December 21, 2018

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 conference call held on November 29, 2018

Dear Sir/Madam,

Please find enclosed the transcript of the conference call conducted by the Company on Thursday, 29th November, 2018.

This is for your information and records.

Thanking you,

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

R Gopalakrishnan

Gopalakrishnan Ramachandran
Company Secretary

Max Ventures and Industries Ltd. ★

Encl: As above

"Max Ventures & Industries Limited Q2 & H1 FY19 Earnings Conference Call"

November 29, 2018

MANAGEMENT: **MR. SAHIL VACHANI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICE, MAX VENTURES & INDUSTRIES LIMITED**
MR. RAMNEEK JAIN – CHIEF EXECUTIVE OFFICE, MAX SPECIALTY FILMS
MR. NITIN KANSAL – CHIEF FINANCIAL OFFICER
MR. ARJUNJIT SINGH – CHIEF OPERATING OFFICER, MAX ESTATES

Moderator: Ladies and gentlemen, good day. And welcome to the Max Ventures & Industries Limited Q2 & H1 FY19 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the 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 remainder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sahil Vachani – Managing Director and CEO, Max Ventures & Industries. Thank you and over to you, Mr. Vachani.

Sahil Vachani: Thank you. Good afternoon and good evening, ladies & gentlemen. I would like to thank you all for being part of Max Ventures and Industries Earnings Call. Since this is our second earnings call, I would not go through the entire journey of Max Ventures again, as I did in the previous call, and give you the broad highlights of our performance in the previous quarter.

We have, as Max Ventures & Industries, further got clarity and are moving towards identified business verticals, primarily being our Packaging Films business and Real-estate business. To summarize the Packaging Films business, we have had our new line, which is line #5 come on stream in terms of the volume perspective, and thus there has been a significant growth in volume of 32.4% quarter-on-quarter. The market for BOPP films continues to be currently under pressure, primarily from a price perspective, given that there has been a lot of capacity that has come on-stream in the last 1.-2 years in the BOPP segment. Volatility on account of oil prices is also not helping our contributions, and thus the contributions in this industry are at an all time low over the last 15 to 16 years. In spite of that the company has been able to sell 100% of the capacity that it had, and thus recorded growth in revenue. This has not been able to flow down into EBITDA, although on a quarter-to-quarter basis EBITDA has grown by more than 70%. But the expectation with the new line was to grow significantly more. We expect current pressure in the packaging business to continue over the next two to three quarters, before it gets better, particularly given the volatility of oil prices that we are seeing. This has lead to most distributors, customers running on very thin inventory, and thus affect the off-take for almost the entire BOPP industry.

The second vertical that we are focusing on is Real-Estate. The company has made rapid strides in real-estate in the previous quarter and has recorded revenue, particularly from our sale of some of our villas in our first residential project in Dehradun called, "222 Rajpur". Max Towers, which is our anchored office space development is proceeding exceptionally well and on schedule. And we expect that in the next quarter, the last quarter of this financial year, we should be able to get our occupancy certificate and start handing over to our potential tenants. Our occupancy certificate has already been applied for in Noida Authority.

The second development in our Real-estate business is that we have already commenced development of our second project which is Max House in Okhla, again, a very strategically located development and the project is expected to get completed in 24 months. We have already received a significant amount of interest in both our Max Towers development as well as the l Max Okhla that will come up for potential customers to lease. And are expecting healthy rental income to come in on this behalf.

From a strategic perspective the company is aligned to grow our packaging business, primarily from a contribution and value addition and specialization perspective. Our real-estate business is focused on commercial office space development and we are exploring other opportunities for office space development in the NCR. We believe that we are positioned in a very strong manner to take advantage of a lot of distressed asset situations that a lot of real-estate in NCR has to offer, and a lot of those deals now have been coming to your company.

With that I will pass over to my colleagues, Ramneek Jain, who is the CEO of Max Speciality Films to give some highlights. And Arjunjit Singh, COO of Max Estates to give us some highlights. Thank you.

Ramneek Jain: Thank you, Sahil. Good afternoon, good evening, ladies & gentlemen. This is Ramneek from Max Specialty Films. Sahil gave a very crisp update of the specialty films business. The last quarter has been very exciting. We could ramp up our line #5 from earlier 75%-78% to close to 95% - 98%, which has been an exciting journey and sustaining l. So, we can confidently say that the line 5 as a new asset has now matured in terms of the product variety as well as its output that we had aimed for. And obviously we continue to improve it further.

Overall, volume, because of the line #5 volume kicking-in in full flow for the quarter has seen significant increase in the output, close to 32% Q-o-Q, as Sahil also referred to. And we have been able to sell that product in the market. Selling the additional volume initially had been slightly on the lower side of the product mix which lead to certain increase pressure on the raw material consumption, but it is more than offset by the contribution it brings in as the volumes increase and the fixed cost amortization. So, pretty happy with line #5 stabilizing and contributing towards this company.

With regards to our other area of new products, last time we had touched up on some segment that we are focusing on, labels, high-barriers, and other specialty products. Happy to share that in all these fronts we have made strong improvements with our customers with regards to connecting with the global consumers, , myself included and my team, we have been visiting customers all across the globe and domestically to meet with them and explore the potential at various stages. So, a lot of contacts have been established at the senior management level, while the working teams were already engaged. And with many customers we are in second stage of testing, so you have the initial and then the second stage testing and then further on. But strong movement on the label side as well as on the high barrier side, which is again where our specialty future is part of our ongoing strategy.

BOPE we had touched up on last time, and this has been a more positive experience in terms of meeting with the customers. And I see a lot of interest in this product, which is again we are in the right time, right place, after years of effort on this innovative journey this product is in high demand and hitting right at the time of the recyclability demand as well. So, customers are really pulling forward at a much higher speed on this one and we have done more testing as well as in certain cases we are into commercial stages with the customers and supplying smaller quantities and increasing, and in certain cases we are even falling behind to meet all the customer demand in this area, just because we are taking it step-by-step.

Commodity has been, wouldn't say an exactly a roller-coaster, but it has been an inverted V. We have seen a good part of the second quarter crude prices and thereby the resin prices going up, and because of which we had cost pressure, not in all cases because of the competitiveness we have been able to pass on that cost to the customer. But now over the past couple of weeks we are seeing definitely a strong downward trend on the cost side of the raw material. But obviously, in different stages it is getting passed on to the customer.

Exports, was an area where we definitely grew, in the sense that we pushed intentionally as the domestic market got intense. We increased our exports and month-over-month, we saw significant increase. So, roughly, today I would say average in Q2 we were close to 28%, 30% of our total revenue from the export side across our product range, which I think has been good. And export gives us directionally better margins and favorable FOREX movement also was a support in that direction. Domestic demand overall stays as per plan and also the organic growth is happening, but again, the prices are in a tail spin because of severe competitive pressures, but demand stays.

Another significant industry trend which has been ongoing is the recyclability, we are yet to see any clear consistent directions from the central government side, but we have different states executing different one . Having said that because the direction seems to be in line with the FMCGs that there would be good implementation of this sooner than later. So projects have been moving up the project management stages, as I said last time also we are on state of readiness and more deeper trials have gone in some cases in small pockets - certain commercial products have also been launched so that the comfort zone between the FMCG and the supply chain is built in. So, it is I would say more in place than even last time and definitely some new projects have also been initiated as more FMCG companies and tier-II companies come on-board with the realization that this is here to stay.

Overall, business remains strong in terms of demand. As I said, the demand is not going anywhere. We have our work completely cut out to manage this very, I would say, unprecedented situation, one of the toughest probably this industry has seen. But that is exactly what we are tightening ourselves on all fronts of cost and product mix and export. And our new products which should definitely help us live through this phase and make us stronger for the future.

So, at this point, I would also like to address upon the topic of Toppan, and I think we have made some more strides in that area, certain involvement in Asia region, in Japan of course, and also in the US on some of our products that we are working with them. Specific details, I can't give on that, but definitely engagement of people and technical and marketing dialogs continue to happen.

So, overall, quarter which has been tough, but it has given us the volume increase that we have been looking forward to from this project and now we have to just meet with the challenging times of the price pressures and new product introduction, but definitely stronger than before. Tough times, but I feel confident with our team that we will be able to pull through very well.

Over to you, Arjunjit Singh.

Arjunjit Singh: Thank you, Ramneek. Thank you, everyone, for joining the call. I will keep my comments brief, because I think Sahil has more or less covered most of what was to be covered in the real-estate side. As Sahil mentioned, we are currently focused on the execution of our two office projects which is Max Towers and Max House, Okhla. Max Towers, of course, is towards the very end of its completion. And Max House, Okhla, is just getting started. But as Sahil mentioned, we are seeing a lot of positive communication and a lot of positive interest from the parties on the leasing side. With Max Towers we will be more aggressively pursuing the leasing front after receipt of the Occupation Certificate, which, as Sahil mentioned, we are expecting with the next quarter. And on Max House, while we are not soliciting it, but we are receiving positive communication and interest in the pre-lease of the building.

In addition to that, for Max Towers, we are also signing up with some of the marquee F&B brands, most of them have already been executed for Max Towers. And in terms of our expansion plans with NCR, I would just add that we are exploring more as a preferred mechanism the asset light approach to be anti-dilutive to shareholders. Thank you.

Sahil Vachani: We would be happy to take any questions, if anybody has any.

Moderator: Sure. Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Nitin Shetty, an individual investor. Please go ahead.

Nitin Shetty: I just wanted to know how much debt you guys have on the specialty films business and on the real-estate business after the new infusion of capital?

Nitin Kansal: Nitin, currently we have debt of Rs. 509 crores on the Specialty Films business, which includes the working capital lines and a debt of Rs. 60 crores on the real-estate business post rights issue equity infusion.

Nitin Shetty: And to complete Okhla we would not be taking any more debt, right, because the tower should suffice the construction cost, is that right?

Nitin Kansal: We would be taking a judicious mix of debt and equity for Okhla, depending on how much debt the business can support.

Moderator: Thank you. Our next question is from the line of Kunal Pawaskar from Ind-growth capital. Please go ahead.

Kunal Pawaskar: I wanted to understand, if you could share the gross profit per kg in the present quarter on an average basis for the films business and what the same number might have been the year before?

Ramneek Jain: I am sorry, I will not be able to share the specific number. But definitely this number is under pressure as compared to last year because of the competitiveness.

Kunal Pawaskar: And second question was for the input to the film business on the PP side, what is the lag period that you have typically seen between crude prices and the PP input?

Ramneek Jain: Well, why I am hesitating to put that number is because it is a link but it is not a very direct link, it is in between. So, if I have to put I would say probably a month or so, that would be a rough estimate, but not really a very accurate one, because there is a variety of variables that come into play. But roughly that.

Kunal Pawaskar: And the ability to pass that on, similarly when you pass it on to the customer?

Ramneek Jain: I wish it was the same or longer, but customer is pretty demanding on that front and our negotiation power when it comes to our customer is not that much as compared to my supplier of those parts to me. So, it is an ongoing negotiation and so in some cases where we have our linkage with the established or more organized customers it goes on a monthly basis, in some cases on a fortnightly basis adjustment. But with others it is on a case-by-case basis. So, not really a fixed number but a mixed bag.

Moderator: Thank you very much. Our next question is from the line of Ritesh Bafna from RB Securities. Please go ahead.

Ritesh Bafna: I wanted to ask a few questions on the films business side, so just wanted to understand what is the EBIT margin? Basically, why is the EBIT margin down on quarter-on-quarter basis in our films business? And the next question I would like to understand, what is the revenue breakup of Q2 for our commodity films and our value added films? And lastly if I could just slip in, what is the current EBITDA margin different between these two types of films?

Ramneek Jain: So, the EBIT margin is under pressure in this quarter as compared to the last one, despite the growth in sales, as I said, because of the raw material which has gone up and the same has not been able to pass on to the customer in the same quantum, I would say, largely because of the competitive pressures. And also the new line as it was ramping up we had to work on a more commodity approach because we wanted to get a throughput there, and since there of course we have evolved further. So, that is why the EBIT margin in this quarter is under stress as compared to last time.

Ritesh Bafna: Do we see that we will be able to pass it on in the future or the situation kind of remains the same?

Ramneek Jain: It is a tough question to answer. Definitely, the effort is to do that. And also try to retain and in this current pace when the RM is dropping so the southeast Asian platts and other businesses have shown that there is a substantial reduction in the polymer pricing. So we are trying to not pass on the same to the 100% extent which I was just answering on a case-by-case basis. So, for sure effort is that it should be much better in the coming quarters. But it remains very tough, so really a difficult one to pin-point.

Ritesh Bafna: My next question was, I wanted the revenue breakup between the commodity films and the value added films?

Ramneek Jain: Yes, I had mentioned last time, we are in the 35%, 40% range of specialty to commodity, commodity being the larger part. And I had also mentioned last time that this definition of what is specialty and what is commodity is not a common standard across the industry, but high profit margin versus lower. So, the relative number on the same standard, I would say that our specialty sale has improved further in terms of overall quantum, just because as I said line #5 has come in, so we have been able to offer some newer products to the customers and some of the quantities of the existing specialty products have gone up because of our ability to offer that. So, quantity has gone up and I would say the number would be inching closer to 40% or early 40s compared to the commodity.

Ritesh Bafna: And last question was, basically, what is the current EBITDA margin difference between these two types of films that we have?

Ramneek Jain: Definitely specialty is higher, but I do not think I can give you more than that at this point of time.

Ritesh Bafna: If I could just slip in my last question, just wanted to understand how are the dynamics of the real-estate market in the Delhi geography?

Sahil Vachani: So, we are particularly not in the residential space, we are purely in the office space segment. And in the office space segment we are in , what they classify as grade A office space segment. So in the micro-markets that we operate, vacancies are very-very low. So the macro-economic dynamics for us as a company for the segment that we are in, within the segment the positioning that we have is very strong and favorable, office leasing is increasing year-on-year in the NCR region as well. It is close to 8 million square feet approximately a year, and growing every year. And within that grade A vacancy is very low, , I think the growth is also good. So, for us, the macro-economics of the segment that we are in are positive.

Ritesh Bafna: So, basically, commercial space you are into that space and you mean to say that the absorption rates are high and vacancies are lower?

Sahil Vachani: Yes, and our plan is also to grow, if you look at it as Max Ventures, our primarily focus and driver of growth is going to be our office space real-estate strategy.

Moderator: Thank you. Our next question is from the line of Raj Joshi from Ace Securities. Please go ahead.

Raj Joshi: I have a couple of questions. First one is, what kind of revenue contribution are we targeting from the value-added films for FY19 and FY20?

Ramneek Jain: So, again, as I said the product mix basis if I have to say, we are looking at about 50% to 55% of our sales going into value added, and I would like it to be closer to 60%. But right now, we are in the early 40% points between the two. Does that get you what you are looking for, I am not sure?

Nitin Kansal: Raj, we do not give any forward guidance numbers on the EBITDA margins, so it would be difficult for us to give you a specific answer on that.

Raj Joshi: So, my next question is, could you help us to understand that how does the plastic ban affect our business?

Ramneek Jain: This one I can take a little bit more. So, clearly the plastic ban, first of all, the word ban I think needs to be rephrased as to some restrictions. So, in different states it is being implemented differently. For example, in Maharashtra there is some more enforcement on the 50 micron thickness on some of the plastics and we are enforcing it. So, it is favorable for us, what was earlier a thinner gauge now goes as a thicker gauge, and we use more raw material but then also it improves our quantity of sale and hopefully some contribution as well. So that is one part of the positive aspect. Again, certain areas where the law is demanding a single family of polymers to be used in multi-layered packaging product, that is again where we stand to benefit, because OPP, which is our core product offering, is capable of meeting the variety of packaging needs to provide, which today is being served by two or three different family of polymers. So shifting to one family of polymer means that our demand for BOPP increases, so it is a favorable impact. Having said that, we have been keeping a close watch on how it is developing. Having said that, there are different experimentations across the globe going on and it is a wait and watch from the final verdict or decision as they come out from central agencies at a pan-India level. In the mean time, as I said a few minutes earlier, we are in much more advanced stages of product testing and even commercial launches on some products in this direction, be it aluminum replacement, be it some of the polyethylene replacement, and single homo-polymer structure. So, already in some cases we have made some commercial with certain FMCG companies.

Moderator: Thank you. Our next question is from the line of Priyanka Singh from Adidan Securities. Please go ahead.

Priyanka Singh: Sir, I had a couple of questions. The first one will be like what is your current status of Max House commercial in Okhla? And what could be the rent per square feet expectation after its completion?

Sahil Vachani: So the current state is that there was a pre-existing building there, that has been demolished. Currently the excavation is about to begin within the next two to three days, and only after the excavation they will start erecting the structure. So, it is currently at the stage where the existing building has been demolished and the excavation and structure is about to begin. In terms of expected rental, While it is difficult to say, but our expectation is around 150 number.

Priyanka Singh: And what could be the income expected from balance sale of Rajpur Villas? And are we looking forward to develop more such kind of properties in the coming future?

Sahil Vachani: So, approximately around Rs. 60 crores to Rs. 70 crores is the further additional revenue expected from the residual inventory. And like I mentioned previously, our focus is not to do any more residential currently but to focus on commercial office space grade A assets to lease. And that is what we are going to be doing moving forward.

Priyanka Singh: And last question, what will be the future outlook for business in Max estates after we are done with the three projects?

Sahil Vachani: Yes. So, like I mentioned, we are looking to grow in the office space segment, and particularly office space to lease, within that the grade A assets. So, in addition to Max Towers and Okhla in which we have only started one phase of Okhla, there is another phase of Okhla that we are expecting to start and there are other opportunities within the office space segment that we are evaluating, both from distressed asset purchase as well as regular asset opportunity for office spaces. So, our focus is going to be within the NCR market to tap into as much as we can of the 8 million a year square feet demand.

Priyanka Singh: So this will be now a completely commercial real-estate, nothing in residential after the three projects?

Sahil Vachani: Yes, commercial office space, and residential, not yet. We would like to get some scale and perfect our office space vertical and then evaluate the residential, which in a way works well with the macroeconomic scenario as well, because office space demand is holding up relatively strong and NCR vacancies are low, whereas for the residential the demand is low and vacancies and inventories are very high. So, we want to be able to perfect our commercial office space portfolio and to scale it, and after that evaluate opportunities in residential or other opportunities in real-estate.

Moderator: Thank you. Our next question is from the line of Rahul Jain, an individual investor. Please go ahead.

Rahul Jain: My question is related to your Max Tower project, if I see in the PPT I was expecting the construction to complete in the next three, four months. So, what is the status of the leasing agreement, like are we only looking for co-working companies or which will be our customer segments which we are going to be targeting? And till when we can expect a good state of steady revenue run-rate from this project?

Arjunjit Singh: Yes, so as I mentioned, we are in the final stages of the completion of the building. In terms of further leasing to co-working, the answer is no, we are not targeting any more co-working companies for Max Towers. We are currently going to support our existing co-working partners who have already leased with us. However, we are engaged in several conservations with other corporates, MNCs, large domestic business houses who are looking for their office space needs in Okhla and are looking for expansion opportunities. So those conversations are continuing. But I believe that it would take at least six to seven months after receipt of OCs for these leases to start materializing.

Rahul Jain: And then normally what is the time period which we look for a lease agreement? So we can expect a revenue run rate for that particular time period?

Nitin Kansal: So, typically, a lease agreement is for 3+3+3, so 9 years.

Moderator: Thank you. Our next question is from the line of Ankur Chadda, an individual investor. Please go ahead.

Ankur Chadda: The first question I have is for the films business. I would just like to know what has been the historical 10-year average EBITDA for the films business?

Ramneek Jain: It is in the range of about 10% to 15%.

Ankur Chadda: So the average could maybe somewhere around 10%, that is fine. And what is the annual CAPEX for sustaining operations? So, some people would call it as maintenance CAPEX.

Ramneek Jain: I would say about Rs. 7 crores to Rs. 8 crores. But I think since we just made a major expense right now there may be some IT expense coming up, but nothing significant.

Ankur Chadda: So, let's say Rs. 10 crores to Rs. 12 crores.

Ramneek Jain: Yes.

Ankur Chadda: The next question I have is for the investment vertical for Azure Hospitality, what is the annual revenue for that business?

Sahil Vachani: So, Azure clocked at about Rs. 120 crores in FY 18

Ankur Chadda: Growth rates?

Sahil Vachani: Growth rate, we will be opening about five new restaurants in the next three months.

Ankur Chadda: No, in terms of revenue growth rate.

Sahil Vachani: Let me come back to you with that number, I don't have that handy at the moment.

Ankur Chadda: Okay. But is it like 10%, 20%, 50%?

Nitin Kansal: So, there are two factors to it. The first is the same store sales growth is in the range of +10 precent, but every year since they are adding up new outlets, on an overall basis the annual revenue growth rate is c.35%.

Ankur Chadda: And what is the EBITDA rate?

Nitin Kansal: Currently EBITDA on an outset level is around average 18%.

Ankur Chadda: And in terms of the exit opportunity on that business, I guess probably now they will be looking at IPO in a couple of years, is that correct?

Sahil Vachani: Yes, I mean, that is a little speculative again, but I think from our perspective we are very positive on this particular investment. For this particular company, I think about three years an IPO is a good target and that is what we are hoping to achieve.

Ankur Chadda: And would you be expecting similar sort of multiples as commanded by let's say Jubilant Foodworks?

Sahil Vachani: I think we will be expecting multiples close to what Barbeque Nation got from Mr. Jhunjhunwala, I think Barbeque Nation valuation was between Rs. 1,500 crores to Rs. 2,000 crores, they are almost at 5x of revenue.

Ankur Chadda: And then coming to the real-estate business, you signed a lease agreement with a co-working space at Rs. 95 per square feet, is that correct?

Arjunjit Singh: Yes, that is correct.

Ankur Chadda: Now, in terms of escalation, every year or every couple of years you would have an escalation clause in your agreement, what is the escalation rate?

Arjunjit Singh: That is right, it is 15% every three years.

Ankur Chadda: So, on an average it works out to be 5% every year. And then in terms of leasing to other companies, I remember from the last conference call you mentioned that you expect to do above 100, around 120s kind of thing, is that correct?

Arjunjit Singh: We are targeting triple digits, that is correct.

Ankur Chadda: Again, any agreement that you sign that would be long-term, 9-10 years with 15% odd escalation every three years?

Arjunjit Singh: Yes, that is correct.

Ankur Chadda: And the final question I have is on the delta between the top-line and the bottom-line in let's say Max Towers. If you do 5 lakh square feet, Rs. 126 crores, Rs. 72 crores per annum, that is your top-line, you will have some expense and then you will get your bottom-line. So, what would be the delta between the top-line and the bottom-line?

Nitin Kansal: Delta in the case of real-estate commercial assets is only depreciation and the leverage on the project, rest all the expenses and facility management are being absorbed by the tenants directly. So, as a owner we will end up only incurring insurance of the property, the depreciation and capital funding of the project.

Ankur Chadda: But the day-to-day charges for staff and all those, those are being absorbed by the tenants?

Nitin Kansal: Yes, those are charged to tenants, so common area maintenance, CAM as known in industry parlance.

Ankur Chadda: Final question, in terms of growth, let's say five years from now in the real-estate business what sort of portfolio size do you envision in terms of assets, in terms of money?

Sahil Vachani: I think it will be difficult to quantify in terms of absolute numbers in terms of money at this point in time. But from a scale perspective, definitely look at 2 million square feet at the very least within the NCR market, and growing from there.

Moderator: Thank you. Our next question is from the line of Ankit Jain from Mahaveer Investments. Please go ahead.

Ankit Jain: Sir, my first question will be for Max Towers. Could you throw some light on LOI signed with the four F&B partners? And how much area would be under consideration and rental income expected from it?

Sahil Vachani: Sure, so would you like to know what the brands are, is that the question?

Ankit Jain: No, sir, how much area is under consideration and rental income expected from it? **Sahil Vachani:** So, the area under consideration is roughly about 3,500 square feet to 4,000 square feet of FSI.

Ankit Jain: And the rental income?

Sahil Vachani: And rental we are targeting…

Nitin Kansal: Just to add to it, in the case of F&B there is a concept of revenue sharing coming with minimum rentals attached to it, depending on the occupation of the building the rental income from F&B outlets will accrue to us.

Ankit Jain: So, one portion would be the income which will flow in as a fixed portion and the rest would be variable, depending on the revenue what is done by partners?

Nitin Kansal: Yes.

Ankit Jain: Sir, then if you can quantify what would be the fixed revenue, if it is possible?

Nitin Kansal: Since this information is not in public domain, it will not be possible for us to share that information.

Ankit Jain: Sure. Sir, my second question would be, could you give us some sense on what would be the prevailing rent per square feet in the area around Max Towers? And what rent per square feet is expected from Max Towers?

Sahil Vachani: So, as my colleague Arjun mentioned, in the micro market that we are in the rentals are in the late 80s or early 90s, so between Rs. 85 to Rs. 95 a square foot. If we look at Film City or Sector 16 in Noida, we are looking at, like Arjun mentioned, targeting triple digit rentals for Max Towers.

Ankit Jain: And the next question would be, what kind of IRR we look at while taking up a real-estate project?

Nitin Kansal: The way we look at,it is that IRR is a function of risk attached with the project. As a standard policy we would look at the project with a less amount of risk, we would look at IRR which is more of higher teens depending upon the quantum of the risk attached with the projects the IRR expectations also go up.

Ankit Jain: But broad based with minimum risk it should be in the range of 18?

Arjunjit Singh: High teens, I can say that.

Moderator: Thank you. Our next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: My first question is, I missed out on the debt numbers split between specialty films and real-estate.

Nitin Kansal: Debt on the specialty films including the working capital is Rs. 509 crores and real-estate business debt is Rs. 60 crores.

Lalaram Singh: Secondly, Max Okhla, what could be the potential area in the second phase, development area?

Sahil Vachani: So the tenant area in the second phase would be about 150,000 square feet.

Lalaram Singh: And when you say that your vision is to achieve a scale of around 2 million square feet of assets, do we have existing land parcel in place to achieve this area or will we have to invest in acquiring land parcels?

Sahil Vachani: So, for Okhla we already have some amount of land parcel that I mentioned, we can develop for phase two. But for the others we would be looking at sourcing joint development or distressed asset opportunities to build our portfolio.

Lalaram Singh: So, as of now we do not have any excessive land parcel, if you exclude this Okhla thing?

Sahil Vachani: We do but that is not particularly for commercial office space grade A segment that we are operating in. I would like to also mention that we would look at our growth opportunities within this space through a more asset light approach moving forward so that it is not dilutive to our shareholders.

Lalaram Singh: Which means that we should not expect any further fund raise in next two to three years, is it correct?

Sahil Vachani: Not at the cost of diluting our shareholders.

Lalaram Singh: Also, what is the stake which we own in Azure Hospitality?

Sahil Vachani: Close to 18%.

Lalaram Singh: And in the specialty films business you said there is a pressure on realization, is it because of over capacity or demand is a bit sluggish?

Sahil Vachani: There are two reasons, the first is, there is over capacity. So in the last 15 months there are almost 5 new lines that have got introduced or added in the Indian market, whereas the capacity of the Indian market is maybe maximum 1.5 line a year. So, there has been that spike in capacity and thus there has been a collapse in pricing. Second, there has been a huge volatility in oil prices, so what happens is that either when oil prices were increasing or as we see in the current month prices have fallen very radically in few weeks time, most of the customers prefer to go very-very lean on inventory, cut down on inventory, etc, etc. So, there is a pressure on both realization as a result of the excess capacity, and also offtake in the previous month or so, primarily because of the volatility in oil prices.

Lalaram Singh: And based on the latest CAPEX which we did for the 5th line, I think we invested Rs. 250 crores, is that number correct?

Sahil Vachani: That is right.

Lalaram Singh: So, overall for the entire capacity which we have, it turns out that it could have the replacement value of around Rs. 600-odd crores? Can I extrapolate that or it is too simplistic?

Sahil Vachani: Well, I think that is a fair way of extrapolating it.

Lalaram Singh: And with the on-boarding of the Japanese joint venture partners, what kind of changes can we expect in the business which we do in specialty films? In the sense that will product mix change significantly towards specialty side or will we have a scale advantage, what kind of synergies basically should we expect? And will that have any impact on the business economics going forward?

Sahil vachani: Yes, that was the rationale with which we entered in to this joint venture to explore synergies in terms of technology and knowhow and also explore synergies in terms of market creation, because Toppan is a consumer of BOPP. There is a very rigorous and long process of product evaluation that Ramneek spoke about that we have been going through over last 16 months. We are hopeful that in the next five to six months we will be able to overcome and start some business as a customer to Toppan. So, we are hopeful of having some synergy benefits kick in in the next financial year.

Lalaram Singh: So, as of now Toppan is not a customer of ours?

Sahil Vachani: As of now from an economical perspective or from a P&L perspective no synergy has flown into P&L, so far.

Lalaram Singh: And in the foreseeable future is there a possibility of Max divesting this business completely or we are committed to this business?

Sahil Vachani: I think here at this stage we are committed to growing this business. But it is unfair for to make any forward-looking statements.

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

Jigar Shroff: I had a couple of questions regarding specialty at BOPP films division. What would be the current capacity utilization of BOPP division?

Ramneek Jain: With the new line coming in capacity of about 60,000 tons overall going up to about 80,000 tons, I would say we are roughly in the 80% to 85% utilization plus zone today.

Jigar Shroff: And this can be taken to?

Ramneek Jain: No, it can definitely go above 100,000 tons at times, depending on the product mix. So, while there is downsizing happening and so if you look at the installed capacity by weight it is a different thing, by meterage it would be a different thing. But we typically talk about by weight. So there is no reason why we should not go up to 95% plus.

Jigar Shroff: Secondly, in the second quarter exports was about 28% to 30% of the turnover?

Ramneek Jain: Correct.

Jigar Shroff: So do you expect this to increase further, especially due to overcapacity in domestic market?

Ramneek Jain: Sure, the idea is to be able to sell wherever it makes a good business prospect. Definitely in the labels and high barrier strategy there is a much-more vibrant demand outside the country. And so we are definitely targeting some of the large customers there. But even on our existing portfolio we are definitely not going to shy away from increasing it if we have to, to a higher number. So, sure, we hope that this number continues here and grows further a little bit.

Jigar Shroff: So, the mix would be 70% domestic and 30% exports or…

Ramneek Jain: As I said, there is no thumb rule that we have or broad guidelines.

Jigar Shroff: What are you envisioning, what is your target, what is your vision?

Ramneek Jain: As I said, there is not a hard and fast target that export has to be this much, because it is about where we can penetrate the product and where we can sell it at the right realization. But if I have to take a guesstimate, I would say 2/3 and 1/3, export at least 1/3 portion.

Jigar Shroff: And in the last concall you did mention that you are looking at an EBITDA margin of 12% to 14% in the packaging division in the medium-term, am I correct?

Nitin Kansal: Yes, the EBITDA margins what we expect to come will come over a period of next three to four quarters, depending upon the rampup of the specialty films component in the business. And our growth in the partnership with Toppan.

Jigar Shroff: So, one can visualize that 12% to 14% one may achieve in the fourth quarter of FY20?

Nitin Kansal: Difficult to quantify the exact timelines, but we are aspiring to go that far.

Jigar Shroff: But you would not like to comment in the next one year, two years time?

Nitin Kansal: No, we would not like to give a definitive timeline to it.

Jigar Shroff: Because you expect things to stabilize in the next two to three quarters, in the industry overall?

Nitin Kansal: yes.

Moderator: Thank you very much. Due to time constraints we will take that as last question. I would now like to hand the conference back to Mr. Sahil Vachani for closing comments.

Sahil Vachani: Just wanted to thank everybody for their support to Max Ventures. Just wanted to reiterate that we are a young organization, just finding our feet in a new growth vertical of real-estate. And are very confident of making it a success, given the fact that there is a very limited competition in the real-estate space, particularly in the NCR market. And this is a relatively medium-term gestation business. So we hope that in the next two to three years our efforts will show great results. Thank you very much.

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