



“Prozone Intu Properties Limited Q2 FY 2017  
Earnings Conference Call”

November 21, 2016

**MANAGEMENT:**

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PROPERTIES LIMITED**

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*Prozone Intu Properties limited*  
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**Moderator:** Ladies and gentlemen, good day and welcome to the Prozone Intu Properties Limited Q2 FY2017 Earnings Conference Call. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Jain. Thank you and over to you Mr. Jain!

**Abhishek Jain:** Good afternoon everyone. On behalf of KR Choksey Shares & Securities Private Limited we welcome you to the Q217 conference call of Prozone Intu Properties Limited. From the management side we have with us Mr. Nikhil Chaturvedi, Managing Director, Mr. Bipin Gurnani, The President, Mr. Anurag Garg, Chief Financial Officer. Now I am welcoming the management and passing onto the management. Please Sir.

**Nikhil Chaturvedi:** Thank you Abhishek. Hello everyone. It is a great pleasure to greet you all once again on behalf of our board of directors and senior management team. We begin by thanking all of you for having spare time today to attend this conference call. For any new participants I would like to start with a short brief on the company. Prozone Intu Properties Limited as the name suggests is developed by us and participated by Intu Properties Plc UK. Intu Properties Plc, UK is a FTSE 100 listed company and they manage over 10 billion pounds of assets and 9 of them Shopping Centres are among the top 20 centres in UK representing almost 38% of the UK market share. Our business strategy is basically to create, develop and manage world class mixed use developments along with long-term shopping centres. The business strategy is to use 25% of our land parcels to develop build and lease assets, whereas 75% of the land is used for building asset, which are basically build and sell, so that the cash flows from the build and sell models can be used to have debt free annuity long-term lease assets. With this I would like to now hand over to Mr. Anurag to comment on the Q2 FY17 results. Over to you!

**Anurag Garg:** Good afternoon everyone. Our Q2 FY17 revenue increased by 7.5% to 167.5 million on quarter-to-quarter basis primarily because of two factors, one is the higher revenue recognition for Nagpur Residential Project. Nagpur Residential Project revenue is higher by Rs 10 million because the percentage completion increased to 57.7% in Q2 over 53.4% in the last quarter; also we have received additional rent in our Aurangabad SPV, which has contributed to higher revenue. Our EBITDA for Q2 FY16-17 increased by 10.5% on quarter over quarter basis and EBITDA margin also increased to 47.8% mainly on account of higher revenue recognition from Nagpur and additional rent from the Aurangabad mall and also better control on the operation expenses in the company.

Our PBT increased by 44.3% on quarter over quarter basis driven by higher EBITDA margin, stable depreciation and lower finance cost. With this I would like to hand over the floor to Mr. Gurnani, President for business updates.

**Bipin Gurnani:**

Good afternoon everybody and welcome to the call. Basically I think overall we have had a good quarter in terms of our numbers. The Aurangabad centre has seen significant growth in terms of revenues from the retailers, also fortunately since Diwali was in the October month that also contributed substantially to the increase leading to additional revenue in terms of turnover rents. With all our retailers fortunately we have had an arrangement where we have minimum guarantee rent or a turnover percentage, whichever is higher, so this quarter has been good in that aspect. We have also opened up a few new stores at the centre, one of them being an Apple reseller store, which has actually created a lot of excitement in the market because this is the first Apple store in the entire Marathwada region and clocked in phenomenal numbers for us. Overall the quarter in terms of retailer sales and footfalls have been better as compared to second quarter in the previous year. We are looking forward to a year except for a little bit of setback in the last one week where we have like everyone else been slightly hit, but I think things should come on track in the next week or so. So Aurangabad I think overall performance has been good for us. In Nagpur also we managed to do a lot more construction activity, we are almost through with our building and now finishing activity started. We have also started to put together a sample unit within the building itself for buyers to come and see and all the finishing activity will start. We expect that our first building hand over will happen by June next year and then over a period of month each we will be able to handle all the other towers as well. The sales have generally been hit. It's still not what we would ideally want it to be, but we feel that once the construction and the towers have reached the stage of nearing completion, we will get more interest from buyers because now the possibility of getting the handover is visible and I think that is something, which gives our project more credibility. So our expectation is that as soon as we start completing the building we will have an opportunity for buyers who have been sitting on the fence and fortunately for us most of our buyers are largely end users and mostly people who have taken loans, etc., so fortunately for us we do not expect any major setback on account of demonetization then. Also the fact that our price point segment in which we sell is largely driven by cheque payments and also loans, we expect that we should be able to retain whatever traction we have and also perhaps improve our sales because there could be a possibility of people shying away from projects where they see an issue related to demonetization. Moving onto Coimbatore, the mall is fully ready and we started fit outs for the key retailers. We have had a little bit of delay in terms of the retailers completing their fit outs, therefore, the earlier expectation of starting in Q3 FY17 has sort of been pushed ahead by one quarter and now we expect to launch the centre by Q4 FY17. The fact is that on the leasing front we have obviously got a brilliant mix of retailers in terms of both international and national retailers and we expect that the

centre will open with at least 70-75% operational occupancy. The brand mix etc., is something which we think is very exciting and we feel that we should be able to attract a lot of attention in the region and particularly more so since we are the most dominant centre in that region. On the residential side in Coimbatore we had started our presales, and we have sold close to 75 units. We also are expecting in the next couple of quarters we would achieve a lot of closures based on the enquiries we have and by Q1 FY18 our construction of the residential tower in Coimbatore will also begin. Again like Nagpur here also we are present in a segment, where the buyers are mostly end users and also we are in a segment where largely which largely constitutes salaried people, therefore, they are very happy to take loans and they are end users. Overall from a company perspective I think last quarter has been good quarter for us. Going forward we do expect a little bit of slowdown for a month or two months, but we believe that in the mid to long-term the company is poised for the growth that it has envisaged and we are at the right time in terms of our lifecycle where we have started to monetize and we expect that to show in our results. Thank you very much.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin with the question and answer session. We have the first question from the line of Chetan Vadia from JHP Securities. Please go ahead.

**Chetan Vadia:** Good afternoon and thanks for the opportunity. Sir my question is on the retail rental side at what rate are you able to lease the properties at this point in time and where do you see the trend from here on?

**Bipin Gurnani:** Basically on the rental side in Coimbatore, the average rent that we are achieving is Rs.55 psf per month, so I think once we launch the operations any balance inventory, which is not much, which needs to be leased, can be leased at a higher rental. So we expect this will only improve our average rental. In Aurangabad we have actually now reached the phase where a lot of brands have started to pay us more than the minimum guaranteed, last quarter itself we had almost 25 brands, which were more than the minimum guaranteed rent and paid us turnover rent, so the average rental growth if you ask me in the short-term may not be substantial, but I think as we grow in terms of the turnover rent percentage rental our expected rents will grow within the range of about 10% to 15%.

**Chetan Vadia:** Just a related question, I am not asking the specific, but what kind of mix you have with the retailers in terms of, it is a revenue share model or just kind of fixed rental?

**Bipin Gurnani:** No, what we normally do is that we sign the brands up because eventually in this business your actual growth or substantial growth comes when the retailer sales also grow. So we have a minimum guaranteed rent that we sign with the retailers or a percentage of their sales turnover, whichever is higher, so maybe in the first two years they may only hit minimum guaranteed rental as the mall

stabilizes, but going forward as they keep growing 15%-20% Y on Y we expect that in the third year we will start hitting turnover percentage rent from most of the brands and that has been our experience in Aurangabad as well.

**Chetan Vadia:** Lastly one more question if I make, this H&M is there, Zara is there, Uniqlo from Japan is also likely to be enter India, so these guys require large space in terms of when they enter any mall, so have you been approached by them or they have approached you?

**Bipin Gurnani:** To let you know we have signed H&M and Zara in Coimbatore already. Uniqlo has not still entered the market and is expected to open its first store FY18, so I am sure that with all these formats and brands being with us any international brands that will now look to enter India and once they have sort of quickly opened their metro stores, all the centres where Zara and H&M already exist would be on the radar for any such retailer entering the country.

**Chetan Vadia:** That is it from my side. Thank you very much and all the best.

**Moderator:** The next question from the line of Amit Loonkar an individual investor. Please go ahead.

**Amit Loonkar:** This is Amit Loonkar from Ahmedabad. Sir my question is that how we are prepared for the demonetization.

**Nikhil Chaturvedi:** This is Nikhil Chaturvedi. Basically I personally believe that demonetization would really help companies like us. We deal in 100% cheque, most of our customers are in what we call the mid segment of India, and so we sell apartments in the range of about Rs.45-50 lakhs to about Rs.1 Crores. Strictly in this segment that is where people take loans on housing. Our expectation is that with the demonetization process in India there would be at least a 100 basis point reduction in interest rates or maybe more, which would help the entire middle class India in a very large way. So I think there will be two sectors, which will grow, mid-price housing in India and annuity properties. . I think since we are present in both the spaces and this would create a sweet spot for us.

**Amit Loonkar:** What is the outlook for the tier2 and tier3 cities, are you expanding to the heart of India or something like that?

**Nikhil Chaturvedi:** Outlook on tier2 and tier3 is still very, very positive. When you build malls in tier2 cities it takes a little extra time to mature, but a lower interest rate regime will be very beneficial to companies like us. It is normally 50% of our entire top line. If you take the interest cost, if the interest cost reduces by 150 basis points it can change the balance sheets of companies like us.

- Amit Loonkar:** What will be the impact on your balance sheet if it changes by 100 basis points?
- Nikhil Chaturvedi:** I have not calculated the impact, but yes I think it will have at least 20% increase in PBT. Amit basically that entire savings will directly add to the bottom line. .
- Amit Loonkar:** Thank you Sir!
- Moderator:** We have the next question from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.
- VP Rajesh:** Thanks for the opportunity. Two questions. One how are you defining the medium category housing in terms of the price point and secondly if you can comment on the footfalls in your sales office over the last weekend, how is the activity levels?
- Nikhil Chaturvedi:** First I would say that mid-price is different from city to city, so in some cities it will be Rs.3,500 a square feet, apartment cost of Rs.50 lakh> So if you take same mid segment of Mumbai, a mid segment of Mumbai it might be between Rs.3 and Rs.5 Crores. But in a small town it exists between Rs.50 lakhs and Rs.1 Crores will be the sweet spot, so it will depend from city to city, if you go to a very small town it might be Rs.40 lakhs to Rs.70 lakhs.
- VP Rajesh:** May be you can comment on the cities where you are present, Aurangabad and Nagpur and Coimbatore?
- Nikhil Chaturvedi:** Just to tell you that in Nagpur the sweet spot will be between Rs.60 lakhs and Rs.80 lakhs. We have priced it like that. Typically if you start doing very expensive apartments in those towns like Rs.8000 a square feet, Rs.10,000 a square feet then you are challenged because it would be difficult for people to qualify for the housing loans. With demonetization the first thing is that it is going to be very important for people to qualify for the housing loans. Sale of old apartments might be difficult, a lot of people actually will sell their old apartment and then buy new apartment, so those challenges are bound to come up, but if you look at entry price of housing of between Rs.50 lakhs to Rs.75 lakhs and if you are present in that you are bound to benefit.
- VP Rajesh:** And what percentage of people roughly are the guys who are selling their previous homes and then buying your project?
- Nikhil Chaturvedi:** Normally if anyone has the previous home it will already be worth Rs.50 lakhs, so they normally buy Rs.1 Crore plus Rs.1.5 Crores plus houses. We have first time house buyers, people who buy their

first houses and want gated colonies and they are upwardly mobile people who are approximately in the age bracket of 35 to 45 earning decent salaries.

**VP Rajesh:** That is very helpful and then my other question was about the sales activity since this demonetization?

**Nikhil Chaturvedi:** The sales activity is currently a bit slow even we are not pushing it right now because people are confused on how things will happen in the future, so I think with a little clarity, things will be back on track for projects like us. The challenge is only going to be in very high price points where peoples' loans will not qualify and it is only going to be finalized through the sale of old flat plus a new loan plus some of his old personal finance. In those set of houses I see a challenge.

**VP Rajesh:** Just last question in terms of the malls that you have, are you planning to hold on to these or are you looking to at some point monetize them once they are at a full-scale level?

**Nikhil Chaturvedi:** In India in the current environment with demonetization the assets, which have annuity income have become priceless. Second thing in the last six years there are hardly any new malls which have come up and the pipeline is very low. This might not be the right time to monetize it, but yes of course once we add a little more strength to our portfolio, we will surely look at monetizing it by listing it in India or maybe abroad or whatever because these are absolutely priceless asset and every pension fund would chase it.

**VP Rajesh:** That is why I was asking the question. I agree with you that timing may be not right at this point. Thank you.

**Moderator:** We have the next question from the line of Rohan Admane from Monarch Network. Please go ahead.

**Rohan Admane:** Good afternoon sir. Could you give me your outlook on residential prices after this demonetization, will it impact in the long term?

**Bipin Gurnani:** We can speak for our projects, which are largely in these tier 2 towns. Our strategy on pricing always remains that we do not try and out price the market, so pricing has always been what the market sort of dictates and we have been reasonably successful in doing a large number of sales in Nagpur and also doing better sales than anyone else in Coimbatore. We have always kept mindset of pricing our product rightly. So our strategy has always been to continue pricing at a sensible level. We do not expect that there will be any push for reconsidering the prices at which we are currently selling. So the large impact on pricing will be in the secondary market where perhaps it is expected either

rate of sale or price or both will get hit. But in towns like Nagpur, Coimbatore if you are present in the sort of mid premium segment where your house costs Rs.75 lakhs to Rs.90 lakhs maximum, we do not expect to see pressure on prices. We do expect in the short term that the rate of sale at which we were envisaging or wanting to sell may be missed out temporarily, but in the medium term to long term we believe that we will be better placed because there will be a lot of people who were going to other projects perhaps where there was this option of buying at a certain two different kinds of deals, those I think will get totally eliminated.

**Rohan Admane:** What is your view on demonetization, after demonetization impact on the investor bank in real estate?

**Bipin Gurnani:** Our belief that the investors will totally disappear, but as I said for us fortunately our projects are such that where we are only attracting not that purposefully, but our projects are only attracting first time buyers who are professionals or business houses, which are in joint family and sort of one wanting to find bigger spaces because children have grown up, etc., and large part of our buying base has taken loans, so all those people who are in that category generally do not sort of get too hit by demonetization. Anyway they had everything which was all accounted for. So from our perspective we feel that we are quite guarded, but from an investor point of view whatever small percentage of investors that used to buy in our project may disappear.

**Rohan Admane:** Last question is that this discretionary spending, which may get hurt in a short term regarding our retail business, so could you elaborate on this that what time it will take and how much impact would be there?

**Bipin Gurnani:** Honestly speaking it is too early to form up any judgment on what will exactly happen, but what we believe is that the super premium and luxury segment will be more impacted than the maspres segment, maspres means mass prestige. The people who are middle class or upper middle class where large part of their income is accounted and then the spending is on higher value product. It is little too early to create any positive or negative judgment. Typically yes the sentiment overall is slightly low, people are saying I am going to stand in line to get my cash converted and all that whatever little cash, general accounted for cash also, they do not have the money, so that sentiment will have an effect, but difficult to right now say what will happen may be in a month's time,. Our malls are positioned as sort of mass prestige and the fact that buying in these segments will be affected majorly is a short-term effect, in mid-term to long-term it will bounce back.

**Rohan Admane:** Thank you Sir!

**Moderator:** We have the next question from the line of Sarvesh Gupta from Trivantage capital. Please go ahead.



- Sarvesh Gupta:** Good afternoon Sir. If your customers were to rent out the property where he has bought what will be the yield that he will be earning in your three cities where you are present at your price segment?
- Bipin Gurnani:** Whatever is the average in the rest of the country, so on residential properties you can expect the yield of between 3% and 5% maximum. Also in the same space in fact the tier 2 towns it is 2.5 to 3%, but as I said in our case a large part of what we sold is for the first time house buyers. So we expect that a lot of people will come to self-occupy the property.
- Sarvesh Gupta:** Understood and secondly Sir! So your average sales price per square feet is what around Rs. 4000 per square feet for the residential?
- Nikhil Chaturvedi:** In Nagpur it is about Rs.3,850 per square feet.
- Sarvesh Gupta:** And out of this what is the land cost per square feet?
- Nikhil Chaturvedi:** About Rs.700 a square feet.
- Sarvesh Gupta:** Rs.700 and the construction cost per square feet Sir?
- Bipin Gurnani:** Rs.1800.
- Sarvesh Gupta:** Rs.1800 and Sir finally you are saying that the impact would be much more pronounced in the secondhand sale of flats, the secondary segment, but let say if the prices fall a lot in the secondary segment where black is also very much evident, so why would not a customer go for buying those flats over primary purchase of the flats unless these two prices kind of converge?
- Bipin Gurnani:** I am saying that it is also people who are upgrading. So there are people who are selling their earlier flat because they want to change the location where they are living or they want to upgrade to a bigger flat or to a better township, so it is not necessarily that if the secondary sale is available at cheaper price that they would go for it. They will also look at the product, eventual appreciation they will get in that location.
- Sarvesh Gupta:** Understood. Thank you Sir!
- Moderator:** We have the next question from the line of Chetan Vadia from JHP Securities. Please go ahead.
- Chetan Vadia:** Thanks for the opportunity again. Sir my questions on the level of activity that the company is involved in currently on all three fronts residential, commercial and retail and what kind of space addition likely to have for this year, for the next and maybe the year after?

- Nikhil Chaturvedi:** In terms of construction?
- Chetan Vadia:** Yes, how much commercial retail space you are likely to add in this FY18 or let us say perhaps 19 if you can just touch upon and how many projects are likely to get completed maybe in the next two years' time. I wish to understand the level of activity the company is currently involved in the kind of size that they are looking out for in the next two years' time?
- Nikhil Chaturvedi:** In Coimbatore about half a million square feet of our annuity income will start from the mall which we plan to launch in the fourth quarter of this fiscal. We are looking at starting the first phase of 300 apartments so that would translate into another half a million square feet of residential. So in total in Coimbatore we will have about under construction half a million and completed half a million, which will start giving us annuity income, so that is in Coimbatore about one million square feet in total. In Nagpur, we expect to complete the first phase of about half a million square feet and we will start another 250,000 square feet, that is our expectation out of Nagpur. t.. In Aurangabad, we have already completed the construction of our retail and commercial centre., In our mall there, occupation levels should go up by at least 10% so that would be about 70- 80,000 square feet and another 20,000 square feet would be added from Saral Bazaar. So in total about 100,000 square feet would be added there. In the meanwhile, we have drawing out our strategies for Indore and we are starting the construction of Nagpur mall, so Nagpur should be another half a million on the commercial mall, which we are making, but that will take about two years to make, so you will only see the process of making.
- Chetan Vadia:** That is it from my side and all the best Sir!
- Moderator:** We have the next question from the line of Dipan Kapadia as an individual investor. Please go ahead.
- Dipan Kapadia:** Could you tell me how many units we have sold in Nagpur, do we have any revenue in this quarter?
- Bipin Gurnani:** Yes firstly we have more than 280 units in Nagpur. What we have also done as a strategy is that in all those units where buyers who were not paying up on time or we felt that they were only purely looking at opportunity to spin off their investment by investing a small amount on booking and then spin it off. We have actually given them an opportunity to exit because they were locking the good inventory that we had and therefore while we had almost 300 plus units sold we actually gave about 15-16 units an opportunity to exit. We funded their money and we have opened up good segment of the inventory and we expect that the demand for that inventory will be there in this coming quarter. As far as revenue recognition goes we have already started the process, we follow the project completion method and therefore we have already started to recognize revenues and we have recognized to the extent of about 57.7%.

- Dipan Kapadia:** How much revenue recognized in this quarter from Nagpur?
- Bipin Gurnani:** Total value that we have recognized from Nagpur this quarter would be about Rs. 8.83 Crores.
- Dipan Kapadia:** I will come back in the queue for more questions.
- Moderator:** We have the next question from the line of Abhishek Jain from KR Choksey. Please go ahead.
- Abhishek Jain:** I have two questions. First is basically can you throw some light on Saral Bazaar, what exactly is happening at this point of time. Second thing in terms of Aurangabad rental, when we are going to see the renegotiation likely to happen and what kind of rates you are expecting in terms of rental post that renegotiation. We have done some renegotiation recently or if I missing out something? Thank you Sir.
- Bipin Gurnani:** Firstly let me address your first question, which is Saral Bazaar. Saral Bazaar is the concept of local street market that we sort of created. We being a regional dominant centre what we realize is that the kind of footfall that we are attracting is only sort of for middle or upper middle class, so we were not able to attract masses. So we said that we have an opportunity in the space to create something, which we could call a local bazaar and that would also then serve two purposes, , one is it will take care of the shopping requirements of the existing consumers who come to us and secondly it will also create new footfalls for us and that is the purpose with which we had set up the Saral Bazaar. Initially we had a fabulous response on the sale of these units because local retailers prefer to invest rather than pay rent, so we created these 80 to, 150 square feet small stores in the lower ground level where the hypermarket is, so that it is not part of the main retail floor, which is the ground and floor one. In the last two quarters, we have had substantial movement in terms of buyers wanting to open their stores, so currently we have hit about 80 stores, which are open out of 190 stores, which we have built> Out of 190 units which we launched, we have sold about close to about 69% of the units and now we see a reasonable traction. Also, because of Saral Bazaar we are also seeing new footfalls, which is coming into the centre and slowly these people who come for Saral Bazaar and hypermarket are also flowing into the main retail level as well. So we believe that Saral Bazaar as a concept over a period of next two three years will not only create substantial power for the overall retail experience in terms of at the centre, it will also ensure a lot of free cash flow for us because the cost of making these units is very low as they already exist in spaces, which have built, but at the price that which we are able to sell these are high because these are small units and the local retailers prefer to own their shop and are willing to pay a slight premium for being at Prozone, so that sums up Saral Bazaar for you. Secondly in terms of rent renegotiation, that is a continuous process. Retailers that are not doing well or their cost structures are not conducive to the current trading that they do. They continuously keep coming back and as a mall developer, we have to

continuously see how we can accommodate such request, and sometimes we support them in marketing only and we say look we will give you signage spaces free, sometimes we say that we are doing this event why do not we give you a sort of cut in terms of your brand coming in and participating on that promotion, sometimes we give them temporary relief for three to six months. The best sign for any mall is when they complete the nine years that is when most agreements of vanilla stores are due for not only renewal, but due for sort of resigning and that is the time when you can get the maximum opportunity for a rental increase beyond a normal escalation clause, which happens every three years. So I think we will complete our ninth year in 2019 and we expect that will give us a quantum jump in terms of lease rent. As of now as I had mentioned earlier what is happening with the centre is that a lot of brands are doing better numbers and therefore our touching their turnover rent clause, which is adding almost 10% to 12% of our incremental rent.

**Abhishek Jain:**

I had two more questions. First question is basically what kind of challenges you are facing from the e-commerce market especially on your retail front. How you see retail mall concept going forward? Second thing after demonetization how you see input price is going on?

**Bipin Gurnani:**

On the e-commerce subject I think we have debated this for the last two years. We believe that online sales are here to stay. At the same time, we believe that the penetration of organized retail in India is still substantially lower. Therefore the opportunity for each channel is immense, whether it is Brick & Mortar channel or whether it is the online channel. The opportunities for both these segments are tremendous. What we are seeing in the last 12 months is that online largely is also becoming a consolidator for unorganized retail. So if you see in the last one year the brands that are available on these e-commerce sites are the unorganized brands if I may say or single brands or people who do not have the ability to open stores and hence have reached out to e-commerce and created a market place for such products, product categories, etc. With respect to our business, which is a sort of mix of shopping, food and beverage, leisure, entertainment, I think the experience of coming to a mall and the holistic shopping experience that people want is there. The second thing what has also happened is that the deep discounting, which was happening about a year back has all disappeared. So whilst there was a huge impact last year, this year we have seen that the shopping Brick & Mortar retail format has bounced back. The market has grown at the same time I think the average spends per customer in Brick & Mortar has substantially improved than what it was before. People are specifically going to e-commerce shopping for certain category of products. For fashion brands, footwear brands and brands in some of these categories Brick & Mortar stores still remain dominant and strong because eventually brands believe that the loyalty for any brand cannot be created purely on a online. Therefore their strategy of providing steep prescribed discounts on brands, all that has now disappeared and therefore consumer has now got a choice of going to the mall shopping to experience touch and feel. In categories like electronics definitely even if they do

not get a better price they look at convenience and maybe still ordering. So both the formats will have enough opportunity to grow and whereas the brand space we will continue to see a large portion of sales through Brick & Mortar and online and e-commerce sites will also become consolidator for unorganized retail or for smaller sort of local brands, etc., through which then can reach out nationally with their brands. Globally if you see I mean in the big markets like US and UK, the penetration of online has reached the 20% level post a lot of push and there being a large amount of players for a longest time, so eventually in distribution major benefit from a brands perspective will be omni-channel retail and the contributions will happen from each of these segments.

**Abhishek Jain:** Thank you Sir!

**Moderator:** We have the next question from the line of Dipan Kapadia as an individual investor. Please go ahead.

**Dipan Kapadia:** Could you tell me the total amount that we booked in Nagpur, the total amount that is sellable?

**Bipin Gurnani:** Sorry the total value of what we sold?

**Dipan Kapadia:** Yes in Nagpur.

**Bipin Gurnani:** Total value of what we sold is about Rs.200 Crores.

**Dipan Kapadia:** What is the total project size in terms of phase I?

**Bipin Gurnani:** Phase I is 392 units, the total sellable area is about 6.94 lakh sq ft, total constructed area is about a million square feet. The total value of 392 apartments is that what you want?

**Dipan Kapadia:** Yes how much would be the sellable?

**Bipin Gurnani:** If I take an average price of about Rs.4000 about Rs.277 Crores.

**Dipan Kapadia:** Do we have permission for phase II in place and how much of phase II or when do we plan to launch phase III?

**Bipin Gurnani:** We have applied for the permission, we are expecting the permission to come and as soon as the permission comes we are ready actually to go to the market. But we will have to time it well depending on the market conditions. But we expect that in about six months' time we should be able to start selling the phase II.

- Dipan Kapadia:** What would be the completion for these 392 flats, 59% we have booked, so when do you see further remitting will be done?
- Bipin Gurnani:** In FY18 is when we will complete and all the revenue recognitions for these units will happen.
- Dipan Kapadia:** Thanks a lot.
- Moderator:** We have the next question from the line of Punit Gulati from HSBC. Please go ahead.
- Punit Gulati:** Just one question if you can, what percentage of the sales in your mall is cash driven and what percentage is credit card driven is it possible to share this data?
- Bipin Gurnani:** Actually to be very honest we are only an aggregator of space and we get our rent. What we understand from brands is that in markets like Aurangabad it is about 30%:70%, 30% is credit card or electronic, 70% is cash.
- Punit Gulati:** What is the expectation from Coimbatore based on other experiences?
- Bipin Gurnani:** It could be more than Aurangabad I think by about 5% to 7%, largely most malls are at 35%, 37% even if you take Mumbai most malls would be at about 35%: 65%, not that 65% is not necessarily unaccounted cash, generally as Indian we are habituated to withdraw from our ATM and spending in cash because we believe in a credit card there could be a high rate of charged if we do not pay on time or we end up over spending. So that is also a major reason, but I think mostly it is in the range of 30% to 37%.
- Punit Gulati:** So you are saying between tier 2 cities like Aurangabad and Mumbai it should not be that different?
- Bipin Gurnani:** It would not be. Aurangabad should be slightly 2%to 4% lower than may be Coimbatore or Jaipur or some places like these, but south generally has a little bit more penetration of credit cards.
- Punit Gulati:** That is all. Thank you so much.
- Moderator:** Ladies and gentlemen that was the last question. I would now like to hand the floor over to Mr. Abhishek Jain for closing comments. Thank you and over to you!
- Abhishek Jain:** I would like to thank over the management of Prozone Intu Properties and all the participants for giving time for the call. That is it from my side. Thank you.



*Prozone Intu Properties limited*  
*November 21, 2016*

**Nikhil Chaturvedi:** From our side we would like to thank KR Choksey for arranging the call and thank you for all the participants for attending the conference call and I look forward to the next quarter. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of KR Choksey Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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