

Pantaloon Retail India

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Shareholding (%)

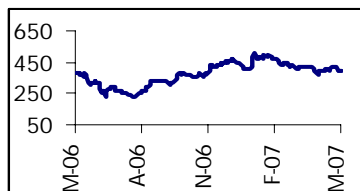
Promoters	44.3
FII's	27.0
MFs	10.1
Others	18.6

Share price performance

52-week high/low (Rs)	528/218		
	-1m	-3m	-12m
Abs (%)	6.6	-15.3	4.8
Rel* (%)	-4.9	-13.7	-8.0

*to Nifty

Stock chart



Spreading its wings....

Pantaloon Retail India Ltd. (PRIL) reported net sales of Rs8,610mn and net profit of Rs187mn, YoY increase of 89% and 15% respectively. The relative disparity in these numbers was a result of high interest expense of Rs229mn. Sales growth was driven by 87% YoY increase in contribution from value-retailing business (Food Bazaar and Big Bazaar). Lifestyle segment grew by 85% YoY. PRIL's EBITDA margin, however, dropped 150bps during Q3FY07, as employee costs increased by 118% YoY. On sequential basis, net sales increased by 14.4% and net profit decreased 57%.

Over a long term basis, we expect PRIL to benefit from its aggressive expansion plans and the anticipated growth in organised retailing in India. Therefore, we continue to remain positive on the company.

Key highlights of the quarter:

- ▲ **Revenue increased 89% YoY in Q3FY07:** PRIL's Q3FY07 revenue increased 89% YoY, primarily due to higher contribution and growth in value-retailing business. Revenue from value and lifestyle retailing businesses increased by 87% YoY and 85% YoY respectively. For the nine months ended March 31, 2007, the company reported more than 20% YoY growth in same-store sales.
 - ▲ Increase in retail space also supported growth in revenue.
- ▲ **EBITDA up 57% YoY in Q3FY07:** Despite 89% YoY increase in sales, PRIL's EBITDA grew by 57% YoY to Rs603mn during the quarter. This was primarily due to an increase in employee costs from Rs247mn in Q3FY06 to Rs537mn in Q3FY07; the proportion of employee costs to total sales increased from 5.4% to 6.2% during this period. The company's build-up inventory and higher raw material costs also brought down growth in EBITDA levels. Not surprisingly, PRIL's EBITDA margin dropped 150bps YoY to 7% in Q3FY07.
- ▲ **Net profit down due to high interest costs:** In Q3FY07, PRIL's net profit increased by 15% YoY to Rs1,870mn. This decline was mainly due to high interest costs, which increased 127% YoY to Rs229mn as against Rs100.7mn in Q3FY06. The company's net profit margin dropped 140bps from 3.6% to 2.2%.

**Not
Rated
Rs399**

May 7, 2007

Market cap

Rs bn 56

US\$ mn 1,369

Avg 3m daily volume

83,042

Avg 3m daily value

Rs mn 35

Shares outstanding (mn)

141

Reuters

PFAS.BO

Bloomberg

PF IN

Sensex

13,934

Nifty

4,117

Pantaloon Retail India

- ▲ **Duty free shops launched:** In March 2007, a joint venture between Future group and Alphas Airport group launched its first duty-free shops at the Delhi International Airport. These shops, spread across a retail space of 8,000 square feet, have been opened at the arrival and departure lounges of the airport.
- ▲ **Outlook:** We believe that PRIL is likely to benefit from the changing consumerism in India. Our view is supported by strong, anticipated growth in organised retailing, PRIL's aggressive expansion plans and value unlocking of its subsidiaries going forward. Hence, we continue to remain positive on the company.

Table 1. Quarterly result table

Rs mn	Q3FY07	Q3FY06	YoY (%)	Q2FY07	QoQ (%)
Net sales from operations	8610.5	4554.0	89.1	7526.9	14.4
Total expenses	8007.7	4169.0	92.1	6956.7	15.1
% of net sales	93.0	91.5		92.4	
(Increase) / Decrease in stock	-958.3	-423.9	126.1	-977.6	
Raw material consumed	6767.1	3458.6	95.7	6080.6	11.3
% of net sales	78.6	75.9		80.8	
Staff cost	536.6	246.7	117.5	490.9	9.3
% of net sales	6.2	5.4		6.5	
Other expenditure	1662.3	887.6	87.3	1362.8	22.0
% of net sales	19.3	19.5		18.1	
EBITDA	602.7	385.0	56.6	570.2	5.7
% of net sales	7.0	8.5		7.6	
Depreciation	93.3	58.6	59.2	82.3	13.4
EBIT	509.5	326.4	56.1	487.9	4.4
% of net sales	5.9	7.2		6.5	
Interest / (Interest income)	228.9	100.7	127.2	207.3	10.4
Other income (OI)	9.4	4.6	102.4	377.7	-97.5
PBT	289.9	230.3	25.9	658.3	-56.0
Provision for tax (including deferred tax)	-102.8	-67.9	51.4	-218.5	-53.0
PAT	187.2	162.4	15.3	439.7	-57.4
NP margin %	2.2	3.6		5.8	
Net profit	187.2	162.4	15.3	439.7	-57.4
Equity (face value 10)	281.4	224.1		281.4	
Cash EPS	2.0	9.9		3.7	
EPS (Rs)	1.33	7.2		3.13	
Ratios (%)					
EBITDA margin	7.0%	8.5%		7.6%	
Interest / Sales	2.7%	2.2%		2.8%	
Tax / PBT	35.5%	29.5%		33.2%	
NPM	2.2%	3.6%		5.8%	

Source: IISL research, company

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