



Magnum Ventures Limited

Key Stock Indicators

NSE Ticker :	MAGNUM	CMP as on 25 Jul 2011-Rs/share :	5.5	Shares outstanding (mn) :	37.6
Bloomberg Ticker :	MAG:IN	52 week range up to 25 Jul 2011 (Rs)(H/L) :	12.9/4.9	Free Float (%) :	46.9
Face value per share :	10.0	Market Cap as on 25 Jul 2011 (Rs mn) :	205	Average daily volumes (12 months) :	22,177
Div.Yield (%) :	0.0	Enterprise Value as on 25 Jul 2011 (Rs mn) :	3,046	Beta (2 year) :	1.2

Magnum Ventures Ltd (MVL) was incorporated in 1980. The company operates in two segments, paper and hotels. It manufactures duplex board and writing and printing (W&P) paper, which is used in various industries. The company also operates a 5-star hotel and resort, Country Inn & Suites by Carlson.

KEY HIGHLIGHTS

Has paper capacity of 85,000 TPA

MVL has a strong presence in paper manufacturing. Its plant is located at Sahibabad (Uttar Pradesh) and has installed capacity of 85,000 tonnes per annum (TPA). The products manufactured are duplex board and W&P paper. The company supplies its finished paper products to customers in northern India.

Captive power plant controls costs

To control power and fuel costs, the company operates a captive power plant having installed capacity of 6.5 MW. This plant meets the power requirement of the company and helps it control operating cost.

Sets up 5-star hotel on NH-24

In February 2009, MVL commenced operations in the hotel business. The company has undertaken a franchisee of Carlson's "Country Inn and Suites" brand and set up a 5-star hotel & resort comprising 216 rooms — 64 standard rooms, 76 superior rooms, 70 club rooms and 6 executive suites. The hotel is located in the industrial area of Sahibabad (Uttar Pradesh) on National Highway 24. MVL also operates two restaurants and facilities such as a business centre, swimming pool, bar, saloon and health club, etc, for customers at the hotel.

KEY RISKS

- Volatility in raw material prices, especially cost of wood, which has been rising constantly on account of increase in royalty
- Decrease in average room rate (ARR) at hotel due to intensifying competition from organised and unorganised players
- Slowdown in economy would see decline the business/ leisure travellers and affect the performance of hotel segment

Stock Performances vis-à-vis market

	Returns			
	YTD	1-m	3-m	12-m
MAGNUM	-39	2	-24	-51
NIFTY	7	3	-3	5

Note:

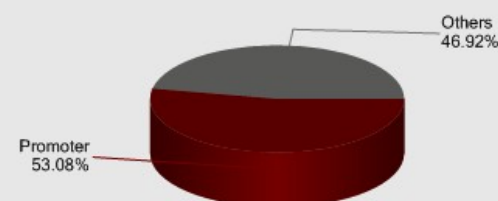
- 1) YTD returns are since Apr 1, 2010 to Jul 25, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Jul 25, 2011

Key Financial Indicators

	MAR-08	MAR-09	MAR-10
Revenue (Rs mn)	843.0	1,124.1	1,324.7
EBITDA margins (%)	31.4	23.2	10.9
PAT (Rs mn)	38.4	-9.4	-192.6
PAT margins (%)	4.6	-0.8	-14.5
Gearing (x)	1.1	2.4	3.4
EPS (Rs/share)	1.0	-0.3	-5.1
PE (x)	13.6	n.m.	n.m.
P/BV (x)	0.5	0.2	0.2
RoCE (%)	7.2	3.2	n.m.
RoE (%)	5.1	n.m.	n.m.
EV/EBITDA (x)	6.5	10.4	21.1

n.m. : Not meaningful

Shareholding (As on June 30, 2011)



Indexed price chart



Magnum Ventures Limited

BACKGROUND

MVL was incorporated in 1980. The company was formerly known as Magnum Papers Ltd and was taken over in 1984 by Mr. Salek Chand and promoters Mr. Vinod Jain, Mr. Parmod Jain, Mr. Pradeep Jain and Mr. Praveen Jain.

The company issued shares to the public in August 2007. The company operates in two segments: Paper and hotels. During FY10, the company produced 63,930 tonnes and manufactures duplex board and W&P. The company serves the paper market in northern India with its finished product. As of FY10, it operates a 5-star hotel and resort by the name "Country Inn & Suites by Carlson", consisting of 216 rooms. The hotel is based in the industrial area of Sahibabad (Uttar Pradesh). As of FY10, revenue from the paper division accounted for ~83% of total revenue, while hotel division contributed ~17%.

COMPETITIVE POSITION

Peer Comparison

	Magnum Ventures Limited Mar-10	Pudumjee Pulp & Paper Mills Ltd. Mar-10	Rainbow Papers Ltd. Mar-10	The West Coast Paper Mills Ltd. Mar-10
Revenue (Rs mn)	1,324.7	2,197.5	2,680.7	6,294.6
EBITDA margins (%)	10.9	12.2	24.0	18.5
PAT (Rs mn)	-192.6	110.0	190.5	547.0
PAT margins (%)	-14.5	5.0	7.1	8.7
Gearing (x)	3.4	0.5	1.5	2.4
EPS (Rs/share)	-5.1	2.7	10.9	8.7
PE (x)	n.m.	8.2	5.6	9.7
P/BV (x)	0.2	0.7	0.4	0.9
RoCE (%)	n.m.	10.6	7.9	5.1
RoE (%)	n.m.	9.1	12.5	10.5
EV/EBITDA (x)	21.1	5.9	5.0	14.7

n.m: Not meaningful

FINANCIAL PROFILE

Hotel foray pushes up top line, but bottom line sinks in FY10

In FY10, top line stood at Rs 1.3 bn, up ~18% year-on-year, mainly due to growth in income from the hotel business, into which the company diversified during February 2009.

EBITDA margin contracted to ~11% in FY10 from ~23% in FY09, led by increase in raw material costs and manufacturing and selling expenses in the paper business and increase in employee costs post commencement of the hotel business.

Net loss widened to ~Rs 192 mn in FY10 from ~Rs 9 mn in FY09, due to drop in operating profit, significant increase in depreciation costs and interest on borrowings.

INDUSTRY PROFILE

Writing and Printing Paper

The writing and printing (W&P) paper segment is less fragmented than other segments in the paper industry. Hence, domestic players in this segment enjoy a fair degree of pricing flexibility. Further, most large players have introduced value-added products to command higher prices.

W&P paper can be sub-divided into coated and uncoated paper. Uncoated paper comprises creamwove, maplitho and copier paper. Coated paper consists of coated chrome paper, art paper and art board. Creamwove is a low quality, low value product, whereas coated paper is a high quality, high value product. Uncoated paper accounts for bulk of the market (creamwove with 47%, maplitho and copier together with 39%) with coated paper holding the remaining share. Greater emphasis on education and literacy, coupled with growth in organised retail and demand for better quality paper, has pushed up demand for W&P paper. The factors that affect demand for W&P paper include printing of books and stationery for education, usage for office printing and stationery, and printing of company-published statutory documents such as annual reports, share issue forms, etc. Therefore, growth in the industrial and services sectors augurs well for W&P paper demand.

Premium segment hotels

Premium segment hotels (comprising 5-star deluxe (5-D) and 5-star hotels) accounted for 60% of the overall hotel industry revenues in 2009-10. The hotel industry in India witnessed robust growth from 2003-04 to 2008-09 with growth in business-related travel. Revenues per available room (RevPARs) registered a CAGR of 17%. Due to limited supply, the hotels were able to charge high average room rates (ARRs). This escalation in hotel revenues, backed by rapid economic growth, led to huge supply additions during 2006-07 and 2008-09. In the latter half of 2008-09, the hotels industry was severely hit due to reduced corporate spending on travel and low foreign tourist arrivals due to the global economic crisis and the Mumbai terror attacks. However, room demand recovered to pre-crisis levels of 2007-08 in the latter half of 2009-10 with an improvement in macroeconomic conditions. But average room rates (ARRs) remained lower, mainly due to a 10% increase in supply. This resulted in RevPARs for the period declining by 23% year-on-year.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	843.0	1,124.1	1,324.7
EBITDA margins	Per cent	31.4	23.2	10.9
PAT	Rs million	38.4	-9.4	-192.6
PAT margins	Per cent	4.6	-0.8	-14.5
Revenue growth	Per cent	-7.1	33.3	17.8
EBITDA growth	Per cent	-4.7	-1.6	-44.6
PAT growth	Per cent	-51.1	n.m.	n.m.
Gearing	Times	1.1	2.4	3.4
RoCE	Per cent	7.2	3.2	n.m.
RoE	Per cent	5.1	n.m.	n.m.

ANNUAL RESULTS

Income statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	843.0	1,124.1	1,324.7
Operating Income	843.0	1,124.1	1,324.7
EBITDA	264.6	260.4	144.1
EBITDA Margin	31.4	23.2	10.9
Depreciation	100.3	183.8	228.2
Interest	56.4	109.8	225.9
Other Income	2.7	0.3	0.2
PBT	82.5	-13.9	-294.8
PAT	38.4	-9.4	-192.6
PAT Margin	4.6	-0.8	-14.5
No. of shares(Mn No.)	37.6	37.6	37.6
Earning per share(EPS)	1.0	-0.3	-5.1

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax Profit	110.5	-33.0	-309.8
Total tax paid	-18.9	-0.1	0.0
Depreciation	100.3	183.8	228.2
Change in working capital	-53.4	-34.3	-193.6
Cash flow from operating activities	138.5	116.4	-275.2
Capital expenditure	-876.8	-1,450.0	-78.0
Investments and others	0.0	0.0	0.0
Cash flow from investing activities	-876.8	-1,450.0	-78.0
Equity raised/(repaid)	496.1	-0.5	0.0
Debt raised/(repaid)	233.6	1,324.0	333.9
Dividend (incl. tax)	0.0	0.0	0.0
Others (incl extraordinary)	9.4	19.3	15.0
Cash flow from financing activities	739.1	1,342.8	348.9
Change in cash position	0.8	9.2	-4.3
Opening cash	1.7	2.4	11.7
Closing cash	2.4	11.7	7.5

n.m.: Not meaningful

QUARTERLY RESULTS

Profit and loss account

(Rs million)	Mar-11	% of Rev	Mar-10	% of Rev	Dec-10	% of Rev
No of Months	3		3		3	
Revenue	462.9	100.0	402.2	100.0	472.7	100.0
EBITDA	-1.9	-0.4	6.2	1.5	64.3	13.6
Interest	87.9	19	69.1	17.2	80.7	17.1
Depreciation	59.6	12.9	63.6	15.8	60.8	12.9
PBT	-149.4	-32.3	-126.5	-31.5	-77.2	-16.3
PAT	-103.2	-22.3	-132.5	-32.9	-53.2	-11.3

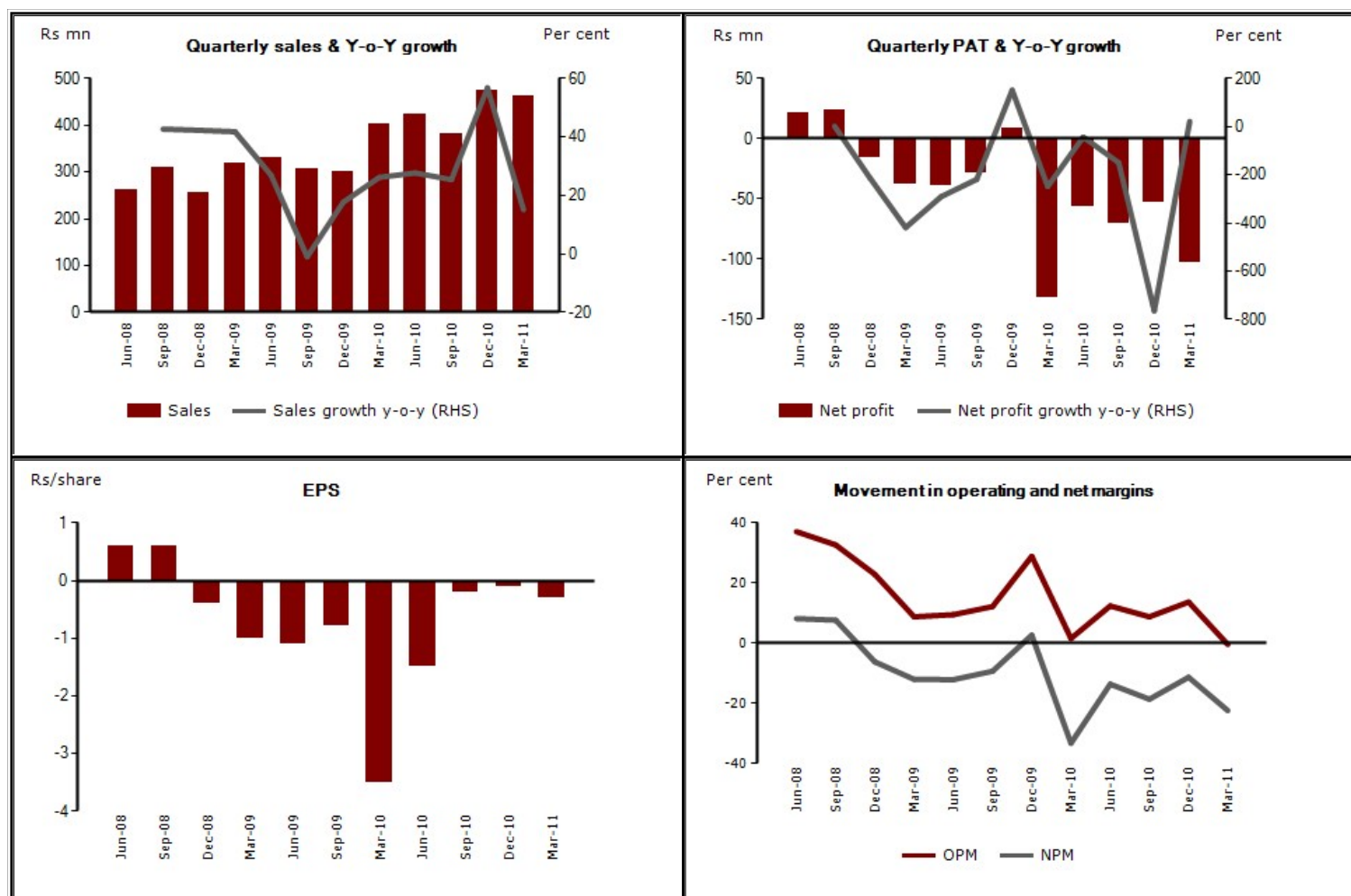
Balance Sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	376.0	376.0	376.0
Reserves and surplus	661.8	652.1	457.8
Tangible net worth	1,037.8	1,028.1	833.8
Deferred tax liability: asset	120.4	115.9	13.7
Long-term debt	783.6	1,944.6	2,324.1
Short-term-debt	407.4	570.5	524.9
Total debt	1,191.0	2,515.1	2,848.9
Current liabilities	93.8	192.5	111.4
Total provisions	25.9	7.5	8.3
Total liabilities	2,468.9	3,859.1	3,816.1
Gross block	1,846.0	2,610.2	3,907.7
Net fixed assets	1,935.2	3,201.4	3,049.5
Investments	0.0	0.0	0.0
Current assets	533.7	657.7	766.6
Receivables	321.8	460.2	459.0
Inventories	121.3	100.7	166.9
Cash	2.4	11.7	7.5
Total assets	2,468.9	3,859.1	3,816.1

Ratios

	Mar-08	Mar-09	Mar-10
Revenue growth(%)	-7.1	33.3	17.8
EBITDA growth(%)	-4.7	-1.6	-44.6
PAT growth(%)	-51.1	n.m.	n.m.
EBITDA margins(%)	31.4	23.2	10.9
Tax Rate(%)	22.9	n.m.	-
PAT margins(%)	4.6	-0.8	-14.5
Dividend payout(%)	-	-	-
Dividend per share(Rs)	-	-	-
BV(Rs)	27.6	27.3	22.2
Return on Equity(%)	5.1	n.m.	n.m.
Return on Capital employed(%)	7.2	3.2	n.m.
Gearing(x)	1.1	2.4	3.4
Interest coverage(x)	4.7	2.4	0.6
Debt/EBITDA(x)	4.5	9.7	19.8
Asset turnover(x)	0.5	0.5	0.4
Current ratio(x)	1.3	1.1	1.9
Gross current assets(days)	231	214	211

FOCUS CHARTS AND TABLES



Shareholding pattern (Per cent)

	Sep 2010	Dec 2010	Mar 2011	Jun 2011
Promoters	53.1	53.1	53.1	53.1
FII	-	-	-	-
DII	-	-	-	-
Others	46.9	46.9	46.9	46.9

Board of Directors

Directors Name	Designation
Pradeep Kumar Jain	Managing Director
Praveen Kumar Jain	Managing Director
Rakesh Garg	Non-Executive Director
Abhey Jain	Wholtime Director
Naveen Jain	Non-Executive Director
Parmod Kumar Jain	Director
Shri Krishan Jain	Non-Executive Director
Vinod Kumar Jain	Director
Subhash Chand Oswal	Non-Executive Director
Kamal Prasad	Nominee Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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