November 2, 2024

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

Scrip Code: 544008

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East)
Mumbai – 400 051

SYMBOL: MAXESTATES

Sub: Transcript of the Earnings Conference Call

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call conducted on October 28, 2024 at 12:00 noon (IST) to discuss Q2 H1 FY'25 financial results performance of the Company.

This is for your information and records.

Thanking you,

Yours faithfully,

For Max Estates Limited

Abhishek Mishra
Digitally signed by Abhishek Mishra
Date: 2024.11.02 22:55:24 +05'30'

Abhishek Mishra
Company Secretary & Compliance Officer

Encl: a/a

"Max Estates Limited

Q2 FY '25 Earnings Conference Call"

October 28, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 28th October, 2024 will prevail

MANAGEMENT: **MR. SAHIL VACHANI – VICE CHAIRMAN & MANAGING DIRECTOR – MAX ESTATES LIMITED**
MR. RISHI RAJ – CHIEF OPERATING OFFICER – MAX ESTATES LIMITED
MR. NITIN KANSAL – CHIEF FINANCIAL OFFICER – MAX ESTATES LIMITED
MR. ARCHIT GOYAL -- HEADS INVESTOR RELATIONS – MAX ESTATES LIMITED
SGA -- INVESTOR RELATION ADVISORS -- MAX ESTATES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY '25 Earnings Conference Call for Max Estates Limited. 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 call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. 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. And a disclaimer to this effect has been included in the financial results and investor presentation which has been shared with you earlier and available on the Stock Exchange website.

I now hand the conference over to Mr. Sahil Vachani, Vice Chairman and MD of Max Estates Limited. Thank you and over to you, sir.

Sahil Vachani: Thank you and good afternoon to all for joining us on this Q2 and H1 FY '25 Earnings Conference Call for Max Estates. Along with me today, we have Mr. Rishi Raj, who is our Chief Operating Officer, Mr. Nitin Kansal, Chief Financial Officer, our Head of IR, Archit Goyal and also SGA, our Investor Relations Advisors. The presentation has been issued to the Stock Exchanges and uploaded on our company's website.

I hope you all have had the opportunity to go through it. Let me share an overall update and then a few levels of business highlights for the quarter. H1 FY '25, the first half of the year, has seen the execution of multiple strategic and operational initiatives to scale the business as well as strengthen the organizational capacity and capability to seamlessly execute as we grow the portfolio multifold.

Over the last 6 months, we have not only deepened our partnership with New York Life Insurance as a platform partner for commercial office portfolio, but we've also onboarded several new very strong institutional investors through a successful QIP, reflecting a deep trust of our partners and investment community in the Max Estate story moving forward.

With macro resilience and fundamental drivers of demand for quality spaces, both in commercial office and residential segments getting only stronger, our strategy to focus on the Delhi NCR as a market in two asset classes has unfolded very well, as reflected in the fact that we have been able to build out a very well-diversified portfolio of approx 14 million square feet spread across Delhi NCR in both commercial and the residential asset classes.

Our ability to successfully lease at 30% premium and the back-to-back delivery of two successful, residential launches now covering both Noida and Gurugram is a testimony of our strategy, execution and the team working all behind it. I'm very confident of growth opportunities ahead to further scale the business with a very strong balance sheet and growth capital in place.

We have had a very successful track record with judiciously deploying capital in business development, including 7 million square feet of development opportunities in the first half of the year itself, between the 18.5 acre acquisition of residential in Gurugram through the joint development route, the second phase of our project Estate 128 in Noida, and very recently the Delhi 1 process through the insolvency code, which has set a historical precedent for stuck real estate projects in the region.

We are dedicated to building a very progressive and institutionalized Real Estate business focused on key pillars of execution at scale, including people, growth, capital, systems, processes, brands, and above all, customer centricity. Over the past 12 months, we have significantly upgraded our capabilities and bandwidth, emphasizing the recruitment of top quality talent.

Several strategic initiatives have also been undertaken to enhance our systems and processes, including digitalization, sustainability, and SOPs to enable seamless execution at scale with a laser-sharp focus on customer aspects of delivery on time, cost, and quality. We are committed to truly bringing real well-being to Real Estate through our differentiated live well and work well experiences.

With this, I'd like to hand over now to my colleague, Rishi, to provide an update on the operational highlights for the half year. Thank you.

Rishi Raj: Thank you. Let me recap a few strategic business highlights. Number one, business development and growth pipeline. Max Estates has received NCLAT approval for Delhi 1 project in sector 16B Noida spanning approximately 35,000 square meters with 2.5 million square foot of mixed use development potential. The project expected to be launched in FY '26 has a gross development value potential of over INR1,500 crores, as well as annuity income potential of INR120 crores to INR150 crores from unsold inventory of 1.2 million square foot and receivables of approximately INR500 crores from sold inventory.

This combined with joint development agreement for a residential development on 18.2 acres in Gurugram, Phase 2 of Estate 128, and the Delhi 1 opportunity, we have been able to secure approximately 7 million square foot of amounting to INR11,300 crores of development opportunity in total in first half of current financial year, which is more than 2x of the revised guidance that we had given to the market at 3 million square foot per year.

Second, on the commercial office front, delighted to share that we have had strong leasing traction leading to 100% occupancy at Max House, Phase 2, in less than a year from completion and 93% occupancy now at Max Square Noida with a recent large transaction of approximately 1.5 lakh square foot with a U.S. based company for its global capability center. Both the assets command 30% plus premium to the micro-market and clearly exemplify the phenomena which has accelerated post-COVID, which is of flight to quality.

The third big theme has been residential launches. Estate 360, our first residential launch in Gurugram, recorded a pre-sales booking value of INR4,100 crores and collection of INR416 crores with 85% of the project sold within 30 days of the launch. This is one of the biggest successful launches that Delhi NCR has seen. We have also secured enhanced FAR for fourth tower at Estate 128, which is Phase 2 of Estate 128, which has a gross development potential of another INR800 crores and we are expecting to launch that in Q3 of FY '25 post all approvals.

With success of Estate 360 and expected launch of Phase 2 of Estate 128, we have been able to achieve full year guidance in first 6 months as far as booking value of residential launches are concerned. Therefore, we are revising our FY '25 guidance for booking value to INR4,800 crores to INR5,200 crores versus earlier guidance of INR4,000 crores.

Coming to capital raise, Max Estates has been able to build a corpus of INR1,300 crores through a combination of QIP, convertible warrants, and a strategic investment from New York Life Insurance in two of our core assets, Max Towers and Max House. This corpus will be judiciously deployed for business development and augmenting growth pipeline across Delhi NCR.

Now, let me shift to a detailed update on our WorkWell and LiveWell portfolio. First, WorkWell Experiences. Max Estates commercial portfolio includes Max Towers in Noida, which remains fully occupied with a lease rental income of INR 20 crores in H1 FY '25. Max House in Okhla, New Delhi, also has full occupancy in both Phase I and Phase II, generating rental income of INR7.5 crores and INR10.7 crores, respectively, in H1 FY '25. The Phase II of Max House, which achieved 100% occupancy in September 2024, with a leasing rental at a premium of 50% to 60% over micro market.

As far as Max Square is concerned, 0.7 million square foot development in Noida, it reached 93% occupancy with rental income of INR14.3 crores in H1 FY '25.

At peak occupancy for full year, the operational portfolio for commercial office will be yielding INR146 crores.

Now, coming to under construction projects, around 2.7 million square foot of portfolio is under construction between Max Square 2 on Noida-Greater Noida Expressway and one on Golf Course Extension in Gurugram. Both assets are located at prime locations in micro markets, accounting for majority of office leasing in Delhi NCR. The construction commenced in Q1 FY '25 for both assets and expected completion timelines are Q2 FY '28 for Max Square 2 and Q2 FY '28 and Q3 FY '29 in two phases for assets in Gurugram. The two together has annuity rental of INR310 plus crores at peak occupancy.

Moving to LiveWell experiences, we have built a total portfolio with development potential of 7.5 to 8 million square foot between Estate 128 in Noida, both Phase I and Phase II combined, Estate 360 in Gurugram and recently acquired 18.23 acres of land through joint development route adjacent to Estate 360 again in Gurugram.

Estate 128, the company's first luxury project in Delhi NCR has been fully sold, achieving sales exceeding INR1,800 crores with collection of INR441 crores to date and a construction linked payment schedule translating to 25% collection annually. The project is under construction and well on track to be delivered on time for possessions as per the commitment.

We expect to launch the second phase of Estate 128 post all approvals in Q3 FY '25 with gross development value potential of approximately INR800 crores. Estate 360 covering 11.8 acres is a joint development arrangement with a developable area of 2.4 million square foot. Within 30 days of its launch, we secured pre-sales booking value of INR4,100 crores and we have collected INR400 crores so far.

With this success, the company is revising Estate 360's 100% guidance to INR4,800 crores in FY '25 against the pre-launch guidance of INR4,000 crores. The construction is well on track to commence in Q3 FY '25. All our developments across WorkWell and LiveWell portfolio currently under construction are pre-certified to be LEED or IGBC Platinum ratings with deep focus on best practices of sustainability and health and well-being.

With this, I hand over the call to our CFO, Mr. Nitin Kansal for financial updates. Thank you.

Nitin Kansal: Good morning, everyone. Let me give you the financial highlights for the half year ended for FY '25. The consolidated revenue stood at INR81 crores in the first half of the current financial. The consolidated EBITDA stood at INR23 crores for the first half year of FY '25. There was a marginal loss of INR4 crores on a PBT level in the current half year. This was mainly due to the higher advertisement and sales promotion expenses to the tune of INR21 crores related to the launch of Estate 360 project. The total leased rental income combined of Max Towers, Max House, both the phases, and Max Square was up by 96% year-on-year to INR53 crores.

Max Estates services revenues to that facility management arm stood at INR19 crores in first half of FY '25. Speaking about our liquidity position, the debt stood at INR1,135 crores as on September '24, of which leased rental discounting are of INR784 crores. The cash and cash equivalents as of 30 September stood at INR1,734 crores, resulting in a net cash surplus for the organization of INR600 crores. Currently, we are a net cash company with a surplus of INR600 crores.

Now, I would like to open the floor for question & answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit Gupta from Fair Value Capital. Please go ahead. Hello.

Parikshit Gupta: Alright. Thank you very much for the opportunity and for the fabulous first half of FY '25. My first question is on pricing trends, especially in the residential market. We have all seen that NCR's pricing has been defying gravity and understand that there is ample demand. But do you see pricing trends moderating in the near or medium future, given the increasing competitive intensity?

Rishi Raj: Okay. I'll take that up. This is Rishi. I think very valid question. Three things on that trend. Number one, are we going to see very high double digit pricing growth in next one year? Answer is no. But what is more interesting is the following. If you look at what has happened in Delhi NCR, particularly Gurugram, a lot many new players have entered and pricing has been bunched up around INR15,000, INR18,000, INR20,000 per square foot.

What we are going to see over next, at least in our view, over next nine to 12 months is the phenomena of price dispersion will come back. Pre-COVID, in the same micro market, the pricing difference between grade A institutional corporate developer and rest was at least 2x.

That gap got enriched and we believe that gap will come back and players who are really focused on combination of location, quality and customer experience will see their price not only sustain but grow that further. That's our view on how pricing is going to shape up.

Parikshit Gupta: Very helpful. Thank you for answering. My second question is about one of the projects in the growth pipeline. I'm talking about the one in Noida with built up area of about 2.1 million square foot. If you can share this, is this somewhere in the Jewar Airport region because there has been a lot of activity in that area? So any thoughts of this project or anything in future that you might have on the cards?

Rishi Raj So, just to step back, as far as our growth strategy is concerned, we are very actively evaluating Gurgaon, Noida and Delhi. This particular opportunity is in Noida, more on Noida Expressway. As far as Yamuna Expressway and the vicinity of Jewar Airport is concerned, we are keeping a very close watch on the development on that particular stretch and also evaluating some opportunities, but those opportunities are not included here.

Parikshit Gupta: I understand. Just to follow up on this, if I may. Recently, we all came to know about the new Noida master plan which includes I think about 13% of the area demarcated for residential projects and about 8% of the area for commercial projects. Would that as a structural change or just like a structural addition would help Max Estates in further growth or is that something which is just a regular thing among development projects as they go?

Rishi Raj So, short answer is yes, it will help. If you step back and look at Delhi NCR and contrast Noida with Gurugram, one of the challenges in Noida has been the regular supply of land which typically comes through the allotment by Noida authority. The good news now is a lot of this legacy stuck projects are slowly and steadily getting restructured and turned around and Noida is now back bringing in some of these opportunities through the allotment process. In that context, this also will be helpful in bringing in more supply which actually will be helpful for Noida as a market and also for developers like us.

Parikshit Gupta: I understand. Thank you very much. I will rejoin the queue.

Rishi Raj Thank you.

Moderator: Thank you. Next question is from Vatsal Kothari from AlfAccurate Advisors. Please go ahead.

Vatsal Kothari: Hello, sir. Very good afternoon. Congratulations on a fabulous set of numbers and for of course revising the guidance upwards which is a very positive note for investors like us. My question is more on the macro side just from the industry perspective. If I just look at the inventory levels and the trends, so last quarter the available inventory in the NCR region was roughly around 86,000 units and currently the inventory levels are somewhat the same.

While I understand the point that price dispersion would come back which is similar to the pre-COVID levels, don't you think that we are moving towards a side of there's a bit of oversupply in the market given the number of launches which have been done by reputed corporate developers like DLF, be it Godrej, Century Textiles or any other such developers? So would just like to get your perspective in the context? And would also like to understand if the market has become more speculative than it was around two quarters ago, especially in the Delhi NCR region? Thank you.

Rishi Raj Again, an excellent question. We have shared our views on this particular topic and I'll recap here. I think a couple of things. If you look at Delhi NCR, particularly Gurugram, one of the anomalies or distortions that need to be corrected is over-concentration in the so-called luxury segment.

Compared to Pan India, which has 25%-30% in this particular segment, Gurugram has seen upwards of 65%-70%. I think again you will see a dispersion on that particular aspect and more and more launches will need to happen in the mid or affordable segment over a period of time to balance it out.

Now, from our perspective, we again see this as a positive trend which will happen in future because as far as premium and luxury is concerned, only the developers with the right mindset and the DNA and the focus on quality and experience will be able to cater to that particular segment. So, yes, to that extent, that distortion will need to be corrected, number one.

Number two, what also is of super importance and I'll be candid here is the velocities will be corrected over a period of time. I think we have seen past couple of years where everything got sold at launch. I think that all of us will need to be prepared and we need to embrace a strong launch and sustenance model and that's why we at Max Estates, whenever we evaluate new opportunity, we keep this in mind that residential is a cyclical business and when we underwrite an opportunity, we take a through cycle view and we assume strong launch and sustenance underwriting versus 100% sell at launch underwriting.

So a couple of those in addition to price dispersion that I talked about is what we are going to see. And in summary, what I call as or what we think is going to happen is you can say a phenomena in residential real estate as well wherein credible institutional corporate developers with strong balance sheet who can sustain the cycle, for them, the golden era, for them, the tailwind will continue and for rest, one will need to make adjustments in the model.

Vatsal Kothari: Understood, sir. So, just a follow-up question on that. So particularly in the Delhi NCR region, how do you see pre-sales growth going from here on for, of course, the A-grade developers like you guys, of course? And if we take a slightly longer term view, let's say 5, 6, 7 years down the line, what is the context or what is the kind of feel which you have on the ground? And do you think demand will sustain for the next 5, 6 years at these prices? Do you think the prices will remain intact or would just like to know your take?

Rishi Raj See, if you look at macro and micro parameters, the mid to long-term trends and the fundamental drivers of demand are all intact and we are very, very bullish. If you take care of location, product, and experience combination, we don't see any issue with respect to pricing as well as demand. I think one additional thing that one would need to factor in is, instead of bringing one size fit all product, which is what has happened over the last couple of years, we will really need to very clearly define product market segments and customize the product for that particular segment.

Say in example being, one of the reasons for a very successful Estate 360 launch was, for the first time in Delhi NCR, we brought an intergenerational product where one-third of the community was dedicated to senior living and that was one of the big drivers of very successful pre-sales as well. So, one would need to continue on some of those fundamental aspects and with that, we don't see any challenge with the pre-sales growth and the demand moving forward for players like us.

Vatsal Kothari: Understood, sir. Thank you and wish you all the best.

Rishi Raj: Thank you.

Moderator: Thank you. Next question is from the line of Krishna Shah from Ashika Stock Broking. Please go ahead.

Krishna Shah: Yes. So, firstly, congratulations on a great set of numbers. My first question is trying to understand the customer mix or the consumer mix that we're having on the residential side, like how many of them are investors or versus the first-time home buyers and are there any international or NRI buyers or do we have any offices set up in international places?

Rishi Raj: So, if we take the example of Estate 128 and Estate 360 to respond to that question, in Estate 128, a rough mix between end user and investor would be in the range of 60-40. As far as Estate 360 is concerned, as I said, one third of the community was dedicated to senior living. So, again, in Estate 360, one would say 40%-45% in total as end user and rest as an investor.

No, we do not have any offices set up in international market, but as we build our residential story, we will be tapping much more proactively in the national market through international outreach and campaigns.

Krishna Shah: Got it. So, this is helpful. And secondly, I would like to understand what is the total GDV including ongoing and the planned that we have for the residential business and what would be the construction capex and land capex as a percentage of GDV for the projects that we have?

Rishi Raj: So, if you look at, what we already have in our portfolio, if I exclude Estate 128 and Estate 360, which is delivered and what we have in the portfolio, we already have a gross development potential of INR11,000 crores-INR12,000 crores. And then, of course, we are actively looking at newer growth opportunities across Delhi, Gurgaon and Noida.

So, that's one. I think as far as your question, if I got it correct, you want to know what is the percentage of land and construction as a percentage of GDV, right?

Krishna Shah: Correct.

Rishi Raj: So, roughly, it depends on which model you go for. If you go for an outside purchase, between land and construction in total, you would have somewhere around 50%-60% as a percentage of GDV.

Krishna Shah: Okay. So, what would be the split like 40%-20%? 20% would be land and 40% construction?

Rishi Raj: Yes, it varies, but you can say that.

Krishna Shah: Okay, got it. And what would be the period in which we will be realizing these projects like from FY25 to FY29 or something like that? What will be the range? Will it be recognizing in our P&L?

Nitin Kansal: So, the way it functions is in the case of residential, the revenue is recognized at the time of possession. So, we can start expecting these revenues to reflect in the books of accounts starting from FY27-28 and onwards. But at the same time, we will start looking at advances from customers which can start giving certainty of this accrual of these incomes. If you see from Estate 128 perspective, we have already made collections of the first 25%, which is close to INR450 crores.

And the next installment is expected to come in the next couple of quarters. In the case of Estate 360, we have recognized sales of INR 4,100 crores. But the important part is that we have been able to make collections in excess of INR 400 crores.

Our payment plans are evenly distributed. In the case of Estate 128, we have got a plan of 25% each year, which makes it very equally distributed over the lifecycle of the project. And in the case of Estate 360, it is equally distributed in the form of 20*5. So, we can expect close to INR 450 crores approximaty coming from Estate 128 Phase 1 and close to INR1,000 crores coming every year from Estate 360.

Krishna Shah: Okay, got it. And the next question, if I may ask. So, like you mentioned that we secured a deal with a GCC, like an international player trying to set up a GCC in India. So, does our partnership with New York Life help source such kind of deals with international players?

Rishi Raj Yes. With New York Life, we do have a long pipeline. And as and when we need, we go back to New York Life, particularly if some of these companies are from US, to get their views and inputs on those players.

Krishna Shah: Okay, got it. Thank you so much. I will get back in the queue.

Moderator: Next question is from the line of Karan Khanna from Ambit Capital. Please go ahead.

Karan Khanna: Yes. Hi, team. Thanks for the opportunity. Just a couple of questions from my side. You see, you spoke about, you know, the potential pricing trends and the sales velocity expectations for the market. And given that about 55%-60% of your projects have been large, have been driven by investors, and the balance being home end users.

Now, with INR9,000 crores of development that you're seeing in Gurgaon, potentially in FY26 and 27, how should we think about the sales velocity moving forward, given that the Dwarka Expressway is also a market where current supply is outpacing the demand in that market?

Rishi Raj Thank you, Karan. So, as I explained, we are very optimistic and bullish on the takeoff of next round of development that we will be bringing on Dwarka Expressway. Actually, it is right at the cusp of CPR and Dwarka Expressway, a few minutes from NH8.

So from that perspective, location is very, very strategic in terms of connectivity to Gurgaon as well as to Delhi. And as I said, the way to look at is to do the right product market segmentation. And that's the view we are taking on a new development like Estate 360, bringing not only for senior living, for people in the age bracket of 40 to 55, but also consider carefully what kind of product young folks would need, people in the millennials category.

So once you do a very right product market segmentation, we are very, very bullish on the velocity and the takeoff of that particular product. But, of course, if you bring back a cookie cutter, one size fit all kind of product, those products will face challenges.

Karan Khanna: Sure. That is helpful, Rishi. Thanks. Second question, you have a word chest of about INR1300, INR1400 crores now. How should one think about the business development going forward? Well, you did talk briefly about the indicative pipeline, which is also part of the presentation, Slide number 20. What I wanted to understand is that when do we start seeing more announcements in terms of business developments out of this pipeline?

And just a clarification here, you mentioned in the slide that the aspiration is to add 3 million square feet of projects. So, by this you're meaning 3 million square feet out of this pipeline or 3 million square feet of projects annually?

Rishi Raj So, Karan, this INR1,300 crores will be deployed primarily for new projects beyond what we already have. And in terms of timelines, we are very positive to start deploying that starting from next 3 months to 6 months itself. And over a period of 12 months to 18 months, I look forward to deploy this particular capital to build out a portfolio across Delhi NCR. And this guidance of 3 million square feet per year as an indicative guidance is for per year. Now, this year, we have already crossed that particular guidance, but we are on the lookout of closing at least, if not two, one more opportunity.

Karan Khanna: Great. And lastly while you did mention that the resi part of the business is cyclical in nature, given that the indicative pipeline does not have commercial projects. So, how should one think about business development on the annuity side?

Sahil Vachani: Hi, Karan, this is Sahil. I'll come in here. No, absolutely. We are very keen to also grow the commercial business and if you look at our announcement that happened yesterday, where we finally got the NCLAT order for the acquisition of the stuck project, it's now taken us almost 6.5 years. There is a significant commercial component here and we have given a guidance that this will add approximately INR150 crores to our rental income portfolio. So, that in itself is a significant commercial acquisition and we will continue to look to scale our commercial and annuity business as well.

Karan Khanna: Great. Thanks Sahil, thanks Rishi and best wishes and greetings to the entire team.

Moderator: Thank you. The next question is from Neel Mehta from Investec Capital. Please go ahead.

Neel Mehta: Yes, hi, sir. Thanks for the opportunity and congrats on a great H1. A couple of my questions are already answered, but if I may just ask two. Firstly, on Estate 360, since we revised our GDV guidance upward by 20% what would that imply in terms of the launch price per square feet if we were to give a comparative sense in terms of premium vis-a-vis other peers in Dwarka Expressway?

Rishi Raj So, the Estate 360 launch price pre-tax is in the range of INR19,500 to INR20,000 per square foot.

Neel Mehta: And what would that be relative to other players in Dwarka Expressway?

Rishi Raj It depends who you benchmark this against, but if you take an average of that particular micro market, the average would be more in the range of INR15,000 to INR17,000. And I'm still talking about the select players and not all the players who are launching.

Neel Mehta: Got it. So and secondly in terms of the collection plan, I think Nitin mentioned that you would have a 20% installment plan in terms of collections for Estate 360 over five milestones. I just wanted to understand. So, overall, your collection policy would be depending on the project where you're launching it. And does that imply that the next 10% of collections for Estate 360 would be received in FY '25 itself, considering we've collected around 10%, INR400 crores?

Rishi Raj Yes, within FY '25 itself.

Neel Mehta: Understood. And lastly, more of an accounting question, if Nitin sir may answer. So, we added around INR400 crores of borrowings in our balance sheet in H1 25. And if I were to just correspondingly compare that against our asset side, I think most of it has been accounted for by an increase in inventory, which I'm presuming is for the resi business. But the understanding that we got was that you wouldn't really borrow much for financing construction. And this would mostly be CF loans, if you were to take that for commercial properties. So, is this sort of like a short-term bridge financing or what explains the rise in borrowings this financial year?

Nitin Kansal So, Neel, if you see currently, borrowing is close to 1,135 crores. And this has got primarily two components. One is the lease rental discounting which is close to INR800 crores and the remaining INR350 crores is an account of receivable discounting which we have done, which is very akin to a lease rental discounting also on the residential side. So, these two combined together, we have a borrowing of 1135 crores, but corresponding to that, we have got cash balance of close to INR1,700 crores which results in a net cash positive statement of INR600 crores in the balance sheet.

Neel Mehta: Got it. But the incremental borrowing that you mentioned as receivable discounting was primarily on the resi side. This is not for commercial. We have adequately funded the commercial projects in terms of their construction/

Nitin Kansal Yes, we have adequately funded the commercial side. The construction finance for the commercial side will come as we progress on the development of the project. This number is on the residential side. This number is incremental INR350 crores.

Neel Mehta: Understood. That's very helpful. Thank you.

Moderator: Thank you. The next question is from Mohit Agrawal from IIFL. Please go ahead.

Mohit Agrawal: Yes, thanks for the opportunity and congratulations on a great response to the new launch. My first question is on Estate 360 launch. So, could you talk about the Antara product that you launched in the Estate 360? How was the experience and how was the response to that product vis-a-vis a regular product? And is that now a strategy that is firmly in place that for all future launches, you will have say a one-third kind of a space allotted to senior living? This is something different that you do vis-a-vis other developers. So, if you could talk about that?

Rishi Raj So, Mohit, the response was very positive. As I said, this one-third senior living component, a large part of that - a large part of that takeoff was primarily for end-use purpose and that was also a big factor. And as I explained getting the product market segment right for a very successful overall launch of Estate 360.

Whether we will have one-third as senior living component in all the project or not, that will need to be evaluated because a lot of that is also a function of location and micro market, but in all such launches we will definitely explore the possibility and also explore the right product market combination and accordingly customize the product versus bring in one-size-fits-all cookie cutter product which has been one of the issues that the market has been facing.

Mohit Agrawal: Okay, understood. And you've given a guidance of INR4,800 to INR5,200 crores pre-sales this year. Is it fair to say that this will be a combination of 4100 that you've already achieved and a large part of the remaining will be met by your 128 launch that you're expecting in third quarter?

Rishi Raj So combination as we said, Estate 360. For Estate 360, we have revised the guidance from INR4,000 to INR4,800 crores. And as far as Estate128 is concerned, second phase, we are given a guidance of INR800 crores as gross development value potential. Between the two, we are saying we should be able to deliver in the range of INR4800 crores to INR5200 crores.

Mohit Agarwal: And for next year, the launch pipeline would be the entire INR9000 crores of the adjacent land parcel that you have acquired the joint development plus the Delhi 1 residential portion. Would that be a fair estimate? And what kind of pre-sales growth approximately that you'll be targeting for FY26 from that launches?

Rishi Raj So as far as FY '26 is concerned, definitely we will have that INR18.23 crores. As we have guided earlier, the INR9000 crores, we will be bringing that for launch in phases. So that will be part of FY '26. Delhi 1 will be part of FY '26. Our endeavor will be to bring one more product to the market in FY '26. As far as GDV growth is concerned, our endeavor would be to do a GDV growth of upwards of 15%-20%.

Mohit Agarwal: And my last question is on the pipeline that you've shared, the list of projects, right? You've also shared the stage. For one of the projects in Delhi, it's 4.1 million JDA. You're writing consortium for mission. Does that mean that it's very close to getting kind of formalized and announced? Or could you explain what that exactly means?

Rishi Raj So we have spoken about this project in the past. This is land that the promoter group has in Delhi, in Najafgarh, which is going through land pooling process. And that's the opportunity we are talking about. We are not counting that in the immediate, in the next six to 12 months. This is something which will add to our midterm to long term growth pipeline.

Moderator: The next question is from Krishna Shah from Ashika Stock Broking.

Krishna Shah: So I quickly wanted to understand one last thing. What is the going forward expectation of advertising and sales expenses that we are planning to incur year-on-year?

Nitin Kansal: So Krishna, what is happening currently, if you see what we're incurring on sales cost in Estate 128 & Estate 360, is in the range of 1% to 1.5% of the sales which we're booking. And this is for the entire duration of the project. So going forward, if you see whatever new launches, the cost will be in the range of 1.25% to 1.5% of the sales value.

Krishna Shah: And secondly, any plans to diversify in any other micro markets other than the NCR currently that we have just to diversify our risk and ride the wind there?

Rishi Raj So at this stage, the strategy continues to be Delhi NCR, which in itself has got more than three micro markets, Delhi, Gurgaon and Noida, and continue to build our residential and commercial portfolio. So at this point in time, at least in foreseeable future, we would continue with this strategy because we see a huge opportunity to consolidate and gain market share within Delhi NCR in both the asset classes.

Krishna Shah: Any pricing or premium do we experience in terms of other market players that are currently there in the market or in the micro market that we are in?

Rishi Raj Absolutely. So if you look at our commercial office portfolio, whether it is Max Towers, Max House, now Max Square, and if you compare to our lease rentals compared to what you see on an average in the micro market, we command and we continue to command 30% plus premium. And that's what we have also seen with Estate 128 launch, which got launched at INR18,000 per square foot and Estate 360 in the range of INR19,500 to INR20,000 per square foot. That is also a premium to the micro market.

Krishna Shah: And so these are build and sell commercial offices, is it?

Rishi Raj: No, these are all our commercial offices are built to lease.

Krishna Shah: And so what are the kind of margins that we are expecting EBITDA margins from the commercial or annuity portfolio?

Nitin Kansal: The assets which we have in Noida, we have an NOI from the industry parlance, we would be looking at NOI in the range of 95%, 96%. When we come to Delhi, because of the property tax implications, the number comes down to 91%, 92%.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.

Sahil Vachani: Thank you for all the time and interest in Max Estates. We look forward to speaking with you in the next quarter and wish you all a very happy Diwali and a safe Diwali. Thank you.

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