June 18, 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 Q4 and FY 2019 held on June 11, 2019

Dear Sir/Madam,

Please find enclosed the transcript of Earnings Conference Call conducted by the Company for Q4 and FY 2019 on Tuesday, June 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

Max Ventures and Industries Ltd.

Encl: As above

Max Ventures and Industries Limited
Corporate Office: Max Towers, L-12, C-001/A/1, Sector- 16B, Noida- 201301, India | P : +91 120 2200000
Regd. Office: 419, Bhai Mohan Singh Nagar, Village Railmajra, Tehsil Balachaur, Dist. S.B.S. Nagar (Nawanshahr), Punjab 144 533, India
E-Mail : secretarial@maxvil.com
Website : www.maxvil.com
CIN: L85100PB2015PLC039204

“Max Ventures and Industries Limited Q4 and FY2019 Earnings Conference Call”

June 11, 2019

MANAGEMENT: MR. SAHIL VACHANI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
MR. NITIN KANSAL – CHIEF FINANCIAL OFFICER
MR. RISHI RAJ – CHIEF BUSINESS DEVELOPMENT OFFICER
MR. ARJUNJIT SINGH – CHIEF OPERATING OFFICER, MAX ESTATES

Moderator: Good day, ladies and gentlemen. And a very warm welcome to the Max Ventures and Industries Limited Q4 and FY2019 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 call, please signal an operator by pressing '*' and 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. Thank you and over to you, sir.

Sahil Vachani: Good afternoon, ladies and gentlemen. This is Sahil Vachani and I welcome you to the call for Max Ventures and Industries Limited. Just to give you an overview and oversight- we continue to make progress on the outlined strategic intent for Max Ventures that entails emerging as the preferred Real Estate player in the National Capital Region for the RE business and for improving the performance through product innovation and efficiencies in the Packaging Films business.

First, I will take the Packaging Films business. The macro economic scenario has turned positive for the Packaging Films business. We believe that the worst is over for the industry. And the demand and supply gap has started to narrow since Q4 of FY19, thus leading to an improvement in margins. There is no major capacity addition that has happened in the last quarter and we are made to believe that there is no major capacity addition that is planned in the forthcoming 9 to 12 months as well.

For us, at Max Speciality Films, the value-added films and specialty films are the core and the focus of our operation. Contribution has been increasing from value-added films for us. A major driver for our business has been the drive towards sustainability. As you may know the sentiment against plastic has been hugely negative. We at Max Speciality Films, have taken cognizance of that and have been pioneers in the BOPP space to develop recyclable and sustainable polymer films, purely on BOPP films, and thus replacing potentially other film categories as well. We are very confident that many of the large brands in the months to come will adopt this technology for their sustainable solutions. Moreover, this is in line with the charter of most multinational companies that they have taken at a global level between 2021 and 2025, to move to completely sustainable and recyclable plastics. From a raw material perspective, the crude price is stable. And finally, from our joint venture with Toppan, we have received the clearances and have commenced commercialization of certain products

Moving on now to Real-Estate. We have continued our focus to grow the real-estate space. And happy to share that the first project, which is Max Towers, has been launched in April, completed before the anticipated timeline and under budget. Thus, demonstrating the capability of the new team under Max to turnaround a distressed project. This is the first of its kind turnaround for a distressed project in the NCR, particularly in the micro market of Noida.

Max Towers is currently 20% pre-leased and we are looking to lease it out predominantly in the coming year. The new leases, we are confident, will be at better rentals than the prevailing lease rentals. The product per se has attracted a lot of attention and positive communication from both end, clients as well as the industry at large. This has set up Max Ventures, and particularly our Real-Estate business in a very competitive and compelling position.

If we look at the macro economics around the real-estate industry, firstly, we believe that it is an extremely regional play for real-estate. And if we look at the NCR, we see a huge vacuum for a leading developer and there are hardly a few developers that are left in the NCR that have the balance sheet and the appetite for growth. We believe that Max can be positioned to be one of the preferred developers for the NCR market in the years to come, given the brand, trust, credibility and reputation that Max enjoys, thanks to its various allied businesses.

More so, with the team that we have put together and the ability of the team to not only manage regulatory but also execute on the ground in terms of the construction, project management and leasing, we are very confident that this team can grow from strength to strength. Broadly, the real-estate industry is seeing a corporatization that is taking place, and we have seen the likes of Godrej, Bharti, Tata, Mahindras and many other brands who are trusted corporate brands, making a play into real-estate. The regulators, the customers and the investor community at large have accepted this trend and are completely supportive of it, which is reflective of the increased private equity investments that one has seen in the real-estate space.

In the last quarter we saw the successful REIT that got launched by Embassy and Blackstone, and thus has opened the gates for the future or more sustained viability of the commercial office space industry as well. The vacancies in the office space segment, particularly for grade A assets are low, and the demand uptake looks very positive, driven primarily by the growth in the co-working space.

Our second project, which is Max House Okhla is also going as planned, and we look to complete it within the scheduled budget and the timelines as well. There has been a high level of demand already in the Okhla location, given that there is no new supply of grade A assets that are coming up there.

We are also very happy to share that all Max Developments, whether they be in Dehradun or here in Max Towers, and as we can see from the early indicators in Okhla, demand a good premium to the micro market. And as we follow the real-estate industry, we see that brands and companies that are able to command a premium within the same micro market compared to others are sustainable and we are hoping to build further on that niche as well.

Our focus now is going to be to complete the leasing of Max Towers, but also aggressively pursue growth opportunities, both for distressed assets and across the asset light approach, focused primarily on the commercial office space. We have also received a lot of interest for other asset categories and the company is evaluating those as well.

From the investments vertical, we will look to monetize our investments that we have made in the next few years, and do future investments related only to Real-Estate or the Packaging Business. The focus of the company is going to be to grow the Real-Estate business to become the preferred brand in the National Capital Region and build up the Speciality Films Business more from a value-added Speciality films perspective to drive higher EBITDA margins and profitability.

The debt equity level at the at the group level is comfortable, there is no debt at the holding company level and very limited debt at the Real-Estate business level. We have some debt at the Packaging Firms business level, which we are confident of managing, given the performance of the business.

I will now open up to everybody for some questions, if there are any. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from Arfad Sayyed from Reliance Securities. Please go ahead.

Arfad Sayyed: Sir, my first question is on revenue split of Packaging business. So, I just want to understand how much is split between Toppan and others, can you elaborate on that?

Sahil Vachani: Currently, Toppan does not contribute anything to the revenues, this is all from others. We are confident of Toppan starting to contribute some revenue in the times to come

Arfad Sayyed: And my second question, just want to understand in detail about your real-estate venture for Max Tower and Max House. So, just want to know detail of how much amount you have spent till now, and what amount you would like to spend in the next two years, for both your Max Tower and Max House?

Sahil Vachani: Sure. I request our CFO, Mr. Nitin Kansal to answer that please.

Nitin Kansal: Thank you, Sahil. So, as far as the Max Tower is concerned, we have a total outlay of close to Rs. 600 crores on the Max Towers project, that project has already been commissioned on 12th of April and the leasing has started for that. In terms of Max Okhla, the total outlay is close to

Rs. 60 crores for the entire project and the work is under progress. We expect the project to be closed in the first quarter of the next financial.

Arfad Sayyed: Okay. And secondly sir, how much amount you spent till now, if you can guide on that, on both the projects?

Nitin Kansal: So, we have a made, a significant amount of expenses have already been made on the Max Towers and the amount in excess of 80% has already been incurred on Max Towers and the work is in progress at Max Okhla.

Arfad Sayyed: Okay. If you can quantify that in numbers?

Nitin Kansal: So, in terms of Max Towers we have spent an amount of close to Rs. 510 crores on the project.

Arfad Sayyed: Correct, that is on record. And for Okhla?

Nitin Kansal: These are still early days, an amount of close to Rs. 15 crores have been incurred on Okhla.

Arfad Sayyed: Okay, fine. Then secondly on your 222 Rajpur, so you said in your press release that you have already sold 11 villas, right? And balance is still remaining. So, what amount you are expecting from that?

Nitin Kansal: So, it will be difficult to give precise numbers, the average selling price of the villas in the range of Rs. 5 crores to Rs. 8 crores. So, this has all the three reconfigurations. So, difficult to give exact numbers, but this is the average selling price for the villas.

Arfad Sayyed: Okay. And my last question, besides these three projects any future project you would like to comment on?

Rishi Raj: Hi, this is Rishi Raj. I am Chief Business Development Officer with Max Ventures, focusing on growth of real-estate business. We are very, very actively evaluating several new growth projects in NCR, including Gurgaon, Noida and Delhi. And soon we will be announcing our new growth projects in the next quarter.

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

Samarth Singh: My question is on the debt of the business; can you just tell me what the gross debt and gross cash are? And how is that split between the films and the real-estate business?

Nitin Kansal: The debt on the Speciality Films business as on 31st March is Rs. 455 crores, and around Rs. 120 crores on the real-estate business. And the cash which we are holding as of 31st March is a number of Rs. 120 crores.

Samarth Singh: And the debt on the specialty films business, can you break that down between the working capital and the term loan?

Nitin Kansal: So, the working capital is Rs. 140 crores, and the remaining is a long-term debt.

Samarth Singh: Okay. Thanks. My second question was for Max Okhla, have we already made the payment to the promoter for, I guess, Rs. 27.5 crores for the land?

Nitin Kansal: So, small correction, the transaction has not happened with the promoter, this is a sister concern, Max India. The entity called Pharmax Corporation is a subsidiary of Max India. The payment for that has not been made till now, we have just made an advance payment of 10% till date.

Samarth Singh: Okay. So, that Rs. 27.5 crores is not reflecting on the balance sheet as yet as an investment?

Nitin Kansal: No.

Samarth Singh: Okay. And that was only for the first phase, right? Phase two in Max Okhla will require a separate payment, is that right?

Nitin Kansal: Yes.

Samarth Singh: Okay. So, we are showing I think a Rs. 40 crores investment property on a balance sheet, what is that?

Nitin Kansal: So, that is the investment of Max Okhla on the books of accounts.

Samarth Singh: Okay. So, that so that is not showing as inventory, that's showing now as investment property?

Nitin Kansal: Just to correct myself, the Rs. 27.5 crores relating to Max Okhla has not been paid as of now, that has been provided for in the books of accounts. That's the number it is getting reflected as investment property

Samarth Singh: Okay. So, it is being shown as an asset and also as a liability?

Sahil Vachani: Yes.

Samarth Singh: Okay. And a question on Max Towers, actually in the last call we said they you were expecting Rs. 100 plus per square foot in rent, do we still hold that expectation once we started marketing the property?

Arjunjit Singh: Hi, this is Arjunjit. I am the COO of Max Estates. Yes, we still hold that expectation. Since the launch of the building, there has been a significant increase in our inquiries for leasing, and we have been able to move the trajectory upward from where we were originally at a pre-lease stage to where we are trying to close today. So, yes, we still have that expectation.

Samarth Singh: Great. And out of the Rs. 100 per square foot, how much would we expect would drop to the operating costs?

Nitin Kansal: What is happening, there is nothing close to the operating costs, the entire operating cost is being paid by the occupants themselves as a facility management cost, more commonly known as CAM in the industry parlance.

Samarth Singh: So, that would be on top of the Rs. 100 per square foot that they would be paying?

Nitin Kansal: Yes, that is not part of the Rs. 100 yes.

Samarth Singh: Okay. And the CAMs will also include the property tax?

Nitin Kansal: The property taxes and the insurances is to the account of the property owner, but the property tax is a very miniscule amount in the context of the property value.

Samarth Singh: Okay. And any marketing fees, etc, for the property, I mean, would that be covered by the CAMs as well?

Nitin Kansal: The marketing piece is not covered, the marketing fees and the brokerage for the leasing of the building is to the account of the property owner.

Samarth Singh: Okay. And that would be a one-time thing, once that is done…

Nitin Kansal: Yes, that's a one-time thing, yes.

Moderator: Thank you. The next question is from the line of Sriram Rajaram from Sundaram Mutual Fund. Please go ahead.

Sriram Rajaram: Sir, just want to clarify, I mean, you had mentioned that we have incurred Rs. 510 crores on Towers, so the total cost is Rs. 600 crores, right? So, we need to incur some amount or since the Tower is already in operation, so what is the cash outflow?

Nitin Kansal The final bills of the vendors are still coming, as we speak today. And in addition, what is happening is there is a 5% retention which is payable to the vendors after the deferred liability period, that money is still outstanding as of today

Sriram Rajaram: So, we will incur about close to Rs. 100 crores from here on for the Towers?

Nitin Kansal Yes, we will be within budget while closing the project.

Sriram Rajaram: Okay. So, basically, in that sense, we will have Rs. 100 crores on Max Towers, as you said, and Rs. 60 crores on the Okhla project, right, is that correct?

Nitin Kansal Yes.

Sriram Rajaram: So, in that sense of why, any reason for having the cash on the books? Because we have the debt of Rs. 120 crores, so any plans to knock it off?

Nitin Kansal: We already have to complete the projects; we have deadlines available with us from the bankers. This capital which we have preserved separately is for the future expansion of our real-estate business, this is the money which has been provided for future expansion.

Sriram Rajaram: So, for additional funding we will be taking debt, not to use the cash on the books, right?

Nitin Kansal The additional cash on the books would be the equity component which we would be deploying in for the project. And in addition, we would be taking debt.

Sriram Rajaram: Okay. And sir, can you give us some sense on the numbers for Azure Hospitality, for revenue and EBITDA at least for FY19, how has it done?

Nitin Kansal: So, they are still under audit as of now, so we can disclose the numbers once the audit process has been closed for them.

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

Jigar Shroff: I had a few questions on the Speciality Films division. Can you elaborate what proportion of sales would be Speciality Films and what would be commodity films? Secondly, what would be the capacity utilization at this point of time? And what is the outlook as regards the EBIT margins going into a FY20? I believe we have been had an EBIT margin of about 2.63% for FY19. So, if you could shed some light? And fourthly, what is outlook on exports, I mean, we only supply to Toppan or to other people too? Thank you so much.

Sahil Vachani: Thank you for your questions. So, currently the industry overall is operating at capacity of around 78% to 79%, including what we are exporting. Usually, this industry operates at around 80%, 85% capacity, given that there is no further capacity that is expected to be added at least in the next 9 to 10 months, we are confident that the operating margins would increase in line with the operating rate of the capacity of the industry. That was your first question. Second…

Jigar Shroff: The industry capacity utilization is 78% 79%, what is our capacity utilization, is it the same?

Sahil Vachani: So, our capacity utilization is somewhere in the range of 84%, 85% for FY19. The full impact of line five has not come in and we are hoping that in the current year it should increase beyond 90%.

The second question that you had was around the specialty films, the total volume contribution in the previous financial year for specialty segment was around 34%. We are very confident in the coming year of increasing this to northwards of 40%.

Jigar Shroff: Okay. And on the margin outlook, sir you had guided in the earlier conference calls that in the next couple of years you are looking at an EBITDA margin of around 12% to 14% in the Speciality Films and packaging divisions. If you could share some light on that?

Sahil Vachani: Yes. As an organization that's our North Star, and we are moving towards that, driven by the increasing specialty of product mix. We are confident of seeing at least a move from where we were last year towards that direction, although gradually. But we will see the margins move northwards.

Jigar Shroff: So, I mean, any ballpark figure you would like to share, you would end FY20 at what EBIT margin, sir?

Nitin Kansal: We don't give forward guidance on the numbers, but it would be difficult for us to share the FY20 numbers.

Jigar Shroff: Okay. But the trajectory will be increasing, right?

Nitin Kansal: Yes, so FY19 has been an aberration for the industry, and one of the most difficult years which was after good couple of years. So, we expect the industry already to hit the bottom, and we are seeing an upward trajectory coming up in the current financial and to sustain for some period of time.

Jigar Shroff: And if you could share something on the export opportunity and also supplies to Toppan?

Sahil Vachani: Yes. So, we are continuing our focus on exports, particularly Speciality Films, driven by the line that we have installed, which is line five and labels and higher barrier films. As I mentioned in my opening comments, Toppan has finally approved our products and we are confident of scaling business with them in the times to come.

Jigar Shroff: So, at this point of time, what would be the proportion of exports in total sales?

Nitin Kansal: It would be currently in the range of 20% to 25%.

Jigar Shroff: And you expect this to go up further?

Nitin Kansal: Yes. And this will be further added by the sales to Toppan.

Jigar Shroff: So, I mean, in terms of margin accretive, is the domestic opportunity better or the export opportunity?

Sahil Vachani: It depends on the cycle that we look at, there were times in the last year when the export was looking more value accretive than the domestic market, given the capacity pressure here. But increasingly, we are finding that the domestic market is more accretive than the export market. And as you can imagine, this is very dynamic, given what is the crude price, foreign exchange and also the local industry dynamics. So, it's not fixed, it changes quite regularly.

Jigar Shroff: So, you expect the focus to be more on the domestic market this year?

Sahil Vachani: That is right, because like I mentioned our driving focus is the product range towards sustainability. And given that most multinational firms are moving towards sustainable and recyclable packaging, we want to play a pivotal role in providing them solutions across that. And thus, we are confident and hopeful that we are able to drive volumes from that, which we believe will be more value accretive given that their Speciality Films compared to export of commodity films.

Moderator: Thank you. The next question is from the line of Ritesh Bafana from RP Securities. Please go ahead.

Ritesh Bafana: First of all, I would like to ask the question on our films business. Since the crude oil price has been very volatile during the financial year, just wanted to know whether are we able to pass on the price increase or decrease to the customers quickly or along with… or if there is a lag then what is the time period of that lag?

And secondly, my question will be on what exactly does Max Asset Services does as a business and what are the future plans for that? And lastly, if I could just ask, what is the outlook on the commercial real-estate sector, especially in the Delhi NCR region? Thank you so much.

Nitin Kansal: Yes, to answer your first question, which is on our ability to pass on the movement of the crude price to a customers, typically in the last quarter we have been able to pass on the movement in the crude price to the customers. Typically, this price is passed on with a lag of two to three weeks. For the second question I will request Arjun if he can answer.

Arjunjit Singh: So, on Max Asset Services, this is a vertical which we have incubated within Max Ventures and Industries Limited. It was with the view that we will be running the asset services within Max Towers as well as our future developments as well. So, we were intending to leverage this as an opportunity to see if we can capture margins on the facility management side as well. To answer your question on the commercial opportunity in NCR, we still believe strongly in the NCR commercial opportunity, there is still a large lack of quality grade A buildings, especially those which are suited for MNCs, especially those which are suited for commercial tenants rather than only IT, ITES tenants. Last year was I think a record year for leasing across India, but also in the NCR region, obviously, Bangalore continues to be the largest market, but NCR also had a record year. And we feel that that trend will continue into this year as well.

Ritesh Bafana: Okay. If I could just ask a couple of more questions. First of all, you mentioned that you would be providing facility management services in that new business, so what type of services do you plan, will it be hard services, soft services, and do we plan to add more customers other than what the existing real-estate we have? And further, what other projects are we currently working on in our real-estate segment? Thank you so much.

Arjunjit Singh: Sure. So, on the on the facility management services, to further elaborate it, this means the operations of the building, this means the running of the campus to ensure that parking is under control, to make sure that the housekeeping and operations and general maintenance of buildings, etc, there is usually a large team which is dedicated to this. It is typically outsourced by developers, we feel that this is something that we have a capability to do in-house. Also, a very large component of it is the engineering element. There are also softer elements associated with it, including culture building and things of that nature and events, events management as well as running the retail operations because Max Towers also has a retail component with it. So, that is what is comprised in the facility management arm, whether we will continue to do it only in Max Towers? The answer is we will continue to do it in Max Towers as well as our future developments, and we will first ensure that we are able to get the formula right and then in times to come look to leverage this into outside of the Max Developments as well.

Sahil Vachani: And Ritesh, I think an important element of our facilities management business is not traditional facilities management, which frankly we believe is a commoditized business, but more about creating the community in the building and creating events and what we call the software of the building. And this vertical will be responsible for bringing life to an asset, and thus the combination of the design execution and the hardware that we create in conjunction with the software or the softer aspects of the building which encourage networking, collaboration, activities, events, sports, etc. will lead to a better customer experience, which we hope to translate into higher rentals.

Ritesh Bafana: Okay, that's great. And I have one more question I wanted to ask was, what other projects are we currently working on other than the current real-estate project that we have?

Sahil Vachani: As my colleague Rishi mentioned, we are looking at quite a few opportunities in the NCR region for commercial development. We are very confident in the coming quarters to conclude on one or two of these such opportunities, and will definitely update you. At this stage it is a little premature for us to divulge more details on the specific opportunities, but definitely looking to grow.

Moderator: Thank you. Next question is from the line of Varun Sharma from PRS. Please go ahead.

Varun Sharma: Sir, net income, how much you project in one year?

Nitin Kansal: Sir, we don't give forward guidance in terms of the rental incomes.

Varun Sharma: Any distressed asset opportunity within the Delhi One side you are looking at?

Sahil Vachani: Yes, we are certainly evaluating it. The other buildings on the Delhi One side are currently in the NCLT Court and are under the insolvency resolution process. We are an active bidder in that process and are hopeful of a positive resolution in our favor in times to come.

Varun Sharma: Good. And anything else in Noida, any other distressed opportunity, for example Antara, your sister organization, they have like a good deal it seems, a little bit of guarantee and uptake on the sales. Anything like that for you guys?

Sahil Vachani: On Antara I would not be able to comment, given that it is an entity under Max India, which is a separate listed entity. Particularly for us, as my colleague Rishi mentioned, there are a lot of opportunities, both asset-light as well as distressed that we are currently evaluating. And like I said, it could be a little premature for us to shed more light on them at this stage.

Rishi Raj: I think in terms of growth, what I just wanted to reiterate in this particular call is, we are actively evaluating several growth opportunities, our focus continues to be NCR. And we are right now open to multiple models of collaboration as far as… definitely we are looking at distressed opportunities, it will come at significant value, but also open for joint development, development management contracts, several discussions are underway as Sahil said. We will update you at the right time.

Varun Sharma: Final question, hurdle rate, the one which you work with, what is it?

Nitin Kansal: Sir, in terms of hurdle rate, we look at a number of a higher double-digit for the hurdle rate for acquiring as per the projects.

Moderator: Thank you. The next question is from the line of Anirudh Bhandari, an individual investor. Please go.

Anirudh Bhandari: My first question is on your investment business. Can you give a ballpark guideline on when can we monetize both the investments in Nykaa as well as Azure?

Sahil Vachani: As such it would be very difficult to put an exact timeline frame to it. But we are very confident in the next 24 to 30 months that we will be able to monetize our investments.

Anirudh Bhandari: And any plans for IPO for Azure at this moment?

Sahil Vachani: Premature and unable to give a comment on that at this point.

Anirudh Bhandari: My second question is on specialty films business, so is there any plan on further CAPEX? If not, then are we going to use the free cash flows from that business to reduce debt, that's what we are planning to do?

Sahil Vachani: Yes, absolutely. Since we have just recently put in a significant CAPEX, the first priority will be to ramp-up the capacity to maximum utilization. Secondly would be to shift a lot of the product mix to a specialty product mix. And thus take the surplus funds that we generate to be able to reduce debt that is exactly the plan.

Anirudh Bhandari: Could you give some figures on what the cash flows we will generate, free-cash-flows from that business?

Nitin Kansal: Again, this would be a number which we would not be able to share at this point of time.

Anirudh Bhandari: For previous year 2018-2019?

Nitin Kansal: Previous year was an aberration and the cash flow generation of the business would not be the right indicator for the future numbers to come.

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

Kunal Koladia: Sir. I just had a single question, like do you plan to REIT our commercial assets in future?

Sahil Vachani: At this stage it's too early in the journey. If you have seen the scale and size that Blackstone and Embassy have, it's quite significant. We have just started off. I think what is important to note is that option too is available amongst many other options. And it's too early days, it's very early in our journey to take a view on that. But definitely, like I said, we will be very aggressively securing growth for the commercial office space business in the NCR. And obviously, this option is available to us in the future.

Moderator: Thank you. The next question is from the line of Ashwini Kumar Agarwal, an individual investor Please go ahead.

Ashwini Kumar Agarwal: Sir, you have answered the questions regarding Blackstone and REIT, now my question is purely from an investor point of view, how will the returns come, either by way of dividends or by way of capital appreciation? So, now our company is more of a holding company with two important vertical, Max Speciality Films and Max Estates. Now the growth profitability of both these verticals reflect into the holding company, and ultimately to the shareholders? Now you have already answered the question about REIT and industry and Blackstone. Now, earlier we have history of Max India splitting into three different verticals. Now, how soon can we expect that Max Speciality and Max Estates are again spun-off as independent things so that something comes for the shareholders?

Sahil Vachani: Thank you for your question. I think the strategic direction for us under Max Ventures is to be able to over a period of time grow out both these verticals so that they can have legs of their own, absolutely correct. Secondly, in terms of the price, we cannot comment more on that, but I think real-estate is a little bit of a long gestation journey. It does take a little bit of time to build out real-estate business, we are doing that. We are very confident that in the years to come we will be the preferred brand for real-estate in India. Please also appreciate that the real-estate industry is going through a fundamental change in terms of regulation, in terms of supply-demand, consumer sentiment, etc. And thus we are currently in a very turbulent period of time from macroeconomic perspective, but we are confident that in the years to come we will be creating substantial and sustainable value for all for all our shareholders. At this point, I can just say that.

Ashwini Kumar Agarwal: One last question, Let's say on a full year basis entire 100% occupancy in the Max Estates, how much does it translate into EPS for the holding company?

Nitin Kansal: Again, stating that it would be difficult for us to give us forward projections on the EPS…

Nitin Kansal: The entity which is holding the Max Towers project is 100% subsidiary of Max Ventures and Industries. So, whatever rental realization be getting reflected directly into the numbers of Max Ventures without any dilution in between. The EPS numbers are a reflection of the rate and the numbers of occupancy, as of now the company has the entire tower which is at the disposal of Max will be rented out. For us to give specific numbers would be a challenge, but we have already given the indications of the numbers which are prevailing in the micro market and the area of the building is also in public domain.

Ashwini Kumar Agarwal: Sir, as an extension of this, what is the relationship between Max Estates and the company you just mentioned, which is leasing it out? And how is it beneficial for the parent company and ultimately for the shareholder?

Nitin Kansal: Sir, the entity which is owning the building is named Wise Zone Builders Pvt. Ltd. which is 100% subsidiary of Max Estates, which is in-turn is a 100% subsidiary of MVIL. So, the entire benefits of the business directly flow into the shareholders of Max Ventures and Industries Limited.

Ashwini Kumar Agarwal: So, just if you could simplify with corporate structuring which we find a bit complicated. Now, what are the benefits for this one, two, three, down the ladder? Why not, I mean, hypothetically, I mean, why not have the entire thing in Max Ventures, and be simple with it?

Nitin Kansal: Sir, as a prevailing factor, all these independent projects are being kept as a part of special purpose vehicle to improve on the liquidity and the bankability of the project. Having all the businesses in one entity makes a slightly complex structure in case of any further future transactions. As you rightly mentioned yourself of a demerger or separate listing, but it is always advisable to have a simple structure of all the businesses in separate SPVs.

Moderator: Thank you. Next question is from the line of Arpit Ranka from Kovil Investments. Please go ahead.

Arpit Ranka: Sir, a couple of questions from my end. One, on the strategy, so one thing was sort of consistently maintained is that we are trying to make the business asset light. And when it comes to commercial real-estate, it's sort of kind of difficult to time these two points, right, for example, Max Towers I think we spent Rs. 245 crores to acquire that project and another Rs. 350-odd crores to construct it. So, like there is always a substantial money that sort of needs to be spent. So, can you help us sort of understand this aspect of the business models better as to what, when you sign up future projects how would sort of asset light approach would translate into, on the commercial side of it specially?

Sahil Vachani: So, as you have seen in various cases with other players, most partner with financial investors for what is called a platform partnership approach, wherein capital is provided by the financial partner and developer can play the role of a development manager. Most of the leading real-estate firms have done that. In times to come, as we build up a scale and portfolio that could be one of the many ways to be able to scale the commercial asset business from an asset light perspective.

Arpit Ranka: So, sort of looking of maybe building capabilities to get to a point where we can get onto a platform with some capital providers, long-term capital providers I suppose?

Sahil Vachani: That's right.

Arpit Ranka: So, the second question is, at couple of places in the presentation you mentioned, you have sort of referred to captive land bank. So, is it in the context of the Max Group? And having some captive land banks which becomes available at arm's length to sort of develop? Or as a company MVIL has some land banks which is outside the three projects, which are currently undergoing?

Sahil Vachani: So, MVIL currently does not have any land banks. However, the promoter and the promoter family do have substantial land banks in and around NCR. Our focus is not to monetize them, but our idea is to explore growth opportunities, both outside and possibly with some of those land banks, if they make commercial sense for the company.

Arpit Ranka: Okay. So, basically as part of our -- because see BD is there, a lot of people have questions around where we stand today. And that's why I presume you are also trying to build a team and sort of get that done. So, is it fair to understand that as part of growth outlook for us, a key component of that from a five to seven year or maybe 10 year perspective is the captive land bank which becomes available to us at different points in time, is it a fair way to understand how we intend to grow in the years ahead?

Sahil Vachani: Not Absolutely, I think that we have now built a capability and a team to evaluate growth opportunities outside of our captive land bank, both asset light as well as through the distressed asset route. And we believe that that would be a driver. The captive land banks could also play a very important role in our future development pipeline, so it's a bit of both. But like I said, we have a team and have built the capability to evaluate deals and to be able to close deals outside of the captive land bank as well.

Arpit Ranka: Okay, fair enough. And if I may add one more, relating to Max Towers. So, it was a distressed project, I think we picked up one tower and we sort of completed it. What is the status of the rest of the project? Because I recollect reading the things have not been shaping up well, either in terms of other commercial towers, or in terms of hotels coming up. And maybe Ritz Carlton also sort of has pulled off from the project. So, does it affect our ability to lease? And 20% we have leased, right, I presume 10% is to a co-working company and other 10% is to our group company. So, basically, we have had two tenants signing up and taking up 20%. So, I am just trying to understand, how confident can we be in ascertaining that in the next 12 months you will be able to lease it out, given the challenges in the surrounding neighborhood? So, if you could help us understand that?

Sahil Vachani: So, what we have done, I think if you get a chance to see the asset, you should. We have been able to, in a true sense of the world, quarterized this project from the residual of the project. Which means that we have completed all the common areas, including the roads, the landscape, the lighting, the basements the parking the STP the infrastructure, and thus have made it completely self sufficient. Also, there are a couple of other buildings in the neighborhood that have been developed and are being currently developed as well. We are confident about the leasing and it will take a little bit of time, as I mentioned in the beginning, because please appreciate we are commanding and already taking and are only expecting a significant premium to the micro market. And thus, given that we are doing that, we will… more so, we have received significant interest from various operators, brands, companies to reside in this development. And the rest of the campus that is not made is not a negative for this building, given the way we have are quarterized and designed and are operating from here.

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

Samarth Singh: Just wanted to clarify, did we mention the project costs for Max Okhla at Rs. 60 crores?

Sahil Vachani: Yes.

Samarth Singh: That is over and above the land costs, right?

Sahil Vachani: Inclusive of the land cost.

Moderator: Thank you. The next question is from the line of Karthikeyan VK from Suyash Advisors. Please go ahead.

Karthikeyan VK: Just one clarification regarding the pipeline that you are looking at for real-estate development. What size ballpark would this be, I am just trying to understand whether the funding sources are in place, assuming you do another reasonably large sized project, say 3, 5 lakh square feet types. Can you give us some indicative numbers very broadly?

Nitin Kansal: Sure. The projects which we are looking at, we are not looking at very large sized projects in the nature of 1 to 2 million square feet. We believe that the sweet spot lies in the range of between 4 to 6 lakh square feet. And the way we think about is, our current project Max Towers is primarily funded by equity, once as we make progress in our leasing of the building through an LRD, lease-rental discounting, we can have a release of equity which can be further deployed as equity on doing further projects.

Karthikeyan VK: Correct. Right. So, sorry, did you say half a million square feet is what you are looking at, average sizes?

Sahil Vachani: Yes, you can say that, half a million.

Karthikeyan VK: Okay. And therefore, you are saying, basically you will discount the rentals here and then maybe leverage on top of that?

Sahil Vachani: Yes.

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

Jigar Shroff: In the specialty film segment you said we are the third largest in India, can you please let me know who are number one and two? Cosmo Films would be one or two, sir?

Sahil Vachani: Jindal and Cosmo Films would be the other two leading players.

Jigar Shroff: Jindal Polyfilms and Cosmo Films?

Sahil Vachani: That’s right.

Jigar Shroff: And would you have any idea in terms of what would their capacity be?

Sahil Vachani: Don't know the exact numbers. I am sure it's available in the public forum, both are listed entities. I don't want to provide an incorrect number. But I am sure you can find that out.

Moderator: Thank you. That was the last question. I now have the conference over to the management for the closing comments.

Sahil Vachani: Thank you, all, for your time and for your questions. I look forward to meeting you in person in next quarter or a follow-up call as well. Thank you very much.

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