



Entering an Era of Sustained Value Creation

prozone
intu





Prozone Intu Properties Limited
Annual Report 2017-2018



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<http://www.prozoneintu.com>

Entering an Era of Sustained Value Creation

We have entered the phase of steady growth and sustained value creation. As a result of our meticulous delivery of various realty assets in recent years, we have made considerable progress on our strategic priorities. Today, we are better prepared for delivering strong asset realisations and superior returns from our existing and upcoming pipeline of assets. With our key projects entering the asset yielding and monetisation phases, our revenues and profitability are visibly expanding.

The key milestone for FY2018 has been the completion and opening of our Coimbatore mall. This asset has received exceptional response from both top brands, and the city's population at large. Barely into its first full year of operations, our Coimbatore mall has the making of becoming the destination beacon for this prospering urban centre. Confident of our future operating performance, we foresee intrinsic and sustained annuity

income from the new mall. Furthermore, our more mature and established mall in Aurangabad continues to display steady organic growth in both consumption and rentals, contributing consistently towards our improving top and bottom lines.

Alongside this, we have entered the crucial asset monetisation phase for our Aurangabad PTC and Nagpur projects on the residential assets front. In addition, our recently launched Coimbatore residential project, adjacent to the new mall, is expected to unlock additional free cashflows in the coming years.

Our long-term strategy is to patiently extract the best possible value from our large land bank to realise our goals. We are excited about the potential of our business and are confident in its future. As we work on optimising the yields from our operating assets, we are concurrently planning the next phase of greenfield assets. With one of the least leveraged companies in our space, we are emerging as a high-quality, sustainable business, and a long-term value creator for our stakeholders.

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Corporate Information

Board of Directors

Mr. Punit Goenka
Chairman and Independent Director

Ms. Deepa Misra Harris
Independent Director

Mr. Nikhil Chaturvedi
Managing Director

Mr. Salil Chaturvedi
Deputy Managing Director

Mr. David Andrew Fischel
Non-executive Director

Mr. Dushyant Singh Sangar
Non-executive Director

Chief Financial Officer

Mr. Anurag Garg

Company Secretary & Chief Compliance Officer

Mr. Ajayendra Pratap Jain

Statutory Auditors

M/s B S R & Co LLP
Chartered Accountants
Lodha Excelus,
Apollo Mills Compound
N.M. Joshi Marg, Mahalaxmi
Mumbai – 400 011

Bankers

Bank of Baroda
LIC Housing Finance Limited
HDFC Bank Limited

Registered Office

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Andheri (West), Mumbai 400 053 India
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Website: www.prozoneintu.com

CIN: L45200MH2007PLC174147
ISIN: INE195N01013
GSTIN: 27AADCC2086L1ZG

Registrar and Share Transfer Agent

Link Intime India Private Limited
C-101, 247 Park, L.B.S. Marg
Vikhroli (W), Mumbai – 400 078
Phone: +91-22- 49186000,
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At a Glance



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Prozone Intu is a specialist retail and residential-led, mixed-use real estate development company, harnessing Intu Properties Plc (UK's largest and most experienced retail real estate developer) combined with in-depth knowledge of the Indian market.

The Company's key business strategy is to develop large scale land parcels for mixed use development with 75% of the land to be developed as Residential & Commercial on a Build & Sell model, whereas 25% of the Land to be developed as Retail on a Build & Lease Model.



Pedigree

The India Promoters hold 31.1%, INTU holds 32.4% and the balance is held by public.

Intu Properties is UK's largest Retail Real Estate Company. Intu Properties plc is a UK FTSE listed Company owning and managing assets worth more 10 bn pounds. It enjoys more than 22 mn sqft of retail space and 400 million customer visits a year.

Presence

Prozone Intu is a dominant player in Tier 2 and 3 cities in which robust urbanisation is expected. The Company has presence across the city of Aurangabad, Nagpur, Indore and Coimbatore across retail, commercial and residential space.

Total potential of developing 17.8 mn sq. ft. on its fully paid land bank of which 2.2 mn developed till date and more than 15.6 mn sq. ft. balance to be monetised which is being developed in different phases.

Vision

To become India's leading developer / manager of high quality shopping centers in emerging urban cities pan-India, incorporating mixed-use developments to facilitate the business model.

100+

Team Size

2.2

 Mn Sf. Ft.

Projects Developed

3

 Mn Sf. Ft.

Projects under Development

Message from the Managing Director

214%

Growth in EBITDA on YoY

Dear Shareholders,

I am delighted to present the Annual Report for FY2018, which was a successful year for Prozone Intu in terms of our expectations and objectives. Most significantly, we emerged as a multi retail asset company with the launch of our Coimbatore Mall, and at the same time showcased our ability to grow across sectoral cycles.

India's real estate sector saw two major radical reforms come into force - the Real Estate Regulatory Authority (RERA) and the Goods and Services Tax (GST). The landmark GST tax is expected to have far-reaching implications for the real estate sector and the complete impact is likely to unfold over the coming years. Undoubtedly in the long term, it is likely that the benefits of efficient supply chains and lower compliance costs will eventually positively aid businesses in India. We are now observing signs of recovery as the triple effects of demonetisation, RERA

and GST have begun to shape up the sector with new standards of delivery, accountability and transparency.

With these measures and progressive intent in place, the real estate industry is estimated to grow at a healthy pace, providing various growth opportunities for your Company. In addition to this, rapid urbanisation, growing personal income and the Government's focus on infrastructure should further drive the sector positively, going forward.

The retail real estate industry in India is also gradually maturing and moving towards its next phase of evolution. With the tastes of Indian consumers rapidly maturing, coupled with the influx of international brands, we sense a growing confidence in the future trends of Indian retail real estate. At Prozone Intu, we have always been sensitive to consumer sentiments. Through our continuous

brand churning and upgrading, we have ensured that we are aligned to the important emerging retail trends. This has reflected well on our performance metrics, meaningfully improving our KPIs. For FY2018, I am pleased to inform you that we reported the highest ever annual revenue with a growth of 46% from ₹ 73.92 crore in the previous fiscal to ₹ 107.71 crore in FY2018. We also produced record high EBITDA at ₹ 49.19 crore with EBITDA margin of 46%. We have delivered EBITDA growth of 214% over previous year during the year. Our numbers also reflect our tight control on costs and improved operational efficiencies introduced during the year.

Our Strategic Reinforcements

As a highly focused developer, owner and operator of mixed-use properties, we are always looking for better ways of delivering sustainable growth in shareholder value.

Firstly, we are increasingly convinced that our strategy for developing transformational mixed-use projects primarily in Tier 1 and Tier 2 geographies is the right one. With this strategy, we have created projects which we believe have the necessary scale, mix of uses and favourable locations, to become key destinations that can transform the areas in which they operate.

Furthermore, we are maximising the earnings and value out of our completed properties through active asset management, and by reinforcing these assets through enhancements, re-layouts and new additions. During the year, our Aurangabad Mall underwent strategic alterations in brand mix and mall layout. As a result, this property continues to enjoy its preeminent position as the most attractive and relevant retail destination in the city.

Additionally, we concentrated on management of our completed properties actively. We achieved this by optimising the mix of retail occupiers at both

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Today, our malls in Aurnagabad and Coimbatore are testimony to our vision in creating outstanding retail assets and attracting consumers. With this strong foundation, we are actively looking for interesting new business opportunities for expanding our asset base and fuel faster growth.

our malls. With a long term view, we consistently maintained high levels of consumer service at our malls to enhance and reinforce our brand. In doing so, we hope to maximise the consumption, occupancy and earnings potential of each of our properties.

We also aim to be at the forefront of sustainable development by designing energy efficient buildings through the innovative use of design, materials and new technology. With this view, we installed solar panels on our Aurangabad Mall to increase energy efficiency, reduce our carbon footprint, and simultaneously reduce our total energy bills.

Our measured approach for land purchases in the past also gives us a competitive edge. Having potential of developing 17.79 mn sq. ft., 88% is still available for future monetisation. We intend to do this at appropriate junctures in time by leveraging the benefits that come from developing large-scale mixed-use projects.

In following all these strategies, we continue to manage our capital base conservatively and prudently. We intend to maintain a strong balance sheet with a view to invest and finance our projects in a disciplined manner. This has helped us in maintaining our debt equity ratio at 0.40x, which is one of the lowest in the sector. As we look at new opportunities in the future, our balance sheet strength provides us a good headroom to raise capital as and when we need it.

Way Forward

With strong strategies already in place to create long-term value, our emphasis will be on project execution and asset monetisation. Looking ahead, we also see the horizon of our opportunities expanding at fast pace. With the launch of our Coimbatore Mall, we expect strong revenue traction from the asset going forward. We also have a strong pipeline of residential properties under development. We have progressed well on our



residential projects in Nagpur, Coimbatore and Indore; and they are in the different stages of execution. We expect to see consistent free cash flow generation over the next few years from these projects. Our future growth will be backed by our fiscal prudence; strong balance sheet with low debt; and ample liquidity in form of cash and cash equivalents.

Over the years, we have created a legacy of trust - and we will continue to build on it. We will continue to create spaces that are aspirational and set benchmark for the industry. The foundation of our

core existence is composed of many enablers, such as our strong investors, supporting bankers, focused employees and supportive retail partners. I take this opportunity to thank each of you for being highly supportive pillars of this organisation. With your constant backing, we are sure to witness further growth in customer delight and shareholder value in the years to come.

Sincerely,

Nikhil Chaturvedi
Managing Director

Message from the Deputy Managing Director

“

With two active malls and continuous monetisation of our residential ‘for-sell’ assets, we expect to produce consistent free cash flows over the next few years. Our future growth will be backed by our fiscal prudence and ample liquidity in the form of cash and cash equivalents.

Dear Shareholders,

I am delighted to share your Company's achievements for the financial year 2018. It has been a momentous year as your Company achieved the highest ever revenue, and commenced operations of its second Mall. With both these achievements, we have reached an inflection point from where we aim to deliver consistent growth.

Our performance was bolstered by improved operations and revenue sharing at the Aurangabad mall; higher revenue recognition from PTC Aurangabad and Nagpur residential assets nearing completion; and revenue generation from the operationalisation of the Coimbatore mall.

Anchored on our core values and led by a committed team of people, your Company has focused on creating a sound foundation for sustainable growth. The positive results of this intention is already beginning to show fruit in FY2018, in which the conversion of our existing projects sped up our returns.

Progress on our Retail Assets

From the onset of its operations, our Coimbatore Mall has been displaying encouraging footfalls and trading volumes, despite the fact that many brands are still in their fit-out stages and haven't started operations yet. We have received an overwhelming response from

retailers wanting to participate at this mall. As of July 31st 2018, over 89% of Mall space has been already leased, while negotiations with many more brands are under finalisation. Furthermore, the imminent operationalisation of the impressive INOX nine-screen multiplex, will further add to our revenues meaningfully.

We are particularly excited about the progress of our Aurangabad mall. Having commenced operations eight years ago, the mall initially witnessed a slow start. However, thanks to the relentless efforts of our team, the Aurangabad Mall has been a turnaround story this year in terms of several KPIs. To be current with the times and to keep our consumers riveted, we successfully introduced leading international brands such as H&M and Marks & Spencers. We consciously worked on refurbishing the mall in terms of its overall brand mix, refitting and renovation. The Aurangabad Mall has transformed itself substantially in the last one year, from the perspective of both consumers and brands. Resultantly, revenue from our Aurangabad mall remains strong, with not less than 40 brands crossing the rental threshold limits and contributing revenue share.

Today, our malls are testimony to our vision in creating outstanding retail assets and attracting consumers. Both our Malls posted steady growth in most

40 + brands

Crossed the Minimum Guarantee rental threshold limits into revenue share at our Aurangabad Mall