

June 25, 2020

Listing Department  
BSE Limited  
Floor 25,P.J. Towers  
Dalal Streets  
Mumbai – 400 001

Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East)  
Mumbai – 400051

**Scrip Code: 539940**

**Name of Scrip: MAXVIL**

**SUB: TRANSCRIPT OF THE EARNINGS CONFERENCE CALL FOR Q4 & FY 2020 HELD ON JUNE 09, 2020**

Dear Sir/Madam,

Please find enclosed the transcript of Earnings Conference Call conducted by the Company for Q4 & FY 2020 on Tuesday, June 09, 2020.

This is for your information and records.

Thanking you,

Yours faithfully  
For **Max Ventures and Industries Limited**



**Saket Gupta**  
**Company Secretary and Compliance Officer**

Encl: As above



# “Max Ventures & Industries Q4 & FY20 Earnings Conference Call”

**June 09, 2020**



**MANAGEMENT: MR. SAHIL VACHANI – MD& CEO, MAX VENTURES & INDUSTRIES LIMITED**  
**MR. NITIN KANSAL – CFO, MAX VENTURES & INDUSTRIES LIMITED**  
**MR. RISHI RAJ – CHIEF BUSINESS DEVELOPMENT OFFICER, MAX VENTURES & INDUSTRIES LIMITED**  
**MR. RAMNEEK JAIN – CEO, MAX SPECIALITY FILMS LIMITED**  
**MR. ARJUNJIT SINGH – ADVISOR, MAX ESTATES LIMITED**  
**MR. ROHIT RAJPUT – CEO OF MAX ASSET SERVICES LIMITED**  
**MR. NITIN THAKUR – INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good morning and welcome to Max Ventures and Industries Q4 & FY20 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on the date of this call. The statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 '\*' and then '0' on the touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sahil Vachani, MD & CEO of Max Ventures & Industries Limited. Thank you and over to you sir.

**Sahil Vachani:** Good Morning, ladies, and gentlemen. Thank you for joining us on the Max Ventures & Industries Q4 & FY20 Earnings Conference Call. Along with me today I have MaxVIL's experienced senior management team on the call. We have our CFO – Mr. Nitin Kansal who has 18+ years of experience across wide spectrum of finance function both within Max Group as well as with large and reputed organizations in hospitality and real estate such as EMAAR. Mr. Rishi Raj - Chief Business Development officer, who has 20+ years of experience including as a head of corporate strategy for the Max Group and as a leader of McKinsey & Co's strategy and corporate finance practice serving clients across sectors and geography. Mr. Ramneek Jain - CEO of our Packaging Films Business who has 23+ years of experience heading a wide spectrum of core functions in manufacturing organizations. Mr. Arjunjit Singh – COO of our Real Estate business who has experience in private equity and as an investment banker with Fidelity and UBS. Mr. Rohit Rajput - CEO of Max Asset Services who has 19+ years of rich professional experience including as a banker with Citibank; as a consultant with Hay group and as an entrepreneur, Mr. Nitin Thakur – Director, Brand & Communication of Max Group who has been at the forefront of shaping the Max Group's Brand and communication strategy over more than 12 years and also works closely with operating companies guiding their Investor Communication, reputation management as well as digital marketing strategy. He was previously managing communications at Microsoft India. We also have SGA – our Investor Relations advisors on the call.

Thank you everyone for joining on the call today and I hope you and everyone around you is safe and in good health.

Notwithstanding the disruption towards the fag end, FY 2020 was an eventful year for Max Ventures & Industries, in which we cemented our position in both our businesses of Real Estate & Packaging Films. Max Estates Limited is our primary subsidiary focusing on development of commercial real estate in NCR which is complemented by Max Assets Services Limited and Max I Limited. Our legacy business of packaging films is operated through Max Speciality Films Limited.

Before giving you detailed business wise updates, I would like to highlight few important developments of our business in the year gone by. On Real Estate front, we have leased more

than 50% of Max Towers within 1 year of its commencement – a testimony of a high-quality product offering from Max. We also moved forward in our goal to create a capital light business model by executing a marquee transaction with New York Life for our new commercial project “Max Square”. This is the first Real estate SPV level investment by NYL in India.

At our Packaging Films Business, our core focus on better product mix in the favour of more profitable value-added speciality films has yielded excellent results for us, and as a result our profitability has more than tripled in FY20 as compared to FY19 in the packaging business.

Let me now start with detailed business updates on our Real Estate Business

Our first Grade A+ commercial tower – Max Towers has seen good traction in leasing. We leased out more than 50% of Area of Max Towers at a premium of 25-30% to immediate micro market. During Covid-19, the company was successful in leasing ~25,000 sq. ft area to a large listed entity – a testimony of the value proposition that Max Towers and Noida market offers to potential tenants.

Max Towers houses a marquee tenant list of financially strong Indian & multinational companies. At this point of time, we have not offered any rental waiver to office occupiers but rent deferral option will be considered for those whose business may have been severely affected.

Our second, Grade A+ commercial offering is Max House in Okhla. Phase 1 is in the final stages of completion and if not for lockdown, the project would have commenced leasing. The project is now slightly delayed, and we expect it to be launched in Q2FY21. We are confident of achieving a similar reputed tenant profile as Max Towers for Max House. Once completed, Max House will be the only Grade A+ built to lease office in Okhla. We expect to commence work on the phase 2 of this project which is expected to be ready for launch towards end of 2022.

We at Max, have not let this crisis go unproductive.

Our business development and leasing teams have productively used the time during the lockdown in getting the digital toolkit ready to creating virtual video based interactive tours, proactively identifying list of prospective clients and directly reaching out through digital mediums, curating innovative office space solutions thus recognizing the needs of office occupiers to re-locate and diversify office portfolio while conserving cash and increasing employee health and safety standards.

More specifically, this translates into innovative integrated office packages including zero capex plan on their fitouts and interiors, which leads to zero upfront capital expenditure for them.

Post lockdown 4, prospective occupiers have been willing to re-engage which signals that they have started assessing their space requirements and how our offerings can serve them.

In FY20, we also announced our next Grade A+ commercial project (3<sup>rd</sup> development) for which we had acquired a prime land parcel in Sector 129 on the Noida Expressway. This Grade A+ commercial project is named 'Max Square' and is being designed to house commercial office space as well as F&B and entertainment areas. For Max Square – we have onboarded our long-term trusted partner New York Life Insurance Company, one of the largest insurance companies in the world as our 49% partner with Max Estates holding the balance 51%. We will be responsible for leasing & final delivery of the project and will be entitled to a development management fee. In Q4, we have already received Rs. 686 Mn out of total committed Rs. 857 Mn for the project from New York Life.

We intend to actively pursue such capital light models and capitalize on these partnerships thereby creating scale in our real estate portfolio. This also opens up an additional revenue stream in the form of development & management fee.

I would like to add here that there is a significant opportunity that we see emerging out of the current crisis for Max Estates. We believe that consolidation is going to be driven further in the real estate space particularly in NCR given that there is a significant shortage of good quality developers. More so, distressed opportunities, I believe will come to the fore and we have already successfully bid for distressed opportunity in the micro market that we are in with approval from CoC subject to NCLT court approval. I would now like to pass it on to Rishi Raj who will take us through the impact of COVID-19 on the real estate space. Thank you.

**Rishi Raj:**

Thank you, Sahil. At the outset, let me say what I am going to talk about are our opinions and beliefs after conducting extensive research and speaking with industry participants. Overall, we anticipate slowdown in commercial real estate leasing activity, but that will be temporary. It will be maximum in Q1 and will start easing, in our view, by Q2 of FY21. This will be counterbalanced by, as Sahil mentioned, shrinking supply due to stalling of work in ongoing projects due to lack of capital or conviction or both.

Let me explain this further.

The first generalization making rounds is that Work from Home could impact demand for office space. Our take is as follows: While there are positives from Work from Home concept in terms of time optimization, however due to unavailability of safe and secured digital infrastructure, we believe this concept may take time to gain momentum especially when productivity assessment is taken under consideration. We strongly believe that office culture is here to stay with companies adopting business continuity process like efficient work from home operations in case of disruptions as fallback option.

At the same time, the positive factor coming out of Covid-19 for the commercial real estate industry which may increase demand for office space is de-densification of office spaces. De-densification will increase the space required per employee in an office on account of adherence to social distancing and following protocols on safe working environment. Safety and well-being

of the employees will be the priority for companies in these times. Hence there are two forces at play, and we expect the demand for office space to remain fairly stable in the long run.

Secondly, we believe that institutionally owned offices will be preferred over strata sold offices. Let me explain why. There is likely to be a strong preference for office spaces which undertake proper measures to contain the virus spread like screening, sanitation, air filtration and social distancing which will be essential for safe working environment. Institutionally owned offices will be in a much better position to implement these measures in their offices versus strata sold offices which will find it extremely difficult to implement the best practices required to ensure a safe and healthy working environment. Max Estates with its experienced asset management team has successfully implemented these best workplace measures to ensure healthy work environment and have made suitable provisions in our near completion project Max House.

Third, we expect that demand for Grade A office space in Delhi NCR will be least impacted post Covid-19 as compared to other major cities in India as supply for Grade A space was already constrained in this region and would be further curtailed due to overstretched balance sheets of the developers. In the short term, we believe, the new leasing in office space may move slowly but eventually, we expect the leasing activity to increase as the economic activity picks up.

Fourth, we anticipate that large occupiers in business hubs such as Gurugram will diversify their real estate footprint to transition to a hub and spoke workplace model for superior business continuity. In Delhi NCR, our projects are located in and around Noida which is transforming to become the next such commercial hub in NCR. Noida as a location is now the preferred choice for many companies as it offers high quality commercial office space experience, minutes away from Delhi and at relatively competitive and attractive rentals. Hence, there is a strong business case for companies to re-locate to Noida from Delhi & Gurgaon especially post Covid to save costs.

Lastly, cost optimization drive from corporates will likely lead to migration of tenants from expensive, old and strata sold assets in locations to developer owned and managed Grade A+ assets within NCR.

**Let me now touch upon project pipeline**

The ongoing pandemic will bring many distressed opportunities in the market as developers would not be able to deliver on their commitment due to their stretched balance sheets and liquidity constraints. Developers with good track record and strong balance sheets will be at an advantage. Max being a credible brand with focus on Grade A+ commercial office segment, strong balance sheet with access to capital and now with proven execution, is well placed to benefit from the opportunity available and are diligently evaluating a couple of opportunities especially in Gurgaon.

To give you a summary view of our pipeline, we have:

- 0.6 million sq ft already delivered project
- 0.1 million sq ft which is Max House, will be launched in a couple of months
- 0.8 million sq ft, that is Max Square and Okhla phase 2 for which the construction very soon

In addition, we are actively prospecting distressed Greenfield and brownfield assets of about 4-5 million sq ft. Of these, we anticipate to acquire about 40% within the current FY. This may include brownfield assets as well which will become immediately leasable and will therefore augment our lease pool.

The value-addable parcels that we may acquire will have a build-out period of 3-5 years. As mentioned earlier, we are in discussions with funds to continue asset light approach in future and will target high teen unlevered IRR for Greenfield projects.

With that, let me hand over to Rohit Rajput, my colleague to talk about other businesses, Max Asset Services and Max I.

**Rohit Rajput:**

Thank you, Rishi. Ladies and gentlemen, let me know talk about our businesses which enhance value of our core real estate business. Starting with Max Asset Services Limited which focuses on providing services such as building operations management, as well as managed offices for enterprises. MAS leverages various technological tools such as mobile app, video analytics, visitor management etc. which help in managing costs while delivering superior customer experience. MAS is currently playing a pivotal role in implementing the hygiene and health measures which are essential to contain the COVID-19 spread.

Let me now give a quick snapshot on MEL's investment subsidiary Max Investments Limited (Max I.) We pivoted Max I strategy in FY20 to become a PropTech accelerator. We will focus on synergistic mentorship opportunities with real estate businesses through "Maxcelerate", an ecosystem for real estate technology start-ups. For example, the ecosystem has helped us to engage with a start-up, which is now developing digital video tour of our office assets to engage clients via guided tour, critical in lieu of constrained inter-city travel. Max I. has already been working with many start-ups in the field of air quality management, visitor management, video analytics solution etc. which will play a crucial role in implementing new age technologies to contain the spread of the virus. We will selectively evaluate investing in some such starts-up in future. To be clear we don't intend to have substantive outlays for such investments.

Our past investments for Max I. before we pivoted our strategy, include 'FSN E-Commerce ventures Pvt. Ltd', an online multi-brand beauty retailer under the brand name 'Nykaa' & a creative food hospitality Company – 'Azure Hospitality Pvt. Ltd.'. Nykaa recently had a round of fund raise at a valuation of 1.2 Bn USD. Max I. holds approximately 0.4% in Nykaa currently.

We will look to monetize both these investments at the opportune time and future investments will be focused only towards Real Estate tech companies.

Our strategy is to create an eco-system surrounding our Real Estate offerings where we plan to benefit from synergies with Max Estates, Max Asset Services and Max I. working in tandem with each other creating an unparalleled customer experience and thus becoming the first choice for corporates looking at Grade A+ office space in Delhi-NCR.

I am now going to request my colleague, Ramneek Jain to talk about our Packaging Films business.

**Ramneek Jain:**

Thanks, Rohit. Good morning, ladies and gentlemen. This is Ramneek for Max Specialty films.

FY20 has been a rebound year for our packaging business after a subdued FY19. Industry witnessed return of pricing power in the hands of suppliers as demand increased while supply remained constant. It led to immense improvement in realisations and profitability for the business and at the same time was supported by lower raw material costs due to fall in the crude oil prices. As a result, Revenue from packaging films Business increased by 11% to Rs. 9,660 Mn in FY20 from Rs. 8,736 Mn in FY19. EBIT from packaging films business more than tripled to Rs. 826 Mn in FY20 from Rs. 228 Mn in FY19. Our manufacturing facilities ran at optimum capacity utilization through-out the year with higher contribution from more profitable value-added speciality films as against commodity films. Value added speciality films in terms of volume contributed 42% in FY20 as compared to 34% in FY19. Our endeavour would be to continuously improve the product mix and prioritize that vs volumes. The COVID-19 outbreak led the Government to implement nationwide lockdown which impacted demand in general. However, demand for essential goods has surged. Packaging Material industry were classified as essential service as it provides an important input material to FMCG industry. As a result, our packaging films business was least affected. Our manufacturing facilities continued to operate even under the lockdown albeit a very small period of shutdown for 3 days.

MSFL exported approximately 25% of its total output in FY20. Its largest overseas market is Europe. Demand from international markets will be uncertain due to the ongoing economic disruption but it will be compensated by healthy domestic demand. MSFL with its focus on research and innovation led speciality products is all set to benefit from the available opportunity in the domestic market.

Moreover, no major capacity addition is seen coming on-line for next year in the industry. Raw material prices which are crude oil linked are expected to remain soft for the next year. With increased realisation for our products, better demand-supply situation, benign raw material prices and increase in the speciality product mix, we expect the business to flourish in the coming fiscal year.

With this, I would like to handover over the call to Mr. Nitin Kansal for financial highlights

Mr. Nitin Kansal

Let me give you the financial highlights for the Q4 & FY20

Consolidated Revenue for Q4FY20 stood at Rs. 2,531 Mn. vs. Rs. 2,495 Mn in Q4FY19, at similar levels as compared to same quarter last year, while for the full FY2020, revenue stood at Rs. 13,822 Mn compared to Rs. 9,227 Mn for FY19, growth of 50% year on year

Consolidated EBITDA for Q4FY20 came in at Rs. 357 Mn. as compared to an EBITDA of Rs. 96 Mn in Q4FY19, year on year growth of 272%, while EBITDA for FY20 came in at Rs. 1,667 Mn as compared to Rs. 189 Mn last year, more than 8x as compared to last year

Consolidated EBITDA Margins for Q4FY20 stood at 14.1% as compared to 3.9% in the same quarter last year. Full year EBITDA Margins for FY20 stood at 12.1% as compared to just 2.0% in FY19 as a result of turnaround in our packaging business

Consolidated Profit after Tax for Q4FY20 came in at Rs. 34 Mn vs. a loss of Rs. 56 Mn in the same quarter last year. Same turnaround is recorded even for full year where last year in FY19, we recorded a loss of Rs. 293 Mn, whereas for FY20, we recorded a profit of Rs. 441 Mn

Let me now give you brief segmental financial highlights

Our Real Estate business that is Max Estates Limited recorded a revenue of Rs. 3,786 Mn in FY20. Performance for Max Estates cannot be compared to previous year as income has only started from this year

Major portion of the Real Estate revenue in FY20 was due to the Sale capital transactions undertaken at Max Towers

Lease Rental Income for Max Towers stood at Rs. 66 Mn for FY20. We have achieved a weighted average rental of Rs. 100 per Sf. Ft. at Max Towers

Revenue for Max Asset Services came in at Rs. 26 Mn in Q4FY20 as compared to Rs. 20 Mn. in the previous quarter. Revenue for full year FY20 stood at Rs. 73 Mn. We expect a gradual uptick in revenues as more management contracts get added in the portfolio

Our Packaging Films vertical – MSFL recorded a revenue of Rs. 2,339 Mn in Q4FY20 as compared to Rs. 2,385 in Q4FY19, down 2% year on year, while for the full year FY20, revenue increased by 11% from Rs. 8,736 Mn in FY19 to Rs. 9,660 Mn in FY20

EBIT for the packaging business stood at Rs. 241 Mn for Q4FY20 as compared to Rs. 84 Mn in same quarter last year, year on year growth of 186%, EBIT for full year FY20 stood at Rs. 826 Mn as compared to just Rs. 228 Mn for FY19, more than 3 times as compared to last year

Packaging Films EBIT Margins for Q4FY20 also rebounded to 10.3% from 3.5% in same quarter last year. EBIT Margins for Full year FY20 also stood at 8.5% as compared to only 2.6% for FY19

Total Volumes for Packaging Films was 62,959 MT for FY20 as compared to 57,679 MT for FY19, year on year growth of 9%

Value added speciality films contribution to total volumes improved to 42% in FY20 as compared to 34% in FY19

#### **Speaking about our liquidity position**

Gross Debt in our Real Estate Business – Max Estates stood at Rs. 1,010 Mn as on Mar-20. Cash and liquid investments stood at Rs. 1,056 Mn. Hence, on net basis, our Real estate business is in fact debt free in a scenario where majority of the developers are stressed for liquidity

We have sufficient liquidity to service the debt of Real Estate business and at the same time well funded to complete the project which is currently under development

Gross Debt in our packaging films business stood at Rs. 4,339 Mn as on Mar-20. Excluding cash & liquid investments, net debt for the business stood at Rs. 4,306 Mn.

Our Packaging Films business continues to operate with healthy margins even under the lockdown and cash flows from the business are sufficient to service the debt of the business.

In addition, we have undertaken rigorous assessment of operational liquidity in different business scenarios and planned the potential measures to ensure sufficient liquidity in the coming year such as additional cost savings, deferral of discretionary expenses, expediting collections, while ensuring that spend on 'good costs' imperative for business recovery is not compromised.

Now, I would like to hand over back to the moderator for taking over the Q&A session.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Priyanka Singh. Please go ahead.

**Priyanka Singh:** I have a few questions. The first one is what is your expectation on leasing demand for new offices going forward?

**Rishi Raj:** So let me respond to that in two parts, in immediate term and mid to long term. I think immediately during the lockdown period, we did see leasing slowdown and we do expect that to remain little bit slow for this quarter and maybe mid of next quarter and the traction and conversions to start happening starting mid of next quarter. That is the general trend I am talking about. Having said that, what we are also observing is lot of enquiries from occupiers along the lines I described in my commentary wherein people are looking for relocation either to optimize

cost and looking for innovative product solutions like zero CapEx or migration to safety to better buildings and from that perspective, both for Max Towers and Max House, Okhla, demand is picking up. And as Sahil mentioned in his introductory remark, during COVID we were able to close the lease of 25,000 square feet in fact at a premium to about what our weighted average rental is. So that is kind of an immediate here and now. Over mid to long term, we remain very positive in terms of what will happen to demand from office space. As I described, work from home may have some impact, but there are equally positive forces at play and when you look at that in sync with what is happening to supply which is an important parameter, the demand and supply balance will be tight and this will be in favor of Grade A plus developer owned and developer managed building which is where we play in this business.

**Priyanka Singh:** And how much rental income have you collected in the month of March and April, if you can highlight?

**Nitin Kansal:** We have been able to collect 90% of rental income for the periods of March and April and as we speak today, we have collected majority of our collections for the month of May also.

**Moderator:** Thank you. The next question is from the line of Shivansh Jhunjunwala from Lucky Investment Managers. Please go ahead.

**Shivansh Jhunjunwala:** I had a couple of questions. Firstly on the real estate. On the rentals coming from Max Towers, there have been some expenses due to which we have had a negative segmental EBIT for the past couple of quarters, could you help me understand what the nature of these expenses are and if they are recovering or one-off?

**Nitin Kansal:** In the previous couple of quarters, there is an interest cost which has taken a charge to the P&L which is resulting on that number and on top of it, there is also brokerage expenses which we upfront payed to the broker at the time of entering into this transaction, which result in a negative EBIT for the last couple of quarters for the real estate business.

**Shivansh Jhunjunwala:** So this is just at the starting, I do not think this will be any recurring expenses?

**Nitin Kansal:** These are one-time expenses

**Shivansh Jhunjunwala:** And secondly on the packaging business side, any plans for the excess cash that has been coming in for the past couple of quarters and expected to come in for the year going ahead. Any plans to repay some debt or reinvest it back into the business?

**Nitin Kansal:** As we speak today, we have a debt of around 433 crores which needs to be repaid over a period of next 5 to 7 years.. Our intent is to use the cash flow which are accruing to reduce debt on the business.

**Shivansh Jhunjunwala:** And any projection for what the debt could look like year ahead going forward?

- Nitin Kansal:** Typically, we would not give these specific projections, but we expect the regular repayments of the loan to happen. Just to add to that, we have not availed any of the benefits which was extended by RBI to businesses with respect to moratorium on the loans. We are going ahead and repaying all our loans as both the principal and interest for the coming quarter. We expect a significant reduction to happen in the debt by the end of the next financial year.
- Moderator:** Thank you. The next question is from the line of Ankit Agarwal from ARC Capital. Please go ahead.
- Ankit Agarwal:** So my first question is on the Max Square project. So can you give some more details like in terms of like what the size in square foot, the funding and like when do we expect the project to get commercialized or completed?
- Nitin Kansal:** This is the project with 700,000 square feet of leasable area and we expect this project to be completed by quarter 4 of FY23 and in terms of project cost, we are envisaging the project cost in the range of 410 to 420 crores and this has been funded through a mix of debt and equity. We have got New York Life who is coming as 49% partner and they have committed to make a total investment of Rs 87.5 crores and out of the Rs 87.5 crores, Rs 68 crores has already been invested into the company.
- Ankit Agarwal:** So another question like including Max Square project, so what is the size of the commercial portfolio that are planning to build in the next 5 years?
- Rishi Raj:** As I explained in my commentary, over next 5 years our aspiration is to have a portfolio of approximately 5 million square feet and we have a clear line of sight. As I said, we are very actively evaluating within NCR. Beyond what we have already delivered and what we have in pipeline including Max Square, we are evaluating a portfolio of 4 to 5 million square feet and we expect at least 40% of those we would be able to close in this financial year. So our conservative target of 5 million square feet in next 5 years will be delivered.
- Ankit Agarwal:** And the amount of lease rental income that you expect from this?
- Rishi Raj:** That will vary depending on where the projects are. We are evaluating project across NCR, more importantly in Gurgaon, in areas like Golf Course Extension road which is \$1 or slightly higher than \$1 kind of a market. So on the rental projection, we will not get into specifics but it will depend on where those projects are.
- Ankit Agarwal:** And like one last question like can you tell something more about the project that you are looking to acquire under the NCLT?
- Sahil Vachani:** I can give you a brief highlight on that. We have made a bid for the project named Delhi One which is located where the Max Towers is located. We have bid for that through the NCLT route and currently where we stand, we have got almost 100% approval of committee of creditors and

the matter is in NCLT, awaiting the final clearance and approval from NCLT court. So obviously given lockdown, the whole legal process has got delayed, I would anticipate by 3 to 6 months

**Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research. Please go ahead.

**Jigar Shroff:** I had a few questions for the packaging division, the specialty films division. One is, I was just observing for FY20 your volumes were 62,959 metric tons which comes to capacity utilization of about 78% on your existing capacity of 80,850. So is there a possibility, I mean, can this capacity be hiked to 85%-90% to get operating leverage? That is my first question. And you have given a guidance that the specialty film proportion would increase to about 50% to 60%, when should we anticipate that, over the next one year or two years? And any CapEx guidance for the film division and what is the debt repayment schedule for FY21 in the packaging division and any EBIT guidance? I think we were at 8.5% for FY20. Sorry, the last question is regarding exports which is approximately 25% currently, which I think we must be capitalizing on Toppan's leverage and any guidance on that too or would domestic be the chief focus area?

**Ramneek Jain:** Thank you, I will try to answer your question in sequence and if I missed out something, please remind me. So first of all on the capacity utilization, while we are at about 62,000-63,000 tons, I would say that, that is one measure. For sure, we continuously try to move to a higher capacity utilization. But having said that, let me just say that in terms of the asset utilization, we are close to 95%-98% and what I mean with that is, that with the full utilization. With the asset utilization, the capacity depends on the product mix with regards to the kind of product we are making, the thickness of the product and some are made at a slower speed because of high performance, some are made at a faster speed. So the weight portion can vary. The asset utilization is near 95% and we run 365 days, 24/7, obviously the plant breakdowns, line shutdowns etc. So we are continuously edging upwards to improve our efficiency. So I would say asset utilization is an equally important variable as compared to the capacity utilization. And again, when we look at the trade-off of speed versus profit in terms of how much quantity versus the profitability, we take that trade-off on a day-to-day basis to optimize our results. On the specialty business...

**Jigar Shroff:** Sorry, I mean, just to interrupt here, sir. So that means we don't foresee a significant increase in the output from 63,000 tons, is it, sir?

**Ramneek Jain:** I wouldn't say that we are totally focused on increasing that number from 62,000 to 80,000 tons or something. What is more important is the specialty journey and the EBITDA the business is generating. So we are actually more in the value strategy rather than the volume strategy and it kind of goes in connection to what you mentioned something on the CapEx. We are not really looking to invest any large CapEx in the coming future. Having said that, there is investment in R&D and in some value-added equipment which again enhances our ability to offer specialty products.

- Jigar Shroff:** How much would that be, sir? Can you give some number to that, the R&D and CapEx and the value-added segment for the current year?
- Nitin Kansal:** As to give a specific guidance on R&D expense, we don't give disclosure, but in terms of investments which have been done in the Max Ventures, the board has approved an investment of Rs. 30 crores in the new Metallizer line. It is expected to be up and running by the third quarter of this current financial year and this has been funded through equity contribution by both equity partners, Max Ventures and Toppan Printing.
- Jigar Shroff:** Okay, so no fresh debt for this?
- Ramneek Jain:** No increase in debt on that. So that is again a very high specialization equipment. Metallizer is one of the equipment, but each product has different spec and so we are going in for very high-end spec again to enhance the value proposition. With that said, when you look at the total portion of specialty, we are at about 42% and I surely hope we will cross the half century mark this time and maybe more. And that is clearly the path we have. So whether it ends up at 50% or 60% or 70% will all depend on how the market offtake is, but we are looking very strong in that.
- Jigar Shroff:** Sorry, sir. Can we safely assume 60% by FY22 for sure?
- Ramneek Jain:** I am not sure we can put that on record. Surely, I hope we can meet and exceed that. But we are definitely working in that direction.
- Jigar Shroff:** So the target would be what I mean, you would like to divert most of the capacity towards, take it to 80%-85% in the medium term, the specialty part?
- Ramneek Jain:** I think if we could, we would like it to be 100%, but I don't think that manages that way because we have to meet the combined need of the few customers. But more and more, obviously the idea is to generate the maximum returns from the current capacity and asset utilization and if we can put products which are more specialized and claim a higher premium, it is an obvious choice to trade them off against commodity. But I think it is a slow and steady progress and as we add more capacity in things like metallizers which Nitin just mentioned, I think we would pitch towards closer to 75% in the coming years.
- Jigar Shroff:** So the 30 crores CapEX for that new Metallizer line would increase the capacity by how much, sir?
- Ramneek Jain:** See, the overall capacity doesn't increase because the base film remains the same, but our ability to coat it and add more performance characteristics. So it is within the existing volume with additional treatment to it. I think debt repayment, Nitin already mentioned that we are honoring all our commitments and we don't see any problem.

- Jigar Shroff:** How much is it due for the current year, sir, in FY21? You did mention that we are honoring, and we didn't take any moratorium, but what are the scheduled repayment dues for the year, sir?
- Nitin Kansal:** I can share that number with you, we have a scheduled repayment of close to 51 crores in the current financial year. And I think you also had a specific question on the EBIT margins. So for the full year FY20, we had an EBIT margin of 8.5% and the quarter 4 EBIT margins were 10.3%. Although we don't give specific guidance on the EBIT margins, but just to give you a context, in quarter 1 FY20 we had an EBIT margin of 5.7%, sequentially going up to 6.4% and then to 10.3% in the current quarter and this is how the weighted average for the full year comes to 8.5%. What we aspire and look forward is to maintaining the run rate which we have achieved in the quarter 4 of the year gone by.
- Jigar Shroff:** So in the vicinity of 10%.
- Nitin Kansal:** Yes.
- Jigar Shroff:** And sir something on export front?
- Ramneek Jain:** I just like to say that our specialty journey is fixed and wherever our specialty journey takes us along with the customers, whether it is domestic or export, I don't think that is a limitation. There are some very high-end specialty products for which there is a high premium which are saleable in the export market and there are product offerings for that. So we are doing that. So with our Indian customers, experience in positive so I don't think the percentage export is a limiting or a deciding factor. We take those calls based on the variables of the market to optimize our performance. So I don't foresee a huge increase or a reduction, but it can change with the way our customers grow.
- Jigar Shroff:** So, steady 25%?
- Ramneek Jain:** 25%-30%, Yes, we have been in 35% range also at times. So a mix of foreign exchange, domestic, export, customer's product. So Yes, in that range.
- Jigar Shroff:** And the fluctuations in the, because most of our raw materials would be petrochemical base, any impact of that, sir?
- Ramneek Jain:** So, I think that is a game we all are participating in as we see the global situation evolve. So in India with the existing place of Reliance, we have the import substitution pricing. So yes, the raw material has moved down in the past few months, but we are already seeing it coming back up. So I think we will have to just wait and watch. Well, it is the dynamic of the business and there again if we have exclusive patent specialty products, there we have a little bit higher negotiation power and again it is a joint activity with the customer. So I think the journey is more stable than before.

- Jigar Shroff:** So the raw material fluctuation should not have a significant impact on the margins as such, I mean that is what you are trying to say?
- Ramneek Jain:** It does have an impact for sure because RMs, raw materials portion is a high number...
- Jigar Shroff:** No, but due to negotiation with the customer, you said...
- Ramneek Jain:** I would say that we would like it to be as minimum as possible. So we remember this thing that it does have an impact, but I think the demand and supply situation in the market is evolving. So as we increase our specialty content of the business, that dependence or the fluctuation of RM reduces on us.
- Moderator:** Thank you. We will move on to the next question that is from the line of Vikas Jain from Financial Quotient. Please go ahead.
- Vikas Jain:** The only one that is left with me is, what is the status of the Toppan's stake in the packaging business as of the current quarter? Have there been any changes in the structure of what Toppan has been holding?
- Sahil Vachani:** Thanks. This is Sahil. Toppan currently holds 49% equity in Max specialty films and there is no change to that equity structure since the time we came in which was in 2017, April.
- Vikas Jain:** Alright. And that seems to be a long term commitment from Toppan.
- Sahil Vachani:** Absolutely. This is a strategic investment for them given that this is their only play in India and as you can imagine, a \$6 billion group based out of Japan, this is their only entry in India, so exactly.
- Vikas Jain:** Understood. So this stake of Toppan also enables us to get the technical knowhow and the technology from Toppan as well or it is pure equity investments looking for the profits?
- Sahil Vachani:** No, it is both. It is an equity investment which is strategic and long term in nature and also as you know Toppan is a converter, one of the largest converters in Japan and in the global market. So we have worked with them and we have already developed products specifically for their global requirement and the business has already started to that effect as well. So it is a technology partnership, it is a supplier and customer relationship and also a strategic and financial investment, all of the above.
- Moderator:** Thank you. The next question is from the line of Vikram Tiwari. Please go ahead.
- Vikram Tiwari:** Sir, in the BOPP segment, what is the global demand per annum for the year and the expected supply over the next 2 years?

- Sahil Vachani:** I will ask Ramneek to answer that in detail, but what I can shed some light on is that lot of the supply was upcoming in from China and my understanding is that a lot of that global supply expansion has reduced significantly due to the economic impact in China. So overall the supply demand economics are going to be favorable moving forward given that supply is not increasing whereas demand for packaged food is going to increase given our sensitivity, given the global consciousness around safety, hygiene, wellbeing etc. But I think the details if Ramneek has it online, he can share that.
- Ramneek Jain:** Thanks, Sahil. So just to get the question right, Mr. Tiwari, you are looking at BOPP volume at a global level?
- Vikram Tiwari:** Yes, sir.
- Ramneek Jain:** I would say it is roughly about 50 million tons a year and this is a number which changes because installed capacity and the offtake is different and this, I am talking about what has been sold in the year and the number changes because the shift, the market dynamics through the whole recyclability issue shifting from polyester to BOPP and different forms of PP within BOPP market. I think this volume is only increasing. So that was the first point, please could you repeat your second point?
- Vikram Tiwari:** And sir, the expected supply over the next two years?
- Ramneek Jain:** I think Sahil has very well addressed that. There is a wait and a watch policy approach, right now, especially with the COVID and China factor, we will have to just see whether people are going to invest new CapEx or not. So I really find it a little bit of a difficult, I will be not really having a very good precise answer for you. I do know for the next 6 to 8 months, maybe nearly a year, we don't foresee any capacity enhancement in India. There are some capacities coming in, but only in small volumes, not in the large lines. So I really think we will have to watch it closely in the coming quarters.
- Vikram Tiwari:** Sir, do you think the current margin will be sustainable for how long?
- Ramneek Jain:** The current margins for our business, I really hope Mr. Tiwari that we can sustain the existing trend and grow them further. So I really think that is exactly a job and to be able to add value to our investors. So as Nitin mentioned, our quarterly returns have been improving and we really hope and look forward to maintaining them this year and growing them further in the coming year.
- Moderator:** Thank you. The next question is from the line of **Ritesh Bavna** from **North West Security**. Please go ahead.
- Ritesh Bavna:** I had a few questions. So basically just wanted to understand in the current scenario, do we expect the office rentals to go up or what is the trend that we expect in the new world basically, I would say?

- Sahil Vachani:** So, I think we anticipate rentals to be stable in the foreseeable future given primarily because what my colleague Rishi mentioned that while we see a short-term dip in demand, there is also a significantly larger dip in supply. Having said that, we believe that there will be an increase in traction towards developments like ours which focus on health, safety, wellness and are not strata sold but are developer owned, developer operated and thus being able to curate the experience for our tenants. So we anticipate rentals to be stable, but the demand for products like what we are doing is going to go up.
- Ritesh Bavna:** And basically about the new lease agreement that you have signed, can you just throw some light of how did we manage to close this deal during the lockdown period?
- Sahil Vachani:** Yes, absolutely, thank you. So we are basically focused on creating a whole digital platform and digital experience for our tenants. So we have been able to create a digital walkthrough or virtual tour and so on and so forth. More so, I think the driver of this was that this particular tenant is moving from an existing strata sold building to Max Towers where the consciousness of health safety, wellness and the curation of an experience from a tenant perspective is absolutely paramount to us. So think it is the need of the hour for customers and at a very competitive price points we are able to move them and thus we feel that there is a pull that we are seeing from the product that we conceptualized some time ago and that we brought to market today and we are seeing a pull from customers given the current situation and time.
- Ritesh Bavna:** That is great to hear. And my last question would be related to the Max Towers. Can you just let us know of what is the total leasable area at the Max Towers and of that, how much does the Max Estates own and how much is actually sold out?
- Sahil Vachani:** So, I will request Nitin Kansal, our CFO to answer this one, please, thank you.
- Nitin Kansal:** So to answer, specifically we have got close to 6,15,000 square feet of the total area at Max Towers, out of which around 2,63,000 square feet of area has been sold out which leaves us to around 3,52,000 square feet of area and of that 352,000 around 2,92,000 square foot is the area available for leasing.
- Moderator:** Thank you. The next question is from the line of Atul Shah from Global Security. Please go ahead.
- Atul Shah:** Sir, my first question is in reference with Max House Phase 1. So what is the total CapEx involved in the same and how much rental income we expect once it is fully leased?
- Sahil Vachani:** So, broadly the total CapEx including land is close to 130-140 crores for this proportionate land. And the rental income that we anticipate is close to 15 to 16 crores from year one.
- Atul Shah:** And sir when will the work on the Phase II start?
- Sahil Vachani:** Second half of this year.

- Atul Shah:** And sir, also if you could provide some details in reference with the size and the cost for this project of Phase II?
- Sahil Vachani:** It will be approximately exactly the same size and the similar cost as Phase I. It is identical in terms of size.
- Atul Shah:** And sir lastly, when are we looking to exit Nykaa?
- Sahil Vachani:** We have already exited some portion of our investment and at the appropriate time when we see a good valuation, we will look at monetizing our residual stake.
- Atul Shah:** And sir what is the status of our investments in the hospitality chain?
- Sahil Vachani:** So we have our investments in Azure Hospitality. Obviously, currently F&B industry is under pressure. But we are hopeful that after the opening of lockdown, there will be a consolidation in the F&B space and that this company should stand to benefit from the consolidation that does arise so far.
- Moderator:** Thank you. The next question is from the line of Mahantesh Maralinga from Pink Wealth Securities. Please go ahead.
- Mahantesh Maralinga:** You just mentioned about some one-time cost in real estate. One was brokerage and what was the other one, last quarter?
- Nitin Kansal:** One was the brokerage and in terms of interest cost which is starting to get accrued because of the building has been capitalized with effect from April. The expense for that has started to accrue on the P&L.
- Mahantesh Maralinga:** And sir coming to these actual lease rentals that is available for you, total is 6.15 lakhs and out of that, 2.63 is leased and...
- Nitin Kansal:** 2.63 has been sold.
- Mahantesh Maralinga:** And the remaining out of 3.52, 2.92 is available for leasing?
- Nitin Kansal:** Yes.
- Mahantesh Maralinga:** What about the remaining 0.6 or so?
- Nitin Kansal:** So that is the non-leasable area within the building.
- Moderator:** Thank you. The next question is from the line of Ankur Chadha, an Individual Investor. Please go ahead.

- Ankur Chadha:** Sir, I wanted to know what is the total area of the project that we are trying to acquire through this NCLT process which is next to Max Towers?
- Rishi Raj:** The total area is 3 million square feet approximately and of that, roughly speaking 50% is sold and 50% is unsold inventory and it is a mix of largely commercial, some high street retail and very small residential.
- Ankur Chadha:** So we are looking to acquire 1.5 million.
- Rishi Raj:** No, this will come as a package because this is a brownfield partly built, so we will take over the entire project and with that, the entire campus would be with Max and we will build and then deliver what has been sold to customers and rest which is unsold will be leased if it is commercial office or sold if it's residential.
- Ankur Chadha:** Okay. And how much is the investment size for this, anticipated investment?
- Nitin Kansal:** Currently, this matter is subjudice. So we would not be able to give our comments on exact number. In due course as and when we have this clarity coming from the courts, we will make an appropriate declaration to the shareholders in this regard.
- Ankur Chadha:** But it looks like this will require substantial investment, right?
- Sahil Vachani:** Not necessarily, given that we have approached this from an asset light way and our proposal in NCLT is structured to defer our cash outflows in terms of attempting to match the inflows. So the capital investment will not be significant, in fact we have gone on record to state earlier that this will not involve any dilution of our existing shareholders for us to be able to execute this project.
- Ankur Chadha:** Okay. That is great. So now also earlier it was said that we are looking at about 3-5 million square feet of the pipeline and we expect 40%-50% of it to be converted. That excludes this...
- Sahil Vachani:** No, it includes this and also like I said, the idea is for us to do this and others through the platform partnership route that we have already commenced on and started with our existing project in Max Square with New York Life. So bringing in an equity partner, ability for Max Estates and Max Ventures to develop, to get development income, development management fee, look at an asset light way to grow in a way that we structured it through the NCLT process and that is how we are looking to achieve this scale.
- Rishi Raj:** And if I may just add and build on what Sahil said, it is very pertinent to point out that all of this expansion will of course happen in an asset light way and as we speak and as Sahil was talking about an NCR, there will be far and few developers with credibility and balance sheet. Lot of funds are reaching out to us for potential partnerships at project level. So that will clearly enable us to deliver on our promise of asset light.

- Ankur Chadha:** Do we envision any equity dilution in next couple of years? I know it is considered, maybe not a good thing in equity dilution, but if you can dilute it at attractive valuation, then maybe it is not such a bad thing, if you can do it maybe 3 times price to book .so is there something that might be needed in the next 2 years?
- Sahil Vachani:** No, actually the headroom and as Nitin mentioned, firstly our real estate business is net debt zero today. Second, we have the headroom to grow from the rental income and the lease rental discounting of that rental income. We have the headroom to grow from our partnership approach and the asset light approach we are taking and the fact that third, there are distressed assets available for us. The combination of these 3 means that we are able to attempt and get to our scale of what we are wanting to do, without necessarily having to dilute our existing shareholders. We currently believe that stock is hugely under valued today and thus we don't have a need to and we wouldn't like to dilute at these levels at all.
- Nitin Kansal:** If I can just supplement to that. In our case what is happening, we would not like to do any equity dilution at this level. In fact if you see all our assets are primarily funded through equity. Again, we would like to unlock the value in the real estate assets of Max Ventures for future growth rather than diluting the equity shareholding.
- Ankur Chadha:** I am actually happy to hear that we will be doing some debt funding for this project, do we have in mind the ideal debt to equity ratio that we want to target?
- Sahil Vachani:** 1:1 or lower. We want to be extremely conservative of debt, focus more on the...
- Ankur Chadha:** I think 1:1 is fine, I think it is good, 1:1 is fine because that helps to bump up your return on equities. So it stabilizes even in this kind of situation if you can collect 90% of your rent, then I don't see a reason why there shouldn't be at least 1:1 debt to equity ratio. But in terms of REIT, when do we think we want to may be start looking at putting our assets into REIT?
- Sahil Vachani:** I will share the perspective. I think if we are able to set up a platform partnership approach with prospective investors, that itself is a sort of private REIT in a sense, we don't necessarily need to go into a public REIT because that will unlock significant value for Max Ventures shareholders and give Max Ventures the cash and the capital to build out the aspiration that we have in a very conservative, financially prudent manner. So that is our objective. So frankly I don't think that we are compelled to go for a public REIT, but in a form of a private REIT we can do that with platform partnership and I think the partnership that we have with New York Life for our project in Max Square is actually a very clear illustration of that, in a fact a step in that direction.
- Ankur Chadha:** So would you then at some point, not today but may be let us say in couple of years would you look at giving out dividends?
- Sahil Vachani:** Absolutely, our aspiration is to do that.

**Ankur Chadha:** Now, I have one final question. See, this is about Max Tower versus Max Square. Max Tower, your construction cost was, if I am not wrong was approximately 60 crores per lakh square feet. But when you look at Max Square, I think it comes out to be about 40 crores per one lakh square feet, correct?

**Nitin Kansal:** It is slightly less than that, it is closer to Rs. 30-32 crores per lakh square feet.

**Ankur Chadha:** So, see, there is a significant reduction in the construction cost for Max Tower to Max Square. Now when we look at Max Tower, it is obviously of an exceptional quality and I guess that is the reason that you are able to charge a premium and you have a lot of traction. And I would say it is probably one of the best buildings in NCR, at least to me. When we go to Max Square which is already a bit out and then you spend less on construction, have you been lowering the quality or the experience that a tenant gets and then that impedes your ability to charge a premium and get that traction?

**Sahil Vachani:** Not at all, in fact to the contrary and one has to understand that if we look at the benchmark in the industry, the best in class in the industry, what we are going to spend in Max Square is actually benchmarked with the best in class in India. Max Towers, we ended up spending a lot extra because of the fact that it was stuck project. The developer had gone bankrupt, we had to complete lot of the external development works in that common areas which the developer was supposed to do and he could not do, so we had to complete it. But with Max Square, it is going to be as good a quality of product, in fact better experience for customers and in fact at a lower price point of a dollar a square foot. Why we are targeting a dollar a square foot is because majority of the leasing in India is driven by multinational, whose benchmark is \$1 per square foot and that is our objective for Max Square. So it is going to be of exceptional quality, but we have been able to learn, we have been able to develop better technology, better ways of doing it, quicker time and also none of the baggage that we had in Max Towers from the erstwhile developer's perspective, we will have in Max Square because it is a standalone project and it is a combination of hardware and software that we are looking to put together. And our experience as we previously said, we need to have such high cost to create great experience. We have now got that IP within the Max Group and with Max Estates to be able to curate that experience without necessarily having to spend the same amount of money we did in Max Towers.

**Moderator:** Thank you. The next question is from the line of Gaurav Kumar. Please go ahead.

**Gaurav Kumar:** So I just wanted to ask one question that in these times where it is very tough to visit sites and everything, what are the measures companies taking to really improve their leasing pipeline given you have some amount of leasing to do in Max Towers and in your Okhla project also, so what are you doing and what kind of customers are really finding these products attractive?

**Rishi Raj:** I will take that. Thank you for that question, Gaurav. I think as Sahil mentioned in the introductory remark, we have very productively used our time over the lockdown to do a few things in this regard. Number one, getting digitally ready in multiple ways from the perspective

of awareness building, lead generation and more importantly, how do you engage potential clients given the travel restriction and so on virtually and that is where we have created a guided video tour for example of Max Towers which we are already using with clients. That is number one. Number two, we have come up with some product and price innovation keeping in mind the needs of consumers in these times. As Sahil referred to, we have come up with integrated office solution at zero CapEx keeping in mind clients need to conserve cash at attractive amortization value. I think that is two. And third, the team has spent lot of time and this will address your question on what kinds of clients are looking at this opportunity, filtered a long list of potential clients who are sitting in either very expensive location in central business districts of Delhi or in strata sold building where health and safety maybe an issue. Our enquiries over last 2 to 3 weeks which have really picked up, lot of enquiries are coming from this perspective of either relocation or diversification. So we are very confident that with this in coming quarters, we should be able to bring back the leasing momentum for both our buildings.

**Moderator:** Ladies and gentlemen, in the interest of time, that was our last question. I now hand the conference over to Mr. Sahil Vachani for closing comments.

**Sahil Vachani:** Just wanted to say thank you everybody for your time and look forward to thank you for your support and for your time and for hearing us and look forward to your continued support as we look to build the business. Thanks very much.

**Moderator:** Thank you members of the management team. Ladies and gentlemen, on behalf of Max Ventures and Industries that concludes this conference call. Thanks for joining us and you may now disconnect your lines.