

13<sup>th</sup> June 2007**BUY**

Price	Target Price
<b>Rs239</b>	<b>Rs352</b>

<b>Sensex</b>	<b>14,003</b>
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**Price Performance**

(%)	1M	3M	6M	12M
Absolute	32	60	NA	NA
Rel. to Sensex	31	48	NA	NA

Source: Capitaline

**Stock Details**

Sector	Media
Reuters	SACV.BO
Bloomberg	SACV@IN
Equity Capital	100
Face Value	10
52 Week H/L	384/132
Market Cap	2.4
Daily Avg Vol (No of shares)	344101
Daily Avg Turnover (US\$)	1.6

**Shareholding Pattern (%)**

(31st Mar.'07)

Promoters	48.6
FII/NRI	0.0
Institutions	0.0
Private Corp.	30.2
Public	21.3

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**Shree Ashtavinayak Cine vision**

Result update

**Robust production pipeline**

Shree Ashtavinayak Cine Vision Ltd (SACVL) declared its FY07 results with 59% growth in the net sales to Rs961mn. The Adj. EBITDA (after deducting cost of films produced and distributed) for the year increased by 79% yoy to Rs224mn. The Adj. EBIDTA margins during the year increased to 23.3% as against 20.7% for the last year. The PAT for the year increased by 89% yoy to Rs142mn. The fully diluted EPS for the year stood at Rs14.1. During the year, the company produced 2 films Golmaal and Bhagam bhag while it distributed 5 films (apart from in-house productions). The company is increasingly focusing on the film productions, which is not only high revenue generator but also profit accretive. The company plans to produce 4-5 films while it plans to distribute 6-7 films in the current year (FY08). We maintain our estimates for FY08E and FY09E with an EPS of Rs24.1 and Rs35.2 respectively. We maintain our BUY recommendation on the stock with a price target of Rs352 (based on 10x EPS FY09E).

**Strong growth**

The company reported 59% growth in the net sales to Rs961mn. The revenues from in-house productions increased by 108% yoy to Rs657mn. The robust growth in the revenues from the production business is attributable to the successful releases of the films Golmaal and Bhagam bhag. In the distribution segment, the company distributed 5 films in FY07 and realized revenues of Rs302mn as against the distribution of 8 films in FY06 realizing revenues of Rs271mn. Although the no of films distributed has reduced, the average collections have remained strong. On segmental basis, the production and distribution business contributed to 68.4% and 31.4% in FY07 as against 52.3% and 45% in FY06 respectively. We maintain our revenue estimates for FY08E and FY09E at Rs1899mn and 2637mn respectively.

**Robust production pipeline**

The company produced two films GOLMAAL and BHAGAMBHAG in FY07. The company has a strong pipeline of films under production. The films planned for release in FY08 include, MR FRAUD directed by Abbas Mustan (starring Sanjay Dutt, Ajay Devgan, Bipasha Basu), KIDNAP directed by Sanjay Gadhvi (starring Sanjay Dutt), and three other movies, which are currently untitled and being directed by Imtiyaz Ali, Neeraj Vora and Rohit Jugraj. Apart from these, the company has lined up a Tamil film CHAKRA VYAGAM, which is likely to be released in FY08.

**Outlook and Valuations**

With a few successful box office releases, the company has established its footprint in the film industry. Given the popular star-cast and directors involved in the lined up projects, we expect the company to continue the momentum of growth in the revenue and profitability. We maintain our revenue estimates of Rs1899mn and Rs2637mn for FY08E and FY09E respectively. We expect the PAT to increase from Rs142mn in FY07 to Rs381mn in FY08 and Rs548mn in FY09E respectively. At current market price of Rs239, the stock trades at 10x EPS FY08E and 6.8x EPS FY09E. We maintain our BUY recommendation on the stock with a price target of Rs352 based on 10x EPS of Rs35.2 for FY09E.

**Key Financials (Rs mn)**

	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	RoCE (%)	EV/ EBITDA	P/BV	AEPS (Rs)	P/E
FY06	603	125	20.7	75	31.3	19.7	6.0	11.9	20.2
FY07	961	224	23.3	142	18.9	10.9	2.4	14.1	16.9
FY08E	1,899	381	20.1	242	29.0	6.3	2.0	24.1	9.9
FY09E	2,637	548	20.8	353	33.5	4.0	1.5	35.2	6.8

## Result update (Rs mn)

	FY06	FY07	% chg	FY08E	FY09E
Income from operations	603.4	960.7	59.2	1,899.3	2,637.0
Other income	7.1	15.6	119.1	-	-
Total income	610.5	976.2	59.9	1,899.3	2,637.0
Cost of sales	129.2	139.0	7.6	753.8	915.8
Staff cost	8.6	15.6	81.5	39.4	48.9
Other expenses	20.4	15.6	(23.8)	28.5	39.6
Total expenditure	158.1	170.1	7.6	821.7	1,004.2
Depreciation (intangible assets)	327.6	582.1	77.7	696.3	1,085.0
Adj. EBIDTA	124.8	224.0	79.5	381.4	547.8
Depreciation (fixed assets)	1.7	2.6	46.0	17.0	17.0
EBIT	123.1	221.5	80.0	364.4	530.8
Interest charges	3.6	6.5	79.7	1.0	-
PBT	119.4	214.9	80.0	363.4	530.8
Taxes	44.7	73.3	64.1	121.7	177.8
PAT	74.7	141.6	89.4	241.7	353.0

## % of sales

Adj. EBIDTA	20.7	23.3		20.1	20.8
EBIT	20.4	23.1		19.2	20.1
PAT	12.2	14.5		12.7	13.4

Segmental revenue	FY06	FY07	% chg	FY08E	FY09E
Production	315.4	657.2	108.4	1,054.8	1,663.0
Distribution	270.8	301.6	11.4	812.5	938.4
Exhibition	8.7	1.8	(79.0)	32.1	35.6
Others	8.5	-		-	-
Total	603.4	960.7	59.2	1,899.3	2,637.0

# The cost of sales for FY08 and FY09 includes the cost of films distributed.

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