



## REDUCE

Price	Rs24
Target Price	Rs17
Investment Period	12 Months

### Stock Info

Sector	Media
Market Cap (Rs cr)	82
Beta	0.6
52 WK High / Low	60/9
Avg Daily Volume	39,491
Face Value (Rs)	10

BSE Sensex	15,104
Nifty	4,587

BSE Code	532631
NSE Code	FAME
Reuters Code	SHRC.BO
Bloomberg Code	FAME @IN

### Shareholding Pattern (%)

Promoters	43.7
MF/Banks/Indian FIs	12.1
FII/ NRIs/ OCBs	25.6
Indian Public	18.6

Abs.	3m	1yr	3yr
Sensex (%)	84.2	(4.2)	47.9
Fame (%)	132.3	(56.1)	(55.0)

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## Performance Highlights

- Robust Revenue growth, up 33%:** For 4QFY2009, Fame reported a robust Top-line growth of 33% yoy to Rs23.2cr (Rs17.4cr) on a standalone basis, driven by an improved Average Spend per Head, which increased 13.6% to Rs167 (Rs147), and higher Advertising and F&B Revenues. This was supported by a 19.7% growth in Footfalls to 1.5mn (1.2mn), owing to property additions. Advertising Income for the quarter registered a robust 63.6% yoy growth to Rs2.3cr (Rs1.4cr). F&B Revenues registered a 45% yoy growth to Rs5cr (Rs3.4cr), achieved primarily on account of a higher F&B Spend, which increased by 16.1% yoy to Rs36 (Rs31). However, E-tax increased by 709bp to 18.4% (11.3%).
- Margins dip by 172bp:** On the Operating front, Fame reported a flattish performance, posting an EBITDA of Rs1.7cr (Rs1.6cr) for the quarter, owing to its Margin contracting by 172bp on account of the increase in the distributors' share (up 121bp) and higher rentals (increased by 253bp yoy). However, a 122bp drop in Staff costs and an 80bp savings in Other Expenses helped arrest a further Margin fall. Moreover, in view of the recent court judgment, service tax on lease rentals, to the extent not paid to lessors amounting to Rs1.2cr, was not provided during the quarter and aided Margins, in turn.
- Bottom-line boosted by Forex loss reversal:** Fame declared a Bottom-line of Rs6.2cr (Rs0.4cr loss), on a reported basis, largely due to the reversal of a MTM loss (Rs9.1cr), adjusted for which the company reported a loss of Rs2.9cr (Rs0.3cr profit) for the quarter. Earnings were depressed due to Margin contraction, higher Depreciation charges (up 108% yoy) and a jump in Interest costs (up 68% yoy).

### Key Financials (Consolidated)

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
<b>Net Sales</b>	<b>92.6</b>	<b>133.6</b>	<b>153.4</b>	<b>210.6</b>
% chg	5.0	44.3	14.9	37.3
<b>Net Profit</b>	<b>14.1</b>	<b>3.4</b>	<b>(4.1)</b>	<b>6.7</b>
% chg	44.6	(75.5)	-	-
OPM (%)	13.7	10.0	9.5	14.1
<b>EPS (Rs)</b>	<b>4.0</b>	<b>1.0</b>	<b>(1.2)</b>	<b>1.9</b>
P/E (x)	5.8	23.8	-	12.3
P/BV (x)	0.8	0.8	0.9	0.8
RoE (%)	14.5	3.4	(4.3)	6.5
RoCE (%)	3.2	0.5	(0.8)	3.8
EV/Sales (x)	1.4	1.3	1.4	1.2
EV/EBITDA (x)	10.5	13.2	15.2	8.2

Source: Company, Angel Research

**Key Highlights for the Quarter**
**Exhibit 1: Exhibition Capacity**

	4QFY2009	4QFY2008	Addition	3QFY2009	Addition
Propts Under Operation	21	15	6	19	2
Screens Under Operation	74	54	20	70	4
Seats Under Operation	21,608	16,711	4,897	20,344	1,264

Source: Company, Angel Research

**Exhibition Capacity:** At the end of 4QFY2009, Fame had 74 screens and 21,608 seats under operation, with a presence in 11 cities. During 4QFY2009, the company added two new properties – *Chandigarh* (three screens with 652 seats) and *Bangalore* (one screen with 612 seats).

**Exhibit 2: Revenue Breakup (Standalone)**

(Rs cr)	4QFY2009	4QFY2008	% chg	FY2009	FY2008	% chg
Gross Ticket Sales	19.6	14.4	35.8	93.8	64.8	44.8
Less: Discount	0.6	0.7	(13.7)	2.8	3.0	(5.6)
<b>Ticket Revenue</b>	<b>19.0</b>	<b>13.7</b>	<b>38.4</b>	<b>91.0</b>	<b>61.8</b>	<b>47.2</b>
Less: Ent Tax	3.5	1.6	125.2	15.6	5.7	174.2
<b>Net Ticket Sales</b>	<b>15.5</b>	<b>12.1</b>	<b>27.3</b>	<b>75.4</b>	<b>56.1</b>	<b>34.4</b>
Sale of F&B	5.0	3.4	45.0	23.6	14.6	61.5
Advt Revenue	2.3	1.4	63.6	8.6	4.9	77.8
Mang Fees	0.1	0.1	18.2	0.8	0.7	7.0
Prog / Others	0.3	0.3	0.0	1.3	1.4	(12.6)
<b>Net Operating Income</b>	<b>23.2</b>	<b>17.4</b>	<b>33.2</b>	<b>109.6</b>	<b>77.7</b>	<b>41.1</b>

Source: Company, Angel Research

**Ticket Sales:** Net Ticket Sales for the quarter registered a 27.3% yoy growth to Rs15.5cr (Rs12.1cr), primarily on account of a higher Average Spend Per Heard, which increased by 13.6% yoy to Rs167 (Rs147), driven by both higher ATPs and F&B Spend, coupled with a 29.3% yoy increase in seating capacity. Footfalls grew at a healthy pace of 19.7% to 1.5mn (1.2mn) on the back of new property additions. However, Occupancy was down at 19% owing to a weak movie pipeline and the economic slowdown.

**Other Revenues:** The Revenue-mix for the quarter improved due to an increased focus on Advertising and F&B Revenues. Advertising Income for the quarter registered a robust 63.6% yoy growth to Rs2.3cr (Rs1.4cr). F&B Revenues witnessed a 45% yoy growth to Rs5cr (Rs3.4cr), achieved primarily on account of a higher F&B Spend, which increased by 16.1% yoy to Rs36 (Rs31).

**Exhibit 3: Operational Parameters (Excl. Fame Adlabs and Surat)**

	4QFY2009	4QFY2008	% chg	FY2009	FY2008	% chg
Footfalls (Mn)	1.48	1.24	19.7	7.28	5.81	25.2
Occupancy (%)	19.0	23.0		25.0	29.0	
No of Shows	5.1	4.8		5.3	5.4	
Average Ticket Price, ATP (Rs)	131.0	116.0	12.9	128.0	111.0	15.3
F&B Spend Per Head (Rs)	36.0	31.0	16.1	35.0	28.0	25.0
Avg Spend Per Head, SPH (Rs)	167.0	147.0	13.6	163.0	139.0	17.3

Source: Company, Angel Research

### Outlook and Valuation

During FY2009-11E, we expect Fame to register a robust 25.6% CAGR in its Top-line, driven mainly by addition in seating capacity, as we expect the ATP and F&B Spend to improve only marginally. We expect the screen count to increase, from the current 74, to 95 screens in FY2010 and 116 screens in FY2011. At the Operating front, we expect Margins to dip marginally in FY2010 before recovering to 14.1% in FY2011, aided by a higher operating leverage, driving a robust 49.4% CAGR in the EBITDA during FY2009-11E. However, increasing pressure from higher distribution costs (on account of revised Revenue sharing norms) may additionally impact Margins.

In terms of Earnings, we expect Fame to register a CAGR of 39.4% during the period, driven by a robust growth in Revenue and Margin expansion. However, we expect the company to report a loss in FY2010 owing to a poor 1QFY2010, higher Depreciation charges and a sharp rise in Interest costs (due to higher Debt to fund future expansion).

**We maintain our assumptions on the dilution front and are not factoring any dilution in equity, as a full conversion of outstanding FCCBs (US \$13mn) is not likely to take place at current levels and the given market conditions.** Also, downside risks, in terms of Earnings disappointments owing to higher costs (revised Revenue-sharing terms) and a delay in expansion plans (due to funding issues), cannot be ruled out. At the CMP of Rs24, Fame India is trading at expensive valuations of 12.3x FY2011E EPS, given the concerns over its FCCB issue. **We downgrade the stock from Neutral to Reduce with a Target Price of Rs17.**

#### Exhibit 4: Financial Performance (Standalone)

Y/E March (Rs cr)	4QFY2009	4QFY2009	% chg	FY2009	FY2008	% chg
<b>Net Sales</b>	<b>23.2</b>	<b>17.4</b>	<b>33.0</b>	<b>109.6</b>	<b>77.7</b>	<b>41.1</b>
Direct Cost	7.7	5.5	38.1	37.1	25.1	47.9
(% of Sales)	33.0	31.8		33.9	32.3	
Personnel Cost	3.4	2.7	22.8	13.1	10.4	26.4
(% of Sales)	14.6	15.8		12.0	13.4	
Rent	5.8	3.9	48.0	22.8	12.5	82.4
(% of Sales)	25.0	22.5		20.8	16.1	
Other Expenses	4.6	3.6	27.9	25.2	19.1	32.0
(% of Sales)	20.0	20.8		22.9	24.5	
<b>Total Expenditure</b>	<b>21.5</b>	<b>15.8</b>	<b>35.5</b>	<b>98.2</b>	<b>67.0</b>	<b>46.5</b>
<b>Operating Profit</b>	<b>1.7</b>	<b>1.6</b>	<b>7.9</b>	<b>11.4</b>	<b>10.7</b>	
OPM (%)	7.4	9.1		10.4	13.7	
Interest	1.2	0.7	67.6	3.6	3.0	18.7
Depreciation	4.0	1.9	108.4	11.2	6.1	83.0
Other Income	9.7	0.8		4.1	12.6	(67.5)
<b>PBT (excl. Ext Items)</b>	<b>6.3</b>	<b>(0.2)</b>		<b>0.8</b>	<b>14.2</b>	<b>(94.2)</b>
Ext Income/(Expense)	-	-		-	-	
<b>PBT (incl. Ext Items)</b>	<b>6.3</b>	<b>(0.2)</b>		<b>0.8</b>	<b>14.2</b>	<b>(94.2)</b>
(% of Sales)	27.2	(1.1)		0.8	18.3	
Provision for Taxation	0.1	0.2	(65.0)	(1.1)	1.8	
(% of PBT)	1.1				12.6	
<b>Reported PAT</b>	<b>6.2</b>	<b>(0.4)</b>		<b>1.9</b>	<b>12.4</b>	<b>(84.7)</b>
Equity shares (cr)	3.5	3.5		3.5	3.5	
<b>EPS (Rs)</b>	<b>1.8</b>	<b>(0.1)</b>		<b>0.5</b>	<b>3.6</b>	<b>(84.7)</b>
MTM Gain/ (Loss) #	9.1	(0.7)		(1.9)	6.7	
<b>PAT w/o MTM</b>	<b>(2.8)</b>	<b>0.3</b>		<b>3.8</b>	<b>5.7</b>	<b>(33.3)</b>

Source: Company, Angel Research; # Note: MTM Reversal gain included in Other Income



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<b>Ratings (Returns) :</b>	<b>Buy (Upside &gt; 15%)</b>	<b>Accumulate (Upside upto 15%)</b>	<b>Neutral (5 to -5%)</b>
	<b>Reduce (Downside upto 15%)</b>	<b>Sell (Downside &gt; 15%)</b>	