



ENAM Securities
India Research

Rs 423

Target Price: Rs 551

Potential Upside: 30%

Sector avg. upside: 10% to 20%
(mkt cap wtd)

Pantaloon Retail

Relative to sector: **Outperformer**

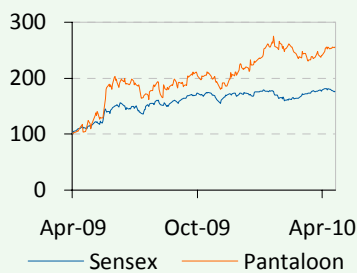
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 206 mn[^]
Market cap : Rs 87 bn[^]
52 week high/low : Rs 455/ Rs 176
Avg. daily vol. (6mth) : 499,300 shares
Bloomberg code : PF IB
Reuters code : PART.BO

Note: [^] includes class B shares.

Shareholding (%) Mar-10 QoQ chg

Category	Mar-10 (%)	QoQ chg
Promoters	44.7	0.0
FIs	25.8	3.1
MFs / UTI	8.8	(1.9)
Banks / FIs	7.5	0.0
Others	13.3	(1.3)

Financial Summary (Standalone core retail)

Y/E Jun	Net Sales (Rs mn)	Adj. PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.) [^]	Change YoY (%)	P/E (x)	RoIC (%)	RoCE (%)	EV/EBITDA (x)	EV/S (x)
2009	63,417	1,442	-	7.6	(5)	-	20.1	11.9	-	-
2010E	79,316	2,156	10.0	10.2	35	33.5	24.6	12.3	11.1	1.2
2011E	97,466	3,323	15.2	15.7	54	21.7	27.0	13.9	9.4	1.0
2012E	117,603	4,553	20.1	21.6	37	15.9	29.6	15.9	7.8	0.8

Source: *Consensus broker estimates, Company, ENAM estimates [^]**We have assumed warrant conversion of 5 mn in FY10E**

BACK TO THE 'FUTURE'

PRIL reported standalone revenue of Rs 20.6 bn (**↑25%**), EBITDA of Rs 2.2 bn (**↑25%**) and adj. PAT of Rs 559 mn (**↑63%**) in Q3FY10 on YoY basis, inline with our and consensus expectations.

Key highlights: Q3FY10

- **Same-store sales (SSS) growth continues to improve** - Value 14%, Lifestyle 13% and Home 19% (lower base effect). The 4-day shopping fest in Jan was a success with a large turnout. In fact, we expect the trend to continue during the "Great Indian Shopping Fest" on 17th April – 16th May. This indicates the up tick in consumer sentiments.
- **Stable operating margin:** EBITDA margin stood at 10.5%, as increase in material cost was off set by low overheads. Inventory level decreased due to unwinding of stock position before festive season. Earnings continue to be driven by lower interest burden.
- **Value retail dropped down:** PRIL has dropped down the value retail formats (Big bazaar & Food Bazaar) into a 100% subsidiary, in order to independently raise capital and/or strategic tie up to scale up retail ops. Formal announcement has been made to disclose consolidated results on quarterly basis from FY11.
- We forecast a **base case rollout of 2 mn sq. ft./ year** with **~5% SSS growth** enabling a 22% CAGR in revenue over the next 2 yrs. Continued **traction in SSS growth could lead to a positive surprise in EBITDA margin**, which is not yet factored in our estimates. We have lowered marginally our revenue growth forecast, thus downgrading FY11E earnings by 3%.

We maintain our stance that favorable macro tailwinds, focus on enhancing capital efficiency and initiatives to de-leverage the balance sheet are structurally positive triggers. The core retail valuations, excluding value of investment in Future Capital & Insurance, stand at 16x FY12E standalone earnings. **Our SOTP based target price is at Rs 551 (refer page 2).**

Results update

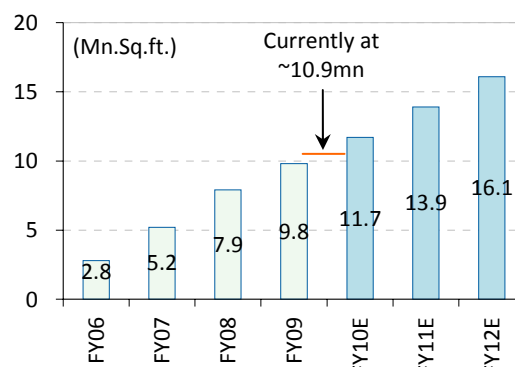
(Rs mn)	Quarter ended					12 months ended		
	Mar-10	Mar-09	% Chg	Dec-09	% Chg	Mar-10E	Mar-09	% Chg
Net Sales	20,576	16,421	25.3	19,128	7.6	79,316	63,417	25.1
EBITDA	2,156	1,730	24.6	2,034	6.0	8,443	6,780	24.5
Other income	14	16	(10.0)	20	(29.4)	40	57	(30.5)
PBIDT	2,170	1,746	24.3	2,054	5.6	8,553	6,843	25.0
Depreciation	465	369	26.0	452	2.9	1,804	1,401	28.8
Interest	859	847	1.3	835	2.8	3,506	3,244	8.1
PBT	847	530	59.8	767	10.4	3,242	2,198	47.5
Tax	288	186	54.5	261	10.4	1,086	757	43.6
Adjusted PAT	559	344	62.7	507	10.4	2,156	1,442	49.5
Extra ordinary income/ (exp.)	-	-	-	-	-	700	(38)	-
Reported PAT	559	344	62.7	507	10.4	2,856	1,404	103.5
No. of shares (mn)	206	175	-	206	-	211	190	-
EBIDTA margins (%)	10.5	10.5	-	10.6	-	10.6	10.7	-
PBIDT margins (%)	10.5	10.6	-	10.7	-	10.8	10.8	-
EPS - annualized (Rs.)	10.9	7.8	38.2	9.8	10.4	10.2	7.6	34.8

Source: Company, ENAM Research

SOTP valuations

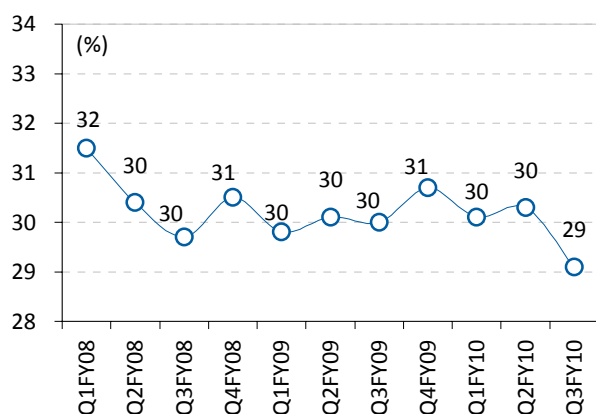
	Rs / share	Comments
PRIL standalone (20x FY12E)	470	20x FY12E earnings
FCH (55%, valued at CMP – Rs 15 bn)	28	Mcap Rs 11bn
Future Generali (49.7%)	53	Valued at Rs 11.8 bn
Sum-of-the-parts	551	

Store rollout trend (standalone)



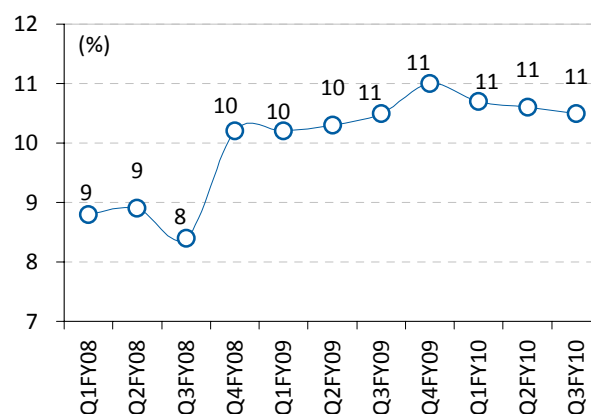
Source: Enam Research, Company

Quarterly Gross margin trend

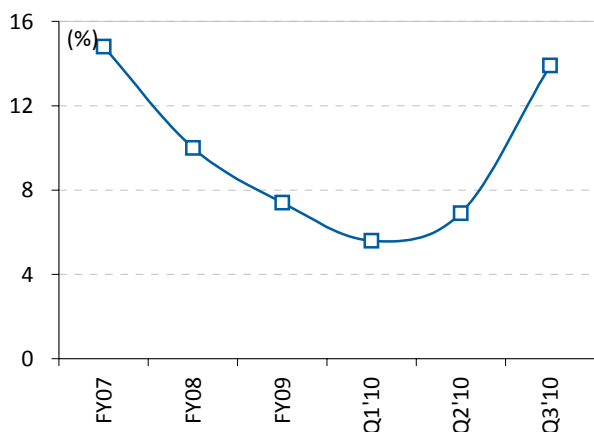


Source: ENAM Research

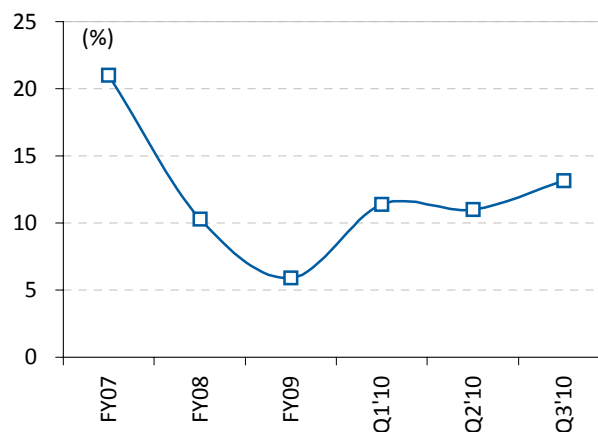
Quarterly EBITDA margin trend



Value retailing: Same-store sales growth



Lifestyle retailing: Same-store sales growth



Source: Company

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