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Cinemax India Ltd.**(CMP: Rs 90, FY09E- EPS Rs 7.8, P/E 11.5x, BUY with a revised target price of Rs 129)****Consolidated Financials:**

Rs Mn	Q1FY09	Q1FY08	YoY%	Q4FY08	QoQ%
Gross Sales	310.7	244.8	26.9	262.5	18.4
Less: Entertainment Tax	26.6	15.4	72.7	14.7	81.0
Net Sales	284.1	229.4	23.8	247.8	14.6
Other Income	39.3	8.9	341.6	14.4	172.9
Total Expenditure	240.8	161.4	49.2	200.1	20.3
EBITDA	82.6	76.9	7.4	62.1	33.0
EBITDA%	25.5	32.3	(680 bps)	23.7	180 bps
Interest	12.2	9.4	29.8	8.2	48.8
Depreciation	27.3	15.9	71.7	17.3	57.8
PBT	43.1	51.6	(16.5)	36.6	17.8
Tax	6.7	17.8	(62.4)	14.5	(53.8)
PAT	36.4	33.8	7.7	22.1	64.7
EPS	1.3	1.2	7.7	0.8	64.7
Equity	280.0	280.0	0.0	280.0	0.0

*EBITDA is inclusive of other income**Source: Company, Face Value: Rs 10***Q1FY09: Results affected due to IPL**

For Q1FY09, consolidated revenues for Cinemax increased by 12.3% YoY and 18.4% QoQ to Rs 310.7 mn. The results were mainly affected on account of IPL match during the quarter due to which occupancy rate stood at 26% vs 30% in Q1FY08.

Other income increased by 172.9% QoQ to Rs 39.3 mn in Q1FY09 on account of redemption of fixed maturity plans which were invested out of IPO proceeds.

EBITDA margins (incl. of other income) declined by 680 bps to 25.5%, which took EBITDA lower by 7.4% YoY to Rs 82.6 mn for June 08 quarter. The margin decline was mainly on account of high lease rentals on the new properties. The company reported net profit of Rs 36.4 mn in Q1FY09 vs Rs 33.8 mn in Q1FY08 and Rs 22.1 mn in Q4FY08.

The company has a total debt position of about Rs 500 mn as of 30th June' 08.

Operational Parameters:

	Q1FY09	Q1FY08	Q4FY08
No of properties	20	12	18
No. of screens	59	38	52
No. of seats	16048	10868	14004
No. of patrons (mn)	1.83	1.43	1.4
Occupancy Rate (%)	26%	30%	23%
Average Ticket Price	124	131	130
F&B Spend Per Head	30	28	29
Spend Per Head (Rs)	154	159	159

*Source: Company**Contd...*

Cinemax reported 23.8% and 7.7% YoY increase in revenues and net profits respectively for Q1FY09.

As of now, Cinemax has a total of 20 theatre properties, 59 screens and 16,048 seats operational. The Company's three screens multiplex at Eternity Mall, Nagpur got operational in June 08. In addition to this, Cinemax currently has 10 theatre properties in Rajkot, Kolkata, Faridabad, Hyderabad, Kalyan, Ahmedabad, Kolkata, Dadar, Kanpur and Baroda under construction which are scheduled to be launched in the coming quarters. As per the management of the company, Cinemax would have a total of 30 properties with 86 screens and 23,233 seats by FY09.

Setting up of wind power project

Cinemax has plans of setting up wind power project at a total cost of Rs 15 cr in Kutch, Gujarat by FY09 so that it can avail certain tax benefits. The company is currently planning to set up 2 windmills with capacities of 1.5 MW and 1.6 MW respectively. With these windmills, Cinemax could save about 25-27% of the power cost and could transfer this power to selective theatres.

Business Outlook and Valuation:

Going forward, CIL is on rapid expansion drive.

For the quarter gone by, Cinemax's results were mainly affected on account of IPL due to which certain good movies scheduled to be released in June 08 quarter were not released. As per the company management, all these movies would now be released in the coming quarters. We believe that Cinemax is well poised for growth driven by strong demand for movies and increasing people's preference towards multiplexes. Going forward, the company is on rapid expansion drive with which it could witness a robust growth in revenues coupled with additional revenues coming from gaming and lease rentals from malls.

We have revised downwards our estimates for FY09E and FY10E on account of slower rollout. We expect the company's revenue and net profit to grow at a CAGR of 58.8% and 47.1% respectively over FY08A-10E. Going forward, the company is expanding its exhibition business through leased based properties, hence lease rental cost will continue to keep margins under pressure. We expect the company to maintain EBITDA margins between 26-30% for the next four years. We have revised downwards our EPS estimates to Rs 7.8 and Rs 10.6 for FY09E and FY10E from Rs 8.9 and Rs 11.8 respectively.

Particulars	Earlier Estimates			Revised Estimates	
	FY08A	FY09E	FY10E	FY09E	FY10E
Net Sales (Rs Mn)	1016.3	1899.0	2739.9	1764.6	2561.3
EBITDA (Rs Mn)	304.3	526.0	751.4	491.9	713.8
EBITDA %	28.6	26.3	26.0	26.3	26.1
Net Profit (Rs Mn)	137.4	248.8	329.1	218.3	297.4
EPS (Rs)	4.9	8.9	11.8	7.8	10.6
P/E (x) at Rs 90	18.4	10.1	7.6	11.5	8.5

Source: Emkay PCG Research

BUY with a revised target price of Rs 129.

At current market price of Rs 90, Cinemax trades at a PE multiple of 11.5x and 8.5x FY09E and FY10E earnings respectively. We maintain "BUY" on the stock with a revised target price of Rs 129. At our target price, the stock will be valued at 16.5x FY09E and 12.2x FY10E earnings.

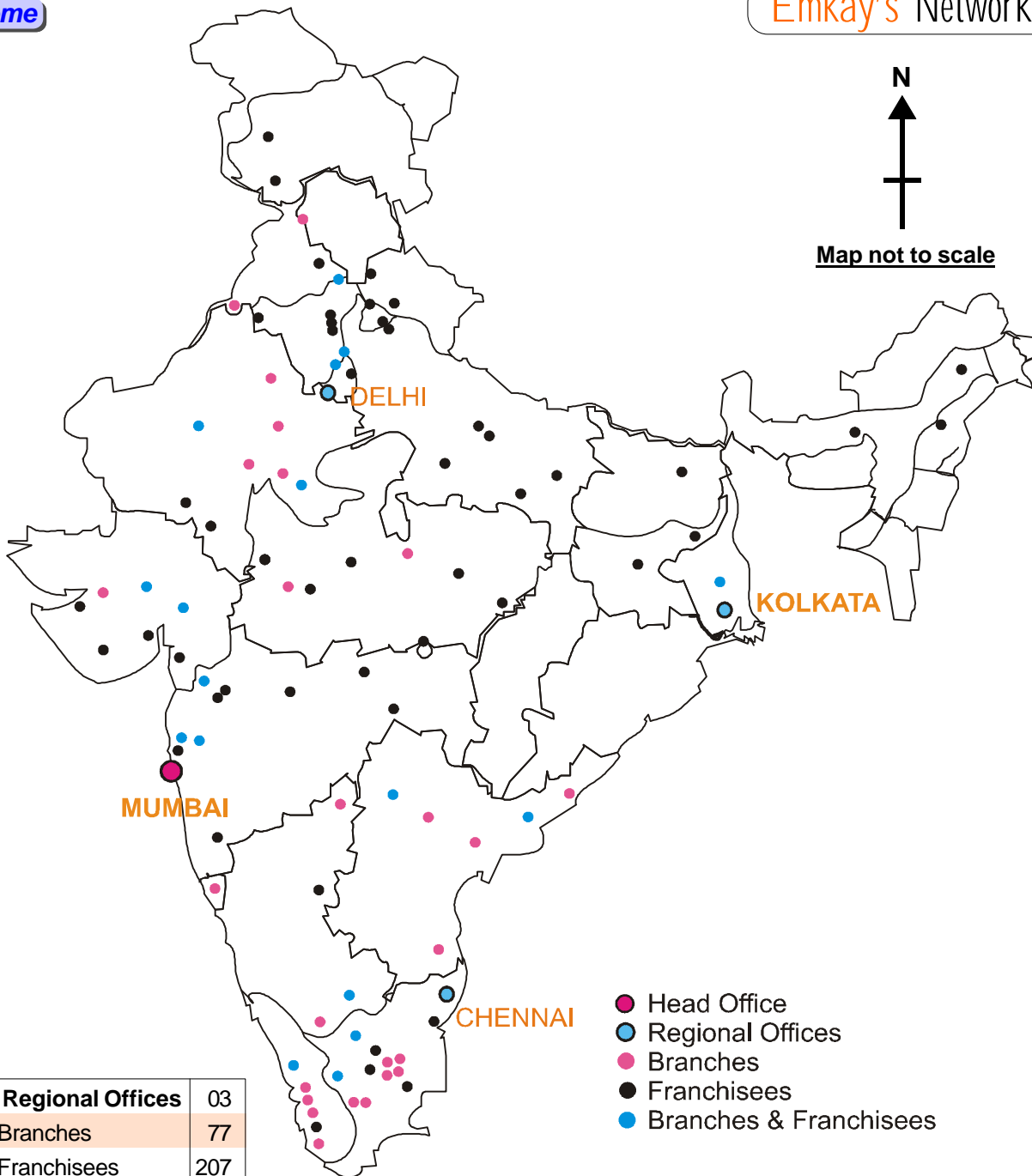
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Emkay's Network



Map not to scale



- Head Office
- Regional Offices
- Branches
- Franchisees
- Branches & Franchisees

Total Regional Offices	03
Total Branches	77
Total Franchisees	207

Regional Offices

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