

Q4FY16 Result Update
Positive

Industry	Media & Entertainment
CMP (Rs)	330
52 Week H/L (Rs)	375/202
Volumes (BSE+NSE)*	44,880
Shares O/S (mn)	27.18
Market Cap (Rs bn)	8969
Free Float (%)	34.2
Bloomberg Code	SHEM IN
Reuters Code	SHEM.BO

* Three Month Average

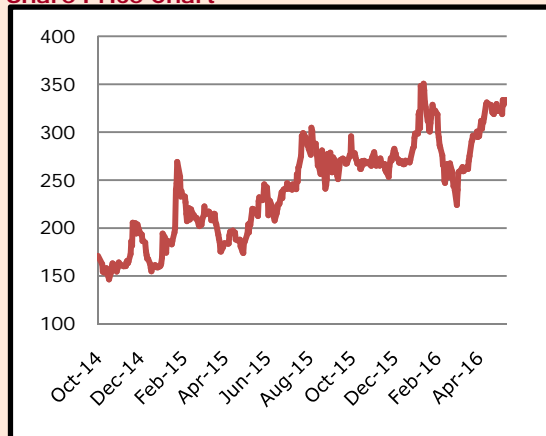
Share Holding Pattern (as on 31/03/2016)

Particulars	Shares (mn)	Holding (%)
Promoters	17.89	65.8
FII's	3.10	11.4
DII's	0.64	2.4
Others	5.55	20.4
Total	27.18	100.0

Source : BSE

Financial Highlights

(Rs mn)	FY16	FY17E	FY18E
Sales	3,749	4,516	5,601
EBITDA	1,098	1,446	1,981
EBITDA Margin	29.3%	32.0%	35.4%
Net Profit	521	596	702
EPS (Rs)	19.2	21.9	25.8
EV/EBITDA (x)	9.8	8.2	6.9
P/E (x)	17.2	15.0	12.8
RoE	15.3%	15.1%	15.4%

Share Price Chart

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Shemaroo Entertainment Ltd (Shemaroo) posted a topline of Rs 1028mn (18.4% growth y-o-y) lower than our expectation of Rs 1053mn (growth of 21.2% y-o-y). Traditional Media Revenues grew by 14% y-o-y vs. our expectation of 12% growth y-o-y. New Media Revenues grew by 54% y-o-y vs. our expectation of 82% growth y-o-y.

EBITDA Margin came in at 34.6% vs. 26.4% in Q3FY16 vs. and as against our expectation of 31.2%. Profit after tax came in at Rs 180 mn, growth of 41.2% y-o-y vs. our expectation of Rs 170 mn, 33% growth y-o-y.

Growth in high growth New Media slows

Revenue Break Up (Rs mn)	Q1FY16	Q2FY16	Q3FY16	Q4FY16
Traditional Media	639	777	847	855
<i>Growth y-o-y</i>	<i>12%</i>	<i>2%</i>	<i>9%</i>	<i>14%</i>
New Media	134	158	166	177
<i>Growth y-o-y</i>	<i>84%</i>	<i>82%</i>	<i>68%</i>	<i>54%</i>
Total Revenues	773	935	1013	1032
<i>Growth y-o-y</i>	<i>20%</i>	<i>10%</i>	<i>16%</i>	<i>19%</i>

Source : Company

Other Operational Highlights

- Crossed 120mn views (per month) on YouTube in Q4FY16, up from ~100mn in Q3FY16
- Crossed 100+ mn views on 'Shemaroo Kids' YouTube channel
- Signed a further content deal with Spuul
- Tata Sky 'Active Devotion' service launched in February 2016
- Tata Sky 'Comedy' service launched in March 2016

New inventory acquired of Rs 959mn in FY16

The management is not open to discussing their movie right acquisitions – some of the movie rights acquired during the year include Welcome, Phir Hera Pheri, Awara Pagal Deewana.

Going forward, the pace of acquisition will be Rs 1.5-2bn/year. This will be part funded by debt.

We are Positive on Shemaroo

Shemaroo is in a good spot because there is huge demand for its New Media or demand for videos accessed on the internet or from mobiles. This New Media segment is expected to grow at 60%+, has working capital cycle (WCC) of 90 days vs. WCC of 180-200 days of the traditional media, and its EBITDA margins are greater than the overall business margins of the company. Shemaroo currently trades at a PE of 15.0x and 12.8x of FY17E and FY18E earnings respectively. We are positive on the stock.

Business Mix

Particulars (Rs mn)	Q4FY16	Q4FY15	Y-o-Y Change	Q3FY16	Q-o-Q Change	FY16	FY15	Y-o-Y Change
Income								
Traditional Media	855	757	12.9%	847	0.9%	3,134	2,874	9.0%
New Media	177	115	53.9%	166	6.6%	635	373	70.2%
Total	1,032	872	18.3%	1,013	1.9%	3,769	3,247	16.1%

Source: Company, QS Research

Q4FY16 Results Highlights

Particulars (Rs mn)	Q4FY16	Q4FY15	Y-o-Y Change	Q3FY16	Q-o-Q Change	FY16	FY15	Y-o-Y Change
Income from operations	1,028	868	18.4%	1,010	1.7%	3,749	3,235	15.9%
Less:								
Cost of materials	537	507	6.0%	649	-17.2%	2,234	2,029	10.1%
Operating & other expenses	63	50	24.8%	40	55.1%	184	152	21.1%
Staff expenses	72	46	56.5%	55	31.4%	233	185	25.8%
EBITDA	356	265	34.1%	266	33.6%	1,098	869	26.3%
EBITDA margin	34.6%	30.6%	+400 bps	26.4%	+820 bps	29.3%	26.9%	+240 bps
Other income	3	5	-24.4%	3	13.3%	18	13	41.3%
Depreciation	10	9	10.3%	9	2.1%	37	37	0.5%
EBIT	350	261	33.9%	260	-67.6%	1,079	845	27.7%
Financial expenses	73	52	38.4%	56	29.9%	228	212	7.6%
PBT	277	209	32.7%	204	35.8%	850	633	34.4%
Taxation	97	81	19.4%	72	34.9%	307	222	38.1%
PAT	180	128	41.2%	132	36.3%	543	410	32.4%
Profit from associates & subsidiaries	-16	0	-	-4	-	-22	-1	
Net profit	165	128	29.0%	128	28.5%	521	409	27.5%
EPS (Rs)	6.1	4.7	29.0%	4.7	28.5%	19.2	15.0	27.5%

Income Statement

Y/E March (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Income from operations	2,646	3,235	3,749	4,516	5,601
<i>Growth</i>	23.2%	22.2%	15.9%	20.5%	24.0%
Direct operational expenses	1,682	2,028	2,328	2,710	3,226
Staff expenses	185	185	204	234	269
Operating & other expenses	130	152	119	126	124
EBITDA	650	869	1,098	1,446	1,981
EBITDA Margin	24.5%	26.9%	29.3%	32.0%	35.4%
Other income	7	13	18	11	26
Depreciation & amortization	30	37	37	43	43
EBIT	627	845	1,079	1,414	1,965
Financial expenses	192	212	228	450	830
PBT	435	633	850	964	1,135
Taxation	165	222	307	337	397
PAT	270	411	543	626	737
Minority interest & Profit/Loss of associates	1	-1	-22	-30	-35
Net profit	272	409	521	596	702
<i>Growth</i>	15%	51%	27%	14%	18%

Balance Sheet Statement

Y/E March (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Share capital	198	272	272	272	272
Reserves and surplus	1,546	2,902	3,377	3,956	4,630
Shareholders' funds	1,745	3,174	3,649	4,228	4,902
Borrowed fund	1,512	1,057	1,773	3,003	5,535
<i>Short term borrowings</i>	<i>1,411</i>	<i>1,054</i>	<i>1,544</i>	<i>2,315</i>	<i>3,473</i>
Other liabilities	6	4	6	7	7
Deferred tax liability (Net)	85	68	67	67	67
Total Liabilities	3,348	4,304	5,494	7,304	10,510
Net fixed assets	341	295	307	415	372
Long term loans & advances & others	62	72	66	80	97
Investments	89	168	64	59	50
Current assets, loans & advances	3,632	4,350	5,692	7,483	10,867
<i>Inventory</i>	<i>2,005</i>	<i>2,887</i>	<i>3,846</i>	<i>5,384</i>	<i>7,538</i>
<i>Receivables</i>	<i>1,406</i>	<i>1,268</i>	<i>1,066</i>	<i>1,732</i>	<i>2,118</i>
<i>Cash</i>	<i>9</i>	<i>25</i>	<i>13</i>	<i>127</i>	<i>915</i>
<i>Short term loans & advances</i>	<i>212</i>	<i>170</i>	<i>768</i>	<i>239</i>	<i>297</i>
Less: Current liabilities & provisions	776	580	635	734	876
<i>Trade payables</i>	<i>306</i>	<i>165</i>	<i>102</i>	<i>124</i>	<i>153</i>
<i>Other current liabilities</i>	<i>469</i>	<i>415</i>	<i>533</i>	<i>610</i>	<i>723</i>
Net current assets	2,856	3,770	5,057	6,749	9,990
Total Assets	3,348	4,304	5,494	7,304	10,510

Cash Flow Statement

Y/E March (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Sources					
CF from Operations					
PBT	435	633	850	964	1,135
Add : Depreciation	30	37	37	43	43
Less Tax	(165)	(222)	(307)	(337)	(397)
Other liabilities	36	(17)	(0)	-	-
Others	2	(82)	21	(34)	5
<i>Sub Total</i>	<i>338</i>	<i>348</i>	<i>601</i>	<i>635</i>	<i>785</i>
Change in debt	411	(455)	715	1,230	2,532
Change in equity	-	1,159	(0)	-	-
Total Sources	748	1,052	1,317	1,865	3,317
Application					
Change in working capital	699	899	1,299	1,578	2,454
Capex	20	11	93	107	-
Change in investments	1	79	(102)	(7)	(9)
Dividend paid	12	38	45	48	64
Others	19	10	(6)	25	22
Total Application	751	1,037	1,328	1,750	2,530
Net change in cash	(2)	16	(11)	115	787
Opening cash balance	11	9	25	13	127
Closing cash balance	9	25	13	128	915

Key Ratios

Y/E March	FY14	FY15	FY16	FY17E	FY18E
Profitability					
- Return on Equity	16.8%	16.6%	15.3%	15.1%	15.4%
- Return on Capital Employed	20.7%	21.8%	21.7%	21.9%	21.8%
Margins					
- EBITDA	24.5%	26.9%	29.3%	32.0%	35.4%
- Net Profit	10.3%	12.7%	13.9%	13.2%	12.5%
Leverage and Coverage					
- Current Ratio	1.66	2.66	2.61	2.45	2.50
- Debt/Equity	0.87	0.33	0.49	0.71	1.13
Efficiency Ratio					
- Asset Turnover Ratio(x)	0.6	0.7	0.6	0.6	0.5
- Inventory (Days)	277	326	374	435	491
- Debtor (Days)	194	143	143	140	138
- Creditor (Days)	42	19	10	10	10
Per Share Data					
- EPS (Rs)	10.0	15.1	19.2	21.9	25.8
- Book Value Per Share (Rs)	64.2	116.8	134.2	155.5	180.3
Valuation					
- P/E	33.0	21.9	17.2	15.0	12.8
- P/BV	5.1	2.8	2.5	2.1	1.8
- EV/Sales	3.1	2.8	2.8	2.8	3.8
- EV/EBITDA	12.4	11.5	9.8	8.2	6.9
- Dividend Yield	0%	0%	0%	0%	1%

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