



PROVOGUE

FUELED BY PASSION

ANNUAL REPORT 2011

If you can dream it,
you can do it.





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Fueled by Passion

Provogue is an integrated retail business driven by a passion to excel beyond the norm, beyond the expected. We believe in our dreams and our ability to turn them into realities. At the heart of the business is a vision for the future. We create brands to meet the needs of today and tomorrow.

Letter to Shareholders

Dear Fellow Shareholders

It is my pleasure to address you again. This was a landmark year for Provogue in which we launched the first Prozone Mall at Aurangabad, revamped our Provogue retail network and geared up for an exhilarating future in India's booming retail environment.

India is rated as one of the most attractive investment destinations across the globe. Total retail sales are expected to double from approximately US\$ 400 billion to US\$ 800 billion by 2015. These underlying trends, powered by population expansion and increasing personal wealth are the key drivers.

India has 17% of the world's population on only 3% of the world's land mass and we're witnessing the fastest urbanization in history. Because land mass is finite, this is creating a huge opportunity in housing and retail space is becoming more expensive.

India is home to 25% of people under the age of 25. At present 67 million of our population are online, and this number is expected to climb to 240 million within 3 years. In an environment like this, a brick-and-mortar platform should be complimented with a strong ecommerce strategy, supporting each other.

Provogue

The economic downturn in 2008-09 meant a large number of corrections were needed. As economic conditions improved a host of new international fashion brands entered India, increasing competition for the consumer wallet. The urban youth segment in particular has increasing spending power and more options. We are addressing these challenges methodically.

We've launched a new brand identity; re-signed our leases for a further period of 9 years; reassessed all our stores, opened new ones and closed those in outdated locations. We've upgraded our in-store experience and are undergoing a massive refit program across the country. We've focused hard on product design, quality and the supply chain to ensure we meet international standards of excellence. Provogue

is now available in 145 own stores and 140 shop-in-shops in 74 markets pan India and we will open over 30 stores in 2011-12.

The new LIVE MAD campaign built a bridge between where we were and where we're going. It's about having a dream and the courage to make it reality, designed to appeal to the passionate, ambitious youth of new India. I'm delighted by the successful response we've received and we'll continue to build upon this positioning going forward.

Prozone

I am happy to announce that in an environment that was reasonably tough, we opened the Aurangabad Mall as per the revised schedule. The beginning months of any mall are the most testing and answer your fears about whether you've been ahead, with or behind the market. We are pleased to report that from a slow start of opening with just 14 stores the centre is now trading with over 100 stores. We are encouraged by the performance of the centre and overall the product has received resounding acclaim in terms of its design and finishing quality.

The important thing is to make sure that our retailers are successful. This is our mantra and our driving force at Prozone. With an experienced mall management team in place, supported by 30 years of knowledge and experience from Capital Shopping Centres Group plc, UK, our focus now is on driving footfalls and ensuring an enriching, valued and safe environment for our shoppers.

In our mixed-use model we have announced the launch of our premier commercial office project for Aurangabad, to be constructed above the mall spanning two towers with first class amenities. The initial response has been overwhelming.

Seeing the surge in demand for housing in Tier II cities across the country, the company has decided to accelerate the residential developments in Coimbatore, Nagpur and Indore. Indore will lead the way with the vision to create a township with all modern amenities on the lines of successful international residential developments, consistent with the image of the Prozone Capital Shopping Centres brand.

“ in a dynamic market environment, companies must prepare for change and evolve new strategies driven by experience and fueled by passion

Financial Performance

We closed FY11 with total revenue of INR 583 crores, 12% up on the previous year and PAT of INR 33 crores up 18% over the previous fiscal. Overall, I am satisfied with the performance, against the backdrop of increased spending on retail fit-outs and negotiation of new rental agreements, which form the backbone for future growth.

In Appreciation

Just as we recognize that people are our core assets, we also know that fortune does not come to everyone. We continue to support causes for Special Children in India through our corporate social responsibility program and have extended our reach to other causes committed to the less fortunate in our society, particularly focused on children and the elderly.

And finally, my sincere thanks as always to our employees, our shareholders, business partners, and vendors and, of course, our customers for your unwavering support. I look ahead to the future with the same fervor and energy we had when we started the Company. Now seasoned with the experience and learnings of the past, we have an ever-unfolding range of opportunities ahead of us. This is the environment in which we thrive. Driven to Succeed; Fueled by Passion.

Sincerely,

Nikhil Chaturvedi
Managing Director



Letter to Shareholders

Dear Fellow Shareholders

This year witnessed new realities emerging in both the retail and retail infrastructure sectors in which we operate. Fashion retailing in India has matured as international brands enter the country enriching the customer offer and forcing many local brands to evolve their traditional strategies. In the shopping centre space, the shakeout of developers has left only a few specialist players with proven concepts to set the stage for the future

The Prozone Aurangabad Mall opened in October 2010. We faced initial challenges common to the start-up phase of such large scale developments, but the mall's trading performance continues to improve with an average of about 50,000 visitors every weekend. We've also re-launched the identity of the Provogue Brand in an increasingly competitive fashion market.

A single year doesn't define a Company. 2010-11 has been a tough ride; we are determined to do better and I believe that we are well poised for the future. Fundamentally, we remain focused on two critical areas; growing businesses that are both scaleable and sustainable, and optimizing value to all our stakeholders.

Where We Are

At Provogue, we're delighted that Sonakshi Sinha is our new brand ambassador who, along with superstar Hrithik Roshan, has helped us in cementing strong connections to our target youth consumers. The launch of this year's LIVE MAD campaign has received resounding acclaim.

In recognition of new India's belief in their dreams, with the courage and passion to make them a reality, we developed the new Provogue positioning to align us with this underlying thought. Transcending beyond fashion to a deeper emotional connect, our copy "Not why, why not?" typifies the ethos.

To support the campaign, we've evolved the in-store experience at new locations and are upgrading all our stores with new fit-outs. We've launched a premium watch collection and, whilst just a small beginning, we see great potential. With a pan-India platform of new locations and a strong team in place, we look forward to a continued roll-out into new territory.

In Prozone, the Aurangabad Mall has been acclaimed as ahead of its time in terms of design and overall customer experience and has been warmly embraced by the local community. Now that we're operational, we've been able to restructure our construction loans, migrating these to Lease Rent Discounting at lower rates of interest. Having established our credentials with the proof of concept in shopping centres, we've launched our first commercial offices with the Prozone Trade Centre in Aurangabad that has also met with a great response.

All our land banks are fully equity funded and with permissions in final stages at our other locations, we can forecast the beginning of monetization of these assets in the year ahead. With high demand for middle-income housing, especially in Tier II cities, we intend to launch high-spec lifestyle communities, starting with Indore, creating premium residential addresses, designed inward-out, at each of our locations.

We have assembled an excellent team for these alternative asset classes distinct from our existing Shopping Centre specialists. Expertise in design, architecture and sales & marketing are in place for the launch into residential, commercial and hospitality segments as part of our retail-centric, mixed-use model. Our JV with Capital Shopping Centres Group plc, continues to provide us with invaluable experience as we develop these initiatives.

Where We're Headed

In 2010-11 India experienced high interest

“ an eventful year; with challenges and achievements in both the businesses – a year representing an inflexion point to higher growth

rates, increasing inflation and low liquidity impacting both our business verticals. We've had to dig deep to reposition the Provogue upgraded store fit-outs. In addition we were hit by higher input costs, mainly due to record high cotton prices. Fortunately, however, all these influences are cyclical and have been shown to correct themselves in the past.

The domestic environment remains conducive for growth with consumption projected to grow by 7.5 per cent and GDP above 8 per cent in 2011-12. India is said to be the second most attractive location for FDI, attracting equity inflows of circa US\$ 200 billion last fiscal. With the Government considering FDI reforms for multi brand retail, the retail industry would likely see a fillip on its already healthy growth numbers going forward.

It was an eventful year, flush with challenges and achievements in both the businesses and one that we will remember as an inflexion point to higher growth. In a sense we've only just begun, and we're passionately committed to an improved performance going forward.

My sincere thanks to all our stakeholders - our internal teams, our business partners and each one of our shareholders for their unfailing support. I am looking forward to us being together to reap the benefits of faith in our shared vision for an exhilarating future.

Sincerely,

Salil Chaturvedi
Deputy Managing Director



Board of Directors

DIRECTORS

1 NIKHIL CHATURVEDI

Founder and Managing Director, Nikhil is a visionary and hands-on leader, who inspires the organisation with a passion for excellence and single-mindedness to build shareholder value which is his driving force

2 SALIL CHATURVEDI

Co-Founder, and Deputy Managing Director, Salil is known for his entrepreneurial drive, he has been at the forefront of Provogue brand creation, leads the mixed used real estate developments in Prozone and investor relations for the Company

3 DEEP GUPTA

Co-Founder, Deep leads finance, treasury, administration and legal teams for the company, involving the development of systems, processes, human resources, information technology and investment policies

4 AKHIL CHATURVEDI

Akhil leads the retail activities of the Provogue Brand, driving future expansion plans, sales and operating strategies and other retail business development initiatives

5 RAKESH RAWAT

Rakesh heads the international trade division leading design, sourcing, marketing and project management aspects of the business.

6 NIGAM PATEL (Non-Executive Director)

Nigam leads Prozone location sourcing, asset management and customer relationship teams, involving land Joint Ventures, tenant mix strategy, leasing policy and new revenue creation

INDEPENDENT DIRECTORS

MR. ARUN BHARGAVA

Mr Bhargava is retired from the Indian Civil Services and holds a bachelors degree in science and law. He held various positions in the Government sector over a career spanning 38 years including membership of the Central Board of Direct Taxes (CBDT). Subsequently, he became a Member of the Securities Appellate Tribunal (SAT). The Company benefits significantly from his advice and experience

MR. SURENDRA HIRANANDANI

Mr. Hiranandani is the Managing Director and Founder of the Hiranandani Group of Companies, a leader in Indian quality real estate development. He has been honoured by the American Concrete Institute for his excellence and contribution to the real estate industry, particularly for adopting the best in foreign technology with the skills of India's engineering and labour artisans

MR. AMITABH TANEJA

Mr. Taneja is Managing Director and Founder of New Delhi based Images Multimedia Pvt. Ltd., which publishes the country's leading trade journals on fashion and retail. He is also Chairman of Images Fashion Forum and India Retail Forum, which hosts India's leading industry conferences in these fields. As a pioneer of organised retail in India the Company benefits significantly from his insights

MR. PUNIT GOENKA

Mr. Goenka, Director of Essel Group, is the CEO of Zee Entertainment Limited and manages one of India's most successful TV and Media businesses. He has an extensive and diversified background in the areas of media, entertainment, and telecommunications across global markets. He brings a fresh and valuable contribution to the Board.



Corporate Information

Board of Directors

Mr Arun Bhargava	Independent Director & Chairman
Mr Nikhil Chaturvedi	Managing Director
Mr Salil Chaturvedi	Deputy Managing Director
Mr Deep Gupta	Whole Time Director
Mr Akhil Chaturvedi	Whole Time Director
Mr Rakesh Rawat	Whole Time Director
Mr Nigam Patel	Non Executive Director
Mr Surendra Hiranandani	Independent Director
Mr Amitabh Taneja	Independent Director
Mr Punit Goenka	Independent Director

Company Secretary

Ajayendra P Jain (wef 6th July 2011)

Statutory Auditors

Singrodia Goyal & Co
Chartered Accountants
A 201, Rajeshri Accord
Telly Cross Lane, Off SN Road
Andheri (E), Mumbai 400 069

Bankers

Andhra Bank
Corporation Bank
HDFC Bank Limited
Indusind Bank
Punjab National Bank
Axis Bank Limited

Registered Office and Corporate Office

Provogue (India) Limited
105/106, Provogue House
Off New Link Road
Andheri (W), Mumbai 400 053
Website: www.provogue.net

Registrar & Transfer Agent

Link Intime India Pvt Ltd
C/13, Pannalal Silk Mills Compound
LBS Road, Bhandup (W)
Mumbai 400 078

E-mail ID for Investors' Grievance:

investorservice@provogue.net



Our Vision

Provogue (India) Limited will evolve into a retail-centric group of branded businesses focused on customer needs.



India's Retail Momentum

India has one of the highest growth retail sectors in the world. Powered by a robust and booming consumption story, retail is the prime driver of the new Indian economy and represents approximately two-thirds of overall consumption. With modern retail still in early stage development, opportunities abound for business development at super normal growth rates.

Our Philosophy

Ensure your customer is successful and your success will flourish. We have many categories of customers to which this applies: our consumers, our suppliers, our distributors, our business partners as well as our internal customers - our employees and shareholders. We believe that by serving the needs of all our stakeholders our success together with multiply. This is our driving force.

Our DNA

Understanding the rapidly evolving needs of the Indian consumer and delivering efficient, aspirational consumer products and solutions is the essence of Provogue. To ensure we stay ahead of the curve we mine our experience and put resources in place to take full advantage of the business opportunities in a vibrant domestic economy.



Our Business Units

Provogue Brand

The Provogue brand is one of India's leading fashion labels in the 'bridge to designer' segment. We continuously introduce cutting-edge garment designs, develop new categories, enhance the in-store consumer experience and extend our reach to new markets in seasonal cycles.

Prozone Shopping Centres

Prozone's shopping malls are large scale regional multi-dimensional centres comprising retail with a strong food & beverage and family oriented entertainment experience. Our first development opened in October 2010 and quickly became the retail landmark destination for an entire region of Maharashtra. Liaison with our UK based joint-venture partner, with more than 30 years of experience in retail infrastructure, ensures design, quality and safety measures to the highest international standards.

Retail-Centric Mixed Use Development

Land banks upon which retail infrastructure is being developed present opportunities to unlock additional value through mixed use development. Prozone is enhancing its real estate portfolio with the addition of commercial and hospitality developments and with a strong emphasis on mid-market residential townships that are in high demand in many locations across India.

Our Business Model

The Provogue business model is built upon platforms, which involve a long term ownership strategy designed around the Indian consumption story. Retail brands build intangible assets, retail formats build a portfolio of experience and investments in retail infrastructure today will develop high property yields in the future. This retail centric business mix both optimises margins, smoothes earnings and leverages our knowledge and experience of the Indian consumer market.

