

Shringar Cinemas Limited

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Shareholding (%)

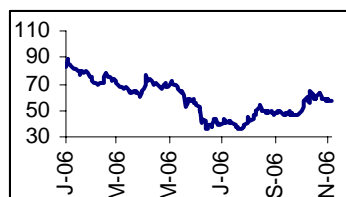
Promoters	47.8
FII's	11.1
MFs	3.2
Others	37.9

Share price performance

52-week high/low (Rs)	93/33		
	-1m	-3m	-12m
Abs (%)	10.1	35.9	-22.1
Rel* (%)	1.8	16.0	-76.9

*to Nifty

Stock chart



Expansions strengthen topline

For Q2FY07, Shringar Cinemas Limited (SCL) reported net sales of Rs125mn, an increase of 45%YoY. This growth was driven by the addition of new multiplexes and incremental revenue growth from existing multiplexes. SCL's EBITDA increased 113% to Rs18.4mn, as against Rs8.7mn in Q2FY06. Lower staff costs and other expenses (as a % of sales) improved the company's EBITDA margins from 10% to 14.7% during the same period. SCL made a net profit of Rs27mn in Q2FY07, as against a loss of Rs3.9mn in the corresponding quarter last year.

We believe that the movie exhibition sector is poised for strong growth during the next five years, driven by the changing lifestyle of the Indian consumer and increased spending on leisure and entertainment activities. SCL's proposed expansion plans, if successfully executed, would make it one of the largest players in the Indian movie exhibition sector, going forward. Hence, we remain positive on the stock.

Key Highlights:

- ▲ **Net sales up 45%:** SCL reported a robust net sales growth of 45%YoY and 18.4%QoQ to Rs125mn. This increase was driven by revenues generated from the company's new multiplexes and incremental growth in its existing theatres.
- ▲ **EBITDA jumped 113%YoY:** SCL reported an EBITDA of Rs18.4mn, an increase of 113% YoY as against Rs8.7mn in Q2FY06. Consistent focus on reduction of overheads, lowered the company's staff costs and expenses during the quarter; this contributed to the growth in EBITDA levels. SCL's EBITDA margins improved significantly to 14.7% as against 10% in Q2FY06 and 11.8% in Q1FY07. We expect the growth in the company's EBITDA and EBITDA margins to continue, going forward, due to its ongoing efforts to reduce costs.
- ▲ **Turnaround at net level (YoY):** SCL reported net profits of Rs27mn in Q2FY07, as against a loss of Rs3.9mn in Q2FY06. This increase in profit was largely due to high other income of Rs28.2mn.
- ▲ Currently, SCL operates eight theatres with 32 screens. During the next three years, the company intends to

Not rated

Rs57.1

November 7, 2006

Market cap

Rs mn 1800

US\$ mn 40

Avg 3m daily volume

43,992

Avg 3m daily value

Rs mn 2.6

Shares outstanding (mn)

32

Reuters

SHRC.BO/SHRINGAR.NS

Bloomberg

SC IN

Sensex

13,187

Nifty

3,809

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operate 169 screens, with more than 45,000 seats. Company would be funding this expansion from the money raised through public issue, USD20mn FCCB issue and internal accruals.

- ▲ We believe that SCL is likely to benefit in the long term from its expansion plans and the increasing popularity of movies as a preferred source of leisure and entertainment. Hence, we are positive on the stock.

Table 1. Quarterly result table

Rs mn	Q2FY07	Q2FY06	YoY %	Q1FY07	QoQ %
Net sales	125.2	86.3	45.1	105.7	18.4
Total expenses	106.8	77.6	37.5	93.2	14.6
Direct cost	42.5	27.5	54.5	34.4	23.4
as % of sales	33.9	31.8		32.5	
Staff cost	14.3	11.7	22.6	16.1	(11.3)
as % of sales	11.4	13.5		15.2	
Operating expenses	50.0	38.5	29.9	42.7	17.2
as % of sales	40.0	44.6		40.4	
EBIDTA	18.4	8.7	112.9	12.5	47.4
EBIDTA margin (%)	14.7	10.0		11.8	
Other income	28.2	5.3	432.1	21.3	32.5
PBIDT	46.6	14.0	234.1	33.8	38.0
Interest	8.6	8.8	(2.3)	10.4	(17.0)
Depreciation	11.1	8.8	26.1	9.9	11.7
PBT and extra ordinary	26.9	(3.6)		13.5	99.8
PBT	26.9	(3.6)		13.5	99.8
(-) Tax	0.3	0.3		0.9	
PAT	26.6	(3.9)		12.6	111.3
Paid up equity (FV Rs10)	315.7	315.7		315.7	
EPS	0.84	(0.12)		0.40	
Ratios (%)					
OPM	14.7	10.0		11.8	
Tax rate	1.11	(8.24)		6.50	
NPM	21.3	(4.6)		11.9	

Source: IISL research, company

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Financials

Profit & Loss					Balance Sheet				
Rs mn	FY05	FY06	FY07E	FY08E	Rs mn	FY05	FY06E	FY07E	FY08E
Net sales	378.6	580.1	899.9	1,700.1	Equity capital	234.2	315.7	315.7	315.7
YoY (%)		53.2	55.1	88.9	Preference shares	0.0	0.0	0.0	0.0
Total expenses	344.8	527.0	720.9	1,312.5	Reserves	(55.8)	275.8	350.2	506.6
Direct Cost	159.9	254.0	308.0	540.9	Net worth	178.3	591.4	665.8	822.3
Programming cost	0.0	0.0	0.0	0.0	Total borrowings	404.9	287.2	1,140.0	1,241.7
Staff cost	42.6	68.9	90.0	153.0	Deferred tax	5.7	5.7	5.7	5.7
F & B	0.0	0.0	0.0	0.0	Total liabilities	588.9	884.3	1,811.5	2,069.6
Exhibition cost	0.0	0.0	0.0	0.0	Gross block	571.5	647.0	1,157.3	1,704.4
Operating expenses	142.3	204.2	322.9	618.5	Less: Acc. depreciation	283.1	329.7	399.3	536.2
EBIDTA	33.8	53.1	178.9	387.6	Net block	288.4	317.3	758.0	1,168.2
YoY (%)		57.1	237.1	116.6	CWIP	95.7	150.0	150.0	150.0
EBIDTA (%)	8.9	9.2	19.9	22.8	Investments	25.4	178.1	604.4	444.2
Other income	11.4	33.6	60.4	44.4	Current assets	349.3	435.4	459.9	525.7
PBIDT	45.2	86.7	239.4	432.0	Inventories	0.6	0.9	1.1	1.9
Interest	23.5	57.1	58.7	61.6	Debtors	30.7	48.8	73.1	138.1
Gross profit	21.7	29.5	180.7	370.4	Cash	29.1	200.0	200.0	200.0
Depreciation	35.6	36.0	69.6	136.9	Loans and advances	288.9	185.7	185.7	185.7
PBT and extra ordinary	(13.9)	(6.5)	111.1	233.5	Current liabilities	112.5	139.2	103.5	161.2
Extra ordinary items	0.0	0.0	0.0	0.0	Provisions	57.3	57.3	57.3	57.3
PBT	(13.9)	(6.5)	111.1	233.5	Net current assets	179.5	238.9	299.1	307.3
(-) Tax	21.1	12.4	36.7	77.1	Miscellaneous expenses	0.0	0.0	0.0	0.0
Tax/ PBT	(151.6)	(189.4)	33.0	33.0	Total assets	588.9	884.3	1,811.6	2,069.6
PAT	(35.0)	(18.9)	74.4	156.5					
Adjusted net profit	(35.0)	(29.0)	64.3	146.4					
YoY (%)	(262.4)	(17.1)	322.0	127.5					

Key Ratios					Cash Flow				
	FY05	FY06	FY07E	FY08E	Rs mn	FY05	FY06E	FY07E	FY08E
EPS (Rs)	(1.5)	(0.6)	2.4	5.0	Net profit	(51.8)	(18.9)	74.4	156.5
Adjusted EPS (Rs)	0.0	(0.9)	2.0	4.6	Depn and w/o	35.6	36.0	69.6	136.9
CEPS (Rs)	(0.7)	0.5	4.6	9.3	Deferred tax	0.8	(1.3)	0.0	0.0
Book value (Rs)	7.6	18.7	21.1	26.0	Change in working cap	(75.9)	111.5	(60.2)	(8.1)
Dividend per share (Rs)	0.0	0.0	0.0	0.0	Other income	(11.4)	(33.6)	(60.4)	(44.4)
Debt-equity (x)	2.3	0.5	1.7	1.5	Operating cash flow	(102.8)	93.9	23.3	240.8
ROCE	(0.3)	1.9	6.1	12.1	Other income	11.4	33.6	60.4	44.4
ROE	(19.6)	(3.2)	11.2	19.0	Capex	(419.6)	(119.4)	(510.3)	(547.0)
					Investments	(25.4)	(152.7)	(426.3)	160.2
					Investing cash flow	(433.6)	(238.5)	(876.1)	(342.4)
					Dividend	0.0	0.0	0.0	0.0
					Fresh equity	(176.0)	431.9	0.0	(0.0)
					Debt	283.7	(117.7)	852.8	101.6
					Financing cash flow	107.7	314.3	852.8	101.6
					Others	439.3	0.0	0.0	0.0
					Net change in cash	10.6	169.6	0.0	(0.0)
					Opening cash	18.5	29.1	200.0	200.0
					Closing cash	29.1	200.0	200.0	200.0

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