# “Vascon Engineers Ltd Q3 FY16 Earnings Conference Call”

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**MANAGEMENT: MR. R. VASUDEVAN – MANAGING DIRECTOR**
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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Vascon Engineers Limited Q3 FY16 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. R. Vasudevan – Managing Director of Vascon Engineers. Thank you and over to you, sir.

**R. Vasudevan**: Good morning, everyone, and a warm welcome to Vascon Engineers' Quarter Three Financial Year 2016 Post Results Earnings Conference Call. I have with me our CEO - Dr. Santosh Sundararajan, CFO - Mr. D. Santhanam and Stellar Investor Relations, our advisors for Investor Relations.

The company is committed towards its focus on improving operational efficiencies and generating cash flow. I am happy that this quarter we have turned profitable as we have almost completed revenue reversal and write-off in the businesses. Considering the tough and challenging environment and feedback received from investor community, we have taken a conscious decision to wave off managerial remuneration. During the quarter, the provision for managerial remuneration to an extent of Rs. 9 crores has been reversed. We are focusing on cost optimization across businesses which will help us to improve our operating margin.

We recorded an EBITDA of Rs. 24 crores and a PAT of Rs.10 crores in quarter three of financial year 2016. We continue to focus on cash flow generation by monetizing non-core investments and assets. The incremental cash generation will help us to improve liquidity in the business and achieve higher growth. We are quite confident of better performance going forward.

We have successfully raised Rs.100 crores through rights issue, the proceeds of which was largely utilized towards repayment of high cost debt and to kick start key projects.

As discussed in my previous conference call over our focus on generating cash flow, we have initiated the process of monetization of identified properties and expect around Rs. 80 crores in the next few months.

Moving on to the different segments we are in. In the EPC segment, the company has a third party order book of Rs. 848 crores as on 31st December, 2015. We have received order inflow of Rs. 286 crores in nine months of financial year 2016. Our focus is on Design, Build and Turnkey projects as we have been saying and on billing order book across segments with projects from institutions like hospitals, hotels, schools, industrial constructions, etc, projects from government agencies and reputed developers with better credentials.

In the real-estate segment, we are not looking at making any additional investments for acquiring any land bank, our current land bank of 334 acres is fully paid for where Vascon share of developable area itself is more than 17 million square feet. During the nine months of financial year 2016, we sold a total area of 87,080 square feet for a total sale value of Rs. 59 crores. The average sales realization for nine months of FY16 has been Rs. 6,800 per square feet. The cumulative area sold by the company for the projects under construction is 1.96 million square feet amounting to sales value of Rs. 1,023 crores. Vascon received Rs. 509.5 crores and recognized revenue of Rs. 509.2 crores up to December 31, 2015.

Coming to our Clean Room Partition, the business we acquired in 2011 through the acquisition of GMP Technical Solutions Private Limited. This company is a professionally managed company and currently Vascon holds 85% stake in this company. GMP as we have told before is manufacturer of Clean Room Partitions, Isolators and also provides services in HVAC and building management services, thus offering a turnkey solution to hospitality and pharmaceutical industry primarily. The product manufactured are extensively used in pharmaceutical and healthcare industries, semiconductor and solar industries are emerging opportunity for these products in India wherein average order size will be much larger. GMP has manufacturing facilities at Baddi in Himachal Pradesh and Bhiwadi in Maharashtra. In fact, the facility at Bhiwadi is being expanded in this coming quarter.

Now let me give you a brief summary of our results and key developments in this quarter. The company on a consolidated basis recorded revenue of Rs. 146 crores in quarter three of financial year 2016, as against Rs. 161 crores in quarter three of financial year 2015. In the nine months of financial year 2016, the company reported revenue of Rs. 470 crores as compared to revenue of Rs. 469 crores in the nine months of financial year 2015. The EBITDA for the quarter three financial year 2016 was at Rs. 24 crores as compared to a loss of Rs. 31 crores in quarter three of financial year 2015 and Rs. 54 crores in nine month of financial year 2016 as against loss of Rs. 24 crores in nine months of financial year 2015. The company reported profit after tax of Rs. 10 crores in the quarter three of financial year 2016, against a loss after tax of Rs. 42 crores in the same period last year. Repayment of high cost debt of Rs. 62 crores and conversion of high yield ICD to zero coupon NCD have helped us in saving interest costs. As mentioned earlier, we are focusing on cost optimization across businesses which will help us to improve operating margin. We reiterate our confidence in our business and its future prospects.

Thank you all. We would now like to take questions.

**Moderator:** Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Neerav Shah from GeeCee Investments. Please go ahead.

**Neerav Shah:** Sir few questions. Sir firstly, even if we adjust for the Rs. 9 crores of reversal of managerial remuneration, the total staff cost comes to around Rs. 13 crores - 14 crores, and if I look at the run rate for the last few quarters it is anywhere between Rs. 18 crores to 20 crores, so if you can just explain this reason why it is at such a lower end?

**R. Vasudevan**: See, the staff salary has been reduced continuously both in Vascon and in GMP, we have been reducing the staff, so the cost will come down only.

**Neerav Shah:** So the sustainable number on a quarterly run rate basis would be Rs. 15 crores, is it fair to say?

**R. Vasudevan**: Yes.

**Neerav Shah:** And on the debt front sir, what is the gross debt as of December on a consol basis, sir?

**R. Vasudevan**: Gross debt is about 288 crores.

**Neerav Shah:** And this includes a 70-odd crores of zero coupon?

**R. Vasudevan**: Yes, that includes, correct.

**Neerav Shah:** And any other interest free component in this or that is the only one?

**R. Vasudevan**: That is the only one.

**Neerav Shah:** And sir any cash balance?

**R. Vasudevan**: 79 crores, see 288 crores is the gross debt, cash and bank balance is about 79 crores, so net it is about 209 crores.

**Neerav Shah:** And this cash balance is for specific purpose, I mean partly from the rights issue of 30-odd crores?

**R. Vasudevan**: No, that is also part of it, but the rest of that deposits are guarantees and other things with the banks, for bank guarantee purposes and other things both GMP and Vascon.

**Neerav Shah:** And sir on annual basis, what is the broad EBIT margin that we can expect at least from the EPC segment, because the number is pretty volatile on a quarterly basis, so on an annual basis what should we project, EBITDA margins? Q1 was 17%, Q2 was 25%.

**R. Vasudevan**: That is 22% down.

**Neerav Shah:** This current quarter is around 9.2%, September quarter was 23%.

**R. Vasudevan**: You are taking after salaries?

**Neerav Shah:** Sir, I am taking the number from the results release, I mean what we filed with the exchanges, the PBIT margins. I mean, you must be taking the gross margins which you have shared in the presentation, so even if that is a sustainable number you can share, either or.

**Management**: Yes, I think see in the EPC for us it is difficult, because we have both real-estate and EPC lines of business, so there is now clear distribution of overheads and salaries to either business, but what we do is monitor the gross margins and EPC gross margin this quarter is upwards of 20%, it is about 22% to 23% at the gross level. I think that is a number we would like to keenly monitor and ensure that we are in the range of 20%, because that is when it will translate to PBT.

**Neerav Shah:** And on the asset monetization plan, sir can you just throw, because in the Q2 press presentation you had shared the property that you were expected to receive 75 crores and also you had identified some properties, so at what stage are we to monetize say holiday and Phoenix, Nasik and the IT refund?

**R. Vasudevan**: Most of these cases, the deals have been struck and initial funds have come in, but the payment terms are also a little slow so it is not coming in the pace that which we expected it to come. But it is not as if the deals have not been done, deals have been done and good amount, in some cases substantial amount, some cases initial amounts have all come in. So these are done and closed deals, these are not deals which we are expecting to close.

**Neerav Shah:** So we will at least receive these 75 crores maybe say spread over maximum by second half of FY17, in the worst case scenario?

**R. Vasudevan**: Yes, in the worst case scenario, yes.

**Neerav Shah:** And likely would be what, first quarter?

**R. Vasudevan**: Likely, we are expecting it to be earning before the first quarter, but as you said it may be another three months, so half yearly 2017.

**Neerav Shah:** And sir what is the average cost of the gross debt, excluding the 71 crores of zero coupon, for the 200 crores what is the blended cost of debt?

**Management:** Around 16%.

**Neerav Shah:** And any guidance for the real-estate segment, real-estate development on the revenue front or the EBIT front?

**R. Vasudevan**: I think what it is as on today it is difficult to predict.

**Neerav Shah:** And the turnaround in the BMS Segment is sustainable now, at least we will more likely see the positive EBIT number?

**R. Vasudevan**: We should be able to do that, from the first quarter yes.

**Neerav Shah:** So what were exactly the measures that we took over the last two quarters which enabled us to turnaround sir, was it on the pricing front or volume front?

**R. Vasudevan**: There are two divisions within the Clean Room GMP company, one division is the manufacturing division which is at Baddi, there has been a good steady order flow in that division. We have done in this period about 70 crores, total is about 160 crores between two divisions but in the nine months' period which we are talking off, out of which Baddi division itself has done about 80 crores, the major one.

**Neerav Shah:** So revenues are 155 crores?

**R. Vasudevan**: There is order flow there, that is one part of it. The second part of it, the Mumbai division which handles the HVAC and Electrical is typically plagued with typical EPC issues across, because it is again purely a service oriented business. The other businesses of GMP Tech and BMS are being relatively better, but in terms of HVAC and Electrical there been rain and we had to also because of the liquidity issues in many of these contracts, we have also been forced to write-off part of it in this division. So the average now is able to do what we are shown in the nine months' period.

**Neerav Shah:** So all the pain is that we have taken it in the provisions and right now it is all clean?

**R. Vasudevan**: Most of it is taken, some little amount will get done in this quarter, almost done I would say.

**Moderator:** Thank you. Our next question is from the line of Nikhil Marathe from Rubicon. Please go ahead.

**Nikhil Marathe:** What I wanted to check with you was, how do you plan to revive the revenue engine of the company because if you look at the EPC business then we do not seem to have won any new orders in this quarter. So it would be grateful if you could share some thoughts on how you plan to address this issue and if you could speak a little bit about the pipeline of projects that we are bidding for at this point?

**Santosh Sundararajan**: Yes, so as you rightly said, see now order book is the only focus point for us because I think most of the internal pinning ups in terms of overheads and bad debts and everything is more or less done, so we are now geared up to show profits as long as we are able to slightly increase our order books quarter-on-quarter. We are working on it, we have started aggressively reaching out and trying to fill more tenders, we currently do have an order book of about 850 crores to 900 crores which are running live projects, so that should theoretically take us through for a couple of years but then obviously we do not want to sit on bank on the success of that order book. So yes, as we said we are being choosy in the kind of projects and the kind of clients we want to work for, so that is restricting our options. And having said that, within that set of framework we are quite confident that over the next six months we should bag some orders to keep our order book healthier.

**R. Vasudevan**: Here again what I want to add is, that now what we are also trying to do is we are trying to have a mix which is spread, like we have got to have a thread of having learnt from our past experience, we want to have a mix of order books for institutional, industrial, government and developer related projects, what happened to us in the last period was we were predominantly dependent on the developer related projects, we got converted to that mix. So we are careful in that and we are also very consciously picking up selective government contracts where quality issues are prime importance and delivery times are of prime importance, so we are in that as well.

**Nikhil Marathe:** If you look at the pipeline today, then what do you expect to win let us say over the next six months, have you put a reasonable win probability on your pipeline, I am sure you do these exercises internally, so what would be a reasonable estimate for what kind of order flow we can see over the next six months?

**R. Vasudevan**: We are looking at next year about to do on the EPC alone, about 600 crores, 450 crores to 600 crores, that is the construction outside EPC we are talking.

**Santosh Sundararajan**: So to answer your question on order book, see we hope in the next six months our internal target is about 250 crores at least, annual target is to try and move upwards to 500 crores for this year. So yes, so as I said we are working on it, but there are a couple of negotiations which are at the last stage, if one or two of them turn our way then we should be reporting next quarter hopefully.

**Nikhil Marathe:** And if you look at your current order book of 850 crores than that is executable over the next two years, all the projects are live and not slow moving, right?

**Santosh Sundararajan**: Correct, these are all live and running going at full pace as of now.

**Nikhil Marathe:** And the time of it is 24 months for this?

**Santosh Sundararajan**: Yes, maximum 24 months, in fact theoretically speaking we should, most of them should finish in the next six quarters itself, but it is fair to assume that it will stretch maybe eight quarters, two years. And obviously we hope to add some more order book to that which will get executed over the next two years.

**Nikhil Marathe:** My second question was on the Windermere project, if you could share the status of this project and what is the further investment required from here on to complete this? And then what is our outlook on when we expect to sell and get this off the balance sheet?

**R. Vasudevan**: See, this project I think we have provided for from out of our rights issue, funds for this project, part of it we have used, part of it is still lying which we are underutilization. The project is in a situation where we need to push substantial progress from the funds which we have allocated for us to touch those projections which we need to do. So it is a chicken and egg type of story of the situation in this particular location and the next six months are going to be crucial for us in terms of how this project is going to go. But to come to your second question, we are expecting the residential component of this project to get closed by the year end of 2016. Having said that, we have also had a component of commercial building which is coming in and we have some pluses there in terms of buildability, we have some potential buildability increase in terms of the latest rules, so that should be able to add to some better margins on this long drawn project.

**Nikhil Marathe:** And the last quarter I had sir was on the Clean Room business, if you could share the order book and the outlook for his business in terms of what kind of revenue we can do for the next year?

**R. Vasudevan**: See, Clean Room business typically order books are not more than for three months to six months' period, so we have at present order books of about 125 crores with us, next year going forward we expect that we should be doing about roughly 250 crores plus, about 5% - 10% maybe more than what we will be doing this year. This is because monthly sections we will be doing much higher, 20% - 25%, but monthly division would be doing about the same.

**Moderator:** Thank you. Our next question is from the line of Vinod Jain from WF Advisors. Please go ahead.

**Vinod Jain:** My question relates to the product mix going forward of the three business lines we have, so we have been discussing the order book situations and the possibilities to execute them, but just to crystallize the matter sir, the three divisions, how will you order them in terms of revenue, which would be the largest one, which would be the middle one and which will be the smallest one? And secondly on the real-estate front, what kind of margins do you anticipate in the next 12 months?

**Santosh Sundararajan**: Let me start from the smallest one, out of those three verticals which we talked off, real-estate would be the smallest one in the next one year or two years, since that we are not launching any new projects because of the market situations, so that would be the smallest one and that should touch about 100 crores is what we anticipate annually next year, 100 crores to 125 crores in the coming year. Then we have the next division which is the EPC of construction contract and the third one is the Clean Room Partition. So now second one would be the Clean Room Partitions where in we would be aiming at about 250 crores to 275 crores in the coming year and where we seem to be fairly comfortable at least in one division of touching 125 crores - 150 crores, the other division which is going ahead, again that being primarily service driven we will be again careful in terms of getting the businesses. The third business is the EPC business, again it is contracting business for us, here again as I explained to you we have again internally split this in to three or four businesses, smaller things, we are focusing on institutional buildings which are like schools, collages, hospitals, etc, that is one part we want about 20% of that business coming from that particular engine. Then we are expecting the government order book which we are expecting about 30% - 40% from government order books, again selective government order books and again selective jobs. Then the third would be between the industrial work which we are doing. And the fourth would be the residential or the commercial buildings which we do for our own project as well as for third party. So this will be the various mixtures which is going forward.

**Vinod Jain:** Sir, to get it a little more clear, I am seeing the three lines of vertical, real-estate, EPC and the Clean Room?

**Santosh Sundararajan**: Correct.

**Vinod Jain:** You have indicated 100 crores for the real-estate, over the next 12 months we are talking, calendar year 2016 sir.

**Santosh Sundararajan**: Yes.

**Vinod Jain:** And for the EPC you would summarize for all those verticals put together, how much would it come to, sir?

**Santosh Sundararajan**: 400 to 450.

**Vinod Jain:** And for the Clean Room, sir?

**Santosh Sundararajan**: 250 to 300.

**Vinod Jain:** One last point in the whole matter, you see on the real-estate which turns out to be the smallest, the monetization of the real-estate assets would therefore take quite a long-term it would appear, several years because the turnover being so relatively small I think that could take a longer period, I would like your view on that, and also the margins of the real-estate business.

**Santosh Sundararajan**: See, wherever the margins, because we follow a model of joint development and joint venture projects, our margins are anywhere between 25% to 40%, depending upon what is the type, because all these land parcels are being purchased substantially higher. So that is the plus point there, but now the market being what it is, it will happen when it happens, so we are not projecting anything in the next year that we really may be able to take off, although we had good amount of projects lined up which are full approvals almost there, or full approvals ready there.

**Vinod Jain:** Sir then would it be fair to understand that the real-estate would remain the smallest segment for the next at least three to four years?

**Santosh Sundararajan**: I would say two years.

**Vinod Jain:** And the monetization of the various land parcels and the property rights you have, it may take three to four years?

**Santosh Sundararajan**: Again, between two and three years I would say.

**Moderator:** Thank you. Our next question is from the line of Nitin Gandhi from Kifs Securities. Please go ahead.

**Nitin Gandhi:** Can you give some color on the margin which are for nine months vis-à-vis the next year based on your order book, EPCs of last nine months is 21%, real-estate is hovering around 28% to 35% and Clean Room is at roughly 30. So are we saying that this 30:30 is maintainable or EPC will continue to be at lower end of below 20?

**Santosh Sundararajan**: No, most projects in our order book now, I would say except one or two projects which we need to complete, the rest of the projects are, touchwood, running on track and to the profitability that we hope to get when we took the jobs. So gross profit, closer to 20 in EPC should be maintainable over the next year because we have done most of the writing-off exercise, the reversals, the bad debts, all of that which was pulling down our gross profits over the last few quarters, that exercise is over. So going forward we do hope that in EPC the gross profit should remain closer to 20. Same for real-estate, real-estate never had a problem to do with gross profit, it is more to do with the revenue we achieve quarter-on-quarter which depends on the sales and the market, but gross profit of the real-estate closer to 30% I do not see any issue why that would not happen. And the same with GMP as well, we have been looking at the books and taking whatever bad debts, we can review in those scenarios this year so that going forward the gross profit should be protected.

**Nitin Gandhi:** So what was the rationale for 8% rise in gross profit margin in 2015 vis-à-vis 2016?

**Santosh Sundararajan**: Sorry?

**Nitin Gandhi:** In nine months figure of 2015, the margins for real-estate were 28% which is short of to 36% of 2016, was there any particular project which was exceptional?

**R. Vasudevan**: No there are several projects where we have to write-off because of the non-recoverability….

**Nitin Gandhi:** So you are saying there was something negative in 2015 which was not there in 2016, in that case the sustainable margins should be 36% and not 30% which is mentioned.

**R. Vasudevan**: In the real-estate, again, it will all depend on some specific monetization, asset sales would have also got remitted.

**Nitin Gandhi:** So which is unlikely to happen in 2016 because now you are building on around…

**R. Vasudevan**: In the next two years it is likely to happen one set off, you do not know when.

**Santosh Sundararajan**: See, on an average I would say, see our real-estate margins on a weighted average is in the range of 30, as we for the next 500 crores that we need to recognize the gross profit in the range of about 30, 30 to 35 max, depending on which project gives us the pay in which quarter, some projects are Mr. Vasudevan pointed out some projects upwards of 40%, if the sales are higher in that project for that particular quarter the overall gross profit of the real-estate looks higher. So I think on long-term over seven, eight quarter basis 30 to 35 is the number we should achieve.

**Moderator:** Thank you. Our next question is from the line of Neerav Shah from GeeCee Investments. Please go ahead.

**Neerav Shah:** Sir just one last question, on the interest rate front you mentioned 16%, but assuming in the first half the 75 crores comes, are we in the process of approaching agencies for an upgrade in our rating, what is our current rating and any interest savings post that?

**R. Vasudevan**: After our past readings we have not taken any readings at present, unless we stabilize everything at this point of time we do not intend doing it, so somewhere in this quarter we will start approaching the rating agencies for some consistency in performance both in terms of bottom-line as well as in terms of liquidity issues needs to be addressed which we are addressing now, and then going forward we would do that. And then yes substantially, that is also on our radar, we are working out with a plan of action there as well.

**Neerav Shah:** And sir, can you just throw some clarity on the latest announcement the company provided to stock exchanges regarding you divesting some stakes, 19% stake for 19-odd crores and then again you subscribe into converted debentures, I mean which hotel project is that relating to, can you just throw some light on that particular announcement, sir?

**R. Vasudevan**: The reason on the joint-venture project which we had developed in IT park where we had higher total bid, the other promoter group took an exit and technically to settle the structure of the deal we in fact got out of liquidity position there because substantial money had to be pumped in and we were in no as our policy of not wanting to expand in the hospitality division, did not want to pump in extra, so we withdrew our thing. But the project did not have cash flow for our complete withdrawal and the valuations we felt were not attractive for us to withdraw at this point of time. So we held back, we just rotated it, the whole thing was a successful exercise.

**Neerav Shah:** There is no cash flow impact as such there?

**R. Vasudevan**: There is no cash flow impact, there is no positive or negative, neutral cash flow.

**Neerav Shah:** So your equity is out, then your holdings are convertible which can get convertible**….**

**R. Vasudevan**: Yes, we have convertible debentures with upside provisions in it. It is a quasi-equity debenture type of an instrument.

**Neerav Shah:** And just what is the update on, we also plan to exit our BMS Segment, I mean partially?

**R. Vasudevan**: Which one?

**Neerav Shah:** The BMS Segment.

**R. Vasudevan**: No. BMS is part of GMP.

**Neerav Shah:** So any stake dilutions plans over there?

**R. Vasudevan**: No, there were certain approaches made on this, on separate divisions and stuff like that, we have not thought about the processes there as such.

**Management:** Thank you. Our next question is from the line of Nitin Gandhi from Kifs Securities. Please go ahead.

**Nitin Gandhi:** I just wish to know how are the finance cost interest burden for the financial year 2017 and the tax implication for 2017?

**R. Vasudevan**: Finance implication cost?

**Nitin Gandhi:** Yes, finance cost, how are they likely to spend, because you have done whatever debt reduction at best, what are the current cost in FY17, how do you expect it to be behaving?

**R. Vasudevan**: See, 200 crores is the net exposure now at 16%, it should be around 32 crores.

**Nitin Gandhi:** So equal to nine months of 2016?

**R. Vasudevan**: No, I am talking of full year, full year 32 crores.

**Nitin Gandhi:** That is what I am saying, that whatever you are guiding for 2017 is equal to nine months of 2016, so what about working capital?

**R. Vasudevan**: And hopefully that is a, we are still in the process of trying to reduce debt further through asset sales, so if that also happens over the next two quarters, hopefully better than even 30 crores next year.

**Nitin Gandhi:** Correct, so linked to that whatever news announcement comes we will factor that later on, and what about the tax?

**R. Vasudevan**: Taxes, if we make money then taxes will come, mostly MAT will be applicable.

**Nitin Gandhi:** Because nine months figures are disproportionate, I was not able to work out the effective tax rate.

**Santosh Sundararajan**: No, that is actually some of the tax for other companies.

**R. Vasudevan**: See, there are taxes in other subsidiaries and that is why the rate happen**….**

**D. Santhanam:** Ajanta is one of our joint venture where we are making significant profit, so that entity is paying significant tax also. So my profit after tax that is where it takes hit, because they are paying tax, we are not paying tax, it is a loss here but then PAT is, there is a tax element, tax outgo is also there, so PAT is taking a hit.

**Nitin Gandhi:** So consolidating Ajanta only I wanted to know, because last year you had loss still you paid some tax, this year also tax is more than the PBT. So we expect that we will continue at MAT level for the next year based on whatever asset loss and other things are there carry forward for the taxes?

**R. Vasudevan**: In fact tax outflow increases once we also start making profit.

**Nitin Gandhi:** Yes, but it would not cross MAT?

**Santosh Sundararajan**: Yes, it would not cross MAT, but yes this tax that is coming in some of the subsidiary which are operating outside the standalone balance sheet, we have companies **0:39:17.7** and merge as many as possible which are all subsidiaries that are entities we are working on trying to merge them, but certain partnerships which have other parties involved, one or two of them, we would not be able to consolidated within Vacon. So we would see this effect for the next year.

**Nitin Gandhi:** And I know somebody had already covered, but whether I missed, out of EPC 850 crores how much is executable in 2017?

**R. Vasudevan**: Theoretically I would say 500 crores on paper, we have the order book of Rs.500 crores next year but for various factors we are all dependent on our clients sales, cash flows, their issues. So if I have to pay 50 crores I think maybe it is still 300 to 400 out of that should come next year.

**Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. R. Vasudevan for closing comments.

**R. Vasudevan**: Thank you all for your participation. And if you have any queries you can always write to us, we would be more than happy to answer that. Thank you.

**Moderator:** Thank you very much, members of the management. Ladies and Gentlemen, on behalf of Vascon Engineers Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.