Emkay
Private Client Research

Result Updates
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Cinemax India Ltd

(Rs 151, FY08E - P/E 11x FY09E, BUY with Target Price Rs 193, Initially recommended at Rs 126)

Financial Performance:

Consolidated revenues grew by 39%

EBITDA margins improved by 400bps QoQ

Net Profit grew by 56%

Year Ended	Consolidated			Deviation from our Estimates	Grth (%)
	FY06A	FY07E	FY07A		
Net Sales (Rs Mn)	723.34	1,040.60	1,001.60	(3.7)	38.5
EBITDA Mn)	151.56	307.0	254.90	(16.9)	68.2
EBITDA%)	21.0	29.5	25.4	(405.0)bps	450bps
PAT (Rs Mn)	76.8	133.2	119.9	(9.97)	56.1
EPS (Rs)#	2.7	4.8	4.3	(9.97)	56.1
P/E (x) @ Rs 151	55.1	31.7	35.3		

Source: Company and Emkay Private Client Research
PAT excludes EO of Rs 51 mn

FY07 Result (Consolidated): Strong Performance

Strong performance, however marginally lower than our estimates

Cinemax has reported great set of numbers for FY07, consolidated revenues grew by 39% to Rs 1001.6 mn, out of which 84% of the revenues contributed by company core business, theatrical exhibition to Rs 851 mn and 16% contributed by construction business, to Rs 165 mn.

EBITDA margin was expanded by 450 bps to 25.4%, which took EBITDA higher by 68% to Rs 255 mn. Net profit for FY07, excluding EO of Rs 5.1 mn was higher by 56% to Rs 119.9 mn.

The performance for the fiscal gone was quite inline with our expectations on revenue front, however we are bit disappointed on EBITDA margin part.

Operational Parameters:

Seating capacity will increase by 5x by FY09E

	FY 2005	FY 2006	FY 2007
Properties	7	8	10
Screens	19	25	33
Seats	5,330	6,905	9,220
No of Patrons (million)	3.33	3.67	5.2
Average Ticket Price (ATP) (Rs)	86	105	125
F & B Per Head (Rs)	20	21	26
Spend per Head (Rs)	106	126	151

Source: Company

- For FY07, average ticket price (ATP) gone up by 19%, which is expected to increase by around 20% for FY08E.
- At the end of FY07, there was a incremental seats addition of 2315 and total seat stood at 9220. For FY08E, incremental seats addition will be around 18780, taking total seating capacity to 28000.
- F&B spend per head was higher by around 24% to Rs 26; for FY08E F&B spend per head expect to increase by around 7-8%.
- Average occupancy stood at around 40% for FY07, which is expected to remain stable for FY08E.

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Key Highlights and Future Expectations

- For FY07, EBIT margins in the theatrical exhibition business stood at 24.5%, whereas margin in construction business was at 28.7%.
- Cinemax's Nagpur property is already fully leased out, and it is going to open the Cinemax Theater by July 2007. By the end of FY08E, company expects total screens to be around 108 and 165 by the end of FY09E.
- Number of seats expected to be around 28524 and 42483 respectively by the end of FY08E and FY09E.
- EBITDA margins expect to remain stable for FY08E and FY09E, with 100 bps improvement over next two fiscal.
- Total debt at the end of FY07A, stood at Rs 6300 mn, which expected to decline to around Rs 530 mn by FY08E.
- Other income expects to be around Rs 1000 mn for FY08E, on account of income from investments and rental from leased properties.
- Net margin expect to improve by around 400bps to around 16% for FY08E and FY09E.

Business Outlook and Valuation: Attractive Valuation

Driven by strong demand for movies and increasing people's preference toward multiplexes, has augur well for Cinemax, which is clearly reflected in strong financial performance for the fiscal gone by.

Going forward, Cinemax is on rapid expansion drive and intend to multiply its seating capacity by around 5x to 43000 seats by FY09E from current capacity of 9200 seats at the end of FY07A.

Maintain BUY with a target price to Rs 193

We have revised our estimates for FY08E and FY09E; we have revised downward our consolidated revenues estimates by around 5% for FY08E and FY09E, on account of lower revenues from company's project business, which we expect to ceased out by FY08, as company has intend to focus only on its core theatrical theatrical exhibition business. Nevertheless, with increase in the ATP and F&B spends coupled with stable occupancy rate of around 40%, we expect theatrical revenues to show strong growth.

On the other hand, EBITDA margins expect to remain stable at current level of 25%, however with decrease in the interest cost and higher other income would improve the net margin for FY08E and FY9E.

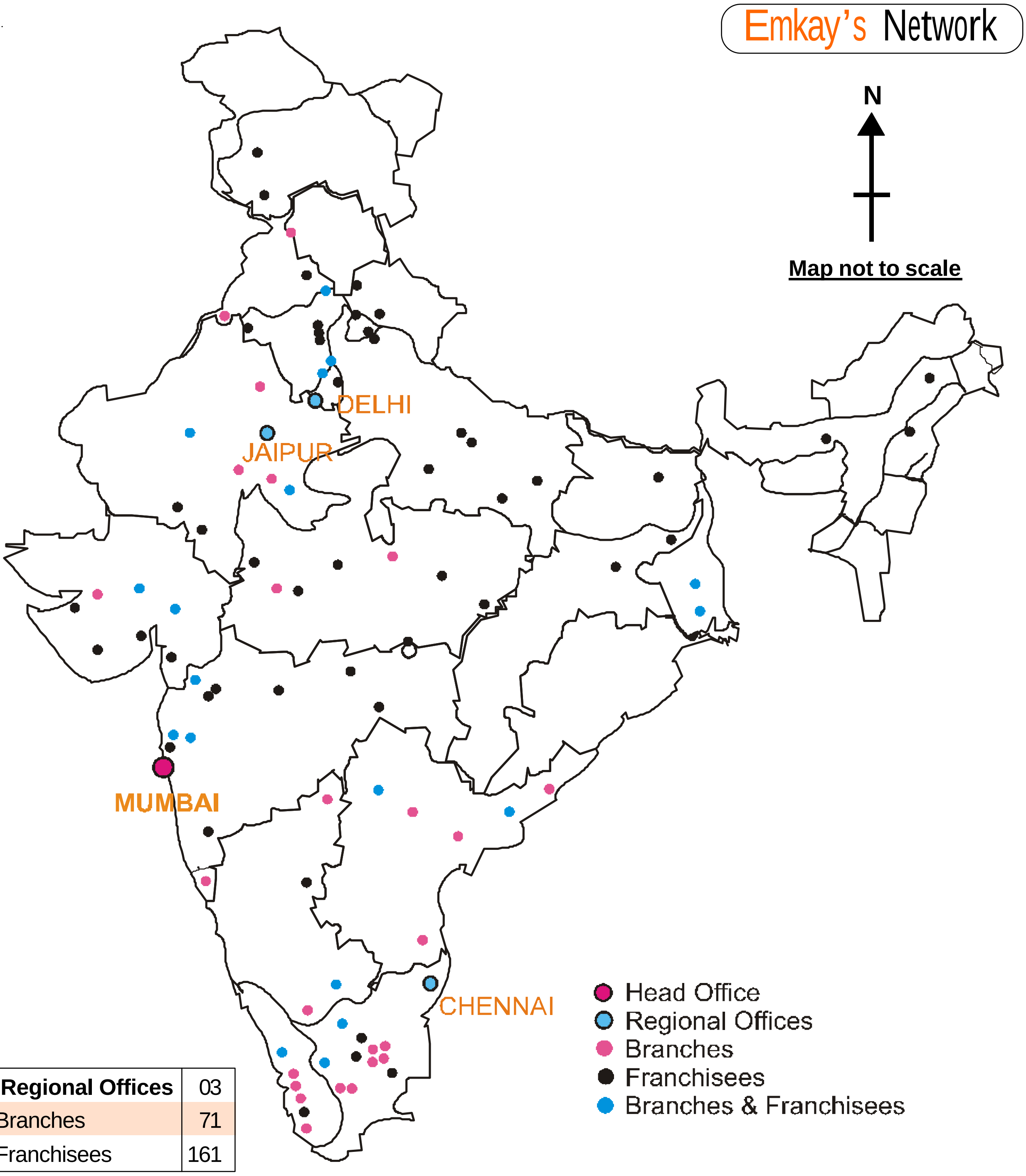
We continue to remain positive on Cinemax, looking at company's aggressive growth plans and proven track record of executions. At current market price of Rs 151, stock is trading at 15x FY08E and 11x FY09E, we maintain a BUY on stock, with a target price of Rs 193 based on our DCF approach, at our target price stock will valued at 8.5x EV/EBITDA FY09E.

Financial Estimates -

Year Ended	FY07A	Earlier Estimates		New Estimates		Implied Change (%)	
		FY08E	FY09E	FY08E	FY09E		
Net Sales (Rs Mn)	1,001.60	1,783.02	2,483.63	1693.9	2359.5	(5.0)	(5.0)
EBITDA Mn)	254.90	492.1	693.3	431.9	625.3	(12.2)	(9.8)
EBITDA%)	25.4	27.6	27.9	25.5	26.5	(210)bps	(142)bps
PAT (Rs Mn)	119.9	261.2	381.7	276.0	386.6	5.7	(1.3)
EPS (Rs)#	4.3	9.3	13.6	9.9	13.8	5.7	(1.3)
P/E (x) @ Rs 151	36	16	11	15	11		

Source: Emkay Private Client Research

Emkay's Network



Total Regional Offices	03
Total Branches	71
Total Franchisees	161

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