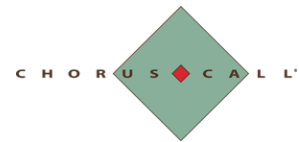




“Vascon Engineers Limited
Q1 FY26 Earnings Conference Call”
August 06, 2025



MANAGEMENT: **DR. SANTOSH SUNDARARAJAN – GROUP CHIEF
EXECUTIVE OFFICER – VASCON ENGINEERS LIMITED
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VASCON ENGINEERS LIMITED**

MODERATOR: **MR. AKHILESH GANDHI – STELLAR INVESTOR
RELATIONS**

Moderator: Ladies and gentlemen, good day, and welcome to the Vascon Engineers Limited Q1 FY '26 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Akhilesh Gandhi: Thank you, Vishakha. Good morning, everyone. I, Akhilesh Gandhi. On behalf of Stellar Investor Relations, welcome you all to Vascon Engineers Limited Quarter 1 FY '26 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the first quarter ended on June 30, 2025. We have with us today the senior management team of Vascon Engineers Limited, Dr. Santosh Sundararajan, he's the Group CEO. 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, opinions and expectations as of today. The statements made in today's call are not a guarantee of future performance and also involve unforeseen risks and uncertainties.

The company also undertakes no obligation to update any forward-looking statements to reflect development that occur after the statement is made. Documents relating to company's financial performance, including the investor presentation have already been uploaded on the stock exchanges.

And I now invite Dr. Santosh Sundararajan to state his opening remarks on the company's performance for the first quarter ended on June 30, 2025. Post that, we will open the floor for question-and-answer session. Thank you and over to you, sir.

Santosh Sundararajan: Thanks, Akhilesh. Good morning, everyone. I warmly welcome you all to the earnings conference call of Vascon Engineers for the first quarter ended June 30, 2025. Thank you for taking the time to join us today. I hope you've had the chance to go through the Q1 FY '26 results as well as the investor presentation available on the stock exchange as well as the company's website.

We would like to share that our overall revenue has seen a healthy improvement during the quarter, supported primarily by continued execution in our EPC segment. While early monsoons in certain regions presented logistical challenges, our project sites remained operational, and execution progressed in line with our internal plans.

However, the weather-related disruptions did temper the pace of execution a bit, resulting in a modest year-on-year growth of 13% in Q1 FY '26. We believe this reflects the strength of our project pipeline and operational preparedness across sites. Coming to our segmental performance.

Our EPC business continues to be on the cornerstone of our growth journey. Over the years, we have built a strong track record, having successfully completed more than 225 projects covering over 45 million square feet of construction across India. Our execution strength is backed by a team of over 500 skilled professionals across our project management and engineering functions.

In addition, our in-house design and planning capabilities enable us to offer complete turnkey solutions covering architectural design, structural engineering and execution. This integrated approach reduces dependence on external agencies and speeds up decision-making and helps us maintain healthy margins.

We continue to focus on large high-value civil construction contracts, especially from government bodies and reputed private players. Our strong track record of quality work and timely delivery has helped us build long-term relationships with marquee clients such as AIIMS, NBCC, CIDCO, MMRDA, etcetera, and other leading institutions across health care, education, industrial and residential sectors.

In Q1 FY '26, our EPC revenue stood at INR204 crores, registering a year-on-year growth of 6.25%. This growth was achieved through timely and efficient project execution despite challenges posed by early monsoon disruptions across multiple regions, which tempered the overall pace of execution.

As of June 30, 2025, our EPC order book stood at INR2,902 crores, which is about 2.9x our FY '25 EPC revenue, offering strong visibility for the next 2 to 3 years. The breakup of our current order book is as follows, INR2,469 crores from external EPC contracts and INR433 crores from internal real estate projects. About 73% of the total orders are from government-backed projects, which ensure timely payments and strong cash flow visibility as of now.

Looking ahead, our focus will remain on bidding for larger projects in the range of INR600 crores to INR700 crores and maintaining cash flow positive execution, further strengthening and working on our design and build model. We are confident of delivering 20% to 25% annual growth in our EPC segment in the coming years.

Let me give you an update on the real estate segment. In Q1 FY '26, we continue to see steady progress across our ongoing projects. During the quarter, we achieved new sales booking worth of 40,500 square feet with a total booking value of INR55 crores and a collection of INR65 crores. While these numbers will reflect in the financial upon revenue recognition, the operational activity on ground has been very strong.

We currently have four real estate projects under active development with a total sealable area of 0.77 million square feet, of which 0.61 million square feet is attributable to Vascon. These include Tulip Phase III at Coimbatore, Goodlife at Talegaon, Tower of Ascend at Kharadi and the redevelopment project Orchids at Santacruz, Mumbai.

So far, we have sold 0.44 million square feet and booked total sales worth INR272 crores and collected INR198 crores. INR116 crores of revenue has already been recognized from Tulips and Goodlife. Looking ahead, our near-term real estate pipeline is strong and includes a JV residential project in Powai, 4-acre high-density housing project in Kharadi and a Tower of

Future, a commercial project in Baner, Pashan, Prakash Housing Society, which is a redevelopment project in Santacruz.

Together, these projects total up to 0.82 million square feet of saleable area attributable to Vascon, which is roughly an estimated top line of INR1,100 crores of sales. With ongoing projects progressing well and a robust pipeline in place, we are confident about a meaningful and consistent contribution of the Real Estate segment from current year onwards.

Coming to the financial performance of the company in Q1 FY '26. The company reported a consolidated total income of INR242 crores in Q1 FY '26, a 22% year-on-year growth over INR198 crores in Q1 FY '25, which includes profit from the sale of investment in Ascent Hotels Private Limited in Pune. EBITDA, excluding profit from the sale of investment in Ascent Hotels for the quarter stood at INR16 crores compared to INR18 crores in the same period last year.

While the EPC EBITDA margin stood consistent at about 9%, 10%, the real estate EBITDA margins declined due to higher marketing costs incurred this quarter. Profit after tax is at INR22 crores compared to INR9 crores in Q1 FY '25. To conclude, our strong financial performance, robust order book in equity segment and a healthier balance sheet gives us confidence for the future. We remain committed to delivering value through disciplined execution, innovation and a dedicated team.

With that, we now welcome any questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Himanshu Upadhyay from BugleRock PMS. Please go ahead.

Himanshu Upadhyay: So my first question was on the profitability, okay? If we look at the Note 6, which states that the profit from sale is around INR17.5 crores and which is included in other income. If we remove this other income, okay, and make it like-to-like, our PBT margins for the quarter went down to 3% on a stand-alone basis, okay? So that is the part one.

And second, when we look at the segmental numbers, it seems that the profit on sale of this asset is included in EPC business. And if we remove this numbers from EPC business, then EPC was at a very nearly zero profit type of numbers for the quarter. So why would this be the case? And why the margins seem to be so low on the EPC business? So, these are the questions?

Somnath Biswas: See, in order to answer your question, that number one, if you remove that the sale of investment in Ascent Hotels, obviously, if you look apple to apple comparison, percentagewise, slightly less as compared to last year.

But if you're talking about the segmental, segmental it has been clearly INR17.5 crores clearly shows that it is unallocable. It is not profit to EPC. And despite of this unallocable, EPC is showing EBITDA of INR19 crores.

Himanshu Upadhyay: I could not hear you. Can you just repeat?

- Somnath Biswas:** See if we remove, if you look at the segmental report, which has been presented in the investor presentation, that INR17.5 crores has been clearly sold as that investment on unallocable. So, it is not part of this thing. And if you look at that EPC, EPC is showing INR19 crores EBITDA. So, what you are talking that EBITDA is 0, that is not the right picture.
- Santosh Sundararajan:** There's an 8% EBIT margin. It is clearly shown in the Slide 8 of our presentation.
- Himanshu Upadhyay:** I'll tell you when we look at the Page 9 of what you have put on the result presentation, okay?
- Santosh Sundararajan:** Page 8, I think you have to look at Page 8.
- Himanshu Upadhyay:** The segmental numbers, okay?
- Santosh Sundararajan:** Yes, if you look at the Page 8.
- Himanshu Upadhyay:** I'm not talking about the quarterly presentation. I was talking more on the press release, okay?
- Santosh Sundararajan:** So, you are right. In general, there is a reduction of a couple of basis points on the EPC margin. It's nowhere near 0. The EBIT is still at 8%. It is normally in the range of 10%. We did have a write-down in one of our projects, Goa, whereby we consciously took a call along with the Board and auditors to not recognize revenue beyond a particular point on that because that project is under arbitration.
- And whenever the results of the arbitration are out, we will be getting a bonus recognition of revenue. But as a cautious measure, we have stopped recognizing further revenue from that project, except beyond what is accepted by the client at this stage. So actually, we had to pull back about INR4 crores to INR5 crores this quarter in a reversal.
- So that is affecting our numbers in terms of profitability of the EPC segment, which is specific only to this quarter. But even then it's nowhere near 0, we are at about 8% EBIT. The PBT would be at around 6% to 7% this quarter. But we are confident that we can pull this towards 8% and 9% as the year goes on because anyway, this quarter is the lowest contributing quarter for the year, generally speaking.
- On the real estate side, there is a minor loss. So that is because of the revenue recognition IND AS 115 method. As we said, we've incurred marketing costs on our Bombay project this quarter, and we have achieved sales as well in line with those marketing costs.
- However, the sales don't come in, as we all know, as per IND AS 115, but those marketing costs have already come into the books. So, the real estate segmental, you will see is at a marginal loss of about 5% in EBIT. And the EPC is at about 8% in EBIT and the 17.5 Crs is not included in this.
- Himanshu Upadhyay:** Okay. And one more thing. In last 1 year, our debt has reduced materially, okay, after sale of assets and everything. But if I look at our cost of finance or the finance costs last year versus this year, it is still increased by 17%, 18%, okay? So why would my finance cost increase so much when my debt has reduced significantly in last 1 year?

Somnath Biswas: Himanshu, if you look at the gross debt remain upside only. If you are talking about the net debt, net debt has been substantially reduced. But if you look at the gross debt number, there is upside of the gross debt number as because some debt has been taken for the real estate project. So obviously, once the gross debt is increased, there will be some increase in incremental part of the finance cost will be there.

Himanshu Upadhyay: Okay. And I have one more question. So we have spoken about diversifying our order book in past. And we have some discussions on it on the call. But if we look at one of our peers, Northern peers, who also used to have a similar order book profile with nearly 80% to 85% from government and only 17%, 18% from private sector 3 years back has moved to 42% government order book and 58% from private, okay.

But in our case, it is still predominantly government with 78% as of Q4, and I think 74%-75% as of Q1 FY '26. We have not seen many orders won from the private sector and residential sector is the place where others have grown quite materially and institutions building, okay? And that has been a lagging point for us, okay. So what are the challenges? And how are we thinking of overcoming them and grow our business even on the private sector, okay?

Because it seems very though we have won 1 order this quarter, significant INR228 crores, but it has lagged the way the market has grown on the private side or we have lagged. So some thoughts on that will be helpful and what direction are we taking on that?

Santosh Sundararajan: No, I agree with you. We are also pretty keen to increase the ratio of exposure to private sector. We do not want to be skewed towards one sector. Having said that, we have no complaints from the government sector at this point of time, the kind of projects we slot into in the INR300 crores to INR600 crores range and the hospitals that we are working on.

We see that these are the kind of projects where there is no payment issues from government, even if it is state government, even if it is in the phase of elections or whatever. So we are pretty happy to be skewed towards the government even at this point of time. But however, as a prudent business call, we would want to be closer to 60% government, 40% private at least and not 75%, 78% government.

So, we are working on that. We are looking for projects in the private sector. We've burned our fingers in the past in the private sector, especially with builders, especially residential projects. And therefore, we are still having very stringent terms when we sit across the table for negotiations with private builders in terms of the bank guarantees we are comfortable providing in terms of the terms of the contract, there are a lot of terms which have written us in the past.

So those wounds haven't been forgotten. So, we are a bit sticky when it comes to negotiation on the private side. And we have let go of many tenders where the client is insistent on certain terms, which do not go in line with our mandate from the Board as well. But having said that, we are aggressively trying to increase our exposure on the private side also with no desperation but looking for good projects.

And in the meantime, if a government project comes by, which is good and this ratio remains in this range for a short while, we are okay with it. We don't want to let go of government projects

waiting for private projects. But we do have a separate business marketing cell we have put up now, which we are trying to aggressively set target for private side. So I take your point, and we will work on it.

Himanshu Upadhyay: Okay. And how big is the team, which is working on private side, the marketing team, private side?

Santosh Sundararajan: So at this point of time, we are not looking aggressively for private projects in other zones, except in Maharashtra, Pune, Mumbai. We are not looking in NCR region also. We would prefer to stick to government in the North zone of India. In the South, in Bangalore, we are looking. In Chennai, we are looking and in Mumbai. So, in all these places, we have a couple of business management people headed by one central business management person placed out of our head office.

Himanshu Upadhyay: Who is working for private sector business?

Santosh Sundararajan: Yes. Correct.

Moderator: The next question is from the line of Kanish Shah from SR Capital.

Kanish Shah: Yes. So while the royal rides and other small wins like around INR300 crores have been announced, the pace of new inflows seems slower than expected. Could you just elaborate on the current bidding pipeline and the expected conversion in Q2 and H2 FY '26?

Santosh Sundararajan: Yes, I mean, if I may accept for everyone, that is definitely a short-term concern. We have not bagged any significant orders in the last 6 months, except that one order you mentioned. We have lost out on at least three projects of INR700 crores, INR650 crores, INR750 crores size range by very small margins.

We are realizing that the competition is intense in the market and the rates at which people are bagging these projects are a bit lower than what our expectation is. So we have always set a guideline for ourselves of about 15% gross profit on EPC projects so that we are able to get closer to about 9% to 10% PBT that we aim in this segment.

But it looks like that it's been 6, 8 months, and we are not desperate, but we are definitely a bit concerned, and we want to be bagging the order target for the year. So maybe a percentage point or 2%, we will bring down, and we will aggressively look at this. And hopefully, in the next 9 months, we will achieve our targets.

Kanish Shah: Okay. And the other question I have is there is a INR440 crores land item in the balance sheet. So what exactly does this figure include, like how many land parcels are there? And where are they? What is their book value and all individually?

Santosh Sundararajan: We can share the total breakup of it to you. If you through Stellar, if you could just post call, give us an e-mail, we can send you the details. It primarily consists of our holding in the Thane land, and then we have a project in Kalyani Nagar, where we reflect this land, prime parcel over

there where we hold the rights to construction and a few others. So we can send you the detailed breakup.

Kanish Shah:

Sure, sure. No problem. Just one last thing that you mentioned that currently about 3.7 million square feet is being executed annually at 90% capacity utilization, right? So against the overall capacity of 8 million square feet per annum, this implies that the company is still significant at idle capacity, likely due to maybe limited order inflows.

So -- if the order inflow improves meaningfully and you are able to use the full capacity, what would be the maximum annual revenue and potential that Vascon could achieve from this EPC segment?

Santosh Sundararajan:

So, that is a very complicated question. There's a short-term answer to it. There is a long-term answer to it. One is our execution capacity. We are quite comfortable at this point of time in terms of our senior management bandwidth or assets that we have, even if we have almost utilized most of the assets that were aligning idle in our yard about 4, 5 years ago. But even augmenting assets is not a big problem with small capex that we might incur going forward for growth. We can carry on this growth story.

There is another angle, which is the BG limit. The BG limits always sort of put another guideline to the growth that we can estimate. So BG limit won't double year-on-year. They will steadily grow based on our performance year-on-year and our relations with the bank. So with all these factors kept in mind, we have always projected for the last 1 year, I've been saying we want to grow at 20% to 25%, if possible, 25% year-on-year on the EPC side.

We've done about INR1,000 crores last year. Our target for this year is INR1,200 crores, if not a bit more. And we still feel we are very much on track to achieve that. The first quarter, barring, as I said, a little bit of monsoons and one project that didn't take off in full speed. But we're still very positive that in the next 3 quarters, we will catch up and achieve the INR1,200 crores target for this year.

For next year, another 20% growth would mean to do INR1,450 crores or close to INR1,500. Again, the BG limits will grow. For this year, the BG limits have already been tied up. For next year, we'll have to continue growing on the BG limits. As of now, the only little concern is that the order booking has to happen. Otherwise, the growth story will not pan out the way we are talking.

So as rightly pointed out, and I think surely everybody would have that concern in mind that we haven't booked good orders in the last 6, 8 months. Hopefully, in the next 9 months, we'll be able to reverse that and start next year with close to upwards of INR3,500 crore order backlog in hand. Then this growth story will definitely be achieved.

Kansih Shah:

Okay. Yes. Just given the strong long-term opportunity, are there any plans to expand beyond even 8 million square feet or either by scaling up teams or adopting some kind of technology or into joint execution arrangements or something like that?

Santosh Sundararajan: So as I said, at this point of time, see, I mean, to scale up beyond this organic target of 20% to 25%, which is purely based on internal accruals, which is purely based on performance year-on-year, improving the balance sheet, improving your relation with the bank. This is an organic target of 20% to 25%.

If we want to set a higher target and expand exponentially or a bit much more than this 20%, 25%, one, we would need capital investment because BG limits, as I said, won't come through the business much faster than this. So, we would have to tie up much bigger BG limits for which we would need funding. And then technology, there are options. I mean we are always marrying new technology in every project that we do.

I mean there is no choice on that even to grow at these rates we will have to look at technology, but yes, to diversify or to look at different streams to suddenly set ourselves a target of INR2,000 crores instead of INR1,400 crores the year after next would mean we would have to first look at infusion of capital.

At this point, we are wary of taking debt on the EPC segment beyond the small BG limits that we carry. So, at this point of time, I would just like at a Board mandate also, we are not looking to raise equity in the short term. So, I think we would stick to our organic growth target of 20% to 25% for at least the next 1 year.

Moderator: The next question is from the line of Meet Agarwal, an Individual Investor. Please go ahead.

Meet Agarwal: So just wanted to know that the company currently operates in Pune, Mumbai and Coimbatore. So, are there any new cities being evaluated for the future for the real estate?

Santosh Sundararajan: At this point, no. We are happy to stick to these three cities at this point of time.

Meet Agarwal: Got it. Just apart from that, one more thing. So your real estate model is largely asset-light through JVs and JDA structures. So how do you see this going ahead? So just wanted to know, so how do you decide between outright purchase JV or redevelopment? And how will this model look like going ahead?

Santosh Sundararajan: Again, for the next 2, 3 years, as far as our discussions in our Board is concerned, at least we are pretty clear that we will be on the asset-light side, even if we have accrued capital coming in from the businesses. At this point, we do not intend to be purchasing land. We will rather do two or three projects using that capital on a JV basis rather than put money into purchasing land.

That is the current mandate that we have at our management and Board level. So we will continue on this asset-light model, which is JV redevelopment in Pune, Mumbai and Coimbatore.

Moderator: The next question is from the line of Vedant Joshi, an Individual Investor.

Vedant Joshi: So I just wanted to understand about the company's asset monetization efforts. So since COVID period, the company has sold some noncore assets. So if you could walk us through which assets were sold and how much was raised through this transaction?

- Santosh Sundararajan:** Primarily two big assets. I think we sold GMP, which is the biggest noncore sale that we did. I don't remember the exact numbers we have declared it in our call a couple of quarters ago, but I think we raised about close to INR100 crores for the company as cash flow in that sale. Recently, we've sold our holdings in Ascent Hotels, which is the Hyatt Hotel in Viman Nagar. Again, we got a cash flow infusion of about INR40 crores from this sale and a profit of INR17 crores, which reflects in this quarter. What else did we sell in this quarter?
- Somnath Biswas:** No, we don't have anything to sell all assets are sold now.
- Santosh Sundararajan:** Yes. So these are the two big assets that we sold in the last 2, 3 years. Well before that, about 4, 5 years ago, we sold a land parcel in -- I think 4 years ago, we sold a land parcel in Kharadi through our Ajanta partnership company that we hold there. So these are the bigger ones. And yes, at this point of time, we really do not have any big noncore assets left. We have worked on all of this and so we sold our stake in our Goa hotel also.
- That was again, 4, 5 years ago. We got the Powai land in view of that, which we are developing. So most of these noncore assets on our books have been sold. And as of now, going forward, we only have Thane land, which is definitely not noncore. It's a core land. We will work on that. Other than that, it's business in real estate, asset-light model and EPC purely operations.
- Vedant Joshi:** Okay, sure. So my next question is regarding the order book. So 73% of the projects are government, as mentioned. And does it impact the margins? So are the government projects have lower margin?
- Santosh Sundararajan:** Again, a bit complicated. See, one aspect is that in the government project, we have to be L1 to win. In the private side, you can be -- you need not be the lowest bidder if the client wants to award you. So in some cases, on the private side, we can protect our margins at the time of bagging the order.
- Currently, as I said, the government landscape has become quite competitive, and we are not -- we've lost a few orders in the last 4, 5 months where we have tried to protect our 15% gross profit target. And maybe we will have to come down a percentage point or 2% on that so that we have order book in hand.
- But plus/minus all factors put together, whether it's private or government, the competition is big, and I think the margins remain in that range of 12% to 15% gross at the project level. And because we have design and build EPC mode of contracting, that sort of helps us protect ourselves in this range rather than flip even further below.
- Moderator:** The next question is from the line of Mihir Vyas from 9 Rays EquiResearch. Please go ahead.
- Mihir Vyas:** Sir, can you share some development on the Thane land?
- Santosh Sundararajan:** On the Thane land, we have a 45% stake in an entity which owns about 150 acres in that location in discontinuous parcels. Now at this point of time, we are working on two things. One is there is a government corridor that has been announced, which will be taking on -- taking over about 30 to 40 acres from this parcel of 150 acres. That is in process.

That might take some time, but it has been announced. And whenever that acquisition from the government side starts, that will be an automatic liquidation for us to the tune of about 20 acres. I'm considering we are half that is 45% to the tune of about 18 to 20 acres. That is one thing that will happen.

The second is on our front, we are in the process of trying to accumulate about 20 acres, out of which about 17 is in our hand. Another 3 to 4 acres, we are trying to use a local partner and accumulate road touching 20 acres, one continuous parcel. So that process is on.

We are talking to the local landowners for those 3, 4 acres. They are in smaller pieces in between our holding. And once we are able to achieve that accumulation of 20 acres, road touch, we will then get an access. Okay, there is a nala between the road and our land. So we would then go and get a covert into the bridge access to our 20 acres.

And once that is done, then we will decide how much of it we want to develop under our brand name, how much of it we want to sell off or give off to someone else. So these are the 2 things we are working on. One, we are working on and the government is working on as far as our Thane land is concerned. The other parcels behind, which are not contiguous, for this point of time, we are not working on them. We're just concentrating on these two things.

Moderator: The next question is from the line of Diwakar, an Individual Investor. Please go ahead.

Diwakar: Sir, I just want to reconfirm the guidance that you gave earlier. So you are guiding around 20% growth in EPC, which will be INR1,200 crores revenue. And in real estate, you are guiding for INR175 crores to INR200 crores. Are you maintaining that guidance?

Santosh Sundararajan: Yes.

Diwakar: Okay. And on the margin front, you were saying for EPC, it will be 11% and real estate close to 15% to 17%, is it still maintained?

Santosh Sundararajan: PBT, we're talking of PBT, no PBT, EPC won't be 11%. It will be between 8% and 9%. We are hoping at some point to push it to 10%. But as I said, there are pressures coming in from having to take jobs at 1% or 2% points less in terms of margin. So my guideline would still remain closer to 9% for this year. EPC and PBT.

Diwakar: Okay. 9% PBT. And real estate, it will be 15% to 17% EBITDA margin, right?

Santosh Sundararajan: Correct. EBITDA.

Diwakar: Okay. And sir, over the years, we have grown in our EPC, right, from INR300 crores to now INR1,000 crores. Real estate segment is quiet, I believe, decreasing or it kind of volatile. So this year, we are expecting around INR175 crores. And what is the revenue recognition you are expecting in '27 in next 2 to 3 years, total revenue recognition?

Santosh Sundararajan: Yes. So I'll just tell you, see, I mean, to just summarize, you're absolutely right, the company sort of went through a tough period in the early part of, say, 2012 to 2016, '17, '18. We

restructured, we did a rights issue. We had a shareholding change. We had a management change, all of that. And so we call ourselves Vascon 2.0 from, say, from 2017, '18.

Now the first thing we targeted to bring up was the EPC segment. It was less capital intensive. We focused on that. We changed our strategy. We went into the government sector and bid for a lot of government projects. So as you can see, the results of that are to be seen today. We are now from INR300 crores. As you said, we've crossed INR1,000 crores, and we are at a steady target of 20% growth in that segment.

The real estate segment was a bit more capital intensive, although we are on the asset-light model, but we would still need infusion of capital to launch real estate projects. So we had kept that on hold for the first 3, 4 years. Only last 2, 3 years, we've been working aggressively on now growing the real estate engine of our company.

Currently, yes, you're right, we are only projecting INR175 crores to INR200 crores this year. But let us look at what is pending. We already spoke about 4 projects, which will give us a revenue in the range of INR1,100 crores to INR1,200 crores. Vascon share, which are currently to be launched over the next 12 to 15 months.

We are also looking at about INR300-odd crores pending revenue to be recognized from our already launched projects, Vascon share. So we are looking at INR1,500 crores to upwards closer to INR1,500 crores, maybe INR1,500 crores of revenue from just these 4 plus 4, 8 projects in hand as far as the real estate is concerned. Even if we take 4 to 5 years to finish, we are looking at an average of upwards of INR300 crores, INR400 crores coming in from these projects.

The only hit is that quarter-on-quarter, we will not see this because we only get to recognize these at certain phases of completion. But all said and done, we have INR1,500 crores of revenue to be closed out over the next 4 years from these projects alone. And then we are also looking at new tie-ups on the asset-light model in both Bombay and Pune. So that is where we are. And we hope to -- yes, we want our real estate also to grow like the EPC has, and we are working on that.

Diwakar: Okay. Sir, just want to reconfirm. So you said 4 projects that you are about to launch has a revenue potential of INR1100 crores to INR1200 crores and projects already launched over the last 4 years, 5 years, what is the revenue potential that have already been launched?

Santosh Sundararajan: Right.

Diwakar: What was the number sir, INR1500 crores?

Santosh Sundararajan: INR300 crores.

Diwakar: INR300 crores?

Santosh Sundararajan: Unrecognized revenue, yes.

Diwakar: So this INR300 crores, INR400 crores will come in next...

Santosh Sundararajan: 2 years.

Diwakar: 2 years.

Santosh Sundararajan: From this INR300-400 crores, INR175 crores will come this year another INR200 crores will come next year hopefully next year. And then the INR1,100 crores, which we are launching will start coming after that.

Diwakar: Okay. And sir, what will be the cost requirement? How much capital will you require in these 4 projects in the next 2 years?

Santosh Sundararajan: Yes, we would need about INR80 crores to INR100 crores capital in totality for these 4 projects to be launched. So our strategy is also not to take excessive - the need for capital also arises. One is, of course, your launch costs and marketing and initial expenses at site.

But before that, sometimes you need premium FSIs or you need certain challan payments to the government to launch these projects. So that's where the need for capital arises, although we are not buying land, these lines are already tied up. So what we will be looking for is certain short-term financing strategies as well as certain equity infusion at project level from project level partners who will either come in at a profit sharing level or who would underwrite stock from the project at an early date at a subsidized rate. So these are the two models.

We do not want to be excessively borrowing from NBFCs until the approvals of the projects are in hand because the time line can be waged and then the repayment pressure starts building up. So this is the strategy to launch these four projects.

Somnath Biswas: And just to add up all this aspect, if you're talking about what is the four projects you are talking of, out of the 4 already 2 has been capital has been tied up and that has been already raised. That's why if you look at our debt structure, it has been increased from INR174 crores to INR250 crores.

So that capital has already been infused in the system. Another INR70 crores, INR80 crores is required that is for the remaining 2 projects, which is at a defined stage of approval and all these things. So two projects, capital tie-up is already done and infused.

Diwakar: Okay. And just one last question, sir. Maybe you have covered this in the opening remarks. So sir, the revenue recognition in real estate in this quarter was around INR20-odd crores. So why is this that low? I mean we are projecting INR175 crores, but...

Somnath Biswas: So one thing it is based on the completion. This quarter doesn't have any comp. It is only the sale of unsold inventory impact. In the completed project, what we are talking about INR300 crores to INR400 crores, which is completed project is coming up in the defined level. So from that, this INR20 crores has been done.

Santosh Sundararajan: So we will not have in real estate a linear kind of a target at all for the next 3, 4 years because we haven't reached that level to be completing something every quarter. So the reason we are

projecting INR175 crores to INR200 crores is we expect to complete a project. So the POA will be completed before March and so will part of the Coimbatore project.

So once those completions happen, those inventories that are held today in the form of inventory so called will then get converted to revenue.

Diwakar: Okay. So you are in line with that completion, right? It is going well.

Santosh Sundararajan: Yes.

Somnath Biswas: In all practicality, it will be in the Q3 or Q4 like that. It will not be in the Q2 also.

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

Santosh Sundararajan: Thanks, everyone for keeping face on the company and tracking us. I'm looking forward to meet you all again next quarter, hopefully, with some good news on some orders bagged. Thank you and I'll see you all again. Goodbye.

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