

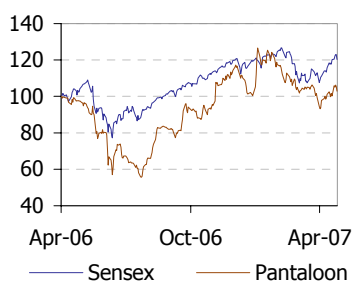
Pantaloon Retail

 Relative to sector: **Neutral**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

 No. of shares : 140.7mn
 Market cap : Rs 57.9bn
 52 week high/low : Rs 527/ Rs 216
 Avg. daily vol. (6mth) : 137,000 shares
 Bloomberg code : PF IN
 Reuters code : PART.BO

Shareholding (%) Mar-07 QoQ chg

Promoters	: 42.3	0.0
FIIs	: 27.0	0.0
MFs / UTI	: 10.1	0.6
Banks / FIs	: 1.5	0.1
Others	: 19.2	(0.6)

MEETS EXPECTATIONS, MARGIN TIGHTENS

Pantaloon Retail (PRIL) reported revenues of Rs 8.61bn (\uparrow 86%), EBIDTA of Rs 602mn (\uparrow 57%) and adj. net profit of Rs 187mn (\uparrow 17%) in Q3FY07. Results were in-line with our expectations. While growth was over 80% in both, value and lifestyle retailing, EBITDA margins declined by 143bps on account of higher material and employee costs. A higher than expect interest cost also saw adj. PAT margins at 2.2% in Q3FY07 (\downarrow 136bps).

Q3FY07 Highlights

- Store launches:** In Q3FY07, PRIL opened 6 Pantaloon stores, 6 Big Bazaars, 3 Food Bazaars, 1 Brand Factory Outlet, 1 Central and 1 Standalone Depot, thus taking its total retail space to ~4.7mn sq. ft. Based on current momentum, we estimate the launch of another ~0.9mn sq. ft. in Q4FY07, which will take total retail space to ~5.6mn sq. ft.
- Home retailing:** PRIL opened a new format called Home Town (~125000 sq. ft.) in Noida. We believe that this format for *home improvement and construction* could be the next 'big' opportunity for PRIL after Pantaloon, Big Bazaar and Food Bazaar.
- New initiatives:** PRIL entered into a JV with UK based Alpha Airport Group to open duty free shops in Indian airports. Alpha Future, the new JV firm, opened its first two duty free shops (spread over 8,000 sq. ft.), at the arrival and departure lounges of the Indira Gandhi International Airport, Delhi, in March.
- Margin dilution:** Although PBIT margins in value retailing remained range bound at 7.5%, margins in lifestyle retailing declined by 122bps YoY to 12.8% in Q3FY07. (*Refer chart*)

Due to marginal slippages in store rollouts and continued pressure on margins, we are reducing our Adj. PAT estimates for FY07 and FY08 by 4% and 7% to Rs 836mn and Rs 1.68bn respectively. At CMP (Rs 411), the stock is trading at 34x FY08E EPS. We maintain our sector **Neutral** rating on the stock.

Financial Summary

Y/E Jun	Sales (Rs mn)	Adj. PAT (Rs mn)	Consensus EPS* (Rs)	Adj. EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)
2005	10,495	355	-	3.2	50	74.7	22.5	18.7	32.6
2006	18,238	573	-	4.3	32	65.2	14.8	13.8	31.0
2007E	32,507	836	8.2	5.9	39	69.2	11.6	12.3	27.7
2008E	57,745	1,682	12.7	12.0	101	34.4	17.4	15.9	19.0

Source: *Consensus broker estimates, Company, ENAM estimates

Results update

(Rs. mn)	Quarter ended					12 months ended		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Jun-07E	Jun-06	% Chg
Net Sales	8,610	4,554	89.1	7,527	14.4	32,507	18,238	78.2
EBIDTA	602	384	56.9	570	5.6	2,373	1,425	66.5
Other income	9	5	87.4	4	134.3	27	19	42.4
PBIDT	612	389	57.3	574	6.5	2,400	1,444	66.2
Depreciation	93	59	58.1	82	13.8	406	227	78.7
Interest	229	101	126.6	207	10.6	717	368	95.1
PBT	290	229	26.5	285	1.5	1,277	849	50.4
Tax	103	68	50.9	97	5.3	434	286	52.0
Minority Interest	-	-	-	-	-	7	(10)	-
Adjusted PAT	187	161	16.2	188	(0.5)	836	573	45.9
Extra ordinary income/ (exp.)	-	-	-	252	-	-	(36)	-
Reported PAT	187	161	16.2	440	(57.5)	836	537	55.7
No. of shares (mn)	141	134	-	141	-	141	134	-
EBIDTA margins (%)	7.0	8.4	-	7.6	-	7.3	7.8	-
PBIDT margins (%)	7.1	8.5	-	7.6	-	7.4	7.9	-
EPS - annualized (Rs.)	5.3	4.8	11.0	5.3	(0.5)	5.9	4.3	39.4

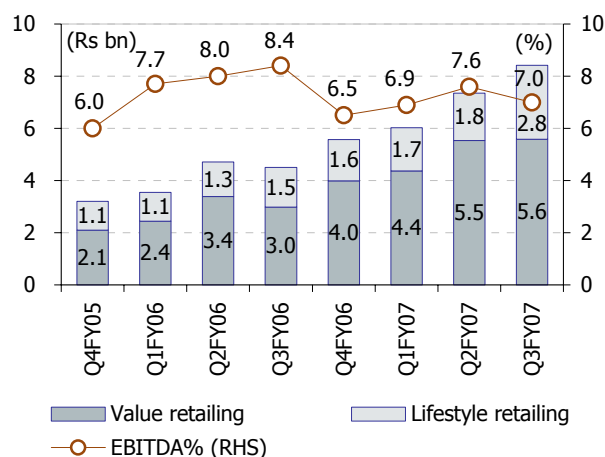
Source: Company, ENAM Research

Segment-wise revenues

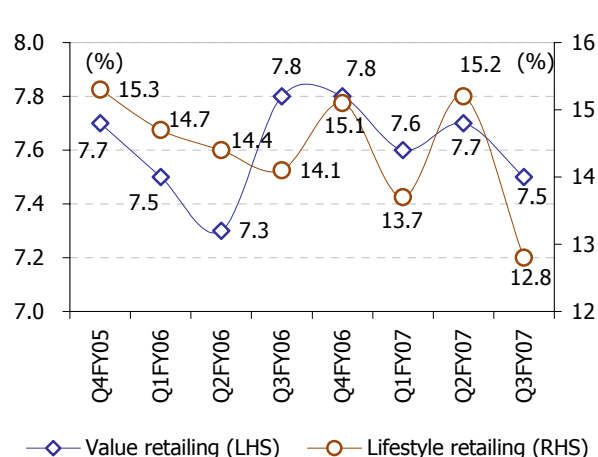
(Rs mn)	9mFY07	9mFY06	% change
Value Retailing	15,880	9,218	72.3
Lifestyle Retailing	6,927	4,800	44.3
Home Retailing	2,324	-	-
Gross Total	25,132	14,019	79.3
<i>Less: Inter-Company Sales</i>	<i>1,395</i>	<i>-</i>	<i>-</i>
Total	23,736	14,019	69.3
Value - Same store	10,979	9,199	19.4
Lifestyle- Same store	5,876	4,766	23.3
Home Retailing	2,324	-	-

Source: Company; Note: As per un-audited company update

Sales & EBITDA margin trend



Segmental margin trend



Source: Company, ENAM Research

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