



PROVOGUE

FASHION STARTS HERE





PROVQUE

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Provogue is at the tipping point
between its heritage and its destiny

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FASHION STARTS HERE

Provogue was founded in 1997 and quickly became a leader in India's emerging Ready-to-Wear Fashion market. Fuelled by passion to design, manufacture and retail high quality clothing for the contemporary Indian lifestyle, the Provogue Brand today is one of the most recognized labels in India. Provogue is now poised to enter a new high growth phase – a journey that will take the business into higher orbits as an Indian fashion and lifestyle player to unleash the Brand's full potential.

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders

Welcome to a new chapter at Provogue. This year saw the demerger of Prozone Enterprises Pvt Ltd, from Provogue (India) Ltd. As Prozone CSC evolves into a real estate major, it was sensible to split the two businesses and allow each to flourish within its own environment. I'm confident you will be delighted with the future each company has chartered and that your confidence in our long term vision will be handsomely rewarded as we move ahead together. It's my pleasure to address you this year as shareholders of 'New Provogue'.

Robust Business Fundamentals

The economy of India is the eleventh largest in the world by nominal GDP and the third largest by purchasing power parity. Whilst various domestic and global factors contributed towards a moderation of India's economic growth, forecast at 5.0 to 5.5% GDP in the coming year, India remains one of the world's most robust economies, fuelled by a long term consumption story.

Nevertheless it has been a challenging year for India's business community with inward investment undergoing a contraction, higher fuel prices, increased interest rates to dampen inflation and weakening of the Indian Rupee. All this has caused job losses across many sectors resulting in a slowdown of consumption due to reduced disposable income.

The Retail sector is one of the pillars of the modern Indian economy and accounts for about 15% of GDP. The total Indian retail market is estimated as US\$ 450 billion and, as such, is one of the top 5 retail markets in the world by economic value and growth indices. Yet organized retail, the sector in which Provogue operates, still only accounts for about 5% of the total and is envisaged to grow over the next 5 years to about US\$ 80 billion. A large portion of this next growth phase is expected from Tier 2 and 3 cities and the rural markets. Permitting FDI in Multi-Brand Retail, expected to pass into law in the near future, is potentially a major fillip to investment and growth of modern retailing in India.

The New Provogue Strategy

Provogue has reached an inflection point in its journey. The Brand name is well established and

one of our most valuable assets, underpinned by Provogue's legacy of experience in developing retail channels pan-India. A robust supply chain that spans Design, Sourcing, Production and a SAP-driven Logistics network to feed our consumer stores supports the Brand. We now operate over 270 outlets split evenly between our own operated Retail Outlets and Shop-in Shops within India's leading National Chain Stores.

Typically, when Fashion Brands reach this level of maturity, a new strategy is required to fuel next stage growth. I will outline here some of our key initiatives going forward:

1. Returning 'to our roots' as a Fashion Label. Provogue became famous through its focus on a specific Target Customer Group and offering them a distinctive range of clothing unique in the Indian marketplace. We are now carefully restructuring our product portfolio so that our collections cater not only to our existing customer base, but attract a new cadre of loyal Provogue shoppers.

2. Rapid scale up of retail outlets through Franchising. We are embarking on an aggressive franchising initiative to penetrate deeper into our existing markets and open up new markets in Tier 2/Tier 3 cities and smaller towns that are more costly to reach alone with our own stores. To support this, we are developing a comprehensive franchising model to attract India's best regional entrepreneurs to join Provogue's business family.

3. New Product Categories distributed through national FMCG channels. We've successfully launched Provogue's Deodorant range, which has achieved rapid growth in Maharashtra, with over 3,500 outlets available in just 3 months after the launch. We will extend the rollout across the country and add a complimentary Personal Grooming Product Range. These new categories will add significant revenues at attractive margins going forward.

4. On the back of this FMCG network, we have developed a Provogue Innerwear Range for Men, to tap into a large domestic market in which the Provogue Brand can add consumer value and quickly gain market share. We will launch the Collection this coming year.

5. A separate Institutional Business Division has



Against the backdrop of a sluggish Retail economy, Provogue is at a high growth inflection point. New strategic initiatives will cement Provogue's position as India's leading fashion label

been created to offer the core range and other specially designed products to Corporate Clients and Special Buyers. We have rapidly built an impressive corporate client list that will also add significant revenues and margins to the business.

6. To facilitate this larger national distribution network, we've consolidated our warehousing facilities into four upgraded major hubs in strategic locations, all of which are SAP-enabled to improve operating efficiencies and delivery times.

7. Launch of e-commerce to reach out to every potential Provogue customer in the country. A major thrust is underway to position Provogue as India's leading e-retailer fashion label. The complete range of Men's and Women's clothing and accessories will soon be available online supported by a fully integrated back-end delivery system.

The combination of these initiatives, amongst others, heralds an exciting new era for the Company that I'm convinced will cement our position as India's leading fashion brand.

Financial Performance

In view of the fact that Prozone CSC was demerged from Provogue (India) Limited during the course of the fiscal year, I will focus on standalone performance as reflected in the accounts that follow. We closed FY12 with total revenues of ₹ 610 crores, up 8% on the previous year and PAT of ₹ 25 crores or 4% of revenues. These lower growth metrics should be viewed against tougher retail market conditions and tighter consumer spending.

Nevertheless, we have chosen not to rein in our strategy for growth. We are investing judiciously into the new business platforms as detailed above, which we believe are the formulas for long term success in our business environment.

Transforming Corporate Culture

Transformation of our Company into a professional organization, with upgraded processes and systems is high on our agenda in order to build the strongest of foundations from which to launch our future.

In closing, my sincere thanks to our employees, our shareholders, business partners, vendors and suppliers and, of course, our customers for your unwavering support. We're opening a new door to the Company's future that will significantly enhance Provogue's value to all its stakeholders and I can assure you that our best is yet to come.

Sincerely,

Nikhil Chaturvedi
Managing Director



A photograph of three men in business suits standing in front of a modern building with large glass windows. The man on the left is wearing a dark suit and a patterned tie. The man in the center is wearing a dark suit and a purple tie. The man on the right is wearing a dark suit and a striped tie. They are all smiling at the camera.

RAKESH RAWAT

Rakesh leads the international trade division involving market development, product design, sourcing and execution as well as the health, safety and environmental initiatives of the Company

DEEP GUPTA

Co-Founder, Deep leads finance, administration and legal teams for the company, involving the development of human resources, information technology, investment policy and new product category incubation

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

INDEPENDENT DIRECTORS

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 39 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

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