"Max Ventures & Industries Limited Q3 FY-2021 Investors Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Max Ventures and Industries Q3 and FY2021 investors call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sahil Vachani, Managing Director and CEO at Max Ventures and Industries. Thank you and over to you Sir.

Sahil Vachani: Good Morning, ladies, and gentlemen. Thank you for joining us on the Max Ventures & Industries Q3FY21 Earnings Conference Call.

Along with me today, we have our CFO – Mr. Nitin Kansal, Mr. Rishi Raj - Chief Business Development officer, Mr. Ramneek Jain - CEO of our Packaging Films, Mr. Rohit Rajput - CEO of Max Asset Services and Mr. Nitin Thakur – Director, Brand & Communication of Max Group. We also have SGA – our Investor Relations advisors on the call.

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

Let me give you the Key Highlights first:-

- I am very pleased to report strong growth in profitability for MaxVIL in Q3FY21. Consolidated Revenue increased by 10% YoY; Consolidated EBITDA increased by 50% YoY; PBT increased by 348% YoY and PAT increased by 90% YoY.
- In our real estate business: Max Towers is now ~90% occupied after leasing 80k Sq. Ft. to Cyril Amarchand Mangaldas and ~7k Sq. to DBS Bank. Earlier in Q3, we also leased ~62.5k Sq. Ft. to Yes Bank.
- Max Asset Services has launched its 'Managed Office Spaces' business with the launch of 'WorkWell Suites' at our newly developed office complex Max House, Okhla. MAS will provide complete managed office solutions and serviced office space to prospective tenants.
- As per industry estimate, office leasing will take a year to return to 2016-19 average, but demand will be front-ended by new-age, contemporary, hygiene & wellness enabled offices by trusted brand names.
- Our project development pipeling includes ~7 Lk Sq. Ft. – Max Square with New York Life Insurance Company as financial partner and 105k Sq. Ft. at Max House in Okhla
- We are hopeful that the resolution process of Delhi One will progress as well allowing us to add ~3 mn sqft to the development pipeline.
- We are also actively prospecting new growth opportunities including distressed deals in locations such as Gurugram and will partner with marquee commercial real estate funds. All this is targeted towards making us one of the top 3 commercial RE developers in North India, without stressing the balance sheet.

- At our Packaging Fims Business:- MSFL's posted its highest ever quarterly revenue and EBIT. Revenue grew by 11% YoY to Rs. 2,818 Mn; EBIT increased by 81% YoY to Rs. 446 Mn and EBIT Margins expanded by 610 bps YoY to 15.8% in Q3FY21 due to better specialty product mix, strong demand, benign raw material prices and cost optimization.
- Consumers preference for recyclable films will be quite beneficial for MSFL.
- We reduced Gross Debt in MSFL by Rs. 740 Mn from Rs. 4,339 Mn in Mar-20 to Rs. 3,599 Mn as of Dec-20 on the back of strong free cash flow generation.
- Let me now give you a strategic overview of our businesses which will be followed by detailed business updates by our respective business heads.
- MaxVIL witnessed strong recovery in both our core businesses of commercial real estate and the specialty packaging films business. In commercial real estate, we continue to add marquee tenants. In our packaging films business, we continue to report strong results with highest ever quarterly revenue and EBIT in Q3 with its. We have been mentioning the sustainability of our performance and we are happy to therefore report that we are strengthening our position in our verticals and are moving in the right direction.
- As the lockdown restrictions were eased during Q3, corporates are actively assessing their office space requirements. We saw improved conversions from enquiries to actual leasing as witnessed in Max Towers. As Max Towers is now almost 90% occupied and with the strong enquiry pipeline for the remaining area, it is just a matter of time before it is completely leased out.
- For us Max Towers is not an another office project; it is symbol and sign that our team has the capability to not only develop a world class Grade A development from a distressed project but also has the capabilities to lease it to leading global and domestic corporates inspite of the pandemic caused disruption. The experience we have gained through this project is invaluable and has certainly readied us for any future challenges.
- With Max Towers now close to full occupancy, our focus is on leasing Max House Okhla Phase 1. We are in continuous engagement with various prospective tenants for this project with extremely positive feedback.. We have also commenced work on our third commercial offering – Max Square, a Grade A+ office project. Work is on track and is expected to be completed by Q4FY23.
- We believe, the ongoing consolidation in Real Estate will continue to favour quality Grade A+ commercial developers with proven execution, strong balance sheet and access to institutional capital. We, at MaxVIL are committed and focused to grow our real estate footprint and establish ourselves as one of the top contenders in the Grade A commercial real estate market in Delhi-NCR region.
- Our packaging films business – Max Speciality Films continues to post robust performance on the back of improved demand sentiment, stable realisation, better product mix and cost optimization initiatives. Our focus on research and development in creating sustainable and recyclable films has led us create a niche market for ourselves. With improved demand sentiment and focus on value-added specialty mix, we expect the strong performance at MSFL to continue.
- Overall, MaxVIL continues to have a strong balance sheet with comfortable Net Debt / Equity of 0.4 times. We continue to reduce debt at packaging films business while debt levels in Real

Estate business is expected to be low as the company aims to partner with Institutional Investors as a part of its asset-light growth strategy.

With this, now let me handover to Rishi for Real Estate business highlights

Rishi Raj: Sahil has rightly captured all the points in his opening speech as to why we feel commercial real estate has clearly shown signs of stabilization and will only grow from here going ahead. Let me go a little deeper here.

The first commercial REIT IPO in India had been issued in pre-covid days. However, the second one had been issued in the peak of the covid crisis while the third one recently concluded . It is evident from the successful issuances of the REITs during the pandemic, that commercial real estate in India continues to be one of the preferred investment asset class for preserving and growing wealth by Institutional investors. It also plays a role in unlocking value developer providing them the liquidity and growth capital. It reinforces that 'Work from Office' will be an integral part of workplace ecosystem on a sustainable basis including for IT/ITES companies who account for majority of underlying rental portfolio of the three listed CRE REITS in India.

The future of commercial real estate is here to stay is also demonstrated by the string of leasing transactions concluded recently in the Industry. Most of the large corporate occupiers have a plan to retain and expand their office space while integrating the work from home convenience to their existing and new employees. So, it is fair to say that work from home will have no significant impact on leasing by corporate occupiers. The argument favouring the work from home has also weakened as most of the offices has restarted and the number of people going back to offices has been increasing month on month. Moreover, the cost savings are also not material enough and lack of human interactions can lead to drop in overall productivity levels.

Now let me give you project wise highlights starting from Max Towers

We have seen strong leasing momentum at Max Towers with new leases signed with reputed corporates. We have leased ~80,000 Sq. Ft to Cyril Amarchand Mangaldas – one of the top legal firms of India and ~7,300 Sq. Ft. to DBS Bank. Earlier during Q3 – we had also leased ~62,500 Sq. Ft. to Yes Bank. With these leases, Max Towers is now ~90% occupied. Of the total net available ~5.3 lk Sq. Ft. at Max Towers, ~4.7 Lk Sq. Ft. is now leased.

The area owned by Max Estates at Max Towers is now ~94% occupied. That is, of the ~3 Lk Sq. Ft. owned by Max Estates, ~2.8 Lk Sq. Ft. is now occupied. With the strong enquiry pipeline, we are confident to entirely lease it out soon. We believe that its strategic location, world class amenities and above all a well curated experience focusing on all aspects of the occupiers' wellbeing powered by our WorkWell philosophy are the key drivers for occupiers choosing Max Towers.

Our 2nd Grade A+ Commercial Project – Max House Phase 1 with a leasable area of 1.05 Lk Sq. Ft. is evincing interest for leasing from corporates. We are in continuous engagement with various tenants and are confident to attract reputed multinational corporates for Max House like we have it at Max Towers. Work on Max House Phase 2, a similar project to phase 1 is expected to be commenced in H1FY22.

Work on our third commercial Grade A+ project – Max Square has also commenced and is on track as per budgeted schedule. New York Life Insurance Company is our investment partner in this project. We received all the statutory approvals including building plan, environmental clearance etc. in a record time of 5 months despite COVID led lockdowns. The Project is expected to be completed by Q4FY23. Starting H1 FY 22, we will commence active business development effort to drive pre-leasing engagement with top corporate occupiers.

The distressed project – Delhi One which we had bid for is still under NCLT hearings. Our resolution plan is with NCLT for final approval, which got delayed due to the lockdown. Post lock down, the hearing has re-started. If the CRIP concludes favourably, this project will add ~3Mn Sq. Ft. of space to our portfolio helping us in our journey to become one of the top commercial real estate developers in the Delhi-NCR region.

Post covid, the consolidation among the real estate industry has only hastened. Developers who have the skin in the game, well capitalized balance sheet and access to capital will benefit. Those who have the expertise and ability to upfront fund the capex for the project will grab a larger share of the market. Max has a history of successful partnerships with large investors and we will leverage this network for co-developing the future projects with institutional partners like we did for Max Square along with New York Life Insurance Company.

Max being a trusted brand with focus on Grade A+ commercial office segment, strong balance sheet, proven execution and with access to Institutional Equity capital is well placed to make its mark in the commercial real estate market in the Delhi-NCR region and become one the the top commercial real estate developer. Hence besides the already announced new projects such as 7 lakh sqft Max Square, 1 lakh sq ft Max House Phase 2, we are also actively evaluating multiple distressed commercial RE assets in Delih NCR, with a positive bias for Gurugram. We are evaluating greenfield as well as brownfield opportunities. However, we shall always be careful enough that the project fits in our criteria and ensures a good return on our capital employed.

Now let me handover to Rohit Rajput

Rohit Rajput: Now let me give brief highlights about Max Asset Services & Max Investments

Q3FY21 has been an eventful quarter for Max Asset Services as we launched our "Managed Office Space" Business under the brand name 'WorkWell Suites'. Our first Managed Office

Space offering at Max House, Okhla has a total leasable area of 14,000 sq. ft. with a total sitting capacity of 200 seats. It will cater to corporates with a team size of between 20 to 100.

The current footprint of MAS's managed office stands at 34,000 sq.ft. with top tier clients like a US based ed-tech firm and a top engineering MNC. In addition, MAS provides the WorkWell experience to 24,000 sq.ft. of conventional office space clients providing the best of wellness, technology and hospitality in their office operations. Managed Office Space is gaining prominence due to the increasing acceptance of flexible office space by lessors. WorkWell Suites are witnessing encouraging pre-enquires from prospective customers. We are in talks with several leading occupiers desirous of leasing managed office spaces.

We continue to add new clients for our facility services while also expanding the gamut of services offered by us. As a result, our revenue from this business increased by 33% to Rs. 27 Mn in Q3FY21 as compared to Rs. 20 Mn in Q3FY20. We expect the business to be profitable soon as it scales up.

At Max I. we currently hold investment in one company – Azure Hospitality after a handsome exit we had in Nykaa. The restaurant chain operated by Azure Hospitality has witnessed a healthy recovery in business as lockdown restrictions were eased and people have started going out to restaurants. We will look at an opportune time to exit from this investment.

We continue to engage with promising real estate tech companies and partner with them in order to implement and execute modern amenities at our projects.

Now let me handover to Mr. Ramneek Jain

Ramneek Jain: I am very pleased to announce that MSFL posted its highest ever Revenue and EBIT during Q3FY21. Revenue increased by 11% YoY to Rs. 2,818 Mn on the back of sustained demand. EBIT increased by 81% YoY to Rs. 446 Mn and EBIT Margins expanded by 610 bps YoY to 15.8% on account of better product mix and cost reduction initiatives taken by us.

Total Volumes for Q3FY21 increased by 6% YoY to 17,177 MT. Our focus is on improving output of value-added speciality films vs. the total output to improve the profitability and ensure most efficient utilization of our facilities. Value added speciality films contributed 45% to total Volumes in Q3FY21 vs. 42% in Q3FY20. Value-added specialty films contributed 54% to total MSFL Revenue in Q3FY21 vs. 50% in Q3FY20 and 52% in Q2FY21.

One of the two metallizer lines under capex is expected to come online during Q4FY21 and will further enhance capabilities to improve output of value-added specialty films and better MSFL's profitability going ahead.

Our focus on research and developing new products keeping quality at its core with quick turnaound time has enabled us to gain trust among our customers. COVID-19 has increased the consumer's preference for packaged products as it minimizes the risk of infection and ensures healthy consumption. With specialised recyclable and anti-bacterial products co-developed with leading FMCG companies, sustained demand and better product mix, we expect MSFL to continue the strong performance going ahead as well.

Now let me handover to Nitin Kansal, MaxVIL's CFO

Nitin Kansal: **Let me give you an Update about the Financial performance for the Quarter**

Consolidated Revenue for Q3FY21 stood at Rs. 2,961 Mn. as compared to Rs. 2,690 Mn in Q3FY20, up by 10% YoY

Consolidated EBITDA for Q3FY21 stood at Rs. 494 Mn. as compared to Rs. 329 Mn in Q3FY20, up by 50% YoY

Consolidated Profit Before Tax for Q3FY21 stood at Rs. 247 Mn. as compared to Rs. 71 Mn in Q3FY20, that is more than 3x

Consolidated PAT for Q3FY21 stood at Rs. 127 Mn. as compared to Rs. 67 Mn in Q3FY20, up by 90%

Let me now give you brief segmental financial highlights

Our Real Estate business that is Max Estates Limited's revenue stood at Rs. 119 Mn in Q3FY21. Of that, Lease Rental Income stood at Rs. 50 Mn in Q3FY21 as compared to Rs. 42 Mn in previous quarter, a QoQ growth of 19%.

Revenue for Max Asset Services for Q3FY21 stood at Rs. 27 Mn as compared to Rs. 20 Mn in Q3FY20, up by 33% YoY

Our Packaging Films vertical – MSFL's revenue stood at Rs. 2,818 Mn in Q3FY21, up by 11% YoY and up by 6% QoQ

EBIT for the packaging business stood at Rs. 446 Mn in Q3FY21, up by 81% YoY and up by 11% QoQ

EBIT margins for packaging business expanded by 610 bps YoY to 15.8%

Speaking about our liquidity position- Gross Debt in our Real Estate Business – Max Estates stood at Rs. 1,240 Mn as on Dec-20. Cash and liquid investments stood at Rs. 843 Mn. Hence, Net Debt stood at Rs. 396 Mn

Gross Debt in our packaging films business stood at Rs. 3,599 Mn as on Dec-20. Excluding cash & liquid investments, Net Debt for the business stood at Rs. 3,587 Mn.

We reduced gross debt in packaging business by Rs. 740 Mn as compared to Mar-20 and will continue to reduce it with its strong free cash flow generation

Our cost of borrowing for packaging business is at about 7.6% while for RE business is at about 9%

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Atul Kothari from Progwell Securities.

Atul Kothari: My question primarily on the packaging business. In BOPP film business what kind of volume growth can we expect in FY22?

Ramneek Jain: Your question is for the industry or your question is specific to our company.

Atul Kothari: I am talking about on our company basis as well as if you can also throw some light on the industry as to what kind of volume growth can we expect?

Ramneek Jain: In general, we are looking at about 10%, industry demand growth, which is a healthy year-on-year growth and recyclability is interestingly adding to it. As far as MSFL is concerned over the next 1 to 2 years, we are looking at the consistent volume that we have today. As we said that effort is more on to offer more value-added products other than the base film and that is where the investment strategy has been also. We see our volumes pretty much stagnant at this point of time however the share of the value-added portion will be increasing.

Atul Kothari: What kind of share of value added speciality films can we expect in FY22, from the current share more kind of increase can we expect?

Ramneek Jain: Our effort as recently or currently it is around 54% of revenue, our effort traditionally is to get up to about a very high percentage around 70-75 but I think over the year we should try and aim to get to around 60.

Atul Kothari: In terms of margins, what impact could the increase in crude prices have on our operating margins?

Ramneek Jain: Crude prices do have an indirect impact on us with regards to the homopolymer. In most cases we have a fairly strong understanding and professional relationship with our customers, more of the organized customers to pass on the raw material fluctuation to our customers and so where it would eventually go is anybody's guess but for most cases, we pass it on to our customers whether up or down.

Atul Kothari: Overall what could be the sustainable margins in packaging business?

Ramneek Jain: We tell you that if you look at the past 2 years, we have a very strong performance and really the future is also looking very encouraging. It will be hard to put a number, but we see a strong growth coming up.

Atul Kothari: Are there any new capacities expected in the Indian BOPP industry and if yes what impact that could have on the realization front?

Ramneek Jain: As a matter of fact, yes, there is new capacity coming in into the Indian industry and it's a well-known concept because it takes a long lead time for these products to come in. We see about three new lines coming in, in the current year. The market with its growth is a fairly well positioned to absorb a large part of this capacity increase with the demand increase and of the rest, I would say that as we are positioning ourselves over the past 2 years and we have demonstrated that; the impact of market performance, market pricing in the commodity market is having much less of impact on us because of the way our product mix is and so we think we should be fairly okay.

Atul Kothari: Are we having any plans to demerge our real estate and packaging business in future?

Nitin Kansal: Atul, the evaluation of various corporate actions is a continuous process for us and at given point of time, there's no active discussion on this subject but it's a dynamic world and we keep on evolving various options to enhance the shareholder value.

Moderator: We will take our next question from line of Nandan Madhiwalla from Punctilious One Capital.

Nandan Madhiwalla: Regarding Delhi One we mentioned 3 million square feet. What would be the split between commercial, retail, and residential? And would it be that there is some amount of inventory that has already been sold in that or is it all 3 million is up for grab?

Rishi Raj: This is Rishi. I will answer that question. Approximately 3 million in terms of sold versus unsold roughly the mix is 50-50 and in terms of mix, around 70% would be commercial and another 15% retail and rest would be residential.

Nandan Madhiwalla: Just wanted to understand on Max Square, would we be earning any development or management fee going ahead?

Rishi Raj: Yes, we will. Max Square has appointed Max Estates Limited as a development management partner.

Nandan Madhiwalla: We would be seeing that from next quarter onwards or it would be after the building is complete?

Nitin Kansal: The revenue will start accruing as we start spending on the project. What we have entered the agreement is it's a percentage on the project cost deployed over the project.

Nandan Madhiwalla: That would be even if for such similar projects if you were to undertake with any other funds, we would have a similar sort of revenue gain there as well.

Nitin Kansal: Yes, absolutely.

Moderator: Our next question is from the line of Arush Oberoi from Victor Delta Securities.

Arush Oberoi: I like to understand how is the competitive landscape in Noida real estate?

Rishi Raj: So, let me answer that. If you look at what has happened in 2020 with respect to demand in NCR, Noida for the first time in the history of NCR has clocked more absorption than Gurgaon. Noida constituted around 47% of total absorption in NCR versus Gurgaon which was around 45% that's point number one. Point number two, the rise in prominence of Noida in NCR is sustainable driven by few things; number one, the infrastructure, number two progressive authority in Noida and number three, the supply of quality Grade A asset, which has been lacking in the past. Because of the combination of all of the three factors as we have already evidenced it through Max Tower, the occupiers who were earlier focusing on Central and South Delhi, as well as Gurgaon are looking to relocate to NOIDA as a part of their overall real estate strategy, including hub and spoke model. So from a demand perspective, clearly Noida is gaining significant traction in prominence. Now, to your question on competitive landscape, the other aspect would be supply. I think from a supply perspective, what continues to be a reality in Noida is that a large part of the supply is still strata sold versus developer owned and developer managed and that's where we as Max Estates through our development, are very confident of grabbing much higher market share especially post-COVID when people are looking for, are focusing lot of attention on health, safety, sanitation and overall experience for their employees and that makes us significantly confident of the play in Noida.

Arush Oberoi: Second one is that what are your plans with WorkWell Suites and what kind of revenue it can generate?

Rohit Rajput: With WorkWell Suites we have done our first project and 14,000 square feet in Max House Okhla. Our future for this is to grow this business contiguous to market demand and rising customer preference for flexible, fully managed, and highly ammenatized office spaces. I don't think it would be prudent at this point of time for me to give you any revenue guidance for the future, but we expect to have industry or better than industry EBIT margins for this business.

Arush Oberoi: What are your plans with your investment in Azure Hospitality?

Rohit Rajput: Arush with respect to our plans for Azure we will look to monetize this investment at the right time, and we are currently witnessing a strong bounce back of the F&B sector and this particular business has bounced back faster and better than the peer group. So, we will continue to evaluate when is the right time to monetize this investment.

Moderator: Our next question is from the line of Ankit Agarwal from ARC Capital.

Ankit Agarwal: My first question is on your Delhi One project. I heard that the NCLT approval was delayed because COVID as well but are there any other factors leading to the delay?

Rishi Raj: No, there is no other factor leading to delay. The primary reason is delay in court hearings due to lockdown, the good news is the court hearings have restarted and we are hopeful to see some progress on this front now.

Ankit Agarwal: Given now that the normalcy is coming back, and people have started to coming back to offices. What's your outlook on the commercial real estate for the next 1 year?

Rishi Raj: Our outlook is positive. Let me just support that with some numbers from industry perspective and our play in that industry. If you look at 2020 there has been consistent quarter-to-quarter recovery. Now if you look at Quarter 4 2020 in particular and if you focus on NCR where we play, NCR saw a net absorption of almost 8.2 million square feet and this was higher than average that we saw in 2016 to '18. Of course, 2019 was an outlier year and our assessment is in calendar year 2021 the overall absorption in NCR will cross the average in 2016 to '18 and it will come back to 2019 level in calendar year 2022. Why we believe in these outlook also as reported by a credible estimate from the industry for few reasons. Number one, a significant recovery in economic growth which we all believe is going to sustain as far as India is concerned, number two acceleration in trends related to outsourcing. If you look at the demand mix today 70% to 75% is still explained by US and domestic Indian players. Europe still constitutes 10% to 12% and there is already a trend where European companies are looking at India from an outsourcing perspective. Number three, if you look at GICs out of top 500 GICs globally, global in-house centers only 150 is at play in India and, finally the work from home while it will continue will occupy at best 15% to 20% in the overall mix and that will be more than offset in our assessment now through the de-densification trend and rise in demand from several other sectors including healthcare, pharmaceutical, e-commerce, OTT, manufacturing which gives us lot of confidence. Finally coming to our play and this we have seen with respect to Max Tower, with respect to Max House given the focus on build to lease Grade A plus offices coupled with work well experience, there is already flight towards quality with premium and that gives us significant confidence to acquire much higher market share in the months and years to come.

Ankit Agarwal: Given that there is upturn in the commercial real estate market, what is the project pipeline from the company's point of view?

Rishi Raj: Great question, coming to the project pipeline in addition to Max Square, which is already announced 7 lakh square feet, there is Phase 2 of Max House which is again 1.05 lakh square feet similar to Phase 1. Third which is in the pipeline is 3 million square feet of Delhi One and as we speak, we are in active discussion as we had already communicated earlier that our preferences to enter Gurgaon, we are in active discussion on three or four projects both combination of Greenfield and value-added opportunities. COVID led to little bit of uncertainty and gap in the valuation between buyers and sellers with normalcy coming back, I think that gap is getting bridged and we are very confident of closing one or two of these transactions in coming months.

Moderator: Our next question is from the line of Naitik Modi from OHM Portfolio.

Naitik Modi: As of now we seem to be concentrated more on the Noida within the Delhi NCR market. So just wanted to know what are your plans on diversification especially with Gurgaon since you have been mentioning Gurgaon for quite some time now, that's number one. Number two, what is the capital allocation plans for real estate business over the next 2 to 3 years and with all three of our properties, Square, Tower and Okhla, what could be the peak leasing revenues from these?

Rishi Raj: I will take the first one and then will request Nitin for the second and the third question. You are right, right now our commercial office portfolio is more concentrated in Noida which as I explained is clearly emerging as an equivalent to Gurgaon in overall NCR scheme of things for all the reasons I mentioned earlier. Having said that our plans to enter Gurgaon continues and remains strong. As again explained, we are in discussions on three or four opportunities, combination of Greenfield and value-added opportunities in Gurgaon. We are hopeful to close one of two transactions in coming months. Yes, the entry has gotten delayed a bit but that was because of a COVID where we continue to underwrite any opportunities on a realistic basis and we don't want to take any decision or we don't want to get tempted into taking any decision which will not be value creating for shareholders so we are taking that into consideration as we are looking at Gurgaon opportunities. Nitin over to you for second and third question.

Nitin Kansal: When we talk about capital allocation if you see from the way our business has grown on the packaging film business, we are generating free cash flows which are good enough to fuel the expansion of the packaging films business without any support of equity coming from the shareholders at the packaging film business. Our deployment of capital going forward would be majorly into the real estate space only.

Naitik Modi: How much that would be in terms of numbers?

Nitin Kansal: Currently what we have already committed is a total CAPEX of close to Rs. 400 crores on Max Square project and another number of close to Rs. 100 crores on Max House Okhla, Phase 2 of the project, that's already committed. As Rishi mentioned we are strongly evaluating opportunities to expand our footprint in other parts of Delhi NCR also, so as and when the opportunity comes, we will be allocating further capital to those.

Naitik Modi: What would be your peak leasing revenue?

Nitin Kansal: In terms of leasing revenues there are three projects which we are looking at. Currently we have got Max Towers. We expect a rental income to close to in the range of 35 to 40 crores coming from Max Towers, and rental income of close to Rs. 15 to 18 crores coming from the Phase 1 of the Okhla project and going forward the project Max Square expected to be commissioned by Quarter 4 FY23. The current prevailing rentals in that area is I can just give you a benchmark are more in the range of Rs. 70-75 a square feet; resulting in a total lease rental of close to Rs. 65 crores per annum beginning from FY24. This is what we already have in our kitty which is under execution, financially closed and as we are looking for more projects those will come will augment the revenues. For Delhi One we are not giving any guidance as the matter is still sub judice and as and when we get clearance from the courts, we would be able to give much more guidance on the revenue and capital equation for the Delhi One project.

Moderator: We will take the next question from the line of Vasant Shukla, an Investor.

Vasant Shukla: I have a question regarding Max Estate. As I understand you have a usable area of 3 lakh square feet so out of that 3 lakh square feet whatever I know that it is being leased out at close to Rs. 100 per square feet. That itself translates to close to around Rs. 18 crores per quarter, right? If 6 lakh area is considered, Max Towers area? I am slightly confused with the rental income of the Max Estate at close to 5 crores for this quarter. If you can explain slightly on that side that will be quite helpful.

Nitin Kansal: Sure Vasant, let me try to explain that to you. Vasant what is happening is the total area for which the income accrues to Max Estate is 3 lakhs square feet of which 2,80,000 square feet has been leased out till date. As you would see in our releases, we have leased out close to 80,000 square feet to Cyril Amarchand Mangaldas as recent as in the fourth quarter of the current financial and the leasing for Yes Bank happened in the Quarter 3, in the previous quarter of the current financial. The revenues of them has not started to accrue as of now so this true revenue will start getting reflected from Q1 of FY22 when all these rentals will start coming to the books. Basis an average rental of Rs. 100, the number would be close to Rs. 36 crores per annum which we can expect to come from Max Towers.

Vasant Shukla: You have around 5,70,000 square feet in Max Towers so out of which 2,70,000 belongs to whom so that is not very clear?

Nitin Kansal: In the previous financial year we had sold off an area of close to 2,63,000 to institutional investor and that area is also being leased out by them. When we say that more than 90% the building is leased, what we say is in the context of the overall Tower. What we own is already 94% leased in the Tower as on overall leased out close to 90%.

Vasant Shukla: Max Estate is currently holding only 3 lakh square feet?

Nitin Kansal: Yes.

Vasant Shukla: Last quarter you had taken a loss on the Azure Hospitality investment close to 26-27 crores, right?

Nitin Kansal: Yes.

Vasant Shukla: What is the present value that is being allocated for that particular business in your books, that particular investment?

Nitin Kansal: Currently we are carrying it at Rs. 45 crores in our books.

Vasant Shukla: You think that after this IPOs of Bector Foods and other companies basically Burger King so do you think that will have certain upside to this particular business as well or you might recoup that loss that you have taken last quarter?

Nitin Kansal: I will just give you a context. This mark-to-market or which was taken in the previous quarter was done the basis, the valuation on which equity was raised during the peak of the COVID times and at that point of time the quantum of uncertainty was very high and so the fundraise was done at a steep discount. Now as we speak today, the business has already reached to the pre COVID levels and in fact they have gone ahead and even started a delivery business which is giving very good results to them. So, I now view we would not only be able to recoup the impairment which we have already provided for. We might also see a return coming on our initial investment.

Vasant Shukla: So close to 80 crores you have invested, 70 to 80 crores was the number that I had read.

Nitin Kansal: 72 crores we had invested.

Vasant Shukla: So, will Azure Hospitality will also come out with an IPO or something like that, going forward, maybe two-three years down the line?

Nitin Kansal: So, this is a continuous process as I mentioned, all corporates and organizations keep on looking ways to raise capital and enhance shareholders value. If Azure is also exploring various ways to make it come to the back to its glory days. So, this might also be one of the options in coming years.

Vasant Shukla: And Goldman Sachs still continue to be invested there in Azure?

Nitin Kansal: They continue to be the investors in the company.

Moderator: The next question is from the line of Zaharah Sheriff from Fedwinteg.

Zaharah Sheriff: Just a couple of questions, as you expand, what are the sorts of debt equity level that you're comfortable with in the real estate business? Because right now I know it's you know virtually whatever not there, but as you expand just if you could give us a sense of how you would go up, what's your thinking on that?

Nitin Kansal: So, what is happening in our mind, we have a very-very conservative outlook toward debt and equity. If you see even our current debt which we have in the real estate business, the major component comes from the lease rental discounting, which basically is, a risk being taken by the the capital providers is on the tenants of the building. So there is not much debt on the business as of now. Having said that when we do greenfield projects or brownfield projects to do entire projects with equity it tends to depress the returns on equity to make a proper return on equity for the shareholders. Our intent is to have an optimal debt equity ratio on the business. What we believe is we are comfortable having a debt equity ratio of 1:1, but depending upon how the project economics are, we might be slightly liberal on that number going up to 60% of debt. In the current regime where the interest rates have gone down, I am happy to share that we have been coming from a corporate background have been fortunate enough to have financial closure for our project at Max Square and at the same time the cost of borrowing for a packaging film business has also gone down significantly from 9.8% to 7.6%.

Zaharah Sheriff: In fact, that was leading up to my next question, which was that, what are the terms really of this debt, like in terms of tenure or repricing? If at all you could just share some.

Nitin Kansal: Are you talking about packaging film business?

Zaharah Sheriff: Yes, packaging and also just when you do for greenfield projects when you will raise, what are like typically the debt related terms that are if you could share that you think you will get.

Nitin Kansal: Typically, the way we look at the project as a conservative stance. The initial cost of acquisition of the project is done by equity, which gives us a significant leverage with the bank and the , underlying real estate is offered as collateral to the banker. And typically, what we think about is, that's a long duration loan, during the tenure of the project five to seven years and the ultimate takeout of the debt is taken from the lease rental discounting of that project.

Zaharah Sheriff: But when you sign in that time it's not yet leased, so the interest rate that you would pay on a project while it's under construction versus what you would pay on LRD would be different, right?

Nitin Kansal: Yes, it carries the risk of construction finance, that would be slightly expensive. But as in when the tenants start coming into it and we can convert that construction finance to a lease rental discounting, we get the rates which are much more competitive.

Zaharah Sheriff: Just to help me understand, as of today if you were doing a project, just to get a sense of what kind of rates you would get, like what is the rate you would get for construction finance today and what is the rate you would get for LRD today?

Nitin Kansal: If you're doing construction finance, we recently did a financial closure from IndusInd Bank for the Max Square project. Our rate was more in the range of 9% per annum and when we do a lease rental discounting our rates would be much-closer to one-year MCLR as of the bank. So that would be more closer into range of 7% to 7.5%.

Zaharah Sheriff: What is the tenure of the 7.6%? If you could just tell me that, like how was it playing?

Nitin Kansal: That average majority is remaining close to five years and those debts which we have taken from packaging film business have long tail loans which we have taken from them.

Zaharah Sheriff: So, the rate would be fixed for the five-year duration?

Nitin Kansal: No, it's annual reset. It's linked to the MCLR of the bank and we have annual reset every year at the anniversary of the loan.

Moderator: The next question is from the line of Naitik Modi from OHM Portfolio.

Naitik Modi: Is there any clarity on the 60,000 square feet in the max towers, which we are still unable to use?

Nitin Kansal: So just to answer that, there is absolute clarity on that number, there is no dilemma. In our building we have developed number of amenities for the benefit of the tenants. So, to effectively get that better customer experience, that area is being used for the occupants of the building. So, there's no ambiguity or doubt surrounding that area.

Rishi Raj: If I can just add to what Nitin said, frankly the suite of amenities in Max Towers powered by WorkWell that Max Asset Services brings in running the asset is one of the key drivers for us to command 25%-30% premium in that micro market for that matter the other buildings in the same campus when I compare it with them.

Naitik Modi: So, it continues to be unleased, right?

Rishi Raj: Yes, so we are not going to lease it as I said, it is being used as amenity space within the building.

Moderator: The next question is from the line of Esha Sawla from Arya Securities.

Esha Sawla: What is the inventory level at Dehradun and by when do we expect to sell the balance?

Rishi Raj: On Dehradun, 222 Rajpur, out of 22 units we have already sold 17 of them. Of that 17, 4 was sold in this financial year-to-date. There is a significance surge in demand for luxury residential real estate and that is also translating into spike in the inquiries for Dehradun. We are very-very optimistic with this trend continuing. The balance 4 units we should be able to sell in next six months to eight months.

Moderator: Due to time constraint, we will be taking a last question that's from the line of Jigar Shroff from Financial Research.

Jigar Shroff: I have three questions, one is, I saw the peak leasing revenue you mentioned 35 to 40 crores from Max Towers and Max House you said Phase 1 would be 15 to 18. So, Phase 2 would also be somewhere equivalent amount I guess, because the same area?

Nitin Kansal: It would be slightly higher than that, because Phase 2 construction will start in H1 of FY'22 and it will take another 18 months to complete, so what we expect is by the time Phase 2 is up, we would have seen the appreciation in the rentals for that area.

Jigar Shroff: So, should we take it in the ballpark in 20 to 25 crores?

Nitin Kansal: Jigar, slightly difficult. We don't give forward guidances, but in a typical contract...

Jigar Shroff: You just gave, right, that 65 crores for Max square also. So that comes to

Nitin Kansal: So that was a ballpark number even in the case of Max Square. What I can give you a broadly indicative of Phase 2 is that all our lease rentals have an escalation of 15% every three years. So what we expect is even in Phase 2 we expect to have a similar kind of rate at least.

Jigar Shroff: My second question was regarding the packaging division. What is the CAPEX guidance if you have any for FY22-FY23?

Nitin Kansal: To answer that we recently ordered two metallizer lines as we call them metallizer five and metallizer six. Each having a CAPEX of close to Rs 30 Cr. each. Currently there are various CAPEX proposals, which might be under discussion with the board. In due course, as and when they are cleared by the board, we might be able to give further guidance on that.

Jigar Shroff: So, 60 crores is confirmed?

Nitin Kansal: 60 crores is confirmed. Yes.

Jigar Shroff: And when would these two lines will be set up by?

Nitin Kansal: The first line is expected to be online in the current quarter and the second line is expected in H1 of FY22. Ramneek right in H1 of FY22?

Ramneek Jain: actually H2, we are expecting it in October.

Jigar Shroff: October current year?

Ramneek Jain: Yes. October-2021.

Jigar Shroff: And how can we look at the peak revenues of the packaging division? I believe in nine months we have done about 800 crores, right? So, once both these lines are operational and once the proportion of Specialty Films increase, what kind of revenue on annualized basis? Can we look at something like around 1500 crores or so for FY23, any guidance to that?

Nitin Kansal: Jigar, what is happening is, we would not be able to give guidance on FY23 numbers.

Jigar Shroff: But any ballpark figure?

Nitin Kansal: That's very difficult to give in the context of packaging film business, the revenues are also much linked to the prices of crude. So, in case there is an abnormal movement in crude prices in either direction, it will have an impact on revenue in terms of top line. But in terms of margins the numbers remain, there's a much more stability regarding margins.

Jigar Shroff: And, to be a factor of the proportional specialty the value-added segment once that increases.

Nitin Kansal: Yes.

Jigar Shroff: And my final question would be on the broadly at the company level. I mean, what is the company going to do to enhance shareholder value? Because our company, there are various segments, primarily the real estate and the packaging and what is it going to take to enhance shareholder value for shareholder value accretion. So that was my concern. What steps does the management envisage?

Nitin Kansal: If you see the way we look at shareholder value enhancement there are two parts. One is from a market lens and what we are doing internally to make the company grow. If you see, last couple of years, what we have been able to do, Max Specialty Films becoming a very swift running engine in terms of generating revenues. Whatever we had planned in terms of taking the business to the next level, in terms of putting a CAPEX having a state of the art manufacturing line over there, getting focusing on research and development had started to play out in the numbers of Max Specialty Films. In terms of the real estate business, we had taken off this project Max Towers in difficult times where were the project was half complete and had a lot of regulatory challenges. We have been able to complete and get over all those regulatory challenges and being able to lease out the building in a time when there was a significant COVID risk. And at the same time, we have been able to get our next project going. And the third one, we have been able to get an institutional partner like New York Life to partner with us in our new project at Max Square in which they have taken up 49% equity. So, in terms of the way we are positioning, all these activities are going in active direction to increase the shareholder's wealth.

Jigar Shroff: Markets are not appreciating all these measures that you have taken. It could because there is focus at each division level, but at the sum of the part levels the market isn't appreciating it, right?

Nitin Kansal: Market has a mind of its own. It keeps on going and I think sooner than later, the market will also start recognizing the efforts being done in that direction.

Jigar Shroff: But can we expect in the next one or two years, I mean the company to be split to give a proper focus to each division.

Nitin Kansal: At current juncture also, there is complete focus on entire divisions. What is happening, we have separate teams to handling all the businesses. Mr. Ramneek Jain has a complete set of teams, the senior leadership team, which is leading the packaging film business. Similarly, we have a separate team which is focusing on the real estate business and a separate team led by Rohit Rajput.

Jigar Shroff: I don't doubt the focus and measures that are being taken in terms of value enhancement. But as you see, I'm in various other companies like Jubilant Pharma also other companies they split up the pharma division and the life science division to unlock value because that the market gives better valuations to such companies, here is your packaging and real estate both are doing very well. I'm not undermining the management efforts also that are being taken. But in terms of the market valuation is when there are separate listed entities, right? So when should we expect that to happen?

Nitin Kansal: So Jigar, we are very conscious of the fact that all the efforts need to be translated into enhancement of shareholder value. We had been taking various efforts and which will come out in public domain in due course. But your observations will be noted, and we will take note of that.

Jigar Shroff: But you mean appreciate at this level the stock is highly-highly undervalued, right? That speaks for itself.

Nitin Kansal: Point noted. Jigar, we will make note of that.

Moderator: Thank you. I would now like to hand the floor back to Mr. Nitin Kansal for closing comments.

Nitin Kansal: I hope we have been able to answer most of your queries. We look forward to your participation in the next quarter, for any further queries you may get in touch with SGA, our investment relationship advisors. Thank you. Thank you so much.

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