"Vascon Engineers Limited
Q3 FY2019 Earnings Conference Call"

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Moderator: Good day and welcome to Vascon Engineers Limited Q3 FY2019 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Dr. Santhosh Sundararajan, CEO of Vascon Engineers Limited. Thank you and over to you Dr. Santhosh!

Santosh Sundararajan: Thank you. Good morning everyone. I welcome you all to the earnings conference call of Vascon Engineers for the quarter ending December 31st, 2018. Joining me on this call is Mr. Rajesh Mhatre, our CEO of Real Estate, Mr. Santhanam, our CFO and Stellar Investor Relations, our advisors for investor relations. I am sure you must have gone through the Q3 & 9M FY2019 financial results and the result presentation uploaded on the stock exchanges and on company's website. I would like to start the call with recent developments in the industry as well as on the company front.

But before I do that I would like to share that the company has recorded a net profit of Rs.8 Crores during Q3 FY2019 on the backing of our strong order book and execution capabilities and hopeful to sustain this performance going forward.

In line with the company's strategy of liquidating noncore assets, the company during the quarter concluded two transactions worth Rs.50 Crores. The first transaction is the sale of an amenity plot along with the school building to infraschool services for a total consideration of Rs.36.5 Crores and second transaction involves sale of land situated at Baner along with all our joint venture partners to Keywest Realty for consideration of Rs.100 Crores, Vascon share in this sale is Rs.13.1 Crores.

Also during the quarter, Board of Directors have approved issuance of Non Convertible Debentures to raise Rs.110 Crores through private placement at a coupon rate of 15.5% payable annually. The proceeds will be utilized for the repayment of high cost debt of Rs.83 Crores and for other operational requirement. This will effectively help in reduction of around 2% in our debt cost, which has been a key concern area and we are working continuously towards addressing the same.

Moving onto the Industry updates, in the interim budget FY2020 government has announced various measures to boost the real estate sector. The benefit such as relieving second houses from income tax or notional rent and exempting second homes investment from capital gains would revive the sluggish demand for housing. Increasing the TDS threshold to 2.4 lakhs and allowing two years exemption from notional rent on unsold inventory promotes major heritance. Section 80IBA extension by one year is also a boost to affordable housing. The announcement for full tax rebate up to an income of Rs.5 lakh will provide homebuyers more disposable income and open more investment opportunities. A committee of ministers has been appointed to examine GST for housing, which is currently at a high effective rate of 12%, the group of ministers has recommended 5% GST without input tax credit on under construction housing and 3% GST on affordable housing. Government has put impetus on the growth of real estate sector, which has been facing various challenges. We believe these steps will garner growth for the sector.

With regards to update on our EPC division as on December 31st, 2018, the total order book is Rs.877 Crores of which the external order book is Rs.719 Crores and the internal order book from our real estate launches is Rs.158 Crores. We have till date in FY2019 received external orders worth Rs.226 Crores.

In the real estate division, we have made an important progress in terms of sales and the execution of the projects, which we have launched recently. In 9M FY2019, the company did new sales bookings of 3.3 lakhs square feet amounting to a total sale value of Rs.194 Crores against sales booking of 2.5 lakhs square feet for a total sales value of Rs.197 Crores in the entire FY2018.

I am very delighted to share with you all that in 2018 Vascon has won many prestigious awards such as

- Reality Summit & Awards 2018 for most trusted developer residential of the year (Maharashtra)
- The Insights Success - 10 Best Construction Companies in 2018
- 10th Reality+ Conclave & Excellence Award 2018 (West)- Emerging Developer for the Year
- ACEF Asian Leadership Award, 2018- Excellence in launch Marketing for Vascon Goodlife
- Mr. Vasudevan is been facilitated with the Real Estate Achievers Awards of the Year in Reality Leaders Summit & Awards 2018

These awards reflect the strong brand equity of the Company.

Now, let me take you through the financial performance.

We have adopted Ind-AS 115 completion contract method from Q1 FY2019 effective from April 1st, 2018. The comparative periods have not been reinstated and hence Q3 FY2019 figures are not compatible with the previous year's figures for the same period.

During Q3 FY2019, the company reported a total income of Rs.90 Crores as per Ind-AS 115. Without the effect of Ind-AS 115, the total income would have been Rs.94 Crores as against Rs.95 Crores in Q3 FY2018. EBITDA for Q3 FY2019 was at Rs.17 Crores as compared to Rs.8 Crores in the corresponding period previous year. Profit after tax was at Rs.8 Crores in Q3 FY2019 as compared to Rs.2 Crores in the corresponding period previous year. Total debt as on December 31st, 2018 is Rs.228 Crores.

With this, we can now open the floor for question and answer. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We take the first question is from the line of Vivek Kumar, an Individual Investor. Please go ahead.

Vivek Kumar: In current scenario how do you see affordable housing overall industry shaping up and you have some GoodLife project also near to Pune highway. Are we seeing any disbursement right now and how is collection on this project, as already construction is started here so these two questions I wanted to know from the management and also there was some recently concluded board meeting, which decided downward direction in ESOP pricing to Rs.15 per share, any intention behind that just wanted to know from shareholder perspective?

Santosh Sundararajan: Coming to your first question as to how are we seeing the affordable housing scenario in the country. See we as a company were very bullish with regards to the demand side of the affordable housing so from a demand perspective we believe the affordable housing is a long-term story and we have to be present and we have all the competences required to perform in this particular business segment. Now, if we compare this vis-à-vis the current situation then the NBFC outlook basically has done negative, the people getting housing loans especially in this particular sector and again also the loans, which are sanctioned, the NBFCs aversion to disburse loans then this definitely has affected. We saw the traction returning only late last quarter and early this quarter in fact, disbursement have started, they have not started in the manner in which they should, but yes in fact they have started late. As far as the construction activity is concerned, the construction activity on our side is in full swing so we have started construction and the relaunch. Now that construction has started and the sectoral scenario from a financial perspective is looking better so we would be doing a relaunch.

Vivek Kumar: Are you planning to launch any new project in this same segment; affordable housing?

Santosh Sundararajan: See initially we had launched phase I so there are phase II, phase III of the project already so in fact we will be launching the subsequent phases of this particular project.

Vivek Kumar: In ESOP pricing, what was the basic reason for downwards?

Santosh Sundararajan: See, the only purpose for revision in the ESOP pricing was to increase motivation levels as far as the employees are concerned. The initial allotment was done at Rs.28 considering the fall in the share price and in fact we took an opportunity to reprice so that technically there is no cost to the company so if at no cost if you give benefit to the employees then why not.

Vivek Kumar: But that time the price was Rs.28, now you have revised to Rs.15 so currently the market price is almost Rs.13.50. Suppose if market turn more negative from there also due to issues like NBFC or debt or some default, or suppose market sees some more correction in real estate so basically if you look at Rs.10 maybe in three months down the line so would you revise again?

Santosh Sundararajan: No, in fact we took extremely calculated and a cautious call so whatever you spoke that tomorrow if the market goes down whether you should be revising it further or whatever in all this permutations combinations we have discussed, we deliberated in fact we also discussed with the board, what are the options so after deliberating all these possibilities we have come to a conscious decision that we should be doing at 15.

Vivek Kumar: Okay great. Thank you so much.

Moderator: Thank you. The next question is from the line of Rohit Natarajan from Antique Stock. Please go ahead.

Rohit Natarajan: Thank you. Sir if you could just touch upon the external order backlog more pertaining to orders like Adhiraj and Sheth creators and I understand these are Mumbai based projects, how do you see the progress happening over here because we often here slow down in real estate in Mumbai, what is your ground level experience like?

Santosh Sundararajan: As you rightly pointed out, we are exposed only to two major builders or major projects in Mumbai on the real estate side; now on in Sheth we have been doing the EWS housing. So one good thing about doing the EWS is that the builder only takes that up, it is not a revenue generating sale for the builder, it is more a compulsion that he has to deliver it, so it is only taken up at a point where he has no choice, but to finish it and the financials are arranged not directly from retail day to day sales, that project has been going on for the last three years and we are not facing any major trouble in terms of payments. Adhiraj we have recently started, the market news is that of course they have done very good sales in this phase which they have launched and so far we have got payments on time, we have done a little bit of diligence on leverage, they have got funding for the project as well and they have done reasonably good sales is what our market report suggested to us and that is why we went ahead and took that, it is a new project we have just started, we have only done not more than Rs.5 - 8 Crores of work so far. So far it has been good, hopefully, the cash flows remain intact over the next few months.

Rohit Natarajan: In this fiscal, we had order inflow of Rs.226 Crores nine months FY2019 for external order backlog of EPC work, what is the target that you are having for this year to end with next year any guidance on that?

Santosh Sundararajan: We had hope for a target of Rs.400 Crores to Rs.500 Crores for this year, we have only done half of that as it stands in January, but we are currently L1 on at least three projects totaling up to more than Rs.300 Crores, we are waiting for the final issuance of decision taken by the agency and the issuing of the LOI, so if that happens then even by March end we should be able to achieve our target of order intake for the last year. For the next year we want to be a bit more aggressive and hopefully we set ourselves a target of about Rs.750 Crores to Rs.800 Crores before March 2020. We should be in line to do that.

Rohit Natarajan: But if I understand it correctly, you said that last time when we had this interaction, you said that the external EPC big jump can be possible only if you do this noncore bucket monetization we have closed to Rs.150 Crores odd noncore bucket parcels, so what is the progress over there?

Santosh Sundararajan: That has happened, so we have made steady progress on that front, you are absolutely right, we have been curtailed by our non-fund limits, bank guarantee limits, which in turn would have improved a little bit of monetization and renegotiated with the banks, so that has been in progress this entire year, in fact we have got an assessment from SBI for added bank guarantee limits, we are in talks with couple of banks, our rating has been intact, we have no repayment troubles with the bank over the last couple of years, so they are looking at a much more positively and we are very confident that in the next few months we will be able to tie up Rs.40 Crores - Rs.50 Crores of additional bank guarantee limits. This is necessary for me to bag the next Rs.800 Crores to Rs.1000 Crores of order, so when I say that by March 2020 we want to bag additional Rs.750 Crores next year, that will happen only if these BG limits are tied up, but we are at a very advanced stage of tying up these BG limits that is what is giving me confidence to stick my neck out.

Rohit Natarajan: And plus you also said about this noncore asset monetization, so in the beginning remarks you said Rs.50 Crores monetization you did, so I think there is some Rs.100 Crores odd further left if I am not must taken because you have Caledonia and Goa hotels taken, if there are any progress over there?

Santosh Sundararajan: Really honestly speaking nothing, we keep getting enquiries, but nothing to report, it has not reached any final stage on both front, so you are right those two assets do remain with us for monetization, those are a bit sticky assets, but yes Rs.100 Crores is there.

Rohit Natarajan: Okay, should there be any other questions I will get back in the queue.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar: Good morning Sir. Question pertains to the real estate business, so you did some new sale booking of 3.3 lakhs square feet so if I look at vis-à-vis your last quarter presentation it shows like we had sold some 80000 square feet in the quarter, I just wanted to check like which all project you have sold? The question was related to the real estate sale in the quarter, so if I compare your Q3 presentation vis-à-vis Q2 presentation, so it seems like you have sold some 80,000 square feet of real estate in the quarter, so which all projects you have sold, any new projects, which is launched in the quarter or something because if I look at your slide #16 where you have given the all projects detail, I could not see any much change hardly 40,000 square feet is what we have sold if I compare that?

Santosh Sundararajan: In terms of the area that was sold in last quarter that was 80,000 square feet and in terms of values it was Rs.57 Crores.

Pankaj Kumar: Which one?

Santosh Sundararajan: The last quarter, we sold Rs.57 Crores and the area was roughly 80,000 square feet, we had two new launches so one was a small project Xotech, which was launched in Hinjewadi, so it had only 36 units we managed to sell all of them and the other project was Forest County, so Forest County we launched two towers and actually we got lesser time in the last quarter, so we had sold roughly 26 units worth roughly Rs.26 Crores, these were two major projects that were sold otherwise we had done a couple of units in Windermere.

Pankaj Kumar: On the Windermere, how we see the sales traction in the next one or two years, we have quite unsold inventory and also the debt related to the project?

Santosh Sundararajan: The Windermere in fact there are two towers basically tower one and tower two. Tower one, typically is large units and tower two was relatively smaller units, we had an OC for tower two last March and essentially the sales launch that we did last year was for this particular tower. Now we managed to sell roughly 10 units till December and this particular financial year again amounting close to Rs.58 Crores add in Windermere, the good news is on December 31, 2018 we received OC for tower one, now as we have received OC, the traction for tower one again will increase, we will have a small relaunch again for tower one. We have been seeing interest now actually the convergence would start happening as the ticket size is excess of Rs.10 Crores, so if you are selling under construction, the GST starts hitting therefore nobody typically the buyer's interest is lesser now that we have OC, that issue has sorted out, so now we should see traction in tower two also.

Pankaj Kumar: Okay, on the refinancing thing, we are looking for this NCD, so any progress on that thing?

Santosh Sundararajan: As far as the NCD is concerned, now we have executed the documents, now certain compliances are going on, as soon as the compliances are done we expect the disbursement, so we should be repaying the relatively high cost debt for edelweiss and we are securing the same from Kotak.

Pankaj Kumar: Okay, any timeline you have?

Santosh Sundararajan: By month end ideally is the timeline, in case the compliances take time then it can spillover to the next month, but we would endeavour to close it in this particular month.

Pankaj Kumar: We were also looking for some new launches in Coimbatore, so any progress on that thing?

Santosh Sundararajan: Yes, we had submitted the file for approvals it is in the last stages. We are hopeful of receiving the approvals by March 31, 2019 that is the timeline. Once we received the approvals then the RERA filing and then ideally we would be looking for the launch either in the first quarter of the next financial year or the second quarter maximum.

Pankaj Kumar: Okay and on GoodLife since we had issues related to NBFC we had tied up, so are we looking for new NBFC or something because we are also planning for further launches?

Santosh Sundararajan: Yes, we have increased the number of banks that are funding, initially we relied heavily on NBFCs and now State Bank of India has already given us the ABS letter for the same, ICICI has extended finance, so we are banking predominantly on these two banks. Previously our campaign more or less was end user driven, now we will have a campaign, which is a mix of end user driven plus investor driven campaign because what happens is the lot of end users, the loan eligibility becomes an issue unless we have some aggressive financial companies. I do not see that problem resolving any time soon, so that is the slight change from the demand side that we have done as far as campaign is concerned. From the financial side we are trying to bring in more and more banks and not NBFCs so that we have much more diversified kind of portfolio.

Pankaj Kumar: Okay and lastly on this Tata Steel order that we had got, so how is that progressing?

Santosh Sundararajan: Tata Steel order is not progressing as we had initially envisaged, so initially the target was around Rs.100 Crores for the year, but I think for this particular financial year we should be doing close to Rs.20 Crores odd.

D. Santhanam: It has been staggered, so what we have told is that their plans have been pushed by six months, so they have just about started asking for the products so I think next year definitely this will pan out, but this year it did not work out the way.

Pankaj Kumar: In that case GMP, do you see any risk in terms of growth in GMP that we had vis-à-vis last year?

Santosh Sundararajan: As far as sales of GMP are concerned, there will be subdued definitely because initially that capacity we had allocated for Tata, of late only they informed that they would be staggering it and then now we are trying to replenish the demand from the market, to that extent yes, the revenues of GMP will be subdued to that extent.

Pankaj Kumar: Any guidance if you have?

Santosh Sundararajan: We should be doing Rs.170 Crores odd of GMP topline.

Pankaj Kumar: On a full year basis, how do you see next year revenue as well as margins on consolidated level?

Santosh Sundararajan: For consolidated in the next year you are saying March 2020?

Pankaj Kumar: Yes.

Santosh Sundararajan: I do expect that the EPC third party, EPC work would grow by at least 20% and again the real estate on balance sheet is very difficult to predict because it is a lot to do with the accounting standard then to do with the rate of sales or the rate of launches, but we do expect at least cut we would like the first phase should come into our books may be next year, which will then give us a good jump in real estate revenue compared to this year on the books, on the balance sheet and as far as GMP is concerned I would say about may be 10% to 12% growth on the current year's performance.

Pankaj Kumar: Interest margins overall in the EPC business?

Santosh Sundararajan: In all three aspects, the margin should improve not at 10% or 20%, it should improve slightly more because when topline improves by 20%, the margin should improve much more. My guidelines were more on the topline.

Pankaj Kumar: Okay Sir. Thank you. I will come back in the queue.

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

Nihit Desai: Good afternoon Sir and congratulations for good set of numbers and a consistent and sustainable growth Sir?

Santosh Sundararajan: Thank you.

Nihit Desai: I would currently be more focus on our fundamental of our business Sir. So on that front being a long term investors, we do understand that seeing a business from price prospects would not be giving us proper prospects of what is happening in the business. Sir, just want you to highlight some key fundamental changes, which we are experiencing in our business Sir?

Santosh Sundararajan: Your reference is specifically to real estate, EPC or both?

Nihit Desai: Overall, so just apart from the stock prices, what are the fundamental changes, which we are experiencing, which can give business a positive growth in coming year Sir?

Santosh Sundararajan: As you rightly said, this improvement that we have been working on over the last two to three years has been slow and painful and much tougher than we thought, but it has only been heading in the positive direction, our numbers in terms of debt, in fact this year we managed to pay back significant amount of an NCD commitment that we had, so even in terms of cash flows we have been extremely disciplined, we have managed to ensure that we have been paying all our commitments on time and we have also then got our ratings improved over the last couple of years, it has all been good, our numbers have been improving, of course we are seeing small profits, but we are steadily seeing that we are working towards improvement of about topline and bottomline. As I just stuck my neck out I can dare say that if our BG limit, which is almost tied up once that gets increased next year, we should set an estimate of increasing our EPC revenue by 20% to 25%, real estate revenue has not yet come to the balance sheet for the project that we have already sold, so that will also come and GMP has also turned around it has gone past the crisis that it was going through as you must be aware we had almost killed one division, which was a loss making decision, the aftereffects of that has been seen over this year, but I think it is almost over so next year there should be no lag from the past and it is only this healthy manufacturing division that will grow, so as you rightly said the share price has no indication, no reflection of what is happening in the company. I think all in the market do know and appreciate that the company is steadily improving even from an order perspective I think there is enough order in the market for us to focus on and grab for EPC. Real estate has already done very good sales this year compared to a couple of years ago, so all of the sales has to come to the balance sheet and there are launches planned for the coming year, which will ensure that our sale for the next year is even higher than this year, so all in all, all this will have to come to the balance sheet today, tomorrow, day after, so I think we are on the right path, it will be in tough, but we are definitely making steady progress, slow and steady progress in the right direction.

Nihit Desai: We are the shareholders as we are patiently being with you.

Santosh Sundararajan: I totally appreciate that, very honestly, fundamentally there is nothing alarming, there is nothing going wrong to report, we are only improving, share price and share market I think the lesser.

D. Santhanam: Just to add another fundamental change that has also already happened as far as the company is concerned is on the liability side of the company. So whatever short term obligations were there for payment, the NCD that we have, now with Edelweiss NCD getting replaced with Kotak, more or less from a long term point of view there are no outgoes at least for the next two or three years, so the cash that would be generated internally, which essentially we were going in debt repayments or other would be available as growth capital for the company, so that again is a positive, which will help us to may be grow a bit faster and also be liquid.

Nihit Desai: Correct Sir, also on our noncore assets, so currently for a short term we are not seeing anything monetizing Sir?

Santosh Sundararajan: All the low hanging fruit in terms of smaller apartments here and there in finished projects we have liquidated, there is nothing major pending on those front, these two assets do remain Kaledonia and the hotel those are a bit sticky we are working on them, but we do not want to bank on them or make any projections about their sales in the short term.

Nihit Desai: Coming to EPC division, are we looking for entering into some new geographies?

Santosh Sundararajan: Actually, within India we are open to work in any city, we have coincidentally not been in the East of India, but there is no policy or strategy within the company that we do not want to work in East of India, we are pretty much nomadic, our clients take us wherever they have projects and we make a bit as long as it is more than Rs.100 Crores the entry barrier to enter a new city within India is not much, so we are open to projects anywhere in India we are bidding at various locations. At the moment outside India we are not actively exploring.

Nihit Desai: Okay, Sure. Sir coming to our GMP business, do we have any plans Sir like in future to monetise this business once it has matured or when do you think that it will be in a good shape, like the business would be in a good shape and we can look for liquidating the business or monetising because…?

Santosh Sundararajan: When do we want to monetise it anytime we get a reasonably good valuation, we are ready, this is not a long-term asset we want to hold and we have made that amply clear in the past as well. When we will get the right valuation is little bit tougher to predict, the cancer has been cut off, the company is now well on the recovery path and the manufacturing division really never had a problem, but those numbers were not coming out because the other division was killing those numbers, so now that the other division is out, I think next year we will see much better EBITDA numbers from them and so hopefully by the time the market also revives, end of next year will be a good time to revisit this question.

Nihit Desai: Okay Sure Sir. Just a couple of questions on financial side, so Sir EBITDA margin we have seen in EPC Business can we consider this EBITDA margins, as our sustainable margins going forward and also post our recovery from the real estate end, how much incremental EBITDA margin are we looking at for our Vascon as a whole Sir?

Santosh Sundararajan: So I think we have given you a segment wise split and the EBITDA margin seems like 20% in the EPC division, I would like to clarify that this it not very real and sustainable, there are two reasons why this looks so high, one is we do get only the value of profit from the sales that we do in our Ajanta project, which is an LLP where we hold 50% share, Vascon hold share in Pune that is a real estate project, but we do not get the cost of material into our books, the cost of the material and the cost of labour, the direct cost remain in the books of Ajanta, so what is happening in the EPC is we are getting our profits by way of billing as a project management fee, but we are not getting the denominator in terms of the total cost, so that is driving up the EBITDA as a percentage, so it looks a bit, I would think somewhere between 12% to 14% EBITDA is what most of our other projects, third party projects are working on and I think in the long run we should be happy, if we achieve anything closer to 14% to 15%.

Nihit Desai: Sure Sir, understood and Sir last question from my end, a bit again on the company's future. So if we say that our vision for Vascon for 2020 then can you please tell us a roadmap in each of our segment Sir, some detailed roadmap in each of our segments like EPC and real estate both?

Santosh Sundararajan: So I would not want to go beyond what I already did stick my neck out and give projection in terms of growth for all three divisions, I do not think we would want to speculate exactly and give guidelines in terms of numbers, but I can only say that we are on the way up on all three divisions. Real estate has done a lot of sales, I reiterate, we have done a lot of sales and we are still launching couple of projects, all of these numbers are yet to hit our balance sheet, so this Ind-AS 115 has changed the way, balance sheet is being written for real estate, so all these numbers will come when we complete these projects, so those are huge numbers pending to come on balance sheet both top line and bottom line. EPC is steadily growing, we have done good percentage of growth compared to last year even up to March and I am sure we will be doing decent percentage I think compared to last year and that percentage of growth will continue going forward and GMP again will also be growing, we might see a little bit of a dip this year compared to last year because the revenues of the MEP division, which we cut off are not accruing this year, but manufacturing alone is growing and it will continue to grow next year. So all in all, all three divisions are poised for good growth, I would not want to project exact numbers.

Nihit Desai: Yes, thank you for taking my question Sir.

Moderator: Thank you. Next question is from the line of Nitin Gandhi from KIFS Trade Capital. Over to you Mr. Gandhi.

Nitin Gandhi: Thanks for taking question. What is the duration for this NCD, which you are refinancing through Kotak?

Santosh Sundararajan: Four years.

Nitin Gandhi: Four years, like, I think almost three years back we had rights at 15, so why not do rights and clean off these debt since if you are considering other people, let shareholders also benefit?

Santosh Sundararajan: Why do not we do a rights, I think we very honestly have not discussed this, but yes we will explore this suggestion, we will look at it internally.

Nitin Gandhi: Okay, now coming back to slide construction spend against the Windermere and Vascon GoodLife, can you share those numbers, which is yet to be spent to complete the projects?

Santosh Sundararajan: Windermere roughly would be around Rs.45 Crores, which is yet to be spent to complete the project.

Nitin Gandhi: This is fully against yet to be sold or it is also partly against the sell value already accounted for?

Santosh Sundararajan: Partly again sold value also, but very little against the sold value, it is only interiors of certain houses, which are already sold, most of it is interiors in houses, which are unsold.

Nitin Gandhi: So will it be Rs.1 Crores or Rs.2 Crores or very significant?

Santosh Sundararajan: For sold value should be not more than Rs.5 to Rs.7 Crores, for sold houses the expense again those cash flows are anyway yet to come from the sold houses also, so that is not a problem.

Nitin Gandhi: Yes, no but the problem is like your collection is 60 Crores and revenue recognition is 80 Crores, so 20 Crores is sitting, question where maybe you have some possession time?

Santosh Sundararajan: Of course, in real estate always there is a different, I mean quarter on quarter…

Nitin Gandhi: Yes, so that is why I am saying may be possession time you would have given?

Santosh Sundararajan: The election would come going forward, we had not got OC for tower 1, we just got that OC, so a lot of collection will also happen there.

Nitin Gandhi: So that you will be handing over before March?

Santosh Sundararajan: Yes, we have been handing over apartments.

Nitin Gandhi: So this entire whatever 90 and 80 recognition that?

Santosh Sundararajan: The project is such that, a good amount of work is in the interiors of the apartment in both the tower, one of the towers has been effectively handed over as in the entire tower is ready and operating for the last one year, we are handing over apartment one by one depending on who is the customers, depending on whose interior requirement we are completing that and hand it. In the other tower, the tower was not ready, we were applying for OC, we have just got the OC and even functionally the tower is now 98% ready, by March the tower will be ready and then again it is a matter of handing over apartments to specific customers, that will carry on, that will keep going on for the next year or so.

Nitin Gandhi: So out of Rs.45 Crores construction spent how much will be likely in Q4?

Santosh Sundararajan: I do not see it being more than Rs.7 Crores to Rs.8 Crores.

Nitin Gandhi: Okay, let us shift to Vascon GoodLife?

Santosh Sundararajan: Again see a lot of the work will be specific to the customer's requirement because there will be a time selection done, so what will happen is the significant amount of spend will also be held until unit gets sold, so the rest of the tower everything you can finish, but as far as what was inside because these are the extremely high-end apartments, the customer may choose that he may not be using any of our fittings and he may go for his choice of interior

Nitin Gandhi: Fair Sir.

Santosh Sundararajan: Yes, so then you know that amount will get deducted, so for that it is quite difficult to commit and tell you this Rs.45 Crores next year we will be finishing that.

Nitin Gandhi: That I understood. How many units yet to be sold in Windermere?

Santosh Sundararajan: Total units yet to be sold would be around, still about 1.6 odd lakh square feet to be sold, I think total units would be about 14 in that tower and about 30 odd.

Nitin Gandhi: 40 plus 16?

Santosh Sundararajan: Yes.

Nitin Gandhi: Okay, now Vascon GoodLife how much constructions yet to be spend?

Santosh Sundararajan: Vascon GoodLife we have just started the constructions spend. So the top line of the entire project all phases put together would be in the range of about Rs.180 Crores to Rs.200 Crores, the construction spend is between Rs.80 to Rs.90 Crores, so that will come over the next two years, we have just about started, so we might have spend not more than Rs.4 Crores to Rs.5 Crores as of now.

Nitin Gandhi: Okay. Thank you and all the best, look forward to considering rights and cleaning debts because I think last three years we have spent a lot of time doing noncore asset and everything and it has still not reached where you had desired three years back, so may be one more rights and it can finish it off. All the best.

Santosh Sundararajan: Thank you.

Moderator: Thank you. Next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: Yes, good afternoon Sir. Thanks for taking my question. On the Tata Steel order, can you elaborate a little more what was the reason for scaling down the revenue target and any kind of reason that Tata Steel has given to us?

Santosh Sundararajan: Tata Steel had given us an order, they are manufacturing doors and they are branding these doors in Tata. These are steel doors and they were trying to sell it to the retail, so far steel doors have not been used in housing projects or in commercial building. They wanted to bring that product in, the only reason that the execution did happen as planned this year because Tata was I think very aggressive in committing that they want Rs.100 Crores of door delivery this year, but by the time the order was given to us and the equipment was imported and the manufacturing started, Tata felt that they have gone slow in their own marketing and they are having a slight strategy change in the way they want to market it and they now coming up more aggressively. They have already started. So now we have started delivering those, so next year this should be at full pace.

Sagar Parekh: But next year means FY2020?

Santosh Sundararajan: Yes, from March 2019 to March FY2020 we should achieve hopefully that Rs.100 Crores, they were talking about Rs.100 Crores ever year, the only reason we did not achieve it this year is because the start point itself got delayed by a lot.

Sagar Parekh: So we have started?

Santosh Sundararajan: Yes, we just started last month.

Sagar Parekh: Started in last month okay and so has there been any change in the terms of contract with Tata Steel?

Santosh Sundararajan: No.

Sagar Parekh: Okay, so then there is no minimum guarantee that Tata Steel has asked some or we have to give them or something like that?

Santosh Sundararajan: No nothing, these are just projections and commitment and any in that sense cash flows required to scale up for these productions, has been funded by them only, so it is not like we have taken a cash flow hit to import machinery. So there has been certain advances given by them, so that has not been a problem, it is just that the – it has got delayed, I would not say there is any other change except that it has got delayed by few months.

Sagar Parekh: So there is no demand, okay, but probably you would not like to answer this, but is there any demand issue from Tata Steel side, are they seeing any demand in the steel door?

Santosh Sundararajan: No we have no idea, they are bullish when we meet them in meeting that is all we can say, we do not have access to their numbers or their issues.

Sagar Parekh: The contract size is valid for three years right?

Santosh Sundararajan: Yes, you are right three years.

Sagar Parekh: So there is no change over there.

Santosh Sundararajan: Yes.

Sagar Parekh: Sure, that is it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen that seems to be the last question for today. I would now like to hand the conference over to Dr. Santosh Sundararajan for his closing comments. Over to you Sir!

Santosh Sundararajan: I thank all of you for participating and having the patience to stay with us in spite of the share market and what it is doing to us, so we will see you again next quarter. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Vascon Engineers Limited, we conclude today's conference. Thank you all for joining us. You may disconnect your lines now.