November 24, 2020

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Scrip Code: 539940	**Name of Scrip: MAXVIL**

SUB: TRANSCRIPT OF THE EARNINGS CONFERENCE CALL FOR Q2 FY 2021 HELD ON OCTOBER 29, 2020

Dear Sir/Madam,

Please find enclosed the transcript of Earnings Conference Call for Q2 FY 2021 held by the Company on Thursday, October 29, 2020.

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 and Industries Q2 FY2021 Earnings Conference Call"

October 29, 2020

MANAGEMENT: **MR. SAHIL VACHANI – MD & CEO – MAX VENTURES & INDUSTRIES LIMITED**
MR. NITIN KANSAL– CFO – MAX VENTURES & INDUSTRIES LIMITED
MR. RISHI RAJ – CHIEF BUSINESS DEVELOPMENT OFFICER – MAX VENTURES & INDUSTRIES
MR. RAMNEEK JAIN – CEO – MAX SPECIALITY FILMS LIMITED
MR. ROHIT RAJPUT – CEO – MAX ASSET SERVICES LIMITED
MR. NITIN THAKUR – INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Max Ventures and Industries Q2 FY2021 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sahil Vachani, MD & CEO, Max Ventures and Industries Limited for his opening remarks. Over to you Sir!

Sahil Vachani: Thank you so much Stanford. Thank you everybody for joining the call and I hope everyone is safe and in good health. Good morning ladies and gentlemen. Thank you for joining us on the Max Ventures and Industries Q2 FY2021 Earnings Conference Call.

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

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

Let me give you key highlights of MaxVIL for Q2FY21

- ~74K sq ft fresh leasing in Max Towers led by a large area leased to a leading private bank. 75% of Max Towers now leased. With commercial office space leasing revival, confident of fully leasing Max Towers within FY21

- Max Speciality Films (MSF)margin expands by 860 bps to 15%. Revenues up 13% to INR 2,667 Mn YoY; EBIT by 168% YoY to INR 401 Mn

- MaxVIL PAT at INR (22) Mn, due to COVID led markdown of investment in hospitality chain (Azure Hospitality Pvt Ltd) by investment subsidiary Max I.

- Strong liquidity with negligible debt in the real estate business and healthy cash flows in packaging film business

- Actively prospecting new growth opportunities including distressed deals in locations such as Gurugram, partnering with commercial real estate (CRE) funds; steady progress in NCLT resolution of the Delhi One project

- First CRE asset in (South) Delhi, Max House, ready for leasing. High enquiry volume by marquee companies owing to limited Grade A supply in micro market. Max House Phase 2 to start construction by Q4FY21

- Max Square, a joint investment by New York Life and Max Estates commences construction in Q3 FY21

- Max Asset Services show higher revenues; strong interest in Zero-capex managed offices by prospects.

- Max I. to continue focus on Real-Tech accelerator program, while optimizing legacy investments

Let me now give you a strategic overview of our businesses which will be followed by detailed business updates by our respective business heads.

Happy to share that the momentum across our business verticals continues. Accordingly, we witnessed a QoQ growth of 11% in EBITDA and 30% in PBT. We have been mentioning the sustainability of our performance and we are happy to therefore report that we are strengthening our position in our verticals and are moving in the right direction.

Q2FY21 witnessed easing in lockdown as people have accepted the new normal. By the end of September, a lot of industries are steadily on their way to normalcy much faster than expected. In our commercial real estate business, this has translated to actual conversion of lease and I am happy to share that we have onboarded a large private bank at Max Towers. With this transaction, Max Towers occupancy has reached 74%. Our revenue from real estate business also more than doubled quarter on quarter and will continue to grow strongly as leasing continues.

With the economy showing signs of revival, we are very confident that commercial real estate within that the Grade A office market is bound to grow. With recent large acquisitions of commercial real estate assets by foreign investors and significant lease transactions reported, it is quite evident that the commercial real estate sector has continued to be an attractive investment opportunity for large global and domestic institutional investors who are pursuing dependable and sustainable annuity avenues. Well capitalized developers with proven execution have a great opportunity to grow. We at MaxVIL are committed and focused to grow our real estate footprint and make a mark in the Grade A commercial real estate market in Delhi-NCR region. Hence besides the already announced new projects such as 7 lakh sqft Max Square, the 1 lakh sq ft Max House, Phase 2, we are also actively evaluating multiple distressed commercial RE assets in Delhi NCR, with a positive bias for Gurgaon. We are as much open to brownfield opportunities as to greenfield ones. We are hopeful that the resolution process of Delhi One will progress in a timely manner allowing us to add ~3 mn sqft to the development pipeline. All this is targeted towards making us one of the top 3 commercial RE developers in North India, without stressing the balance sheet.

Our packaging films business continued to post strong growth. MSFL Revenue and EBIT for Q2FY21 grew by 13.3% and 168% respectively YoY on the back of stable realisations, benign raw material prices and strong cost optimizations. With rising preference for packaged foods among consumers complemented by our focus on more profitable value added speciality films, we are confident to sustain the profitably of this business going ahead as well.

Our liquidity position remains comfortable. We have been able to finance our existing and announced office developments through own funds or minimal leverage and financial partnerships. Frugal capex and return optimization will be a key of our future real estate developments as well. We will continue to pursue high teens or higher returns.

We have a minor debt in our RE business currently and the healthy and steady cash flows in the speciality films subsidiary are more than adequate to service the debt in that business.

Before I hand over to Rishi Raj for RE update, it is important for me to share that our Q2FY21 PAT has been impacted by mark to market loss of an investment in our subsidiary Max I pertaining to Azure Hospitality. As we all know that restaurant industry was one of the worst affected by the pandemic, to ensure its competitiveness and growth, a new round of fund raise was undertaken at a lower valuation than previous one. This led to a mark to market loss of Rs.27 Crores on our investment value which is reflected as an exceptional item in the P&L statement.

As this is a non-cash entry required under accounting standards, it doesn't affect our core business operations in any way. Hence, it is important to view our Q2 results excluding this one-off event.

I would now like to hand over to my colleague, Rishi to take us through the real estate business. Thank you.

Rishi Raj: Thank you Sahil. Let me take you through real estate business highlights.

As rightly pointed out by Sahil in his opening remarks, commercial real estate sector leasing is showing clear signs of stabilization and will only grow from here. It is evident to an extent by recent large transactions involving acquisition of domestic commercial real estate properties by foreign institutional investors as well as large leases. These significant transactions have materialized because investors and large corporates have immense confidence on the economic success of India in the times to come. It is also corroborated by the increased query volumes by corporates that we are getting.

It is getting evident now that work from home will have no significant impact on the commercial real estate. In countries such as China, South Korea, Germany and France, where a substantial proportion of employees are back in offices – eg - 84% in France, 74% in Germany. There are several reasons why WFH has lost favor with many corporates which include:

- People have adapted to live with COVID-19 and have started visiting offices by taking utmost precautions

- Cost savings are not material enough (Knight Frank study on Tech companies in India pegs net cost savings at less than 1% for IT companies for a 50% WFH scenario).

- Feedback from employees about burnout, lack of human interaction and infrastructure/space constraints (the Knight Frank study also shows that overall, close to 90% employees miss their office environment)

- Other important aspects that corporates have to evaluate inclue data security issues, organization culture, collaboration and mentoring etc.

- And the narrative from top global and domestic IT companies with respect to WFH and its longer term sustainability has diluted also reflected in no material reduction in RE portfolio by the top corporate occupiers in India.

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

After a brief slowdown in leasing, we are getting our stride back. We signed a lease with a large private bank at Max Towers. With this we are adding another large tenant at Max Towers. The lease has been signed at a headline rental not only higher than the existing weighted average rental rate of Rs. 100 / Sq. Ft. at Max Towers but also in comparison to any pre-covid transaction. This is in fact contrary to the market expectation that rental rates will reduce and in line with our strategy to ladder up the weighted average rental rates.

With this lease, the total leased area at Max Towers now stands at ~3,90,000 Sq. Ft. Total leased area attributable to Max Estates stands at ~2,09,000 Sq. Ft. Our tenants at Max Towers are from various different industries helping us to diversify the risks associated with leasing to a specific industry. In spite of disruptions caused due to COVID-19, our rental collections in Max Towers are healthy at more than 90%, and we did not have any of our office tenants vacate the premises.

We also launched our 2nd Grade A+ Commercial Project – Max House Phase 1 during Q2 after completing the project within schedule and budget. We are encouraged by the enquiries we are receiving form prestigious Indian and multinational companies for this project and thus are confident to lease it fully by Q1 of FY22. Work on the phase 2 of the project is targeted to start construction in Q4FY21. We expect to attract a similar reputed tenant profile for both these projects like we have for Max Towers.

Work on our third Grade A+ commercial project – Max Square has also commenced in which New York Life is our investment -partner. All statutory approvals including building plan, environmental clearance etc. have been received in a record time of 5 months despite COVID led lockdown. The Project is expected to be delivered by Q4FY23. The Project will be built at a cost of approximately Rs. 400 Crores with equity infusion of Rs. 175 Crores and debt funding of Rs. 225 Crores. The financial closure of the project has been achieved.

The distressed project – Delhi One which we had bid for is still under NCLT hearings. We have already received approval from the committee of creditors and been declared as a 'Successful Resolution Applicant'. Our resolution plan is with NCLT for final approval, which got delayed due to the lockdown. Post lock down, the hearing has re-started and we hope to get the final clearance by end of FY21.

We strongly believe the ongoing consolidation in real estate will continue to benefit the developers who are well capitalized and have a proven execution history. Developers who have the expertise and ability to upfront fund the capex for the project will grab a larger share of the market. Max has a history of good partnerships with large institutional investors and we will leverage this network for co-developing the future projects like we did for Max Square along with New York Life.

Max being a trusted brand with focus on Grade A+ commercial office segment, strong balance sheet, proven execution and with access to Institutional Equity capital is well placed to make its mark in the commercial real estate market in the Delhi-NCR region and become one the top commercial real estate developer.

As Sahil mentioned, we are committed to scale rapidly by on-streaming Delhi One and by acquiring other brownfield or greenfield assets preferably in Gurgaon. That is something I am personally investing a lot of time and attention to. However, we will be careful to ensure good margins and return, relatively clean asset and attractive location. Given our governance track record and our recently demonstrated execution capabilities we have adequate interest from global institutional investors to be financial partners in future opportunities and march forward on growth journey following capital light strategy

With that let me hand over to Rohit to give an update on Max Asset Services and Max Investment. Thank you.

Rohit Rajput: Thank you Rishi. Now let me give a brief highlight about Max Asset Services and Max Investments.

Max Asset Services has played a very crucial role in implementing new age technology tools such as mobile app, video analytics, advanced air filtration techniques, visitor management etc. in offices which is essential to provide safe and healthy working environment. For example, at Max House, we have 6 levels of air filtration, which is unparalleled in any multi tenanted building in India

More and more offices are availing our facility services and we continue to expand the gamut of services offered by us. As a result, our revenue from this business almost doubled sequentially to Rs. 45 Mn in Q2FY21 as compared to Rs. 24 Mn in Q1FY21. We expect the business to be profitable very soon as the business scales up.

At Max Investments, there has been developments at both our existing investments in FSN E-Commerce which is Nykaa – a Beauty ecommerce and retail venture and Azure Hospitaly – a leading restaurant chain.

We had invested Rs. 175 Mn for 2% Equity in Nykaa in 2016. We have sold balance stake of 62,269 equity shares (0.41%) in Nykaa. With this exit, our total exit value is estimated at Rs. 821 Mn on an investment of Rs. 175 Mn, an exit multiple of ~4.7x.

With respect to Azure Hospitality - we had invested Rs. 714 Mn for 17.9% Equity. As we know the Covid-19 pandemic had impacted businesses in every sector, however the restaurant industry suffered one of the worst impact of the pandemic. Most of the restaurants were allowed to start only towards the end of Q2 and are still not permitted to operate at full capacity in certain cities. Hence, to ensure the business sustains and grow, a new round of fund raise was undertaken albeit at a lower valuation than previous one. We did not participate in the new round and hence our stake is now valued at Rs. 445 Mn. Hence, the mark to market loss of Rs. 270 Mn is charged to P&L as an exceptional item. We expect the business to do well as the economy is picking up pace.

Now let me hand over to Mr. Ramneek Jain.

Ramneek Jain: Thanks Rohit and good morning everybody. This is Ramneek Jain. I am happy to take you through the MSFL report.

MSFL continues to post robust operational performance in Q2FY21 as there is a strong preference for consumption of packaged foods vs open foods leading to sustained demand. Health and hygiene is consumers top priority and packaged products minimizes the risk of transmission of virus making it their preferred choice.

We have delivered many advanced packaging solutions working with the leading FMCG companies which minimizes virus spread. These has been well accepted by the clients. Our research team continue to innovate on packaging needs keeping in mind the client's needs making us the preferred partner for specialized films.

Value added speciality films contributed 40% to 50% to total Volumes in Q2FY21. MSFL EBIT increased by 168% to Rs. 401 Mn in Q2FY21 as compared to Q2FY20 and EBIT Margins expanded by 860 Bps YoY to 15.0% in Q2FY21.

Work on our new metallizer line has also been progressing well and we expect the same to be commissioned in Q4FY21. This line will not increase overall capacity because the base film remains the same, but it will enhance MSFL's ability to improve the value-added speciality component in its product category even further.

With favourable domestic and exports demand, stabilized supply, and improved realisations, we expect healthy profitability to continue going ahead as well.

With this, I will hand it over to Mr. Nitin Kansal. Thank you.

Nitin Kansal: Thanks Ramneek.

Let me give you the financial highlights for the Q2FY21

Consolidated Revenue for Q2FY21 stood at Rs. 2,890 Mn. as compared to Rs. 4,346 Mn in Q2FY20

Q2FY21 Financials cannot be compared to Q2FY20 as during Q2FY20, we had recorded one-off sale transaction of Rs. 1,892 Mn in Max Towers. Hence, excluding these one-off transactions :-

- Revenue has in fact increased by 18% YoY from Rs. 2,453 Mn in Q2FY20 to Rs. 2,890 Mn in Q2FY21.
- EBITDA for Q2FY21 stood at Rs. 523 Mn as compared to adjusted EBITDA of Rs. 244 Mn in Q2FY20, up by 115% YoY
- Profit before exceptional items and tax stood at Rs. 307 Mn in Q2FY21. Adjusting for sale at Max Towers, there was a loss as PBT level in Q2FY20
- As mentioned before there was an exceptional loss of Rs. 270 Mn on account of fair value assessment at one of Max I's investee company – Azure Hospitalty
- As of result of that, we recorded a loss of Rs. 22 Mn in Q2FY21. However, as this is a non cash exceptional item, it does not impact our core business in any way.

Let me now give you brief segmental financial highlights

- Our Real Estate business that is Max Estates Limited's revenue stood at Rs. 111 Mn in Q2FY21. Of that, Lease Rental Income from Max Towers stood at consistent level of Rs.41 Mn in Q2FY21 as compared to Rs. 44 Mn in previous quarter.

- We have achieved a weighted average rental of Rs. 100 per Sq. Ft. at Max Towers

- Revenue for Max Asset Services almost doubled sequentially from 24 Mn in Q1FY21 to Rs. 45 Mn in Q2FY21. We expect to continue to grow this business as more management contracts get added in the portfolio.

- Our Packaging Films vertical – MSFL's revenue stood at Rs. 2,667 Mn in Q2FY21, up by 13.3% YoY and up by 6.2% QoQ

- EBIT for the packaging business stood at Rs. 401 Mn in Q2FY21, up by 168% YoY and similar to previous quarter

- EBIT margins continue to be strong at 15.0% in Q2FY21, expansion of 860 bps YoY

Speaking about our liquidity position:

Gross Debt in our Real Estate Business – Max Estates stood at Rs. 1,123 Mn as on Sep-20. Cash and liquid investments stood at Rs. 1,049 Mn. Hence, on net basis, it amounts to a negligible debt of Rs. 74 Mn

We do plan to take a conservative debt for our Max Square project but will be careful enough to never overleverage

Gross external debt in our packaging films business stood at Rs. 3,741 Mn as on Sep-20. Excluding cash & liquid investments, net external debt for the business stood at Rs. 3,674 Mn.

We reduced our net debt in packaging business by Rs. 632 Mn as compared to Mar-20 and will continue to reduce part by part with its cash flow.

Now I will request to hand over back to Stanford. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Nitin Shakdher from Green Capital Single Family Office. Please go ahead.

Nitin Shakdher: Good afternoon to the team and congratulations on the steady set of results for the packaging business; however, my question pertains to the real estate business so last quarter we have seen revenue of about Rs.198 Crores, which I am assuming is part of the asset sale of Max Towers, but this year that revenue has gone to Rs.11 Crores for this quarter without the asset sale can you give me a comparison figure on the real estate for you for last quarter versus this quarter?

Nitin Kansal: To answer you Mr. Nitin on the subject, in the same quarter last year we had recorded revenue of Rs.198 Crores on account of sale at Max Towers. In the current quarter our income is composed of two components. We have got a rental income of Rs.41 million and in addition we have also liquidated our inventory attributed to 222 Rajpur project in revenue of Rs.70 million. Total revenue of Rs.11 Crores getting reported on the real estate business and other revenue of Rs.3 Crores making a total revenue of Rs.14 Crores being generated from the real estate business.

Nitin Shakdher: That is a flat performance in that sense? It is pretty much comparable in the context of what happened last quarter if I take out asset sale?

Nitin Kansal: Yes.

Nitin Shakdher: The next question pertains to the stake in Azure Hospitality. Any indication as to how you plan to reduce that stake? I would not say increase because obviously the situation will take much longer to recover than originally envisaged versus increasing stake or selling out in Nykaa rather than in Azure Hospitality as a venture state? What does the management feel on this investment?

Sahil Vachani: Thank you. I will take that. This is Sahil here. Thanks Nitin. Absolutely I think what we see is that moving forward in FY2022 there will be a lot of opportunities around consolidation in the F&B space and we are very confident that we will be able to monetize our investment at the right time and at the right value with the opportunities that come up. We are also co-invested with Goldman Sachs in this particular investment so in that sense the interests are completely aligned.

Nitin Shakdher: That is all for my end. Thank you and wish you all the best for Q3 and Q4.

Moderator: Thank you. The next question is from the line of Nitin Shetty an Individual Investor. Please go ahead.

Nitin Shetty: I was just wondering how come Rajpur is not getting sold and it is interesting though because it has been ready for a bit right?

Rishi Raj: So your question is about 222 Rajpur?

Nitin Shetty: I feel that there is a lot of inventory left and it has been ready for a while and the product seems excellent so I was wondering how come you are not able to sell it so that?

Rishi Raj: Thank you for asking that question. Let me answer that. In 222 Rajpur in total we have 22 luxury villas ranging from Rs.4 Crores to Rs.8 Crores. We have in total sold 16 and six are remaining. Of course, all of us are aware of the impact on luxury residential villa or luxury residential real estate market pan India, but the good news is that out of those 16, two, have been sold in the Q2 and I am really happy to share that we have a very strong pipeline and we are very confident of selling another two or three by the time we end this financial year. So yes, it was slow since the completion because of the external environment, but the interest is getting revived and picking up and we are very confident of further monetizing it.

Nitin Shetty: My other question is on the co-working space now we see that everybody panicked on the office space and now it is coming back to normal and for me co-working was basically a disruption in real estate after such a very long time so why is it that you are not bullish on co-working now when everything is coming back to normal?

Rishi Raj: Our strategy at this point in time is to focus on Grade A plus commercial office space. In general, we are bullish, and this is our stated position even in the last quarter. From a mid to long term standpoint, we are bullish and very positive on overall commercial office space as a business and then within that I am sure co-working will also have its own share. They will need to adopt and adjust to the post COVID and post pandemic environment, but in terms of overall office space we are very bullish for several reasons. I think number one as I mentioned in my narrative the expected or anticipated impact of work from home is getting diluted. That is also now getting reflected in the narratives from global and domestic IT companies so much so that they have actually renewed their lease transactions and have signed new leases pan India. As we speak to corporate occupiers as a part of our initiative ‘connect with top 50’, in their estimate, work from home will have some share in the mix, but at best 15% to 20%, which will get offset through the densification norm wherein space allocated per person from 60 Sq ft is inching upwards. It may not double, but it will definitely increase significantly from the current level. I think the second reason that we have also stated earlier is the trend towards outsourcing and offshoring will continue to accelerate not just by US companies, but also European companies, which currently accounts for only 10% to 12% share in the overall mix. I think third demand and supply situation will continue to remain tight, particularly in NCR. If you look at Q3 results, while it has significantly improved compared to Q2, the impact on supply in NCR is much larger than the impact on absorption. And, for us as a grade A plus commercial office player 'build to lease', we see a huge opportunity to garner market share in NCR. Finally, we are very confident and we are seeing that in our discussions with potential tenants and some of the leading transactions we have done actually during COVID that there is a flight to quality and that trend will continue. So overall we are very bullish and we will continue to focus on commercial office space as a part of our proposition to tenants we are of course proposing them to do zero capex plan where with help of our Max Asset Services led by Rohit, we are also providing the service of design, build, and managing their office end to end, which is being significantly appreciated by the tenants we are interacting with.

Nitin Shetty: Sir one last question. I am calling you from Hyderabad and Hyderabad also is growing quite fast and all our daily office spaces are going between Rs.60 and Rs.75 okay? I was just wondering what is the biggest advantage that NCR offers over the places like Hyderabad?

Rishi Raj: The choice of cities is actually an outcome and a function of the overall business strategy of that particular corporate occupier. When it comes to NCR, if you look at $1 micro market be it golf course extension road in Gurgaon and Noida expressway where we have launched Max Square, I think these $1 micro market for developer owned and developer managed assets is attracting significant interest from grade A marquee clients. So as far as choice between the cities are concerned of course that is a function of many factors including companies overall business strategy, but when it comes to people looking for $1 and something around $1 people are really gravitating towards these micro markets and for the assets, which are developed by credible and reputed developers. They are moving away from strata sold, which has been one of the dominant way people have been delivering commercial office space in NCR, which for good is now changing and that is where we would like to play.

Nitin Shetty: What is the strata sold? What do you mean by all?

Rishi Raj: A lot of developers, instead of building and owning and managing on their own they sell spaces, Instead of leasing it out they sell it to individual investors. So it is like a fragmented ownership to the building and then that gets leased out, which leads to dilution in the quality of managing office to the desired standard, which post COVID is becoming one of the prime concerns of existing occupiers and they are looking to move out from those assets and move to developer managed and owned areas for health and safety reasons.

Nitin Shetty: I will get back. Thank you.

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

Samarth Singh: Good morning to the team. Just a few balance sheet questions for Max Okhla. Can you please tell me out of the Rs.118 Crores that we were supposed to pay for you know the 85% stake in Pharmax, how much has been paid so far?

Nitin Kansal: So we have paid close to Rs.90 Crores against that and the remaining amount is payable. Rs.38 Crores is pending.

Samar Singh: I think the plan for Max Okhla was after getting phase one up and ready we sort of lease it out and use an LRD to finance phase two and I think now the plan is to go ahead and start phase two in Q4? Does that mean that we have that sort of visibility into leasing out Okhla or is it that you know maybe we use the cash flow from the film's business to finance phase two?

Rishi Raj: I will just quickly give a quick update on the leasing and then Nitin can respond to the funding question. On leasing we got completion certificate for Okhla in the month of end July and early August and as I mentioned in my earlier remark. There is a very strong inquiry pipeline and interest now for Okhla Asset. This asset is one of the few Grade A plus supply available in this part of the micro market and we are very confident given the pipeline and the discussion, which is ongoing as we speak, we are very confident of leasing a substantial proportion by the end of the financial year and fully leasing it out by first quarter of next financial year. That is what we are anticipating and planning on the leasing front.

Nitin Kansal: Samarth to mention we are still on a same plan to do construction of our phase two by the LRD of phase 1. We expect the leasing out Okhla, which Rishi mentioned to be done by the Q1 of the next financial year. There might be a certain working capital required in the interim, which we would put from our sources, but the long term plan remains to do phase two from LRD of phase one.

Samarth Singh: Okay that is great and on Max Square what has been our total investment so far?

Nitin Kansal: On Max Square both the investors we currently own around 51% percent and 49% is owned by the New York Life. Both the partners having their shareholding put in Rs.140 Crores an amount of Rs.70 Crores each has been put by both the partners.

Samar Singh: Could you just explain to me for Max Square since we have only 51% when we take the debt on, the debt will be taken on at the Max Estates level or on the Max Square level and how will that debt reflect on our balance sheet?

Nitin Kansal: This entity would be a subsidiary on the balance sheet of Max Estates. So although the debt will be taken in the books of the subsidiary itself, but it will be reflected on the consolidated balance sheet of Max Estate.

Samar Singh: So 100% of the debt will be reflected on the balance sheet?

Nitin Kansal: Yes.

Samar Singh: Okay and then just two more questions. One is on our specialty films, I think we had a Rs.30 Crores capex was that for the metallizer line five that we are talking about?

Nitin Kansal: Yes that is for metallizer.

Samar Singh: Has that been spent?

Nitin Kansal: The order has been placed for the same and we expect the line to be up and running by last quarter of the current financial. The delivery of the machine has got slightly delayed because of the pandemic. Earlier we were expecting it to get the plant to be up and running in Q3 of the current financial year.

Samar Singh: So can we expect the debt to go up by another Rs.30 Crores or so once we spend that money for the line?

Nitin Kansal: No both the equity partners that put their respective shares. Both the Japanese partner – Toppan Printing and Max Ventures have brought this money as equity in the business.

Samar Singh: Okay so that is already invested?

Nitin Kansal: Yes.

Samar Singh: We are running that and I think we are doing about Rs.50 Crores EBITDA a quarter, which I think at a debt of I think Rs.375 odd Crores that is like a 1.89 debt to EBITDA multiple? I am assuming we are pretty comfortable with that multiple so what is the plan for the cash flows going forward from this business for the next two quarters?

Nitin Kansal: We are in the gradual process of reducing our debt. If you see our numbers from March 2020, we have bought down the debt from Rs.434 Crores to Rs.374 Crores a reduction of Rs.60 Crores. Our plan is from this cash flow, we will embark on a speciality journey. We might order some other machinery, which we are obtaining in the range of Rs.25 to Rs.30

Crores, which will give more impetus to our value added journey and with the remaining capital we intend to reduce the debt.

Samar Singh: The last question is could you just give me the breakup of the debt between long-term, short-term and working capital?

Nitin Kansal: Of Max Speciality Films?

Samar Singh: Of the total business?

Nitin Kansal: On the total business, we have got long term debt of Rs.347 Crores, a short-term debt of Rs.105 Crores, and we have got liquid cash of 115 Crores resulting in a net debt of Rs.340 Crores across both the businesses, which is the packaging business and the real estate business.

Samar Singh: Okay and have we seen any reduction in interest rates since end of the year since March 2020?

Nitin Kansal: All our borrowing for the packaging films business and the Real Estate business are linked to the one year MCLR of the bank and gradually the rates are getting reduced, which are also getting reflected in our borrowing cost. The borrowing at the packaging film business it got significantly reduced from double digits to now in an average rate of 9% to 9.25%.

Samar Singh: Great. That is all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Thanks for the opportunity. My questions are specifically on the packaging film division. My first question was pretty basic. I just wanted to have a sense on why the margins are so volatile in this business? To my understanding there should be a cost pass through business that is the first question please?

Ramneek Jain: Ritesh thanks for the question. If I just understand your question is why the margins are increasing is that the question.

Ritesh Shah: One it was increasing it is good, but it is quite volatile as well? If I look on an EBIT/kg for the business, basically in FY2020 it was Rs.12, in Q1 it was Rs.25, and in Q2 I do not have the volume number, so I do not have a sense on completely for the quarter so I wanted to have a sense on what are the right things, which we are doing, which is leading to proper EBIT per kg and why is it a bit volatile?

Ramneek Jain: Ritesh, I will answer it in two-part question. One is generally as we have shared, the business is in a positive cycle with regards to the whole industry also and two the specific Value strategy that we have adopted over the past year and a half and that is how we have been investing and structuring ourselves and working at all fronts with the suppliers R&D side, customers, product strategy, etc., and demand cycle has also been healthy because a) the supply side has been pretty stable across the industry and the demand because of the pandemic has increased as if you know we talked about the preference for hygiene products and also I would say in addition to that our own strategy of the speciality and the preferred suppliers, which are FMCG company. In terms of the volatility Ritesh, I will not be able to share numbers, but I think I would hold that our performance financials have been quite stable. If you see Q1 to Q2, we have been very stable and actually, the improvement in financials has been happening over the past few quarters in a steady manner. So I think we are not as volatile as probably others may be, so that is what I would sum up.

Ritesh Shah: Sorry to probe a bit over here, but if one looks at FY2020, EBIT for kg was around Rs.12 and that has moved up to Rs.25, so it is just wanted a sense is it something that you have done on the raw material side?

Sahil Vachani: , you see this is cyclical industry to some extent and the addition and capacity are not linear, but more quantum in nature. So what happens is that in FY2018 and FY2019, there was a bunching of capacity that came together so while the growth in demand is more linear, the growth in capacity was quantum at that time. There were seven lines that got added whereas our belief is that the Indian market can absorb about one and a half line per year and that led to a temporary suppression of prices, which has now got normalized and corrected.

Ritesh Shah: That was helpful. You made a remark that our impetus is on a value added journey? Can you explain this from a capital allocation point of view? I understand you are setting up Rs.30 Crores metallizer line, which will get commissioned by the end of the fiscal, but if one had to look at this particular capital allocation decision how would you quantify it when it comes to margins and from ROCE point of view specifically taking into context the demand and supply?

Ramneek Jain: I think the first fact that the investment for this metallizer is brought in by the partners that is just a reflection of the confidence the partners have into the company. The value strategy of course has explained is to work on specialty. So keeping the asset light approach and continuously working to reduce our debt, we feel that in our speciality journey the focus is on being able to add specific need solutions to the customers. Metallizer is one area, which helps us to get the higher barrier properties, which help the product for shelf life purpose and also the ability to replace polyester apart from the recyclability point of view. So, this product line is much more profitable as you can imagine. Either you sell a plain film or you sell a film along with some value added some kind of a coating or lamination to it and so the metallizer will help us so to the extent the quantity it takes in before we were just selling that as a plain film. Now we get that plain film treated in a certain manner so obviously enhances our earning on that segment of the volume and further increase our specialty portion of the total quantity we sell. So from an investment point of view, it is pure equity brought in by the partners. The return is definitely within the acceptable norms of the company and as we already mentioned our expected investments into the future of this company will remain to be in similar areas of value added equipment that enhances our ability to offer more niche needs to end customers.

Ritesh Shah: That is helpful. Just one last question; globally there has been a lot of focus on environmentally sustainable packaging so just wanted to get a sense the product offerings that we have is it recyclable? How should one look at it from our environmental standpoint? Thank you.

Ramneek Jain: Ritesh thank you for asking that question. I am glad you brought up the topic. That has been a key part of our speciality journey where the leading brands in India, you name it and we have it. They have been constantly working and increasing the offtake from us for the recyclable products. So first of all, we only make BOPP. We are not into polyester and globally the trend is to shift from polyester to BOPP or to a single plastic family business. So this is where BOPP has an edge. We have shifted a lot of business in FMCG companies from polyester to BOPP and this trend is only increasing pace. Added to that the demand for higher barriers and specifically for recyclability, there is a lot of work going on with regards to biodegradable as well as in terms of the current need, which is the antimicrobial and antiviral. So while the viral and antimicrobial is from the hygiene point of view talking about the environment very happy to share that we have some very, very exciting products already ongoing, ramped up and now they are expanding to other SKUs of the brands based on the confidence they have already seen on the few initial pilot runs that they did where they covered the entire SKU and now they are spreading it other SKU. So we remain very excited about what we have an update getting into the next year. The volumes ramp up on some of the SKUs.

Ritesh Shah: That is interesting. Thanks for the answers. I will follow up with more questions through email. Thank you.

Moderator: Thank you. The next question is from the line of Shubham Agrawal from Equitas Investments. Please go ahead.

Shubham Agrawal: Good morning everyone and thank you for the opportunity. Sir my first question is regarding the speciality business, so we did a 13%growth in revenue, but what was our volume growth for the quarter and what is the current capacity utilization that we are working on?

Ramneek Jain: Thank you for the questions. So from the capacity utilization point of view, we are close to about 90% to 95% and let me again just say which I had maintained in previous calls, but again capacity utilization can go up or down a few percentage points based on the thickness of the films that we manufacture. So at any given point of time, we can manufacture a thick film at the same speed versus the thin film. So in terms of the quantity the tonnage the thicker films will command a higher volume in terms you know the higher tonnage and thereby capacity metric in tons. In terms of again the value led strategy, so we are remaining at the fixed quantity in terms of what we are producing, but definitely our bottomline is improving as we have seen in our financials because of our speciality journey and the strong market.

Shubham Agrawal: Sir given that our margin now has remained constant over the last quarter more or less, but I wanted to understand where do we see the spread getting stabilized going ahead?

Ramneek Jain: Well I hope our margins will only improve further Shubham as our speciality journey continues and that is the whole simple and straightforward approach we have been working on that the more speciality with the same volume should give higher margins. So we definitely hope that we are going to improve our margins further and I remain very confident about that

Shubham Agrawal: To understand this a bit better so when we say specialties in we are doing around 40% to 50% of the total film business so what is the difference of spread between a specialty film and a normal film?

Ramneek Jain: Good question and see there is not a standard definition of the industry. So each company identifies what they call speciality versus commodity and most of the times it is based on the earnings. So generally this spread is that I would say that you know if you have the commodity at X the speciality could be about 1.7 X. It could be 2X and as you know to average it out there are certain ones, which are much higher and there are certain, which are slight above. So that is what it is and what happens is that sometimes you will see the commodity going up because of the industry pricing fluctuation, but the speciality remains pretty strong and stable and that is the advantage of bringing more stability to the financials as the percentage of the speciality going up because there obviously are negotiation capability or the value proposition is much stronger so at the time when the commodity is also strong because of the market the gaps narrowed to the speciality, but at the time of the pricing falls in the market speciality stays in the gap so the gap can fluctuate a little bit, but the whole idea is that it brings us higher revenue, higher earnings and more stability.

Shubham Agrawal: Sir my last question is regarding the overall industry demand and supply situation and also our plan going ahead given we are currently working at 95% capacity? So how do you see if going ahead if we are planning to add any another BOPP line and the industry overall in the next one or two years how many lines are expected to come on stream?

Ramneek Jain: Good question again. I think to our understanding as of right now there are about three more lines, which will get commissioned in the next January to December calendar year actually I will say up till March 2022 and as Sahil had already shared the industry had a bunching a couple of years back and since then everybody realized that it destabilized everybody so past two years the last line which got commissioned was our line in March 2018 and that next line should come up by March 2021 or something. I think the industry is fairly okay in terms of its ability to absorb these new lines. Having said coming to our particular planning has also said that you know we are working to reduce our debt and meeting the expectation of the shareholders about the returns and ROCE and ROE. We need to make sure that we get a good return for our investment and so as of this time, we continue to focus on our value strategy wherein how to generate more earnings from the existing quantity. Having said that at some point, we will go in for further capacity enhancement and you know it is a progressive state so there is always a possibility that you know a new line may bring in about 2000 tonnes or 2500 tonnes a month more at the same time or 3000 tonnes, we could always get into a contract of buying you know about 1000 tonnes if we need as we see the volume maturing and the demanding feeling for our specialty products. So it is balancing act, but definitely keeping a very close eye on ensuring that we reduce our debt and increase the realization of the return on that investment.

Shubham Agrawal: Fair enough. Thank you for the opportunity again.

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

Jaikishan Parmar: Thanks for opportunity. I have just a couple of questions. First it is suggestion that overall your presentation gives a good understanding of your business update, but I know it is a small request. If you put one slide on like how much Max Estate owned leasable area in each project because you know going forward like we will have JV and everything so if we have one slide on Max Estate owned leasable area that would be great helpful for us that is one? The second question is how much profit we have Max recognized in Nykaa or earned in Nykaa exit? Third, is I just want to understand Max Asset Service net realization like on how much square feet facility service we have on like realization per square feet for Max Asset Service? Like we earn Rs.4.5 Crores on servicing on how much square feet and last question is that in last concall like we have mentioned that over a period of five years we will develop five million leasable area so just ballpark rough capital structure detail if you can give that will be great? Thanks Sir.

Nitin Kansal: Your points noted in terms of area. Just to give you a sense of how the numbers of leasing of Max was turning out, we got a total of around 615,000 square feet of areas at Max Towers out of which around 263,000 square feet of space has been sold to institutional investors. Of the remaining 352,000 square feet available with Max Estates, 292,000 square foot level is available for leasing. Out of that 292,000 square feet the area, which has been leased attributable to Max Estates is around 209000 square feet and what we will do is going forward, we will try to capture that in the presentation.

Rohit Rajput: Jaikishan taking your second question related to Nykaa. In Nykaa as we mentioned we have invested Rs.175 million in 2016 and our exit value is was estimated at Rs.821 million in 2020, so if you do the math you will get an idea of the profits we made in the investment. The second question that you had is MAS realization. In terms of the income that is coming to MAS is coming in from two to three lines one is what we call as facility management for the entire building where we get a cost plus margin. The second is from various service packages that we are offering as a value added services to our tenant for managing the office within their premises, within their leasable area and the third is as Rishi mentioned we have been offering zero capex solutions where we have been generating some fee based income on design and build services that we are doing for our clients. Hope that addresses the question.

Rishi Raj: So on the last question with respect to growth pipeline we continue to be on track for 4 to 5 million square feet that we talked about where we said we have some line of sight. Of that clearly Delhi One is roughly 3 million square feet and as we speak we are in discussion and evaluating a few projects in Gurugram particularly on Golf Course Extension Road where we will see a significant infrastructure upfrade as well as on some parts of NH-8 here in Gurugram. I think we are confident of bringing some of those opportunities back to you in subsequent earnings call once we have curated it a bit further. In terms of funding again as a part of our stated strategy, we will be growing or moving forward in a more asset light way through partnerships with institutional investors and funds wherein we will have two roles. One we will be an investor into that project. The proportion will actually vary from case to case. In Max Square it was 51%. In some cases, it could be 25% to 30%. Again it depends on project specific partnerships but it will be asset light and second we will be execution partners in those projects wherein we will take the responsibility of executing the project end-to-end from construction, development, leasing and asset management for a fee, which again will be defined on project specific cases. So that is what our strategy will be and with respect to exact capital structure, please allow us to share that as we bring you specific opportunities in future as we have already done in the past with respect to Max House and Max Square.

Jaikishan Parmar: Just one additional question in that, whatever target we have like around 4 million to 5 million in next five years, you mean to say it is a leasable developable area or you will own that asset? You will own that leasable area how it will work?

Rishi Raj: What we mean is total area under development. With respect to what proportion of that we will own will again depend on specific partnerships that we will do around those specific projects like in case of Max Square while we are developing 100% of Max Square, 49% is owned by New York Life. So those specifics with respect to ownership will vary depending on specific project level partnership, but this 4 million to 5 million square feet that I am talking about is what we have a line of sight and we would like to close in coming quarters. Of course, we will continue to evaluate more opportunities as we move along given the lead time that it takes in bringing these projects online.

Jaikishan Parmar: Thanks.

Moderator: Thank you. The next question is from the line of Priyanka Singh from **Athidhan** Securities. Please go ahead.

Priyanka Singh: Good afternoon Sir. I have a few couple of questions. The first one would be like what would be the company expected yearly rental income from Max Towers and Max House when fully leased?

Nitin Kansal: Priyanka we expect once Max Towers is fully leased, the leased income to come from our share of ownership would be in the range of Rs.32 Crores Rs.33 Crores fees per annum and in the case of Max House Okhla we except the lease rental income to come in the range of Rs.14 Crores to Rs.18 Crores depending upon the average rental we are able to realize.

Priyanka Singh: Okay and another question would be was the company able to lease any area at Max House during Q2?

Rishi Raj: I will take that up, Priyanka. In Q2, we have not closed any leasing transaction as I said. The completion certificate was received in end July and August. Prior to that there was significant lockdown, which led to pause in several discussions that we were having pre-COVID. Just to give you a perspective pre-COVID-19, which is by mid-March, we were in active discussion for 45000 square feet to 50000 square feet of Max House, which is approximately 50%. Now some of those discussions and several new discussions, now that the building is fully operational and has got occupancy certificate is back online starting August to September and as we speak as I said we are in advanced discussions with some of them so hopefully as we move along we will come back and update you.

Priyanka Singh: That was helpful. Thank you.

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

Jigar Shroff: Thank you for taking my question. One question I had regarding the Max Estates division so when do you expect the Delhi One closure to happen? I believe the hearings are ongoing with NCLT that has recommenced, when do you expect the closure to happen Sir?

Rishi Raj: I will take that. I think putting a definitive timeline to a court process is a little bit difficult but as I said there are two good developments. On the basis home buyers appeal in NCLAT, the NCLAT has directed NCLT for expediting the hearing and go for a time bound closure ; And second in October, the hearing has restarted. We have our next clearing on November 4, 2020. So at this stage, I can only say we are hopeful over next four to six months, we should get this to towards closure but yes cannot be definitive about court hearing.

Jigar Shroff: And what would be our investment towards this?

Nitin Kansal: At this point of time, we do not have financial investments. What we have provided, it is a legal cost which we are incurring currently and as far as the total deployment of the project, I think so the matter is under subjudice. Once we get the clearance from the NCLT, we would be able to provide more details about the investment.

Jigar Shroff: Any ballpark figure range?

Nitin Kansal: Jigar, I would prefer that once we come to the closure from the court, we can give more detailed presentation to the investors about our investment in this project. Very broadly speaking the way we have structured it, we have tried to match both the inflow and the outflow from the project. More details will come later.

Jigar Shroff: Sir my second question was regarding the packaging division in terms of do we export to Toppan and what would be the export proportion of sales and how do you see it as an opportunity?

Sahil Vachani: Basically you know on Toppan we have started exports. Business has finally started taking off. The volume uptake is slightly slow and obviously it takes a little bit longer with the Japanese quality and all of those approvals so we finally secured those and we are very hopeful in the next financial year to ramp up this business.

Jigar Shroff: So you would be exporting to Japan?

Sahil Vachani: To Toppan's global requirements.

Jigar Shroff: So what kind of opportunity can we look at?

Sahil Vachani: It is too early to tell, but obviously Toppan is a large consumer of the BOPP film and we have now developed extremely high-end patented specialized products for them so hopefully they are able to get an uptick from their customers in due course so very difficult to put a number on volume yet, but it is expected to be obviously very significant.

Jigar Shroff: In terms of realization what would be more profitable the export market or domestic?

Sahil Vachani: This particular business would be more attractive given the specialized nature of the product.

Jigar Shroff: Export opportunity?

Sahil Vachani: That is right in this case.

Jigar Shroff: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Isha Sawla from Arya Securities. Please go ahead.

Isha Sawla: Sir thanks for the opportunity. My question is what would be your capex outflow in RE business in next two years?

Nitin Kansal: As per the current plan we have got Max House phase two, which we are deploying going forward and then we have got the Max Square Project which is underway. These two projects are under and both these projects have been financed. The Max Square project has received the financial closure for us and we are expecting to deploy a total number of close to Rs.250 Crores going forward on the project including all the ancillary costs and a cost of Rs.60 Crores to Rs.65 Crores to be deployed on the Max House phase two project. In addition to that as we mentioned that we are also looking forward to be getting the approval from the NCLT for the Delhi One project. That would be over and above these two projects.

Isha Sawla: Sir what is the plan to do with the money received from the selling stake in the Nykaa?

Nitin Kansal: In Nykaa, we have been gradually reducing the stake over a period of time. The latest round which we have got which is around Rs.37 Crores on our 0.41% of our stake in Nykaa that money is currently as a part of the treasury corpus of Max Venture and would be deployed in a suitable opportunity.

Isha Sawla: Thank you. That was helpful.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Vikas Atri an individual investor. Please go ahead.

Vikas Atri: Good afternoon. Thanks for the opportunity. My question is in the investor presentation it is also mentioned that we are open to outright purchase, so I will really appreciate if you could shed some light on that?

Rishi Raj: I will take that up, Vikas. Nice to hear from you. What we meant is as a part of our growth strategy as we are exploring opportunities in NCR particularly in Gurugram, we are open for multiple models and typically there are three models joint venture with the landowners or joint development with the landowners or buying out the land along with IT or commercial license. So that is what we meant and as we said all of these models that we will do moving forward again it will depend on specific opportunities. This will be done along with a partnership with institutional investors moving along our stated asset light strategy. I hope that that clarifies.

Moderator: The line for the current participant has dropped. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Sahil Vachani for closing comments.

Sahil Vachani: Thank you very much for your interest and time and look forward to catching up with you next quarter as well. Thank you so much.

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