November 26, 2019

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

Scrip Code: 539940

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

Name of Scrip: MAXVIL

Sub.: Transcript of the Earnings Conference Call for Q2 FY 2020 held on November 11, 2019

Dear Sir/Madam,

Please find enclosed the transcript of Earnings Conference Call conducted by the Company for Q2 FY 2020 on Monday, November 11, 2019.

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

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"Max Ventures and Industries Limited Q2 FY 2020 Earnings Conference Call"

November 11, 2019

MANAGEMENT: MR. SAHIL VACHANI -- MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, MAX VENTURES AND INDUSTRIES LIMITED
MR. NITIN KANSAL -- CHIEF FINANCIAL OFFICER, MAX VENTURES AND INDUSTRIES LIMITED
MR. RAMNEEK JAIN -- BUSINESS HEAD (PACKAGING BUSINESS), MAX VENTURES AND INDUSTRIES LIMITED
MR. ARJUNJIT SINGH --CHIEF OPERATING OFFICER, MAX ESTATES LIMITED

Mr. Rishi Raj -- Chief Business Development Officer, Max Ventures and Industries Limited
Mr. Nitin Thakur -- Investor Relations, Max Ventures and Industries Limited

Moderator: Ladies and gentlemen, good day and welcome to the Max Ventures and Industries Limited Q2 FY 2020 Earnings Conference Call. This conference call may contain certain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These 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, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I am now glad to hand the conference over to Mr. Sahil Vachani -- Managing Director and CEO of Max Ventures and Industries Limited for his opening remarks. Thank you and over to you, sir.

Sahil Vachani: Thank you and good afternoon, ladies and gentlemen. I would like to thank you all for being part of Max Ventures and Industries Q2 and half-yearly earnings conference call. Along with me today, I have Mr. Nitin Kansal -- our CFO; Business Head Of Packaging Business -- Mr. Ramneek Jain; Mr. Rishi Raj -- who is the Chief Business Development Officer; Mr. Arjunjit Singh - who Heads the Real Estate vertical; and Mr. Nitin Thakur -- who supports Investor Relations.

This has been a very encouraging quarter and half-year, which sets us up wonderfully. And has motivated the team to continue the momentum for the rest of the financial year. We made some very good progress across our business verticals. As some of you who have been tracking us may be aware, we have chosen real estate to be MAXVIL's growth driver while we continue to nurture our specialty films manufacturing business.

In real estate we are very focused on creating a highly differentiated build-to-lease Grade A commercial office space in the Delhi NCR market. So, a very focused play on geography which is Delhi NCR, on asset class which is office space and within asset class Grade A office space and within that, the concept of what we call 'Work Well'. The idea here is to avail opportunities that the market has to offer while involving efficient capital and handsome margins.

In a packaging films business, we are focusing on optimizing our recently doubled capacity, increasing share of value-added films and co-innovating recyclable packaging with key FMCG customers.

Let me now share with you the recent progress in the real estate space. We are very pleased to share that we have signed an agreement for a commercial land parcel on the Noida Expressway close to our existing development - Max Towers for Rs. 110 crores. The development potential of the land is approximately 7 lakh square feet. We believe the acquisition is extremely attractive and we expect to clock mid teen yields on our investment. We have started work for the project in terms of designing and regulatory approvals and expect to begin construction in Q1 of FY 2021. This project will be funded through our existing reserves, internal accruals, a platform level partner and project level debt.

We are hopeful of continuing a track record of a novel product delivery, particularly focused on design differentiation and consumer experience differentiation as we have done in Max Towers and we propose to do in our other development at Okhla as well. We will aim to deliver this at a fast pace and lease at a premium to the micro market,, similar to what we have done both in Max Towers and in Okhla and we believe we can get this done due to a combination of the aesthetic green building, community creation concept aided by recreation facilities across the pillars of technology that we seem to have mastered.

With this project we further build on our commercial real estate portfolio having executed Max Towers and Max House, Okhla .

Coming to an update on Max Towers, we have sold 1.45 lakh square feet of space at realized value of Rs. 200 crores. The idea is to use the proceeds of this to further expand our real estate vertical in a way that is anti-dilutive to our shareholders and is also capital efficient. We at Max Estates will work closely with the buyer to lease the space and add on to the marquee list of tenants in the project.

Just sharing a little bit about the concept that we been able to bring to the office space segment in India and particularly NCR - it is called the 'WorkWell' philosophy, which primarily provides its users hospitality like experience in an energy efficient green environment, technology enabled amenities to boost productivity with a lot of F&B and other amenities at its core.

Our leasing momentum continues well at Max Towers At the end of September quarter,Of the balance Rs. 3.55 lakhs square feet post the sale, . we have achieved high levels of occupancy. Some of the marquee names in this building are in the field of technology, water, services, and law firm who will be occupants at Max Towers. The lease rental that we have achieved are at a premium of about 35% to 40% to the immediate micro market, which is a validation to the brand of Max in real estate space and also validation to our execution and quality of delivery and experience.

We believe the premium lease rentals coupled with the buoyant occupancy and pipeline that we have, has reinforced our belief to be able to create a very strong brand in Grade A commercial office space in the NCR market.

Also, I am very happy to share that in the quarter gone by, Max Towers was awarded The Most Environment Friendly Commercial Space by one of the leading real estate publications in India .

Coming to Max House, Okhla - we have decided to no longer continue the commitment to lease it to We-Work as many of you are aware of the uncertainties associated with the potential lessee both globally and in India. Also, given our experience that we have had in Max Towers and the location of Max House, Okhla; which is in the midst of South Delhi, we think that we will be able to get ample leasing traction for occupying this development again at a premium of the micro market and we have started that process. Now, this project will commercialize in Q1 of FY 2021.

Just an update on our first small project in Dehradun, which was a residential project, having sold 50% of the villas already, we are facing a slight slowdown. This was Max Estate's first project where we were testing waters. While the project was made in-time and with great specification and provided us valuable learning, I think the residential space is in a slow tide in North India. Thankfully, it was a very small project and we are confident of liquidating the residual inventory. But again, it helps us focus towards our core of commercial office space that we want to focus on in our real estate business.

I think I would also like to spend a couple of minutes just sharing the macroeconomic factors in this commercial office real estate in the Delhi NCR region. Our belief is that real estate is a very local play, as we have seen with many leading developers and if we look at the Delhi NCR market, with the current distress in real estate, coupled with the crisis at the banking level and the NBFC crisis, we believe that there is ample opportunity for a brand like ours to take pole position. And if you really see the number of players that exist in Delhi NCR market that have the capital **,** the brand and the ability to build to lease development - there are few and far between; maybe not more than one or two.

Demand in Delhi NCR as many of you know in commercial leasing space is still holding up strong. We expect to clock about 6 million square feet a year, 6 million to 7 million square feet a year of gross leasing (In Delhi NCR), which is expected to continue to rise. And that is particularly for Grade A office spaces and that we believe that we can be in pole position to be take advantage of this opportunity and the timing of this.

Coming to our next business, which is Max Asset Services. This is what I spoke earlier about - how our buildings are not just built well, but they are also serviced or run impeccably, and we have created a vibrant community amongst building occupants. Max Asset Services or MAS as we call it, is a company which plans and implements the service led elements.

With the experience of managing Max Towers and curating a number of events customized service offerings, MAS has gained significant experience in the services segment of real estate. The focus of Max Assets will now be towards deepening presence in the managed office services market and create a credible high value service offering, which will complete our product development with Max Estates.

We believe we have an early mover advantage with a model that is low capital and has healthy margins. And I think, that if we look at this in combination to what we are doing in the development part, which is the building out of office spaces, I think that these are very complementary and synergistic place with each other. And with the conclusion of Max Towers, near completion of the Okhla project, beginning work on our first third-party land parcel, we believe we have clearly demonstrated execution capabilities - which include regulatory capability, product execution, project management, leasing. We believe that, opportunities are there and we want to be able to scale and thus, we are open to looking at co-investment and joint development opportunities. And we, like I said want to be smart and efficient in capital deployment and earn margins which are significantly higher than the prevailing cap rates in the RE space.

Coming to the Packaging Films Business, it went through a testing time in the last financial year. ~~A~~as we had updated in our previous call that was primarily because of the excessively high bundling of capacity, coupled with a slight consumption slowdown. However, the situation has greatly improved from the last quarter, with supply now stabilizing and no significant foreseeable supply coming up for the next 12 months to 18 months.

We believe that it (MSF) has seen its worst already and coming out of this has made our organization lean and more capable for the opportunity that the future has to show.

While the industry fundamentals have improved, we believe our focus on value added films will continue to be there. And the objective of this is to earn higher realization due to the differentiation that we will be able to offer. And the key driver here again, is the recyclability opportunity shared by honorable Prime Minister on banning or discontinuing of single use plastic, very happy to share that Max Speciality Films is one of the first few players that has developed products in plastic that are fully recyclable.

And to conclude on that, we have also started business with our joint venture partner Toppan after a very long development time and testing period and we expect volumes to scale up gradually.

With that, I would like to hand over to Nitin Kansal - our CFO to share the financial highlights for the quarter.

Nitin Kansal: Thank you, Sahil. Good afternoon to everyone. Let me give you highlights for the quarter and the half-year ended for the Financial Year 2020.

The consolidated revenues for the quarter two stood at Rs. 435 crores, where the revenues for the half-year stood at Rs. 860 crores.

On this total revenue the real estate business revenue for the quarter was Rs. 198 crores that also includes the sum which came from selling space at Max Towers and an amount of Rs. 3 crores which came from the lease income.

The total real estate revenues for the half-year stood at Rs**.** 360 crores, this included the revenues which were recorded in the quarter one from the sale of certain portion of Max Towers and the portion which was liquidated in quarter two, both put together.

The revenues from the Speciality Films business for the quarter two stood at Rs. 235 crores, which was down 4% on year-to-year basis. But the half-yearly revenues of Rs. 479 crores showed an increase of 17% on a comparable year-to-year basis.

The margins in the Speciality Films business has increased from 3.2% to 6.4% in quarter two, and the margins for the half-year stood at 6% as compared to 4% in the previous half-year.

The consolidated EBITDA stood at around Rs. 41.6 crores while the H1 EBITDA reported Rs. 98 crores. A consolidated PAT for quarter two FY 2020 stood at Rs. 9.2 crores but the PAT for the half-year stood at Rs. 34 crores.

On a consol level, we have a gross debt, of around Rs. 441 crores, which also which comprises of the debt of the Speciality Films business and the real estate business. The real estate business debt stands at Rs. 126 crores which has been taken for the Max Towers business.

In addition, we also have a cash and **liquid fund** balance of Rs. 266 crores at the end of the half-year by 30th September 2019.

Thank you. Over to you, Raymond.

Moderator: Sure, Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Arpit Ranka from Kovil Investment. Please go ahead.

Arpit Ranka: Hi, Sahil. So couple of questions on the new land deal that we have done. So in what sense, is the project distress? Has somebody already have started constructing and he had to stall it midway regulatory or what? If you can walk us through how is this a distress? And secondly, you said leasable could be anywhere around 7 lakh square foot and you have already paid 110 for the project. So, the total cost of the project what is the right way to think about it? And you said we may also bring in investors from the platform. So, what is possibly going to be their capital shares? And how much of equity would we have to forgo for that? Thoughts on that. And a second question is more broadly on the air pollution, which has been on the rise. People living in Delhi keep talking about it. See, in the years ahead assuming that some of the companies or enterprises decide to move out, are you not worried that the supply demand can go for a toss even for Grade A building, even though you claim that there is a shortage of good Grade A buildings in that area?

Sahil Vachani: Thank you. First, I will take your last question first, in terms of air pollution. I think it is an area of concern for us as a society and a country at large that we have to deal with this level of air pollution. I am very confident that we at a city level, there has been so much now talk about it, that I am very confident that there will be lots of measures that we as a society and the government will take to control it. Having said that, I absolutely do not see any movement out of businesses or of corporates out of Delhi NCR as this is a bad period for a short duration of time. And thirdly, in Max Towers, we have been able to control the pollutant levels inside our building and that is the differentiation that we are able to offer compared to any other old developments. In fact, this has worked to our advantage where particularly in the last quarter or so, where there is a lot of noise around pollution, most corporates have decided to move from central business district for example, the Connaught Place area of New Delhi to Max Towers in Noida. Given the quality of the experience which includes the air quality level inside our building, and we have technology not just that we have set up air purifiers to ensure that the air quality inside the building is significantly better and at very-very healthy levels. We are providing monitoring tools for our occupants to be able to judge that the air quality. So that is one part of the discussion on air pollution.

I think particularly on this asset, as you can tell, for a 700,000 square feet opportunity, this is a very attractive price that we have paid. This land was originally owned by a developer who could not complete development and got into financial troubles. And we believe that there is a good demand in this area for us to lease it. If we do the math, we are very confident as I said of earning high teens returns on this given the acquisition price that we have, construction costs that we are broadly aware of and the prevailing rentals in the micro market.

Arpit Ranka: And the capital costs that will be involved to build this project, total costs tentatively?

Sahil Vachani: So I think the land as we mentioned is Rs. 110 crores and the construction costs would be in the range of the Rs. 200 crores to Rs. 250 crores. And like I said, this is a combination of debt-equity in equity funded partly through internal accruals and partly through a platform partnership opportunity. To answer your question on the platform partnership opportunity, we would look at bringing in potential platform level partner, to invest with us not just for this project, but for other potential projects as well, and correspondingly share the risk and equity on the project.

Arpit Ranka: Okay, fair enough. And if time permitting, may I sort of squeeze in one more question or I will come back in the queue?

Sahil Vachani: Please go ahead.

Arpit Ranka: So on the Max Towers - congratulations on the great product. But I have a specific question on the sale that you announced this quarter. So 1.45 lakh square foot for Rs. 200 crores and I believe our total leasable was 5 lakh square foot at a total cost of Rs. 600 crores. So, we effectively sold roughly about 30% of the project for Rs. 200 crores. It seems like it at cost? Or is there a mistake in the way I have understood the economics because I presume that ready to lease 1.45 (lakh square foot) should be valued a lot more than what it cost you to build over a time frame and with all the risk involved?

Sahil Vachani: We have sold it at a profit. It is not at cost and I think the profit is reflected in the numbers this quarter. So, I will request Nitin to take you through the numbers. But, we definitely sold at a profit.

Arpit Ranka: Okay. So I will take a look and maybe get in touch. Thank you.

Moderator: Thank you. The next question is from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: The question I had was, so on for the half-year revenues for the real estate business, which recently was Rs. 360 crores and I am assuming Rs. 200 crores out of that was from the sale of the 1.5 lakh square feet. Where is the balance where Rs. 160 crores coming from?

Sahil Vachani: Thank you for your question. I will request Nitin Kansal our CFO to answer that.

Nitin Kansal: So, what is happening in this case, what we have recorded is a total transaction value of Rs. 200 crores and the remaining revenue will be recorded over a period of next year as the obligations are met for the remaining delivery**.**

Samarth Singh: So how much of the Rs. 200 crores have been being recorded for the half-year?

Nitin Kansal: So, the entire Rs. 200 crores has been transaction value of which an amount of Rs. 190 crores has been recorded, the remaining amount would be realized over a period of next 6 months to 12 months.

Samarth Singh: Okay. So, Rs. 200 crores is the income from the sale of other 1.5 lakh square feet at Max Towers and the balance Rs. 160 crores?

Nitin Kansal: So, in the previous quarter one we had recorded a revenue for sale of 1,18,000 square feet ofRs. 160 crores. That total makes to a revenue of Rs. 360 crores which got recorded as revenue in the real estate business.

Samarth Singh: So, how much of Max Towers has already been sold?

Nitin Kansal: So, till date what we have sold 2,60,000 square feet in Max Towers

Samarth Singh: Okay. So we are left with a balance of…

Nitin Kansal: Around 3.5 lakh square feet is what we are left with Max Towers, the revenue for the same willshow in the books to Max Ventures.

Samarth Singh: So, but our total area leasable area was 5 lakhs square feet, right? So if you sold 2.6 lakh square feet?

Sahil Vachani: So, just to clarify the total area was 6.15 lakhs square feet of which 1.18 lakhs square feet was sold in quarter one, post which we will left with 5 lakh square feet. Of that 5 lakh square feet and the 1.45 lakhs has been sold out of the total area, balance left is around 3.55 lakh square feet.

Samarth Singh: Okay, got it. Great. Thank you for that. And on Max Okhla, I believe in quarter one, initially I think it was Rs. 60 crores project where we would end up with 1,10,000 square feet. And I think we have changed that now; the structure has changed. So could you just go through that, please?

Nitin Kansal: Yes, sure. The Okhla project comprises of four blocks, Block-A, Block B, Block C, Block D. In the quarter one, we had taken 50% of Block A with the Okhla housing entity Pharmax Corporation, which entailed a total project cost of close to Rs. 60 crores and our ownership was under 1 lakh square feet. Now going forward, we have taken over the entire Pharmax company. We have entered into an agreement to purchase the shareholding of Pharmax Corporation from Max India, 85% of the shareholding coming in Rs. 118 crores, post which the entire Okhla - the remaining 50% of Block-A, Block D, Block C all come us with, the total leasing potential of close to 3 lakh square feet.

Samarth Singh: Okay. So essentially, we have got 85% of 3 lakh square feet when it is fully developed?

Nitin Kansal: Yes.

Samarth Singh: And we are as of now only working on Block-A which is the Max House Okhla, is that right?

Nitin Kansal: Yes.

Samarth Singh: And that cost will remain the same at Rs. 60 crores for that block**?**

Nitin Kansal: Yes, that remains the same.

Samarth Singh: And how much of that Rs. 60 crores has already been spent as of the end of half-year?

Nitin Kansal: So we have spent close Rs. 32 crores as of quarter two. We are expecting this project the Max Okhla, the Phase-I there is Block-A to be done by the by March of 2020.

Samarth Singh: Okay. Block-A will be done by March of 2020.

Moderator: Thank you. The next question is from the line of Jinesh Shah from Equimark Advisors. Please go ahead.

Jinesh Shah: My question is the revenue from real estate has increased from quarter one to quarter two. So will it sustain going forward to quarter three and quarter four?

?**Nitin Kansal:** Jinesh, in the first couple of quarters we had the revenue which was reported on the sale of floors. In the coming quarters, we will have revenues from the leasing income which will come up, which will gradually build up in the coming quarters.

Jinesh Shah: Okay. So leasing will get their revenues and that will be going forward?

Nitin Kansal: Yes.

Jinesh Shah: And my second question is on finance cost, actually the finance cost has gone from Rs. 10.42 crores to Rs. 16.23 crores and this is post the rights issue which the company did for around Rs. 440 crores. So just why there is so high finance cost, like Rs. 16 crores?

Nitin Kansal: So Jinesh, in the first quarter the current financial year Max Towers got capitalized. The debt which was being taken from Max Towers, was getting capitalized till April of 2019. Post which, the debt has been charged to P&L. That is the reason the interest costs have gone-up in the half-year.

Jinesh Shah: Okay. So, is it likely to sustain at a particular level in the next quarters?

Nitin Kansal: We do not have any plans for taking any further debt for the Max Towers development, so these number should sustain.

Moderator: Thank you. The next question is from the line of Kunal Pavaskar from Indgrowth Capital. Please go ahead.

Kunal Pavaskar: The question was on the real estate division and I wanted to understand any progress made on acquiring distressed assets that may be there in the NCR region? Or what is the general scenario that the company sees when they look at distressed assets today are the assets of commercial nature? And the second question was on at the film's part also that is there any guidance had been that can be given for the second half of the year as to how the direction of you know the EBITDA margins there are tracking at? Because we know it has been rising for the last few quarters, I think January or February was a low and after that that is only for better. But is there any impediment to these margins rising that the company feels?

Sahil Vachani: Sure. So I will take the first question first. I think the opportunity that we see in the NCR region is very significant. Like I said, I think if you look at the number of players who are in the NCR region who have the appetite, reputation, execution capability to take on projects, whether they are distressed or Greenfield is very less. You cannot even go through one hand to count them. So I think there is a significant opportunity for a player like Max which brings in trust, credibility, brand and now also experience in the commercial office space to take advantage of those opportunities. Second, there is nobody better than Max that is placed to partner with foreign capital for some of these assets. And as you know that most of the foreign capital coming in is extremely bullish on commercial office space and very keen to enter India. For all of those coming into NCR, there is no better partner than Max. We have had partnerships with capital providers over the last three and half decades. And we are one of the very few people in the country that have had successful joint ventures partnerships and have successfully exited and have also given an exit to all our partners. So if we look at the ecosystem, if we look at the opportunities, and if we look at how we as an organization are placed, there is no better time and opportunity than now for a group like ours to capitalize on this. The deal flow is very significant. We are seeing a lot of opportunities around distressed, around Greenfield, partly Brownfield and we are evaluating all of those. We have set up a separate team that is focused on just evaluating a lot of the deals. So that is just a little bit of an update on opportunity. And to answer your question at this time as well, we are looking at number of opportunities across the office space platform both distressed and non-distressed. To your second question around the Packaging Films. Yes, we have sustainably been doing better over the last year and are very confident of continuing this trajectory. The three or four key drivers are (A) the supply demand equation and given that this is an industry where supply is quantum, but growth is linear and supply got added in the last year. So we know that the supply side is now tapering off or has tapered off and with a continuous increase in demand. The second growth driver is with the advent of recyclable plastic or not using single use plastic, particularly if you look at the organization such as Hindustan Unilever, Nestlé, Procter & Gamble. A lot of these organizations have taken a pledge at a global level to move to recyclable substrates and recyclable polymers over the next couple of years. So, there is a lot of tailwind there for us. So we are very confident that with the significant capex cycle behind us, the management will be able to drive efficiency, product development and growth in the business. So while we do not give any future forecasts of numbers, we are very confident and bullish of continue the upward trajectory in this business.

Kunal Pavaskar: Thanks. And there was one more question on the platform partner that you mentioned. Is there a timeline by which more details could be shared with the exchanges, investors basically? And the second question was on reporting in general, so we know that it is still early days in the life cycle of the company on the RE side. But can we as investors expect the company to probably share something in the nature of you know, this is the pipeline that we have in this year and this is something that we would like to take this forward to say in FY 2021, something that enables us to picturize is how the company shaping up on the RE side? And, I think both these things will have together because the platform partner being able to come in with that much capital, the company's own capital and how much pipeline the companies at any point of time working at? On a committed basis and maybe there are things that could a company report, projects in number of square feet that are in discussion stage, you could quantify it whichever way but, and categorize it in terms of certainty but something in the nature of this kind of reporting may be helpful if that can be considered?

Sahil Vachani: Yes, I think that is a very interesting point. Point taken and we will take that back as a team. And we will think through it and we will try and see what we can do. But absolutely, point taken in terms of the pipeline and the communication of that pipeline. And I think on the platform part, we mentioned that for the particular opportunity that we are looking at, in Noida, we are very hopeful of stitching up partner for that by the end of this financial year in a formal way.. So, that is for that one particular project and I think at this point in time, we have the capital and the appetite to grow even beyond this and will continue to do that and over the course of time evaluate opportunities that a larger platform or partnership can offer with a much larger runway and then link that in with the pipeline that you mentioned, that we will take that away and come back to you.

Kunal Pavaskar: Okay. And I will just have had one last question, what might be the cost of financing at present that the company is able to secure at project level for real estate projects?

Sahil Vachani: Nitin, do you want to take that? We can share for Max Towers?

Nitin Kansal: Kunal, for the project financing, the number ranges between a number between 10% and 14% depending upon the credit assessment by the bankers. But we are we are hopeful to get a number of between 10% to 12%.

Moderator: Thank you. The next question is from the line of Jaykisan Parmar from Angel Broking. Please go ahead.

Jaykisan Parmar: My question is for primarily for real estate division. If you can give us a timeline and for your Okhla Phase-I, Phase-II and Phase-III whatever like we have 3 lakh square feet leasable area. So, if you can give tentative timeline like by when this all three phase or 3 lakh square feet will get finished? That one. And on second, if possible as on today, how much liquid investment we have in terms of mutual fund or FD cash and long-term investment, in sort of like Nykaa and Azure kind of thing. So total how much investment do you have? Just two questions.

Sahil Vachani: I will request my colleagues Arjun and Nitin to explain that for you.

Arjunjit Singh: Hi, thank you. With regard to timeline, as we mentioned earlier Block-A Okhla will be delivered within Q1 of the current financial year, that is our target. We are working hard to now also secure the leasing of that, since we have backed out of the leasing arrangement with WeWork. On Block C and Block D, we are currently in the regulatory approvals phase. So, it is a little premature to commit to a timeline on that, but we are working hard with the regulators to ensure that we are able to get this actioned as soon as possible.

Nitin Kansal: I am glad to give you funds related to MaxVenture, as of 30th September, we have a cash balance of Rs. 266 crores rupees with us which is parked in mutual funds and fixed deposits with Bank. In addition we have investments in Nykaa and Azure which is assisting the balance sheet, the total number of which is approximately Rs. 100 crores as of 30th September.

Jaykisan Parmar: Okay. And I think, we also have invested in one of the alternate investment fund, beginning of the year?

Nitin Kansal: Yes, we have a small investment of round Rs. 30 lakhs in the fund called IAN.

Jaykisan Parmar: Okay. Only Rs. 30 lakhs. How much debt we have at Max Estates?

Nitin Kansal: So on Max Estates for Max Towers we have a debt of Rs. 126.5 crores as of 30^{th}

Jaykisan Parmar: Okay. And in Okhla I, who backed out like they backed out or we backed out from agreement?

Arjunjit Singh: No, we have taken this decision. Because as Sahil mentioned earlier on the call, we were not particularly comfortable with the financial outlook of both the global and Indian partner for We Work business so, we thought it was prudent to go ahead and back out of that given that the entire building was being leased to one tenant. We did not want to take on that level of risk. More importantly, we feel that we have a very robust pipeline of multiple tenants for the same building. So that is why we took that decision.

Jaykisan Parmar: In press release for Max Asset Service, the last point is that the first managed offering will be completed for technology company in December 2019. So, just give me details on that. Like what is that exactly?

Arjunjit Singh: Sure this is a tenant who has signed up space in Max Towers. The tenant is a San Francisco based technology company and they have offered to utilize the Max Assets Services arm of Max Estates to fit out their entire space and to provide them a managed office experience which means that taking care of all the facilities management both inside as well as outside of the office. So that opportunity will come live in December 2019. It is currently in the fit-out phase.

Jaykisan Parmar: Okay. And just one last question, if you permit me. And any development with this one tie-up we did in Q1 with Apollo Management Singapore Limited for development?

Management: That was a non-binding term sheet which we had entered with Apollo Management, that is still under discussion and as and when we are able to conclude, I will inform it through our notification with exchange.

Moderator: Thank you. The next question is from the line of Mahantesh Marginda from Finquest Securities. Please go ahead.

Mahantesh Marginda: I just had a couple of questions. Sir actually just want to know like, are there any orders to Toppan supplying now? In the last call you had mentioned that it will be supplying to Toppan as well? And one more thing like that, you just mentioned I think the Okhla Project, B, C, D you are in the regulatory phase, just want to confirm that.

Sahil Vachani: Yes, on the Toppan part, I request Ramneek to please take that question and on the Okhla part, quickly to answer that. Yes, we are in the regulatory phase of seeking approvals for the rest of the phase-II of the development. So Ramneek, if you can please take Toppan question.

Mahantesh Marginda: Sir, just one more thing in B, C, D you own the complete land everything? Or you need take some stakes there?

Sahil Vachani: We now have bought 85% of the entity that owns the land.

Mahantesh Marginda: Okay. B, C, D, you need not to spend anything on the land part, right?

Sahil Vachani: Yes, we have just acquired the land through a company. We bought a company called Pharmax last quarter and Nitin spoke about that. So for B, C, D we just need to get regulatory approval and then we can start the construction there and to your first question Ramneek, please go ahead.

Ramneek Jain: Thanks, Sahil. So on the sale to Toppan. Yes, we have formally started some sale already. And as Sahil mentioned earlier, we will be increasing it with time and there is a lot of promising projects in the pipeline with them. But with all the work that has gone on in the past two years, it is finally taking some shape.

Mahantesh Marginda: How much quantity you might supply in terms of capacity or in terms of any numbers?

Ramneek Jain: It is number which is growing. And we have to manage the supply strategically in the sense what is needed for the Indian market. So, at this point we will refrain from saying any numbers but it is a good number and a profitable number.

Mahantesh Marginda: Okay. And like, looking at the recent business of FMCG company, there was some slowdown in most of the numbers. Will it result in the packaging also, like since both are interrelated?

Ramneek Jain: I think you have seen the results we have been steadily growing and I think the way the past year was, especially has helped us to improve our cost as well as work on our product mix and our customer base. I think we are on steady ground and continue to see good growth opportunities. So as of right now we are sitting in a situation where we have a good demand at hand and sustainable as well

Mahantesh Marginda: Okay. Then coming to this business investments, like last quarter we had some sales in terms of investment and all and this quarter it was not there. Can you just throw some light on that?

Nitin Kansal: Mahantesh, last quarter we had sold approximately half a percent of our holding in an entity called FSN E-Commerce which runs a brand Nykaa, for which the revenue Rs. 25 crores was recorded in the previous quarter. In the current quarter we have not monetized any of our investments.

Mahantesh Marginda: Okay. Any outlook on that any monetization in the next H2?

Nitin Kansal: So we as a process keep on evaluating our investments at any point of time and suitable point of time and the correct valuation, we tend to monetize them. As and when we have crystalized information, we will share with the shareholders.

Mahantesh Marginda: Okay. Sir, and just discuss this last question about this Apollo non-binding. Can you just throw some light on that what was that about?

Nitin Kansal: We had entered into a non-binding term sheet with Apollo to explore joint investments in the real estate project. We are in the discussions with the Apollo on the project and contours of the partnership. As and when are able to close that partnership will make an appropriate disclosure for the same.

Moderator: Thank you. The next question is from the line of Ankur Chadda who is an Individual Investor. Please go ahead.

Ankur Chadda: So I just wanted to know I think the line got interrupted, this probably already answered the construction cost for Noida?

Sahil Vachani: Construction cost for Noida is between Rs. 200 crores - Rs. 250 crores for the new project.

Ankur Chadda: Yes. So this is for the entire 7 lakh square feet?

Sahil Vachani: Correct.

Ankur Chadda: Okay. And for Okhla B, C and D?

Arjunjit Singh: Like I said we have not got regulatory approval for that yet. When we get the appovales, we will accordingly be able to design and then take get a more accurate assessment of the construction costs. But as an indication it will not be dissimilar to what we are incurring for Block-A.

Ankur Chadda: Which is Rs. 60 crores, right?

Sahil Vachani: Approximately, yes.

Ankur Chadda: Yes, okay. And this question I have is on the rationale behind selling a portion of Max Towers because just like few months back our strategy was to put everything on lease and hold it as a lease property and then maybe look at it in the long-term basis. But then suddenly we find that a portion of it has been sold. I am sure there is a good reason for it. Can you please let us know?

Sahil Vachani: I think we saw opportunity in being able to monetize some part of it without compromising on the value of being able to own and maintain the asset. It still does not take away the possibility of us at a much later date pulling this into any sort of a platform vehicle, REIT or anything else. But the benefit is at this time, it gives us the equity capital to be able to pursue opportunity that we believe in. And going back to my previous point that I think that given that there are just so few players in the segment and the demand that is there for opportunities that we are seeing; we were wanting to have some sort of ammunition or equity capital available to be able to do some of these things, which is why we have taken that call.

Ankur Chadda: Okay, that is good. And also, now as properties start going on lease and start earning the rent, I believe that we are overly capitalized and I hope that we will be taking on enough debt so that at least our debt to equity ratio is one-by-one. Anything you guys think of?

Sahil Vachani: On a lighter note, that is one of the first times I have heard anybody tell us to take on more debt in real estate. But you know, I think that absolutely, there is headroom available and we have started in a conservative way.When the right projects and opportunities that we are evaluating materialize, we will be able to draw upon this headroom to scale further and significantly faster. Thank you.

Ankur Chadda: Okay. One final request, I have, we have this investor presentation. In that presentation, can you please insert one slide, where you can specify what is a hurdle rate for acquiring a new asset? And the asset IRR, which obviously, we can then take on more debt and increase the IRR. But it would be nice to know that a hurdle rate for an undelivered asset is x. So, then it gives us clarity what we are getting into, going into future projects. If you can consider that, please.

Sahil Vachani: Point noted. We will share that with the team. Thank you.

Moderator: Thank you. The next question is from the line of Soundarya Venkatesh from iThought Financial. Please go ahead.

Soundarya Venkatesh: Sir, can you please give the occupancy rate in the space available for leasing in Max Towers?

Sahil Vachani: Nitin, could you help take that please.

Arjunjit Singh: Sure. So this is Arjun here. Of the 5 lakh square feet, which we have remaining of Max Towers, we have leased about 1.6 lakhs square feet as of Q2 already and then the balance is the amount which we will look to lease which will be mostly of office as well as some amount of retail.

Soundarya Venkatesh: Okay. Sir, as far as our Max Okhla is concerned, what is the average lease rental that we can expect? First basically we have Rs. 100 average from Max Towers, what is the rate we can expect in Max House Okhla?

Arjunjit Singh: So, I can share that the transaction that we had signed with We-Work was close to Rs. 110 psqft per month. But we anticipate that we hope to achieve more than that number.

Nitin Kansal: Just to add to it. Since, We Work had taken the entire building (on lease) they were able to negotiate a better rate with us. Now, since this might entail number of tenants into this building, our bargaining power would go up. So we expect the number to be significantly higher then what we had achieved with We Work.

Soundarya Venkatesh: Thank you, sir. Next question is about your Specialty Film business. So we have this value added Specialty Film, where we are concentrating on increasing our business there. What will be the difference in the margin in that business with our general business?

Ramneek Jain: The important point here to note is that the consistency of the returns from the high value added products is more stable. The prices, the delta to the commodity is fluctuating because the commodity fluctuates and so to put a number, it varies from a single-digit to double-digits and in different kinds of films. So I think that, of course they (Speciality Films) are more profitable. But more importantly, they are more stable as to the market situations. So, I think that is another prime mover. So, thank you.

Soundarya Venkatesh: Sir, one last question. Can you give us any valuation numbers as far as our investment in Azure Hospitality is concerned?

Sahil Vachani: Nitin, could you take that, please?

Nitin Kansal: Soundarya, for us to give any valuation numbers that Azure would not be preferred at this point of time. So post the investment, they have not done any further fund raise. But just to give you a sense, in couple of F&B brands which are planning to get into raising capital, they are looking at a multiple on top-line which ranges between 3.75 to 4.5.

Moderator: Thank you. The next question is from the line of Priyank Singh from Adidhan Securities. Please go ahead.

Priyank Singh: I had a few questions. So continuing with the previous question you have 6 lakh square feet in Max Towers. So out of it, you have leased almost 1.45 lakh square feet and sold almost 2.5 lakh square feet. So this remaining 2 lakh square feet, what is planning to do with I mean, whether you are going to lease it or sell it?

Arjunjit Singh: No, the intention is to lease it.

Priyank Singh: Okay. And this will be over a period of how much time?

Arjunjit Singh: You know, our target is to try and wrap up the leasing as soon as possible. There is an internal target to try and lease it all out, hopefully within the financial year itself.

Nitin Kansal: And just to add one thing to the leasing velocities, again a function of what rates we would like to achieve. Typically, in a real estate projects over the period of time, depending upon the occupancy and the response the product gets you can ladder up the prices. Although we have an expectation to lease out the building by the end of the financial year. But we would also like to maximize the return and it might entail that lift for a couple of quarters that would not be because of any demand reasons, just for an objective would be to maximize the return because these leases are typically for long duration for nine years period. So we would like to enter into leases at a pricing which maximizes the value of the project.

Priyank Singh: Correct, okay. So moving on to the next question, so you are in talks with few global players for the Noida property through the platform level investments. So by when are you planning to close this?

Arjunjit Singh: So, we are in touch with the few of global investment players who are scouting for investment and we are hopeful that we would be able to close this thing in the current financial year itself and we make a disclosure to the investors about it.

Priyank Singh: Okay. And just one last question or what will be the gross debt in each of the business?

Nitin Kansal: So the debt on the real estate business is around Rs. 126.5 crores and the total debt on the Specialty Film business is close to Rs. 310 crores.

Moderator: Thank you. The next question is from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: Has the payout for Pharmax for the Rs. 118 crores already been made and is that reflecting on our balance sheet?

Nitin Kansal: No, the payment has not been made. We have made an advance payment of Rs. 42 crores by the end of the quarter, remaining money will be paid over the once the CPs are met by the selling entity.

Samarth Singh: Okay, thanks. And on Max Towers, so of the remaining area that has to be leased up. How does that work now? Do we have to first sort of help lease out the area that we have sold and then the remaining leases come to us? Or is that a mutually exclusive?

Management: The way we have sold up the area, the leasing rights exclusively remain with us to maintain the concept of Max Towers. So we intend to lease out the entire building even the floor which have been sold would be leased by us. So that is to maximize the return also for the buyer and for us both put together.

Sahil Vachani: To answer your question, no there is no compulsion to do that before our company owned floors.

Samarth Singh: Okay, great. And our last one on Max Speciality, can you give me the breakup between the term loan and working capital?

Nitin Kansal: Sure, the number of around Rs. 310 crores is the term loan and we have a working capital debt of around Rs. 150 crores.

Samarth Singh: So, Rs. 440 crores of gross debt that did not include the working capital?

Management: Yes, it did not include the working capital.

Moderator: Thank you. The next question is from the line of Ankur Vora, who is an Individual Investor. Please go ahead.

Ankur Vora: Thanks for taking my question. Most of my questions are answered. But one question I am still a bit confused about Max Towers total area and the sold out area and the leased out area? Can you repeat those figures for me?

Sahil Vachani: Nitin, could you please take them through, I think a good point, if you can just clarify, please.

Nitin Kansal: Sure, I will do that. Ankur. The total area of Max Towers is 615,000 square feet of which 118,000 square feet was sold in quarter one and the revenue was booked in quarter one. Another 145,000 square feet has been sold in quarter two. So what it leaves us is the number of 355,000 square feet which is under the ownership of Max Ventures & Industries. And the total area which we have leased out in building, in the complex including the sold area and the unsold area is a number of close to 1.6 lakh square feet.

Ankur Vora: Okay. The reason I am confused is because earlier in one of the conference calls, we used to hear that that total area that we have under Max Towers is 497,000 square feet or thereabouts. And the rest of the area is with other Max Group Companies and we are not a participant in in that area. So that is why the confusion.

Nitin Kansal: Sure. Just to clarify that 497 the number is still the same. The total area was 615,000 square feet of which 118,000 was sold, which made a number 497,000 square feet. Of the 497,000, another 145,000 square feet has been sold. That is how the number comes to 355 square feet and when we talk about the leasing of 1.6 lakhs square feet that does not include the number of 1.18 lakhs square feet which was sold earlier we are leasing it from the context of 497,000 square feet and we have leasing rights for the full 497,000 square feet.

Ankur Vora: Okay. The area which is under our ownership is and remaining to be leased out is around 1.3 lakh square feet, is that right?

Nitin Kansal: Number comes to around 2 lakh square feet.

Moderator: Thank you. The next question is from the line of Jaykisan Parmar from Angel Broking. Please go ahead.

Jaykisan Parmar: Thanks for my follow up question. Just one question that is it possible to share the revenue for Azure Hospitality for a FY 2019?

Nitin Kansal: For us to disclose the specific number of the investee company, we would refrain from sharing that number on the call.

Moderator: Thank you very much. That was the last question queue. I would not like to hand the conference back to the management team for closing comments.

Sahil Vachani: Thank you very much, everybody for joining and we look forward to speaking to you in the next call next quarter. Thank you.

Moderator: Thank you very much. On behalf of Max Ventures & Industries Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.