



“Prozone Intu Properties Limited  
Q2 FY2019 Earnings Conference Call”

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MR. BIPIN GURNANI - PRESIDENT - PROZONE INTU  
PROPERTIES LIMITED  
MR. ANURAG GARG – CHIEF FINANCIAL OFFICER -  
PROZONE INTU PROPERTIES LIMITED  
MR. RAVINDRA BHANDARI - DICKENSON SEAGULL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Prozone Intu Properties Q2 FY2019 results and business outlook conference call hosted by Dolat Capital. 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. Should 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. Pranav Joshi. Thank you and over to you Sir!

**Pranav Joshi:** Thank you. Good afternoon all. On behalf of Dolat Capital, I welcome you all for Q2 FY2019 conference call of Prozone Intu Properties Limited. From the management, we have Mr. Nikhil Chaturvedi, MD, Mr. Bipin Gurnani, President, and Mr. Anurag Garg, CFO. So, with this I hand over the floor to Mr Ravindra Bhandari for opening remarks, which will be followed by Q&A. Over to you Sir!

**Ravindra Bhandari:** Thank You Pranav. Hello everyone and welcome to the conference call of Prozone Intu Properties Limited for Q2 FY2019. It is a great pleasure to greet you all on behalf of our Board of Directors and Senior management. We begin by thanking you all for joining us today here for the call. For any new participant, I would like to start with a short brief on our company.

Prozone Intu Property Limited as the name suggests it is jointly developed by the promoters and participated by Intu Properties PLC. Intu Properties is a FTSE-250 Company and they manage over £10 billion of assets and 10 of their shopping centers are among the top 25 centers in UK representing 38% of the retail market share there.

Intu Properties limited has over 22 million square feet of retail space and over 400 million customer visits them all every year. Our business strategy is to create, develop and manage world-class mix used development anchored by dominant shopping centers.

The business strategy is to use 25% of the land parcels to develop and lease whereas 75% of the land is to build and sell so that the cash flow from the Build and Sell Model can be used to create a debt free long-term annuity income.

Coming on to the operations, Coimbatore Mall stabilization has been progressing very well. We have achieved 89% of the leasing status during the quarter. We are happy to announce that INOX has opened a nine-screen theatre there so the footfall and consumption density at the mall has increased very much after INOX openings.

This year has been an inflection point for our company as number of malls have doubled and thus leading to a strong annuity income, which you can see in our quarterly results.

Commenting on our quarterly results the revenue growth has been very strong sequentially due to a strong contribution from Coimbatore Mall, revenue from Coimbatore mall will improve further

as there are many brands in pipeline which will be signed up further. Aurangabad mall operation remains strong as over 40 brands are contributing above the threshold limits. So, they are contributing the revenue share to the revenue of the mall.

We have done some churning at the Aurangabad Mall so that we can bring up H&M, Marks & Spencer and Home Town, which has operationalized in the recent quarter. Regarding Aurangabad PTC, construction work is complete as you can see in our presentation, we have shared the new pictures of the PTC and now we are gradually recognizing the revenue in our P&L and in next two quarters we will hand over the entire offices to the buyers.

At Nagpur residential the construction is almost complete, and we will start the phase wise delivery soon. We have initiated our asset monetisation phase, where we are selling the plots at Indore land.

Revenue recognition will happen on completion of all the projects and we are on track to complete the Nagpur residential by Q4. Coimbatore mall has received a phenomenal response with more than 89% of the leasing status and three are new brands, which are on the pipeline under discussion, which will be operationally soon.

About 13 anchor brands occupying the significant mall space shows the significant footfall in the mall. Our Coimbatore Residential project has been launched and we have booked 73 units till date. Construction work will begin shortly.

Our focus is also on asset monetization on other SPV over the coming few quarters. We have entered a new phase of consistent long-term growth and value creation with the mall land banks and project pipeline, our strategic focus is on timely execution of our projects that will generate strong positive free cash flow.

With this I would like to hand over to Mr. Bipin Gurnani to give us detailed overview of the operations during the quarter. Over to you Sir!

**Bipin Gurnani:**

Thank you Ravindra and welcome everyone. Basically, I think as Ravindra said it has been a very good quarter for us, from the perspective that both our centers have performed well. The brands have actually phenomenally improved the trading densities.

Footfalls have consistently also shown an increased therefore from a mall perspective there is a lot of interest from new brand and we are now at Aurangabad confidently looking at introduction of new formats and new brands to ensure that we get the freshness and rejuvenation that the mall needs.

On the Coimbatore Mall side, with the opening of INOX there has been a substantial jump on the footfall and the trading for most of the brands and for us it is reflecting very well on our numbers.

With respect to the rest of the company PTC as mentioned has now got occupation certificate, so the whole process of handing over the possession to the buyers has began and we expect that over the next two quarters we should be able to ensure that office spaces are operational and people start occupying their offices so that is big plus in terms of, our first delivery in terms of sale body.

Nagpur continues to in terms of our construction we are continuing the process. The sales have not taken of in terms of the balance inventory and we expect that once we have reached OC states which should happen in the Q4 FY2019 and that is then we expect the sales to pickup there, so we will have a lot of substantial ready inventory to sell so that shows consistent cash flow for us even in the coming quarters.

Overall from our company point of view, the focus remains to ensure that we will keep improving on our operations, our trading and our work on the malls. We are also looking at Nagpur retail construction starting soon and that also should begin hopefully in the next quarter, so that also will improve in terms of the fact that we will have another center which would start coming up.

Overall from a company point of view, we are seeing consistent annuity income and growth in the annuity income with respect to improvement in the operation of the center so we are quite bullish on the next few quarters and that is basically where we are today. Over to you Ravindra!

**Ravindra Bhandari:** Yes, we can open the floor for Q&A.

**Moderator:** Thank you very much. First question is from the line of Akshay Jain from Individual Investor. Please go ahead.

**Akshay Jain:** Sir, just want to know that what is a topline growth we expected as on FY2019?

**Bipin Gurnani:** See basically, what will happen is our malls will have their rental income coming in. We expect that because this third quarter is an important quarter in terms of festive season and also the following quarter will have the sale period. We do expect jump in terms of the overall income coming in from the mall, also recognition of the office space in Aurangabad as and when they have during possession will also get recognized so over the next two quarters, significant jump to come in both with respect to the sale of services, which is coming in from the mall income and also the recognition from the office space.

**Akshay Jain:** Any ballpark-ish number in mind?

**Bipin Gurnani:** Off hand, I do not think we will able to give you an exact number but as I said that the number will be significantly higher than what we have seen in this quarter.

**Moderator:** Thank you. The next question is from the line of Mohit Mehra from Dimensional Securities. Please go ahead.

**Mohit Mehra:** I just wanted to know the status of this land parcel in Indore. I think you kind of touched upon, but I missed it?

**Bipin Gurnani:** Okay, basically as you know that over a period of time we have moved our strategy from building high rise to doing mix of plotted development and certain part of it to be developed as high rise which is later, so we have initially initiated the sale of the plots just as a soft launch and we are working on the completion of certain infrastructures there so that once we launch the entire infrastructure is fully ready, most of the infrastructure in terms of clubhouse etc., we had already get ready in terms of the civil infrastructure and the finishes will happen, now we are going ahead with the internal roads etc., so what we want to do is complete the internal infrastructure and then come out with a full blown launch of the plotted development. As of now we are basically doing soft launch in terms of through referral people who wanted to block the plots so that is basically the current status, so we expect that by Q4 we shall go with a full launch in terms of the sales of the plotted development.

**Mohit Mehra:** Okay, then Nagpur retail construction so what size of the mall will it be?

**Bipin Gurnani:** So, effectively we are going as phase I similar size to what we have done in Coimbatore that is the strategy so it will be about 5,25,000 square feet roughly in terms of GLA with an option of building phase II to as the demand comes in so we have found that Coimbatore has been successful for us in terms of right sizing of the centers of phase I while we remain dominant and we ensure that the keep space additional space, we are adding more retail in terms of all remaining relevant with respect to the dominant builders, which might remains then as ground plus one.

**Moderator:** Thank you. We have the next question is from the line of Akanksha Jain from an Individual Investor. Please go ahead.

**Akanksha Jain:** Sir, could you please explain a little bit about outlook of retail business in India?

**Bipin Gurnani:** With respect to retail infrastructure, overall impact of retail has been good. There are multiple and many international brands, which are now looking at the Indian market very closely and lot of them are coming to our country so overall our belief is that retail will continue to grow double digit in terms of CAGR growth and as what has been known now for sometime, the whole growth will come through omnichannel so there will be growth parallely happening across brick and mortar and omnichannel and online is very common so I think with respect to retail we see the consumption going up, we are seeing a lot more spending of money on brands so we think that the retail growth will continue to be robust, over the next years as well.

**Moderator:** Thank you. Ladies and gentlemen as there are no further questions from the participants, I would now like to hand the conference over to Mr. Bipin Gurnani for closing comments.

**Bipin Gurnani:** Thank you very much everybody and Happy Diwali to all of you and hope you all had a good season so looking forward to a good few quarters ahead and thank you so much for being on the call. Thanks everyone.

**Moderator:** Thank you very much. Ladies and gentlemen on behalf of Dolat Capital that concludes this conference. Thank you all for joining us. You may now disconnect your lines.