



**“Vascon Engineers Limited
Q2 FY2022 Earnings Conference Call”**

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MANAGEMENT: DR. SANTOSH SUNDARARAJAN – CEO
MR. SOMNATH BISWAS – CFO

Moderator: Ladies and gentlemen, good day and welcome to the Vascon Engineers Limited Q2 FY2022 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Dr. Santosh Sundararajan - CEO, Vascon Engineers Limited. Thank you and over to you Sir!

Santosh Sundararajan: Thank you. Good morning, everyone. I welcome you all to the Earnings Conference Call of Vascon Engineers for the quarter and half year ended September 30, 2021. I hope you all and your families are safe and healthy. Joining me on the call is Mr. Somnath Biswas, our CFO. I believe you would have gone through the Q2 FY2022 Financial Results and Results Presentation uploaded on the stock exchanges and on the company's website.

The company has worked diligently over the last two years to address the twin issues of debt reduction and maintaining sufficient capital for growth. As a result, despite the difficult environment, we have repaid Rs.50 Crores of debt in the last 18 months reducing our total gross debt to Rs.205 Crores from 255 Crores in March 2020. The repayment is primarily made towards the high cost bearing loan. The high interest cost bearing debt has been reduced by 49 Crores to Rs.55 Crores from Rs.104 Crores in March 2020 and this will assist in lowering our overall interest cost for the company.

In terms of growth our order book has doubled in size over the last two years growing from Rs.1000 Crores in FY2019 to Rs.2000 Crores at the present. We are pleased to announce the successful completion of the preferential share allotment to raise 70 Crores in order to further strengthen the balance sheet and provide growth capital. We intend to use the proceeds from the issuance to repay about Rs.35 to 40 Crores of company's high interest debt with the remainder used to cover incremental working capital requirements.

In accordance with our strategy of deriving value from all noncore assets the company has achieved considerable strides. We are pleased to share that we have sold our stake in Goa Hotels. Vascon has sold its 43.34% stake in Cosmos Premises Private Limited an associate company for a consideration of Rs.45.5 Crores concurrent with a sale of 6.66% of certain promoter-related entities in Cosmos Premises Private Limited to Royal Orchid Hotels. In exchange for selling Cosmos Premises Private Limited the company has acquired share in Rivershore Developers Private Limited from the promoters of Royal Orchid Hotels Limited. Rivershore Developers Private Limited has a land parcel in Powai Mumbai. The land parcel is situated at an excellent location and we intend to materialize the land in the near future.

On the EPC front, the COVID-19 has taken a backseat during Q2 FY2022, all our projects are operating at optimum capacity which has led to faster execution of projects and resulted in better revenue generation in Q2 FY2022. The order book of the company remains robust providing strong visibility of EPC revenue growth for the next two, three years. The current order book is Rs.1,915 Crores comprising external EPC contracts of 1,838 Crores and an internal order book of 77 Crores from the real estate launches. The government orders account for 80% of total orders as a result of the company's efforts to improve customer quality thus providing visibility of faster execution while ensuring uninterrupted cash flow.

During the quarter we received an order from the government of Goa in the consortium with DCS Solar Energy Limited for the development of the international convention centre at Dona Paula, Goa on a design, build, finance, operate and transfer basis. DCS is the lead member and Vascon is the construction partner in the project. The project entails the building of a conference center with a capacity of 5000 people as well as ancillary construction to service the convention center on a parcel of land measuring about 28 acres. We remain committed to accelerating order book execution which will result in enhanced capacity utilization and operating margins for the EPC business as well as improved cash flow generation for future sustained growth. We continue to take a cautious approach towards bidding for new projects and prioritized orders from reputed private players or government entities with stronger margin visibility.

Coming to the real estate division as you all are aware the sentiments in the real estate market had turned pessimistic during the April-June quarter because of the outbreak of the second wave of COVID-19. With the Indian economy recovering, active COVID-19 cases declining and vaccination progressing rapidly, sentiments in the real estate sector have turned optimistic reaching an all-time high during July-September and the outlook for the next six months continues to remain positive. During H1 FY2022 we did a new sale booking of 13,373 square feet amounting to a total sales value of Rs.13 Crores. Our new sales bookings were lower due to the fact that the majority of our projects are fully sold out resulting in lower inventory levels. As previously stated, our ongoing project forest edge tower A and B as well as Vascon Goodlife's three buildings in Phase I to be completed in this fiscal year and occupancy certificates will be awarded for all of these projects in this fiscal year. We are happy to share that we have completed the first tower of Forest Edge and expect to complete the second tower and Vascon Goodlife's three building phases by the end of the financial year.

In terms of new launches, we expect to launch residential project in Coimbatore in Q3 FY2022 with an estimated sales value of 200 Crores. We have secured all the necessary approvals for the projects launch. Additionally, we have a robust launch pipeline and

continue to actively watch the market opting to launch new projects only when the market is receptive to new launches.

On GMP business front our GMP business is faring well. In H1 FY2022 the revenue stood at 78 Crores and the EBITDA at 4.8 Crores with margins of 6%.

Let me now take you through the financial performance. Let me start with the standalone numbers. During Q2 FY2022 the company reported a total income of Rs.119 Crores as against Rs.93 Crores in Q2 FY2021 a growth of 28% year-on-year. EBITDA stood at Rs.11 Crores as against operating loss of 2 Crores in the corresponding period last year. EBITDA margin was at 9%. Reported net profit of 3.4 Crores in Q2 FY2022. On a consolidated basis in Q2 FY2022 the company reported a total income of 161 Crores as against 123 Crores in Q2 FY2022 and we reported a growth of 31% year-on-year. EBITDA stood at Rs.13 Crores with a margin of 8% and net profit at 3.4 Crores. With this we can now open the floor for question and answers. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Viral Shah from Yes Securities. Please go ahead.

Viral Shah: Congratulations on a great set of numbers. Just couple of updates. One in terms of bidding pipeline could you highlight what is the bid pipeline looking like and what are the key segments where you are seeing good amount of order book visibility that is the first question, second question is on the execution front what do you feel in terms of execution when we expect the execution to ramp up to maybe 750 or 800 Crores kind of run rate for the full year per se because we have a very high order book so which we do feel that, that run rate can come back to around 750 to 800 Crores kind of run rate per year and third is on the margin do we expect the margins to be maintained going forward given the significant steel price and commodity prices? That is from my end. Thank you.

Santosh Sundararajan: I will answer the question on margins first. We do expect the gross profit or the EBITDA margins of the EPC division to remain in the same range that it has been over the last few quarters anywhere between 16% to 19% it will hover around this range, in spite of commodity prices going up because we do have pass through for most of the commodity prices with our clients we do have escalation clauses, very few commodities are not covered by our escalation clauses but we are in negotiation if it is a significant impact to us we are in negotiation with the clients so we do not expect a major hit to our bottomline because of the huge increase in commodity prices in the recent days. In terms of execution of the existing order book things have picked up pace, all our projects are now having front head side, there are no real hassle in terms of approvals or any other situation that is putting any

road blocks to progress so we should be executing this order book faster quarter-on-quarter we have already done more than 100 Crores this quarter we did that in Q4 last year and now we are back to in Q2 itself which is actually one of the worst quarters for construction industry normally because it is washed out by rain we have crossed 100 Crores already so definitely we expect Q3 and Q4 to only take this further up and to answer your question on when will we achieve 750-800 Crores hopefully, we are able to keep our order book upwards of 2000 Crores in spite of what we execute this year which means we need to have order book another 500 to 750 Crores by maybe somewhere by June next year if we are able to do that then next year definitely we should be in a position to cross that 700 mark so fingers crossed we need to book about 500-700 Crores more of order in the next nine-ten months which we are working on. Comes to your question on order pipeline government projects are now coming up in the first quarter I think all the government departments were busy fighting COVID so it took the first quarter and second quarter for them to come back to normal business, now tenders are being floated and we do intent while we are still cautious and we are in no rat race to get tenders at a low profits but we will continue to pick and choose and we are hopeful that by the next nine months as I said we will be able to book another 500-700 Crores so that our order backlog always remains at least 2000 Crores and then slowly goes upwards.

Viral Shah:

Thank you so much Sir. Sir last two questions from my end one is on the real estate front, given the strong pickup in demand in the real estate so what will be our strategy going forward be and the kind of launches we are expected in that vertical going forward so could you flash up on that front and lastly in terms of opportunities your building definitely there is a huge opportunity which is coming from private and government so what will be our strategy be, we are keen of taking more private projects or we are going towards more of a institutions or government funded products? That is it from my end. Thank you Sir.

Santosh Sundararajan:

Yes, so on the real estate front yes things are looking better demand has picked up in the market, we will be planning to launch as we said the Coimbatore project this year, we are also having another launch coming up in Kharadi in our own forest county project which has been doing very well over the last 10-12 years and it has already established its name in the market over there so we have another last phase to be launched over there which again might not be in this financial year but definitely in the first half of next year or so we are looking to launch the project over there which will be almost about 5-6 lakhs square feet of salable that we will generate so these two launches are on the cards in the short-term. We do have Madurai also for next year which we will intent to launch; these are all ready projects we have in hand. Other than this our real estate team now is already working on tying up joint ventures in niche if there might be smaller parcels but there will be prime parcels we are not looking as we have always maintained over the last two years we are not looking to

create a township of 50 acres and 100 acres we are looking more at smaller parcels which are in prime locations where we can develop and sell fast and so the real estate team is definitely lining up a few of these so hopefully as the order book for EPC increases in the next eight-ten months, real estate will also line up a few more joint ventures which will then come into execution maybe the year after.

Viral Shah: Second question was on the client mix when we look at so private versus institution or government?

Santosh Sundararajan: So at present our order book is heavily skewed towards government that was intentional over the last three years because the last time we took a big beating from the private client side and then we are very careful when we look for jobs from the private sector we dictate our terms many times the client does not accept our terms and so we walk away that has been going on for a while the government sector we focused and today we all know almost 85% of our order backlog is government sector. We would like to bring this balance down a bit we would not want to be exposed primarily only to the government sector, we feel that the time now is right post COVID and with RERA and all the regulations that have come in that the private sector is now much more a secure place to be operating in than it was three-four years ago, they are also bound by many more regulations, they are bound by escrow accounts and I do not think the reputed players in the private sector would any more delay their projects or not make payments to be contacted on time they would have their financial tie ups so we will also be looking at private sector going forward definitely to bring down that ratio a bit.

Viral Shah: Thank you so much. That is it from my side. Happy Diwali to you. Thank you, Sir.

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

Rohit Natrajan: Sir my first question is on the last call you said 60 Crores expensive loan you are paying 15% interest you are going to repay it that will be paid from the proceeds that you receive from this preferential when do we see that impact on financial cost maybe from next quarter onwards what exactly is that quantum because we do not see that number reflecting in there?

Santosh Sundararajan: That loan from 60 will come down straightaway to close to about 30-35 quite immediately and by March we hope to bring it down closer to 25 or sub 25 levels that is the target for the year, we have raised capital and we are using proceeds of the capital to pay back almost 35-40 Crores of high cost debt which includes part of that, part of that will definitely be going

to pay off the windermere debt as well and the target is to bring this high cost debt down to 25 Crores level by March and hopefully by next year extinguish it in the entirety.

Rohit Natrajan: So, the last time when we had a discussion you said 60 Crores effectively you are paying 9 Crores which may come down to 4.5 Crores?

Santosh Sundararajan: Correct. With the money raised we will be bringing down our high-cost debt levels by at least 40 Crores in the short-term itself so 40 Crores times 15% is 6 Crores a year which will be immediately be reflecting on our balance sheet for half of this year and then going forward for next year as well.

Rohit Natrajan: Sir my next question is on the Goa when do you expect the monetization to translate, I think you have gotten to a MoU what is the timeline to conclude the sale?

Santosh Sundararajan: We exit from Goa you are talking of the new projects that we have got?

Rohit Natrajan: No, the ones that we are talking about some 45 Crores.

Santosh Sundararajan: Correct. So that we have always held a share in a resort we developed in Goa a long ago and we were partners with Royal Orchids Group who were operating the hotel. We have been trying to sell our stake for a while; however, because we were only holding 50% or 45% of the stake there; we were not getting buyers for a period, subsequently now we have struck a deal with Royal Orchids where we have bartered in a way, we have exchanged our shares in that hotel which for us a noncore asset although it was profitable and giving us profits every year it was still grew as a noncore asset as far as our business is concerned so we have exchanged bartered that for a land in Powai so immediately there is no cash flow that 45 Crores is not really a free cash flow that the company will be getting at this point of time we will be selling our stake in Goa receiving 45 Crores for it; however, we will be using the same 45 Crores to buy the land in Powai. The land in Powai is real estate land it is not noncore as far as we are concerned, we are still exploring what exactly we can do to monetize that land in Powai it is definitely worth more than 45 Crores we still not firmed up our plans of what we will be developing there or how we would be liquidating that asset; however, since it is empty land with approvals to construct it becomes part of our real estate portfolio so what we have achieved is moved from a noncore asset to a core asset.

Rohit Natrajan: Sir help me understand that what this 45.5 Crores was initially what was the investments to this hotel and now what is that exact multiple?

- Somnath Biswas:** See as of now, the investment sitting in that hotel is close to 5-6 Crores and there are some expenses also been lined up over there so whatever the things are there we are getting a substantial capital gain out of this transaction.
- Rohit Natrajan:** So, 5 Crores was the investment and 45 Crores is that you have?
- Somnath Biswas:** Yes, there will be a profit 30 odd Crores of profit that would come from this transaction but it would be parked as investment in the land in Powai.
- Rohit Natrajan:** Sir then if I have to come back to the numbers that we have touched in the past as well that is we were looking to increase the BG limits, what exactly is the position over there?
- Santosh Sundararajan:** See we have already tied up a limit with TSB which is now active which has given bit of a BG limits, which gives us a little bit of float at this point of time we do have about 30 Crores available with us of limits which will help us this target that we immediately have of achieving 500-700 Crores that is possible with the existing limits. In the meantime, we are waiting for this quarter result is good, next quarter result will be even better touchwood and then we will be approaching the rating agencies to re-rate and then negotiating with the banks for better terms and for higher assessment on limits so this is the target with our finance team they are working on it actively but it is a process step by step which we will be targeting by March to be in a better position in terms of our relation with the banking consortium.
- Rohit Natrajan:** Sir then one more final question which I have touched even in the past we keep on saying that 3 million per square feet is what our execution trend is looking like, so if I have to look at that number from a realization point Rs.2000 per square feet 3 million which translates into 600 Crores revenue so we are roughly working around with that kind of number or expenses will remain, at the same time our target was to reach 8 million square feet per annum so which means effectively our execution should go to 1500 Crores kind of number, 1500-1600 Crores kind of a number is that a fair understanding, is that a strategic outlook that you have in the execution front?
- Santosh Sundararajan:** You are right in fact I have always maintained our current execution capabilities are in the range of 750-800 Crores not even 600 with the existing capex and senior management staff that we have we are very capable of executing about 750-800 Crores we have been doing less than half of that this year we will do more than half of that next year hopefully we will come closer to that our capacity of execution so for the last three, four years we have not had major capex issues nor that we had to increase our fixed cost in terms of senior level staffing but then after that so after the next year then we will be looking at growth inching towards the 1000-Crore mark and then eventually the 1500 kind of Crores market as you

said which will need a little bit of capex as well as augmentation at senior level staffing which we will then do so we are on that path we should have done much better this year closer to our capacity again COVID has taken away good portion of the first and second quarter we would have done much better in second quarter also COVID not hit the first quarter because by the time the clients our government clients woke up to the situation and started making payments again we have lost out a month or so in second quarter also, hopefully third and fourth quarter will pull us through and hopefully that same run rate will maintain in next year which means next year we will achieve very close to above 80% of our capacity.

Rohit Natrajan: So just to reconcile these numbers 500 Crores is in FY2022 maybe 800 Crores kind of number in FY2023 and 1000 Crores kind of number in FY2024 that is the way you see this trajectory?

Santosh Sundararajan: I would not stick my neck out and project numbers on the call but we are moving somewhere in that direction hopefully yes.

Rohit Natrajan: Yes, so but again when we come back to the question that order book will it be supporting you that kind of growth. Do we have had external EPC order backlog to support that kind of a growth trajectory are we eyeing for big numbers in this particular year maybe next year?

Santosh Sundararajan: You are right see also our hit list have always said this and it remains the fact that we will only execute about 30% of the order in hand in a year we will never manage to execute more than 30%-33% of the order book in hand, currently the numbers are still okay because we are executing even lesser than that but if we want to execute 800 Crores we should have 2400 Crores plus of orders in hand otherwise 800 Crores does not happen in a single year, if you want to achieve 1000 Crores we should have 3000 Crores plus order in hand otherwise it is not possible to achieve that with the existing order book because that is roughly the pace at which activities happen on an average some projects go fast some projects go slow on an average it takes three years to finish a project and so one third is what you get in a year. So as I said in the next eight-nine months our target is to ensure we are above 2000 Crores in terms of order in hand when we start next year and then we will take a target to be next year to be closer to 2500 Crores as we end the year so we are executing, we should be at least booking order of 1.3x 1.4x in the same year so that we grow so we are aware of that and we are focusing on that, the banking limits also have to keep growing in that direction to support us to bid and bag orders so we have all these numbers in hand, we have these targets for each department in fact the organization and we are well poised to achieve those targets.

Rohit Natrajan: So, the order inflows you talked about 2500 Crores if you have to get into that order backlog zone what is our bid conversion rates like in four times we have to bid for orders or maybe 10 times what is that number looking at, are we looking something like that?

Santosh Sundararajan: Yes so our bid conversion rates admittedly is very-very low, we are almost in the range of 1:50 kind of a bid conversion we do bid a lot but we back out of the race if it is becoming crazy, very often we meet competitors who are not the biggest contractors, very often we meet contractors who are extra aggressive to bag the order so we remain shy of being desperate to get topline because topline without bottomline is a pain because it ties up your bandwidth for three years and when you know a project it is not going to yield you bottomline in the end just getting topline and celebrating it on day one and then feeling the pain for three years with your senior management tied up we have gone through those situations, it then blocks you from taking healthy orders later when they are available because your management is already tied up and your assets are locked so we are very careful, we do not want orders without the kind of bottomline we want to have so our hit rate is very low therefore our tender department keeps filling a lot of tenders, order pipeline per se keeps changing new tenders come and tenders get awarded we keep going, we keep bidding a lot every month, but the targets I think the order pipeline we target in mind is to bag as I said we have the order booking that we want to do.

Rohit Natrajan: Sure, thank you that is it from my side. Wish you all the best.

Moderator: Thank you. The next question is from the line of Sagar Bukani, Individual Investor. Please go ahead.

Sagar Bukani: The question here is as far as the Powai land is concerned how much does Vascon now and in that how much Vascon owns that entity and what is the land parcel in terms of size or in terms of development potential if you can throw some light?

Santosh Sundararajan: Vascon owns the entire entity that entire land parcel there would be Vascon so we do not have a partner, this entity belonged entirely to Royal Orchids and we have taken over the entire entity. The land size is close to about 55000 square feet it is right next to that erstwhile Renaissance Hotel I think it is Ramada now at Powai it is a very good parcel and the development potential we are still working out the base of the rules in Bombay is a good amount of development potential over there, the excel sheets looks very good I mean honestly all that is good if we are able to launch and convert but if you go by excel sheet 40 Crores is nothing the numbers look much, much better than that.

Sagar Bukani: You will be developing it on your own or you will have some development partner in Bombay?

Santosh Sundararajan: There is an investment required to get it to approval in Bombay there is a huge cost of approval we are assessing that and then we will definitely, either there are two three ways we are seeing how to go about it in the meantime if we do get a tempting offer for the land we are open however otherwise we are looking for a partner who would come in and invest for the approval state so that he joins in as an equity partner and then we launch it together.

Sagar Bukani: Because the approval cost in Bombay is actually going to double from January 1, 2022 even so there is some benefit available till December 31, 2021 post which some of the components the approval costs are actually going to double so thanks for that and the next question is with respect to the liquidation of other noncore assets can you give an update where we are as to in those things and what is the potential value of those three assets?

Santosh Sundararajan: So, we have a land in Aurangabad which we are in discussion to liquidate we do have a party negotiation are going on that should get us about 30 Crores of sale value and that will not be highly profitable I think it is in fact slightly higher on our books already so we might be taking a minor P&L hit but from a cash flow perspective and from a perspective of getting away from a noncore asset we are working on that. We also have Kaledonia in Andheri which is the office property which we have still not managed to sell we have put it on lease we have discounted the lease so in that sense we have derived cash flows out of it already but we are looking out to sell it and close out the lease discounting and the third and fourth also the Thane land and GMP which are big ticket items these are noncore or I mean Thane land could be classified as core as well, on both these assets no real movement has happened on trying to liquidate it I think these are a little bit long-term and we will wait for a year or two and then we have to look at it.

Sagar Bukani: Sure thanks and just one related question on the Kaledonia what is the annual rental that we are getting?

Santosh Sundararajan: We are getting about 17 lakhs per month.

Sagar Bukani: Thank you. Thanks for answering questions.

Moderator: Thank you. The next question is from the line of Anand Datte from Shore & Pacific. Please go ahead.

Anand Datte: Sir I have a question on GMP business what is the current order book of GMP and what kind of revenues we are looking for at this fiscal?

Somnath Biswas: Currently GMP order book in the range of close to 70% to 80%, which keeps on moving on a frequent basis, orders keeps on coming and orders keeps on executing on a frequent basis

and as of now the offshore order book is also close to the range of 80 Crores plus which is supposed to be there, but still there is lot of restriction in terms of the offshore movement and all these things so it is a little bit stagnant for sometime but we are expecting this order book is going to increase very drastically because there are lot of inquiries and things are coming up so by next quarter we will see some upward trend of the order book and the run rate whatever on the half yearly we did a business of close to 80 Crores for GMP so we are expecting doubling of this business by the end of this year. So last year we did close to 150 so we are expecting it will be in the range of 150 to 160 despite there are some movement restrictions in the offshore execution, still it is not quite open for the offshore execution which is little bit delayed.

Anand Datte: What are the operating margins we are looking at in the business segment going forward?

Santosh Sundararajan: Enhancement of the EBITDA margin as compared to the last year it will be in the same range of last year only since majorly the dominant is domestic business and there is lot of price fluctuation has happened in terms of steel is concerned where GMP is partially protected and partially not protected so keeping in view of that part so we do not see enhancement of the EBITDA margin for GMP this year, this year also we will have that same range of EBITDA PAT will be in the range of close to 3 to 3.5 Crores.

Anand Datte: Thank you.

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

Mihir Desai: Sir I just wanted to ask regarding net debt so currently I think we are sitting at some 135 Crores so what is the target which we are looking at two years down the line?

Santosh Sundararajan: So, we are looking at bringing down the net debt in the range of sub 90 Crores by this yearend itself. Our focus ideally we used to get it of the high cost debt we have a working capital limit with SBI which is in the range of 60-70 Crores for EPC considering that EPC has a high target to grow steeply over the next two-three years we are not in a hurry to bring down the CC limits that we have though we will be working on bringing down the rate for the CC limit by improving our balance sheet and P&L and renegotiating; however, we are not looking any short-term to bring down the exposure itself but we are targeting otherwise by end of next year that is March 2023 that we should be done with most of the other real estate related high cost debts.

Mihir Desai: So that would give a good chunk to our profitability next year?

Santosh Sundararajan: Correct. That will continue so already with this infusion of equity and bringing down of debt that we have done now in this month which is not reflecting in Q2 it will start reflecting from Q3 and Q4 and will continue to reflect and only improve over the next five six quarters as we keep bringing the high-cost debts down.

Mihir Desai: That also helps us to increase our bidding capabilities for EPC business?

Santosh Sundararajan: See as our P&L improves and as our topline also continues to improve in terms of execution that we are doing in EPC that is what the banks look for then we can go back to the bank and continue to grow our limits so then our bidding capacity will continue to increase based on that.

Somnath Biswas: See eventually just to add this thing indirectly this is yes as because of the little bit rate reduction, improvement of the P&L structure and finance cost and all these things so probably that will help us to increase the rating and all these things and to negotiate the better terms with the bank, so in that way also it will help us.

Mihir Desai: Sir my last question would be on the industry front currently being COVID at what the stage currently assuming that gradual recovery face so in what pockets we will see opportunity in our EPC business?

Santosh Sundararajan: EPC business is looking very bright going ahead because as I said a while ago we are also now very keen to open up our exposure to the private sector, we had shied away from it for two, three years but now that we have enough order booking in government and that will continue we will be continuing to bid for government projects but the private sector is also now opening up post COVID, the real estate market has stabilized, the demand has increased and in the meantime only reputed developers and reputed projects more than developers what I mean the reputed project is project that have their financial tie up in place that are abiding by RERA and therefore are very conscious that they have to complete what they start and they cannot indefinitely postpone construction so I think that realization has comes into the real estate market in a big way so we are excited to look at opportunities within this market as well because now the risks are drastically reduced compared to three-four years ago for us as contractors.

Mihir Desai: Understood thank you Sir. If I have further questions I will join the queue.

Moderator: Thank you. The next question is from the line of Mohit Bansal from Ajinkya MPL. Please go ahead.

Mohit Bansal: I have two questions the first question is what is our total eligibility in EPC contract and the second question was on the tax rate I wanted to understand the tax rate of the company for this year as well as for the next two years?

Santosh Sundararajan: Eligibility wise currently each department puts up a tender with PQ terms which are totally different so that the way the entire system operates in India where the PQ is decided by the department so sometimes the PQ is so stringent or they have certain terms in the PQ that we do not even qualify for 200 Crores project but sometimes we do qualify for 500- 600 Crores project. Having said that in general our capacity would be to qualify for anywhere in the range of 500-600-650 Crores and we would not be qualifying for project much bigger than that as of now so that will also change that we continue to grow but as of now 500 we have got a couple of projects in the 500 Crores range so maybe 500-600 Crores is the highest qualification that we would have currently.

Mohit Bansal: You also do railway contracts or it is only roads and buildings?

Santosh Sundararajan: No this is only to all kind of buildings it can be from any departments, railways also have buildings, metros have buildings, these are all kind of building so metros have sheds, sheds are also buildings but yes this is purely for different types of buildings not for railways, roads, bridges, infrastructure, ports no we are not in any of these we do not have qualification in those direction as of now.

Mohit Bansal: Please throw some light on the tax rate?

Somnath Biswas: Typically for the next two years if you look at the tax rate, tax rate is zero as because we have the carry forward losses for next two years we do not have to pay any taxes but prior to that we have migrated to section 115J so the taxes will be 25% as of now including all surcharges and sales once it will be coming to that range.

Mohit Bansal: I did not understand the first part you do not have to pay any tax rate this year.

Somnath Biswas: First part is since we have carried forward losses which are still to be absorbed until next year so next two years, we do not have to pay any taxes.

Mohit Bansal: What amount of profitability?

Somnath Biswas: Though it will be profitability but since we have carried forward losses, we do not have to pay taxes.

Santosh Sundararajan: We have carried forward losses which will nullify our taxation for the next two years.

- Mohit Bansal:** So, what is that amount I am trying to understand these carry forward losses is how much?
- Somnath Biswas:** It is for the next two years almost 120 Crores carry forward losses which is to be absorbed.
- Somnath Biswas:** Understood. Thanks a lot for answering the questions. That is it from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Vini Jain, Individual Investor. Please go ahead.
- Vini Jain:** Sorry I have joined the call little late I am not sure this question has already been asked I just wanted to understand the transaction of the Goa hotel and are there any kind of money outflows will happen from there?
- Santosh Sundararajan:** Yes the question was asked but nevertheless since Goa hotel is a cash neutral transaction we are not expecting any money nor are we receiving free cash flows at this point of time from the transaction it is moving from a noncore asset to a core asset moving from holding the stakes in a Goa hotel to holding a land parcel in Powai that is what will be achieved in the immediate timeframe by doing this transaction, subsequently we will then liquidate the Powai land by either selling it or developing it and we will achieve the high cash flows but in the short-term no cash outflow no cash inflow.
- Vini Jain:** Understood. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for closing comments.
- Santosh Sundararajan:** Thank you all for your participation. Wish you a great day. You could connect with Stellar Advisors if you have any further queries or you could contact us and we would be glad to answer them. I will see you again next quarter and wish you all a happy festive season. Happy Diwali. Thank you.
- Moderator:** Thank you very much. On behalf of Vascon Engineers Limited we conclude today's conference. Thank you all for joining. You may now disconnect your lines.