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Vascon Engineers; Price objective INR 30
Buy in 2 tranches between INR 14.5-12

Strong Execution record:
The company has strong clientale and has more than 30 plus years of experience across commercial, residential and own real estate development which include big names

like Cipla SeZ, Ruby Mills Mumbai, Suzlon one, MLCP Delhi Airport and various IT companies like Zensar, WNS , IBM, Mastek, Mphasis etc.

Company has strong order book of 2000 cr which is 4x its FY20 revenue gives visibility of next 2 -3 years. The company has started

winning new orders also.

The company is confident of reducing its current NET debt of INR 187crores substantially from revenues of existing projects only, Montization of non core assets and sale of Windermere.

The company has taken various cost measures during COVID and

they are likely to remain and would boost profitability of the company and improve margins.

The company has good real estate pipe line of more than 100 cr plus for next 12 -18 months.

75 pc of order book is largely from Government based projects where cash flow issues are

not there.

Company has witnessed good traction in real estate biz post Maharashtra Government announced stamp duty reduction from 5 pc to 2 pc.

Company is confidence of achieving FY20 numbers in FY21 as execution is now at normalcy with sufficient labor availability against

60 pc in Q2. There has been fall in labor wages also in last few weeks.

Most of EPC projects are working in normal fashion now. The company sees maximum impact of 200 cr of slowdown in execution in order book.

The company would sell its non core assets like Mumbai building,

hotel in Goa and land in Aurangabad at right point of time. Proceeds are likely to be used for debt reduction.

Mid size segment is doing better than affordable and luxury segment. There has been price cuts on luxury segments (Windermere) by the company but it would help buyer

back to system.

The revenue from MMRCL, Goa and Police housing to start contributing from Q4 FY21 onwards.

Margins are expected to normalcy in Q3.

The company has inventory of 130 crores in Windermere (Bungalow require some construction) and

can generate net cash flow of 65-70 crores for the company .

I believe company can easily do top line of 750 crores with Ebidta of 90-100 crores in FY22.