

Pyramid Saimira Theatre Ltd. - Q3FY08 Results Update

February 5, 2008

Recommendation: Buy
52-wk High/Low: 549/210

Price: Rs400
BSE Sensex: 18663

Target price: Rs1074
CNX Midcap: 7609

Pyramid Saimira Theatre Ltd. (PSTL), India's largest theatre chain company has announced results in line with our expectations. The highlight of the results is that the company is fast reaching a sizeable scale of operations, as evidenced by both topline and bottom line.

Standalone Results Table

(RsCr)

Particulars	Q3-FY07	Q3-FY08	% change	9 mths FY07	9 mths FY08	% change	FY07
Income from Operations							
- Box Office	N.A.	149.65		N.A.	338.01		117.65
- Food & beverages	N.A.	59.98		N.A.	132.81		27.86
- Distribution	N.A.	21.78		N.A.	27.50		18.80
Total	46.05	231.41	402.5%	98.58	498.32	405.5%	164.31
Expenditure							
Cost of content	0.00	91.35		N.A.	199.32		74.13
Cost of exhibition	0.00	55.50		N.A.	120.00		61.66
Raw materials	36.45	0.00		80.76	0.00		-
Traded goods	0.00	24.73		N.A.	58.79		-
Employee cost	0.00	1.30		N.A.	3.66		-
Other Exp.	3.74	22.96		6.37	37.30		9.11
Total Expenditure	40.19	195.84	387.3%	87.13	419.07	381.0%	144.90
EBITDA	5.86	35.57	507.0%	11.45	79.25	592.1%	19.41
Other income	0.00	1.53		0.00	3.98		0.44
Interest	0.00	2.04		0.00	3.87		0.17
EBDT	5.86	35.06	498.3%	11.45	79.36		19.68
Depreciation	0.06	1.34	2133.3%	0.14	3.55		1.17
Profit Before Tax	5.80	33.72	481.4%	11.31	75.81		18.51
Tax	0.65	3.86	493.8%	1.26	14.82		5.08
Reported Net Profit	5.15	29.86	479.8%	10.05	60.99	506.9%	13.43
EBITDA margin	12.7%	15.4%	2.7%	11.6%	15.9%	4.3%	11.8%
Paid-up Equity Capital	28.28	28.28		28.28	28.28		28.28
EPS (Rs)	1.82	10.56		3.55	21.57		4.75

Both Box office collections and Food & beverages income (up 187% and 376% respectively during 9 months to December 2007, over FY07) have driven revenue growth.

Growing size of operations has resulted in better EBITDA margins on both y-o-y and sequential bases. EBITDA margin expanded by 270 bps during the quarter y-o-y and by 430 bps during 9 months to December '07, due to higher ARPU (average revenue per admission), up from Rs39.83 to Rs40.55, coupled with better operational economies.

Theatres properties

PSTL added 30 screens in India during the quarter, taking the total to 655. During the quarter, PSTL also managed to extend its footprint to North and West India, by acquiring theatres in Faridabad, and in Mumbai (Central Plaza and Liberty).

Key Operational Parameters

No. of screens (Dec.'07)	655
ARPU (Rs)	40.55
Seating capacity per show	0.429mn
Footfalls	0.517mn
Average occupancy	39.15%

Strong growth trajectory

PSTL's performance over the last few quarters shows a distinct revenue uptrend; topline has grown every quarter, over the last 5 quarters. Bottomline growth too has grown during every quarter, except during Q2FY08/

Particulars	Q3-FY07	Q4-FY07	Q1-FY08	Q2-FY08	Q3-FY08
Net Sales	46.05	67.57	122.71	144.19	231.42
Total Expenditure	40.19	61.23	99.36	123.87	195.84
EBITDA	5.86	6.34	23.35	20.32	35.58
Other Income	0.00	0.23	0.14	2.32	1.53
Interest	0.00	0.00	0.00	1.84	2.04
EBDT	5.86	6.57	23.49	20.80	35.07
Depreciation	0.06	0.09	0.94	1.27	1.34
Tax	0.65	0.65	6.54	4.42	3.86
Profit After Tax	5.15	5.83	16.01	15.11	29.87
EBITDA margin	12.7%	9.4%	19.0%	14.1%	15.4%
EPS (Rs)	1.82	2.06	5.66	5.34	10.56
Revenue per patron (Rs)	24.95	30.62	40.07	39.83	

Acquisition of Aurna Technologies, UK

During the quarter, PSTL acquired a majority stake in Aurna Technologies, a leading video games and interactive entertainment software developer based in the UK.

This acquisition gives PSTL a foray into the gaming space. Aurna provides development services to game publishers for platforms like Sony Playstation, Nintendo DS and Microsoft XBox 360, besides Hollywood studios and media companies. It has a development centre in Hyderabad.

PSTL will also be able to leverage Aurna's presence in India through this acquisition.

Recommendation

On the basis of consolidated numbers, the stock trades at 10.5x FY08E, 5.6x FY09E and 4.2x FY10E.

We reiterate our Buy recommendation with a 13-month target price of Rs1074.

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