June 23, 2021

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

Scrip Code: 539940

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

Name of Scrip: MAXVIL

SUB: Transcript of the Earnings Conference Call for Q4 & FY21 held on June 14, 2021

Dear Sir/Madam,

Please find enclosed the transcript of Earnings Conference Call conducted by the Company for Q4 & FY21 on Monday, June 14, 2021.

This is for your information and records.

Thanking you,
Yours faithfully

For **Max Ventures and Industries Limited**

Max Ventures and Industries Limited

Saket Gupta
Company Secretary and Compliance Officer

Encl: As above

"Max Ventures & Industries Limited Q4 FY-21 Earnings Conference Call"

June 14, 2021

Disclaimer: This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.

MANAGEMENT: **MR. SAHIL VACHANI - MANAGING DIRECTOR & CEO, MAX VENTURES & INDUSTRIES LIMITED**
MR. NITIN KANSAL – CFO, MAX VENTURES & INDUSTRIES LIMITED
MR. RISHI RAJ – CHIEF BUSINESS DEVELOPMENT OFFICER, MAX VENTURES & INDUSTRIES LIMITED
MR. RAMNEEK JAIN – CEO, PACKAGING BUSINESS, MAX VENTURES & INDUSTRIES LIMITED
MR. ROHIT RAJPUT – CEO, MAX HOUSING SERVICES
MR. NITIN THAKUR – DIRECTOR, BRAND AND COMMUNICATIONS, MAX GROUP

Moderator: Ladies and gentlemen, good day and welcome to Max Ventures and Industries Limited Q4 FY21 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 date of this call. These statements are not 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 '*' 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. Thank you and over to you Sir.

Sahil Vachani: Good afternoon, ladies, and gentlemen. Thank you for joining us on the Max Ventures and Industries Q4 FY-21 Conference Call. Along with me I have our CFO – Mr. Nitin Kansal; Mr. Rishi Raj who is the Chief Business Development Officer; Mr. Ramneek Jain – CEO of our Packaging Business; Rohit Rajput – CEO of Max Housing Services, and Nitin Thakur – Director, Brand and Communications 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 the key highlights for the quarter gone by:

I am absolutely very pleased and delighted to share that Max Ventures has reported very strong performance in revenue and profitability during Q4 and for the full financial year. In Q4 FY21 consolidated revenue increased by 30%, EBITDA increased by 39%, year-on-year, while profit after tax grew by more than 9x year-on-year. During FY20, the company had recorded a one-time revenue of 3.57 billion on account of sale transactions at Max Towers. Adjusting for that for FY21 revenue increased by 14%, EBITDA increased by 65%, while profit after tax grew by more than 6x year-on-year. Our packaging films vertical Max Specialty Films or MSFL continued the strong business momentum with posting its highest ever revenue and EBITDA for the quarter as well as for the year during Q4 and FY21. It has crossed Rs. 3 billion revenue and 10 billion revenue milestone for the first time in a quarter and a year respectively during Q4 and FY21. It recorded a revenue of 3.1 billion during Q4 and 11.1 billion in FY21. This was accompanied with strong EBITDA margin expansion of 610 basis points year-on-year to 17.9% in Q4 an expansion of 730 basis points year-on-year to 18% in FY21.

Coming to the real estate side:

Leasing revenue in commercial real estate business continued to build up throughout the year. With the exception for March 2020-2021 where obviously new lease transactions were temporarily deferred due to the second COVID wave induced lockdown. Max Towers has reached a more than 90% occupancy levels. Our focus now will be on leasing Max House, Okhla

Phase 1, continue timely construction of Max Square and commence work on phase two of Max House.

In addition we are continuing to see growth opportunities in the commercial real estate space in the national capital region. After a careful study of the market trends and in line with our stated strategy of focusing on one region, but being across multiple asset classes, I am happy to announce that we have decided to foray into the residential segment in Delhi NCR. We believe that residential real estate market after a long slump is finally coming out of the woods at the back of a cleaner regulatory environment, a preference for trusted developer brands, increased affordability due to lowest ever home loan interest rates. COVID in our view has accelerated the shift to credible corporate developers focusing on overall well-being and experience of residents.

This is a brief snapshot of where Max Ventures as a company stands today. We believe we are at an inflection point where our real estate business is now ready to take off while our packaging business is expected to continue the robust performance. In our real estate business we have demonstrated our execution and leasing capabilities through Max Towers. We successfully managed to almost fully lease out Max Towers, complete construction of phase one of Max House and also commence construction on our third project Max Square. All of this amidst challenging macro and microenvironment conditions. Going into a FY-22, while we will continue to add marquee commercial projects in our kitty each year, foraying into the residential real estate will open up new opportunities and will enable Max Estates to become one of the leading and most admired developers in Delhi NCR. We expect a strong performance in our packaging business to continue as well on the back of strong demand, improved realizations, and a continued focus on specialty product mix. With a new cast polypropylene or CPP line and the second metalizer line planned to be commercialized during a FY22, our scale of the packaging business will enhance with improved speciality product capabilities leading to sustained growth in revenue and profitability going ahead. With both our core businesses in a very strong position we are confident to deliver on our strategic objectives of FY22. With this now let me hand over to my colleague, Rishi for the real estate business highlights. Thank you.

Rishi Raj: Thank you Sahil for the quick overview. Let me now give you some deeper insights on our real estate business. FY21 had been no doubt a challenging year for the commercial real estate business globally. Due to the COVID-19 lockdown down and work-from-home leasing transaction in commercial real estate industry did get impacted. As we approach the second half of the year, it was clear for most of the occupiers that only work-from-home could not be the sustainable option, keeping in view the long-term growth and productivity of the company. We have already witnessed during the year corporates forming a combination of office and work-from-home policy for employees and we believe a hybrid workplace model most likely will be the way forward. The mix will evolve and will vary from country to country and from sector to sector. Some companies while reducing the total office space requirement have upgraded to Grade-A spaces to increase focus on employee wellbeing and to spaces that enable community collaboration and innovation, the future of office. Seeing the hiring trends in IT, ITeS space at the unprecedented levels and evidence of return to office in developed economies with higher penetration of vaccination supports our mid to long term positive outlook for office space. In spite of challenging times during FY21, we are delighted to share that we have been able to almost fully lease out Max Towers. Overall Max Towers now enjoys an occupancy of more than 90%. Leased area owned by Max Estates in Max Towers is now more than 95% occupied and there was zero loss of any clients. In terms of leasing area for office spaces we have leased out a total of 4.76 lakh square feet in Max Towers, and 2.87 lakh square feet of Max Estates owned area in Max Towers is leased. In FY21 we leased out spaces to many renowned corporates, including Cyril Amarchand Mangaldas, Yes Bank, DBS Bank to name a few. With improved occupancy we witnessed building up of the lease rental income at Max Tower which increased by 74% year-on-year to 171 million in FY21. Going into FY22 we expect near full potential lease revenue accruing from Max Towers. We also completed the launch of phase one of Max House in FY21, as Max Towers is fully leased now our focus has shifted to lease out entire Max House phase one during a FY22. We expect to start the work on phase two of the project during first half of FY22 itself. Work on our third commercial project Max Square continues to be on track in spite of challenging situations and we expect to complete the development as per budgeted timeline by Quarter 4 of FY23. With respect to our Delhi One project, we are still awaiting NCLT approval on the same. These were the overall updates with respect to our existing project.

Now let me spend some time on our future growth pipeline:

Let me break this into commercial real estate and residential real estate. Let me first start with commercial real estate. Beyond Delhi One we have a strong pipeline, strong existing project development pipeline at various stages of engagement including due diligence. Our focus will continue to strengthen this project pipeline adding projects in the size of 0.5 to 1 million square feet with initial focus on Gurgaon. Our development model remains the same as we are evaluating opportunities in advanced stages in partnership with institutional investors which will enable us to take larger projects and expand our portfolio simultaneously. With this while our existing project will continue to build up and lease, our new project development pipeline will ensure that our visibility for future project remains strong.

Now coming to residential real estate segment:

Sahil has already mentioned that we have decided to foray into residential real estate, and we believe this will add to the growth of the company going forward. As we have mentioned in our past calls, we have been constantly evaluating trends in other asset classes in Delhi NCR, and wait for entry at the right time. With demonstrated success and path to scale commercial real estate footprint, we believe having carefully studied the market the timing is right to foray into residential real estate. Residential market in Delhi NCR as you all know, especially had been fraught with over supply, incomplete projects, unfulfilled promises to the customers in terms of delivery due to unscrupulous developers and several despite good intent, now in distress due to over leverage. As a result, people had serious trust deficit in residential real estate sector. Over the last couple of years market has seen a sea change for good in terms of regulatory environment, affordability at all time high due to price corrections, growth in underlying income and low home loan rates. Naturally, the customer's preference has shifted to trusted organized developers for their residential needs. COVID-19 has led to a shift in customer preference for bigger homes with ecosystem of amenities enabling overall wellbeing and above all focus on human experience which a local developer finds very difficult to provide. This collectively in our view presents the right entry circumstances for us and gives fillip to Max Estates growth trajectory while benefiting from diversification and leveraging synergies across the portfolio. In addition, Delhi NCR as a market presents significant opportunity for consolidation and higher share for credible corporate developers. At a pan India level for example, total number of developers have halved since 2012 and that proportion for Delhi NCR is significantly higher, which makes Delhi NCR a very right region for consolidation. Hence we have decided to foray in residential segment, focusing on higher end of mid income target segment. Although we cannot disclose specifics right now, but we are prospecting well-priced and located clear land parcel in Delhi NCR particularly Noida and Gurgaon and we hope to be able to announce our first residential project in coming quarters. We are in an extremely exciting stage in our real estate business with commercial real estate business shaping up well and now with foraying into residential real estate business, we aim to become one of the leading multi-asset class real estate developer focusing in Delhi NCR region. Now let me hand over to Rohit.

Rohit Rajput: Thank you, Rishi. Let me give brief highlights about Max Asset Services and Max I. FY21 had been a good year for our facility business under Max Asset Services. We also launched our managed office space business under a brand name WorkWell Suites at Max House during the previous quarter. Here we cater to the corporates who are looking for flexible office space and don't prefer to have a long-term commitment in terms of lease. During Q4 FY21, we have signed up a total of 25 seats to two corporates at our WorkWell Suites at Max House. As the economy has started to unlock again, we expect good traction in our managed office space business driven by demand for flexible office space. We have also organized vaccination camps for our employees and families of Max Group, our tenants, and partners so as to enable them to resume office early as well as safely. More than 85% of our employees are now vaccinated. Revenue for MAS increased by 29% year-on-year to Rs. 33 million in Q4 FY21 while it increased 75% year-on-year to Rs. 128 million in FY21. As tenants start resuming office in the coming months gradually and avail facilities of Max Asset Services, the business is expected to ramp up swiftly in the coming months. With respect to Max I, we have transferred our investment of Azure-hospitality from Max I to MAS as a part of tax planning. We will plan to monetize this investment at the right opportunity. Now let me hand over to Mr. Ramneek Jain.

Ramneek Jain: Thank you Rohit. Let me speak about our packaging film vertical that is Max Speciality Films Limited, MSFL. Q4 and FY21 has been the best year for the MSFL in its history. MSFL continued to witness strong business momentum and recorded its highest over revenue and EBITDA for the quarter as well as for the year. MSFL revenue increased by 34% year-over-year and EBITDA increased by 105% year-over-year in Q4 FY21. For the whole year FY21 MSFL revenue increased by 15% year-over-year and EBITDA increased by 94% year-over-year. EBITDA margins expanded by 610 basis points year-over-year in Q4 FY21 to 17.90%, and for the full year it expanded by 730 basis points year-over-year to 18%. A sustained momentum in revenue and profitability growth in the business is on the back of strong demand, improved realizations, better specialty product mix and stable raw material prices. With consistent efforts by the team working with leading FMCG companies for their specialized packaging needs, we have increased our volume and revenue contribution from Specialty Films segment. Total volume for Q4 2021 increased by 7% year-over-year to 15,987 metric tons. Our focus is on improving output of value added speciality films versus the total output, improve the profitability and ensure most efficient utilization of our facilities. Value added specialty films contributed 52% of total volume in Q4 FY21 versus 48% in Q4 FY20. For FY21 Specialty Films contributed 45% to total volumes versus 42% in FY20. Value added specialty films contributed 58% to MSFL's revenue in Q4 FY21 versus 55% in Q4 FY20. For FY21 whole year Specialty Films contributed 53% to total MSFL's versus 48% in FY20.

We had also recently announced a new CPP line, which is cast polypropylene line, which will expand the total capacity by 7,200 tons per annum of CPP and also commercialized first of the 2 new metallizer lines to enhance our speciality product capabilities. With the expansion of the new CPP line together with the increasing speciality product capabilities through metalizer lines, we are well-placed to capture the new growth opportunities enhancing the scale of the business and sustainably improve the profitability through better product mix. We expect the strong business momentum to continue in FY22 on the back of strong demand, higher realization, optimum capacity utilization and increased contribution from Speciality Films. All these factors collectively will lead to significant revenue and EBITDA growth. The strong cash flows will be used to fund the CPP and second metalizer line and reduce MSFL's debt by about 1.00-1.25 billion from existing Rs. 3.25 billion. Now let me hand it over to Mr. Nitin Kansal.

Nitin Kansal: Thanks, Ramneek. Good afternoon everyone. Let me give you the financial highlights for the Quarter 4 and full financial year FY21. I will first start with the Quarter 4 and then move on to the FY21 numbers. The consolidated revenues increased by 30% year-on-year to Rs. 328 crores in Quarter 4 FY21. The consol EBITDA increased by 39% year-on-year to Rs. 49 crores in Quarter 4 FY21. The consol profit before tax stood at Rs. 30 crores in Quarter 4 FY21, almost 4x of the same quarter previous year. The consolidated profit after tax stood at Rs. 33.60 crores in Q4 FY21 a growth of more than 9x.

Now let me come to the full year coverage of 2021:

During the financial year FY20, the company recorded a one-time revenue of Rs. 357 crores on account of sale transactions at Max Towers. The below highlights are adjusted for these transactions for relevant comparison. The consol revenue increased by 14% year-on-year to Rs.

1,172 crores. The consol EBITDA increased by 65% year-on-year to Rs. 198 crores and the consol profit after tax stood at Rs. 57 crores in FY21, a growth of more than 6x.

Now let me give you a brief segmental financial highlights for FY21:

Our real estate business that is Max Estates Limited revenues stood at Rs. 39.8 crores in FY21. The lease rental income for financial year stood at Rs. 17.8 crores as compared to 9.8 crores in FY20, an increase of 182% year-on-year. This is on the back of the improved occupancy levels at Max Towers. Revenue for our facility management business Max Asset Services for FY21 stood at Rs. 13 crores as compared to 7 crores up by 75% year-on-year. Our packaging films vertical revenue increased at 15% year-on-year to 1,114 crores. EBITDA for the packaging business increased by about 94% year-on-year to Rs. 200 crores. EBITDA margins for the packaging business expanded by 730 basis points year-on-year to 18%.

Speaking about our liquidity position:

Gross debt in our real estate business stood at Rs. 150 crores as on March 2021 against which we had cash and liquid investments of Rs. 8.5 crores, thereof the net debt continues to be less than 65 crores. Gross debt in the packaging film business stood at Rs. 327 crores and on a net basis stood at Rs. 323 crores. We have reduced our gross debt in packaging business by more than 100 crores in the year and will continue to reduce it with a strong free cash flow generation from the business. Now, I will hand over the mike to Kaizan to continue with the Q&A session. Thank You.

Moderator: The first question is from the line of from Sriram Rajaram from RatnaTraya Capital.

Sriram Rajaram: I have two questions; one is the commercial space. What is the Grade-A vacancy level in the micro market that you operate? I mean like how has it moved pre-COVID till now especially in areas that Max House and Max Square are, that is my first question. My second question is, you mentioned in the opening remarks that the residential RE in the NCR region is reviving. What gives you this confidence, if you could explain what has changed with reference to two things. One, what is the average rental yield in those areas where your ready projects are going to come up. And secondly, if I just go back to slide number 22 where you have projected, where the historic months to sell is still there, it is at 41 months. How should we look at this data?

Rishi Raj: On question one with respect to Grade-A occupancy excellent question. If you look at the face value vacancy level in NCR, Gurgaon, Noida those numbers will be in the range of 20%- 25%. However, the key is when you peel the onion and you look at developer owned and developer managed buildings in these micro markets which we are targeting, those are in low single or early double digit, 8%-12% vacancy levels. As far as these buildings are concerned our understanding is, also going by our experience, people have been able to preserve the occupancy level with maybe some basis points difference in these Grade-A office spaces. Of course, the strata sold not so good quality buildings have faced rental pressures, and we can see pressures. Just to remind all of us, we at Max Estates are coming up with Grade-A plus focusing on employees' experience and wellbeing. And this is exactly the reason why in FY21 we were able to lease more than were able to lease in FY20 and at a higher rental than what we did earlier.

When it comes to the residential space the confidence comes from multiple sources. Number one, if you look at the data with respect to what has happened on number of months to sell inventory at pan India level as well as when it comes to Delhi, if you look at the data for last several quarters, the inventories have corrected, number one. Number two, why this is really happening, this is happening because of affordability is at all-time high. The data we have provided in our presentation, the home loan rates are at all-time low. The prices have corrected and above all if you look at what is happening the most important piece and this being a micro-market play, you will need to peel the onion and realize the most important piece is in each micro market, the demand is shifting towards Grade-A credible developers who have got balance sheet strength and who are delivering what they are promising. So that is where we derive the confidence. As far as rental yield in specific is concerned, I do not think, at a meta level rental yield pan India or Delhi NCR micro market has seen much correction and hence the play, we are still not very confident of the play when it comes to the rental in residential space. I think the play pretty much is to capture the share where demand is looking for credible corporate developer coming up with good quality houses. So, let me pause with that and happy to have any follow up questions.

Sriram Rajaram: Two things, one is on the commercial front you mentioned that it is in single digit. Now how has it been, let's say a year back pre-COVID I just want to get a different sense on that? And then again on the residential space you mentioned that the micro-market we have to look at that. I don't know whether you can give a number, but if you give a number, it will be useful, I just want to get a sense of what is the share of this Grade-A developer in, let's say, this 41 months inventory which we are talking about in NCR region, if I just come to the micro market what would be that number?

Rishi Raj: Let me again try to address both the questions. Number one, when it comes to vacancy level for Grade-A+ corporates that has not materially changed pre to post-COVID and you will need to really look at developer by developer building by building in those micro markets which we constantly evaluate. When it comes to residential and your question is if you peel this 41 months and if you really look at credible developers in select micro markets, let me just take an example. Let us take an example of Sector 150, and if you look at the data in Sector 150 and if you look at top developers who are selling in Sector 150, let me just say that they have been very successful in clearing their inventories post-launch. On an average our research and data suggest that they are able to clear all their sales during the construction cycle which is what one would look to underwrite that.

Moderator: The next question is from the line of Venkatesh Subramanian from LogicTree Capital Advisors.

Venkatesh Subramanian: I have two primary questions. One is on the real estate side. If we are able to get a NCLT clearance, can you give us some sort of a timeline on when do you expect the clearance? I know it is a tough question. And if it gets cleared what would be the timeline for executing that project? And what kind of cash flows do you expect out of that particular project? Which is I am talking about the second phase of Max Towers, Delhi One. And the second question is with respect to the residential real estate space, what kind of land parcel are you looking at? Can you give us some sort of a vision over the next 1 or 2 years where you want to be and how would you raise the capital for that?

Sahil Vachani: So, the first question in terms of the Delhi One project that is in NCLT, the truth is it is tough to give an exact timeline. Unfortunately, due to the lockdowns courts have not been operational and have been only hearing what they classify as urgent matters. My sense is it would still take us anywhere in the range of 12 to 18 months to be able to take this to its logical conclusion in terms of the Delhi One project. Second question that you had was in terms of the commercials for the project. We are underwriting each of our projects at the very least 20% to 25% IRR. So, that is what we are looking at. We believe that in the Delhi One project particularly where Max Towers is there is a significant opportunity within Max Towers as well for us to rerate rentals, given from where we started leasing and where our last lease was. So, that is the broad update in terms of the Delhi One project timelines and commercials. On the residential, Rishi would you like to take that one please?

Rishi Raj: Yes. On residential, let me divide the response into few parts. Number one, where do we want to play? We would like to play in Delhi NCR starting with select sectors within Noida and Gurgaon. We are very carefully evaluating it at a very granular micro market level. Just to give you a confidence, if you look at Gurgaon, we are evaluating at a road level like Golf Course Extension, Southern Periphery, Dwarka Expressway, select pockets within Dwarka Expressway. So, we are really going very granular in terms of picking the location per se. Number two, who do we want to target? We would like to target high end of mid income segment. Our ongoing view is that we would like to target by and large, if I say into a price bracket of 7,500 to 12,000 kind of a price bracket, but of course it could vary from opportunity to opportunity. Third in terms of business model, as we have started the scan and as we have started the discussions, we are open like on the commercial side on multiple models, including joint venture or joint development as well as outright purchase. The capital requirement will vary depending on the business model and exact location, as you would agree. But again, in residential space our approach will be to partner with institutional investors and make our exposure relatively speaking capital light and thereby use that as a way to expand. In terms of our vision, our vision is to add 0.5 to 1 million square feet a year which can translate into 300 to 600 give or take kind of a unit in a single space or in a single development. And as we have looked at the data of successful developers micro-market by micro-market, what we have realized is if you really go conservative in your underwriting, this is a very sweet spot in terms of the launches and market's ability to absorb. So, that would be our response. Hope that clarified your query.

Venkatesh Subramanian: The 0.5 to 1 million square feet is per annum?

Rishi raj: Per annum, yes.

Venkatesh Subramanian: And when is your expected possible launch of this project?

Rishi Raj: For the first we would come back and share with you hopefully in the next couple of quarters.

Venkatesh Subramanian: Just one quick follow-up question. Packaging films, I think you have started a new line. What kind of top line can it produce? When is it expected to commission?

Ramneek Jain: So, the CPP line, the cast polypropylene line should give us an additional revenue of about 45 million. This is a per month kind of a thing. So, it should commence sometime in third quarter of FY22.

Nitin Kansal: Venkatesh if I can just clarify. We can expect a revenue in excess of Rs.100 crores to come from the CPP line when it is fully stabilized and what we are expecting is by the end of this financial year we should have this line operational, and the numbers should start to reflect on the next financial year. I would like to add one more thing with regards to the Delhi case with NCLT. I would like to highlight over here that the court run process is not something which we can control, but in our journey for the commercial real estate, we have started to put the pedal on the new project acquisition. If you see on the slide 34 of the presentation, we have disclosed a number which is in excess of 7 million square feet which we are actively pursuing for our expansion from CRE front.

Moderator: The next question is from the line of Ankur Chadha, Individual Investor.

Ankur Chadha: My question is with regards to the new pipeline for the commercial real estate. It has been like 4 or 5 years since Max Ventures got demerged and all we have done is four projects, three of which were related party. The brand already belonged to the promoters. We have just got one project which was Max Square in the last 5 years. And all we keep hearing every quarter or every other quarter is we are interested in Gurgaon, we are pursuing, we are evaluating. But there is no real new project which has actually come into the company. So, what can we expect going forward? Can we expect that these 2 or 3 new projects within this financial year?

Sahil Vachani: Firstly, in terms of the growth aspect, as you recall when we started the journey of Max Ventures, we had two pronged objectives. One was to scale the packaging business which we have been able to do from Rs. 600 crores turnover to now Rs. (+) 1000 crores turnover from a Rs. 70 crores to Rs. 80 crores EBITDA to a Rs. 200 crores EBITDA in the last year. So, that is our journey on the packaging films.

On the real estate business, we were very conscious about starting the journey in a systematic way to be able to wet our feet so to speak and to get the experience and build the capabilities before we hyper scale. So, we have done Max Towers, we have done Max House and we have done Max Square. As you will note, the combination of these three is a little bit over 1.5-1.6 million square feet. As we are looking at it now, you are right, we have been looking at growth opportunities for the last year. We will continue to do that. We remain extremely conservative on the way we will underwrite growth opportunities for commercial projects. We are conscious that market may slightly contract due to work-from-home. So, we want to be able to underwrite at very conservative numbers while offering a differentiated product experience. We will continue to evaluate opportunities in Gurgaon, Delhi, and NOIDA and we are hopeful that in this financial year we will close a growth opportunity on the commercial growth side for office space. On residential side, we have just today announced that we will continue to look at it and we will evaluate opportunities. So, I am very hopeful that in the coming quarters, as Rishi outlined, we will have a few growth prospects for residential. So, if I were to step back and look at it, there was a phase over the last couple of years where we tried to establish ourselves, build our capabilities. We are now shifting gears and moving into a phase where we will scale and build on those capabilities that we have built to drive significant value for our shareholders from the real estate growth journey as well. Thank you.

Ankur Chadha: So, with regards to the residential real estate part, you mentioned that the IRR we are looking at would be upwards of 20%, right? That's at the project level or at equity level?

Sahil Vachani: That's right, those 20% IRRs (+) at every project level.

Ankur Chadha: So, this would be a 20% at project level or 20% at equity level, IRR?

Sahil Vachani: Equity level IRR.

Ankur Chadha: And in terms of the asset services business, Max Asset Services Business, there was a slide which mentioned that you are planning to take this to third parties now, in third party developments, right?

Rohit Rajput: We will selectively look at third party developments based on client profile and the building profile.

Ankur Chadha: How will this scale up? Is it like still we are thinking, or we are actually starting to like now maybe go ahead and maybe at least take one or two third-party projects this year?

Rohit Rajput: There are a couple of conversations under way. However, as you know because of the lockdown some of these conversations have been put at pause. We are talking to a few large groups where we will look at doing one or two pilot projects in our developments and then very selectively scale it up into third party assets.

Moderator: The next question is from the line of Ullhas Paymaster, Individual Investor.

Ullhas Paymaster: My question is on this return of investment of 20%-25%. Can you give more information or details how you arrive at 20% ROI on Max Towers and Max House where the rental income is likely to between Rs. 30 crores to Rs. 35 crores on Max Towers and around Rs. 10 crores to Rs. 12 crores on Max House? Because the overall investment on Max Towers was around, I think Rs. 600 crores a part of has been sold. Can you give some more details, the breakup or what is the equity and the debt component on the Max Towers and the Max House project, so that the 20% IRR can be, just see how it works out?

Nitin Kansal: Thanks Mr. Ulhas. I think we have to look at the journey into two parts. The first part of the journey was, as Sahil mentioned that we are establishing our brand and establishing the brand, the first project which we did was Max Towers. In Max Towers we are not close to a return on equity of 20% of the project as of now, because this was something for us to showcase our ability on the real estate side. But as we go ahead and we come to a stage whereby we are stable the new project we are taking, something which we are taking like Max Square, our project on Max Square. At that point of time, we are targeting our equity IRRs in excess of 20%. So, as we go ahead in our journey, the blended returns on an overall basis would be in excess to 20%. As far as Max Towers is concerned being the first project, we have been able to rerate the entire NOIDA market in terms of lease rental pricing. Going forward we expect this pricing to even increase and increase the valuation of the entire project and increasing the IRRs for the project.

Sahil Vachani: If I may just add one point there, I think the way you look at it is yield on cost. If we see Max Towers, we are somewhere in the range of 8.5%-9% in terms of yield on cost. Moving forward, we will continue to grow and aspire to achieve 13% to 14% yield on cost. As we achieve 13% to 14% yield on cost that will translate into a (+) 20% in terms of an equity IRR.

Ullhas Paymaster: One more question out of that. Now, when the overall lease on rent on the commercial property is between 7% and 8%, how are you aiming to get a 13% or 14% yield on cost?

Sahil Vachani: The existing projects that you are seeing are 8.5%-9%, but moving forward like I mentioned, we are underwriting projects and we are acquiring projects where we will be able to achieve 13% to 14% yield on cost. That's our aspiration moving forward.

Moderator: The next question is from the line of Devendra Pandey from DP Financial Services.

Devendra Pandey: My first question would be on our rental income. What will be our internal projections for the trajectory of lease rental income for the next 2-3 years? Can you give some light on project-wise for this?

Nitin Kansal: So, Mr. Pandey, currently we have got our Max Tower project, which is under lease and Max House Phase 1 and in the current year on the conservative side we are expecting rental income to come in the range of Rs. 30 crores to Rs.35 crores. Going forward in FY23-24 we expect Max Square to come on stream with 7 lakhs square feet of leasing and we expect going forward to have Phase 2 of Max House also coming on lease. So, we are expecting a total of close to 1.5 million square feet lease rentals accruing to us starting FY24.

Devendra Pandey: And what would be the size of residential project you are looking to develop and how that would be funded?

Rishi Raj: On residential as I explained, our vision is to add 0.5 to 1 million square feet of saleable area per annum. So, we are looking to underwrite projects in that particular range. Exact numbers may vary from opportunity to opportunity. As far as underwriting and funding is concerned underwriting, as we have always maintained, as we do in commercial office space as well, we underwrite pretty much where the market is and don't associate any premium for Max brand in our underwriting and same is what we are doing for residential. When it comes to funding, exact capital amount required will vary, but we are very cognizant of the fact that as we are underwriting that the sales cycle is also shifting little bit back and given where the market is, we are factoring that in our underwriting in capital requirement, and we will work with our institutional partners as we are doing in commercial office space to fund this particular project.

Devendra Pandey: What would be our capital allocation strategy between commercial and residential space?

Rishi Raj: As we have also stated very clearly in our strategic objectives that we have outlined in the investor deck, both for commercial office and residential, our aspiration is to add 0.5 to 1 million square feet per annum. Real estate being lumpy, actual numbers may vary year-on-year, but that is our on an average aspiration over next five years, and capital allocation will be keeping in mind that strategic objective that we have outlined for ourselves.

Moderator: The next question is from the line of Sachin Shah from SS Securities.

Sachin Shah: Would you be planning to have any equity fund raise in order to fund all this future commercials as well as residential developments?

Sahil Vachani: Yes. We will definitely look at planning equity fund raises in times to come as we look to scale the commercial office business. We believe that is the prudent approach to follow for the real estate business.

Nitin Kansal: If I can just supplement that we are planning to raise equity at the project level and not in the MVIL on the holding company, we don't intend to dilute the equity shareholders for MVIL going forward.

Sachin Shah: And one more question with respect to packaging side. How much EBITDA margin expansion can be expected with respect to this higher specialty films volume contribution you can say?

Ramneek Jain: I am not sure if we can pinpoint a number, but I can definitely say that our current growth we have reached to a certain level, we should definitely sustain this and grow this with our speciality journey, but I would say we will definitely go forward. I wouldn't really like to put a number at this point of time to say that exactly what particular number.

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

Jigar Shroff: I had only one question, at what point of time would you consider splitting the company into the real estate division and the packaging film division to unlock value for shareholders.

Sahil Vachani: Great question. Thank you. Absolutely. I think our real estate business and journey is just starting off. You know the history of the Max Group. We have done that successfully when healthcare and insurance was all clubbed together, we were able to successfully spin it off and create substantial value for all shareholders. Our intent always continues to be to continue to add and create value for shareholders. The real estate journey right now is just in its early stages. I think we need to have a certain amount of scale in the real estate journey before we can consider or think about any of these alternatives. If you see the texture of what we are looking to and what we are looking to do over the next two quarters this year and moving forward next year, you will see that we are looking to scale our real estate business. So, I am very confident that once we scale the real estate business that can be a very interesting discussion to be had.

Jigar Shroff: But in your judgment your vision, should we anticipate something by say FY23 FY24?

Sahil Vachani: I certainly am hopeful that in the next 18 to 24 months we will be able to scale our real estate business, yes.

Jigar Shroff: And its then that you would consider…

Sahil Vachani: I think this should be a valid question to consider at that point in time. Yes.

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

Ullhas Paymaster: I have one more question. Since last three to four quarters, you have been mentioning that you are looking for the projects on the commercial real estate side. Now I believe the real estate market is turning around and I am sure the prices could have gone up. So, could you indicate what is the level of price increase which has taken place in the last one year in the areas where you are looking to expand?

Rishi Raj: As Sahil explained, you are absolutely right. We have been on the lookout for last one year, opportunities in CRE space, particularly in Gurgaon. And it's not that opportunities have not been there, there have been opportunities, and this is exactly the reason why in this deck we have also outlined a pipeline that we are currently evaluating. But what you will also appreciate is that we do not want to make any mistakes that others have made in the past of aggressively underwriting it in the spirit of getting a project in our portfolio. So, we are underwriting on a conservating basis. In terms of specific question around pricing, the good news is if you look at

Gurgaon, particularly Golf Course Extension Road, the expectations of landowner were at very unrealistic level when it comes to FSI level pricing. It was in a zone upwards of Rs. 4,500 to Rs. 5,000 per square feet. Over last six months of our discussion that has definitely got corrected and that is giving us a lot of confidence for us to get the right opportunity at the right price in our portfolio in this financial year.

Ullhas Paymaster: So, am I to understand that the FSI pricing has not gone up at all in Golf Course area in the last six months?

Rishi Raj: No. In fact, the FSI pricing not gone up, actually the FSI pricing has corrected because of the distress which is giving us confidence for us to enter at the right value. The key point to note is it was at very unrealistic levels even at a pre-COVID. People were sitting at a very unrealistic level of pricing which did not make sense and hence much deals were not happening. Those levels are getting corrected.

Ullhas Paymaster: I thought the real estate market is turning around in the last couple of quarters. So, you are trying to stay that despite the turn around the prices have not gone up on the FSI level? Am I right?

Rishi Raj: I would say FSI prices have corrected to a more realistic level which is good for people like us who would underwrite it on a build-to-lease basis and give us the opportunity to…

Sahil Vachani: I would just like to add to that. I think the point is if one notices there is a trend towards consolidation in the real estate space and that trend towards consolidation is meaning that the consolidators or the developers who have the brand, who have the credibility and execution track record and access to capital are able to sell their inventory well. And thus, when we say that real estate is turning around, we are looking at it from the sales side. What this consolidation has resulted is that the number of transactions that are happening from a land basis have reduced because the number of people who are interested or able to buy now are much fewer. So, we believe that we are in the sweet spot where we as the brand Max have the brand reputation, credibility to be able to sell and at the same time should be able to close opportunities at conservative underwriting levels that we would like to ensure our very stringent IRR benchmarks.

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

Jigar Shroff: I wanted to know what would be the EBIT for the specialty film division for FY21?

Nitin Thakur: The EBIT for the specialty films for FY21 is close to 174 crores.

Jigar Shroff: So, am I right in assessing that the PAT should be approximately 100 crores for the specialty film division?

Nitin Thakur: Yes, please.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Sahil Vachani for closing comments.

Sahil Vachani: Thank you everybody for your patience and for hearing us out. Look forward to connecting with you next quarter and please continue to stay safe and well. Thanks so much.

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