

RESULT UPDATE ✓

Cinemax (CININD)

WHAT'S CHANGED

PRICE TARGET.....	Changed from Rs 47 to Rs 37
EPS (FY09E).....	Changed from Rs 6.8 to Rs 4.7
EPS (FY10E).....	Changed from Rs 7.2 to Rs 5.7
RATING.....	Changed from Performer to Hold

Current Price Rs 35	Target Price Rs 37
Potential upside 6%	Time Frame 12 months

HOLD

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Dim quarter...

Cinemax reported its Q3FY09 consolidated results, which were below our expectation. The topline at Rs 37.72 crore was 21% lower than our expectation of Rs 45.4 crore. The topline grew 32.25% YoY while it declined 16% QoQ. The EBITDA margin was 22.9%, declining by 884 bps QoQ and 281 bps YoY on the back of higher operating expenditure incurred by Cinemax. PAT for the quarter stood at Rs 2.06 crore, down 53.7% YoY and 52.9% QoQ due to higher tax and depreciation.

Highlight of the quarter

Cinemax rolled out a new property at Kolkata with four screens and seating capacity of 1208. With this, the total number of properties under operation went up to 23 with seating capacity of 18825 by the end of Q3FY09. The company also started a food court and gaming zone at the Rajkot and Ahmedabad property, respectively.

Operations at Cinemax Versova were closed for 26 days in the quarter due to a fire in the mall. Due to this, the company suffered a revenue loss of ~Rs 2.5 crore during Q3FY09.

Valuations

At the CMP of Rs 35, Cinemax is trading at 7.4x its FY09E EPS of Rs 4.7 and 6.1x its FY10E EPS of Rs 5.7. We value the stock at 6.5x FY10E EPS arriving at a target price of Rs 37. We have changed our rating on the stock from PERFORMER to **HOLD**.

Stock data....

	(Rs Crore)
Market Cap.	Rs 98.4 Cr
Debt (FY08)	Rs 96.5 Cr
Cash (FY08)	Rs 7.9 Cr
EV	Rs 208.0 Cr
52 week H/L	131/33
Equity capital	Rs 28.17 Cr
Face value	Rs 10
MF Holding (%)	0.1
FII Holding (%)	3.9

Price performance....

	1M	3M	6M	12M
PVR	-6.8	4.7	-48.1	-64.8
INOX	-7.7	-24.4	-64.0	-78.0
Cinemax	-13.5	-11.7	-60.9	-67.4

Exhibit 1: Key Financials

	(Rs Crore)								
	Q3FY09A	Q3FY09E	Q3FY08	Q2FY09	YoY Gr.	QoQ Gr.	YTD09	FY09E	FY10E
Net Sales	37.7	45.5	28.5	44.9	32.3%	-16.0%	111.0	144.9	187.0
EBIDTA	8.6	13.9	7.3	14.3	17.8%	-39.4%	27.2	34.9	43.2
EBIDTA Margin (%)	22.9%	30.5%	25.7%	31.8%	-281 bps	-884 bps	24.5%	24.1%	23.1%
Depreciation	3.8	2.4	2.0	7.2	92.4%	-47.4%	13.7	15.7	17.7
Interest	1.8	1.7	0.9	1.6	109.4%	11.3%	4.6	6.2	6.0
Other Income/Extraordinary item	1.3	0.6	0.8	0.9	56.8%	49.4%	6.1	6.9	3.5
Reported PAT	2.1	7.3	4.4	4.4	-53.8%	-53.0%	10.1	13.2	16.1
EPS (Rs)	0.7	2.6	1.6	1.6	-53.8%	-53.0%	3.6	4.7	5.7
Valuation									
PE								7.4	6.1
Target PE								7.9	6.5
EV to EBIDTA								6.0	5.7
Price to book								2.3	2.1
RoNW %								8.4	9.4
RoCE %								8.9	8.8

Source: Company, ICICIdirect.com Research

Result Analysis

Dip in occupancy

The company witnessed a steep decline in the occupancy levels in Q3FY09. Occupancy levels dipped 3% in comparable and 1% in non-comparable properties. The dip was largely due to the lesser number of hit movies released in the quarter as compared to the same quarter last year. Moreover, the recent terrorist attacks led to very low occupancy levels in theatres across Mumbai for about three weeks.

Declining margin

The EBITDA margin at 22.9% was down by 281 bps YoY and 884 bps QoQ. The dip was largely due to the higher rental cost and the higher film distributors share. Owing to the economic slowdown and lack of good quality content, we believe the company would continue to face margin pressures, going forward.

Risk & concerns

Good quality content remains the major issue for the exhibition business. The quality of content released in Q3FY09 was lower than what was released in Q3FY08. This led to a fall in footfalls, resulting in lower occupancy levels. Since most of the theatre running costs is fixed in nature, lower ticketing revenue results in huge contraction in the operating margin.

Valuations

Cinemax posted revenues way below our expectations. The company witnessed a sharp decline in the occupancy level. We do not expect the situation to improve, going forward, as the fourth quarter is typically marked by lower occupancy due to the examination season. Further, we have reduced our estimates in terms of new property roll outs and, thus, also the revenue growth, going forward.

At the CMP of Rs 35, Cinemax is trading at 7.4x its FY09E EPS of Rs 4.7 and 6.1x its FY10E EPS of Rs 5.7. We value the stock at 6.5x FY10E EPS arriving at a target price of Rs 37. We have changed our rating on the stock from PERFORMER to **HOLD**.

Exhibit 2: P/E chart



Source: Company, ICICIdirect.com Research

Exhibit 3: Valuation Table

	Sales (Rs crore)	Growth (%)	EPS (Rs)	Growth (%)	PE (x)	EV/EBIDTA (x)	RoNW	RoCE
FY08	101.6	8.3%	4.9	19.8%	7.2	6.1	9.3%	10.3%
FY09E	144.9	42.5%	4.7	-3.9%	7.4	6.0	8.4%	8.9%
FY10E	187.0	29.1%	5.7	21.7%	6.1	5.7	9.4%	8.8%

Source: Company, ICICIdirect.com Research

ICICIdirect.com Coverage Universe

Exhibit 4: Valuation Matrix

PVR					Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBIDTA (x)	RoNW (%)	RoCE (%)
Idirect Code	PVRLIM	CMP	88.1	FY08	265.9	9.4	9.4	5.4	10.4%	10.8%
		Target	117.1	FY09E	283.4	10.7	8.2	5.6	8.6%	9.0%
MCap (Rs Cr)	202.7	% Upside	32.9%	FY10E	335.3	13.0	6.8	5.1	8.8%	9.5%

Inox					Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBIDTA (x)	RoNW (%)	RoCE (%)
Idirect Code	INOX	CMP	28.2	FY08	184.7	4.3	6.6	4.5	10.2%	13.3%
		Target	25.7	FY09E	206.9	2.4	11.8	5.9	5.4%	7.0%
MCap (Rs Cr)	173.3	% Upside	-8.9%	FY10E	278.9	3.9	7.2	4.4	8.0%	9.8%

Cinemax					Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBIDTA (x)	RoNW (%)	RoCE (%)
Idirect Code	CININD	CMP	35.2	FY08	101.6	4.9	7.2	6.1	9.3%	10.3%
		Target	37.3	FY09E	144.9	4.7	7.4	6.0	8.4%	8.9%
MCap (Rs Cr)	98.4	% Upside	6.2%	FY10E	187.0	5.7	6.1	5.7	9.4%	8.8%

Jagran Prakashan					Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBIDTA (x)	RoNW (%)	RoCE (%)
Idirect Code	JAGPRA	CMP	43.7	FY08	750.0	3.3	13.4	7.2	18.2%	21.1%
		Target	47.9	FY09E	828.8	2.9	15.1	8.3	15.7%	17.7%
MCap (Rs Cr)	1,316.1	% Upside	9.7%	FY10E	939.0	3.7	11.9	6.1	18.5%	21.7%

Sun TV					Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBIDTA (x)	RoNW (%)	RoCE (%)
Idirect Code	SUNTV	CMP	161.0	FY08	869.9	8.3	19.4	10.0	21.6%	30.0%
		Target	171.5	FY09E	1064.9	9.8	16.4	8.1	21.7%	29.1%
MCap (Rs Cr)	6,344.7	% Upside	6.5%	FY10E	1278.6	12.2	13.1	6.6	22.4%	28.7%

UTV Software					Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBIDTA (x)	RoNW (%)	RoCE (%)
Idirect Code	UTVSOF	CMP	250.0	FY08	435.1	23.2	10.8	12.5	12.6%	7.5%
		Target	271.2	FY09E	671.5	27.7	9.0	19.5	6.8%	2.6%
MCap (Rs Cr)	854.9	% Upside	8.5%	FY10E	1050.2	25.8	9.7	7.2	6.6%	7.3%

Prime Focus					Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBIDTA (x)	RoNW (%)	RoCE (%)
Idirect Code	PRIFOC	CMP	98.0	FY08	222.1	23.2	4.2	6.3	15.7%	6.8%
		Target	130.7	FY09E	340.4	13.1	7.5	8.7	8.1%	4.2%
MCap (Rs Cr)	124.7	% Upside	33.4%	FY10E	377.2	13.1	7.5	6.5	7.5%	5.5%

Source: Company, ICICIdirect.com Research

Peer Valuation

Exhibit 5: Valuation Matrix

	CMP		M Cap Rs Cr.	EPS			P/E (x)			EV/EBIDTA (x)			ROCE			RONW		
		TP		FY08	FY09	FY10	FY08	FY09	FY10	FY08	FY09	FY10	FY08	FY09	FY10	FY08	FY09	FY10
PVR	88.1	117.1	202.7	9.4	10.7	13.0	9.4	8.2	6.8	5.4	5.6	5.1	10.8%	9.0%	9.5%	10.4%	8.6%	8.8%
INOX	28.2	25.7	173.3	4.3	2.4	3.9	6.6	11.8	7.2	4.5	5.9	4.4	13.3%	7.0%	9.8%	10.2%	5.4%	8.0%
Cinemax	35.0	47.3	98.4	4.9	4.7	5.7	7.2	7.4	6.1	6.1	6.0	5.7	10.3%	8.9%	8.8%	9.3%	8.4%	9.4%

Source: Company, ICICIdirect.com Research

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