

## Cinemax India (CININD)

### RESULT PREVIEW ✓

**Current price**  
**Rs 162**

#### WHAT'S CHANGED...

PRICE TARGET.....	Unchanged
EPS (FY08E).....	Unchanged
EPS (FY09E).....	Unchanged
RATING.....	Unchanged

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## Strong topline growth expected...

Cinemax is set to show a robust top line growth in Q3FY08E on back of increase in number of multiplexes and maintaining its high ATPs and F&B income. High EBIDTA margins coupled with ancillary revenues will help boost bottom line.

#### Rollout to continue

During Q3FY08, Cinemax rolled out three multiplex at Nasik, Vashi and Gandhinagar coupling to 9 screens and 2159 seats against our estimates of 16 screens. With this the total tally comes to 17 theatres, 51 screens and 13907 seats. However we believe the rollout is slow considering that we expect the company to have 72 screens by end of FY08 and 123 seats by FY09.

#### Revenue growth to remain strong

We expect Cinemax to post 27% growth in top line in Q3FY08E on back of sustaining high average ticket prices (Rs 128) and F&B spending of Rs 27 per patron. This will help the company to post a top line Rs 33.29 crore during Q3FY08 against Rs 26.31 crore during Q2FY08.

#### Gaming and food court business to complement multiplexes

The company is expected to start its gaming and food court business at three new locations at Ahmedabad, Rajkot and Nagpur. It currently has its gaming business at Thane. We believe this will help the company garner revenues in the tune of Rs 2 crore per year.

#### Valuations

We expect Cinemax to be a dominant player in the exhibition space with its pan-India expansion plans. Given the robust growth in revenues and increasing margins, coupled with additional revenue streams from gaming and lease rentals from malls, we expect the stock to command high valuations and follow other multiplex players.

#### Key Financials

Year to March 31(Rs Cr)	Q3 - FY08E	Q2-FY08	Q-oQ Change	FY08E	FY09E
Sales	33.29	26.31	27%	130.43	236.27
Operating Expenditure	22.95	18.53	24%	88.48	164.93
EBITDA	10.34	9.29	11%	38.79	68.85
PAT	4.82	4.61	4.6%	15.33	30.82

Source: Company, ICICIdirect Research

## **RATING RATIONALE**

ICICIDirect endeavours to provide objective opinions and recommendations. ICICIdirect assigns ratings to its stocks according to their notional target price vs current market price and then categorises them as Outperformer, Performer, Hold, and Underperformer. The performance horizon is 2 years unless specified and the notional target price is defined as the analysts' valuation for a stock.

**Outperformer:** 20% or more

**Performer:** Between 10% and 20%

**Hold:**  $\pm$ 10% return

**Underperformer:** -10% or more

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