August 26, 2021

Listing Department
BSE Limited
Floor 25, P.J. Towers
Dalal Streets
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 Q1 FY22 HELD ON AUGUST 16, 2021

Dear Sir/Madam,

Please find enclosed the transcript of Earnings Conference Call conducted by the Company for Q1 FY22 on Monday, August 16, 2021.

This is for your information and records.

Thanking you,
Yours faithfully

For **Max Ventures and Industries Limited**

Max Ventures and Industries Limited

Saket Gupta
Company Secretary and Compliance Officer

Encl: As above

"Max Ventures & Industries Q1 FY-22 Earnings Conference Call"

August 16, 2021

MANAGEMENT: MR. SAHIL VACHANI – MD & CEO, MAX VENTURES & INDUSTRIES LIMITED
MR. NITIN KANSAL – CFO, MAX VENTURES & INDUSTRIES LIMITED
MR. RISHI RAJ – COO, MAX ESTATES LIMITED
MR. RAMNEEK JAIN – CEO, MAX SPECIALTY FILMS LIMITED
MR. ROHIT RAJPUT – CEO, MAX ASSET SERVICES

Moderator: Ladies and gentlemen, good day and welcome to the Max Ventures and Industries Q1 and FY2022 Investors Call. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sahil Vachani – Managing Director & CEO, Max Ventures and Industries. Thank you and over to you sir.

Sahil Vachani: Thank you. Good morning ladies and gentlemen. Thank you for joining us on the Max Ventures and Industries' Q1 FY22 earnings conference call. Along with me today we have our CFO; Mr. Nitin Kansal, Mr. Rishi Raj – Chief Operating Officer, Mr. Ramneek Jain – CEO of our Packaging Films and Mr. Rohit Rajput – CEO of Max Asset Services. We are also joined by SGA, our Investor Relations Advisors on the call. Thank you everyone again for joining the call and I hope you and everyone around you is safe and in good health.

Let me start with the key highlights for the company

- We are very pleased to share that we have continued to post record performance in Q1FY22 clocking best ever profitability for the company
- Q1FY22 Consolidated Revenue increased by 49% YoY to Rs. 384 Crores, EBITDA increased by 87% YoY to Rs. 88 Crores, EBITDA margins expanded by 460 bps and PAT increased by 251% on YoY basis to Rs. 46 Crores.
- Our specialty packaging business – MSFL recorded its highest ever quarterly Revenue, EBITDA & PAT in Q1FY22 on the back of strong demand accelerated by the shift towards sustainable solutions, recyclable, and value-added specialty films products.
- At our real estate vertical – Max Estates, Lease rental income increased by 88% to Rs. 8.3 Crores in Q1FY22 primarily on account of higher occupancy at Max Towers.
- After significantly leasing out Max Towers, our focus currently remains on leasing out Max House Okhla Phase 1 and continue the timebound construction of Max Square.

Now let me give you a brief outlook on the businesses

We believe both our businesses of real estate & packaging films have tremendous growth potential. While our packaging business has already demonstrated robust performance during the last year and will continue to do so, we expect our real estate business to also join the bandwagon as new leasing will pick up on account of corporates planning their new offices as economy unlocks.

At MSFL, our efforts over the years focusing on the quality aspects of the business with rolling our value added-specialty films have now started yielding rich results. With our strong research & development team, we develop products which are sustainable and recyclable adding value to our customers and hence the end consumers.

At Max Estates - Leasing momentum was impacted due to stringent lockdown restrictions during the first half of Q1FY22 due to second wave of COVID-19. As the quarter progressed, we witnessed increased enquiries for leasing as economy started unlocking again. We expect these enquiries and engagement to positively lead to leasing going ahead as restrictions continue to ease and a larger part of the population gets vaccinated. We are also in final stages of evaluating land parcels for our new commercial as well as residential projects and we expect to announce the same in FY22.

We believe, going ahead, our packaging films business will continue the robust performance with strong focus on sustainable & recyclable products with improving share of value-added specialty films. We expect the commercial real estate business to again take off in coming months as lockdowns restrictions are eased while foraying into residential business will allow us to expand our footprint, create future growth opportunities and enhance shareholder value.

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

Rishi Raj: Thank you Sahil for the overview. Let me now give you some deeper insights on our Real Estate business.

It is not denying the fact that new leasing in the commercial real estate business was once again impacted due to the second wave of COVID-19 pandemic after strongly recovering until the end of FY21.

As soon as the offices had gradually started resuming back with increasing attendance, the second wave of covid-19 forced back corporates to again enforce work from home which was essential for the safety of each & everyone considering the deadlier second wave.

Governments this time around understandably handled it more cautiously and extended lockdown restrictions until the new cases dropped down to a very low level to prevent the spreading of the virus again which impacted leasing.

Having said that, if we look at the industry data for Q1 FY 22 both on office leasing and Residential sales, while the outcome was lower on a QoQ basis, it fared much better than last year clearly indicating resilience of the sector to navigate the business impact better.

Even at Max Estates, we have been able to rebuild leasing pipeline across all our assets activating past enquiries and curating new ones as economy started unlocking from the end of Q1 and the engagements with the prospective tenants continue to increase.

We do believe that future of work will follow a hybrid model - a combination of work from office, work from home and work from anywhere. In our discussions, many corporates have already started implementing the same customising to their context. However, it would be naive to say that there is clarity on the mix and new normal. This will evolve and all Industry stakeholders including us as developers will need to embrace agility and flexibility in adapting our offerings to address the needs and demands of corporate occupiers. Having said that, across all our discussions, it is clear that office is going to be an integral part of the hybrid ecosystem though role and purpose will evolve.

We are also witnessing a demand shift from traditional strata sold offices to well managed Grade A office to ensure employee well-being and enable community, collaboration, and innovation. In the long term, Grade A offices developers like Max Estates are sure to gain on account of this shifting preference. We as Max Estates ended up doing more leasing in FY 21 than in FY 22 and are confident of recovery in 2H FY 21 already evidenced in enquiries and visits starting July 2021

Let me now just give a brief update on our existing projects.

Overall, Max Towers now enjoys an occupancy of more than 90%. Leased area owned by Max Estates in Max Towers is now more than 95% occupied. In terms of leasing area for office spaces, total leased area at Max Towers stood at ~4.87Lk Sq. ft. and leased area owned by Max Estates in Max Towers stood at ~2.87 Lk Sq. Ft. Lease rental income attributable to Max Estates stood at Rs. 7.7 Crores in Q1FY22 vs. Rs. 4.4 Crores in Q1FY21, up by 75% YoY. In FY22, we expect near full potential lease revenue accruing from Max Towers.

Coming to Max House Okhla Phase 1, total leased area here stood at ~20k Sq. Ft. implying an occupancy of ~18%. Leasing enquiry for this project has re-gained post easing of lockdown restrictions and we expect the project to be leased out in FY 22. Work on Max Square project continues to be on track and expected to be completed by Q4FY23.

Now coming to our future development pipeline. We have been evaluating land parcels for our new commercial real estate & initiated it for residential projects. We have a very strong pipeline across different stages including a few in Diligence and advanced stages of commercial negotiation. While the closure has been delayed due to challenges related to covid-19, we are confident to close these deals and announce these new projects in FY22.

Residential real estate has witnessed strong green shots in the last few quarters after a long lull period with rising preference for organised developers who has the ability to deliver & execute projects on time with promised amenities. We are more confident than ever now that the time is right for us to enter the residential segment given the strong brand equity - Max enjoys especially in the Delhi-NCR region complemented by our strong balance sheet and access to large institutional capital.

We are extremely excited with the way the economy as well as the real estate sector is recovering and thus are confident to make Max Estates, one of the leading multi asset class real estate developer in the Delhi-NCR region in the times to come.

Rohit Rajput: Thank you Rishi. Let me give brief highlights about Max Asset Services.

As Rishi mentioned, the consumer preference is strongly tilting towards two trends: Hybrid workspaces and well managed, experience driven workspaces. We feel we are well positioned to deliver on both in the near future.

Our focus on continuous improvements in our built projects continues with us receiving the prestigious IGBC WELL Gold certification for our Max House Project. I am pleased to report we have submitted our application for IGBC WELL certification for Max Towers & WorkWell Suites and are confident of achieving this prestigious certification across a 100% of our office portfolio. We've completed our first milestone towards a British Safety Council certification in 2022 assuring our tenants and partners of the highest standards of safety & occupational health in our portfolio. We launched our #BacktoWorkWell campaign to welcome our tenants back to the office with topical events on mental health, physical health as well as creation of a Meditation zone, Basketball facilities and Open-Air Café at Max Towers meeting the need for greater amenities that are demanded by tenants today. Going forward we feel the focus on amenities, certifications promoting wellness, hospitality level experiences, curating unique tenant events and environmental impact will help us further differentiate through our "WorkWell" philosophy.

For catering to the greater demand for hybrid workspaces, we had recently launched our "Managed Office Space" Business under the brand name 'WorkWell Suites' at Max House. Here, we cater to the corporates who are looking for flexible office space and doesn't prefer to have a long-term commitment in terms of lease. Here, we have signed up 18 seats during Q1FY22 taking the total signed up seats to 28 out of the total 220 available seats. As the economy has started to unlock again, we expect good traction in our managed office space business driven by demand for flexible office space.

Revenue for MAS increased by 40% YoY to Rs. 3.4 Crores in Q1FY22 as compared to Rs. 2.4 Crores in Q1FY21 on account of higher occupancy at Max Towers. With ramping up of vaccination drive, we expect the corporates at our projects to resume offices soon at least with flexible working policies. With resumption of offices, we expect revenue uptick for MAS as facility services are resumed by the occupiers. Now let me handover to Mr. Ramneek Jain

Ramneek Jain: Thank you Rohit. Q1FY22 has been an excellent quarter for our packaging films business recording its highest ever revenue, EBITDA margins & PAT on the back of strong demand, increased realisations, better product mix and cost optimization initiatives.

MSFL revenue increased by 46% YoY to Rs. 367.5 Crores on the back of increased realisations and higher volume contribution from value-added specialty products. Value-added specialty films contributed 61% to total MSFL volumes in Q1FY22 vs. 39% in Q1FY21 that is an increase of 22% percentage points. Value-added specialty films contributed 68% to total MSFL revenue in Q1FY22 vs. 46% in Q1FY21. Hence as a result, EBITDA increased by 76% YoY to Rs. 81.4 Crores and EBITDA Margins expanded by 380 bps YoY to 22.2%.

Total volumes stood at 15,962 MT which was down 2% YoY. But our focus has never been on pushing out more volumes, but rather on quality output which we call as specialty films products. Specialty products are developed after extensive research and efforts by the team which improve the customer stickiness, enjoy higher realisation in turn improving the overall profitability of the company. They are also much more sustainable with recyclable properties.

Work on the new CPP line has started and expected to be commercialized in Q4FY22 expanding the company's capacity by 7.2 KTPA. Second metallizer line is expected to be commercialized in Q3FY22 enhancing company's specialty product capabilities and hence profitability.

Going ahead, we expect the business to continue to perform strongly on the back of strong & sustained demand, increasing contribution from specialty films and customers shift in preference towards packaged products. All these factors collectively will lead to significant revenue and EBITDA growth in times to come. Now let me handover to Nitin Kansal, MaxVIL's CFO

Nitin Kansal: Thanks, Ramneek. Good afternoon everyone. Let me give you the financial highlights for the Quarter 1 FY22.

- Consolidated Revenue increased by 49% YoY to Rs. 348.1 Crs. in Q1FY22 as compared to Rs. 258.6 Crs. in Q1FY21
- Consolidated EBITDA increased by 87% YoY to Rs. 87.6 Crs. in Q1FY22 as compared to Rs. 47 Crs in Q1FY21
- Consolidated PBT increased by 286% YoY to Rs. 67.7 Crs in Q1FY22 as compared to Rs. 237 Crs in Q1FY21
- Consolidated PAT increased by 253% YoY to Rs. 46.0 Crs in Q1FY22 as compared to Rs. 13.1 Crs in Q1FY21

<u>Let me now give you brief segmental financial highlights</u>

- Our Real Estate business that is Max Estates Limited's revenue more than doubled to Rs. 14.3 Crs in Q1FY22 as compared to Rs. 4.7 Crs in Q1FY21
- Lease Rental Income increased by 88% YoY to Rs. 8.3 Crs in Q1FY22 as compared to Rs. 4.4 Crs. in Q1FY21 primarily on account of improved occupancy at Max Towers
- Company sold 1 villa in Dehradun during Q1FY22 with a total realisable value of Rs. 4 Crs.
- Revenue for Max Asset Services increased by 40% YoY to Rs. 3.4 Crs in Q1FY22 as compared to Rs. 2.4 Crs. in Q1FY21

- Our Packaging Films vertical – MSFL's revenue increased by 46% YoY to Rs. 367.5 Crs. in Q1FY22 as compared to 251.2 Crs in Q1FY21
- EBITDA for the packaging business increased by 76% YoY to Rs. 81.4 Crs in Q1FY22 as compared to Rs. 46.2 Crs in Q1FY21

Speaking about our liquidity position

- Gross Debt in our Real Estate Business – Max Estates stood at Rs. 176 Crs. as on Jun-21. Cash and liquid investments stood at Rs. 75 Crs. Hence, Net Debt stood at Rs. 101 Crs.
- Gross Debt in our packaging films business stood at Rs. 326 Crs. as on Jun-21.
- We have used our free cash flows to fund our new capex and will use it to reduce the debt in the packaging business going ahead.

Now I will hand over the phone to Inba to open the floor for the question-and-answer session. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. We'll take our first question from the line of Prashant Sharma from Quantum Securities.

Prashant Sharma: My first question is regarding the Max House Phase 1; in your presentation it's written that you are in advanced stage of discussion with the client. Is it a one client or many clients and when we expect that to close?

Rishi Raj: Hi Prashant, this is Rishi Raj. As far as Max House is concerned, no it's not one client. We have a very robust pipeline of several clients, who are evaluating it for leasing purpose at different stages including commercial negotiation and diligence on their part. As we have stated we are very confident to lease out completely by the end of financial year 2022, of course subject to vaccination drive, third wave and any impact that may create. Otherwise, we are very confident given the pipeline that we have.

Prashant Sharma: Regarding the Dehradun project, how many villas have we sold in this quarter?

Rishi Raj: In total we have 22, out of 18 one has been sold in this quarter.

Prashant Sharma: What is the current occupancy rate of Workwell?

Rohit Rajput: The current occupancy rate is about 15%.

Prashant Sharma: Just a last question. regarding the new CPP line, does this has the same profit margin that we have with the Specialty products?

Ramneek Jain: It will eventually be at the same margin. Initially this is a new product line for us and as of right now we feel that it will be a shade below but very soon we'll catch up.

Moderator: Our next question is from the line of Jaikishan Parmar from P3green.

Jaikishan Parmar: I have 3-4 questions. The first one is related to Max Specialty Film; in the presentation we have mentioned that we'll become the most profitable company in the industry. So, if you don't mind, can you share the name of the company which you think is the most profitable or you can share the profit margins, EBITDA margin of that company or you think this is industry's best margin which we want to report more than them? That's the first question. Second is on Max Estate side that by FY22 we are expecting to clock leasing revenue 30 to 35 crores. How much of this will flow to the EBITDA margin? And the third question is that I just want to recheck on your real estate business rental side, that we have a target to deliver or capture a new or add new project worth around 1 million square feet per year. So, by FY24 we can say that you like Max Estate will develop 4 million square feet of project, of that approx. 50% will be Max Estate. So these are the three questions. Is it that target is still on for real estate business, that's the question?

Rishi Raj: We will take it one by one. Maybe Ramneek can start with the Max Specialty Films.

Ramneek Jain: So, Jaikishan you asked a lot of interesting questions. On the packaging film business; let me just put it this way, while there are no specific numbers to share with you or names. In terms of the internal benchmarks, we created for ourselves, I think we have passed that over the past couple of quarters. That gives us a lot of confidence. In terms of which company to be idealized. I think we are looking at more global layout of the industry now. In terms of the volume gain as we said we are more in the Specialty side; one is the absolute number which is not probably the goal. In terms of the percentages as you have seen we have moved significantly over the past 8-10 quarters. I think the benchmark we are creating for ourselves in this segment, it's difficult to compare one company to the other but nonetheless I think the margins where we are, we should definitely hold and the company is geared for a stronger growth in the coming times. There is strong actions on all fronts as I said on the product side, on the internal cost side, on the expansion side. I think also with the recyclability initiative, it's been hard for me to put a number out there. But I think we feel confident of our road track in the coming months.

Jaikishan Parmar: Can we at least say that we will be the best profitable company in listed space like whatever listed companies you have comparable in the Max Specialty business?

Ramneek Jain: Jaikishan you're encouraging me to reach feat and I hope I can live up to your expectations.

Nitin Kansal: Jai, you asked about what kind of EBIT margins we can expect coming on the revenue. So, in the current quarter we have done EBIT margins of close to 51% in the quarter and we expect going forward by the end of the year we would be expecting a number closer to 60% for the remaining three quarters. This is a subject to obviously we are able to achieve our leasing subject to COVID Wave 3 and other factors.

Jaikishan Parmar: You are giving EBIT number, right. EBIT of 60.

Nitin Kansal: Yes, EBIT numbers.

Rishi Raj: And Jai excellent question. So, on the third one related to real estate business scale; just to recap, if you look at today between Max Tower, Max House and Max Square which is under construction, that total development portfolio is around 1.5 million square feet. Now we have already shared that we bid for Delhi 1 which is currently going through the NCLT approval process which is in the range of 2.5 to 3 million square feet. We are evaluating several projects, particularly in Gurgaon for us to announce one this year approximately 1 million square feet and continue with that journey year-on-year, so yes by FY24 if you look our development portfolio on a total basis, delivered and under construction would be 4 million plus.

Jaikishan Parmar: If you allow me last question that, if you can give some similar guidance on the residential space.

Rishi Raj: On residential space as well our stated strategy and goal is to add 0.5 to 1 million square feet every year, starting one that we are evaluating for this year as well.

Moderator: Our next question is from the line of Ulhas Paymaster, an Individual Investor.

Ulhas Paymaster: One is what is the rental income expected on your Max House project based on whatever lease agreements you have signed and what is the total investment on that project? Basically, I would like to know what is the return on investment on your own funds you are expecting from this project? The second question is that you have been talking about acquiring land since last 1.5 to 2 years but no progress has been made. During this period, I am sure the property prices must have gone up. Could you explain what are the reasons for the very slow progress in achieving or closing any deal for buying a land? And my third question is on the Specialty Film business. I have got a one basic question. I am not sure whether may sound little bit silly but the recyclability of the product, how does it affect the overall demand and growth of the film business in future?

Rishi Raj: We will take your question one by one. Again, excellent question. I will request Nitin to talk about your first and second which is rental income from Max House and yield to cost return on investment from that project.

Nitin Kansal: Ulhas, what is happening for Max House, we expecting currently basis a signed agreement, we are expecting revenues of close to Rs. 3-3.5 crores coming from Max House Phase 1 and on a fully blown on basis, we expect lease rental income of close to 15 to 20 crores coming out from Max House. In terms of yield to cost, we have deployed a total capital of close to 140 crores on Block A. We expect the returns to be in the range of teens, yield to cost on the project at Max House Block A. I will ask Rishi to answer your second question.

Rishi Raj: Ulhas on your question regarding growth. On commercial real estate particularly we do acknowledge, we are running behind what we ideally would have liked in terms of signing a new opportunity. There has been significant disconnect between rental outlook and FSI price expectations from landowners particularly in Gurgaon resulting into almost no deals on commercial side in the micro markets we have been evaluating and as we had discussed in the past as well, we want to judiciously use shareholders' capital. Having said that I am really happy and delighted to share that over last couple of quarters, we have curated a few opportunities primarily in Gurgaon including a couple now in due diligence and advanced stages of commercial negotiation. There is some credible progress and we are confident to get back to you and everybody with the details as we close at least one of these in this financial year.

Nitin Kansal: I can just supplement to Ulhas, what Rishi has said, if you go on slide #32 of our investor presentation. We have given a pipeline of close to six properties which are in the various stages of evaluation which have a total area of close to 7 million square feet which are getting evaluated. We are hopeful that in the coming quarters, we would be able to close those transactions, one of those transactions.

Rishi Raj: I think there was another question from Ulhas regarding Max Specialty Films. Ramneek, could you take that.

Ramneek Jain: Again, I really want to compliment you asking the question on how does recyclability and the product help in recyclability at a business growth? In fact, not many people understand really but really glad that you asked the question. We are into polypropylene and then there is polyester and other products. Basically, when you have a product which is having only one chemical or polymer type which is either polyester or polypropylene then post the consumer usage, it can be collected and then recycled and try to merge back into the virgin raw material. In case the two products are mixed, polyester and polypropylene which is the current prevailing standards in the country. It's very hard to separate them and then it can be neither used as a polyester or a polypropylene. It cannot be used together as a new or the recycled product. Most of the companies are working on using a single-family product. Having said that, the reason polyester and polypropylene come together is because they bring different skill sets or different properties and performance standards to the product. Interestingly what polyester could do is now also being able to be done by polypropylene but not the other way round. Globally outside India the product structure is in any case polypropylene based and that trend with the recyclability focus is coming into India. That is why we have been saying that the move in India is towards a higher demand on polypropylene where we have been manufacturing only polypropylene for past 3 decades. With that said polypropylene how to move in an effort to replace polyester and also aluminum which gets added into the structure. We have products which are capable of eliminating Alu as well as polyester which have been developed and deployed in large volumes which we call specialty products with respectable brands, multiple brands and multiple applications over the past 2 years. That has taken traction as our recognition of our company which has strong products and technology and with the increasing demand on recyclability and performance specs and cost pressures of changing, so the first question how does recyclability and product help having a cyclical family structure polypropylene. Polypropylene can do what polyester cannot but that said our products have taken traction and with the increasing demand and not only in base polypropylene but higher I think we are continuing to gain margin.

Moderator: The next question is from the line of Tushar Sarda from Athena Investments.

Tushar Sarda: I joined a little late so I don't know if these questions have already explained. I wanted to know what is the return on equity or return on net worth hat you expect in the real estate business? And second is what is the rental that we have realized in the first quarter?

Nitin Kansal: What is happening there are two parts to it. One is the return on equity return on net worth. Going forward we expect to have this numbers in high teens but as in the real estate space the intrinsic value of the assets also plays a significant role in the way we look at the assets. In the current quarter, if I talk about the rental income which we have realized is close to 8.3 crores which has got realized in the current quarter.

Tushar Sarda: So on a per square feet basis, how much does that work out to? The per square feet per month?

Nitin Kansal: So, what is happening, we have got two projects which are running as of now which are under lease. One is the Max Towers in which we have a lease rental which is an excess of, just close to Rs. 105 per square feet per month. This is excluding the maintenance charges and the second project which we are doing is Max House in which the number is currently at Rs. 120 per square feet per month plus maintenance on top of that.

Tushar Sarda: You are saying income is 8.3 or 7.7,? So that's per month 2.5 crore, right?

Nitin Kansal: Yes.

Tushar Sarda: But your lease area is much more. It's some 6-7 lakh square feet? So, I am not able to get the maths, that's why response?

Nitin Kansal: Currently we have got around 3 lakhs square feet of space which is leased at Max Towers and close to 20,000 square feet of space which is leased at Max House. But in terms of what happens is there are certain, the numbers which get progressively built up, there are certain rent-free period which are given as a part of the commercial lease. As we go forward this numbers will start showing improvement.

Tushar Sarda: Based on current leasing do we expect 7-8 crores a month run rate?

Nitin Kansal: Our expectation is close to a 30 to 35 crores annual rental coming from leasing.

Tushar Sarda: And on the return on equity in the real estate business I understand what you are saying in terms of asset value but many times the cost of borrowing is higher than the rental yield. So, what is our game plan? Are we planning to do REIT? How do we extract the value which is there in the asset because once the assets stabilize then really it is diluting our equity returns? I wanted to understand your game plan in the longer term not medium-term kind of a thing.

Nitin Kansal: There are two parts to this journey. The part one we did Max Towers in which we were establishing our brand and we had to make significant investments for the complete development of this Max Towers which resulted in our yield to cost coming close to 8%. But going forward the project which we are looking at something like a Max Square. We will have yield to cost which would be close to teens 14%-15%. Subsequently when we lever the project, we would have a benefit coming in the equity IRR for the project. This is how the plan is going forward. We will underwrite projects which have a yield to cost to 13% to 14% and which will significantly increase the return on equity.

Tushar Sarda: In the longer term I mean what is your strategy? Are you going to be a commercial real estate focused or are you going to be residential? And how do you look at the cashflows of the real estate business? What kind of development you will do every year?

Rishi Raj: As a strategy our stated strategy is one region multiple asset class. As a part of that strategy, we began the journey to build commercial office vertical in Delhi NCR. And in last call we decided given the trend and the green shoots in residential sector, we decided to diversify and now also enter into residential asset class. So, in summary at least in the near to mid-term future our focus is going to be commercial real estate, residential real estate in NCR and some adjacent play in commercial office. Like we have already announced and launched managed office space under the brand WorkWell Suite. So, that's our strategy. Now your second question just please repeat. Is this to do with, you want to understand how we are going to fund it?

Tushar Sarda: How much money will you invest every year in real estate or how much square feet of development will you do? Because your EBITDA will really depend on what development you do, right? Given that its if I were to build a model and I say okay you do million square feet a year or 2 million square feet a year or 3 million then one can build some kind of valuation model. I am asking from that point of view?

Rishi Raj: Absolutely and an excellent question. I think as we earlier stated as well, on an average our aspiration is to do around 1 million square feet in commercial and in residential every year moving forward. If we just step back today, on a gross basis we have 1.5 million square feet of commercial development portfolio including Max Square under construction. We have already bid for and have been awarded as a Successful resolution applicant for Delhi One which gives you an exposure for 2.5 to 3 million. Currently under the court process for approval and moving forward around 1 million in commercial, around 0.5 to 1 million in residential is that what we are going to target. Now real estate being a bit of a lumpy business, this is what we want to do on an average as you plan and model your mid to long-term cashflow scenario.

Moderator: Our next question is from the line of Ashwin Agarwal from Akash Ganga Investments Private Limited.

Rati: This is Rati from Ashwin Agarwal's office. Congratulations on the good set of numbers especially from the Max Specialty Film Segment. My question was regarding the same segment considering the amount of debt like almost which is at 326 crores gross debt. What can be the like the gross debt for the year end? How much can we reduce considering the good performance in this segment?

Nitin Kansal: What we are expecting is to reduce the debt close to 75 to 100 crores in the coming financial year.

Moderator: We will take our next question from the line of Ronak Jain from Jain Capital.

Ronak Jain: Firstly, can you give us the update on what is happening on a Delhi One project under NCLT?

Rishi Raj: Delhi One just again as a quick recap; we were awarded as a Successful resolution applicant post that matter went to NCLT for approval. Because of COVID wave 1 and COVID wave 2, court hearing has been going extremely slowly. As we stand today the hearings have restarted and we are hopeful to see some progress in next 3 to 6 months. However, it is very difficult to predict with certainty the timelines of the court process but the good news is that the hearings have started.

Ronak Jain: Secondly on the residential side. Will you be focusing on Delhi NCR only or will be more into other parts of India as well?

Rishi Raj: No, as a part of our stated strategy again one region multiple class in near to mid-term we will right now focus only on Delhi NCR given the local and the micro nature of the game. More specifically within Delhi NCR we have very carefully studied and identified a few micro-markets and pocket including pockets like Golf Course Extension, Southern Periphery Road Dwarka expressway, Noida expressway including Sector 150. For residential where we have already activated the intermediaries to help us both intermediaries, banks and direct discussions with the landowners and when we come back in the next quarter, as we are presented to you the pipeline for commercial, we will also present to you the pipeline for residential.

Ronak Jain: Lastly would you be planning any equity fund raise in order to fund all this future commercial and residential developments?

Nitin Kansal: No, we are not planning to do any equity fundraise at the entity level. What we might evaluate is that to raise capital at the project level and the same way with what we have done at our project at Max Square in which we have partnered with New York Life and where they have taken up 49% equity in the project.

Moderator: Our next question is a follow-up from Ulhas Paymaster, an Individual Investor.

Ulhas Paymaster: I think whatever figures which you have given on the return on investment on equity, the figures don't look attractive. I am sure that you have found the fundamentals to justify the amount of money being into the real estate business. Because even if you look at the Max House figures they are not very attractive. I thought that the brand has already been established and there you should be able to command the higher rental income on your Max House project. That is my only worry, if at all if you have any answers on that it's fine. Otherwise, whatever you have given to earlier speaker, that should be okay.

Nitin Kansal: Mr. Paymaster, what is happening as we mentioned earlier also, our strategy in Phase 1 was to establish our brand. What we established in Max Towers was the yield to cost is less as compared to what are typically a project that you will underwrite. I think that project to benchmark would be Max Square. If I can share with you very broad numbers on that. We are deploying a capital of close to 400 crores and the rental yield expectation from that project is more in the range of 16% to 17% close to 70 crores of rental coming from that project. So, going forward the normal benchmark for us would be more in lines with teens and underwriting the project in teens and even for the Max House project. Going forward what we will have it has to be seen jointly. We have got two phases of a of Max House Block I and Block II. The Block II is expected to be starting now and we expect the combined yield to pass the litmus at which we underwrite the project.

Ulhas Paymaster: What is that litmus percentage you have in mind?

Nitin Kansal: We would like to have a yield to cost which would be in the range of teens, 13% to 14% and on equity IRR on the project which would be on a high teens' mode.

Moderator: Our next question is from the line of Jaikishan Parmar from P3green.

Jaikishan Parmar: I just need, if we can give some update on Azure Hospitality like FY21 revenue or last quarter revenue or some quality metrics on Azure and second is for Max Square, that project will get ready in Q4 FY23 and so for that you are like the rental will be a front-ended or back ended. I mean once the project will develop and then you will search or you have started process or you will start much before? And third question is that 1 million target a year, does that include Delhi One also? That's the three questions.

Rohit Rajput: Let me give you an update on Azure. As you know across the country all hospitality, F&B businesses are impacted by restrictions on dine-in and particularly the April-May-June quarter operationally did not give a lot of open days to the business. However, in terms of footfalls and in terms of revenue the July numbers for Azure have been encouraging. They have recovered nearly 90% of their peak revenue with fewer available seats for dining-in and at a lower occupancy. So, I think the restaurant sector will be impacted by COVID restrictions in the near term. However, the company is taken strong operational steps to try and lessen the impact of that. We will continue to monitor the investment and continue to look at how we can drive value from it.

Jaikishan Parmar: If we can give revenues for FY20 that is also fine because just recently one of the hospitality sectors got listed and they are getting good valuation. Just to get sense of what valuation Azure can get, on that prospect. If you can give FY20 number that is also fine, revenue.

Rohit Rajput: FY20, I will set a ballpark with business was doing about 120-130 crores per annum.

Nitin Kansal: So, Jai just to supplement of what Rohit said. They have been able to achieve close to 90% of their peak revenue pre-COVID but what they have done during this phase is they have been very aggressive in negotiating with their landlords in terms of revenue shares moving from a minimum guarantee to revenue share and also rationalizing their expenses. What we expect is even if at the current juncture itself they have seen a significant increase in their EBITDA margins and going forward as this lockdown wanes away and people coming back to life, they will emerge much stronger post this damage.

Rishi Raj: I will take your second and third question Jai. The second question is around Max Square rental search. Just to give you a bit of an insight into, if you look at life cycle of any office building the active pre-leasing effort start 6 to 9 months to the completion. If you look at and just to give you an update on where we are and what we are planning to do in that context, while our soft search and engagement have already started through IPCs and direct discussions with client, we are right now finalizing all our collateral and a much more active and a visible search will start, starting October of this year. So, our plan really is by the time building is ready we would like to target some amount of pre-leasing and then over 18 to 24 months into complete the 100% leasing of the building. That's on Max Square. On your question regarding the pipeline, we are evaluating, Delhi One as I said is in the court for approval. In parallel to Delhi One we are evaluating other opportunities on commercial as well as on residential. When I said a million square feet each, this is being done in parallel to Delhi One.

Nitin Kansal: Just to supplement that what happens is in our view our journey is not, it can't be held hostage by Delhi One resolution plan. Delhi One happens great for us but parallel to us, 1 million is in addition to Delhi One which we are looking at.

Moderator: Our next question is from the line of Jigar Shroff from Financial Research.

Jigar Shroff: First question, if you could give some color on our tie-up with Toppan in terms of how is it helping us in terms of expanding our global reach or in terms of technical capabilities? And should I ask the other question?

Nitin Kansal: Yes, please go ahead.

Jigar Shroff: Should we anticipate once both the, once the expansion on the packaging lines is completed, packaging division could have a turnover of approximately 2000 crores by FY23? That is my second question. Third question, I think you did mention right, just wanted to reiterate that. By FY24 you are expecting rental income to be about 140 to 150 crores per annum? Last question for the perennial question which we have been always asking. When do you intent looking at splitting the company value creation for shareholders?

Ramneek Jain: With regards to Toppan, I think our engagement is increasing with every passing year, in every quarter actually. There is a lot of activity which I cannot describe in details with regards to the product development and exploration, testing which is the required the level of time in different geographies of the world. Overall, the direction of engagement is much stronger now. In fact, there is a dedicated team, they have created at their end in Japan to work specifically on some of these ongoing projects because it is being mutually beneficial to both sides. I think there is some results and also the activity, which is in the pipeline, which is ongoing, I think it's very encouraging.

Jigar Shroff: So, in terms of engagement, in terms of product development and increasing geographical spread so what would be the exports? I mean as a percentage of the turnover at this point of time.

Ramneek Jain: Company's export is in the range of about 25% to 30%, in the MSFL's percentage export yes.

Jigar Shroff: You expect this to scale up to?

Ramneek Jain: Well, it's a very balancing act because there is very strong demand from domestic and also international. We are actively looking to increase our specialty sales, specialty products. Many of the products which have taken traction in India, now those brands are taking them outside India and that is helping us to propagate some of it. Again, the mix and geography which helps us maximize our earnings is what we are carefully balancing along with the long-term strategy.

Jigar Shroff: Which countries would we be exporting to?

Ramneek Jain: We export to more than 100 countries, big chunks in Europe and US and South East Asia, Middle East as well. In fact, products are going to Japan, Australia, Latin America, Africa. It's going all over the big chunk from Europe and US and Middle East.

Jigar Shroff: Then margins are better in domestic market?

Ramneek Jain: I would say it's very healthy and we keep balancing with regards to strategy and feeding the product. But as you can see overall contribution is helping and for sure if we get better margins in India, will we shift up quantity there.

Nitin Kansal: Just to add to that what happens is it's a function of what are you able to say where. If in India we are able to sell more of a value-added film which promotes our margins will prefer as

Ramneek mentioned, we would prefer to sell more domestic rather than exports. Just a value maximization strategy for us where we are able to sell, we can expect to generate more margins, we prefer to focus on that.

Jigar Shroff: The second question, can we envisage in terms of revenue at the end of FY23 in the packaging?

Nitin Kansal: For us to give us a forward guidance on numbers, we don't prefer to do that, but we expect the numbers to improve. Currently in addition to our BOPP lines which we were running, we have also announced two metallizer lines and one CPP line. We expect all these three lines to be operational by FY23 and there would be a significant jump up in the revenue but to give a specific guidance on revenue would not be possible for us.

Jigar Shroff: The capacity would be enhanced by how much?

Ramneek Jain: The CPP line, see the metallizers are going to offer us to value add more on our existing capacities. The CPP lines will bring in about 7000 tons per year. Given our existing capacity that should be another about 10%. We are really looking to be in the specialty zone and so what we are definitely focusing on is our earnings.

Jigar Shroff: The first quarter if we analyze the revenue, it comes to approximately 1400-1500 crores of the packaging films. Once the entire CAPEX is completed 2000 crores turnover should not be difficult to achieve, am I right in thinking on those lines?

Management: You are making my job difficult by saying this in front of my boss but I think I will be a little careful saying that because again, it's again the focus on…it's a challenging target.

Jigar Shroff: What could be the risk to these margins? You have said that 22% is sustainable the risk could be?

Management: I am sorry. I did not say that there is a risk to the margin. Of course, it's a challenging. Maybe I didn't get it right. I was responding to your target of a 2000 crores top line.

Jigar Shroff: No, this is separate question. You did not say that it is sustainable. What could be the risks to not achieve it?

Management: I did not catch that right but I think what you are probably saying is the risk to our profits or EBITDA?

Jigar Shroff: Exactly.

Ramneek Jain: I think it's a balancing act. We always respect the competition. That is healthy competition and then the healthy demand also coming in. I think what has shown and given us demonstrated and given us good confidence, the traction on new products have taken over the past time. And there are some new strong products in the early part of the product life cycle stages. That's how it has been time to be. I think it's a healthy mix. As I said we remain very confident of our product line.

Sahil Vachani: To answer your last question Jigar in terms of the potential demerger. I think we as shareholders have always and as management have always done what's the most value creative for our shareholders as a group. We will continue to do that. I am not able to comment on any demerger plans yet but as we see the scale and the right opportunity and if it's in the interest of shareholders, we will definitely do what is required.

Moderator: Our next question is from the line of Hitesh Sharma from White Sky.

Hitesh Sharma: My question was similar what you answered just now. We wanted to know like any plans for separating the two-business, real estate and the packaging?

Sahil Vachani: I believe I have just answered that question. So, I think that's it.

Moderator: Thank you. As there are no further questions from the participants, I now hand the floor back to Mr. Sahil Vachani for closing comments. Over to you sir.

Sahil Vachani: Thank you very much to all our shareholders and investors. We look forward to engaging again with you at the end of the next quarter. Stay safe and be well. Thank you.

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