

Cinemax India (CININD)

RESULT UPDATE ✓

WHAT'S CHANGED...

PRICE TARGET.....	Rs 150 from Rs 166
EPS (FY08E).....	Rs 5.23 from Rs 5.48
EPS (FY09E).....	Rs 9.99 from Rs 11.01
RATING.....	Unchanged

Current price Rs 110	Target price Rs 150
Potential upside 36%	Time Frame 12 months

OUTPERFORMER

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Margins under pressure

Cinemax India's results were below our expectations. Rollout delays and with lower occupancy levels (32%) resulted in a flat top line growth of only 4.9% q-o-q to Rs 27.6 crore. EBIDTA margins also declined 631 bps, impacted by higher entertainment taxes at the new properties, higher employee cost due to yearly bonus, and higher-than-expected lease rentals. EBIDTA declined 17.5% to Rs 6.42 crore. We are lowering reduce our FY08 and FY09 estimates, but still maintain our Outperformer rating on the stock.

Rollout delays are hurting

During Q3FY08, Cinemax rolled out only three multiplex at Nasik, Vashi and Gandhinagar totalling to 9 screens and 2,159 seats against our estimates of 16 screens. With this, the total tally comes to 17 theatres, 51 screens and 13,907 seats. We expect the company to have 72 screens by the end of FY08 and 123 seats by the end of FY09. However, these screens are expected to start later in the quarter and hence we are deducing our estimates.

Margins under pressure

EBIDTA margins decreased by 630 bps due to increase in effective entertainment tax at the new properties coupled with high lease rentals. Also the company changed its annual bonus policy which resulted in high employee cost. Due to these factors, EBIDTA declined by 17.5% q-o-q even though the company posted flat top line growth of 4.9% on back of lower occupancy (32% against 33% in Q2FY08) in the newly launched multiplexes.

Valuations

Considering the company's strong expansion plans, we expect it to become a dominant player in the multiplex space. However, with rollout delays, declining occupancy and lower average ticket price from new multiplexes, we have reduced our FY08 and FY09 estimates. We maintain our outperformer rating with a target price of Rs 150.

Key Financials

	(Rs crore)				
Year to March	Q3FY08	Q2FY08	% change	9MFY08	FY07
Revenues	27.6	26.31	4.90	76.85	93.31
Film distributors share	6.59	6.16	6.98	18.33	19.23
Cost of F&B	1.68	1.21	38.84	3.96	4.62
Others	13.01	11.16	16.58	33.56	43.97
EBIDTA	6.42	7.78	-17.48	21.00	25.49
EBIDTA margin	23.26%	29.57%	-21.34%	27.33%	27.32%
Other income	0.81	1.51	-46.36	3.21	2.24
Interest	0.85	0.86	-1.16	2.65	4.92
Depreciation	1.97	1.58	24.68	5.14	5.52
PBT	4.41	6.85	-35.62	16.42	17.29
Tax	0.88	2.24	-60.71	4.9	5.13
PAT	3.53	4.61	-23.43	11.52	12.16

Source: Company, ICICIdirect Research

RATING RATIONALE

ICICIdirect endeavors 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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