

Pyramid Saimira Theatre Ltd. - Update on JV in China**March 24, 2008****Price: Rs256****BSE Sensex: 15289****Recommendation: Buy**

We had initiated coverage on Pyramid Saimira Theatre Ltd. (PSTL) on December 12, 2007, with a Buy rating. PSTL has signed a path-breaking deal in China.

PSTL has formed a joint venture company with China Society of Music Research Board (CSMRB), Ministry of Culture, Government of China. The JV, named Jiangsu Pyramid Longzhe Group, will operate theatres, distribute films and engage in other entertainment, arts and cultural activities in China.

This deal is a path-breaking one for PSTL, as the entertainment (arts / culture / films) sector in China is highly regulated. PSTL, through the JV will be in a position to tap the huge underlying opportunity in China, in the growing entertainment sector. PSTL will offer its domain knowledge and expertise in operating theatres, for creating a large world-class entertainment network in China.

The JV proposes to add one screen per day in Mainland China and also exploit non-box office revenue sources.

Comparison of China and India on Key Data Points

The place of China in the world economy need not be overemphasised. China's per capita income is more than twice that of India. China, the world's emerging manufacturing centre, saves and invests twice as much as India, is twice as open, and has smaller budget deficit and larger foreign exchange services.

We provide below a comparison of China and India on select data points:

Data points	China	India
Year in which major reforms began	1978	1991
Population (billion)	1.3	1.1
GDP 2006 (\$ billion)	2,645	874
Per capita GDP 2006	\$2,013	\$785
Agriculture as % of GDP	12	20
Manufacturing as % of GDP	48	19
Services as % of GDP	40	61
FX reserves (\$ billion) *	1647	306
% of Urban Population	39	28
Adult Literacy %	95	68
Internet users per 1000 people	63	17

* March 2008

The entertainment market in China has great potential, given its huge GDP and substantial purchasing power of its population. PSTL will be in a position to contribute substantially to the JV, by helping set up a huge theatre chain network / food courts / gaming parlours in China and also offer other entertainment services. PSTL, under the JV, will bring international cinema content to China and will also showcase and market local Chinese content across the world.

PSTL already has an established track record of operating multiplexes and standalone theatres in India and in a few other countries. We believe its track record in India can be extrapolated to the larger market in China. We therefore strongly believe PSTL will be well-poised to replicate its success story in the Indian entertainment space, in the Chinese market as well.

Since the report date (December 12, 2007), while the BSE MidCap and SmallCap indices have corrected by 36.1% and 39.2% respectively, the PSTL stock has seen a correction of 31.1%. We believe the correction in the stock is largely in line with market sentiment. With its fundamentals intact, we reiterate our **Buy** rating on the stock.