



“Prozone Intu Properties Limited
Q3 FY2020 Earnings Conference Call”

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ANALYST:

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MANAGEMENT:

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MR. NACHIKET KALE – DICKENSON IR

Moderator: Ladies and gentlemen, good day and welcome to Prozone Intu Properties Limited Q3 FY2020 earnings conference call hosted by Dolat Capital Markets Private Limited. 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 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. Nachiket Kale. Thank you and over to you Sir!

Nachiket Kale: Good afternoon everyone. On behalf of the management of the company, we welcome all of you to the conference call of Prozone Intu Properties to discuss the financial results for the quarter ended December 31, 2019. Our retail assets continue to do well and provide us steady lease rental income with high margins. We also saw a good revenue growth as both malls posted double digit percentage growth.

Coming to key highlights of our performance and developments in this quarter, for Q3 FY2020 in Y-o-Y terms; consolidated revenue was seen at 22.7 Crores, wherein lease rentals have grown by 11 %, consolidated EBITDA is at 18.5 Crores and margin is at 81.6%. Cash PAT for the quarter was seen at 8.9 Crores. Strong operating performance has been noticed as Coimbatore Mall has been leased out at 93%. Retailer sales increased by 12% at Aurangabad Mall and by 13% at Coimbatore Mall. In Q3 four new stores were opened at Aurangabad Mall and at Coimbatore Mall six new stores were opened. With these highlights I would now like to hand over to Mr. Bipin.

Bipin Gurnani: Good afternoon everybody and thank you for joining the call. This quarter, we have had a reasonably good performance at our centers at Aurangabad and Coimbatore. Diwali being in October this time, the month was good for most of the retailers. In November, we saw sales tapering down a bit and then we had another upswing in December. The overall performance of most of the retailers at our centers has been better than last year and they have had reasonable growth.

We have also added a few new stores and they seem to be performing well. The focus has been to ensure that we create a marketing buzz around the centers by having community engagements. The success of centers has now moved from being transactional locations to more experiential zones. Hence, we are ensuring that we continuously engage the consumers coming to our centers and we believe that we have been successful in doing that as we have seen growth in footfall.

The way we have been counting our footfall at Aurangabad mall has been changed. Being a large dominant center, we have multiple entries and exits. We did a complete revamp of how we count our footfalls to make it more realistic in terms of double counting or repeat counting. We did this pilot in Coimbatore and we have now pushed it to Aurangabad as well. Year-on-year there might be a footfall drop, but that is attributed to how we have started to filter our footfalls. With respect to trading density and sales there has been a growth, we highlight that it may seem that the center is not receiving as many footfalls as it used to.

Overall, we have seen good traction. Leasing traction has been slow in this quarter. Most of the brands are quite focused on the season in terms of their sales and not many brands are looking to sign new stores. We expect leasing to see new deals in this quarter because from next month onwards people want to start stores in the new financial year. We have reasonable pipeline of discussions, we hope to finalise them in the next couple of weeks, particularly in Aurangabad. In Coimbatore, we have reached a reasonably good operational and leasing per square footage, so we are now being very selective in terms of who we give our final few stores. We want to ensure that we are engaging with formats and categories that are missing or are underpenetrated in the center.

Overall we are expecting the trajectory to continue for the coming year. We will continue to focus on the churn of brands and churn of formats to keep creating new attractions and new formats, which can bring more footfalls and sustain footfalls. Our other asset class, which is largely residential, it has been a flat quarter again. This quarter in Coimbatore we have formally launched our residential phase 1. Since we have advertised in this quarter we are

seeing good traction. The construction has come up to the plinth level. Buyers & interested customers who are coming to see the location are excited because they can see a lot more construction progress.

In Nagpur, we are still stuck with the issue of height. We have put a writ petition in High Court, and we are awaiting hearings. The AAI has requested for some time to respond to our writ petition. Meanwhile, we have taken legal advice from Nagpur Municipal Corporation legal cell. Based on their positive order, we have applied for a part OC for the floors, which are cleared by AAI. That process is also moving ahead as per the regulations and requirements of NMC. We hope to hear some good news on that hopefully in this month. If that happens, we will get OC at least to the extent of the height which has been permitted by AAI in the new approval. That is about 80% of our four towers and it will be a positive sign from our perspective.

For Q4, the focus remains largely on making sure that we get the Nagpur part OC. It is going to be a slow quarter, but we are preparing ourselves for the next financial year. There are a few strategies that we are putting together for increasing the leasing at our centers, particularly in Aurangabad. We hope to pull together the financial closure for the Nagpur mall so that we can start construction. Coimbatore residential project will remain in focus in terms of pushing the construction and getting as many sales as possible.

In Nagpur, as I said we are pushing to get our part OC, the buildings are completely ready and in handover stage. Upon receiving the OC, we can start giving possession to at least 220 odd buyers so that itself will ensure that people are settling in there. Next financial year, focus will be on pushing the phase 2 of Nagpur residential depending on pending OC for current project, Nagpur retail construction and Coimbatore phase 1 residential construction. We have started plot sales at Indore from January onwards, we have got a good traction there. Hopefully we will get reasonably good conversions there, and we will update about the same in next quarter.

We will open the call for any Q&A now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Hiral Shah, an Individual Investor. Please go ahead.

Hiral Shah: Sir, thanks for the opportunity. I would like to ask two questions. Coimbatore Mall has touched 93% occupancy, so is there a scope of increasing its trading density further? How you are arranging financing for the residential project and what is the rate of interest?

Bipin Gurnani: In terms of trading density, we still expect the center to show growth in terms of sales volumes. We do not believe that we have peaked our footfalls and sell through. In the coming year, we expect to see double digit growth again. Coimbatore will play an important role in terms of our income. We are also checking how we can maximize the balance inventory that we have in terms of leasing. Coimbatore will continue to show growth on the trading side even though we have reached 93% occupancy. In terms of financing, we have an LRD loan and it is at below 10% in terms of our rate of interest.

Hiral Shah: That was helpful. What is the update on the residential project in Nagpur?

Bipin Gurnani: I already mentioned that we have built four towers. The infrastructure is completely ready for handing over possession. We had an issue with respect to some height issues that had been put arbitrarily by AAI a couple of years back. We are still fighting that case, we have approached the courts for resolution on that. Meanwhile based on legal advice from the NMC legal empanelled lawyers. We have got an advice that we can ask for and apply for part OC up to the extent of height, which AAI has cleared. We have done that and that process is going on as per the legal process that has been stipulated by municipal corporation. Once we have part OC then the possession to that extent will start and we will continue to hope and be positive for the rest of the three floors which have got affected. Till the time that we are in a position to start handing over the existing units, we are not looking at starting construction for any additional flats there. We have a phase 2 of 280 units that we can start and we will wait and see how the market behaves there at the city level and then take the decision.

- Hiral Shah:** So, the revenues will start flowing from next financial year FY2021?
- Bipin Gurnani:** Because we follow project completion method, as soon as we get OC, we will be able to recognize the revenue to the extent of the units sold for which OC has been granted.
- Hiral Shah:** That was helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Ashish Jain, an individual investor. Please go ahead.
- Ashish Jain:** Couple of questions from my side. Looking at the P&L, the interest outgo and other income has shot up significantly on a year-on-year basis. What is the reason behind the same?
- Bipin Gurnani:** The other income is up because we had some provisional liability from Coimbatore project, depending on the final understanding with various contractors and vendors. We were providing for the same as liability in our books. Now that liability is cleared and we have had final negotiations and closed the figures with those vendors and constructors. The interest outgo is higher due to the top up loan for the LRD that we have taken in Aurangabad. We have the ability to increase the top up loan at Aurangabad, therefore our interest cost has gone up to that extent.
- Ashish Jain:** One last question, what is taxation rate as of now for the company?
- Anurag Garg:** For the next year we will be following the new regime where the corporate tax is 22%.
- Ashish Jain:** It sounds good. Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from Hiral Shah, individual investor. Please go ahead.
- Hiral Shah:** Thank for the opportunity again. Sir, if you can just update the litigation in Mumbai that will be helpful?

Bipin Gurnani: Unfortunately, we are not able to speak much on that because the matter is subjudice. We had made some investment in the projects with the developer. Since they did not adhere to their specific performance of those arrangements, we were first to take them to court for recovery of our investment. I will not be able to speak much beyond that because the matter is subjudice.

Hiral Shah: Thank you.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Bipin Gurnani: Thank you very much for participating in the call and we look forward to connecting with you all at the end of the fourth quarter. While Q4 generally is a slowest quarter for us in terms of retail, we hope that we will be able to deliver reasonable results. Thank you so much for all your support.

Moderator: Thank you very much. On behalf of Dolat Capital Markets that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.