This includes a push for low-carbon alternatives in materials like cement and steel, which are significant contributors to the construction emissions. Indian construction industry is projected to grow at CAGR of 6% from 2024 to 2033 with the market expected to reach approximately Rs 1.39 trillion by 2033. This growth will be fuelled by ongoing public sector investments and increased private sector participation. In conclusion, the infrastructure EPC industry in India is poised for significant growth in 2024, driven by government initiatives, increased investments and focused on sustainability and digital transformation. These factors collectively create a favourable environment for EPC firms to expand their operations and contribute to India's ambitious infrastructure goals.

Coming to the financial performance of the company in Q1 FY '25. Let me start with the stand-alone numbers during Q1 FY '25. The company reported a total income of Rs 198 Crores as against Rs 152 Crores in the corresponding quarter last year, with a growth of 30% year-on-year. In Q1 FY '25, the EBITDA stood at Rs17 Crores as against Rs15 Crores in the corresponding quarter last year, with a growth of 14%. The EBITDA margin was at 9% and net profit of Rs9 Crores in Q1 FY '25 as against Rs 11 Crores in Q1 FY '24.

At a consolidated level, Q1 FY '25, the company reported a total income of Rs 278 Crores as against Rs 209 Crores last year, with a growth of 34% year-on-year. The EBITDA stood at Rs 22 Crores as against Rs 19 Crores in the corresponding quarter last year, with a growth of 18%. EBITDA margin was at 8% and the net profit of Rs 10 Crores in FY '25 as against Rs 12 Crores in FY '24.

In summary, our strategic initiatives are successfully driving growth with substantial progress made on key projects, a strong order book in EPC business, real estate backlog and solid financial position, strengthen our confidence in achieving our goals. We are enthusiastic about the opportunities before us and are well positioned to capitalize on them through our

innovative solutions and dedicated team. As we look ahead, we remain committed to achieving excellence in creating value for all our people.

With this, we can open up the floor for questions 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 Bala from Arihant Capital. Please go ahead.

**Bala:** Sir, my first question is regarding GMP Technical Solutions. What is the revenue and margin for this quarter? And like we are in consideration, come out with a proposal of divestment for GMP Technical Solutions. Is there any onetime impact, expected any estimation for this divestment? This is my first question.

**Santosh Sundararajan:** GMP for the first quarter did a revenue of Rs 79 Crores and had an EBITDA of Rs 4.4 Crores, which is about 6%. So as we've mentioned, we are in the process of divesting our stake. We got the Board approval and the EGM approval as well. So it's a matter of time before we should be having free cash flows of about Rs 110 Crores from the sale of our stake in GMP.

There's no one time impact as such. There are certain of course, the investment in GMP lies in our books, I think it's upwards of Rs 60-odd Crores and then there are certain cost of sales and certain minor costs we booked against this income as well. We do expect a profit, we do not know the exact number yet, but in the range of Rs 20-plus Crores profit coming from this date.

**Bala:** Got it. Sir, when is the divestment expected to complete, sir?

**Santosh Sundararajan:** We are expecting to complete this by the end of this month or maximum first week of September.

**Bala:** Okay. Got it, sir. Sir, regarding the new order, around Rs 331 Crores order for medical college. So what's the time line for this execution period? And what kind of margins we can expect?

**Santosh Sundararajan:** See, we've taken -- as of now, the gross profit margins on this project will be in the range of 13% to 14%. And the time line, typically, we've seen that it takes at least 6 months because these are all design and build projects and certain approvals are also pending at site, even the government takes time to get their approval.

So the start of the project, we can expect would not happen in the next 3 - 4 months. We've just got this order last week. So this would take about at least 4 to 5 months to start work at site. So we do not expect significant revenue coming from this project in this fiscal year. But next year, we will see traction on this. And ideally, it should finish in 24 months once it starts.

**Bala:** Got it, sir. Sir, regarding real estate projects, the pipeline, so we have around 5 projects, around -- our share around Rs 1,377 Crores. So we could share some like wherein -- which quarter, like for example like 3 quarters, how many projects we have planned to launch?

**Santosh Sundararajan:** Yes. So the first launch that we expect to happen would be both Powai and The Prakash -- sorry, the OHM Sainath Housing Society at Santacruz. Both of these are in advanced stage of approval. So we expect before December, we do hope to launch in this Q3, we do hope to

launch both these projects. And then the Prakash will be launched mostly post April or in the next financial year.

- Bala:** Which are the other 2?
- Somnath Biswas:** Other 2, are Baner – Pashan and Ajanta i.e. in Kharadi
- Santosh Sundararajan:** So the other 3 projects will be launched in the next financial year. These 2 projects we expect to launch in Q3, maximum January. So in the next 2 quarters, we expect to launch 2 projects. And then you can expect in Q1 of next year, one more project, and in Q2 another.
- Bala:** Got it, sir.
- Santosh Sundararajan:** So we can say. I mean, one project per quarter over the next 5 quarters, that should be a reasonable assumption.
- Moderator:** The next question is from the line of Apurva Sharma from BugleRock.
- Apurva Sharma:** Yes. So just you spoke about forming partnership with A-grade realtors in geography like Pune, Mumbai. So what are the kind of deals that you are looking for in these partnerships and these developers -- I mean, the value proposition that we bring to these developers in terms of partnership, I think why would they want to partner. So that's just the first question, then I have follow-ups.
- Santosh Sundararajan:** I don't know. There's some miscommunication about forming relationships.
- Apurva Sharma:** Yes, I think it will be okay. Fair enough.
- Santosh Sundararajan:** We do not intend to form partnerships with other competition. There's no symbiosis that we can look at that way. What we meant, I think, was partnerships with investors and landowners to launch our project. No, we do not have any intention of partnering reality players like us.
- Apurva Sharma:** Sorry about that. Okay. No, no issues. So just wanted clarification. And so in real estate, my next question on residential real estate, in the last 2 years, we have seen a lot of changes, right? Unorganized developers going out. RERA has come in, so diversion of funds and all has become difficult. So I mean lot of large developers have launched projects like Godrej, DLF, Oberois and all these players, for example, right? So we won't have the EPC business from these players coming in our books. So I mean, any thoughts on that?
- Santosh Sundararajan:** You're saying the EPC business from real estate is not coming to our books?
- Management:** As in, not in that -- I just wanted your thoughts.
- Santosh Sundararajan:** No, no. So the point is yes, you're right. The last 3, 4 years, it has taken us 4 years to push EPC, third-party EPC to a stage where now it is sort of on auto control growing steadily year-on-year. The real estate, we started pushing it over the last couple of years. Real estate is also a bit capital intensive. So we have cleared all our past legacies, all our debt, come to a comfortable position and we are now.

It's only in the last 1.5 - 2 years that we have really started focusing energy's overhead and capital on real estate. And we expect to definitely increase our real estate -- I mean, we are at an extremely low number in terms of execution at this point of time in real estate. There is no denying that. And it is way below where we want to be punching. We should be definitely increasing this exponentially over the next 3 - 4 years.

So for example, we have 5 projects, which I just spoke about, totalling to Rs 1,400 Crores of our revenue, which are to be launched in the next 5 quarters. Right? So even if we manage to finish only these 5 projects, and then we have another Rs 300 Crores from existing projects that we are executing to be coming to our books.

So this Rs 1,400 Crores plus Rs 300 Crores, Rs 1,700 Crores, even if I take nothing else, I don't line up any other project. And even if I just execute these over the next 4 years, we are still talking of Rs 400 Crores, Rs 500 Crores on an average, which we are not -- as of now delivering, we are only delivering 100, 150, sub-200 numbers in the last 3 - 4 years.

So also the problem is also Ind AS recognition, which means that the 5 projects that we launched will again still not come as revenue to our books over the next 2 years. And the third year, fourth year, they will certainly reflect as big revenue but all said and done, I think the focus would be on sales and collections. Revenue will follow as per the rules.

**Apurva Sharma:**

And Kalyani is a project, what is the update and by when can we launch it in action?

**Santosh Sundararajan:**

Yes, Kalyani Nagar is another big project we have in hand. We are not in a position to give an exact date of launch because we are still trying to see what best we should develop there. If we can get a single built-to-suit developer who is willing to pay upfront for the land in a way because the landowner is hoping to receive some upfront payments. And we are not in a position today to extend and put our capital on one project and give them an upfront -- not the entire amount, but he is expecting a significant upfront payment. And we do not want to be doing that out of our cash flows because we feel we would rather spread our assets, 2 more projects with our own capital.

So -- that's where it is -- there are 2 ways out. One is, of course, we're working on various options. One is we're trying to look for a built-to-suit project facility, commercial or hospital or something, in which case the end user would then extend the cash flow needed upfront, and we could work out a deal. And if that doesn't happen, then yes, we will then bring in an investor and see how to launch the project and do residential. It is a very prime project. It's going to be a big top line and bottom line for us going forward. But we do not want to commit a date. So therefore, we are not showing it as part of the projects that's to be launched soon.

**Apurva Sharma:**

Okay. And just post the sale of that business unit. Will we still be going for Equity raises post cash flow coming in or...

**Santosh Sundararajan:**

We will -- so actually, I mean, we were working on both these deals, both these aspects together, the QIP and the GMP sales. Those have been -- GMP, in fact started earlier and they are going parallelly. This quarter, finally, the GMP sales got momentum. So all of us have been focused on that post election, and we've got that through. The QIP, we've got our Board



approval, we got the shareholder approval. We still have a few more months, I think 6-odd months left to finish the QIP with the approvals that we already have.

So, I think we will set our mind to it. We do expect to raise that also. We do not want to be cancelling it or postponing it and now that GMP has happened because we were always looking to do both, so that we can be comfortable and launch. We have the existing projects we are talking about, but we do intend during the next 6 - 8 months to line up a couple of more real estate projects as well. So some capital to launch these projects would always be welcome.

**Apurva Sharma:** Okay. So that will be going for new projects with QIP additional, which we have some visibility?

**Somnath Biswas:** Yes, I'll let me explain.

**Apurva Sharma:** Sorry, just to interrupt on this also, I had -- I mean just two things combined. Our total debt, excluding our GMP has gone up, and you have mentioned it in the opening remarks also, right, so in the last 15 months. So can you also give an idea where this capital has been deployed and where this new equity also would be -- so just two questions combined?

**Somnath Biswas:** So I'll explain to you the strategy behind this QIP and GMP. So, if you look at that, we are talking about five projects on the pipeline out of which three is in Bombay, two is redevelopment in Santacruz, and one in Powai. So these 3 projects which we are talking, that is heart of launch so one Santacruz and Powai probably it will be Q2 and then maybe Q4 another Santacruz one.

These three projects, which is almost at a defined level of approval, it is almost Rs 170 Crores kind of capital infusion is required. Out of which Rs 70 Crores we have infused earlier and Rs 100 Crores supposed to be integrated from QIP. And that QIP specifically for these three projects and apart from that, what is the sale of GMP that is meant for the -- you need some kind of capital infusion in Baner Pashan Link Road in coming days also.

And there are -- we also want to retain some kind of growth capital in the system. So that once when we have a good opportunity to invest and you should not stuck up with the capital aspects and all these things. So that is the strategy. The QIP is for the three projects in Mumbai. And the GMP is for growth capital and as well as some kind of capital infusion in Baner Pashan in coming days. So that is the way the GMP has been planned.

And what happened in the meantime since the QIP -- since we -- our focus was over the last 2 - 3 months or bandwidth and focus and entirely gone into the GMP closure and all these things. In between certain -- project costs all required to be infused in that Powai and Santacruz projects. To mitigate that things -- as to avoid not any further delay in the launch and all this thing, we took some short time bridge capital, which infused in this Santacruz project.

So that's how our debt has been raised by almost close to Rs 40 Crores. That is the status, so that we intend to go for the launch as per schedule. We don't want to delay that thing. We have a slight bit of timing gap in QIP and GMP transaction.

**Apurva Sharma:** And just sorry, one last question. Any new launches in FY '25 and out of the pipeline, have we got any RERA number for them?

**Somnath Biswas:** Maybe we are at the -- we are about to apply the RERA for both Powai and OM Sainath project, because most of the approval -- project approval, including RD and all these things we received. So probably by August end or September start, we are planning to go for the RERA approval for these two projects. Prakash, we are executing the development agreement with the society in the month of August only. And post that, we'll go for another approval. So RERA approval will be at the end of year or start of the new financial year kind of things.

**Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

**Madhur Rathi:** Yes. Sir, I wanted to understand, sir, we have either that the price portion and EBITDA margin is sustainable in our EPC business. But when I look at our previous 8 to 10 quarters, sir we have exceeded the number by like -- an average would be around 14% - 14.5% over the next 8 to 12 previous quarters. So why are we guiding low?

Is it because the newer projects that are coming in our order book are of the lower margins and the previous projects were at higher margin or anything else? And similarly, as you said that new medical college project, we are expecting 13%, 14% of the gross margin. So that comes to even lower operating margin. So sir, if you can understand this discrepancy?

**Santosh Sundararajan:** I will have to check why -- in general, maybe you're looking at our stand-alone numbers over the last few quarters and stand-alone numbers keep swinging up and down because real estate component also gets added. And real estate EBITDAs are definitely higher than EPC EBITDA, but they come in certain quarters, and they do not come in certain quarters. For example, this quarter, our margins are low, EBITDA and PBT is because real estate has not contributed anything to the bottom line in this quarter, whereas certain costs have been coming to the P&L.

So, I think you are comparing stand-alone EBITDA to what we are giving guidance on EPC EBITDA. I will reiterate that all our gross profit of it, on an average in EPC will be in the range of 14%, 14% - 15%. And this will not translate to 13% - 14% EBITDA, it would translate to about 7-12. And we expect -- our PBT in EPC currently is at around 8, stretching towards 9. And our focus is to get the EPC PBT towards between 9 and 10 in the next year. So that has always been our guidance, and that is where we are as an EPC division we are moving towards. I think the confusion is because real estate gets added on to the stand-alone.

**Madhur Rathi:** No, sir, if I look at the segmental EBITDA -- so sir segmental EBIT is coming at 15.5% for this quarter and similar numbers for the previous quarters. So -- and you are guiding of 12%, 11% to 12% kind of EBITDA for the going forward project. So, I'm trying to understand why it is so different? Are the newer projects coming at a lower margin? Or is there something else?

**Santosh Sundararajan:** So honestly, at this point, we're still stuck to 15%. I've always been saying that as we go ahead and have higher targets of revenue, we might be supposed to compromise 1 or 2 basis points in the gross profit, which until now, we have been quite sticky that we will not go below 15%. You are right. I did mention Sindhudurg in the range of 14% rather than 15%.

So we have taken Sindhudurg at 1% lower than what we would have ideally wanted to, but we hope to cover it up because it's a design and build project so as we execute, we hope to ensure the gross 15% on that. So, it's a calculated risk, we have taken that since it's an EPC mode, and we are confident we will cover it up. So, we -- so far, we are not taking projects at lower margins yet, not yet.

**Madhur Rathi:** So can we expect -- 12% to 13% EBITDA margin in the EPC segment to continue going forward?

**Santosh Sundararajan:** Yes, it is 11% this quarter. And yes, it should be in the range of 11% to 12%.

**Somnath B. Biswas:** If you look at last year number also, if you look at the last year console annual number also our EBITDA was in the range of 10%. And we do the peer analysis also, which is in the range of 10% to 11%. Sometimes it is one project, maybe 13%, 14%; sometime it is 15%-plus. So average -- on an average, it will maintain 10% to 11% kind of EBITDA and GOP will be in the range of 15%. So that is the target we are having all the time. And it is consistent over last couple of years also, if you look at the numbers. Last five, six quarters if you look at plus minus 1% ups and down, but on an average, it is in the range of 10% to 11% kind of thing.

**Santosh Sundararajan:** Also, at this point of time, we do not have much depreciation. That number might decrease as we acquire new assets going forward. And interest on the EPC division is also not too high. So what happens is the gap between EBITDA and PBT is not much. So, if you touch 11% in EBITDA, we end up at 9% PBT typically. And this is where we are, and we hope to be over the next few quarters.

**Madhur Rathi:** Okay, sir and when I was looking of our real estate business sir what kind of EBITDA margin you expect from this change and also what is the revenue that we can recognize for FY '25. Because as I can see from your presentation, it was around 530, around 350 has been recognized. So, what is the remaining revenue that we can recognize in this year?

**Somnath Biswas:** So earlier also, you have explained that over the next 5 years, almost Rs 1,800 Crores – Rs 1,700 Crores, Rs 1,800 Crores real estate revenue to be recognized, but you understand there is -- you are aware that real estate is having base business -- completely based upon the completion of the project method. So, with that assumption, it cannot be linear that, Rs 1,700 Crores or Rs 1,800 Crores divided by five kind of things, what we are expecting this year, probably, we are getting some kind of completion happening by Q4.

And expect it to get in the range of Rs 125 Crores kind of revenue to be booked in the system. But -- once again, it depends upon the -- how the approval and that the completion gets done irrespective of our execution capabilities, there are -- government also that appropriate authority also have to give the completion certificate. So all the live -- not only execution to liasoning and everything. But still, we expect around Rs 125 Crores kind of revenue to be booked -- likely be booked in this FY '24-'25 for the real estate segment.

**Moderator:** The next question is from the line of Shreyans Mehta from Equirus Securities.

- Shreyans Mehta:** My first question is pertaining to your slide number eight. So just trying to reconcile the FY '24 numbers where we are showing that segmental revenues is clear to 303 Crores and the FY '24 stand-alone is 763 Crores. So I do understand some portion would be because of the consolidation. So, if you can help me reconcile these numbers?
- Santosh Sundararajan:** Yes, you're right. Fortunately for us, I think the sale of GMP is also happening at the correct year when our EPC is expected to significantly improve compared to the previous year. So, while we did 760 Crores of stand-alone last year and with GMP contributing close to 300 Crores with a Rs1,000 Crores mark. And this year, the GMP will not be adding to our revenue, but we still hope to match last year's consolidated revenue. I mean, consolidated will be standalone going forward. So, we still hope to cross the Rs1,000 Crores mark. So, in fact it's the Rs1,100 Crores mark this year with EPC and real estate alone without GMP because we expect about book 30% - 40% growth in the EPC division this year.
- Shreyans Mehta:** Got it. So sir, my question is that even if I look at the FY '24 number, including GMP, we are at say closer to Rs 303-odd Crores. That is FY '24 on a stand-alone basis, we are showing Rs 763.40 Crores. So, I mean just trying to understand the gap of Rs 763 Crores and there Rs300-odd Crores, Rs 400 Crores gap.
- Somnath Biswas:** If you're talking about Q1 lease compare -- you are talking about Q1 '25 that's why I reference the slide number 7. Slide number 17 FY '24 talked about that full financial year '23-'24 that is an annual number of FY '23-'24 with standalone number is Rs 763 Crores. But the slide number talks about FY '24 -- the Q1 of the '24-'25.
- Shreyans Mehta:** Yes, I think there is a mistake in reporting. It should be Q1. The Rs 303 Crores Q1 consolidated.
- Somnath Biswas:** Q1 '25, Q1 '24 as well as the financial year '24 that's a full picture.
- Shreyans Mehta:** Got it. So just for my clarification, you're talking about standalone. So earlier it was we are reporting EPC plus GMP plus some portion of real estate. Is my understanding right?
- Somnath Biswas:** Standalone talks about only EPC and real estate. So, if you refer the slide number seven -- you are talking about that Rs 763 Crores or whatever that's Rs 195 Crores for Q1 '25. We're talking about only the stand-alone which consists of EPC and real estate. And if you go to the right part of this thing that talks about the 275 for Q1 and 204 for consolidated, that includes the GMP also.
- Shreyans Mehta:** Got it. And we say, I mean, again, just for clarification, now in consol, we'll be having the EPC plus the sales of real estate right?
- Somnath Biswas:** Correct. And if you want to add that sale of Investment and EPC and real estate whatever the numbers are coming up.
- Shreyans Mehta:** Got it. And stand-alone would be primarily EPC of what we do for third party plus the EPC of the real estate?

**Somnath Biswas:** That is not the EPC of the real estate. EPC of the real estate is not getting recognized in that how but whatever the real estate revenue is coming from the sale of that -- also going forward.

**Santosh Sundararajan:** I mean it's very simple going forward from here on, we do not have anything -- no difference between consolidation and stand-alone as of now. It will all be the same because GMP will be gone. And so real estate plus EPC, we are currently reporting that as standalone. Going forward, that will be standalone and consol, same.

**Shreyans Mehta:** Got it. Sir, I'll take this offline. Sir, my second question is pertaining again towards the QIP. So, I do understand probably we are looking at launching closer to five-odd projects this year. So, if you see large part is under JV, JDA and the thumb rule generally is closer to 10%, 15%-odd, which might go towards construction. And that would be largely funded from the collection. So generally, what you've seen in real estate, large part of the funding is done from the collection itself. So just trying to understand the purpose of the QIP.

**Santosh Sundararajan:** So see, let's say, there is a anomaly here, we keep saying that real estate is we are doing glorified EPC, within that, that we're doing in JD, JV, and therefore, it is less capital intensive from our side. But the issue is that -- what comes to the table from the landowner is purely land with inherent FSI, which is 1.25 or 1.5 sometimes. That is what the land owner brings to the table as his contribution to equity.

Now in most locations, we are doing Santacruz, which is on a good road, prime location or even in Pune. We are now the FSI rules have changed, and that's why redevelopment is becoming viable in the first place. But the additional FSI has to be the purchase in the form of TDR or premium FSI that has to be paid to the corporation. Therefore, there is still capital required before we are in a position to launch a project.

**Shreyans Mehta:** Got it. So even assuming that so, for example, approvals and all the costs that would max out at 15%, 20% of the Rs 1,300 Crores or Rs 1,400 odd Crores which is roughly coming to Rs200 Crores, Rs 250-odd Crores or Rs 280-odd Crores at max.

**Santosh Sundararajan:** Fair enough, correct.

**Shreyans Mehta:** And of that, we are anyway getting Rs 150 Crores, Rs 160-odd Crores of cash flows from the sale of our GMP business?

**Santosh Sundararajan:** So, we will get about Rs 100 Crores to Rs 110 Crores in free cash flow. And so, we also -- so there are a few aspects since -- so one is the launch of these real estate projects, which as Somnath pointed out, we needed about Rs 170-odd Crores, out of which we have from our own approval already put in about Rs 60 Crores - Rs 70 Crores. We have borrowed temporarily a little bit more, but we intend to return once cash flows from GMP and QIP are available. That is one usage of fund, which is the real estate for the five launches that we talk about.

Second usage of funds is we are also in the process of trying to accumulate and aggregate the 20 acres, 20 to 25 acres in our Thane land which is road touching. And out of the big parcel that we have, we have started the process to try and get a continuous 25-acre parcel which

requires us to invest a little bit of money to buy a few small parcels. So we should be going ahead and making a start there somewhere. And so that is the second usage of funds.

And the third is that we also have an EPC division, which is, again, not capital intensive. However, to accelerate growth a bit instead of waiting for accrued profits, which the cash flows take more than a year to come to us. We felt that if we can create some collateral using these cash flows that are coming to us, we can then pledge those collaterals and increase our BG limits faster, and we can then try and accelerate growth on the EPC a bit more than going very organically.

So these are the 3 regions where we would intend to use both the QIP plus the GMP. And that's why we do not intend to stop the QIP process. We have venues to grow. We have Thane. We have enough avenues to grow in real estate EPC and Thane extended real estate. So I think the funds are welcome at this stage, especially the equity funds.

**Shreyans Mehta:** Sure. Sir, third is primarily to do with our Thane land parcel. So as you said, we also would be aggregating more land because it's not a continuous land parcel. So at what stage because what I heard is -- or hearing some highway project is also going through that so probably in case if that goes for, so at what stage is the Thane land parcel?

**Santosh Sundararajan:** In Thane, we have 150 acres in an SPV, in which we own 45% stake. Now we are working with our partners in that SPV. Out of these 150 acres, about 30 to 40 acres will come under the express corridor that the government has put up their DP plans for. Now that is story number 1 happening on that land, which we do not know exactly when the government will come and acquire it.

We expect a lot of traction to move if there is stability post the election. So obviously, nothing is going to happen in the next 3 - 4 months in Maharashtra. But post election, if there is a sense of stability and that project will get taken off. So maybe 6 - 8 months later, we are hopeful that they move on it fast and then that acquisition will happen, and we will get those cash flows in the next year.

Parallely, we are working on another 25-acre parcel which is touching the main road, which is not the one that is going to be acquired by the government. And on this 25-acre parcel, I think we hardly need to acquire about 3 - 4 acres and then do a little bit of levelling and do a little bit of compounding road that has to get connected to the main road, a little bit of infrastructure work so that we make the 25 acres ready to develop in the next year or so. So this also requires a bit of investment to do the intra as well as to purchase few parcels of land there. So these are the 2 things we're working on.

**Shreyans Mehta:** Got it. Sir, and just for clarification, this -- when you are talking about the authority, is it the national highway or it would be some local authority which you're looking for it?

**Santosh Sundararajan:** I'm not sure under which authority come this express corridor, it would be NHAI.

**Shreyans Mehta:** Got it. Sure. Sir, and lastly, pertaining to -- the overall -- what is the overall guidance you are looking at from say EPC plus real estate to a like say, 1 years or 2 years?

**Santosh Sundararajan:** EPC will do -- will cross the Rs 1,000 Crores mark this year. Again, it's a guidance, I mean fingers crossed we are on track to do that. We want to do that. And going forward, we want to ensure that EPC grows at least 25% year-on-year, so Rs 1,250 Crores next year, upwards of Rs 1,500 Crores a year after that.

As far as that the top line target -- as far as the bottom lines are concerned, we said we are -- last year, we were at 8%-odd PBT. We want to stretch that close to 9% this year and then stretch it close to 10% over the next 2 years as our top line increases, so some scale will help us. Although our gross profit margins are not going to go up. Competition is very intense. So we do not expect to get projects at much higher margins. But with scale, our overhead component would reduce, and so we hope to pull the PBT towards 10% over the next 2 years. That is the guidance for EPC.

Real estate, again, we have about Rs 1,700 Crores of unrecognized revenue, Rs 1,400 Crores coming from 5 projects, which we haven't yet launched, which we intend to launch in the next 5 quarters and about Rs 300 Crores coming from projects which are underway already. This Rs 1,700 Crores should come in the next 4 years to our book.

However, in the next 2 years, we do not see significant completion because projects are going to get launched only now. So in the next 2 years, we do not -- it's not going to be proportionate. It's not going to be a straight line method. We will see a significant proportion of this Rs 1,700 Crores recognition coming in the third year and fourth year from now.

And in terms of profitability, at gross profit level, our EPC book exactly double the expectation of profit from our -- sorry, our real estate book looks exactly double of our EPC books in terms of gross profits in the range of 28% to 30%. And with scale that will translate to easily 15%, 18% PBT levels.

**Shreyans Mehta:** Got it. Sure. Sir, this, I mean, in terms of real estate, one clarification, the Rs 1,700 Crores which is the unrecognized, that is from the new projects, right, which we intend to launch?

**Santosh Sundararajan:** Rs 1,400 Crores is some new projects which we intend to launch and Rs 300 Crores is unrecognized revenue from projects which are already launched.

**Shreyans Mehta:** Got it. And what would be the broad margins of that Rs 300-odd Crores?

**Santosh Sundararajan:** As I said, you see the gross margin is all in the range of 28% - 30%. What happens is quarter-on-quarter it's very difficult because when the revenue is low in a particular quarter, the cost -- the overhead costs of real estate are linear. They are hitting us every quarter. So when the revenue is low, then the margins look low in a particular quarter, if we have a completion and the revenue is high, the margin will look higher. But from a sales, cash flow and a costing point of view, we are at 28% to 30% gross margins in this entire Rs 1,700 Crores.

**Shreyans Mehta:** Got it. And sir, last question, if I may. I just wanted to check what is the mobilization advance we get against the EPC order book and are this interest bearing?

**Santosh Sundararajan:** So most government projects today have interest-bearing advances. Some private projects do offer zero interest advance against bank guarantee. Every now and then, some government project also offers zero interest, but by and large government projects are expecting or offering advantage with interest only.

So we take a call case to case. Sometimes, I mean it's a strategy, if there is a good advance available interest free against BG, then we draw down upon that and use that to kick start 2 or 3 projects. We do not draw down upon all the advances available to us because sometimes it's expensive. We are going to pay 10% interest plus the cost of BG, then sometimes it works out very expensive.

And these advances that we need to launch a project are typically short term. Within the first 3, - 4 bills, we are able to pay off and kick-start the project. They are small amounts, Rs 10 Crores to Rs 15 Crores needed to just keep up the project.

So sometimes, it makes better sense to even borrow at 11% - 12% short-term borrowing from somewhere and pay it off within 6 months, where the collaterals are less. The BGs are not required, BG limits are not stuck. So the process of funding EPC projects -- these strategies are many, whatever makes sense, whatever is available to us at that point of time.

**Shreyans Mehta:** And sir, what is the number outstanding right now in terms of small advance?

**Santosh Sundararajan:** About Rs 60 Crores.

**Shreyans Mehta:** Rs 60 Crores?

**Santosh Sundararajan:** Yes.

**Shreyans Mehta:** Okay, sir. That's it from my side. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Tushar from Desvelado Advisory. Please go ahead.

**Tushar:** I'm Tushar from Desvelado Advisory. I just want to ask, can you provide an update on the current in total order book size and the expected order intake for the upcoming quarters? How does the mix between government and private sectors projects look moving forward?

**Santosh Sundararajan:** So yes, there are 3 questions. In terms of order book, we are currently at Rs 3,400 Crores. We have bagged only about -- including internal orders, not more than Rs 500 Crores in YTD. Part of it was because, of course, the elections happened in the first quarter was not really available for order booking. So going forward, we expect to book at least Rs 1,000 more Crores as a target before March 2025, so that we can continue our growth story of 25% on EPC as we have set a target for ourselves.

In terms of the mix, in terms of ticket size, in the government, as we progress our ticket size that we qualify for continues to increase. We are in the process of almost finishing the Raipur, Chhattisgarh project, which will give us a single certificate of upwards of Rs 500 Crores which therefore will enable us to start bidding for projects upwards of Rs 700 Crores going forward.



So currently, our ticket sizes have been in the range of Rs 400 Crores to Rs 500 Crores. We hope -- as we go forward, we can start bagging projects in the range of Rs 600 Crores to Rs 800 Crores. As you go off this change, the competition reduces, the possibility of protecting your margin will increase. So we are hopeful to take one, one step of this ladder every year.

We are now targeting to see if we can take a project beyond more than Rs 600 Crores. Our Suphal project was Rs 600 Crores. We now, this year, hopefully can bag a project bigger than that. And government-private mix, we are currently at 80% government. We would like to hopefully be at 70% government, 30% private or 65% government, 30%, 35% private.

We do want to have private exposure. We do not want to be exposed only to government. We are working on that. We did take Capgemini as a good order last year. We are hopeful to take some private orders as well.

**Tushar:** Okay. Sir, with majority comprising with government projects, are there any significant risks related to funding delays or political changes that could impact the execution time line?

**Santosh Sundararajan:** See political risks always exist. I do not want to press that off as a zero chance. However, what we have done at our side is to be as careful as possible by doing a few things in our diligence when we take a project. Point number one, you will notice we are taking a lot of hospital projects which are not in a prime location in terms of a big city.

What happens is these projects are generally not in the radar of politicians. The fund is allocated by the departments in their health care projects, there is very little risk of them being stalled or cancelled if there is any political change in the state. So that has been our strategy so far to not be in the limelight in a big city.

And the second thing we also do is the elections are due for the last 12 months to 15 months, 18 months, we do not bag any order in that state because that is where time where people are busy with elections, and then there are risks. The project has not taken off. If a project has already taken off the risks are very less if there is a political change in between. If the project is at a nascent stage, then there are risks. So we try to avoid to be in that situation where we are only 5%, 10% into a project and elections are due. So we try to stagger that.

**Tushar:** Okay. Sir, given the recent strong your order inflow, how confident are you in your ability to execute these projects on time?

**Santosh Sundararajan:** We are quite confident because -- the only biggest impediment to executing projects on time in India. Of course, one is the availability of cash flows, which so far so good, it's a client's responsibility. So that is one thing that could pull you back. And the only other thing in our industry that is pulling us back is the availability of labor which is shrinking regularly.

And so therefore, to counter that, we are focusing 60% - 70% - 80% of our projects on design and build EPC mode. When design is in our hands, what we are able to then do is take certain calls on the drawing board to make the design easier for more labor efficient. So therefore, we are able to increase 15% - 20% of our efficiency in terms of labor consumption at the drawing level.

And this helps us execute our projects on time. If the drawings are not in your favour, if it's a very labor-intensive tedious design, yes, we struggle to mobilize enough labor to finish the project. But having said that, we have factored in - if labor was available at 100%, we would have finished all the projects in 12 to 15 months. The reason we talk about 24 months is because we are already aware that our monthly rate of execution is going to be suboptimal because of the labor issue.

**Tushar:** Okay. Sir, in the last conference call, you mentioned that revenue from the real estate segment was subdued last year. With the new project launches in Santacruz, Powai, how do you see these contributing to revenue in financial year '25?

**Santosh Sundararajan:** Nothing because these projects will only be launched in the next few months, and we can only recognize their revenues when they get completed. And these are single buildings, so we will not be in a position to part recognize or take certain part completions or anything. We would have to finish the project and then recognize the revenue. So from these 2 projects of aggregating to Rs 1,400 Crores our share, we do not see any revenue recognition coming in the next financial year.

**Tushar:** Okay. Thank you, sir. I'm done with the questions.

**Moderator:** Thank you. The next question is from the line of Dipesh from Manya Finance. Please go ahead.

**Dipesh:** Firstly, I want to know, are we doing any apart from Santacruz, are we planned or we bid for any other re development projects in Mumbai?

**Santosh Sundararajan:** In Santacruz, we have 2. Other than that, as of now, no, we are in talks with some societies, but we are also now currently focusing to launch these 2. And then we think our brand name and ability to get these projects on better terms will increase once tier 2 projects to showcase that we have already launched and started construction on. So we focus currently to launch Powai, OHM Sainath and then Prakash.

So the team is pretty much focused on that. Our development -- business development team is talking to certain society. But if the deal -- we are not in a hurry or in a desperate mood to close any of those deals. If it is really in our favour, we will look at it.

**Dipesh:** Also, I wanted to know like what is -- according to you, what is the right way for investors to look at your financials because quarter -- should it be quarter-on-quarter? Or should it be year-on-year?

**Santosh Sundararajan:** So I would suggest that you should look at us as 2 companies. And that's why beyond the balance sheet and P&L, we give a segmental reporting. We've been giving it for 3 segments, EPC, real estate and GMP. Going forward, GMP will be out, but we will continue to give a segmental reporting of EPC and real estate. EPC you should definitely look at it quarter-on-quarter.

It's quite linear in terms of the growth we are able to project in terms of the PBT and EBITDA margins. It remains very predictable and linear. And so whatever we commit as projections, you can very easily track whether we are achieving that or how far we are lagging or are we exceeding.

On the real estate, I would suggest that we focus on sales and cash flows because the recognition will come in due course of time. But if we can focus on quarter-on-quarter sales and cash flows going forward, that will give a much better understanding of where we are heading to in the future.

**Dipesh:** Okay. And how many cases are pending, I mean which the company has done for its payment? Or is there any pending cases where we might have to pay something? Can we share a list as a press release or something, which will help us -- know if there is any payment which -- a huge payment which is coming or going maybe.

**Santosh Sundararajan:** We do put up our...

**Somnath B. Biswas:** Eventually, if you look at our financial report, there are descriptions of the legal cases, which is a very standard and all this thing. We don't envisage any that kind of payment or something is coming up in the system. We can -- it is a normal routine kind of thing. So there is a part of the contingency it's something if we book, but in practicality, there is no, not -- as such any significant materiality beyond this case as well.

**Dipesh:** There are no significant -- you're saying that there are no significant cases, which are there, which will have any big financial liability of the company?

**Santosh Sundararajan:** Correct. Nothing.

**Somnath B. Biswas:** Nothing.

**Dipesh:** And the promote holding is about similarly 31%, which has been for all these years. Is the promoter okay with that? Or in future are we planning to increase the shareholding?

**Santosh Sundararajan:** No. So we do not -- we do not want to hold that as a criteria because we understand our promoter was never close to a majority holder in the company. It started off as a 20% - 25% stakeholder. It came down to below 20%. Many went up towards 35% now it's gotten diluted to about 31% as you said. See when the company needs capital to grow and if it has to come from beyond the promoter and if it means there is a plus minus some dilution to the promoter stake, I think we, as a firm, are ready to face that because I think the company is a bit more important than the exact ratio of the promoter holding in the company.

There are moments where he is in a position to also participate in fund raises. There are times - - this is the only asset that the promoter family also has. So there are times where he is not in a position to raise capital at an individual level to participate. So we've kept the 2 separate. The company's growth is paramount. If the percentage participation from the promoter remains intact grade; if not, it's all right.



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

**Santosh Sundararajan:** Yes, thanks, everyone, for participating, and I will see you all again next quarter. Thank you.

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