

**SCS****Prithvi Nandy Communications (Rs25)****Span Capital Services****BUY**Nov 20<sup>th</sup>, 2002**Company Visit-**

Prithvi Nandy Communication, PNC is expected to release its big-budget movie 'Kaante' on December 6<sup>th</sup>, 2002 and another small-budget movie 'Zankar Beats' in the last week of Decemebr02.

**Movie Production:****Industry Situation:**

Domestic movie industry has performed badly in recent months as except Raaz' and 'Devdas' none of the movie performed well at Box-office in CY02. We believe the situation would help PNC in selling 'Kaante' with help of its strong starcast, interesting storyline, an International technical touch and well-received music.

**Kaante:**

The movie is expected to generate Rs135m & USD2.5m from Indian & Overseas Theatrical sale respe. Company has received Rs30m from music sale and Rs15m from In-film Ads/ Merchandising. Satellite & DVD/VCD rights sale would be additional revenue streams post-theatrical release. The recent rush among satellite channels for latest released movies should also help 'Kaante' in getting higher price.

**Movies- Revenue Driver**

Apart from 'Sur' and 'Kaante' company is expected to release four more movies in FY03 including one small-budget movie 'Zankar Beats' in Q3FY03. We expect revenue share of movie production to improve to 84% in FY03E from 51% in FY02.

Revenue Breakup	FY02	FY03E
TV Content	28%	7%
Movies	51%	84%
Events	18%	6%
Moksha	2%	4%

**Valuation:**

We expect operating revenue & earnings to grow by 189% & 222% to Rs510m and Rs56m respe. in FY03E. We are concerned of company's cost w/off policy. Presently the scrip is attractively trading at 0.4x to FY03E book value and 4.7x FY03E earnings. We maintain **BUY** on the scrip.

**Brief Financial:**

Yr Mar	Net PAT	Change	EPS	CEPS	PE	EV/	ROE
Rsm	Sales	%	EBITDA				
FY00	122	24	47%	2.3	2.4	11	7 20%
FY01	134	46	94%	4.4	4.8	6	-6 12%
FY02	176	17	-62%	1.7	2.3	15	-13 3%
FY03E	510	56	222%	5.4	6.0	5	1 9%

**Key Ratios:**

Yr To March	FY00	FY01	FY02	FY03E
Mcap To Sales(x)	2	2	1	0.5
Sales To Gross(x)	7	6	3	7
Inventory Days	79	293	454	292
Receivable Days	98	176	146	75

**Stock Market Data:**

BSE Code	532387
NSE Code	PNC
BSE Index	3075
Avg. Daily Volume- BSE	20000
52 Week High/Low	52/17

**Shareholding Pattern : Sept 2002**

Promoters	35%
MFs/ UTI	2%
Banks/ FIs	6%
FII's	15%
Corporate Bodies	18%
Indian Public	20%
NRI/OCBs	5%

**Key Data:**

Market Capitalization, Rsm	262
Issued Shares, mn	10
Price To Book- FY03E	0.4
Next Result	Q3FY03

**Movies: FY03E**

Movie	Expected Release Date
Kaante	Dec 6,02
Jhankar Beats	Q3FY03
The Mystic Masseur	Q4FY03
Hazaaron Kwaishein Aisi	Q4FY03
Debashish Chakravarty B.A.	Q4FY03

Analyst  
Setu DivekarSales  
Niraj Somaiya/ kaushik Shah

Contact: 91-22-22819383/91-22-22826643

**Income Statement :**

Rsmn	FY00	FY01	FY02	FY03E
<b>Operational Income</b>				
Content Sale	122	134	171	492
Moksha	0	0	5	18
<b>Total Op.Inc.</b>	<b>122</b>	<b>134</b>	<b>176</b>	<b>510</b>
<b>Expenses</b>				
Content Prod.	79	74	137	356
Advt&Media Con	5	1	0	1
Admin Expenses	19	23	32	80
Selling & Dist.	4	1	3	15
<b>Total Op. Exp.</b>	<b>106</b>	<b>99</b>	<b>172</b>	<b>452</b>
<b>EBIDTA</b>	<b>16</b>	<b>35</b>	<b>4</b>	<b>58</b>
Other Income	19	22	28	10
Gross Profit	35	57	32	68
Interest	1	3	0	0
Depreciation	1	1	4	4
<b>PBT</b>	<b>33</b>	<b>53</b>	<b>28</b>	<b>64</b>
Issue Exp.W/off	0	3	3	3
Tax	9	4	1	5
Deferred Tax			6	
<b>PAT</b>	<b>24</b>	<b>46</b>	<b>17</b>	<b>56</b>

**Balance Sheet :**

Rsmn	FY00	FY01	FY02	FY03E
Equity Capital	79	105	105	105
Share Premium	87	466	466	466
Res. & Surplus	8	31	20	66
<b>Networth</b>	<b>173</b>	<b>601</b>	<b>591</b>	<b>636</b>
Secured Loan	0	2	2	2
Unsecured Loan	0	0	10	10
<b>Total Loan</b>	<b>0</b>	<b>2</b>	<b>12</b>	<b>12</b>
Def. Tax Liability			23	23
<b>Total Liability</b>	<b>173</b>	<b>603</b>	<b>626</b>	<b>671</b>
<b>Application of Funds</b>				
Gross Block	18	21	62	70
Depreciation	2	4	8	12
Net Block	16	18	54	58
CWIP	0	15	5	0
<b>Net Fixed Asset</b>	<b>16</b>	<b>32</b>	<b>59</b>	<b>58</b>
Investment	13	221	104	39
<b>Current Assets</b>	<b>205</b>	<b>422</b>	<b>533</b>	<b>736</b>
Inventory	27	108	219	408
Debtors	33	65	70	105
Cash	113	96	28	38
Loans & Adv.	32	153	216	185
S. Creditors	38	47	68	167
Provision	11	38	27	15
Others	13	13	0	0
<b>Net C. Assets</b>	<b>143</b>	<b>324</b>	<b>439</b>	<b>553</b>
Issue Expenses	0	26	24	20
<b>Total Assets</b>	<b>172</b>	<b>603</b>	<b>626</b>	<b>671</b>

**Price Sensitivity:**

	FY00	FY01	FY02	FY03E
Price/ EPS	<b>2.3</b>	<b>4.4</b>	<b>1.7</b>	<b>5.4</b>
20	8.8	4.6	12.0	3.7
25	11.0	5.7	15.0	4.7
30	13.3	6.8	18.0	5.6
35	15.5	8.0	21.0	6.5
40	17.7	9.1	24.0	7.5
45	19.9	10.2	27.0	8.4

**Cash Flow Statement :**

Rsmn	FY00	FY01	FY02	FY03E
<b>Sources of Funds</b>				
PAT	24	46	16	56
Depreciation	1	1	4	4
Inc in Equity	69	26	0	0
Inc in Share Pre.	37	379	-17	0
Inc in Loans	-31	2	10	0
Def. Tax Liability			23	0
Inc in S. Cre.	6	9	21	99
Inc in Provisions	6	27	-12	-11
Inc in Other Lia.	6	1	-13	0
<b>Total</b>	<b>116</b>	<b>491</b>	<b>33</b>	<b>148</b>
<b>Application of Funds</b>				
Dividend	17	23	10	10
Inc in Gross	0	3	41	8
Inc in CWIP	0	15	-9	-5
Inc in Investment	4	208	-117	-65
Inc in Inventory	10	81	111	189
Inc in Debtors	8	32	6	35
Inc in L. & Adv	0	121	63	-31
Inc in Misc Exp.	0	26	-3	-3
<b>Total</b>	<b>39</b>	<b>508</b>	<b>101</b>	<b>139</b>
Op. Cash Balance	37	113	96	28
Addition	76	-17	-68	10
<b>Cl. Cash Balance</b>	<b>113</b>	<b>96</b>	<b>28</b>	<b>38</b>

**Key Ratios:**

	FY00	FY01	FY02	FY03E
<b>Growth</b>				
Income	54%	9%	31%	189%
Earnings	47%	94%	-62%	222%
<b>Margin</b>				
OPM	13%	26%	2%	11%
NPM	4%	18%	-6%	9%
<b>Return</b>				
ROE	20%	12%	3%	9%
ROA	18%	12%	3%	9%

**PE Sensitivity:**

	FY00	FY01	FY02	FY03E
PE/ EPS	<b>2.3</b>	<b>4.4</b>	<b>1.7</b>	<b>5.4</b>
5	11	22	8	27
7	16	31	12	37
9	20	40	15	48
11	25	48	18	59
13	29	57	22	70
15	34	66	25	80