"Vascon Engineers Limited
Q4 FY '25 Earnings Conference Call"
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MODERATOR: **MR. AKHILESH GANDHI – STELLAR INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good morning, and welcome to the Vascon Engineers Limited Q4 FY '25 Earnings Conference Call. As a reminder, all participant lines will remain 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 the operator by pressing star, then zero on your touch-down telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Akhilesh Gandhi from Stellar IR. Thank you, and over to you.

Akhilesh Gandhi: Thank you, Ryan. Good morning, everyone. I, Akhilesh Gandhi, on behalf of Stellar Investor Relations, welcome you all to Vascon Engineers Limited Quarter 4 and FY '25 Earnings Conference Call.

We shall be sharing the key operating and financial highlights for the fourth quarter and the full year ended March 31, 2025. We have with us today the senior management team of Vascon Engineers Limited, Dr. Santosh Sundararajan. He's the Group CEO; and with him, we have Mr. Somnath Biswas, he's the 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 expectation 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 undertake no obligation to update any forward-looking statement to reflect developments that occur after the statement is made. Documents 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 Mr. Dr. Santosh Sundararajan to state his opening remarks on the company's performance for the fourth quarter and the full year ended on March 31. Then we will open the floor for Q&A session. Thank you, and over to you, sir.

Santosh Sundararajan: Thank you. Good morning, everyone. I warmly welcome you all to the earnings conference call of Vascon Engineers for the fourth quarter and full year ended March 31, 2025. Thank you for taking time to join us today.

I hope you've had a chance to go through our Q4 and FY '25 results as well as the investor presentation available on the stock exchanges and the company's website. It gives me great pride to say that FY '25 has been a landmark year for Vascon. We have delivered the highest ever revenue in both the fourth quarter and in the full financial year, which reflects the strength of our business and the strong momentum in our EPC segment.

The performance is a result of our focused efforts on project execution, cost control and business expansion. The record-breaking Q4 stands as a major milestone in our journey and highlights the dedication of our team and the trust of our clients and partners. FY '25 has not just been a year of growth, it has been a year of setting new benchmarks and laying a strong foundation for the future.

Coming to our segmental performance. We reported strong revenue growth of 64% year-on-year in Q4 and 41% for the full year FY '25. This growth was mainly driven by excellent execution in our EPC segment. In Q4 FY '25, EPC revenue stood at INR344 crores, showing a 49% increase over last year and a 24% increase over the previous quarter. For the full year, EPC revenue grew by 41% year-on-year to INR1,013 crores.

Looking ahead, we remain confident about the future of our EPC business. Our order book stands at INR2,825 crores, which is about 2.8x our FY '25 EPC revenue. Out of this, INR2,377 crores are from external EPC projects and INR448 crores are from our internal projects. About 78% of the total work order from external projects is from government projects, which helps us maintain a stable cash flow and fixed project timelines. With the strong pipeline and continued focus on efficiency, we expect execution to improve even further in the coming quarters.

In addition, we have received 2 new EPC orders in April 2025, one from Royal Rides Private Limited and one from Yucca Promoters, totaling to about INR311 crores. These projects will be executed over the next 3 years and further add strength to our order book.

Let me give you an update on the Real Estate segment. As you may know, due to Ind AS accounting rules, revenue and expenses in real estate are recognized at different times. Because of this, profit in FY '25 appears lower, even though the work continues as planned. In FY '25, we achieved new sales bookings totaling to about 35,000 square feet, generating a sales value of INR23 crores and total collection of INR58 crores.

We remain optimistic about the trajectory of our Real Estate segment, supported by a strong pipeline of upcoming projects. We are positive about the outlook of our real estate business, backed by a strong pipeline from new projects that are getting lined up. We believe performance will improve as these projects progress.

Coming to the financial performance of the company in Q4 and FY '25. Let me begin with the consolidated Q4 FY '25 numbers. The company reported a total income of INR392 crores as against INR239 crores in Q4 FY '24, registering a 64% growth year-on-year. EBITDA for the quarter stood at INR42 crores compared to INR26 crores in the same period last year. The EBITDA margin for the quarter was 11%. Profit before exceptional items and tax came in at INR36 crores compared to INR21 crores in Q4 FY '24, showing a 70% year-on-year increase.

Coming to the full year FY '25 performance, the company reported a total income of INR1,090 crores as compared to INR775 crores in FY '24, reflecting a growth of 41% year-on-year. EBITDA for the year stood at INR100 crores as against INR87 crores in FY '24, marking a growth of 14% year-on-year and the EBITDA margin for the year stood at 9%.

The slight margin correction was due to lower contribution from real estate businesses, but EPC margins have remained stable at 10% to 11%. Profit before exceptional items and tax for FY '25 was INR75 crores compared to INR68 crores in FY '24, showing a growth of 11% year-on-year. Net profit stood at INR126 crores in FY '25, including income from sale of GMP, which was as against INR61 crores in FY '24.

On the balance sheet front, we made significant progress in reducing net debt. Net debt reduced from INR124 crores in June 2024 to INR110 crores in September 2024 and further to just INR17 crores as of March 2025. This steady reduction reflects our focus on financial discipline and improving liquidity.

We have recently completed the divestment of our entire stake in Ascent Hotels with the consideration expected to be with us by end of Q1 FY '26. With this, we have exited all noncore assets and are now fully focused on core operations. This strategic shift allows us to allocate resources more effectively, supporting sustainable growth and long-term value creation.

To conclude, our strong financial performance, robust order book in EPC segment and a healthier balance sheet give us confidence for the future. We remain committed to delivering value through disciplined execution, innovation and a dedicated team.

With that, we now come to the question-and-answer session. Thank you.

Moderator: Thank you. The first question comes from the line of Ranodeep from MAS Capital. Please go ahead.

Ranodeep: Great set of numbers, Dr. Santosh. While I'd like to congratulate you on the great performance on the EPC front, a little concerned with the real estate division. I understand about the revenue recognition part. But somehow have we lost some momentum when it comes to real estate? And the second part of the question is, are we looking at a new market, especially markets like Hyderabad? If you just study recently, Godrej entered this market, just one project, right, 300 flats sold straight in 2 months, INR1,000 crores net. So if you can just look into that matter.

Santosh Sundararajan: Sure, Ranodeep. So your first point on the real estate looking sluggish even now and we're missing out on momentum. There is no doubt that our trajectory to push real estate upwards has started a bit late maybe. There's no point looking into the past. But going forward, we first concentrated the last 4, 5 years, we concentrated on pushing the EPC segment into full throttle.

We have achieved that, and it is showing results over the last 2, 3 years. We have a steady growth in both topline and bottom line. Now we have a dedicated team doing exactly the same on the real estate front. We started all these efforts in the last couple of years. We've lined up a few real estate projects in Mumbai as well as in Pune and Coimbatore.

These are all getting launched. Sales are happening. The revenue from all of these would be seen in our books over this year and next year and the year after that. The last couple of years, I agree with you, it was only a few of the old projects in hand, which were sluggish and slow to bring in revenue into our books.

But going ahead, our order book or our pipeline is much, much healthier than it was a couple of years ago. So we are expecting significant growth in real estate revenues over the next 3, 4 years coming. We have a very high target for ourselves, and we want real estate to come to at least 60%, 70% of EPC. And so we are working steadily on that.

As regards to Hyderabad, yes, Hyderabad is having an excellent market, high-end housing, a lot of sales happening. We are aware of the situation, but we would continue to focus only in the micro markets of Pune, Mumbai for small redevelopment and Coimbatore. This is where we are. At this point of time, we are focusing our energies in trying to stabilize and grow and get more projects in these regions. We will not go to other cities at this point of time.

Somnath Biswas: Just to add on this particular aspect in terms of the real estate number, if you look at that last year, we are not able to launch any new project due to some approval constraints, not only pertaining to us, most of the developers had this problem in view of the non-availability of EC bench and NGT issues and all these things, which recently got resolved.

So by end of March only, we are able to launch Santacruz, which didn't have any attraction during the financial year. So whatever the number you are seeing from the real estate it is the outcome of the unsold inventory of the past launch project, which is a very miniscule numbers. Though the revenue is not recognized, revenue will be recognized after completion.

So that's why that this financial year, we kept on saying this '24, '25 is not supposed to be a good number for real estate. We kept on communicating all the times in every call. And that is the reality. But definitely there is a good attraction is there. And a couple of launches we are at almost verge of launching a couple of projects. So next year will be '25, '26, we will have a good aspect on the real estate numbers.

Ranodeep: Sure. I appreciate that. My next question was, I was looking at the kind of orders that we recently -- I mean, which is part of our order book, like majorly across 4 or 5 verticals like namely medical colleges, IT parks, police staffing quarters, metro and airport, right? Are we not focusing on the data center construction because that's a huge runway that we see that's coming into India. Are we not focusing on data center?

Santosh Sundararajan: Yes, very valid point. We are focusing. We have a team trying to make an entry into the data center space. The thing with data center contracts is that for the first time in building industry, the data center contracts have about 60%, 70% of their value coming in from the mechanical and electrical part and only about 25%, 30% coming in from the civil part.

Now Vascon is primarily a civil contractor. In all other projects like our hospitals and IT parks that we take, about 70%, 75% is civil and finishing and only 20%, 25% comes from MEP. So therefore, they prefer to choose a civil contractor as the main contractor and pass the MEP under us, whereas the situation is reversed in data centers.

So they try to look for a big MEP player to take up the full contract, and they would expect him to subcontract the civil part to people like us. So our scope would therefore be much lesser. No data center cost more than INR100 crores, INR150 crores of civil, whereas the total project cost could easily be INR500 crores, INR600 crores.

Having said that, INR100 crores, INR150 crores is also a good number for us from a civil standpoint, and we are trying to align with people like Blue Star and a couple of other MEP players so that we bid for data centers together. Hopefully, we will bag something on this front as well.

Ranodeep: Sure. And if I can squeeze in one last question. We had kind of touched upon this part, which is the Thane land. And I think rightly, this is like the gold mine that we have. Any update on this in terms of how are we planning to monetize this?

Santosh Sundararajan: So monetization of Thane land is still a medium-term story. There are 2 immediate things that will happen. One, there is a government corridor that has been announced in the DP, which is going through about 40 acres out of the 150 acres that we hold over there. Of course, again, half of it -- less than half of it is Vascon's share.

And when that takeover happens, then we would be compensated for at decent prices by the government. So that is one monetization, which we -- it is unavoidable, but it is good. They do give us good rates, good multiples from the ready reckoner rates. So that is one thing that will happen. I'm not sure when exactly because it has been on the radar for a while, but the government will sooner or later take it up.

The second thing we are also doing is we're trying to accumulate about 20 acres touching the road and get an access from the road -- from the main road by making a culvert and a bridge. And then once we are in a position to accumulate 20 and compound it, then we will look -- I mean out of 20, almost 16, 17 already belongs to us. It's a few parcels in between that we are trying to accumulate and get continuity. And then this 20 also, once it's available and encumbered through a fence, then we will decide whether we want to develop or sell or part sell, part develop. So that is another monetization strategy.

As regards to the rest of the land, it's a longer-term thing. So these are the 2 immediate things which we hope in the next couple of years will bear some fruit.

Moderator: The next question comes from the line of Himanshu Upadhyay from BugleRock PMS.

Himanshu Upadhyay: I had 2 questions, okay. One was to Mr. Santosh and the other was to the CFO. So the first question was, in last year, one place where we have lagged was on order book, okay? It has fallen by 15% in FY '25. So what are the reasons for it? Because we were optimistic till last quarter? Is it competition has increased or new tenders got closed was less and hence, the order book fell?

Secondly, how does it impact our FY '26, '27 trajectory -- growth trajectory and our thoughts on the business in the near term or for next 2 years?

And third, can you give an idea of what is the outlook for FY '26 on new orders intake? And do we expect that we will be able to grow the order book and replace what we'll be doing in FY '27? So that was the first question.

Santosh Sundararajan: So I'll take that, and then you can then pose your question to Somnath. Yes, we did not achieve our order booking target that we had spoken about last year. We are well aware of that. The reasons are also that a couple of orders that we are in line or negotiating to close have not happened in the last year. We are hoping that will happen by July or so.

Point number two, yes, if this year also, we do not bag about -- we bagged about INR350 crores already. If we do not bag another INR1,200 crores, INR1,300 crores of order book in this financial year, then our trajectory for '26, '27 will take a hit. '25-'26 is not a problem. We have enough work in hand to achieve at least 20% growth from what we have done this year.

That looks very plausible, and we are working on it. But for the next year, if we do not have at least INR1,000 crores to INR1,300 crores minimum order intake this year, then a further 20% growth would not be possible. So we are very well aware of that.

We have our BG limits in place for this order intake. We have created the collateral and got the banking facilities in place. We are in talks with a couple of agencies, a couple of projects we are targeting. But we have to win this -- over the next 10, 12 months, we have to win at least INR1,200 crores, INR1,300 crores to keep our promises or our growth story alive, and we are well aware, and we will do it.

I mean the reason it didn't happen in the past is because some of those projects which we are talking for have got postponed, those will come. And we are also trying for a lot more projects. So yes, that's a prime target for the year to bag these orders.

Himanshu Upadhyay: Slight more. Is it predominantly government where the orders have got delayed? Or is it private also where the closure is taking more time and hence, the order inflow was less in FY '25?

Santosh Sundararajan: Both actually.

Himanshu Upadhyay: Okay. And next question is to Somnath. I'm looking at Page 16, and this is what was given on the BSE website. So it is operating cash flow or consolidated statement of cash flow. There is a significant increase in amount due from customers or due from a customer by INR175 crores on a consolidated basis. And hence, the cash flow from operations has been only INR4.76 crores and which was negative last year, operating cash flow. This is Slide 16 -- page 16 I am talking about the results. Can you tell what is it? And why such a large increase amount due from a customer?

And secondly, what are we doing to improve our operating cash flows because at one place, you may keep on selling our assets, operating cash flow has to be very, very strong for longer-term value creation in the business we keep on getting diluted, equity keeps on getting hit. That was the...

Somnath Biswas: Basically, if you look at that number, last year, eventually there is a good amount of money has been invested in the real estate in terms of the approval, permission and all these things. So that's why since it is a part of the investment, that's why you are not getting that kind of free cash flow from the operation.

That's because it is one thing it is a blended one. If you look at EPC, it is having a good enough operating cash flow there, but blended cash flow is less in view of the significant investment in the real estate what happened in the last year. So this Bombay project, the Santacruz 2 project and Powai, all these required a good amount of investment. So all the approvals are in place. We are just -- one project is already launched, another 2 is on the verge of launching -- we are waiting for the EC to happen.

So whatever the money has to be invested, it is already investment, no significant money, except some minor investment is there. So no significant investment is there. But due to this investment in real estate, your operating cash flow looks lower as compared to the last year. But otherwise, we have our -- we are financial position is very strong.

Himanshu Upadhyay: Can you give an idea of what has been the cash flow from EPC business if we remove the real estate business? How much in FY '25?

Somnath Biswas: Approximately INR40 crores kind of INR35 crores to INR40 crores operating cash flow from the EPC business.

Himanshu Upadhyay: And what would it have been for FY '24? Because there also -- when we see the blended, it was minus INR22 crores for FY '24. FY '24 EPC, how much cash flow was generated in operation.

Somnath Biswas: I'll come back on this issue during the call -- disclose about that number, I will come back to you about. I'll come back on the number after...

Himanshu Upadhyay: And third, lastly, the Santacruz project, what we have launched, how has been the response to it? And should we expect the remaining 3 projects to be launched in FY '26, the residential 3 projects, which are there in the presentation on slide 27?

Somnath Biswas: This Santacruz, we are getting a significant response. And we are hoping to continue this thing because Xanadu is being assigned as a wholesale agency for this project and Xanadu is specially dealing with all high-end projects. So we are expecting a good attraction already there is attraction is there, but the conversion is happening gradually because last 1 month also 15, the market also a little bit sluggish in terms of the couple of global issues and geopolitical issues are there. So people are a little bit tentative. So we are hoping to catch up very soon.

And for the launch of the remaining project, yes, Prakash is almost another 2, 3 months away for the launching and the same was that Powai one because as I told some time back also for a long time, there is no EC approval is happening in view of the non-ability of the EC bench due to the NGT issue with the government and all these things, which has recently been resolved. And we're expect to be EC bench get very soon.

So once EC is there, we got the EC, so within a month or 2, we'll get the RERA approval and then go for launch. Rest all approvals are in place. So 2 projects is definitely another 3 to 4 months is definitely by October, definitely, we are expecting the launch. Baner Pashan also, once again, it is that NGT issue. Once the EC is done, then by another 6 to 9 months, it will take to consolidate everything and get for the launch. So we are quite hopeful that this financial year, all 3 is supposed to be launched, if not at least 2, definitely, yes.

Himanshu Upadhyay: Okay. And the completions in this year will...

Somnath Biswas: Completion this year, we are expecting that Coimbatore is getting completed this year and the commercial we are doing at Kharadi that is getting completed this year. So this year, we are expecting almost close to INR175 crores to INR200 crores kind of topline from real estate. And last year, EPC operating cash flow was INR25 crores.

Himanshu Upadhyay: The INR25 crores has increased to INR40 crores in FY '25?

Somnath Biswas: Correct.

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

Madhur Rathi: I want to understand regarding the project that we have launched. Sir, one of the question was, sir, earlier guidance was the gross development value would be closer to INR270 crores, but it has been jumped up by 10% crores to INR300 crores. So why that has the rate been increased in that market were pricing lower earlier so on the rate front?

And the second would be, sir, how much has been the bookings till date from this project? Because sir, I think in -- previously you mentioned that during launch, we usually do 30% kind of order booking of our project. So if you could just throw some light on that?

Somnath Biswas: Sir, we are right. Initially, our expert state, our internal assessment talks about the topline is likely to be INR200 -- sorry, INR270 crores. But while before the launch and all these things, once we tied up with Xanadu and all these things, so we have been quite bullish and keeping in view of the current rate happening on that area. So we are quite hopeful that it will touch the topline of INR300 crores. So that is our estimation.

But once again, that currently, we are talking about that how much attraction, all this thing, there is a good amount of movement is happening, but conversion is getting a little bit slow in terms of the current geopolitical situation. Still people are holding for the investment. They are just waiting and how this is shaping up. So now it is -- things are getting stable. We are hopeful to get good conversion in the next 1 to 2 months as we haven't gone for any mega launch kind of for that project.

Madhur Rathi: Okay. Sir, on the gross development value, sir, are we pricing our projects similar to other developers in that market? Or how is our pricing? And sir, second question would be, sir, I think another Prakash Housing Society project, it's similar in Santacruz area, sir. So can we expect a further increase in sales value for that as well? Or this INR330 crores is a fair estimate that we can generate from that?

Somnath Biswas: I think we talked about INR300 crores for that Om Sainath project. That is the outcome has been given. So we are quite hopeful that INR300 crores will be maintained or not INR330 crores. We are expecting that number to come -- the improvement of the numbers after launch of Prakash Housing depends upon the supply and demand supply game.

We cannot comment on the same as of now because market is slightly -- this is as if you're talking about the pricing, it is as comparable to the other developers keeping the space and facility what we are giving. It is comparable with the other players. So Prakash will be in the same kind of range. We are not expecting any upside or any significant growth on the topline on this aspect. So it will be the status quo will be maintained. We're happy to maintain this kind of number.

Madhur Rathi: Sir, my next question is on EPC side. When we compare our EPC business with the likes of Ahluwalia, PSP or even other smaller EPC players, sir, our asset turns and working capital are very high compared to these guys. Sir, even after considering the real estate portion of our business, sir, it has been very on the lower side -- because it has been on the higher side.

Our asset turns -- asset turns would be 0.6, 0.7x versus these guys would do around 1.2x, 1.3x. So I'm trying to understand with us selling all our -- the low-hanging fruit of our business, sir, can we expect some improvement in our EPC working capital cycle as well as requirements going forward?

Santosh Sundararajan: So the EPC working capital cycle is, in fact, fantastic. We do not have any issue. I think there's always a confusion when we read our balance sheet because it's a 40-year-old company. And when you look at assets and there are a lot of other old real estate-based inventories and assets which might be getting mixed up. Purely from an EPC standpoint, we are very comparable to the likes of Ahluwalia or any other competition in all ratios. And in fact, our working capital cycle, our debtor cycle, everything is now very much under control.

Somnath Biswas: Understand you are looking at the number of real estate that's why it is looking a little bit higher. But if you are looking -- if we are able to segregate this thing, so our number is as comparable -- pretty much comparable with Ahluwalia. I'm talking Ahluwalia, L&T will keep on comparing with this thing. So that is at par with them.

Madhur Rathi: Sir, my final question would be, sir, if I look at FY '26 on an overall basis, sir, what kind of revenue can we get from both our segments, EPC as well as real estate? And what kind of margins can we expect from our business?

Santosh Sundararajan: So EPC, we have done INR1,000 crores as of March '25. For March '26, we have set a target of 20% growth. We are looking at achieving INR1,200 crores. Our PBT in EPC has crossed it's about 8.5% this year. We hope to push that towards 9 a bit over 9 over the next year with scale happening.

As far as real estate is concerned, I think Somnath already pointed out, we expect close to INR200 crores -- or INR200-plus crores of revenue coming in, in this financial year. We have 2 projects reaching completion. And real estate gross profits are in almost double of EPC gross profit in general. So we do expect at least 12%, 15% EBITDA coming from -- minimum 15% EBITDA coming from the real estate topline this year as well.

Madhur Rathi: Sir, I didn't get the EBITDA number.

Santosh Sundararajan: So the EBITDA numbers on the EPC are in the range of about 11%, 11.5%. In real estate, these would go up to about 15% to 17% as we get the topline in this year.

Madhur Rathi: That's why we said that they are double of that. So it should be 20%.

Santosh Sundararajan: Yes. So the thing is -- so the gross profits are double. The gross profits in real estate are double of that in EPC. But moment we achieve scales in the range of INR400 crores, INR500 crores, INR400 crores of revenue recognition. See, we were in the same cycle 5 years ago for EPC, we were doing INR300 crores, INR350 crores.

While gross profits were always there, the overheads at INR300 crores, INR350 crores, it wasn't sustainable. And therefore, the EBITDA and the PBT used to come down. Real estate is in the same situation at this point of time. If we do INR200 crores, we will see about 15% EBITDA.

If we achieve INR300 crores, INR400 crores of revenue in real estate, which is our target for 2, 3 years from now and going upwards, that is when the full potential of absorption of overhead costs and reflection on the balance sheet as far as PBTs are concerned will come. So gross profit level, our projects in real estate, even today have doubled the gross profit that EPC has.

Moderator: The next question comes from the line of Prateek Bhandari from AART VENTURES.

Prateek Bhandari: You mentioned that we are anticipating an order inflow of roughly INR1,200 crores to INR1,300 crores in the next 12 to 13 months?

Santosh Sundararajan: Yes, that's right. Tell me.

Prateek Bhandari: Yes. So I wanted to understand that during this year, we have seen an order inflow of around about INR225 crores, right, for FY '25?

Somnath Biswas: Almost INR300 crores. INR225 plus INR75

Santosh Sundararajan: INR300-odd crores.

Prateek Bhandari: INR300 crores. And out of that, what would be the quantum that we got in quarter 4? Was there any order in quarter 4?

Santosh Sundararajan: No, all in quarter 1. Quarter 1 of this year.

Prateek Bhandari: So entire INR300 crores was from quarter 1?

Santosh Sundararajan: Yes.

Prateek Bhandari: And you mentioned about the guidance that you have given for the EPC. So this 11% -- 10% to 11% margin that you are speaking about, it's inclusive of other income? Or is it exclusive?

Santosh Sundararajan: No, excluding other income, we are looking at 10% to 11% EBITDA.

Somnath Biswas: See in EPC, there is no significant other income, only some marginal scrap...

Santosh Sundararajan: Scrap sale and some interest on the margin money that we have for our BG limits with the bank. Nothing other than that.

Prateek Bhandari: Okay. So the topline growth stays at roughly 20% from INR1,000 crores to INR1,200 crores and margins would be 10% to 11%?

Santosh Sundararajan: Correct.

Moderator: The next question comes from the line of Tanish Shah from SRC Investment.

Tanish Shah: Yes. I just wanted to know the current size and location of company's land parcels and how are they going to be utilized in coming years?

Somnath Biswas: Except that Thane, which we already talked about, we don't hold any land parcel over there. So whatever we are doing, we are doing either joint venture or joint development. And we have one small land parcel close to 5 acres that is in the partnership entity, which is in Ajanta Enterprise, and that is in Kharadi. Barring that, we don't hold any land.

Santosh Sundararajan: We have a land in Talegaon, which is Katvi project, which we are developing anyway. So that's why as Somnath said, I mean these are only 3 land parcels. Katvi in Talegaon is under development. About 5 acres in Kharadi, Pune, will go for development in the next year or so. And other than that, it's mainly the Thane parcel.

Tanish Shah: Okay. And what kind of development is coming up in the Talegaon location that you just mentioned?

Somnath Biswas: Talegaon already we were developing that affordable housing. It is almost fag end of this project.

Tanish Shah: Okay. And one another question is that what are the noncore assets that the company has sold or divested since COVID in the past 4 or 5 years?

Somnath Biswas: See, last couple of years we kept on targeting to noncore assets. We kept on saying in all our presentation, all our -- it is a company target. So last 3, 4 years, what we sold that we our subsidiary GMP that is done in the Q3 of the last year. Then we sold Aurangabad land, which is a part of collateral with SBI, we are replacing that.

So that has been sold off. Now the last one was that our stake in Ascent Hotel, that also that we entered into share purchase agreement, we are expecting the fund to hit our -- with a day or 2. So apart from that, as of now, we don't have any noncore assets to look at. So we want to focus back on our core operation there.

Tanish Shah: Okay. Do you have an approximate figure on how much capital has been raised through these divestments?

Somnath Biswas: See for GMP, we raised almost INR157 crores gross, that Aurangabad land almost close to INR32 crores. That is once again gross. And this Ascent Hotel also gross is around INR45 crores.

Moderator: The next question comes from the line of Moksh Ranka from Aurum Capital.

Moksh Ranka: So I wanted to understand directionally where our business is moving over the next 3, 4 years. Are we going to be more of a real estate player...

Moderator: But your audio is not clear.

Moksh Ranka: Yes. So I wanted to understand directionally where our business is moving over the next 3, 4 years. Are we going to be more of a real estate player and our EPC division will be lesser than a real estate division? Could you give some color on that?

Santosh Sundararajan: No, we will not be primarily real estate or primarily EPC. We look at both engines as significant engines that we have capacity in, we have a brand in. So both will be parallelly growing, not at the expense of each other. Having said that, at this point of time, the EPC toplines and the EPC division in terms of volume and size is well ahead of the real estate division. And so for the next 3, 4 years, EPC has reached its sort of critical momentum.

It will continue to grow at 20%, 25% year-on-year organic growth. At every stage, we need to continue to accumulate collateral, augment our BG limit and then augment our team assets, our staffing and grow sustainably, which we think is about 20%, 25% a year is very healthy growth. That's a target we have set for ourselves. So we are at INR1,000 crores in the next 4 years, maybe we can double that turnover to INR2,000 crores. That's a target for us from the EPC division.

Real estate, on the other hand, is hardly giving numbers on the balance sheet at this point of time. As we said, we've lined up quite a few projects. We have more than about INR1,500 crores of revenue to be recognized in our books from the projects that we have already lined up. And so even over a period of 4 to 5 years, this is easily INR300 crores, INR400 crores per year.

But unfortunately, these revenues do not come in a linear fashion unlike EPC because of the AS 7 standards of recognition. And so all in all, what we would like to say is real estate has a day type growth looking -- going ahead because the base point of comparison as we stand today is very low.

And so we want to reach INR500 crores, INR600 crores, INR700 crores of real estate revenue happening year-on-year over the next 3 to 4 years. So that is the target. So the percentage growth in real estate revenue will be much higher than EPC revenue over the next 3, 4 years. But in terms of volume, I think for the next 4 years as well, EPC will be doing more than real estate for sure.

Moksh Ranka: Okay. And in the past, we have diluted equity a lot, and that was because our balance sheet was not very good because of our past struggles with EPC. Now currently, our business, we have a significant order base and good amount of cash flows by divesting a lot of our noncore assets. So do we feel we will have the need to raise more equity going forward or our current cash flows are sufficient?

Santosh Sundararajan: See, that's a very tough question to answer in the sense we can grow without equity, we can grow. Sometimes we feel we can probably grow if there are opportunities in the market, especially on the real estate side, we can then probably grow a bit faster with equity. Having said that, when the price was around INR80, we did think of raising about INR100 crores through a QIP in the market.

Fortunately or unfortunately, the price dropped, the QIP hasn't happened. So that dilution didn't take place. If we feel at an appropriate time with a good market cap, if raising some equity is going to help us grow faster, we will consider it. No hard and fast rules on this, no. So I don't want to answer as a yes or a no. In the immediate term, we just had our Board meeting. We have no discussion on trying to raise equity at this point of time for the immediate short term.

Moderator: The next question comes from the line of Harish Shiyad an investor.

Harish Shiyad: I just wanted to understand this inventory of INR591 crores at March '25, what is the broad breakup between the EPC inventory and the real estate inventory?

Santosh Sundararajan: Bulk of it would be real estate. Only about INR5 crores EPC inventory, nothing much.

Harish Shiyad: Okay. Does it include any land parcel value also?

Santosh Sundararajan: Yes, it does. We have Kalani Nagar.

Somnath Biswas: Thane would come, Kalani Nagar we have -- I mean the land is not in our name, but we have an agreement with the landowner to develop a 5-acre parcel.

Harish Shiyad: But they are sitting in our balance sheet. That value sitting in our balance sheet?

Santosh Sundararajan: About INR120 crores odd is sitting in our balance sheet as inventory on that project. And -- so it's all real estate inventory actually. It's all waiting to be converted to -- and the value actually is much higher. I mean this is just land value. So we develop...

Somnath Biswas: More importantly, it's a development right value.

Santosh Sundararajan: Yes, it's a development right value over there or land value in Thane. I mean the actual value of this inventory when converted to real estate would be much higher.

Harish Shiyad: You said you can expect INR1,500 crores revenue from this. That's what you said sometime back.

Santosh Sundararajan: No. So that is from also the joint venture projects that we have, which have not even translated to inventory. Some of the joint venture projects we've signed up or redevelopment projects, they do not reflect as inventory in our books at this point of time because we haven't started expanding on those projects. So those will also give up revenue.

Harish Shiyad: Okay. So -- but what is the approximate value of the land parcel sitting into this INR591 crores?

Santosh Sundararajan: Land would not be more than...

Somnath Biswas: Approximately, it will be around INR200 crores to INR250 crores.

Harish Shiyad: Okay. The balance are all project WIP?

Santosh Sundararajan: Yes.

Moderator: The next question comes from the line of Rajendra Kulkarni, an investor.

Rajendra Kulkarni: I have few questions. Sir, congratulations on great set of numbers. As you said, your bank guarantee has been augmented. So my question is, are you now consciously bidding on higher projects with project cost and better margins going forward?

Santosh Sundararajan: See, we've sort of figured that -- I mean, the margins plus/minus at the end of the day do not give you excellent spikes in the EPC side. On the one hand, we have an order booking target. So there will be a project here and there which gives you 18%, 20% gross profits, but most others would give you 13%, 14%, 15%.

On an average, we stabilize at about 14% gross profit, 14%, 15% gross profits. And so if we have a target to grow and a target to order book at least INR1,200 crores, INR1,300 crores year, we cannot be always too sticky on margin. Having said that, one advantage for us is that the design and build contracts, the mode of contracting that comes out, a good chunk of it is an EPC mode or design and build mode.

And in those projects, we always have the ability to be a bit optimal in our design and increase our margins by a basis point or 2. But the range of margin is not going to be drastically out of this envelope, which is between, say, 14% to 18%.

Somnath Biswas: And another part is also absolutely correct. Yes, we are looking for the higher value of the project because now not only the BG, BG is always there, but along with the BG, PQ also, the prequalification has also grown substantially. So we always intend to build the higher value of the project where that competition with the competition remain with the organized player. So that is a better way to deal.

Rajendra Kulkarni: Sir, that's why I was asking the next question. So are you projecting your baseline revenue of INR2,000 crores going forward, baseline revenue?

Somnath Biswas: Yes, target is always there to reach that number. But timeline has to be decided, yes.

Santosh Sundararajan: I mean, again, I'm sticking my neck out as futuristic numbers, not a guarantee in anyway. But our target is INR1,200 crores, INR1,450 crores, INR1,750 crores and then INR2,000 plus over the next 4 years.

Somnath Biswas: The past target was, I think, INR1,000 crores standalone number, that is done. So the next milestone will be INR2,000 crores.

Santosh Sundararajan: And I'm talking EPC alone. I'm talking INR1,200 crores EPC alone. INR2,000 crores for a stand-alone revenue should happen in 3 years from now itself because real estate is also scaling up. So INR2,000 crores as a stand-alone revenue for the company from INR1,000 crores that we are in currently is not at all far away, for sure, because real estate is also going to be giving good numbers over the next 3 years. So I think the 3 years from now, we will see INR2,000 crores.

Rajendra Kulkarni: Yes. And your financial position has been quite good now. That's why...

Santosh Sundararajan: Absolutely. Yes.

Rajendra Kulkarni: Sir, one more question, sir. Government of Maharashtra or other governments are slightly filling the payment thing. The delaying payments or is it true? Or are you depending on these government projects? Is it happening or this is just rumor because the payments are getting delayed of government projects?

Somnath Biswas: What you are talking that some people are taking this hit. Those typically do in infrastructure, they are taking some hit. And there is a talk in the market that the project is getting delayed and all this in the payment. But fortunately, for our cases, we haven't experienced that kind of delay in the payment for government project as of now. So that's why our EPC working capital cycle is quite healthy still.

Rajendra Kulkarni: Congratulations on good set of numbers and for future growth.

Moderator: The next question comes from the line of Ranodeep from MAS Capital.

Ranodeep: I wanted to check, we launched Windermere in 2018, GoodLife in 2018, and we are still in the market to sell them. So how are we kind of tackling this? Because I mean, these not only kind of draws us back, but it doesn't let us focus on the future projects. Any thoughts around that?

Santosh Sundararajan: So Windermere is sold out. I mean, see, there will be 1 or 2 apartments which we hold and want to come under a particular price. So it will keep coming in our list of -- but it's more than 95%, 98% sold out. So Windermere, the last 2 years, we didn't have much inventory. GoodLife, we've launched it in 2 phases.

So the first phase is sold out, and we are now in the process of selling second phase. Having said that, yes, we do admit the velocity of sales in Talegaon for the low-cost housing project that we launched was slower than we expected. We didn't find it as easy as we hoped. And so it's taken longer. But we are now in second phase, and we hope to finish that off in this year.

Somnath Biswas: I just clarify one aspect. If you talk about the Windermere, yes, it took some time. But there is -- internally, we have segregated the inventory among ourselves as well as the landowner. So if you look at our share of inventory has been sold long back. So whatever the unsold inventory, it belongs to the landowner who want to dictate a typical price. So obviously, if you dictate a typical price to, it takes some time. So our cash flow has not impacted or affected due to the of the sales and all the things.

Ranodeep: Sure. I understand that. My next question is more from a long-term perspective. I mean now famously redefined as sort of price to earnings to perception to earnings, right? And I think you clearly mentioned that 3 years down the line, we are looking at the revenue kind of touching INR2,000 crores in both EPC and real estate. Now with such trajectory, it's a little surprising that you don't see any mutual fund holding in our stock, right? So any efforts from the IR team there?

Santosh Sundararajan: No, you're right. See, that's why we were, in fact, strategically planning to do a QIP. Two reasons for that QIP. One was, of course, fundraising equity for our real estate projects. But the second was also the idea that we bring in some good QIPs or some mutual funds into the mix. Currently, I think most of them, they look at a market cap of -- sometimes, I mean, I think we do come down as a slightly smaller in terms of market cap for their visibility.

But we have been working -- we've met a whole lot of mutual funds. And in this process of trying to do the QIP, we have presented ourselves to the entire market. And now I think most mutual funds are aware of us. So when the uptake increases in small caps, I'm sure there will be more volume coming in from mutual funds.

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

Madhur Rathi: Sir, I wanted to understand we have spent INR175 crores on 2 Santacruz and one Powai project. This amount would be how much of the total investment that will be required from our side?

Santosh Sundararajan: Total investment of what?

Somnath Biswas: We envisage a INR175 crores investment for the project. And at that point of time, we are planning to raise INR100 crores through QIP and INR75 crores already invested by us during that time. But since the QIP hasn't come with a success due to the market issues and all these things, so for a short-term measure, we went for some term loan and all these things. The fund has been mitigated.

So typically, INR75 crores to INR75 crores more than INR75 crores, almost INR100 crores plus invested by us because some part of the GMP also moved into that thing. So from our side, we invest almost INR110 crores to INR120 crores kind of investment in this particular project and rest has been mitigated through short-term loans.

Madhur Rathi: My question was out of the total investment that will be required in these 3 projects, we have spent INR175 crores. What would be the remaining amount of money that will be required to spend on...

Somnath Biswas: That will be mitigated to the remaining amount what is required that is for the construction. So that will be mitigated to sales only. So we don't need to invest any further good amount, except some amount is required by Prakash housing, which is...

Santosh Sundararajan: It will be about INR30 crores, INR40 crores more, not more than that.

Somnath Biswas: Mitigated from sales only.

Madhur Rathi: Got it. And sir, just one clarification regarding balance sheet is required. Sir, if you could just mention what would be the breakup of other financial asset of INR176 crores noncurrent and other financial asset of INR520 crores current.

Santosh Sundararajan: We will just share this breakup with Stellar. You can please touch base with Stellar and they will let you know all the details.

Moderator: The next question comes from the line of Hanif Shah, an investor.

Hanif Shah: Just have a couple of questions. One on the EPC side, how is the working capital days at the end of the year? And how has it been changed from last year. You mentioned about the cash flow, but if you can just help us understand with what's the working capital cycle typically and at the end of the year, how it is? And do you see a further change as we grow, like I'm saying from INR1,000 crores to maybe INR2,000 crores over the next 3 years. How do you see the working capital cycle changing in that business? That is one part.

And second is on the real estate side of the existing -- I mean, you have given the list of the projects which are under construction and the sales and collection detail. If you can also share the construction cost or construction expenses, which is yet to be spent on all these projects, that will be helpful in understanding both the businesses a little better.

Santosh Sundararajan: Yes. So as regards to working capital cycle, we are at around 45 days. And I do not see any problem with this as we grow. So far, we've been quite disciplined in our collections and in our strategy of -- we follow a strict strategy of having a separate bank account for each project. And if the collections are delayed, we sort of put a halt to the work. And so we've been very conscious and disciplined in ensuring that our working capital cycle and our debtor cycle both do not exceed certain limits. And I think so as we grow, we will be conscious of that.

As regards to the expenditure on the real estate projects, I think, again, we will share it for each project in detail, the profitability, the costs and what has already been invested, what has been collected. I think the detailed statement is available with Stellar. We will update it with them. I think you can touch base with them to collect it from them.

Hanif Shah: Okay. And maybe one more question. How is the capex going to look like in EPC business for next couple of years?

Santosh Sundararajan: Yes, we would need capex. We've always said in the past 3, 4 years that till about INR1,000 crores of revenue, we had a lot of assets lying idle, which have now been put to use, refurbished and are at sites. At this point of time, our asset yard is pretty empty. And so going forward to grow beyond INR1,000 crores, every time we wag new projects, we would need assets in terms of construction machinery as well as shuttering assets.

Typically, the -- you could say it would be in the range of about 5% of our additional growth or rather 10% of our additional growth. So if you're looking at INR200 crores of additional growth, we would say about INR20 crores of capex would be needed in the next year.

Moderator: The next question comes from the line of Harish Shiyad, an investor.

Harish Shiyad: My question is on your internal order book. I understand this is the LED part what we are doing the business, correct?

Santosh Sundararajan: Correct.

Harish Shiyad: So my question is regarding this mainly INR300 crores order is for the redevelopment at the Santacruz 2 project. So just to understand how the revenue model comes. That means nearly INR300 crores you will have to spend for completing that project. And against that, you will be getting the sales value of the additional FSI what you develop and which is sellable to third party. Is it correct?

Santosh Sundararajan: Yes. So again, see, it's just a projection that this is the value of construction we have in hand. From the balance sheet perspective, it gets eliminated because it is work being done internally for our own real estate division. And so what will get recognized is the real estate revenue and the EPC revenue would then get eliminated in consolidation. So while we want to point out that we have INR300 crores to INR400 crores of construction value to be executed by our EPC division internally, the real value of this INR300 crores construction would be much higher.

Harish Shiyad: I know, I understand that. I can understand that this INR300 crores is yet to be spent on these 2 projects?

Santosh Sundararajan: Fair enough. Correct. You are right.

Moderator: Ladies and gentlemen, with that, we conclude the question-and-answer session. I will now hand the conference over to Dr. Santosh Sundararajan for his closing comments.

Santosh Sundararajan: Yes. Thanks, everyone, for participating and asking so many questions. It shows a lot of interest in the company. We are looking forward excitedly for the next year because we are now in a stage of organic growth, and it's quite exciting to be targeting 20%, 25% growth and higher growth in real estate. I will see you all again next quarter, and thanks for being with us. Thank you.

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