

Pyramid Saimira Theatre Ltd.

Potential for value unlocking through subsidiaries

December 12, 2007

Initiating coverage: Buy

Price: Rs371.95

Target price: Rs1074

52-wk High/Low: 488/125

BSE Sensex: 20376

CNX Midcap: 8840

Investment Summary

Positive outlook on the Entertainment Industry

As per a 2006 PwC report entitled "The Indian Entertainment and Media Industry", the Indian entertainment industry was estimated at Rs23400Cr (\$5.2bn) in 2005. Films contribute a significant proportion (28%) to India's entertainment industry. The entertainment industry is expected to grow at CAGR of 21% to reach Rs61740Cr (\$14bn) by 2010. The Indian film entertainment industry is expected to reach Rs15300Cr in 2010, constituting 25% of the entertainment industry.

Largest theatre chain

The Pyramid Saimira Group currently owns the largest chain of cinema theatres in Asia through group flagship Pyramid Saimira Theatre Ltd. (PSTL). PSTL is set to become the world's largest theatre chain company soon, on the basis of key parameters viz., number of locations, seats and footfalls. Its geographical footprint spans across India, SE Asia (Singapore and Malaysia) and the US, catering to the Indian diaspora and is likely to be extended to the UK soon, that too in the mainstream Hollywood market.

Its interests include film and television content production, film distribution and exhibition. Its well-experienced and aggressive management and unique business model are its major strengths. The group enjoys a tremendous early mover advantage in the film exhibition space.

Innovative business models of both PSTL and the group

PSTL's innovative business model involves benefit of scale, increased negotiation power with producers, distributors and theatre owners and scalability. PSTL focuses on leasing properties only after thorough due diligence and market research.

Growth and success of the PSTL group is attributable to the uniqueness of its business model, wherein content distribution is closely linked with exhibition strengths and constitutes a strong entry barrier. Further, the strategy of content exclusivity leads to high occupancy rates, contributing to profitability in a big way.

Spanning the entire value chain from content production to distribution...

Its production arm, Pyramid Saimira Productions Ltd. (PSPL) is currently producing 6 films and plans to produce 50 films in a year in all Indian languages, going forward. The television content division of its production arm currently produces 2 hours of original television programming a day and is now ramping up to over 16 hours per day.

Its content distribution arm Pyramid Saimira Entertainment Ltd. (PSEL) distributes films in various Indian languages as a content agglomerator in India as well as in overseas markets.

Apart from these above, it has other entities for exploiting technology & technology advancements, advertisements, realty and post production & visual effects.

Financial Snapshot

(RsCr)

Particulars	Standalone			Consolidated		
	FY06	FY07	H1-FY08	FY08E	FY09E	FY10E
Net Sales	4.99	164.32	266.90	644.40	1183.90	1524.48
<i>Growth y-o-y</i>		3193.0%	-	292.2%	83.7%	28.8%
EBITDA margin	29.1%	11.9%	16.4%	18.5%	20.7%	23.7%
Profit after Tax	1.72	13.43	31.12	106.75	202.57	267.47
<i>Growth y-o-y</i>		680.8%	-	694.8%	89.8%	32.0%
EPS (Rs)	1.07	4.75	11.00	37.75	71.63	94.58
CEPS (Rs)	1.08	5.16	11.79	40.26	75.58	100.60
Book Value (Rs)	11.15	45.83	-	83.58	155.21	249.79
Paid-up Equity Capital	16.15	28.28	28.28	28.28	28.28	28.28
PER (x)	-	77.3	-	9.9	5.2	3.9
CPER (x)	-	71.1	-	9.2	4.9	3.7
PBR (x)	-	8.0	-	4.5	2.4	1.5
EV/EBITDA (x)	-	46.9	-	8.6	4.2	2.8

E - Keynote Capitals's estimates

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Keynote Capitals Research is also available on Bloomberg KNT E <GO>

...to exhibition

In the film exhibition sector, PSTL is already the largest domestic theatre chain and also plans to have a global footprint. Currently it has operations in Malaysia and the US through subsidiaries:

- Pyramid Saimira Theatre Chain, Malaysia (PSTC)
- Pyramid Saimira Entertainment America, Inc. (PSEA) through the acquisition of FunAsia, the largest Asian targeted theatre chain in the US

Tie-up with Infinity Film Completion to be a major advantage

PSTL has signed a MoU with Infinity Film Completion, a division of venture capital firm Infinity India Advisors, which offers film guarantee and project completion services, including term loans for film projects. The tie-up will ensure that films are completed on time and within the budget, thereby eliminating some of the risks in the business of film-making.

Foray into theatre advertising

PSTL recently acquired 51% stake in Mumbai based Dimples Cine Advertising Pvt. Ltd. (Dimples). Through this acquisition PSTL will roll out a massive business plan for Dimples, thus it will have access to 4000 digital screens by FY10. With the stake acquisition in Dimples, PSTL will foray in theatre advertising, out-of-home advertising, etc.

Interests in related businesses through subsidiaries & JVs

PSTL has interests in related businesses of production and distribution, through subsidiary companies and joint ventures. Each of these will meet financial closure independently through issue of equity and / or debt.

Potential for value unlocking through subsidiaries

We believe there is potential for tremendous unlocking value in the subsidiary companies, viz., PSPL and PSEL.

We note that Eros International Plc., also a leading film distribution company, which listed on the LSE Alternative Investment Market (AIM) last year, at a price of £1.76 per share, currently has a market capitalization of £445mn and trades at £4.00 per share 29.7x FY08E earnings. We believe PSEL, if listed, can get a similar if not better valuation by virtue of strong promoter background and aggressive plans.

Ability to mitigate major risks

We believe its presence in the entire value chain, with backward and forward integration, gives PSTL group the ability to mitigate major risks like failure of films, distribution and price point failure.

Growth story to unfold...

On a standalone basis, topline and bottomline grew by 62.4% and 131.7% respectively in H1-FY08, over FY07.

Going forward, we expect the growth trajectory to continue on a consolidated basis, given PSTL's strategy of inorganic growth, of extending its international presence and targeting theatre property acquisitions in western and northern India.

We expect sales and earnings growth at CAGR of 53.8% and 58.3% respectively over FY08-10.

Valuation

The stock trades at 9.9x FY08E and 5.2x FY09E earnings respectively, which is quite attractive vis-à-vis peers Adlabs Films (55.2x FY09E), Inox Leisure (24.2x FY09E), Shringar Cinemas (19.7x FY09E), and Cinemax India (10.9x FY09E).

In view of its plans of a global footprint going forward, we would benchmark PSTL vis-à-vis US peers Regal Entertainment Group and Cinemark USA, which trade at 21.5x and 21.1x Dec-2008 earnings respectively.

We initiate coverage with a **Buy** and a **15-month price target of Rs1074**, assuming a conservative multiple of 15x FY09E.

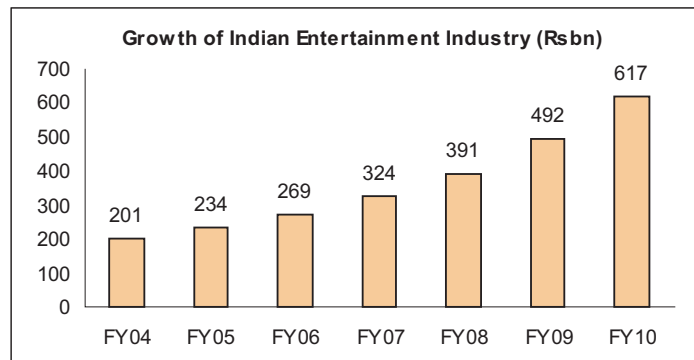
Key Data

BSE Code: 532791	NSE Symbol: PSTL
Bloomberg: PSTL@IN	Reuters: PYSA.BO
Shares o/s: 28.3mn	Promoter holding: 53.1%
Institutional Holding: 14.7%	Free Float: 13.3mn shares
Avg. daily trading vol. 295,000shares	Beta relative to Sensex: 0.77

Industry Overview

Indian Entertainment Industry

As per a PwC report entitled "The Indian Entertainment and Media Industry", the Indian entertainment industry was estimated at Rs23400Cr (\$5.2bn) in 2005. Films contribute a significant proportion (28%) to India's entertainment industry. The entertainment industry is expected to grow at CAGR of 21% to reach Rs61740Cr (\$14bn) by 2010. The Indian film entertainment industry is expected to reach Rs15300Cr in 2010, constituting 25% of the entertainment industry.

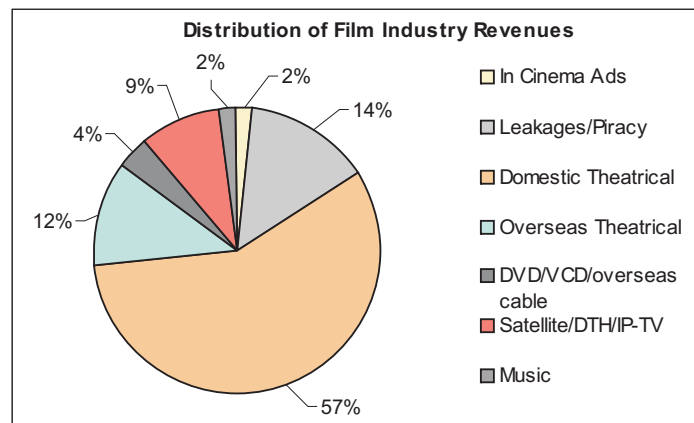


Indian Film Industry

The Indian film industry is the largest film industry in the world in terms of the number of films produced and admissions each year.

The film industry comprises three segments:

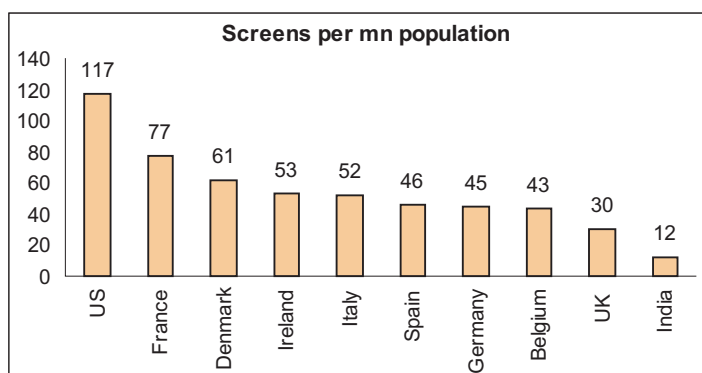
- Film production
- Film distribution
- Film exhibition



Indian film industry vis-à-vis Hollywood

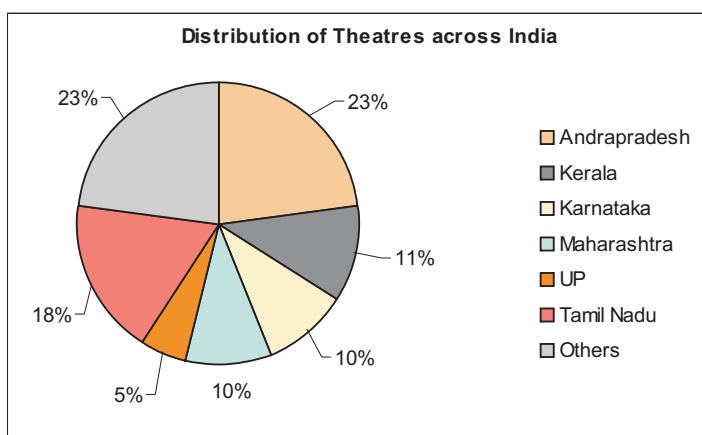
Parameters	Indian industry	Hollywood
Year of Establishment	1899	1890
Movies produced (p.a.)	1000	500
Viewers (bn)	1.75	2.60
Revenues (\$bn)	1.75	51
Average cost of production, marketing & distribution	< 5mn USD	60mn USD

The Indian film exhibition sector had revenues of Rs53bn in 2005. The domestic box office market is expected to grow at a CAGR of 14% between 2005 and 2010 to reach Rs102bn.



Currently the Indian film industry realizes as much as 70% of revenues from domestic and overseas box offices as compared with the US film industry, where the box office sales account for only 35%.

According to industry estimates, Hindi language films command a 40% share of the Indian film industry and a large portion of the films made in India are produced in the southern and eastern regions of India in regional languages.



Increased investment from private equity funds

Entertainment and Media industry has traditionally been dominated by strategic buyers. But private equity investors are playing a major role in helping reshape many of the segments of the industry. As more companies continue to put money into growth technologies and re-evaluate traditional business that once were considered core but may have less strategic importance in the future, all these initiatives generate strong cash flows and hence interest private equity players.

Some private equity deals in the media and entertainment space (2006)

PE Investor	Target	Segment	Estimated Deal value (RsCr)
DE Shaw	Crest Animation	Animation Studios	40
Matrix Partners India	Seventymm Services	Online Movie Rental	32
Matrix Partners India	vJive (owned by Digital Music India Pvt. Ltd.)	Out of home media Digital Signages	20
T Rowe Price International	Saregama Industries Ltd.	Music	19

(Source: PwC Report)

Recent Mergers & Acquisitions in the media and entertainment Space (2006)

Investor		Target		% stake	Deal Value (RsCr)
Name	Segment	Name of Property	Segment		
Disney	Kids Television	Hungama	Television Broadcasting & Content	100%	137.30
Adlabs Films	Films, Radio	Synergy Communications	Television Content Company	51%	N.A.
Zee Telefilms	Television Broadcasting & Content	Ten Sports	Television Broadcasting & Television Content	50%	250.00
NDTV	Television Broadcasting & Content	Radio Today Broadcasting	Radio	N.A.	N.A.
E-City Digital Cinema (Essel Group)	Film Exhibition	Shree Vijay Raj Entertainment	Film Exhibition	51%	N.A.
Sun TV	Television Broadcasting & Content	Gemini TV & Udaya TV	Television Broadcasting & Content	N.A.	N.A.

(Source: PwC Report)

Recently listed IPOs in the Entertainment Space

Name of Company	Issue Price (Rs)	IPO Size (RsCr)	Date (RsCr)	Current price (Rs)	Market Cap (RsCr)
K Sera Sera Productions Ltd.	68	34	Feb-06	35.10	236
SUN TV Ltd.	875	603	April-06	407.75	16069
Prime Focus Ltd.	417	115	May-06	1124.45	1430
Global Broadcast Network Ltd.	250	105	Jan-07	981.05	2622
Cinemax India Ltd.	155	138	Feb-07	155	434
Broadcast Initiatives Ltd.	120	103	Mar-07	66.50	128

Digital Cinema Revolution

The cost of upgrading from a conventional cinema to a digital theatre is estimated at approximately \$22,000 per theatre, which requires the installation of a digital projector and server to run the digital prints.

Company Background

Pyramid Saimira Theatre Ltd. (PSTL) was promoted by Mr. V. Natarajan, Mr. P. S. Saminathan and Mr. N. Narayanan in 1997.

PSTL is one of India's largest entertainment groups spanning across four countries (India, Malaysia, Singapore and the US). It is one of Asia's largest entertainment groups with business interests in film production, TV content production, film distribution and exhibition. As of October 2007, its network comprised of 703 screens with 434,975 seats spread over 5mn sq ft. in 4 countries.

It commenced operations as a South India based exhibitor having an asset light scalable business model, unique in creating strong entry barriers. Over the last few years, it ramped up aggressively, adding on an average, one screen, 650 seats and unlimited footfalls every day.

Business Description

PSTL is the largest theatre chain company in India, set to become world's largest theatre chain company shortly, having interests in film production, TV content production, exhibition, food & beverages, etc.

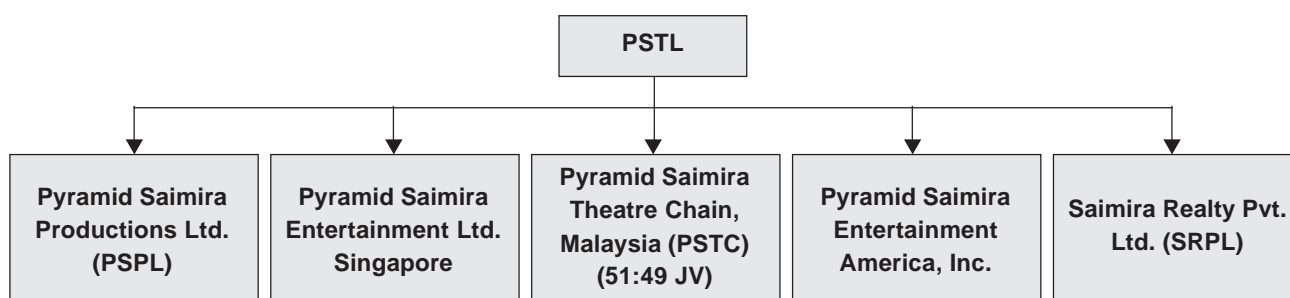
The group plans to become a giant in the entire entertainment industry sphere and also will become one of the largest content agglomerators of international films in Asia/Pacific region.

PSTL's theatres properties (as of October 2007)

Location	No. of multiplex screens	No. of single screens	No. of seats
India	77	548	414,527
US	23	-	6,528
Malaysia	9	42	12,800
Singapore	4	-	1,100
Total	113	590	434,955

PSTL Group

PSTL, the flagship company of the Group, is into film exhibition in India and is also a holding company for other interests like production and distribution.



Overview of Subsidiaries

Sr. No.	Entity	Sector	Geography of Operations	Target Market
1	Pyramid Saimira Theatre Ltd.	Film Exhibition	India (Tamil Nadu, Andhra Pradesh, Karnataka, Kerala, Mumbai, etc.)	Domestic market
2	Pyramid Saimira Productions Ltd.	Film Production TV Content Production	India India	India as well as overseas - Indian Diaspora Indian Diaspora - Indian TV channels / overseas IPTV / multiple delivery mechanism
3	Pyramid Saimira Entertainment Ltd., Singapore	Distribution & Content Agglomeration	India / Indian Diaspora across globe for Indian films. Mainstream market in respective countries for Hollywood distribution in Asia Pacific	Indian films across the world. Hollywood films agglomeration & distribution in Asia Pacific
4	Pyramid Saimira Theatre Chain Malaysia Sdn Bhd	Production / distribution / exhibition / DVD / F&B, etc	Malaysia	Mainstream Malaysia
5	Pyramid Saimira Entertainment America Inc.	Exhibition, Banquet Halls / F&B / Restaurants / Shops in theatres / Radio Stations etc.,	North America & Canada	Asian Diaspora for entertainment, Radio Stations, Banquet Halls etc.
6	Dimples Cine Advertising Pvt. Ltd.	Theatre Advertisement	India	Theatres
7	Saimira Realty Pvt. Ltd.	Real estate	India	Integrated Malls with entertainment / shopping / food / hospitality / marriage halls etc.,

PSTL: Fully integrated business model

Primarily PSTL and its arm will focus on exhibition and will only earn exhibitors' share in film value chain. PSEL will be the distributor and will have library ownership for most of the films. It will take distributor's share in exhibition. For films produced by PSPL it will have full IPR and therefore will be entitled to both the producer's as well as distributor's share.

PSPL, the production wing having two divisions will purely act as an outsourced producer and will sell / offer at right of first refusal to PSEL on a cost-plus basis. For films PSEL will hold the IPR. For the other division viz., the TV content division, PSPL by itself will market the content in Indian TV space and may use PSEL for international marketing, in which case PSEL will get distribution commission. IPR of TV content will be owned by PSPL only.

Unlocking value in subsidiaries

As mentioned, PSTL holds interests in PSPL, PSEL, etc. Each of the units are likely to raise funds (both debt & equity) independently. By virtue of its stake in each of these subsidiaries, PSTL will be able to unlock value, as and when these subsidiaries get a listing.

PSPL: the production arm

Business Model

- Engaged in film production and television content production
- Full-fledged production facility for content production
- Availability of own theatre chain facilitates proper planning for content
- Content production backed by comprehensive insurance, which covers production risks
- Completion Guarantee mechanism which ensures timely completion of film and reduces cost over-runs
- Availability of organised and timely funding to producers

The PSPL model addresses various risks associated with the production of a film, but mitigates risk at every stage of production besides giving high levels of comfort to the various intermediaries like producer, completion guarantor and banks.

Film production

PSPL has established itself as a major producer in South Indian languages and is expanding across India in Hindi and other languages. It targets to produce 13 films during FY08 and around 50 films per year, going forward.

Television content production

PSPL entered into TV serials in September 2007. The television content division of its production arm currently produces 2 hours of original television programmes a day.

It plans to become a major television content supplier by the end of this year by producing over 16 hours of original programming per day, and thus will become the largest producer of television content in India.

It targets to have 32 hours of programming per day over 8 channels in the next one and half years.

Strategy for Television content

- Purchasing slots from various platforms at appropriate price points
- Bringing good quality talent and high quality content production
- Creating a niche in each of the channels at differential rates compared to the rates of that particular channel
- Retention of IPR

PSEL: Content Agglomerator & Distribution

PSEL has been formed with the twin objectives of being

1. an agglomerator of Indian content and distributing it across the world using various technologies including theatres, DVDs, satellite, etc.
2. a major content agglomerator for other content for the Asia-Pacific region.

Business model

- Content distribution company engaged in international content agglomeration
- Procuring content from PSPL and other producers
- Direct exploitation of all rights attached to content
- Exploitation of Indian theatrical rights through PSTL
- Exploitation of overseas theatrical rights through own distribution network
- Direct exploitation of non-theatrical rights (Home video, Satellite, Audio, etc)
- Lifelong ownership of content
- Digital exploitation through IPR library

PSEL derives revenues from distribution of current films and exploitation of content library, while costs comprise mainly of payment of advance towards purchase of IPR.

PSTC Malaysia: exhibition arm

It is a joint venture with Asian Integrated Industries Sdn Bhd. PSTC operated 51 screens in Malaysia and 4 in Singapore as of November 2007. The JV also produces Malay, Chinese, English and Tamil films and distributes VCD/DVD of various languages in Malaysia.

PSTC is the second largest theatre chain in Malaysia. The JV plans to set up a theatre chain with 150 multiplexes and single screen theatres across Malaysia.

Strategies

- The JV will distribute Hindi, Tamil, Telugu, Kannada and Malayalam movies, Chinese and Hollywood films and other contents across Malaysia in theatres/DVD/ DTH etc.
- PSTL will provide back-end resources to the JV for digital display of content in Malaysia by leveraging its domain expertise and infrastructure currently being established in India.

- PSTL will also attempt to exploit all the upcoming community centres in Malaysia by operating theatres as well as convention halls with video conferencing and family entertainment.

It plans to expand to advertisements, food courts, DVD distribution, etc in Malaysia.

PSEA: exhibition arm targeting Asian diaspora

PSEA made a foray into the US in October 2007 through the acquisition of FunAsia, the largest Asian targeted theatre chain in the US which operates 17 screens in 4 locations. FunAsia owns buildings and infrastructure, but the land is leased. It will exhibit PSEL's films as well as other distributor films and will look at Chinese and Mexican films later.

PSEA operates 23 screens, 3 banquet halls, 1 magazine and 3 radio stations in Houston, Dallas and Chicago.

It plans to create a complete eco-system in over 15 locations in North America targeting the Asian diaspora with cinema, banquet halls, radio stations, magazines, food courts, retails, etc by FY08E.

Saimira Realty Pvt. Ltd.

This recently formed company has plans to acquire over 100 properties across South India.

Overview of Expansion Plans

PSTL: Organic growth through increase in number of screens across India, Malaysia, Singapore and the US

PSPL: It targets to produce 13 films during FY08 and around 50 films per year, going forward and for the television content segment it plans to have over 16 hours of original programming per day by the end of this year.

PSEL: Focus on Hollywood films and increase distribution of Hollywood films in India, Malaysia and Singapore.

Funding

PSTL: Internal accruals and debt, as required

PSPL and PSEL: Debt and/or equity

Investment Rationale

Unique business model, with full backward and forward integration

As discussed earlier in our report, PSTL the largest theatre chain company in India has interests in related businesses of production and distribution, through subsidiary companies or joint ventures.

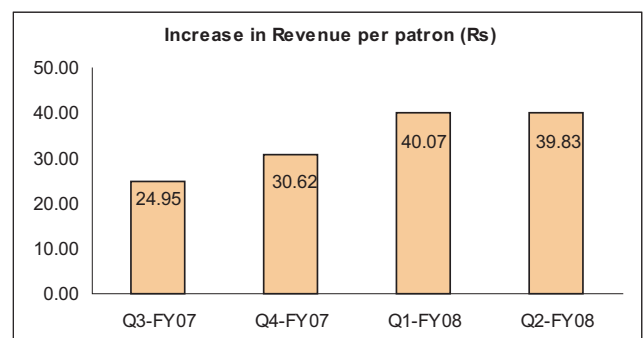
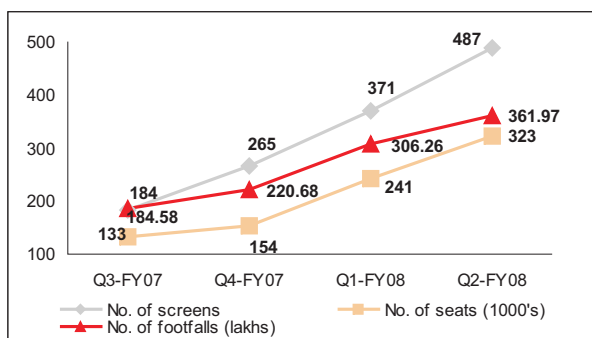
PSTL group will enjoy better overall profitability vis-à-vis standalone producers or distributors, as both production and distribution will be handled by its subsidiaries.

PSPL will sell film content to PSEL on a cost plus basis and also to other distributors.

PSEL will be the distributor and will have library ownership for most of the films. It will take distributor's share in exhibition. For films produced by PSPL, PSEL will have full IPR and therefore will be entitled to both producer's as well as distributor's share.

PSTL will focus on exhibition and will only earn exhibitors' share in film value chain.

Aggressive scale-up of the exhibition business under PSTL



PSTL is investing in digital technologies and developing a central network operations centre to convert and deliver digital prints simultaneously to multiple screens, increasing the number of exhibition points, reducing dependence on physical prints and optimizing the revenue potential of individual films.

... has led to improved profitability

Particulars	Q3-FY07	Q4-FY07	Q1-FY08	Q2-FY08
Net Sales (RsCr)	46.05	67.57	122.71	144.19
PAT (RsCr)	5.15	5.83	16.01	15.11
EBITDA margin	12.7%	9.4%	19.0%	14.1%

Foray into production, distribution and other segments of the entertainment industry

As mentioned on page 8, PSPL will aggressively scale up its film and television content production business.

As also mentioned earlier, PSEL will distribute Indian films in India as well overseas as a content agglomerator.

Apart from the above, it has other entities for exploiting technology & technology advancements, advertisements, realty and post production & visual effects. Each of the units is raising funds (both debt & equity) independently.

Massive geographical expansion as well as value chain consolidation

Currently PSTL is spread across India, Malaysia, Singapore and the US. It is also spreading its presence in countries where Indian/ Asian population has a significant geographic footprint.

Going forward, with further plans to have JVs / acquisitions the group is focused on geographical expansion as also value chain consolidation.

PSEL's business model similar to that of Eros International Plc

Eros International Plc., a leading film distributor, produces, acquires and distributes Indian films across all formats throughout the world.

Eros listed on LSE Alternative Investment Market (AIM) last year, raising \$45mn. Eros has a market cap of \$920mn currently and trades at around 29x forward earnings.

In July 2007, Eros acquired a 51% stake in Ayngaran International, the Tamil film market leader. Through this acquisition, Eros will have access to a library of over 600 films.

Eros is capitalising on the international opportunity through

- Tie up with major multiplex chains incl. Cineworld, Odeon, Vue, Cinemax, Sterkinekor, Kinnepolis, etc.
- Tie up with major DVD high street and online retailers like Virgin, HMV, Tesco, Asda, Sainsbury, Amazon, etc.
- Syndication in dubbed markets of Eastern Europe, Russia, SE Asia, Germany, etc

Eros - Key data points

Particulars	FY07	H1-FY08
No. of library titles	1300	N.A.
No. of films distributed during the period	35	11
Financials	FY07	H1-FY08
Revenues (\$mn)	66.44	34.61
Net Profit (\$mn)	25.25	12.64

While Eros reported PAT of \$12.64mn in H1 of FY08, we estimate full year FY08 net profit to be higher at around \$31mn, since blockbuster movies Om Shanti Om and Bhul Bhulaiya were released in H1 and Eros plans to distribute in all 18 movies in H2. On the basis of this estimate, the forward p/e for Eros works out to around 29x FY08 earnings.

We note the similarities in the business models of PSEL and Eros and believe that PSEL, if and when it goes public, can fetch a similar valuation.

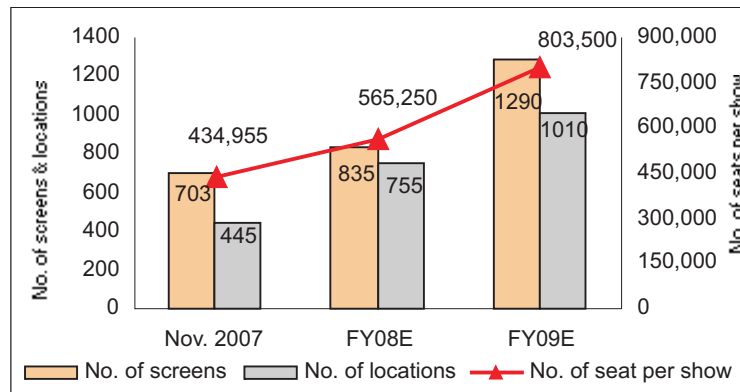
Progress on the digitalization of theatres

PSTL has digitalised over 200-250 theatres, which is very low as a percentage of overall screens. It plans to have most of the screens digitalised by FY10.

Aims to be one-stop entertainment super market, aided by inorganic growth

- PSTL acquired 51% stake in Mumbai based Dimples Cine Advertising Pvt. Ltd. and Dimples Cine Activations. Through the acquisition of Dimple Cine Advertising, PSTL will be in a position to generate substantial advertisement revenues. PSTL will be able to leverage on its vast chain of theatres, to command better ad rates.
- PSTL acquired Texas-based FunAsia through subsidiary PSEA. It also acquired an existing theatre and radio drive-time hours in Chicago and radio time in Houston.
- Strategic tie-up with Moser Baer, under which, Moser Baer will release new films of PSTL in Home Video format within a short period of releasing them in theatres. The profits will be shared equally by Moser Baer and PSTL, including revenue generated from advertisements in VCD / DVD.

Growth going forward..



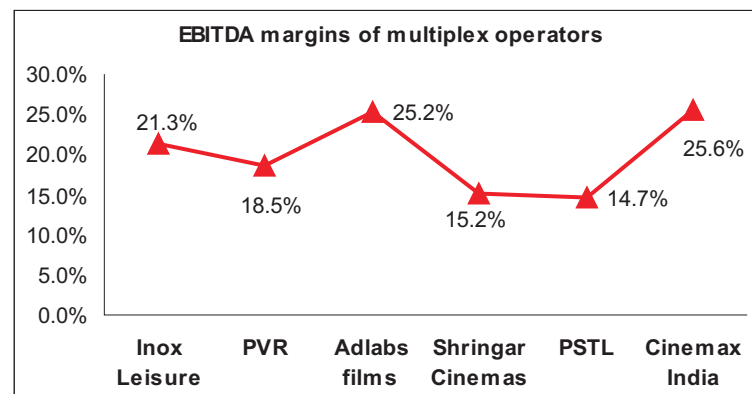
Future Plans of the PSTL Group

- PSTL plans to go retail with considerable surplus space in its movie theatres.
- It plans to roll-out an internet protocol television (IPTV) service.
- To create SPVs that will invest in malls-cum-multiplexes.
- To extend its international presence.
- Target acquisitions in western and northern India.

Concerns

EBITDA margin lower compared to other multiplex operators

Currently PSTL is focused on increasing the no of seats and footfalls and not in improving infrastructure and increasing the average ticket price, which will happen only in FY09.



The primary risk with PSEL is film failure, price point failure and distribution failure, but as a subsidiary of PSTL group it has methods to mitigate all 3 risks.

Domestic Peer Comparison

(RsCr)

Name of Company	Adlabs Films	Inox Leisure	PSTL	PVR	Cinemax India	Shringar Cinemas
No. of Properties	34	15	445	23	14	13
No. of Screens	107	54	703	89	42	44
No. of seats	32,000	16,337	434,955	23,300	11,748	12,013
Sales Turnover	340.47	180.54	380.52	196.63	69.44	67.08
Adjusted Profit	75.30	28.73	42.10	16.12	9.86	15.14
Equity Paid-up	20.15	60.00	28.28	23.01	28.00	31.59
Price (Rs) (Dec12-2007)	1358.15	177.20	371.95	318.05	155.00	108.30
Market Cap	5473	1063	1052	732	434	342
EPS (Rs)	18.68	4.79	14.89	7.01	3.52	4.79
Book Value (Rs)	83.86	38.92	45.83	78.39	47.58	17.28
P/E (x)	72.7	37.0	25.0	45.4	44.0	22.6
P/B (x)	16.2	4.6	8.1	4.1	3.3	6.3
P/S (x)	16.1	5.9	2.8	3.7	6.3	5.1
EBITDA margin	25.2%	21.3%	14.7%	18.5%	25.6%	15.2%
52 Week High (Rs)	1388	190	488	335	204	120
52 Week Low (Rs)	360	102	125	148	101	44
FVPS (Rs)	5	10	10	10	10	10

Peer valuation

Name of Company	Sales (RsCr)		Net Profit (RsCr)		EPS (Rs)		P/e (x)	
	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E
Adlabs Films	N.A.	N.A.	569.35	105.15	18.50	24.60	73.4	55.2
Inox Leisure	223.19	318.57	33.02	44.22	5.46	7.33	32.4	24.2
PSTL	863.40	1773.13	117.65	244.30	37.75	71.63	9.9	5.2
PVR	257.0563	387.04	21.56	35.54	9.23	14.97	34.4	21.3
Cinemax India	151.25	265.54	21.3425	39.75	7.474	14.18	20.7	10.9
Shringar Cinemas	N.A.	N.A.	N.A.	N.A.	4.14	5.50	26.2	19.7

Source: Bloomberg estimates except PSTL, which is Keynote Capitals's estimates

International Peer Comparison

Name of Company	Regal Ent. Group	Carmike Cinemas	Village Road Show	AMC Entert. *	Cinemark USA #
No. of theatres	539	289	71	360	404
No. of Screens	6463	2447	699	5140	4596
No. of patrons (mn)	247	N.A.	N.A.	238	197
FY07					
Sales (\$Bn)	2.71	0.50	1.50	2.46	1.68
Net Profit (\$Bn)	0.37	-0.06	0.06	0.13	0.12
Market Cap (\$Bn)	3.04	0.15	N.A.	N.A.	1.79
Price (\$) 12-Dec-07	18.43	8.98	N.A.	N.A.	16.46
P/e (x)	8.5	N.A.	N.A.	N.A.	13.5
52-week high / low (\$)	23 / 19	27 / 11	N.A.	N.A.	21 / 15
FY08E #					
Sales (\$Bn)	2.79	N.A.	1.53	N.A.	1.80
Net Profit (\$Bn)	0.15	N.A.	0.05	N.A.	0.07
EPS (\$)	0.95	N.A.	0.22	N.A.	0.66
P/E (x)	20.4	N.A.	N.A.	N.A.	25.6
FY09E #					
Sales (\$Bn)	2.42	N.A.	1.73	N.A.	1.91
Net Profit (\$Bn)	0.14	N.A.	0.06	N.A.	0.09
EPS (\$)	0.90	N.A.	0.32	N.A.	0.79
P/E (x)	21.5	N.A.	N.A.	N.A.	21.1

Data for trailing 12 months * Not listed # Wall Street consensus estimates

Profit and Loss Statements

(RsCr)

For y. e. March 31,	Standalone			Consolidated		
	2005	2006	2007	2008E	2009E	2010E
Net Sales	2.92	4.99	164.32	644.40	1183.90	1524.48
Total Expenditure	2.90	3.54	144.83	525.19	938.84	1163.18
EBITDA	0.02	1.45	19.49	119.21	245.07	361.30
Other Income	0.00	0.00	0.44	12.00	15.00	18.00
Interest	0.00	0.01	0.25	0.98	1.05	0.84
EBDT	0.02	1.44	19.68	130.24	259.02	378.46
Depreciation	0.00	0.03	1.17	7.11	11.16	17.01
Profit Before Tax	0.02	1.41	18.51	123.13	247.86	361.45
Tax	0.01	0.12	2.50	16.38	45.29	93.98
Fringe Benefit tax	0.00	0.05	0.06	0.00	0.00	0.00
Deferred Tax	0.00	-0.48	2.52	0.00	0.00	0.00
Reported Net Profit	0.01	1.72	13.43	106.75	202.57	267.47
EBITDA margin	0.7%	29.1%	11.9%	18.5%	20.7%	23.7%
EPS (Rs)	0.02	1.07	4.75	37.75	71.63	94.58
Book value (Rs)	10.29	11.15	45.83	83.58	155.21	249.79

E - Keynote Capitals's estimates

Important Financial Ratios

Particulars	Standalone		Consolidated		
	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin	29.1%	11.9%	18.5%	20.7%	23.7%
ROE	9.6%	10.4%	45.2%	46.1%	37.9%
ROCE	7.9%	14.1%	42.9%	50.4%	47.4%
Current Ratio	5.65	18.42	13.46	13.84	13.75
Debt Equity ratio	0.00	0.00	0.11	0.06	0.03
Inventory turnover (days)	107	3	24	30	37
Debtors collection period (days)	285	21	11	10	14

E - Keynote Capitals's estimates

Balance Sheets

(RsCr)

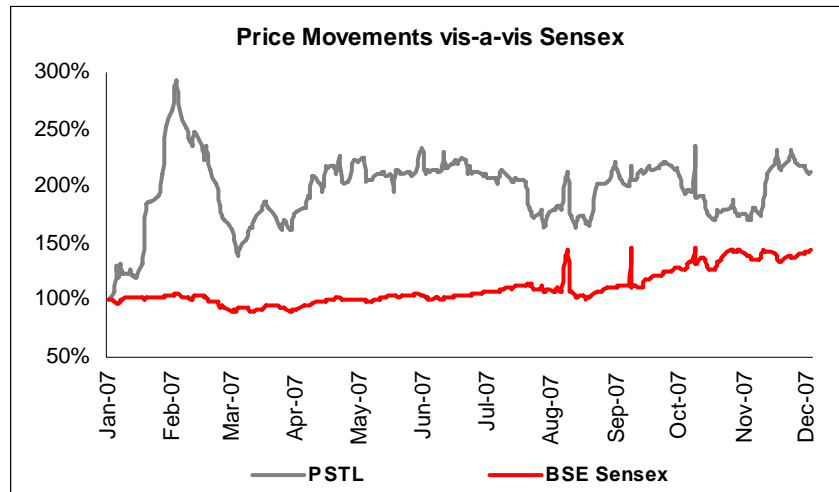
As at March 31,	Standalone			Consolidated		
	2005	2006	2007	2008E	2009E	2010E
Sources of Funds						
Paid-up Equity Capital	4.76	16.15	28.28	28.28	28.28	28.28
Reserves ¹	0.14	1.85	101.34	208.09	410.66	678.13
Shareholders' Funds	4.90	18.00	129.62	236.37	438.94	706.41
Secured Loans	0.00	0.00	0.00	25.00	25.00	20.00
Unsecured Loans	0.00	0.00	0.00	0.00	0.00	0.00
Total Debt	0.00	0.00	0.00	25.00	25.00	20.00
Total Liabilities	4.90	18.00	129.62	261.37	463.94	726.41
Applications of Funds						
Gross Block	0.04	0.17	15.03	79.03	124.03	189.03
Less: Accum. Depn.	0.01	0.04	1.21	8.32	19.49	36.50
Net Block	0.03	0.13	13.82	70.71	104.54	152.53
Capital Work in Progress	1.12	5.40	0.46	15.00	30.00	60.00
Investments	0.00	0.00	3.29	3.29	3.29	10.00
Curr Asts, Loans & Adv.						
Inventories	0.58	1.46	1.53	41.82	97.43	152.55
Sundry Debtors	2.54	3.89	9.48	19.60	33.87	58.11
Cash and Bank	0.43	2.53	15.40	46.00	50.00	73.00
Loans and Advances	0.29	5.51	83.21	65.00	159.00	250.60
Total Current Assets	3.84	13.39	109.62	172.42	340.29	534.26
Less : Curr Liab & Provs.						
Current Liabilities	0.08	2.19	2.98	6.27	11.60	18.52
Provisions	0.01	0.18	2.97	6.53	12.99	20.34
Total Current Liabilities	0.09	2.37	5.95	12.81	24.59	38.86
Net Current Assets	3.75	11.02	103.67	159.61	315.71	495.40
Misce. Exps. nt writn. off	0.00	0.97	10.42	14.00	12.00	10.00
Deferred Tax Assets	0.00	0.48	0.48	0.48	0.48	0.48
Deferred Tax Liability	0.00	0.00	2.52	1.72	2.08	2.00
Net Deferred Tax	0.00	0.48	-2.04	-1.24	-1.60	-1.52
Total Assets	4.90	18.00	129.62	261.37	463.94	726.41

E - Keynote Capitals's estimates

Shareholding Pattern (September 30, 2007)

Shareholder category	No. of Shares	% of Holding
Promoters	15,005,865	53.1%
Foreign	3,527,961	12.5%
Institutions	684,515	2.4%
Non-promoter Corporates	3,267,002	11.6%
Public & Others	5,791,121	20.5%
Total	28,276,464	100.0%

Relative Stock Price Performance Chart



Stock Price Performance

Period	PSTL	BSE Sensex	CNX Midcap
Last 1 month	34.3%	8.7%	20.9%
Last 3 months	14.8%	31.4%	40.9%
Since listing	135.1%	47.0%	69.6%

Keynote Capitals Ltd.

Member

Stock Exchange, Mumbai (INB 230930539)
National Stock Exchange of India Ltd. (INB 010930556)
Over the Counter Exchange of India Ltd. (INB 200930535)
Central Depository Services Ltd. (IN-DP-CDSL-152-2001)

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