



PROVOGUE

EPIC FASHION

ANNUAL REPORT 2018-19

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Mr. Dinesh Arya, Chairman and Independent Director (Resigned w.e.f 30th March 2019)

Mr. Hetal Hakani, Independent Director

Ms. Gauri Pote, Woman Independent Director (Resigned w.e.f. 30th March 2019)

Mr. Nikhil Chaturvedi, Managing Director

Mr. Deep Gupta, Whole Time Director & CFO

Mr. Akhil Chaturvedi, Whole Time Director

Mr. Salil Chaturvedi, Non-executive Director

RESOLUTION PROFESSIONAL:

Mr. Amit Gupta

IBBI Registration No.: IBBI/PA-001/IP-P00016/2016-17/10040

COMPANY SECRETARY:

Mr. Vishant Shetty (Resigned w.e.f. 17th April 2019)

Mr. Vishal Menon (Appointed w.e.f. 18th April 2019)

STATUTORY AUDITORS:

M/s Ajay Shobha & Co.

Chartered Accountant

A-701, La Chappelle, Evershine Nagar,

Malad (West), Mumbai - 400064

BANKERS:

Andhra Bank | Corporation Bank | Central Bank of India |

Punjab National Bank | Bank of India | IndusInd Bank |

Small Industrial Development Bank of India

REGISTERED OFFICE:

Provogue (India) Limited

105/106, Provogue House, 1st Floor,

Off New Link Road, Andheri (West), Mumbai - 400053

Phone: 022-68249000

Email ID: investorservice@provogue.com

Website: www.provogue.com

CIN: L18101MH1997PLC111924

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited

C/101, 247 Park, L.B.S. Marg,

Vikhroli (West),

Mumbai - 400078

Phone : 022-49186000

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MANAGEMENT DISCUSSION AND ANALYSIS

INDIAN ECONOMIC OVERVIEW

India has emerged as the fastest-growing major economy and is expected to be one of the top three economic powers of the world over the next 10-15 years, led by its stable democracy and burgeoning population. India's real Gross Domestic Product (GDP) at constant (2011-12) prices in the year 2018-19 is estimated at ₹ 1,40,780 Billion, showing a growth rate of 6.81%. The nominal GDP for 2018-19 is estimated at ₹ 1,90,100 Billion, with a growth rate of 11.20% against ₹ 1,70,950 Billion for 2017-18. With an accelerating growth rate, India has retained its position as the third-largest start-up base in the world with over 4,750 technology start-ups. Its labour force is anticipated to touch 160-170 Million by 2020, helped by an increase in the rate of population growth; a more substantial labour force participation; and higher education enrolment; amongst other factors, according to a study by The Associated Chambers of Commerce of India (ASSOCHAM). The interim Union Budget for 2019-20, announced on 1st February 2019, focuses on supporting farmers, economically less privileged population, workers in the unorganised sector, and salaried employees, while continuing the Government of India's focus on better physical and social infrastructure.

INDUSTRY OVERVIEW

Textile and Fashion Industry Overview

The fundamental strength of the textile industry in India is its strong production base of a wide range of fibre or yarns, from natural fibres like cotton, jute, silk and wool to synthetic or human-made fibres like polyester, viscose, nylon and acrylic.

The Textile & Garments industry in India is highly diversified with a wide range of segments ranging from products of traditional handloom, handicrafts, wool and silk products to the organised textile industry. The established textile industry is characterised by the use of capital-intensive technology for mass production of textile products and includes spinning, weaving, processing, apparel, and garment.

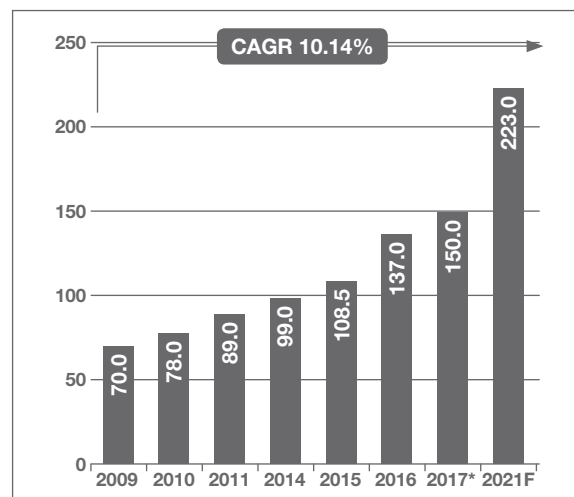
India's textiles industry contributed 7% of the industry output (in value terms) of India in 2017-18 and also added 2% to the GDP of India while employing more than 45 Million people in 2017-18. Moreover, the sector contributed 15% to the export earnings of India in 2017-18.

Market Size

In 2018, the domestic Textile & Garments industry stood at US\$ 140 Billion, out of which textiles worth US\$100 Billion was consumed domestically. The remaining portion worth US\$ 40 was exported to the

world market. Furthermore, domestic consumption was divided into household consumption at US\$ 81 Billion and the technical textiles at US\$ 19 Billion. While exports comprised of textile exports at US\$ 22 Billion and apparel exports at US\$ 18 Billion.

INDIA'S TEXTILE MARKET SIZE (US\$ BILLION)



The increased penetration of organised retail, favourable demographics, and rising income levels are likely to drive demand for textiles. Going forward, the domestic textile industry in India is estimated to reach US\$ 223 Billion by 2021F from US\$ 150 Billion in November 2017, growing at a CAGR of 10.14% between 2009-21. Moreover, the new textile policy aims to achieve US\$ 300 Billion worth of textile exports by 2024-25 and create an additional 35 Million jobs.

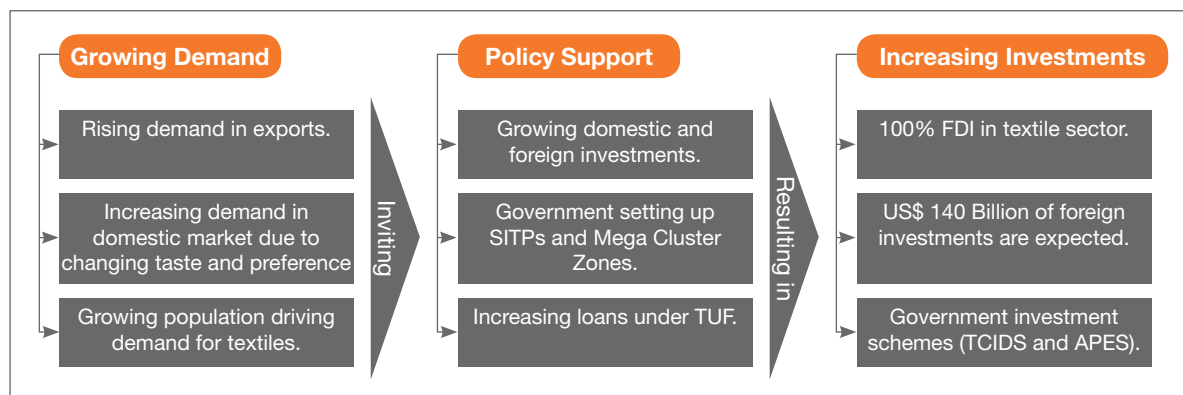
Investments

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US\$ 3.12 Billion from April 2000 to March 2018.

Some of the significant investments in the Indian textiles industry are as follows:

- In May 2018, the textiles sector recorded investments worth ₹ 27,000 Crore (US\$ 4.19 Billion) since June 2017.
- The Government of India announced a Special Package to boost exports by US\$ 31 Billion, create one crore job opportunities and attract investments worth ₹ 800.00 Billion (US\$ 11.93 Billion) during 2018-2020. As of August 2018, it generated additional investments worth ₹ 253.45 Billion (US\$ 3.78 Billion) and exports worth ₹ 57.28 Billion (US\$ 854.42 Million).

Growth Drivers



Note: TCIDS - Textile Centre Infrastructure Development Scheme, APES - Apparel Park for Exports Scheme

Source: Ministry of Textiles, Aranca Research

Government Initiatives

The Indian government has come up with several export promotion policies for the textiles sector. It has also allowed 100% FDI in the Indian textiles sector under the automatic route.

Initiatives taken by the Government of India are:

- The Directorate General of Foreign Trade (DGFT) has revised the rates for incentives under the Merchandise Exports from India Scheme (MEIS) from 2% to 4% for two subsectors of the Textiles Industry - Readymade garments and Made-ups.
- As of August 2018, the Government of India has increased the basic customs duty to 20% from 10% on 501 textile products, to boost Make in India and indigenous production.
- The Government of India announced a Special Package to boost exports by US\$ 31 Billion, create one crore job opportunity and attract investments worth ₹ 80,000 Crore (US\$ 11.93 Billion) during 2018-2020. As of August 2018, it generated additional investments worth ₹ 25,345 Crore (US\$ 3.78 Billion) and exports worth ₹ 57.28 Billion (US\$ 854.42 Million).
- The Government of India has taken several measures including Amended Technology Upgradation Fund Scheme (A-TUFS). The scheme is estimated to create employment for 35 Lac people and enable investments worth ₹ 95,000 Crore (US\$ 14.17 Billion) by 2022.
- Integrated Wool Development Programme (IWDP) approved by Government of India to provide support to the wool sector starting from wool rearer to end consumer, which aims to enhance the quality and

increase the production during 2017-18 and 2019-20.

- The Cabinet Committee on Economic Affairs (CCEA), Government of India has approved a new skill development scheme named 'Scheme for Capacity Building in Textile Sector (SCBTS)' with an outlay of ₹ 1,300 Crore (US\$ 202.9 Million) from 2017-18 to 2019-20.

The future for the Indian textile industry looks promising, buoyed by both healthy domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced rapid growth in the past decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market.

High economic growth has resulted in higher disposable income. This growth has led to a rise in demand for products creating a vast domestic market.

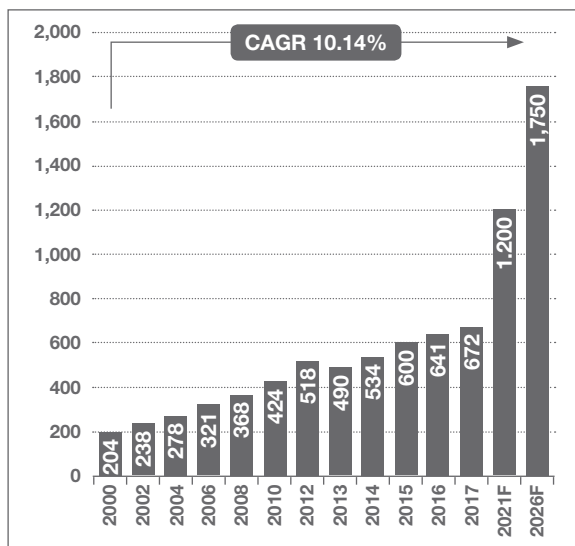
RETAIL INDUSTRY OVERVIEW

The Indian retail industry is one of the fastest growing in the world and is the fifth largest preferred retail destination globally. It accounts for over 10% of the country's Gross Domestic Product (GDP) and around 8% of the employment.

Market Size

The total market size of the Indian retail industry reached US\$ 672 Billion in 2017. It is forecasted to increase to US\$ 1,200 Billion by 2021 and 1,750 Billion by 2026. India will become a favourable market for fashion retailers on the back of a large young adult consumer base, increasing disposable incomes and relaxed FDI norms.

MARKET SIZE OVER THE PAST FEW YEARS (US\$ BILLION)



Source: *indiaretailing.com, BMI Research, Consumer Leads report by FICCI and Deloitte - October 2018*

The luxury market of India is expected to grow to US\$ 30 Billion by the end of 2018 from US\$ 23.8 Billion 2017 supported by the increasing exposure of international brands amongst Indian youth and higher purchasing power of the upper class in tier 2 and 3 cities, according to ASSOCHAM.

India's population is taking to online retail in a big way. Online retail sale is forecasted to grow at a rate of 31% to reach US\$ 32.70 Billion in 2018, according to eMarketer. Revenue generated from online retail is projected to grow to US\$ 60 Billion by 2020. Organised retail penetration is expected to increase to 18% in 2021 from an estimated 9% in 2017. India is expected to become the world's third-largest consumer economy, reaching US\$ 400 Billion in consumption by 2025. According to the Boston Consulting Group, increasing participation from foreign and private players has given a boost to the Indian retail industry. India's price competitiveness attracts large retail players to use it as a sourcing base. Global retailers such as Walmart, GAP, Tesco and JC Penney are increasing their sourcing from India and are moving from third-party buying offices to establishing their own wholly owned/wholly managed sourcing and buying offices.

Investment

The Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totalling US\$ 1.66 Billion during April 2000–March 2019, according to the Department of Industrial Policies and Promotion (DIPP).

With the rising need for consumer goods in different sectors, including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months. India's retail sector investments doubled to reach ₹ 1,300 Crore (US\$ 180.18 Million) in 2018.

Government Initiatives

The Government of India has taken various initiatives to improve the retail industry in India. Some of them are listed below:

- The Government of India may change the Foreign Direct Investment (FDI) rules in food processing, in a bid to permit e-commerce companies and foreign retailers to sell Made in India consumer products.
- Government of India has allowed 100% Foreign Direct Investment (FDI) in the online retail of goods and services through the automatic route, thereby providing clarity on the existing businesses of e-commerce companies operating in India.

E-commerce is expanding steadily in the country. Customers have the ever-increasing choice of products at the lowest rates. E-commerce is probably creating the biggest revolution in the retail industry, and this trend would continue in the years to come. India's e-commerce industry is forecasted to reach US\$ 53 Billion by 2018. Retailers should leverage the digital retail channels (e-commerce), which would enable them to spend less money on real estate while reaching out to more customers in Tier-II and Tier-III cities.

It is projected that by 2021, traditional retail will hold a significant share of 75%, the organised retail share will reach 18%, and e-commerce retail's share will reach 7% of the total retail market.

Nevertheless, the long-term outlook for the industry is positive, supported by rising incomes, favourable demographics, entry of foreign players, and increasing urbanisation.

BUSINESS OVERVIEW

Business Policy

Provogue maintains generally accepted standards of corporate conduct towards its employees, consumers and society at large. We believe that the policies must balance individual interest with organisational goals, and operate within the accepted norms of propriety, equity and sense of justice. The Company believes that it is rewarding to be better managed and governed and to align and intensify its activities with the national interest. The Company makes all round efforts in its pursuit to enhance market share and enhance shareholders value in the industry.

Provogue Operations

Provogue commenced operations as a manufacturer and retailer of apparel under the brand Provogue in 1997. Over time, the brand has gained strong recognition and has grown to become a leading retailer of fashion apparel and accessories for men and women. Projecting itself as a customer-first company, Provogue continually strives to provide the Indian consumer complete satisfaction when it comes to their fashion retail needs. Provogue retails its products through exclusive Provogue Stores as well as through its e-commerce portal, Provogue.com and e-commerce partners.

FINANCIAL PERFORMANCE

Standalone:

The Company's gross (total) income for the fiscal year ended 31st March, 2019 stood at ₹ 7,282.22 Lacs against ₹ 9,758.87 Lacs during the previous year, and the Company was able to decrease the loss before tax implication to ₹ 5,459.05 Lacs from ₹ 22,556.89 Lacs as recorded during the last year. The loss after tax implication stood at ₹ 6,313.54 Lacs as against a loss of ₹ 22,617.77 Lacs in the previous year.

Consolidated

The Consolidated gross (total) income of the Company has reduced to ₹ 9,095.76 Lacs from ₹ 12,918.52 Lacs during the previous year. The loss before tax implication decreased to ₹ 8,108.63 Lacs from ₹ 24,500.77 Lacs as recorded during the last year. The loss after tax implication minority interest stood at ₹ 9,244.76 Lacs as against a loss of ₹ 24,324.78 Lacs in the previous year.

Key Financial Ratios:

In the financial year 2017-18 the company had reported substantial financial losses, therefore net worth of the company was got eroded. Further, Corporate Insolvency Resolution Process (CIRP) was initiated against the Company vide order dated 25th July, 2018 passed by Hon'ble National Company Law Tribunal, Mumbai Bench and subsequently in the financial year 2018-19 the company has reported Net Losses and the net worth was already been eroded, hence there are no comparable figures to be given hereunder excluding the following;

	FY 19	FY 18	Change%
Debtors Turnover (Days)	193.94	168.28	15%
Inventory Turnover (Days)	105.54	237.10	-55%
Current Ratio (Times)	0.21	0.27	-23%

OUTLOOK

Diversification into new retail formats and channels along with having a strong brand image positions the Company as an integrated player in the growing domestic consumption story. With the Indian economy on a firm foundation and the organised retail industry surging, the Company is confident that it is well placed to take advantage of the growth opportunities in the coming years.

OPPORTUNITIES AND THREATS

Opportunities

The retail sector in India is today one of the fastest growing business segments in the country, comprising over 14 Million outlets and employing over 20 Million people. A rise in disposable income, changing lifestyles and favourable demographics are the key factors driving this growth.

With organised retail and e-commerce expected to grow at a rate of over 20% per annum, India's new consumption story continues to provide the Company with immense opportunities. Our secure brand positioning further helps us to leverage this position.

Significant investments in new retail concepts are changing the rapidly evolving organised retail landscape in India. This change is not just restricted to the metros but has also spread to Tier-II and Tier-III cities. Provogue is expected to benefit significantly from a combination of the growth in retail as the rise of the consuming class in Tier-II and Tier-III cities continues.

Threats

Apart from ever moving fashion trends and the emergence of new e-commerce players, the demand for talent may result in increasing attrition of employees. The Company has adopted policies that will attract and retain the best talent.

RISK MANAGEMENT

Economic Risk

A slowdown in economic growth in India could cause the business to suffer as the Company's performance is highly dependent on the growth of the economy, which in turn leads to a rise in disposable incomes and resultant consumption.

Favourable population growth, a large pool of highly skilled workers, greater integration with the world economy and increasing domestic and foreign investment suggest that the Indian economy will continue its growth momentum for several years to come.

Business Risk

The Company operates in top market lifestyle products associated with high advertisement costs and risk related to brand management. The inventory cost related to lifestyle garments is traditionally a matter of risk. However, through effective inventory management, the Company has reduced the risk to a minimal level.

The Company has a low debt-equity ratio and is well placed to take care of its borrowings. The foreign exchange transactions of the Company are suitably covered, and there are no materially significant exchange rate risks associated with international trade.

Fashion Risk

This risk would arise through the Company's inability to set trends and understand changing fashion styles, which can lead to lower sales and profitability.

However, it is the Company's constant endeavour to be closer to and understand the customer through its diversified retail outlets. It also has a talented design team in place that is in step with the latest national and international fashion trends. Though the Company has its mitigation plans in place, fashion risk cannot be eliminated.

Brand Risk

Any event that tarnishes the image of the brand can lower the value of the brand and adversely affect the Company's business.

The Company's business model revolves around its brands and, therefore, the Company ensures that none of the characteristics and attributes of the brand is compromised within the Company's communication to its customers. The Company also gives a comprehensive focus on customer preferences and conducts extensive in-house research to maintain top-of-the-mind recall with the customer base with respect to the brand. The Company believes that it has an appropriate mitigation plan in place to handle brand risk.

INTERNAL CONTROL SYSTEM AND ADEQUACIES

The Company has adequate internal control procedures commensurate with the size and nature of its businesses. The internal control system is supplemented by extensive internal audits, regular reviews by the management and well-documented policies and guidelines to ensure the reliability of all records to prepare financial statements and other data. Moreover, the Company continuously upgrades these systems in line with the best accounting practices. The Company has independent audit systems to monitor the entire operations and the Audit Committee of the Board regularly review the findings and recommendations of internal audits.

HUMAN RESOURCES

The domain knowledge and experience of the Company's Promoters and management team provides it with a significant competitive advantage as it seeks to grow in the existing markets and enter new geographies. As the Company regards its human resources as

amongst its most valuable assets, it proactively reviews policies and processes by creating a work environment that encourages initiative, provides challenges and opportunities while recognising the performance and potentials of its employees. The overall employee engagement has allowed the Company to retain the top talent within it.

Some of the key highlights of the ongoing HR activities include focused and organised investment in training and development, the continuance of productivity improvement efforts and employee satisfaction surveys. The total number of employees of the Company as on 31st March, 2019 stood at 86.

CAUTIONARY STATEMENT

This document contains statements about expected future events, financial and operating results of PROVOGUE (INDIA) LIMITED, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of PROVOGUE (INDIA) LIMITED's Annual Report, 2017-18.

PROVOGUE (INDIA) LIMITED

Regd. Office: 105/106 Provogue House, 1st Floor, Off New Link Road, Andheri (W), Mumbai 400 053
Ph: + 91-22-6824 9000 Email: investorservice@provogue.com Website: www.provogue.com
Corporate Identification Number: L18101MH1997PLC111924,

NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the shareholders of Provogue (India) Limited (a Company under Corporate Insolvency Resolution Process vide Hon'ble National Company Law Tribunal, Mumbai Bench Order dated 25th July, 2018) will be held on Monday, 30th September, 2019, at 4:00 p.m. at Esquire Hall, The Classique Club, Behind Infinity Mall, Off New Link Road, Andheri (West), Mumbai - 400053 to transact the following business:

As Ordinary Business:

1. To receive, consider and adopt the audited Financial Statements of the Company on a standalone and consolidated basis, for the financial year ended 31st March, 2019 including audited Balance Sheet as at 31st March, 2019 and the Statement of Profit & Loss and Cash Flow Statement, Notes and Annexures thereto together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of **Mr. Akhil Chaturvedi (DIN: 00004779)**, who retires by rotation and being eligible, offers himself for re-appointment.

As Special Business:

3. To consider and approve the payment of remuneration to the Cost Auditors:

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"Resolved that pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 ("The Act") and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification or amendments thereof, for the time being in force), the remuneration of ₹ 75,000 (Rupees Seventy Five Thousand Only) plus applicable taxes thereon payable to M/s. Ketki D. Visariya & Co. (Firm Registration No. 000362), Cost Accountants, Mumbai, for conducting Audit of the Cost Records maintained by the Company for the Financial Year 2019-20 be and is hereby approved.

Resolved further that the Company Secretary of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution as per direction of the Resolution Professional."

4. To reappoint Mr. Hetal Hakani (DIN: 06878540) as an Independent Director:

To consider and, if thought fit, to pass the following resolution as an **Special Resolution**:

"Resolved that pursuant to the provisions of Section 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Hetal Hakani (DIN: 06878540), who had been appointed as Independent Director and who holds office as an Independent Director up to 25th May, 2019 and being eligible, be reappointed as an Independent Director of the Company w.e.f. 26th May, 2019, not liable to retire by rotation and to hold office for a second term of 5 (five) consecutive years, i.e. up to 25th May, 2024."

**By Order of the Resolution Professional
For Provogue (India) Limited
(A Company under Corporate Insolvency
Resolution Process by Hon'ble NCLT, Mumbai
Bench order dated 25th July 2018)**

Sd/-

Date : 13.08.2019

Place: Mumbai

Vishal Menon

Company Secretary

NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, and Secretarial Standard-2 issued by the Institute of Company Secretaries of India, setting out material facts concerning the Special Business to be transacted at the meeting is annexed and forms part of this notice.
2. **The requirement to place the matter relating to appointment of Statutory Auditors for ratification by members at every Annual General Meeting has been done away with vide notification No. S.O. 1833 (E) dated 7th May, 2018 issued by the Ministry of Corporate Affairs, Government of India. Accordingly, no resolution is proposed for ratification of appointment of M/s Ajay Shobha & Co., Chartered Accountants (ICAI Firm Registration No. 317031E), Statutory Auditors who had been appointed at the 22nd Annual General Meeting held on 29th September, 2018 to hold office from the conclusion of 22nd AGM till the conclusion of 27th AGM of the Company to be held in the year 2023.**
3. **IN TERMS OF PROVISIONS OF SECTION 105 OF THE COMPANIES ACT, 2013 READ WITH RULE 19 OF COMPANIES (MANAGEMENT AND ADMINISTRATION) RULES, 2014. A SHAREHOLDER ENTITLED TO ATTEND AND**