



Max India Limited Q2 FY22 Earnings Conference Call November 11, 2021

Moderator: Ladies and gentlemen, good day, and welcome to Max India Limited Q2 FY22 Earnings Conference Call. I now hand the conference over to Mr. Rajit Mehta – Managing Director, Max India. Thank you and over to you, Mr. Mehta.

Rajit Mehta: Thank you and good morning to all people on the call. Welcome. It's a great pleasure to connect with you. Particularly this quarter we feel quite buoyant because it's been an excellent quarter for Max India and Antara Senior Care. Before I get into number just to remind you that Antara had taken a bet on the senior care market quite early, in terms of market size it's a \$10 to \$12 billion market with value around Residences for Seniors, Assisted living, Care at Home and Medical equipment. We were quite uniquely placed given our background in healthcare, infrastructure, hospitality to bring all the competencies together to build a trusted and loved brand and an integrated ecosystem or platform for seniors. As you know on the demand side, India is a fast-changing demographic from 8% of a population being classified as seniors will quickly move to 20% over the next two to three decades. Also, in terms of health that seniors required, dementia currently stands at 17%. That's an understated number, same numbers for cardiac issues among seniors, for seniors who get hospitalized after hospitalization about 18% of them require some help or the other at home. For 3% to 5% of all discharges of seniors from the hospitals will require some Care at home or Assisted living services. So, that's on the demand.

We took a bet on four verticals. The first one was Residences for seniors where an early estimate told us there's about 200,000 units for seniors living in India. The supply was only 4,500 units, so this number will go up as we go forward. Over a period of time many marquee investors have entered the marketplace. There's increasing participation by real estate players. Some names like Godrej, Mahindra's for example have started to get interested in this space as well which is an indication of how exciting the space is.

Our first Residences for Seniors was Dehradun project, it was a pilot project where we created the facility, bought the land, did the sales and marketing and operated a facility as well. After COVID a solid push positively has happened on that side. The sales velocity has gone up, our collections have gone up, so that experiment augured well for us and the second flagship that we launched in Noida, a different format more affordable prices has actually done very well. As we speak in 1.5-2 years of launching the project, of the 330 units about 200 units which is about 60%- 70% of the inventory has already been sold. This facility is in Sector 150 of Noida which is a very marquee sector, it's a sport sector and many players like TATA, ATS etc. are in that sector and yet we continue to maintain a very healthy sales velocity. It's a great indication of both our brand as well as the services we provide for seniors.



Every year we are able to also increase the price selectively giving us confidence that this is the way to go on residences and having done these two facilities now is the time for us to scale up. Therefore, we are looking at NCR as well as outside NCR since we have learned from these two developments and now we have the flexibility to figure out which way we will operate from design to sales and marketing to operating that gives us the confidence. That's the first bet we took on Residences for seniors.

I'll come to numbers in a minute for each of these. The second bet we took was to create an integrated senior care platform. Seniors need help in terms of memory care, assistance in daily chores like feeding, bathing, mobility, medication, immediate care at home services or medical equipment to wait the recovery. We looked at three verticals, at this point of time very happy to report that we started building out this vertical way back now last year during COVID times we have about 300 people now working for this Antara Assisted Care Services vertical. We have served in H1 about 4500 patients. We have launched about 16 products and services. In fact, have the most comprehensive suite of services for seniors of about 70 beds today between Assisted living and Memory care. We also launched India's first mobile health checkup van. It's a fully fitted out van with X-ray, TMT, ECG, doctor consult so senior need not go to the hospital for an executive health checkup, that can be done at the convenience of his or her own.

We also launched the memory care offering. On the medical equipment side, we have got 800 products and 3000 SKUs, a very robust backend is in place in terms of operations both clinical and nonclinical logistics. The validation of that lies both in numbers as well as the customer satisfaction scores that we have been logged in. As a result of all this in the last 2 years we've also noticed that more and more people are investing in the sector which is great vindication of the early bet that we took on. Hopefully the market will expand as well. In the end I will say in terms of our vision, we are becoming a loved and trusted brand, catering to lifestyle, wellness and care needs of seniors. That's as far as our vision, our story and the bet we took both.

Now let me come to number as well. If you look at Max India consolidated, we have actually done 2.5 times the revenue, we are now at Rs 143 crore for H1. Our EBITDAs turned positive as compared to last year same time. We are now Rs 7.3 crore positive versus a loss of Rs 10.8 crore. Our capital reduction scheme also is on track. NCLT has already done the hearing and by February 2021 we should get the approval as well. As we promised by the end of this financial year the capital reduction exercise will be complete on that side as well.

On the results for the vertical of Antara Assisted Care; on Care Homes, our net revenue of Rs 2.2 crore in H1 FY22 which is about 6 times compared to last year and 6% q-o-q growth. On Care at Home; net revenue about Rs 6.2 crore which is again a growth of 17 times compared to last year and 25% q-o-q (excluding the COVID services revenue) because in the first quarter of this year we did get a lot of COVID services revenue as well. On Medical equipment, we have net revenue of Rs 2.2 crore with a positive margin and that's about 32 times growth of last year and 2.5 times growth on q-on-q (excluding the COVID services revenue). That's the growth on the Antara Assisted Care.

On Dehradun we have sold about 157 units of the 197 inventory that we have. Our sales collection as of September stands at Rs 449 crore. We had a non-core asset as a land that we had thought we will build more if needed. We have monetized that land, the net profit of Rs 6 crore as well. Therefore, we have been able to through



this prepay a debt of Rs 22 crore. As we speak today the debt is about Rs 42 crore outstanding. The rest has already been prepaid.

On Noida; till September we sold about 196 units. The sales collection of Rs 50 crore and the construction work for phase one has already started. Those are as far as the numbers for Max India consolidated, for Residences for seniors, for Antara Assisted Care as you can see a very healthy growth. This sets us up for scale up now in terms of our vision which we had said last time is to look at 35 to 40 Care Homes, 3 to 5 communities Residences for senior, Memory care home, Medical equipment business therefore clogging the revenue of about Rs 500 crore over the next 5 to 6 years. We are well on track for playing out that vision as well.

So, in summary; we are all set now having taken a very early bet of a senior health sector which I said is a \$10 to \$12 billion sector therefore creating an integrated system. We are the only company in India which is creating an integrated platform for seniors. There's nobody else. Everybody else is part of the value chain. We're the only ones doing the full value chain because we realize there are tremendous synergies, for example in Dehradun all the health care services will soon be provided by Antara Assisted Care Services. Wherever we set up communities all the healthcare services will get run by Antara Assisted Care. There are sometimes many people will come into our Care Homes who want a long stay option beyond 2-3 years therefore look at moving to Dehradun and Noida as well. That synergy will also play out on the technology, staff etc. is also part of the game. Therefore, we are quite convinced of the bet that we took to build a loved and trusted brand and integrated ecosystem for seniors.

We remain committed to offer an exit opportunity to shareholders who desire to do so through a capital reduction process. That process as I said is on the way and will get complete by the end of this financial year as we had promised. At this point of time, we have adequate liquidity to support our growth aspirations. We have about Rs 391 crore as a corpus, out of which about Rs 200 Cr is for the Antara Assisted Care Services, Rs 92 Cr allocated for Capital reduction and the balance is for the Residences that we will build outside NCR. So, on that note thank you once again ladies and gentlemen for joining the call. I'll stop here and happy to take any questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line Anant from Newport.

Anant: My question is, if you look at the business composition, obviously the real estate part is the major part and the other three parts that you have talked about are going to be almost like a startup space and the same is expected in the revenues as well. I am confused that it's a very-very bullish space that we're looking at over the next 10 to 20 years and it can grow very fast but in the next 3 to 5 years, is it fair to assume that the profits, revenues and margin and cyclicalities will sort of get driven by the real estate part of the business because the difference in revenues between the real estate and Assisted care seems to be so large that it will take at least five to 10 years before it starts making a meaningful impact. Is that a fair assessment of how one should look at Max India?

Rajit Mehta: Let me just help you there and ask my colleague Vaibhav and Ajay to add as well. So, particularly for that reason we had said that the Antara Residences business is part of Antara Senior Living and Antara Assisted Care Services is a wholly owned subsidiary of Max India. As far as residences is concerned obviously the revenue and the costs are lumpy and it takes 4 to 5 years. We have an IRR mark-up of 17%

is our benchmark of what we want to achieve of 20%. However, on the Assisted Care Services there's a mix of services which is basically Care at Home, Care Home /Assisted living or memory care is a real estate enabled product where people come and stay for long-term or short term. So, in memory care mostly it is a 1 to 2 years average length of stay, for care home it varies between 2 weeks to 3 months to 6 months. So, it's not just a service we provide there. It's also enabled by real estate. Obviously, all the services of wellness, physiotherapy, home-care etc. are priced in. On the medical equipment side, it's a product led business while the services of after sales services where it's a product led business. So, it's a mix actually and therefore we are saying that in the next 5 to 6 years we are outlooking a Rs. 500-crore revenue all these three lines.

Anant: Let me just understand, suppose 5 years from now, if we split the business only between the Dehradun-Noida kind of business that you are doing. If you split the revenue 5 years down the line between the sale of homes business versus everything else that you're doing in terms of care at home or home-care and stuff. What would be the split, if you could just help me with numbers.

Rajit Mehta: These are all indicative numbers; I can only give you a broad range. So, if you look at residences for seniors, we are outlooking potential to about Rs. 400 crore cumulative revenues by year 6 and on the other hand Assisted Care will have top line of Rs 500 crore by year 6.

Ajay Agrawal So, Anant just to answer your question. This is Ajay. See the idea is there are two separate arms what Rajit sir wanted to mention that there are two separate arms while yes real estate is a constant thing which is happening. We have a very streamline growth trajectory towards that. The assisted care is a very fast replicable model and that's what the plan is. That's the reason if you remember we have done that. It's an asset light model. So, in a real estate that turnaround time is approximately 4 to 5 years for one project. There's a JV partner. While you see that the turnover is very high the IRRs remain to 17%-18% only from a stakeholder's perspective. While the aspiration in Care at Homes, Care Homes is that we'll achieve an IRR approximately 22%-23%. This business model is highly replicable that to expand it exponentially is very easy to do. That's the reason why you will see our 5 years trajectory is Rs. 500 crore from assisted care while my real estate at a steady state will give me cumulative revenue of Rs 400 crore by year 6. In a short-term basis of 3 to 4 years, we see an equal kind of a turnover from both the businesses.

Anant: This is very interesting. I don't think I realized this, so you are basically saying we have shifted care part and scale up so far that in 4 to 5 years you could actually match the residential.

Rajit Mehta: Yes. That's the intention.

Anant: Yeah. Just a one-line feedback on this because if this is going to happen it is extremely positive from Max shareholder's point of view because it actually reduces the cyclicity of the business and when the cyclicity of the business goes down, I think the valuation would look up. So, I think a very interesting perspective that you have shared. Thank you so much.

Moderator: The next question is from the line of Chaitanya Shah from Aditya Corporation.

Chaitanya Shah: Do you expect the value of the apartments that you sell to be Rs 400 crore or do you expect the fees that you get as a development manager of the project because I



understand we work on an asset light model? So, just wanted to understand when you say 400 crore what exactly do you mean by that?

Rajit Mehta: The last question we heard was you were talking about the real estate revenue saying it's a DM model, so what the 400 crore represents, am I right?

Chaitanya Shah: Yeah. Correct.

Rajit Mehta: I think it's a combination of sales realization our share. Whenever we go into a partnership with a landowner, so our share plus the fee income that we earn on operating the facility that's combination is a Rs 400 crore number.

Chaitanya Shah: So, given the response that you're getting in the Noida project, what is your assessment and given how the real estate market is also doing right now, what is your assessment in terms of how quickly you can expand outside of NCR? Just your take on it.

Rajit Mehta: We are quite close to signing up one more project in NCR which will happen. I think in the next 12 to 18 months from now there should be at least one or two more projects outside NCR that we will look out for.

Ajay Agrawal: We have a focused geography strategy wherein as Rajit sir explained that we want to be a one service provider for all the services. We want to focus geographically expand and that we always keep in mind once we are going away from NCR.

Rajit Mehta: So, what Ajay is meaning is when we look out for residences for seniors outside NCR we will also make sure other businesses find that geography also conducive to expand. We will expand like an integrated system as we go along.

Chaitanya Shah: I also wanted your take on the assisted care business. After the international travel opening up, my assumption is that the medical tourism part will also start kicking in. So, for the next 1 or 2 years, do you see the demand going up exponentially because lot of surgeries would have been put on hold and medical tourism is virtually non-existent even today. How do you envisage the demand and how quickly can you scale up in the next 2 or 3 years?

Vaibhav Poddar: I absolutely agree. The international travel is going to create a lot more positive demand for the Care Home business. But just to also add, given out of the private hospital network by evolving in the big cities they also see a lot of drainage from other cities, the domestic medical tourism is also picking up. The demand for that Care Home business is not only likely to come from the international tourist or international medical tourism but also from the domestic medical tourism because all of these people require pre- and post-surgical stay with medical care in the place where they might be staying. What we have done in the last year is since this is a new category that is being built in India given the three pilot centers that we had run, we are very comfortable in terms of what it takes, how it runs the economy and we are very confident that we will be able to scale this model up very quickly in the next 12 to 18 months.

Moderator: The next question is from the line of Anant from Newport.

Anant: My question is a little bit about, what I perceive could be a social stigma about Care Home because I would imagine in an Indian society even relatives are closer to each other and everybody in the building is also trying to peek into your house. How does



this work in terms of some family trying to keep their parents away in a Care Home? Is there some kind of a social stigma around this about why we not want to keep your parents at home and take care of them over here or either from the relative side or from the people, neighbors' side, all of that or typically what is the timeframe for which somebody comes and stays in your Care Home or what are the kind of profile of people who opt for your Care Home? I am just trying to understand the social octave there.

Vaibhav Poddar: To explain the customer profile for our Care Home, there are three very specific propositions that we have. First proposition that we have is a short-stay. Short stay is mostly for people pre- and post-surgery or for rehabilitation where they come in for a shorter duration opt from 15 to 30 days. The social stigma on a short stay is non-existent right because this is a very demand driven. People who need it, they need it and they come and since it's a short stay we don't see any social stigma on this. The second category for our Care Home is Memory Care Home which caters very specifically to elders and patients who are suffering from memory related ailments. In these cases, if you really understand the clinical side of it after a patient crosses Stage 1, they are in Stage 2 or Stage 3. It is practically impossible in 90% of the cases to manage the patient at home. And this demand itself is increasing significantly. While there might be a level of stigma but clinical or the practicality of keeping such patients at home is really low. We don't even see the stigma part playing out on this part. However, rightfully to your point there's a third category of our patients which is long-term patients. These are patients who come into our Care Home for a period of 3 months to over a year as well. These are elders who can't be actively managed at home or they need some level of support and in this category, we do see social stigma. However, the COVID pandemic over the last 2 years has made it a lot more acceptable in the society especially in the cases where the children are not staying with the parents; maybe in a different city within India or even internationally. We do see social stigma playing a part on the long-term patients but given the pandemic I think it will improve. And from a product perspective, we have ensured that our Care Homes do not look and feel like an old age home. So, even if families come, visit and see whether this is suitable for their parents, they do feel extremely comfortable in doing so. Just breaking it down into three categories and answering your question on how the social stigma and the society is likely to evolve.

Rajit Mehta: It's also a geographical phenomenon so in the South and West there's much less stigma, in the North there could be some. Second interesting fact, I will give you. We did a survey about 1.5 years back of 3000 seniors in Mumbai-Bangalore and Delhi and to our surprise we found 77% of the sample size people staying alone which was not the case a few years back. The erstwhile or quick essential in a joint family system also has broken down. To some extent these things are neutralizing, what could be a stigma on long stay in North India particularly.

Ajay Agrawal: The experience what we felt about people who are, children were staying abroad or the parents who are staying in India having a substantial good house but then still they wanted that medical attention still not there. They actually favored to shift them to the assisted care facility to have the full facility and med care to their parents.

Anant: And a similar question for the real estate part of the business which is Dehradun Noida and stuff. So, what is the profile of your clients there? I wish the children who are staying abroad buy apartments for their parents there or is it that parents who have done so well in their life, now they have money and therefore they opt to stay into such a facility where all these amenities are available to them?



- Rajit Mehta:** So, I think Dehradun profile and the Noida profile are slightly different. Dehradun profile there is primarily seniors have done very well. Most of them the children are outside, the city or in or out of India are looking forward to a community where there is no hassle, there is safety, security and medical services if the need be. So, that's the kind of profile. These are people who have been Board Directors, CEOs, bankers, high network individuals on the Dehradun side. On Noida it's a very interesting profile. It is again people who are between 50 to 60 years of age who are booking the apartments as of now, at this point of time belong to upper-middle class and are wanting to stay in secure environments post their retirement. Those are kind of profiles in Noida and Dehradun.
- Ajay Agrawal:** And just to statistically help you, in a Noida market, you are aware that the 20:80 ratio where in 20 is a direct sale and 80 is a broker sale meaning the investor is more in that 80. Interestingly in our sales today, as of today we are having a 50:50 ratio. So, 50 is our direct sale and that clearly means that there are people who wants to stay in the community rather than they just want to invest and take the price appreciation benefits and that actually accentuate our theory of Seva and the need on the seniors for a good community.
- Anant:** For this real estate part of the business; is the cyclical of the general real estate sector in India also reflects in how this business works for us or this is more secular because of the medical angle to it? Because real estate of India was in a slump for the past many years. I am just trying to understand whether this business will be similar to the real estate cycle or it will have its own secular tone to it.
- Rajit Mehta:** I can't deny. There will be an impact but there will be other factors as well. For example, as Ajay outlined, after COVID we have seen an acceleration of sales both in Dehradun and in Noida because people did realize the value of particularly in Dehradun, our first community. So, while there is an impact people generally want safe and secure, hassle free living with healthcare services will look out for such facilities.
- Moderator:** The next question is from the line of Ankur Jain, an Individual Investor.
- Ankur Jain:** My question is, generally cities like Bangalore are more seen as a retirement house or retirement city and you have set up this real estate, the main project is in Noida. Are you also looking to expand in cities like Bangalore or and plus any how you have mentioned that the stigma related to such facilities more in North? Whether you have certain plans to move to Bangalore?
- Rajit Mehta:** So, as I said, we have plans to expand in NCR and go outside NCR and the West and the South cluster which is Bangalore-Hyderabad-Mumbai-Pune. For Antara Assisted Care Services in the next 12 to 18 months definitely will find us as the one of the cities and so will be in the residential side. After next 12 to 18 months, we will be in some of these cities as well.
- Ankur Jain:** I have other question. Maybe I think it is related to last quarter. So, I was seeing your finances and find that we paid around Rs 5 Cr as severance pay for Max Skill First Limited and in this quarter, there is an update that we as selling it on slump sale basis for around Rs 0.5 crore. So, to whom actually we have paid this severance and then what is the point of selling it at Rs 50 lakhs?
- Rajit Mehta:** So, Max Skill First had many verticals. It was a basically a learning and development organization serving captive audiences in terms of training needs for particularly for sales and service and in a small vertical of Allied healthcare services where they

were doing diploma courses for x-ray, technicians, phlebotomist etc. The company got wound down because as the organizations they were serving started to go in base level, there were also some concerns raised by regulators on related party transactions. We took a view to close down the organization therefore there were some people whom we could not absorb otherwise others went to the clients. For example, they were serving Max Life, Max Healthcare, Max Bupa, all the trainers went to those accounts where the 7-8 people left for whom we paid the severance. We allied healthcare diploma course which is about 200 students is the one that is being sold to Max Health Care. Now that was a very small fee-based model and therefore the value Rs 50 lakhs is appropriate for it. Only a very small part of the Max Skill First. That is what going to Max Health Care now. Otherwise, the rest has been wound down and therefore severance was paid to people for whom we couldn't find appropriate opportunities.

Ankur Jain: The segment what we have sold how much was the annual revenue?

Rajit Mehta: I don't recall, very small so about 200 students and there are hardly a few lakhs

Ankur Jain: And what we find 5 Cr of severance pay I mean it is a very large chunk of your employee benefit expense for a quarter and generally any severance say any company would be 2 to 3 months' salary. So, whether these were senior people where we paid 1 year or I mean similar amount to them or it is just 2- or 3-months' salary.

Rajit Mehta: No there were very senior people who have been with the group for over 16-17 years. There are 7-8 of them and therefore the amount was what it is. Including the CEO of the business.

Moderator: I now hand the conference over to the management for closing comments.

Rajit Mehta: Thank you very much for all your question. As I said, Antara has truly taken a bet on a sector which is fast evolving, very large market size, changing Indian demographics and needs and across the verticals of independent living, Residences for seniors, Antara Assisted Care Services comprising Care Home, Care at Home, medical equipment. As you can see from the results we are tabling it's been a very healthy growth. The bets are playing down, whether it is sale in collections in Noida or Dehradun or is the revenue growth in Assisted living, Memory care, Medical equipment or Care at Home, aggressive plans to expand in the future across three clusters of NCR, West and South. And just to end our promise of capital reductions stands and by the end of this year will have met that promise as well. Thank you very much for your questions, for attending the call and look forward to your ongoing support.

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

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