



# PROVOGUE

ANNUAL REPORT 2008-09

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We believe in dreams

Dreams spawn ideas that when well researched and executed give rise to the businesses of the future. We want our Company to respect the dreams of all our stakeholders, especially our customers, and to help turn their dreams into reality - to live your dream.



## CONTENTS

05	We're more than just a brand
06	Letters to Shareholders
10	Our Vision
11	Corporate Information
12	Our Legacy
13	Our Philosophy
14	Retail : Our DNA
16	Our Business Model
17	Our Business Units
18	Provogue
20	Promart
22	Prozone
24	Board of Directors
26	Joint Venture Partner
28	Financial Highlights
30	CSR Programmes
34	Notice
36	Directors' Report
40	Management Discussion & Analysis
43	Corporate Governance Report
51	Auditors' Report
54	Financial Statements
81	Consolidated Financial Statements



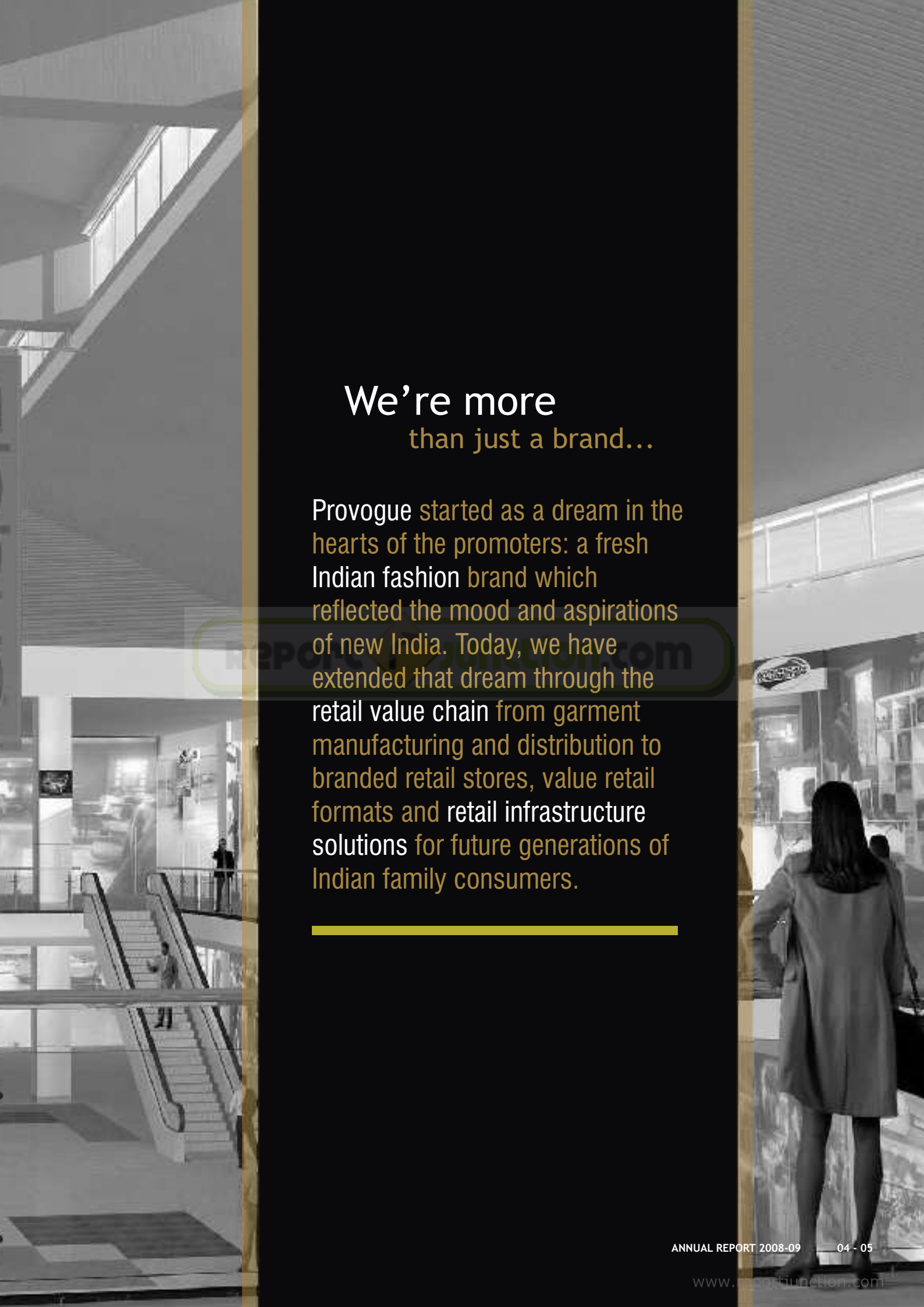


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## We're more than just a brand...

Provogue started as a dream in the hearts of the promoters: a fresh Indian fashion brand which reflected the mood and aspirations of new India. Today, we have extended that dream through the retail value chain from garment manufacturing and distribution to branded retail stores, value retail formats and retail infrastructure solutions for future generations of Indian family consumers.

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“ I'm confident we will emerge even stronger through accelerated learnings from the impacts of the global economic slowdown ”

**Dear Fellow Shareholders**

It is a pleasure to address you again after what has been a watershed year for world economies and Indian retail in particular. The fall off in consumer confidence following the international sub-prime events of last September and the collapse of some of the world's most revered business institutions, was further affected by the terrorist attacks in Mumbai on 26th November. As a result, the general retail performance in India in the second half-year was well down from earlier expectations. However, against this difficult economic backdrop, your company was able to close the year 7% up on revenue and 13% up on PAT from the previous year.

We must not minimize the challenges that lie ahead of us after the events of the past year, but India has withstood this crisis well and the local market's reaction has, I believe, been less on any shift in our economic fundamentals and more on a sentiment to the global economic slowdown. GDP growth remains over 5% and economists are predicting it will climb back to over 7% for the next 5 years, which would make it one of the highest amongst the world's leading nations. Domestic consumption, approximately 65% of present GDP, is intact with retail, the primary driver, representing over 60% of the story. Add to this inflation rates less than 1%, interest rates expected to fall below 10%, a strong and conservative banking system and a newly elected and stable pro-growth government for the next five years and India remains an interesting destination for development.

I'm confident we will emerge even stronger through accelerated learnings from the impacts of the global economic slowdown. Our strong balance sheet with a low debt to equity ratio and high liquid reserves means that we are well positioned to ride the tides of these economic cycles and to take advantage of opportunities that may arise.

**Nikhil Chaturvedi : Managing Director**



## LETTER TO SHAREHOLDERS

Corrections to the real estate market have resulted in a reduction of retail rents, which are offering both of our retail format businesses, Provogue and Promart, more viable locations in a wider number of markets and which will enable us to accelerate the roll-out of both business units. The Provogue brand is now 10 years old and in the midst of a significant investment to prepare itself for the next phase of growth. Value retailing is in strong demand and increasingly in focus, so the launch of Promart could not have been better timed to capitalize on this high volume mid-consumer segment for fashion and lifestyle products.

Success in the evolving retail real estate market in India will be determined by a combination of knowledge, input costs, interest rates and the supply/demand equation. Our joint venture with Liberty International Plc continues to provide us enormous benefits from accelerated learnings in design, infrastructure planning and execution of our shopping centres. Commodity prices of cement and steel have seen corrections in the second half-year through an increase in India's cement output and a general decline in demand. Inflation is in decline and we should therefore expect interest rates on construction debt to fall. Restored confidence in India's consumption story is increasing demand from retailers for quality trading platforms as their need for more locations increases. On the supply side, the financial crisis has resulted in the exit of many peripheral players especially in the Tier II sector, which has created a void in these markets. Retailers are showing a propensity to now only invest in well-designed malls that will deliver value as a location, all of which reinforces our Prozone-

“ I believe that in times such as these, companies that stick to their core values and focus on their core business can emerge as industry leaders ”

Liberty strategy to be the long term dominant quality player in every market we enter.


In acknowledgment of the more cautious consumer sentiment, we have adopted a market-led phased development strategy for our shopping centres, which will ensure that space is delivered as required to maintain the shopping experience while optimizing long-term value.

I believe that in times such as these companies that stick to their core values and focus on their core business can emerge as industry leaders. Through continually investing in our skill sets, building strong teams and remaining specialists in each business unit, we are determined to be the leading player in every category in which we operate and optimise value creation for our shareholders. We were fortunate to have raised significant funding prior to the events of last year and as a result our present good cash reserves puts us in a position to create a strong future. This confidence in the company is reflected in our commitment to reinvest through the share buy-back initiative that we announced in August 2009.

On behalf of the Board, I'd like to thank all our stakeholders - our investors, our suppliers, our partners and our employees - for their unfailing support of our Company. We have stood the test of our first decade, which was marked with many challenges and opportunities. As we enter the next decade there is a new air of caution in the market. The lessons learnt so far will help us deliver sustainable growth and I'm confident that we will deliver even greater value to our shareholders in the years ahead. I look forward to a great future for India and for our company.

Sincerely,

Nikhil Chaturvedi  
Managing Director



“... brands, well-built and well-stewarded, outlive people and buildings and products and create value for generations to come ”

**Dear Fellow Shareholders**

We have lived through some of the most extraordinary times in our history this past year and I want to begin by saying that our belief in India's fundamentals has never wavered. Despite the economic turmoil, organised retail growth remains high at 15% p.a. which is the principle foundation for our business.

Our business model of a balanced portfolio of retail-centric assets is built upon our core skill sets and experience that combined will produce superior margins, realize synergies and withstand the test of time. At our core we are brand builders. We devote significant time and resources to research, proving and perfecting our brands in the knowledge that brands, well-built and well-stewarded, outlive people and buildings and products and create value for generations to come.

We had a relatively flat year due to the general economy but growth of new categories has been encouraging. As we move ahead we will ramp-up new store openings due to more sensible rents and with manpower costs now in check. Corrections in the economy forced us to look hard at systems and to bring all costs under control. Having started the retail store build up so early in 2001 we have not been forced to add new stores at the peak of the market, a luxury not available to brands that entered the market in the last two years.

Our accessories business has grown significantly and we look forward to introducing other non-core categories through joint ventures and licensing, with some of the best in their field ready to partner with the Provogue brand. Add to this a plan to launch the wholesale business, which in conservative times like these provides a direct impact to both the top and bottom lines by

**Salil Chaturvedi** : Executive Director