VENTURA

Kyon ki bhaiya, sabse bada rupaiya.

Shemaroo Entertainment Ltd.

BUY

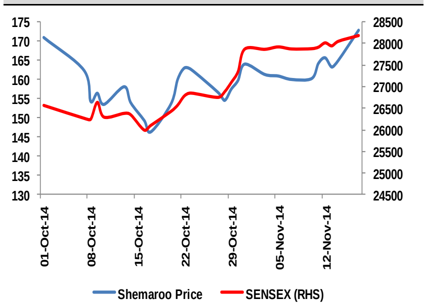
Target Price ₹309	CMP ₹173	FY17E PE 12x

Index Details	
Sensex	28,179
Nifty	8,431
BSE 100	8,468
Industry	TV Broadcast

Scrip Details	
MktCap (₹ cr)	470.5
BVPS (₹)	157.1
O/s Shares (Cr)	2.7
AvVol (Lacs)	0.6
52 Week H/L	181/145
Div Yield (%)	0.3
FVPS (₹)	10.0

Shareholding Pattern	
Shareholders	%
Promoters	65.8
DIIs	8.6
FIIs	4.3
Public	21.2
Total	100.0

Shemaroo vs. Sensex



Shemaroo Entertainment Ltd (Shemaroo) is an established media content house. With a comprehensive library of top-notch content of over 2900+ titles, Shemaroo is well poised to take advantage of the explosive growth expected in digital media.

Our optimism regarding the company's prospects is based on the following:

- **Shemaroo's TV broadcast syndication segment is expected to grow at a steady three year 18% CAGR to Rs 318 crore by FY17. Shemaroo has the largest catalogue of movie library which includes marquee Bollywood movies such as Mughal-e-Azam, Golmaal, Jab We Met, Don. It is thus well equipped to meet the broadcaster's increased requirement for quality content post digitization.**
- **We expect Shemaroo's new media segment to grow at a three year CAGR of 38% to ₹65 crore by FY17. Shemaroo's channels are among the top viewed Indian channels on YouTube. With digital media set for explosive growth, driven by the roll out of 4G broadband, increasing internet penetration and rising popularity of YouTube, the new media segment is expected to be the company's growth engine in the coming years.**
- **Shemaroo has in place a sound content acquisition strategy which largely de-risks its model. By purchasing movie rights in the latter half of a movie's life span, Shemaroo eliminates the risk of uncertainty associated with its performance.**

We expect Shemaroo to report a three year revenue CAGR of 20% to ₹455 crore by FY17. We expect PAT to increase at a 3 year CAGR of 37% to ₹70 crore in FY17. We initiate coverage on Shemaroo as a BUY with a Price Objective of ₹309 representing a potential upside of 79% over a period of 24 months.

Key Financials (₹ in Cr)

Y/E Mar	Net Sales	EBITDA	PAT	EPS (₹)	EPS Growth (%)	RONW (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)
2014	264.6	64.4	27.1	13.7	10.5	15.5	15.9	12.6	8.4
2015E	321.3	81.8	38.9	14.4	5.1	12.0	14.9	12.0	6.2
2016E	384.5	100.6	56.0	20.6	43.1	14.8	17.3	8.4	4.9
2017E	455.1	120.5	69.8	25.8	25.2	15.5	18.9	6.7	4.4

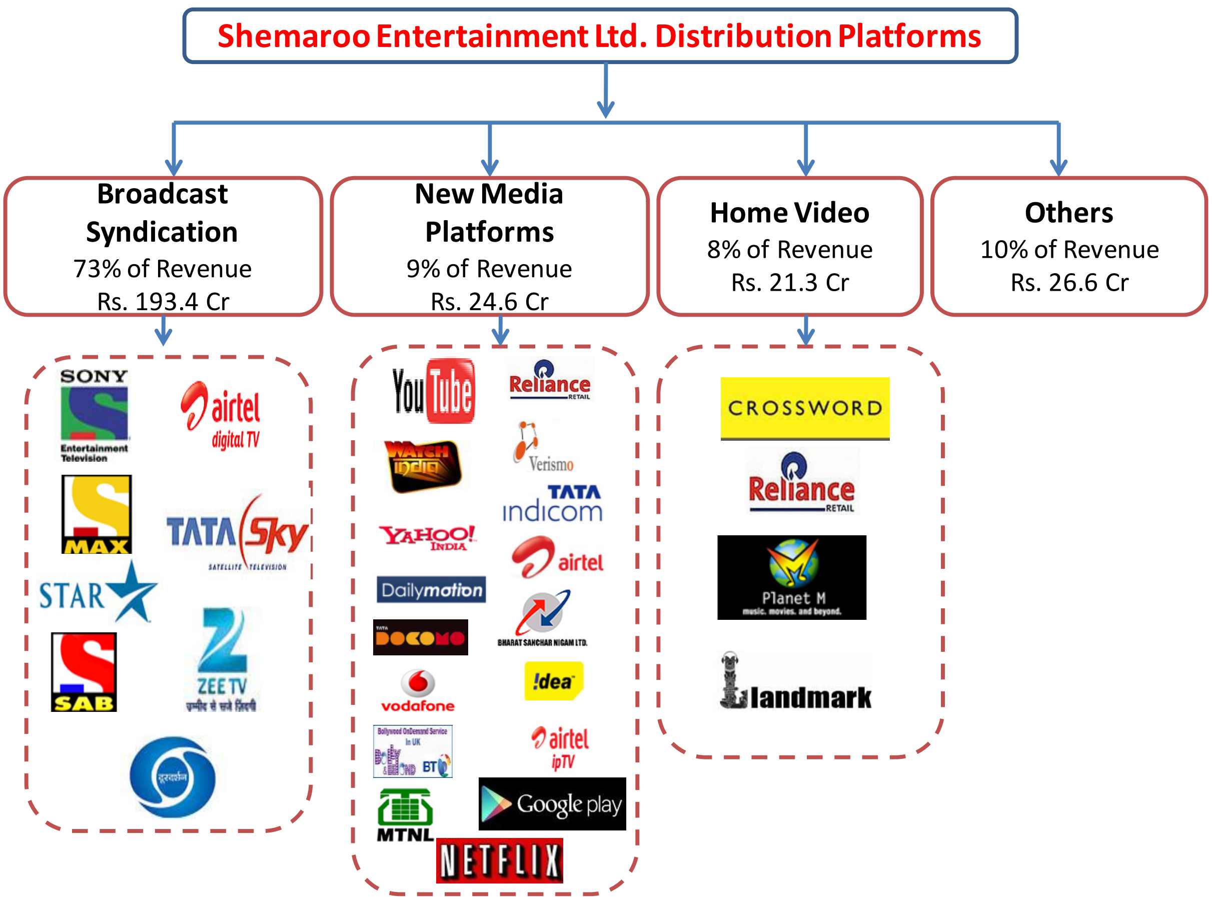
STOCK POINTER

Monday 17th November, 2014

Company Background

Incorporated in 1962, Shemaroo Entertainment Limited (Shemaroo) is one of the largest media content houses in India. It acquires content from producers and monetizes them across different platforms, including television and internet. It boasts of a content library of 2900+ titles and houses 32+ channels on YouTube catering to the well diversified genres including Hindi & English Movies, Music, Regional and Special interest content. Shemaroo Entertainment (UK) Pvt. Ltd, Shemaroo Entertainment Inc. and Shemaroo Films Pvt. Ltd. are the three wholly owned subsidiaries of Shemaroo Entertainment Ltd.

Shemaroo's Distribution Platforms



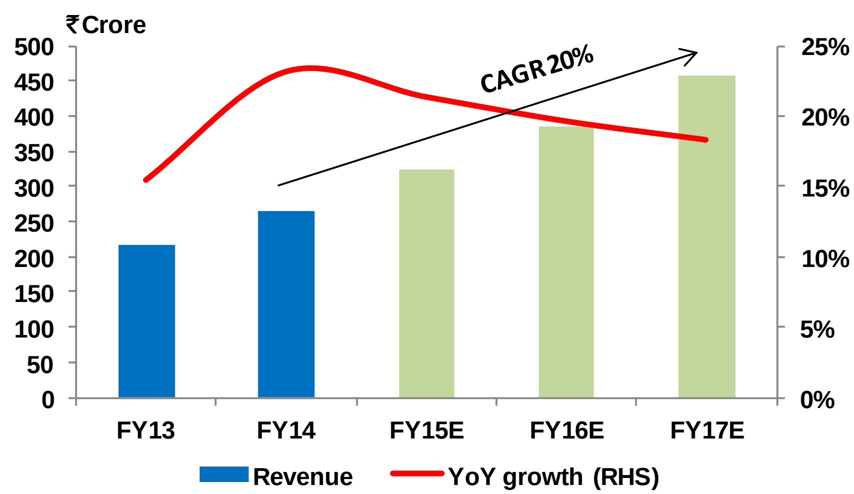
Source: Shemaroo Entertainment, Ventura Research

❖ Key Investment Highlights

➢ Revenues to surge on the back of explosive growth in new media and TV broadcast segment

We expect Shemaroo's revenues to grow at a three year CAGR of 20% to ₹455 crore in FY17. The revenue growth will be fuelled by the robust 38% CAGR in new media revenues and a steady 18% CAGR in TV broadcast revenues. While the roll out of 4G Broadband and an increase in mobile penetration is expected to boost new media revenues, digitization will power growth in the TV broadcast segment.

Revenue growth to remain strong



Source: Ventura Research

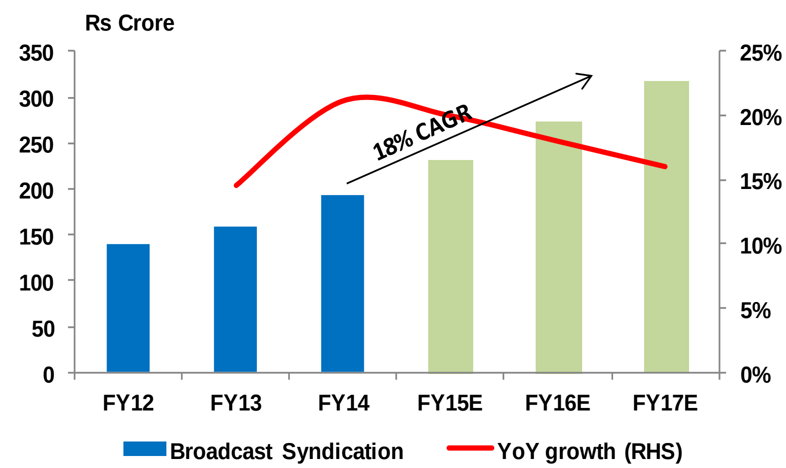
- **Digitisation will drive TV Broadcast revenues**

In FY14, Shemaroo earned 73% of its revenues from broadcast syndication. The platforms of TV Broadcast syndication are:

- ➢ **Satellite Television:** Sale of content license to Hindi entertainment channels such as Zee, Colors and Sony. Shemaroo enters into exclusive agreements for a film or a package of films for a specified period of time to a particular group of channels.
- ➢ Sale of content license to **terrestrial television network** (Doordarshan) and
- ➢ Sale of content rights to **cable operators** such as Hathway

We expect Shemaroo's TV broadcasting revenues to reach ₹318 crore by FY17, translating into a 3 year CAGR of 18%.

Broadcast syndication revenues to grow at 18% CAGR



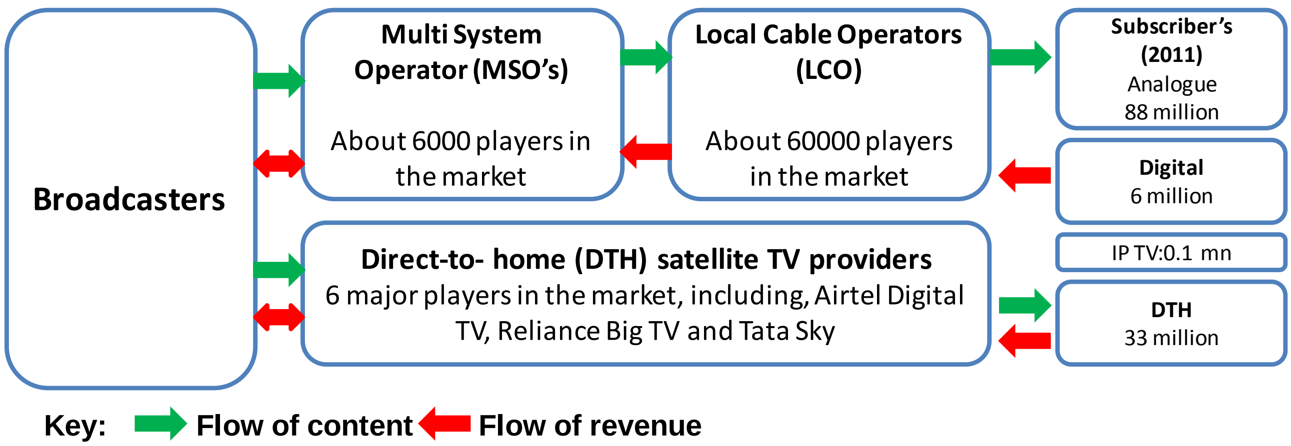
Source: Ventura Research

The growth in broadcast syndication revenues will be driven by:

- **Strong content library:** Shemaroo boasts of an extensive library of 2900+ titles making it one of the largest independent content aggregator in Bollywood. Shemaroo's library is diverse with a healthy mix of new and classic content which could appeal to audiences across age groups. Its library includes movies such as Jab We Met, Don, Mughal-e-Azam and Amar Akbar Anthony. These movies are age old favorites, having a high probability of repeat viewing. With the extensive library, the company can bundle movies into various packages and monetize them at varying rates.

- **Digitization** will bring in transparency in the system by eliminating under-reporting of subscribers. The Phase I of Digital Access System (DAS) in Delhi and Mumbai is nearing completion. The Phase II is underway, while the Phase III and IV are expected to be completed by December 2015 and 2016, respectively.

Digitization will bring in transparency in the industry



Note 1: Broadcaster pays MSO's and DTH players carriage and placement fees; MSO's and DTH players pay Broadcasters a portion of their monthly subscription revenue

Source: Analysys Mason, Ventura Research

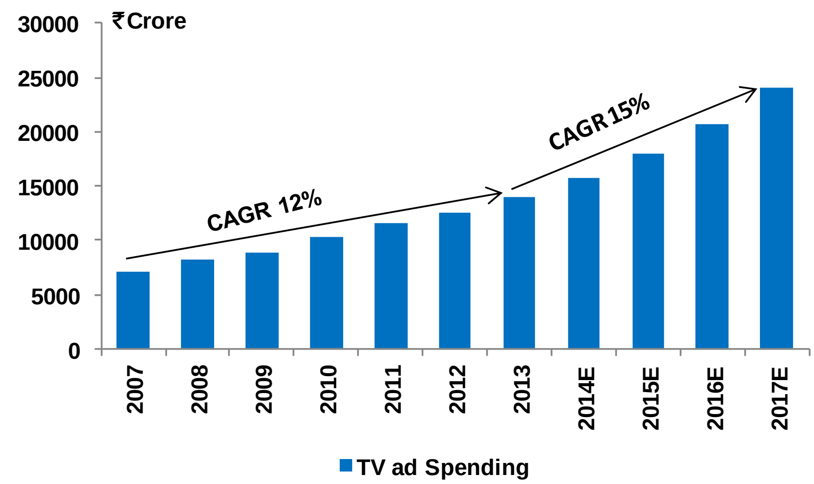
Digitization is expected to drive efficiencies in the television broadcasting value chain:

- Subscriber reporting will move to MSOs who will have much greater control than the LSOs
- Carriage fee is expected to reduce by 15-20%
- Scope for increase in Average Revenue Per User with customized channel and package offerings

Increase in the number of channels and customized packages translate to higher revenue generating streams for Shemaroo.

- **Increase in Advertisement spending:** Even as the share of digital media is on an uptrend, television continues to be the most penetrated form of media in India. According to KPMG, television ad spending is expected to grow at a three year CAGR of 15% over 2014-17, higher than the historic 12% CAGR, with digitization being the key growth driver. With higher ad spends, broadcaster's requirement for quality content, which Shemaroo can fulfill with its comprehensive library base, is bound to increase.

Growth in TV ad spending



Source: KPMG, FICCI

Shemaroo's strong content library coupled with digitisation and higher ad spending is expected to result in a steady three year CAGR of 18% in TV broadcast revenues over 2014-17. This segment will continue to form ~70% of total revenues in the coming years.

- **Roll out of 4G could result in explosive growth in new media platforms**

Recognizing the huge untapped potential, Shemaroo was one of the first media companies to syndicate its content in the high growth new media platforms in 2005. A large content base gives Shemaroo the advantage of re-packing and modifying them to best suit new media platforms. The various new media platforms where Shemaroo has established a presence are internet, Mobile Value Added services (MVAS) and other digital platforms such as DTH, Interactive Services and IPTV. It earns ~50% of its revenues from the internet platform and nearly 50% from MVAS.

Internet Platform

Shemaroo to benefit from its strong presence on the fast growing YouTube platform

Shemaroo has tied up with various online platforms such as YouTube, Daily Motion, Yahoo India and Spuul. It has a prominent presence on YouTube with 44 channels across varying genres. Shemaroo ranks amongst the top viewed Indian YouTube channels. Its monthly YouTube views have increased from ~10 mn in September 2009 to more than 60 mn in July 2014.

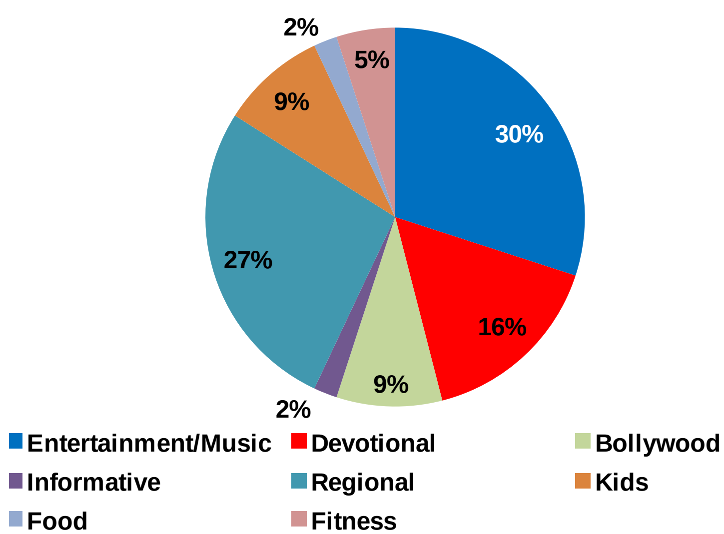
Shemaroo Ent ranks in the top 10 most viewed Indian channels on YouTube

Channel	Rank	Unique Visitors ('000)	Minutes per Visitor
T-Series Music	1	9,436	15.3
SonyBMG	2	7,249	8.8
UMG	3	4,802	7.3
Eros Entertainment	4	4,611	8
Shemaroo Entertainment	**5**	**4,447**	**9.2**
ZEFR	6	4,094	7.9
StarIndia	7	4,030	27.6
Saregama	8	4,019	8.3
Fullscreen	9	3,916	6.9
Rajshiri	10	3,886	8.9

Source: Comscore, Ventura Research,

Shemaroo's YouTube channels not only have a high viewership, their genres are diverse and thereby they appeal to audiences of different religions and age groups.

Shemaroo has a diverse mix of content on its YouTube channels



Source: Ventura Research

The company monetizes its content on YouTube in the following manner:

- Shemaroo gets revenue from the advertisements shown on its channel on YouTube, in the following 3 ways:

- Banner Ads
- Pre roll ads
- Mid roll ads

- Shemaroo gets 52.5% of the ad revenue that YouTube makes from channels belonging to Shemaroo

With a 58% share of overall video search traffic, YouTube is the largest video sharing platform in India. YouTube is growing at a robust pace with over 48 hours of content being uploaded every 1 minute. As a reference, Google India's advertising revenue for online video was in the range of a whopping ₹800-1000 crore in 2012-13. Industry sources, too, reckon that digital media is an emerging threat to the traditional TV broadcast medium given the significant growth potential. With higher internet penetration and an increasing tendency of surfing videos online, YouTube will continue to grow at a rapid pace. This implies bright prospects for Shemaroo.

4G to enhance internet usage

A major bottleneck in internet usage is the frequent break-outs in connectivity and slow speed. Reliance Jio Infocomm, which has secured pan-India spectrum for 4G wireless broadband services, plans to provide connectivity speed to subscribers that will be 10-12 times faster as compared to 3G networks. It plans to launch 4G services in 2015 at an investment of Rs 70,000 crore. The 4G service will cover all states, around 5,000 towns and cities, accounting for over 90 per cent of urban India and over 215,000 villages. Once the 4G broadband is successfully launched, the growth in internet penetration will be tremendous.

CPM has the potential to grow exponentially

With higher internet usage, the Cost per Thousand Impressions (CPM) advertising rates in India is expected to increase. The current CPM rates range between 1-4 depending on the content, while it is much higher at 10-40 in the US. Further, as internet penetration improves, page views are expected to grow at an exponential pace, which should translate into higher CPM rates for domestic content; in turn leading to higher ad revenues for Shemaroo.

Global emphasis on broadband to catch up in India

Recently, the US President urged the Federal Communications Commission to classify broadband as an essential service. The following is the abridged version of the President's statement in this regard:

The rules I am asking for are simple, common-sense steps that reflect the Internet you and I use every day, and that some ISPs already observe. These bright-line rules include:

- ***No blocking:*** *If a consumer requests access to a website or service, and the content is legal, your ISP should not be permitted to block it.*
- ***No throttling:*** *Nor should ISPs be able to intentionally slow down some content or speed up others – through a process often called "throttling" – based on the type of service or your ISP's preferences.*
- ***Increased transparency:*** *The connection between consumers and ISPs – the so-called "last mile" – is not the only place some sites might get special treatment.*
- ***No paid prioritization:*** *Simply put: No service should be stuck in a "slow lane" because it does not pay a fee. That kind of gate-keeping would undermine the level playing field essential to the Internet's growth.*

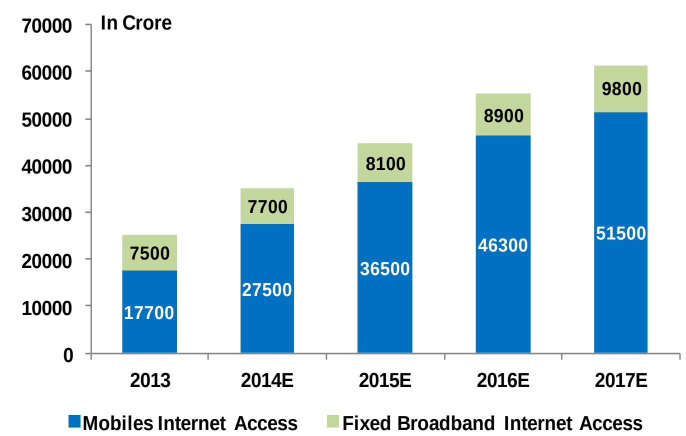
With focused emphasis on broadband access internationally, sooner or later, broadband, too, could get recognized as an essential service in India. For instance, the Government of India has initiated the National Optic Fibre Network (NOFN) project which will enable internet access for 2,50,000 Gram Panchayats in the country. Further, with Indian's spread across the globe, international views for Indian content are also on an uptrend. Increasing international views will enhance CPM rates and boost advertising revenues for content aggregators like Shemaroo.

MVAS

In this platform, Shemaroo distributes caller tunes, ring tones, games, songs, wallpapers amongst other services. It has entered into agreements with major telecom operators like Airtel, BSNL, Tata Teleservices, Reliance Communication, MTNL and Tata Docomo. The MVAS segment offers significant potential for growth given that:

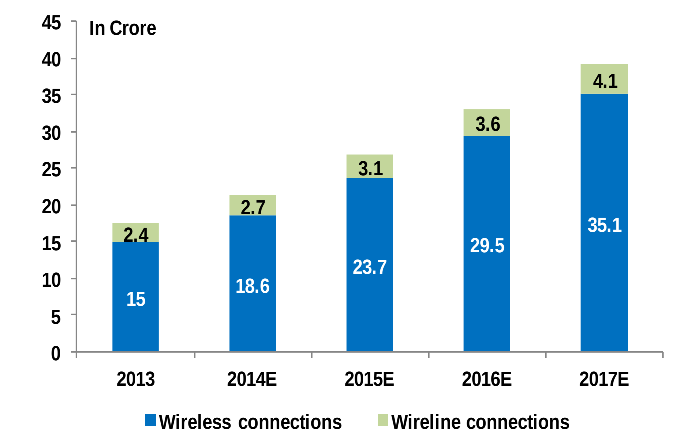
- According to industry sources, more than 40-50% of the traffic for video sites comes from mobile devices
- India's mobile subscriber base is expected to grow from 795 million in 2013 to 1145 million subscribers by 2020
- Smartphone penetration to grow from 10% or 90 million devices in 2013 to 45% or 520 million devices
- Growth of mobile internet users to be much faster than that of fixed broadband internet users

Mobile Internet users to grow at 31% 4 year CAGR



Source: FICCI, KPMG

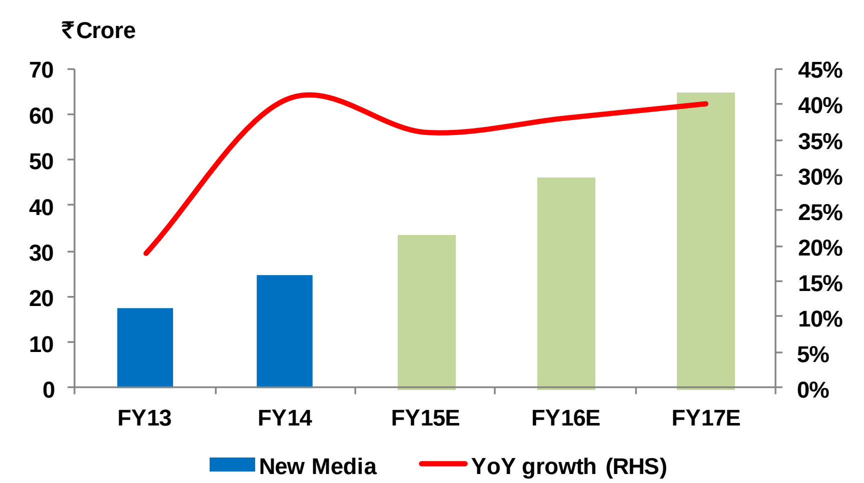
Wireless connections to grow at 4 year CAGR of 24%



Source: FICCI, KPMG

Given the growth drivers in the internet and MVAS segment, we expect Shemaroo's new media revenues to grow at a three year CAGR of 38% to ₹64.6 crore by FY17E.

New Media revenues expected to grow at 3 year CAGR of 38%



Source: Ventura Research

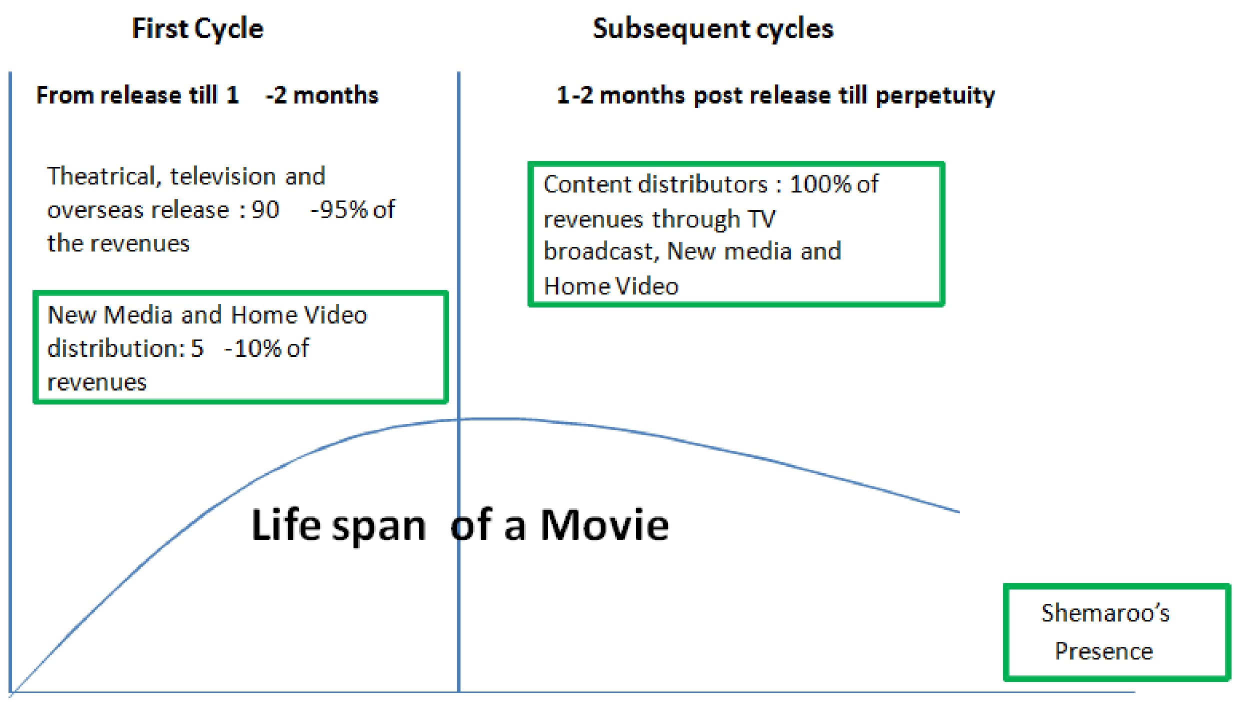
Further, as content acquisition costs are common to both TV broadcast and digital media, operating leverage is expected to result in margin expansion. We expect the EBITDA margin in this segment to expand to 32% in FY17 from 27% in FY14.

➢ **Sound content acquisition strategy de-risks business model**

- **Acquires rights in the latter half of a movie's life span thereby eliminating uncertainty**

Shemaroo follows a sound content acquisition strategy which largely de-risks its model, thereby providing stability in financials. In the life span of a typical movie release, majority of the revenues i.e nearly 90-95% is generated through revenues from theatrical and television release in the initial month. This period also determines the fate of the movie based on user/critic revenues, ticket sales movie ratings and awards.

Shemaroo's presence is pre-dominantly in the subsequent cycle of a movie's release



Source: Ventura Research

By purchasing movie rights in the subsequent cycle, Shemaroo eliminates the risk of uncertainty associated with the movie's performance. Further, content is acquired only after the movie is screened by a dedicated team on the basis of:

- Viewership ratings
- Box office records

- Cast
- Technical execution
- Genre
- Track record of the relevant production house
- Awards and
- Commercial value of the potential content exploitation on various distribution platforms.

This helps the company determine the potential value a particular movie can generate in its portfolio, thereby helping it decide the movie title acquisition cost. Typically, the company looks to acquire movies at a cost, which could help it generate a minimum 18% return on investment at a portfolio level.

The distribution revenues in the latter cycles have been growing at a steady CAGR of 15% driven by increasing advertisement spends, digitization and increase in internet penetration. We believe that Shemaroo's participation in the subsequent cycles of a movie's lifespan helps it to manage its library and content acquisitions costs in an efficient manner.

- **IPO funds towards content acquisition**

Shemaroo recently raised Rs 100 crore through an IPO. It plans to use majority of the funds towards acquisition of content. The content acquisition cost of one premium movie typically ranges between ₹1.8-2 crore. Shemaroo has indicated that it intends to acquire 50-100 titles per annum going forward. With funds available to expand its content library coupled with favorable industry dynamics, we expect Shemaroo to post healthy revenue growth in the coming years.

- **Healthy mix of aggregate and perpetual rights**

Shemaroo acquires content either through aggregate rights (limited ownership) or Perpetual rights. Of the content library of 2,918 titles, 2,159 (74%) are aggregate rights and the remaining are perpetual rights. The company holds perpetual rights for movies such as Amar Akbar Anthony, Dil, Beta, Anari, Ishqiya and Khakee; aggregate rights for movies such as The Dirty Picture, Golmaal, Mujhse Shaadi Karogi, Sarforsh and Anand. The company is looking to acquire perpetual rights for movies and aggregate rights for television broadcast, especially content specific to new media such as music rights.

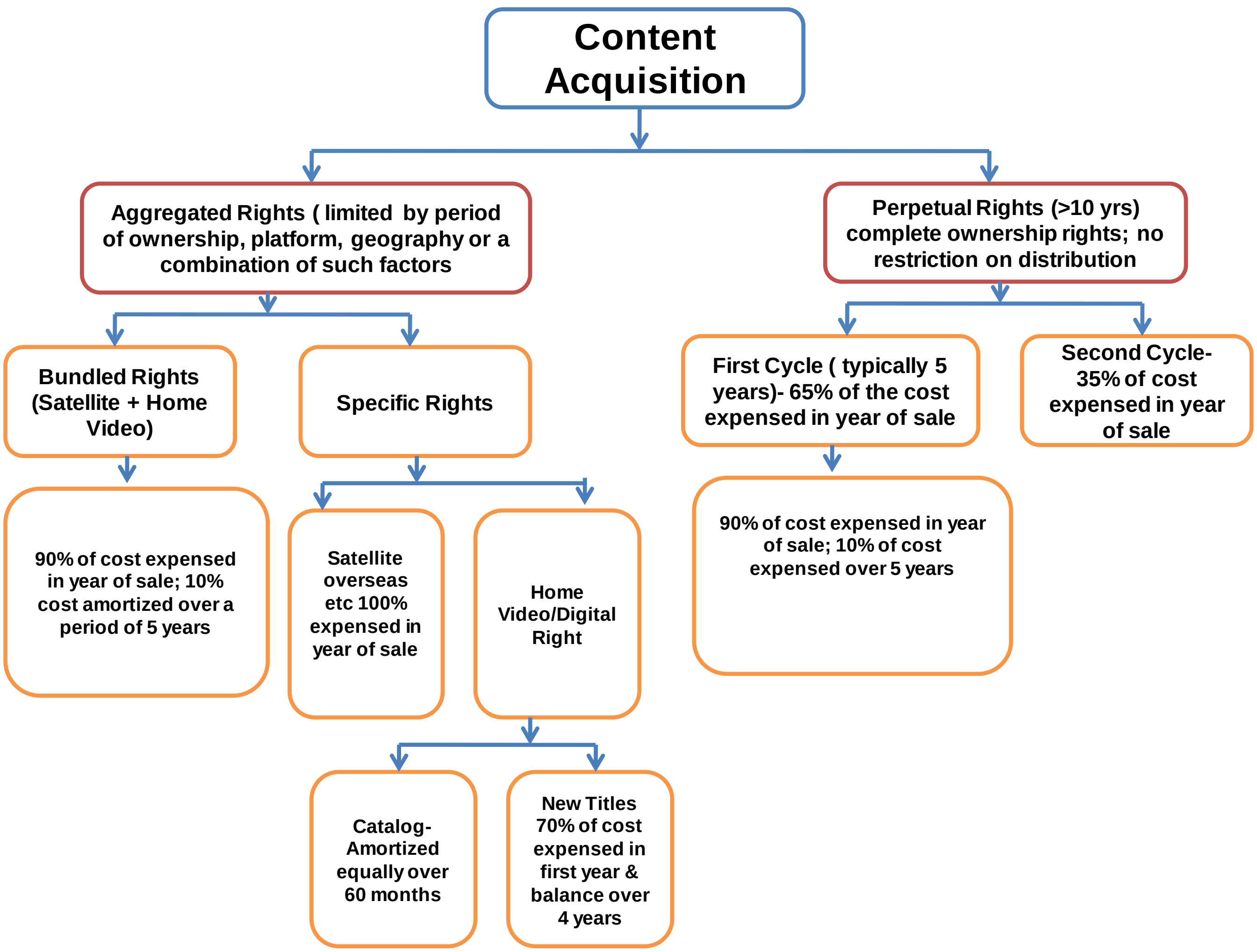
Shemaroo's Portfolio break-down: Aggregate rights and Perpetual Rights

	Perpetual Titles			Limited Ownership Titles		
	2011	**2013**	**2014**	**2011**	**2013**	**2014**
Hindi Movies	301	353	355	977	1253	1289
Regional Titles	316	351	364	702	647	728
Special Interest Content (Health, Self Development)	23	36	40	197	181	142
Total	**640**	**740**	**759**	**1876**	**2081**	**2159**

Source: Ventura Research

Accounting Policy of the Rights acquired

Shemaroo's Content Acquisition Accounting Policy

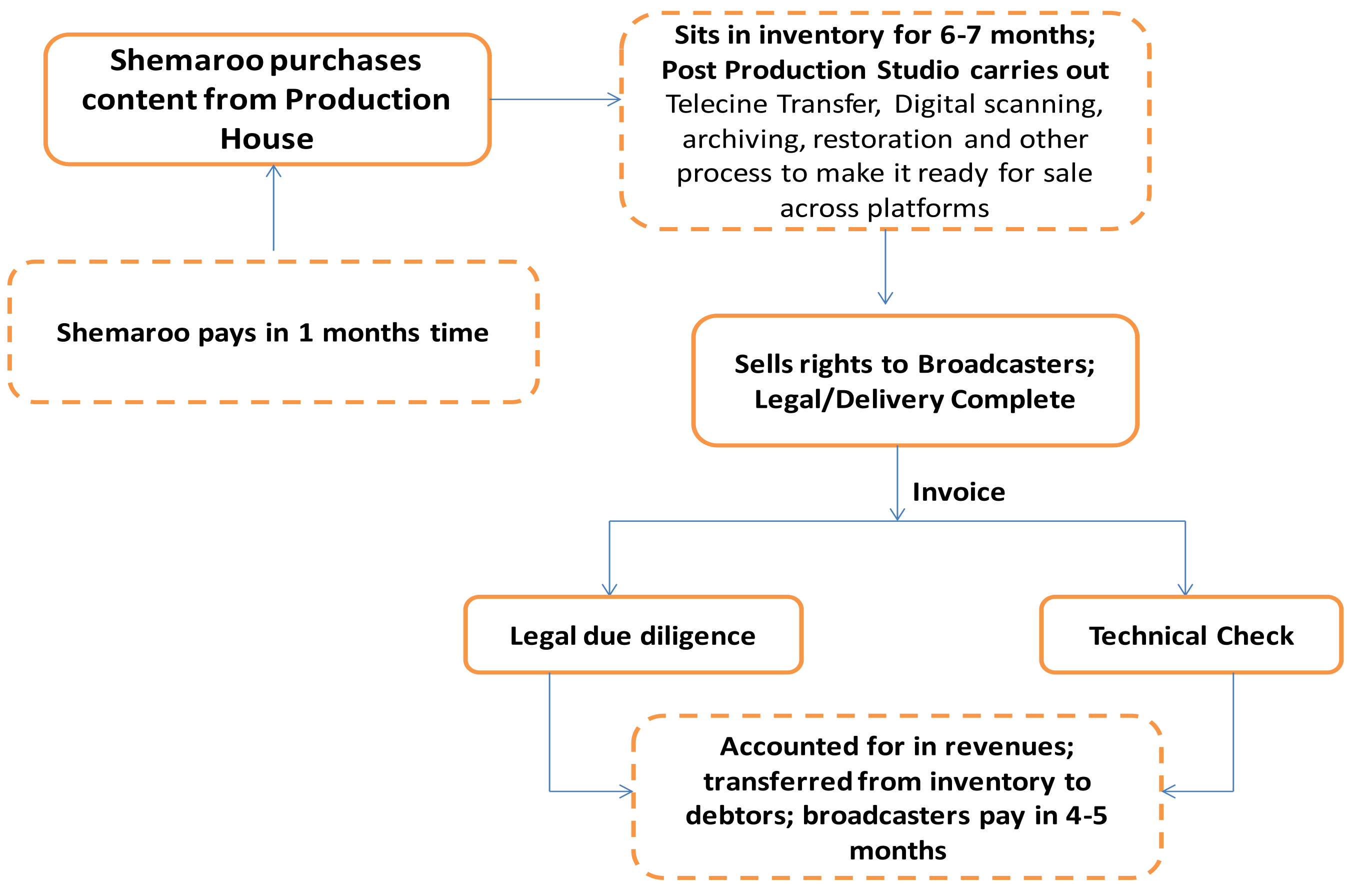


Source: Ventura Research

• Working Capital cycle elongated; but no bad debts

Shemaroo has to undertake certain modifications to the purchased content to enable sales across different platforms. The purchased content, till sold post modifications, sits in the inventory. With content purchases across the year, the average inventory period of the company ranges from 6-7 months. Further, since Shemaroo's content comprises of movies which are in the latter half of their life span, the broadcasters follow a relaxed timeframe in their payments to Shemaroo. Accordingly, receivable days of the company are high in the range of 4-5 months. However, as a measure to safeguard itself, Shemaroo transfers the complete rights only after it receives full payment from the broadcaster. Creditors are paid in a month's time. Hence, the total working capital cycle of the company ranges in between 10-11 months.

Shemaroo's Business Activity Snapshot



Source: Ventura Research

❖ Key Risks

- **High working capital cycle:**

Shmearoo's working capital cycle is elongated because of its business model which results in high inventories and debtors. As the company will invest its IPO funds towards content acquisition, working capital is expected to remain high. As at end Q2FY15, the receivables of the company shot up to ₹239 crore which translates to an average receivable days of 215 on FY15E revenues. According to the management, the increase was on account of a delay in payment from a single client, part of which has been received. Accordingly, receivables have declined by ₹53 crore as per the management. Such delays may occur in future and result in negative operating cash flows and a stretched balance sheet. However, post the IPO, the Debt/Equity of the company is expected to be at 0.3-0.5x, which provides comfort.

- **Dependent on others for quality content :**

Shemaroo faces competition from other media houses such as UTV, Eros and Balaji Telefilms for content distribution. However, a majority of these players are engaged in production of movies/serials or acquiring new releases. Shemaroo, with minimal presence in production, has to rely on content produced by other media houses.

- **One of the promoters was declared as a willful defaulter:**

Mr. Raman Maroo, one of the promoters of Shemaroo, was declared a willful defaulter in his capacity as an independent director in Orbit Corporation Ltd in March 2012. While Orbit Corporation defaulted in payments, SEBI regulation mandates its board members to also be declared as willful defaulters. The management has indicated that Mr. Maroo has resigned from the board of Orbit Corporation. Hence, we do not foresee any implication on Shemaroo's financial health.

❖ Financial Performance

In Q2FY15, revenues grew 21.0% YoY to ₹85.2 crore. The growth was primarily driven by the new media segment which grew 39% YoY. EBITDA grew 29.9% YoY to ₹21.1 crore. EBITDA margin improved 160 bps and stood at 24.8% on the account of lower proportion of employee expense and decrease in cost of materials consumed. PAT at ₹8.5 crore was up by 37.2% YoY. With expansion in operating margins, PAT margin stood at 10.0%, an increase of 110 bps YoY. Q2FY15 EPS stood at ₹4.3 vis-à-vis ₹3.15 in Q2FY14.

Quarterly Financial Performance *(₹ in crore)*

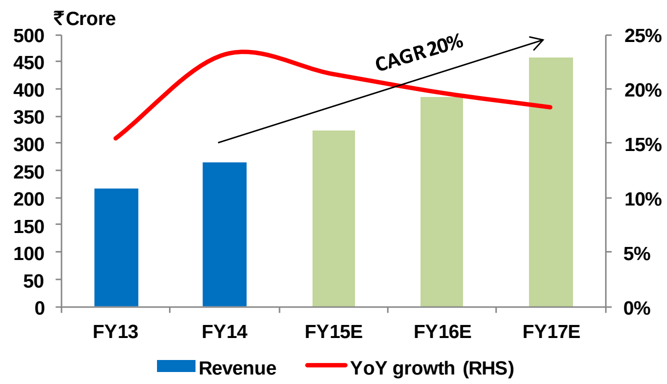
Particulars	Q2FY15	Q2FY14	FY14	FY13
Net Sales	**85.2**	**70.4**	**265.9**	**216.0**
Growth%	*21.0%*		*23.1%*	
Total expenditure	64.1	54.1	200.2	157.3
EBITDA	**21.1**	**16.3**	**65.7**	**58.7**
Margin%	*24.8%*	*23.2%*	*24.7%*	*27.2%*
Depreciation	0.8	0.7	2.9	2.9
EBIT (Ex OI)	20.3	15.6	62.8	55.8
Other Income	0.3	0.5	0.0	0.0
EBIT	20.6	16.1	62.8	55.8
Margin%	*24.1%*	*22.8%*	*23.6%*	*25.8%*
Interest	6.2	4.7	19.2	18.3
Exceptional Items	0.0	0.0	0.0	0.0
PBT	**14.4**	**11.4**	**43.6**	**37.5**
Margin%	*16.9%*	*16.2%*	*16.4%*	*17.4%*
Provision for Tax	5.2	3.8	16.5	13.0
PAT	**8.5**	**6.3**	**27.1**	**24.5**
Margin%	*10.0%*	*8.9%*	*10.2%*	*11.3%*

Source: Shemaroo, Ventura Research

❖ Financial Outlook

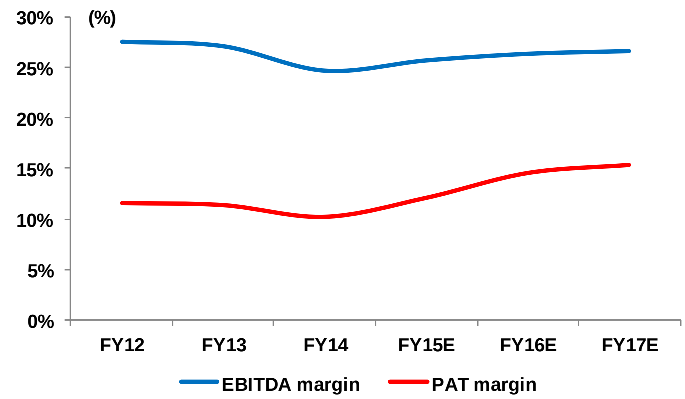
We expect Shemaroo to report a three year CAGR of 20% in revenues to ₹455 crore by FY17 driven by a steady 18% CAGR in television broadcast syndication segment and a robust 38% CAGR in the new media segment. Expansion in library coupled with digitization and the roll out of 4G broadband will drive revenue growth for Shemaroo. We expect EBITDA margin to improve 200 bps to 26.5% by FY17 as the revenue contribution of the high margin new media segment is expected to increase. The cost of content acquisition is one-time whereas the avenues for monetizing the content in the new media platforms are plenty. This gives the company the benefit of operating leverage. PAT is expected to grow at a 3 year CAGR of 37% to ₹69.8 crore driven by expansion in operating margins. We expect the company to report an EPS of ₹25.8 in FY17E.

Revenues to grow at a CAGR of 20%



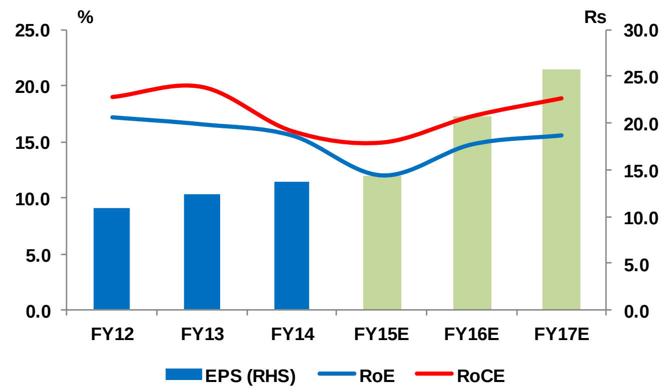
Source: Shemaroo, Ventura Research

EBITDA and PAT margin to improve



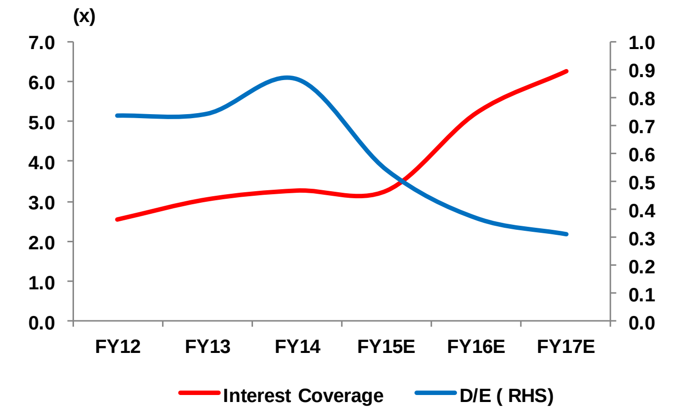
Source: Shemaroo, Ventura Research

EPS and Return ratios to improve



Source: Shemaroo, Ventura Research

Comfortable Leverage



Source: Shemaroo, Ventura Research

Valuation

We initiate coverage on Shemaroo as a **BUY** with a Price Objective of ₹309 representing a potential upside of ~79% over a period of 24 months. The target price is arrived at by assigning a PE multiple of 12x on FY17 EPS of ₹25.8. Globally, players engaged in the similar activity such as Phoenix New Media and Quebecor Media are trading at a one year forward PE of 15x. We assign a 20% discount considering the size. At the CMP of ₹173, the stock is trading at a PE multiple of 6.7x FY17E. With the exponential growth in digital media, we believe the stock is ripe for re-rating considering its library base and a de-risked business model in the TV broadcast segment.

Kyon ki bhaiya, sabse bada rupaiya.

Also, the assigned multiple is at a 30% premium to Eros' FY17E PE considering:

- bright growth prospects of digital media, a segment which Eros has minimal presence in
- Long term visibility of revenues and earnings with the broadcast segment growing at a steady rate owing to digitization

Peers Comparison

Y/E Mar	Net Revenue	EBITDA	PAT	EPS	EPS (%)	RONW (%)	P/E (x)	EV/EBITDA (x)
Shemaroo Ent								
2013	214.7	58.7	24.5	12.4	13.8	16.5	13.3	8.7
2014	264.6	64.4	27.1	13.7	10.5	15.5	12.6	8.4
2015E	321.3	81.8	38.9	14.4	5.1	12.0	12.0	6.2
2016E	384.5	100.6	56.0	20.6	43.1	14.8	8.4	4.9
Eros Int. Media								
2013	1068.0	226.3	154.5	16.8	4.3	17.2	10.3	7.5
2014	1134.7	299.8	199.7	21.7	29.2	17.7	7.8	5.9
2015E	1336.1	352.5	229.8	24.4	12.4	16.6	13.1	9.2
2016E	1551.0	420.3	276.3	28.8	18.0	16.5	11.1	7.7
Inox Leisure								
2013	765.3	98.0	18.5	1.9	14.5	4.4	34.0	15.7
2014	827.3	123.0	36.9	3.8	100.0	10.3	48.7	19.7
2015E	1168.1	169.4	49.2	5.1	34.2	10.6	36.7	12.6
2016E	1549.3	232.4	71.6	7.4	45.1	12.6	25.0	9.2
PVR Ltd								
2013	806.4	111.2	44.5	11.2	14.2	9.6	27.1	14.5
2014	1347.5	214.6	56.1	13.6	21.4	10.8	54.0	18.5
2015E	1609.6	257.8	65.1	15.9	16.9	14.7	46.4	14.1
2016E	1921.1	334.0	111.0	27.1	70.4	21.5	27.1	10.9

Source: Shemaroo, Ventura Research

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Kyon ki bhaiya, sabse bada rupaiya.

Financials and Projections

Y/E Mar, Fig in ₹ Cr	FY 2014	FY 2015E	FY 2016E	FY 2017E
Profit & Loss Statement				
Net Sales	**264.6**	**321.3**	**384.5**	**455.1**
% Chg.	*23.2*	*21.4*	*19.7*	*18.4*
Total Expenditure	**200.2**	**239.5**	**283.9**	**334.6**
% Chg.	*27.3*	*19.7*	*18.5*	*17.8*
EBITDA	**64.4**	**81.8**	**100.6**	**120.5**
EBITDA Margin %	*24.3*	*25.4*	*26.2*	*26.5*
Other Income	1.3	1.3	1.3	1.3
Exceptional items	0.0	0.0	0.0	0.0
PBDIT	65.7	83.1	101.9	121.8
Depreciation	2.9	3.0	3.1	3.2
Interest	19.2	24.5	18.9	18.9
PBT	**43.6**	**55.6**	**79.9**	**99.8**
Tax Provisions	16.5	16.7	24.0	29.9
Reported PAT	**27.1**	**38.9**	**56.0**	**69.8**
Minority Interest	0.0	0.0	0.0	0.0
Share of profit from associates	0	0.0	0.0	0.0
PAT	**27.1**	**38.9**	**56.0**	**69.8**
PAT Margin (%)	*10.2*	*12.1*	*14.6*	*15.3*
RM as a % of sales	*83.3*	*82.0*	*81.2*	*80.9*
Balance Sheet				
Share Capital	**19.8**	**27.1**	**27.1**	**27.1**
Reserves & Surplus	154.6	296.3	352.3	422.1
Minority Interest	0.0	0.0	0.0	0.0
Long-Term Provisions	9.5	7.1	8.3	9.7
Long-Term Borrowings	**151.1**	**175.0**	**140.0**	**140.0**
Other Long-Term Liabilities	68.6	43.7	56.1	38.2
Total Liabilities	**404**	**549**	**584**	**637**
Gross Block	60.7	62.7	65	67
Less: Acc. Depreciation	26.6	29.5	32	36
Net Block	**34.1**	**33.2**	**32.3**	**31.2**
Capital Work in Progress	0.0	0.0	0.0	0.0
Goodwill on Consolidation	0	0	0	0
Non-Current Investments	8.9	8.9	8.9	8.9
Net Current Assets	**360.8**	**499.7**	**534.6**	**589.5**
Other Non-Current Assets	0.0	7.1	7.8	7.3
Total Assets	**404**	**549**	**584**	**637**

Y/E Mar, Fig in Rs. Cr	FY 2014	FY 2015E	FY 2016E	FY 2017E
Per Share Data (Rs)				
EPS	13.7	14.4	**20.6**	**25.8**
Cash EPS	15.2	15.5	**21.8**	**26.9**
DPS	1.0	1.0	**1.0**	**1.0**
Book Value	88.1	119.4	**140.0**	**165.8**
Capital, Liquidity, Returns Ratio				
Debt / Equity (x)	0.9	0.5	**0.4**	**0.3**
Current Ratio (x)	1.7	2.9	**3.3**	**3.8**
ROE (%)	15.5	12.0	**14.8**	**15.5**
ROCE (%)	15.9	14.9	**17.3**	**18.9**
Dividend Yield (%)	0.7	0.6	**0.6**	**0.6**
Valuation Ratio (x)				
P/E (x)	12.6	12.0	**8.4**	**6.7**
P/BV (x)	2.0	1.4	**1.2**	**1.0**
EV/Sales (x)	2.1	1.6	**1.3**	**1.2**
EV/EBIDTA (x)	8.4	6.2	**4.9**	**4.4**
Efficiency Ratio (x)				
Inventory (days)	238	255	**243**	**237**
Debtors (days)	145	168	**164**	**160**
Creditors (days)	33	30	**25**	**20**
Cash Flow statement				
Profit Before Tax	**43.5**	**55.6**	**79.9**	**99.8**
Depreciation & Amortisation	3.0	3.0	3.1	3.2
Working Capital Changes	-57.6	-87.9	-25.5	-90.5
Direct Taxes Paid and Others	-8.5	-16.7	-24.0	-29.9
Operating Cash Flow	**-19.6**	**-46.0**	**33.6**	**-17.5**
Capital Expenditure	-1.9	-2.0	**-2.0**	**-2.0**
Dividend Received	0.0	0.0	**0.0**	**0.0**
Others	0.6	1.0	**1.0**	**1.0**
Cash Flow from Investing	**-1.26**	**-1.0**	**-1.0**	**-1.0**
Inc/(Dec) in Loan Fund	41.5	23.9	**-35.0**	**0.0**
Others	-1.8	110.1	**0.0**	**0.0**
Interest Paid	-19.2	-24.5	**-18.9**	**-18.9**
Cash Flow from Financing	**20.4**	**109.5**	**-53.9**	**-18.9**
Net Change in Cash	**-0.4**	**62.4**	**-21.4**	**-37.4**
Opening Cash Balance	1.1	0.7	**63.1**	**41.7**
Closing Cash Balance	**0.7**	**63.1**	**41.7**	**4.3**

Ventura Securities Limited

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