

Cinemax Limited (CININD)

Rs 49

WHAT'S CHANGED...

PRICE TARGET	Changed from Rs 70 to Rs 58
EPS (FY11E)	Changed from Rs 3.6 to Rs 3.4
EPS (FY12E)	Unchanged
RATING.....	Changed from ADD to BUY

Disappointing on the margins front...

On a consolidated basis, Cinemax reported its results for Q4FY10, which were above our expectations. The topline was at Rs 44.8 crore against our estimate of Rs 42.8 crore. The company recorded a topline growth of 32.3% YoY while it declined 24.5% QoQ. The decline was primarily due to the seasonal effect. The YoY revenue growth was led by higher number of screens under operation. The company disappointed on the margin front. The EBITDA margin came at 9.4%, a decline of 2047 bps QoQ and 260 bps YoY. It declined due to higher theatre rent, which increased by 72.9% QoQ to Rs 9.32 crore and higher other operating expenses. PAT stood at Rs 4.4 crore, aided by higher other income of Rs 4.0 crore and negative tax of Rs 3.1 crore.

■ Highlights of the quarter

The company did not roll any new property during Q4FY10. However, it added two new screens and 670 seats at the Ghatkopar property. With this, the company ended FY10 with the total count of properties at 28 with a total of 90 screens and seating capacity of 24,539. Occupancy for Q4FY10 stood at 26% as compared to 27% in the last quarter. The ATP improved to Rs 128 as compared to Rs 126 in Q3FY10.

The company reported other income of Rs 4.0 crore and E-tax reversal of Rs 3.1 crore. Had other income not been at these levels and tax reversal, the company would have reported a net loss for Q4FY10.

Valuation

At the CMP of Rs 49.0, the stock is trading at 17.1x FY11E EPS of Rs 3.4 and 11.9x FY12E EPS of Rs 4.1. We have valued the stock at 14x FY12E and arrived at a target price of Rs 58, implying an upside of 18%. We upgrade our rating on the stock from ADD to **BUY**.

Exhibit 1: Performance highlights

(Rs Crore)	Q4FY10	Q4FY10E	Q4FY09	Q3FY10	QoQ (Chg %)	YoY (Chg %)
Net Sales	44.8	42.8	33.9	59.4	-24.5	32.3
EBITDA	4.1	8.0	4.0	17.6	-76.6	3.2
EBITDA Margin (%)	9.2	18.7	11.8	29.7	-2047 bps	-260 bps
Depreciation	4.8	4.1	5.2	3.9	23.1	-6.8
Interest	2.1	2.0	1.7	2.1	-1.4	19.9
Reported PAT	4.4	2.6	1.4	10.7	-58.5	207.5
EPS (Rs)	1.6	0.9	0.5	3.8	-58.5	207.5

Source: Company, ICICIdirect.com Research

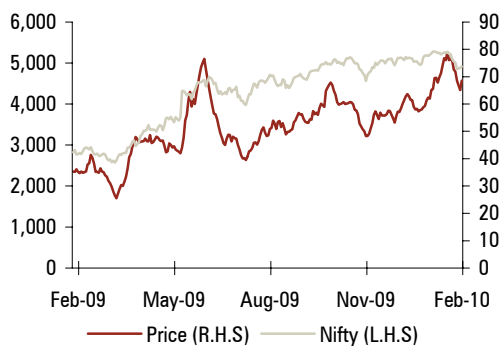
Rating matrix	
Rating	: Buy
Target	: Rs 58
Target Period	: 12 months
Potential Upside	: 18%

Key financials				
(Rs Crore)	FY09	FY10E	FY11E	FY12E
Net Sales	144.6	168.1	202.3	234.5
EBITDA	30.9	28.0	36.2	41.7
Net Profit	11.0	17.0	9.5	11.6
EPS	3.9	6.1	3.4	4.1

Valuation summary				
	FY09	FY10E	FY11E	FY12E
PE (x)	12.5	8.2	14.6	12.0
Target PE (x)	14.6	9.5	17.0	14.0
EV/EBITDA (x)	6.9	8.4	8.3	6.9
P/BV (x)	0.9	0.8	0.8	0.7
RoNW (%)	7.2	10.2	5.4	6.2
RoCE (%)	9.0	6.5	6.5	7.1

Stock data	
Market Capitalisation	Rs 138.5 Crore
Debt-Cons. (FY09)	Rs 81.3 Crore
Cash & Invst.-Cons. (FY09)	Rs 4.7 Crore
EV	Rs 214.8 Crore
52 week H/L	82 / 38
Equity capital	Rs 28.2 Crore
Face value	Rs 10
MF Holding (%)	0.0
FII Holding (%)	7.0

Price movement (Stock vs. Nifty)



Analyst's name

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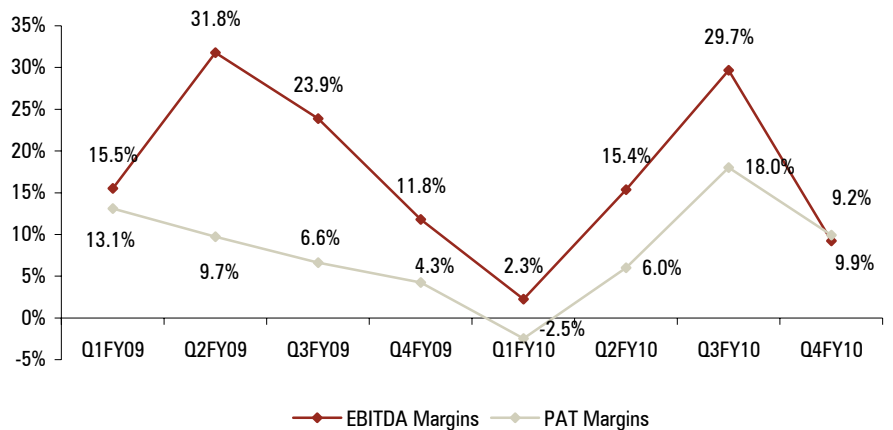
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Result analysis

■ **Dented margins**

EBITDA margins for the quarter stood at 9.2%, declining by 2047 bps QoQ and 260 bps YoY. The decline can be attributed to an increase in rent that soared 72.9% QoQ to Rs 9.3 crore coupled with higher other expenses that increased by 32.6% to Rs 7.9 crore. The PAT margin declined QoQ while it improved YoY. PAT during the quarter was supported by higher other income and tax reversal. Had these items not been included, the company would have incurred a loss during Q4FY10.

Exhibit 2: EBITDA and PAT margins

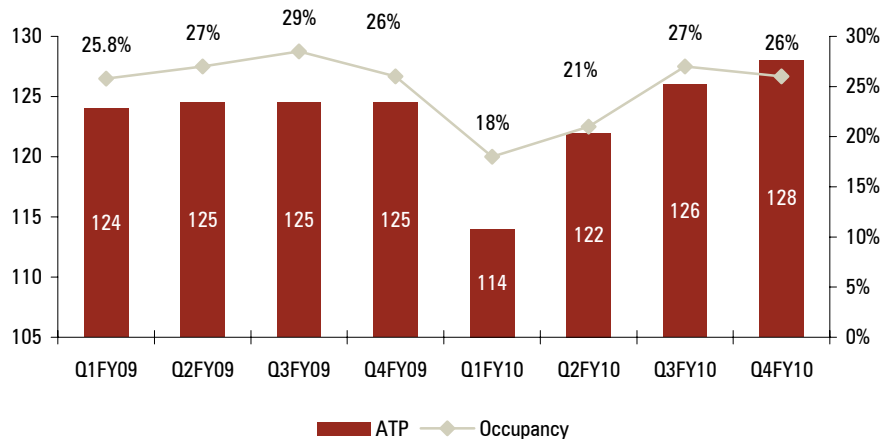


Source: Company, ICICIdirect.com Research

■ **Occupancy and ATP trend**

After the bumper Q3FY10, the company reported occupancy of 26% as compared to 27% in the last quarter. Occupancy was supported by the spillover effect of 3 Idiots, which was in theatres for the first two weeks of Q4FY10. The ATP of Rs 128 improved to Rs 128 in Q4FY10. We do not expect any major increase in the ATP, going forward, while occupancy would totally depend on the quality of content released during FY11E.

Exhibit 3: ATP and occupancy trend

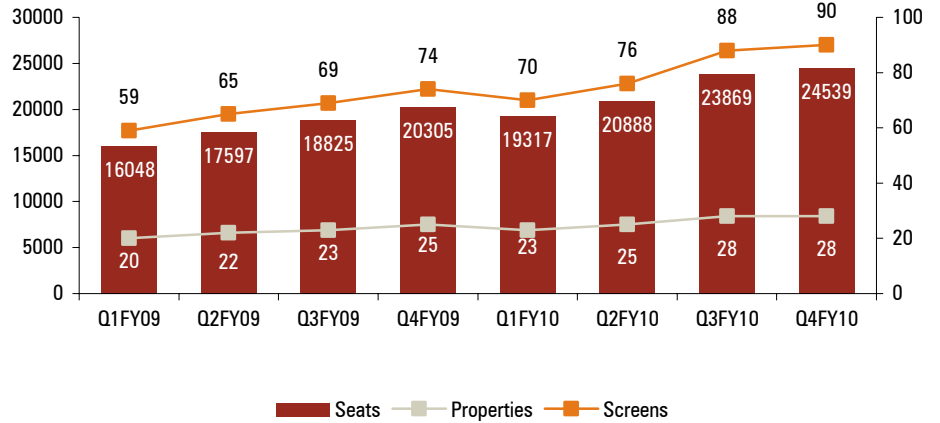


Source: Company, ICICIdirect.com Research

■ **Property roll out**

The company did not roll any new property during Q4FY10. However, it added two new screens and 670 seats at the Ghatkopar property. With this, the company ended FY10 with the total count of properties at 28 and total of 90 screens and seating capacity of 24,539. The company has rolled out one new property at Kochi, Kerela in Q1FY11E. We expect the company to end the current fiscal with 34 properties and 111 screens.

Exhibit 4: Property details



Source: Company, ICICIdirect.com Research

Outlook & Valuation

Outlook

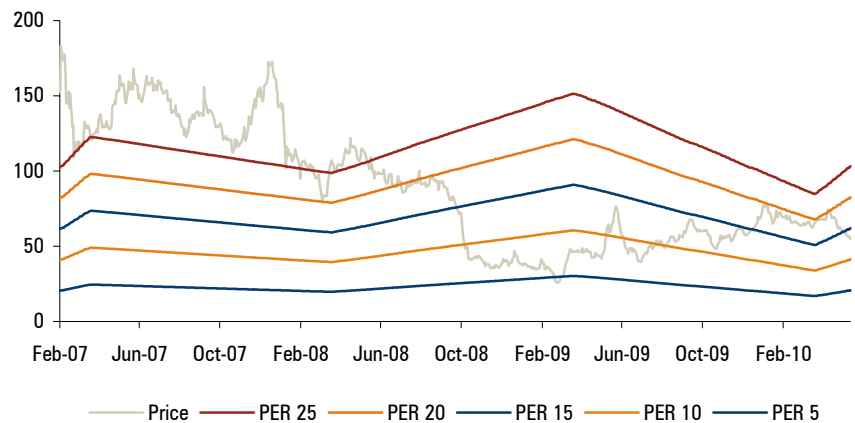
The company did not roll out any new properties during Q4FY10, while it rolled out three new properties and added 16 new screens. We expect the company to roll out six new properties in FY11E. The spillover effect of 3 Idiots aided revenues in Q4FY10. Otherwise, the occupancy would have further declined.

On the back of a strong movie pipeline and with big ticket movies on the cards, we expect the footfalls and occupancy to improve and lead to higher realisation. However, the occupancy is subject to content being released during the period. We do not expect any significant increase in the ATP during FY11E.

Valuation

At the CMP of Rs 49.0, the stock is trading at 17.1x FY11E EPS of Rs 3.4 and 11.9x FY12E EPS of Rs 4.1. We have valued the stock at 14x FY12E and arrived at a target price of Rs 58, implying an upside of 18%. We upgrade our rating on the stock from ADD to **BUY**.

Exhibit 5: One year forward P/E chart



Source: Company, ICICIdirect.com Research

Exhibit 6: Valuation table

	Sales (Rs cr)	Growth (%)	EPS (Rs)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY09	144.6	42.3	3.9	-71.4	12.5	6.9	7.2	9.0
FY10E	168.1	16.3	6.1	53.6	8.2	8.4	10.2	6.5
FY11E	202.3	20.3	3.4	-44.1	14.6	8.3	5.4	6.5
FY12E	234.5	15.9	4.1	21.8	14.0	6.9	6.2	7.1

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe

PVR				Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	PVRLIM		FY09	352.1	3.8	38.8	7.6	3.1	3.7	
		CMP	147.0	FY10E	341.1	-0.7	-206.8	9.3	-0.4	3.2
		Target	209.2	FY11E	467.8	16.1	9.1	3.0	13.4	12.6
MCap (Rs Cr)	338.2	% Upside	42.3%	FY12E	514.9	13.9	10.5	2.8	9.8	11.3
Cinemax				Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	CININD		FY09	144.6	3.9	12.5	6.9	7.2	9.0	
		CMP	49	FY10E	168.1	6.1	8.2	8.4	10.2	6.5
		Target	58	FY11E	202.3	3.4	14.6	8.3	5.4	6.5
MCap (Rs Cr)	138.5	% Upside	17%	FY12E	234.5	4.1	14.0	6.9	6.2	7.1

Source: Company, ICICIdirect.com Research

RATING RATIONALE

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Buy: Between 10% and 20%;
Add: Up to 10%;
Reduce: Up to -10%
Sell: -10% or more;

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