

Places that bring joy.



Places that
bring joy.



Prozone Intu Properties Limited

Annual Report 2018-19



View Online:

<http://www.prozoneintu.com>



Over the years, we harboured a vision to provide vast shopping malls in emerging cities that lacked large common spaces for recreation. We decided to create iconic destinations with world-class ambiances that are friendly, relaxing and inviting - and that could serve much more than the basic needs for shopping, entertainment and dining.

We developed a vision to create places that people would love to come to, spend their day, and would want to come back again, very soon. We began the journey of building places that bring joy.

Today, our Prozone Intu malls are the incarnation of our vision, and are designed to cater to the diverse needs of a visitor. They are not just about being a place where trade takes place between a brand and a consumer. In fact, they are also designed around the things that we as human beings like to do to 'enjoy' life. At a Prozone Intu mall, we offer a bouquet of value propositions to our customers - value for time, quality, experience, money and enjoyment.

By design, our malls provide a wholesome experience. To achieve this, we have been judicious in selecting a diverse, yet trending mix of brands to populate our galleries. Most importantly, we engaged with our brands and occupiers as our partners, to help them be successful. To make our malls flourish, we have been very sensitive to our tenants' needs and have regularly worked with them to ensure optimal footfall flow into their stores.

Going forward, at Prozone Intu, we have a long-term vision to become one of India's major multi-city, retail-lead real estate company. With a healthy pipeline of mall projects coming up, we are looking forward to expanding our operations in other territories of India. As we move ahead, we plan to leverage on our mixed-use strategy and create additional value around all our land parcels to deliver affordable luxury living and high-quality experience in and around our malls. In doing so, we intend to be an endearing long-term value creator for our stakeholders.

Contents

About Us

Corporate Information	03
At a Glance	04
Message from the Managing Director	06
Message from Deputy Managing Director	08
Key Performance Highlights	10
Our Asset Summary	11

Features

Configuring residential formats to make luxury more affordable	12
Making shopping at our malls fun and exciting	14
Fostering strong relationships with leading brands and retailers	16

Reports

Management Discussion & Analysis	18
Directors' Report	28
Corporate Governance Report	54

Financials

Financials - Standalone	70
Financials - Consolidated	126
Notice	184
Proxy Form	197
Attendance Slip	199
KYC For Physical Shareholders	201

04

At a Glance



11

Our Asset Summary



14

Making shopping at our malls fun and exciting



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. Umesh Kumar

Independent 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

PNB Housing Finance Limited

Registered Office

Prozone Intu Properties Limited

*105/106, Ground Floor, Dream Square,
Dalia Industrial Estate, Off New Link Road,*

Andheri (West), Mumbai 400 053 India

Phone: +91-22-68239000/9001,

Email ID: investorservice@prozoneintu.com

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,

Fax: +91-22- 49186060

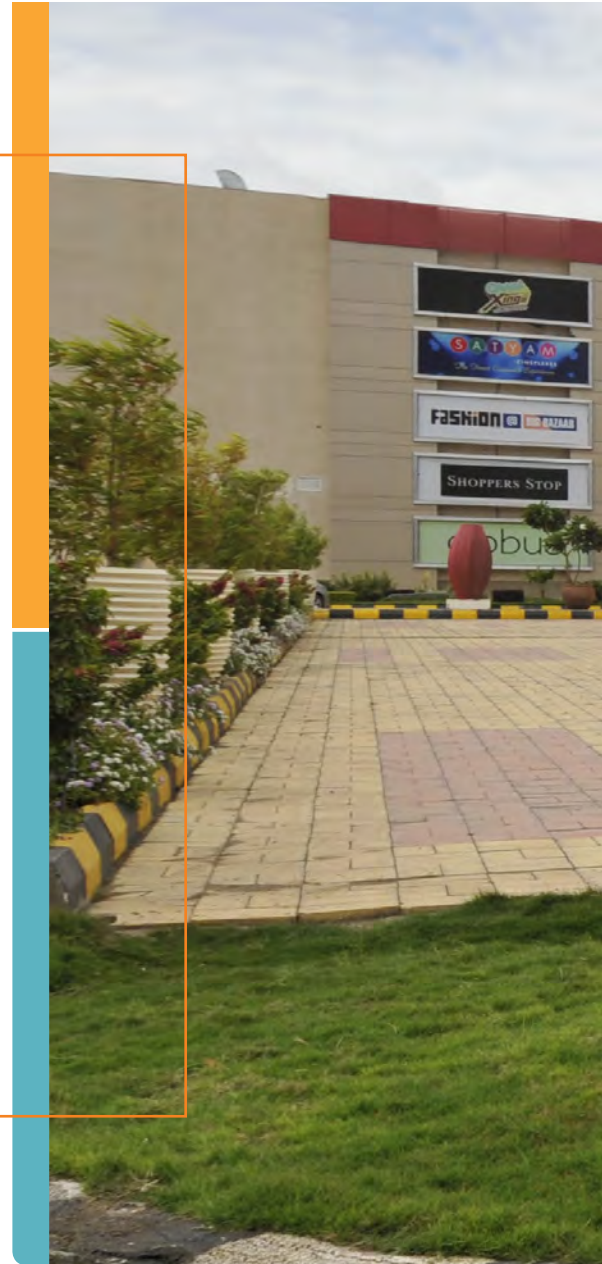
Email id : rnt.helpdesk@linkintime.co.in

Website : www.linkintime.co.in

At a Glance

At Prozone Intu, we create, develop and manage world-class regional shopping centres and associated mixed-use developments across India. We harness the domain expertise and ingrained experience of Intu Properties Plc, UK's largest retail real estate developer, combined with an in-depth knowledge of the Indian markets.

Our business strategy is to acquire and develop land parcels in both high-growth emerging city corridors and mature Tier I cities, with a focus on mixed-use development. Our goal is to capitalise on the rising consumption of India by building and operating iconic multi-purpose leisure destinations.



90+

Team Size

2.2

 Mn Sq.ft.

Projects Developed

2.0

 Mn Sq.ft.

Projects Under Development



Pedigree

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 9 billion pounds. It enjoys more than 22 mn sq.ft. of retail space and 400 million customer visits a year.



Presence

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 and manager of high quality shopping centers in emerging urban cities pan-India, incorporating mixed-use developments to facilitate the business model.

100+

Leading Brands in Our Malls

Message from the Managing Director

“

As we progress into the phase of consistent profitable growth and sustained value creation, we stand at the tipping point of becoming a significant and enduring player in the retail, commercial and residential realty space.



35%

3 years' CAGR growth in Total Revenue

120%

3 years' CAGR growth in EBITDA

46%

Growth in the footfalls of our Aurangabad mall

Dear Shareholders,

It is my pleasure to share with you our annual review and highlight the key fundamentals of our current business plan that I believe will bolster your Company's fortunes.

FY2019 was an exciting year for Prozone Intu. In terms of our retail portfolio, both the malls have become intrinsic features of their respective markets, and have shown steady improvements across operational parameters. The growing acceptance of our malls as leading destinations on consumers' calendars underscores our confidence in the rising consumption levels across emerging Tier 1 cities. Our

confidence is further supported by the fact that there has been a substantial uptick in the footfalls at each of our malls. The footfalls in our Aurangabad mall grew by 46% YoY, while footfalls in our Coimbatore Mall, which is still relatively young, more than doubled on a YoY basis, crossing 68 Lakh in by FYE2019.

Macro Scenario

In the real estate sector, RERA has moved through the legislative contours and has become an entrenched and widely conformed to regulation. The effects of RERA can be seen not only on the developer's community but also on all the stakeholders in the sector. While the advent of the Act created a furore with some developers, by and large the developer fraternity has embraced the change. Organisations such as CREDAI, NAREDCO, FICCI, among others, have

constantly worked with the developers and have created awareness about the long-term benefits of RERA.

As the organised retail industry is witnessing steady and continuous growth, India has emerged to become one of the most desirable retail destinations for many leading brands across the world. Over the past ten years or so, retail in India has seen many domestic and global companies have been building a presence strategy into possibly the most promising consumer opportunity around the world. As the Industry today stands on the cusp of a new future, driven by growing consumption; improving infrastructure and supportive regulation; retailers are still very bullish about growth prospects in India and several of them are indeed delivering double-digit growth.

Our Financial Scorecard

For FY2019, we are pleased to inform you that we reported annual revenue growth of 23% at ₹ 1,182 million as against ₹ 961 million in the previous financial year. We also produced a remarkable EBITDA of ₹ 761 million with an EBITDA margin of 57%. The Company maintained a healthy balance sheet, with low leverage at a Debt/Equity ratio of 0.67x on a consolidated basis by FYE2019. Our numbers reflect our prudent control on costs and improved operational efficiencies achieved during the year.

Our Strategic Initiatives in FY2019

Our focus remains clearly on the execution of the existing asset pipeline. We look forward to an eventful year ahead, defined by the monetisation of some of our remaining projects and additions to our asset base that will build an even stronger business portfolio.

At our Aurangabad mall, we churned some of the slow-performing brands and introduced newer ones that brought freshness to the centre. While we are focusing on the rejuvenation

of the Aurangabad mall and further enhancing its operational efficiencies, at Coimbatore, the key focus has been to grow footfalls to a relatively young mall. I am glad to see that the footfalls at our Coimbatore centre has grown notably since we opened our mall in FY2018. In addition to this, the reviews from customers and tenants have also been positive and highly encouraging.

With regards to our residential portfolio, we are at the final stages of the project completion in Nagpur. We expect to start issuing residential possession to buyers in the next four to six months. Moreover, we have also applied for Phase 2 and are in the process of getting the required approvals. Phase 2 will have around 350 apartments and the sale of these apartments will be executed depending on the demand for the property.

In phase 2, we have implemented necessary changes in the size of our apartments to attract consumers. The two factors driving sales of small-sized residences are the current level of interest that people have in smaller houses and the overall costing. For our Coimbatore residential project, the construction has already started. On a positive note, having received the confirmation from RERA, we are now in a position to take this forward.

Our commercial office space in Aurangabad has become operational and multiple buyers have already taken possession for fit-outs. We also have some enterprises already operating their offices from the building. We expect the occupancy in this space to improve as we plan to relaunch the balance units with improved pricing.

While these actions are in play, we continue to keep a close watch on managing 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. As we look to new opportunities in the future, our balance sheet strength

provides us a good headroom to raise capital as and when we need it.

Going Forward

As we move ahead, we are planning to initiate Nagpur retail project in the financial year 2020. We are adopting latest construction technology so that we can build at a faster rate and operationalise it more rapidly than before. We have launched our scheme for large anchor tenants and have already started leasing to them.

Going forward, I see our mall assets and residential projects stabilising in terms of operations, construction and sales. India's strong consumption story and an insatiable demand for value homes will keep our story exciting and full of promise. With a strong balance sheet, prime operating assets and an excellent portfolio on valuable land banks, we are confident of being a sustainable and rewarding company.

My sincere thanks go to our Board and our strategic investors who share a common vision for the business and whose continued support is greatly appreciated. I'm also proud of our employees throughout the company for their consistent teamwork to achieve our goals.

Sincerely,

Nikhil Chaturvedi
Managing Director

Message from the Deputy Managing Director

37%

3 years' CAGR growth in Revenue from Operations

55%

3 years' CAGR growth in Income from Mall Projects

187%

Increase in the footfalls in our Coimbatore mall in FY2019

Dear Shareholders,

I am pleased to report the performance for Prozone Intu for the financial year 2019. Our goal has always been to create a high-quality real estate business that can consistently deliver healthy returns. To this end, we have successfully grown our presence in our chosen emerging Tier I catchment areas, which have helped us to mark our goal posts for planning our future developments. While we have done especially well on our annuity earning assets, such as our malls and commercial properties, we are in the residential space in terms of our stated plans due to a slowdown in the real estate sector on the back of market conditions. We understand that it is the combination of timely project completion and sustained launches that translate into sustainable revenue growth. With this at the top of our minds, we have been focusing on developing our current and new projects with better predictability.

Our Retail Assets

Our malls have been witnessing steadily improving operating performance. Our new Coimbatore mall has now been 89% leased, while our larger and more mature mall at Aurangabad was 81% occupied by the end of FY2019. In addition to that, we have also inducted new major brands across both our malls. The footfalls in our Coimbatore mall and Aurangabad mall has increased by 187% and 46% respectively on a year-on-year basis. Both

malls are showing their iconic traits within the cities they are home to.

In Aurangabad, we have strategically churned out many of the weak performing brands, which will give us the free space to bring in superior brands within the next 18 months. With ample interest in our malls by leading brands, we feel confident to improve our occupancy levels significantly. With respect to assets, we continue to pursue exciting projects in our pipeline and expect them to progress forward through FY2020.

Achievement in FY2019

FY2019 was a remarkable year in terms of recognition. I am pleased to inform you that our Coimbatore mall was awarded the Pride of Coimbatore Awards 2019 for – the “Shopping Centre of the Year” and the “Best Round the Year Marketing”. Both of our malls have also bagged the ET Global Award for Retail Excellence. The Coimbatore mall has also been awarded the “IMAGES Most Admired Shopping Centre Launch of the Year”. These awards and accolades are a testimony to our strong foundation that we have built over the years.

Going Forward

For the times ahead, we are increasingly better prepared to enable us to produce sustainable growth. We possess strong intellectual and execution capabilities and an under-leveraged balance sheet to capitalise on the evolving opportunities in attractive destinations.

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 a benchmark for the industry.

In Appreciation

I'm proud of our experienced and well-qualified professional teams in architecture, engineering, construction, project supervision, finance and