May 17, 2016

Underperformer

Shemaroo Entertainment Ltd.

Industry: Media & Entertainment | Industry View- Positive

"Balance Sheet concerns outweigh opportunities"

Legacy business, vast portfolio, strong partnerships the USP

Shemaroo Entertainment (Shemaroo) is India's leading media content house since 1962 with activities such as content acquisition and distribution on various platforms. The company has developed to become a formidable content aggregator in India, distributing its content across a plethora of platforms like broadcasting channels, internet and mobiles. Shemaroo sports a content library of 3,011 titles, with 781 perpetual (complete) rights and 2,230 aggregated (limited) rights. The company benefits from the strong relationships with producers and the expertise and brand name associated with high consumer recall and media visibility. On the distribution side, Shemaroo is aligned with big names such as SONY, Star, Colors, etc. On the New Media side, it sells its movies to media platforms such as YouTube, Hooq, Apple iTunes, Hotstar through their pacts with telecom operators like Airtel, BSNL, Vodafone, RCom, Tata Teleservices etc. These business relationships are enabling Shemaroo to cash in on the developing trends in technology.

Presence in the second stage of film cycle minimizes business risk

Post the first stage of film cycle Shemaroo enters into the fray due to which the risk related with the success of the film reduces significantly, due to higher visibility of performance vis-à-vis the first cycle of launch. It has been observed that the subsequent stages of film cycle are growing at a good rate due to increasing advertisement spends and onset of digitization. The risk of piracy also reduces to a great extent as maximum piracy occurs in the first cycle of films.

New Media Business becoming the buzz word for Shemaroo

Increasing internet penetration, proliferation of smartphones, expected 4G roll out, National Optical Fibre rollout programme may benefit Shemaroo along with the advent of new global media platforms like Netflix coming to India.

Heavy working capital cycle stifling FCF; a huge concern

We are aware of the fact that the business model of the company entails beefing up the inventory which is duly converted into revenues. However, due to this nature of business, the company is facing danger of continuing with elusive free cash flows, weakening return ratios and falling inventory turnover ratio. With company's aggression in buying new film titles, we anticipate bludgeoning inventory levels and climbing strain on FCF. With Traditional Media still contributing 83% of revenues, receivable days cycle will show no signs of mellowing down. Though New Media is a promising business, it's still not a major contributor to cash flows. We see this bleeding balance sheet status as an alarming signal despite a robust income profile.

Outlook and Valuation

There are plenty of opportunities on the technology front as far as the New Media Business is concerned. But the Traditional Media Business (83% of topline) is on a very slow wicket. More so even, with aggressive inventory outlay, the balance sheet is eating up all the gains coming from earnings growth. This is ultimately leading to deepening negative FCF. We have our own reservations about the business financials and hence believe that the stock may see a downside from current levels in coming years. Initiate with an **UNDERPERFORMER** rating and a target price of **₹306**.

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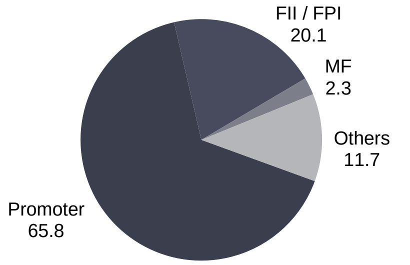
Stock Data

Current Market Price (₹)	324
12 month Target Price (₹)	306
Potential upside (%)	(6)
Market Cap (₹ bn)	879
52-Week Range (₹)	375 / 202
Reuters	SHEM.BO
Bloomberg	SHEM IN
BSE / NSE Code	538685 / SHEMAROO

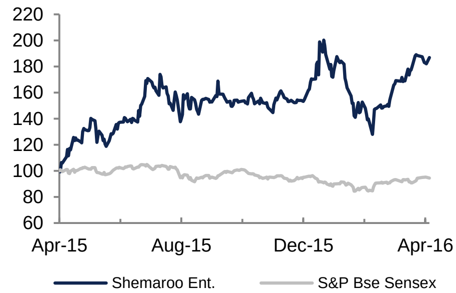
Shareholding Pattern



Fiscal YE

YE Mar	FY14	FY15	FY16P	FY17E	FY18E
Total sales(₹mn)	2,633	3,234	3,749	4,353	4,972
EBITDA (%)	24.7	27.0	29.3	29.3	29.0
PAT (%)	10.6	12.9	14.5	15.1	15.2
EPS (₹)	14.1	15.3	20.0	24.2	27.7
P/E (x)	23.3	21.4	16.4	13.5	11.8
P/BV (x)	36.5	28.0	24.4	20.8	17.8
EV/EBITDA (x)	99.5	101.7	81.2	70.2	62.3
ROE (%)	15.7	13.1	14.9	15.4	15.1
ROCE (%)	31.6	25.8	26.8	24.9	23.4

Relative Price Performance



Company Overview

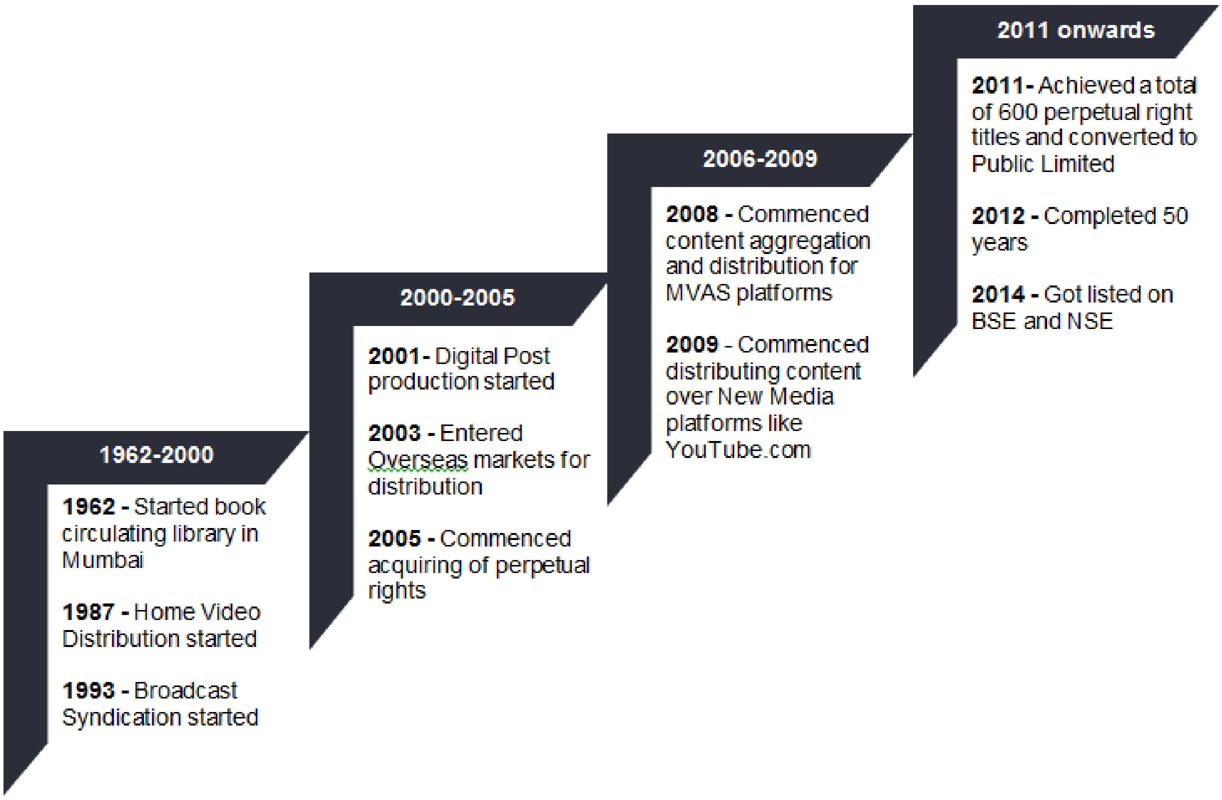
Leading content aggregator in a highly fragmented industry

Shemaroo, founded in 1962 by Mr Buddhichand Maroo as a book circulating library evolved over time as an integrated media content house in India with activities across content acquisition, value addition to content and content distribution. It is one of the largest independent content aggregators with a library of more than 3,000 titles, which it distributes across various existing and emerging media platforms. Shemaroo has grown multifold over the years by developing excellent relationships with producers and also the broadcasting networks, thereby becoming the largest organized player in a historically fragmented industry. The company got listed in 2014 at around ₹1.2 bn and has used the consideration for content acquisition. The company has bought about 781 perpetual rights and 2230 aggregate rights over time. Perpetual rights are the complete rights of a movie, while aggregate rights are partial rights of a movie limited by time, geography, platforms or a combination of these. The company selects content based on various parameters denoted in the picture below.

Viewership rating	**Box Office Records**	**Cast**	Awards
Production House Track Record	**Genres**	**Reviews**	**Comparable Movie Valuation**

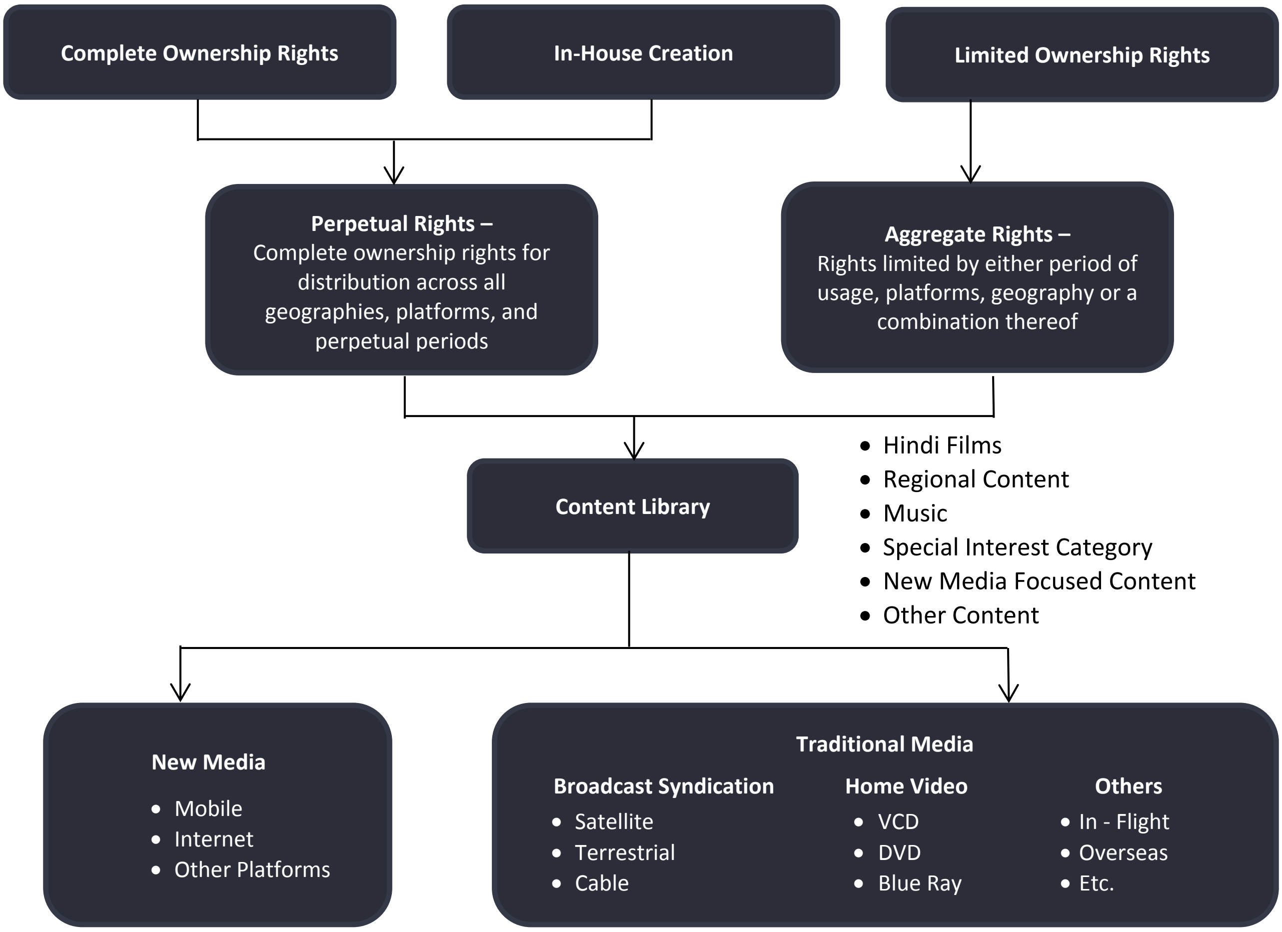
Shemaroo is associated with the production of Home video cassettes since yesteryears. It has been maintaining a dominating market presence since then, but has evolved as a maker of DVD and Blue Ray Disc with time and off late as a content provider to digital platforms. It's one of the most desired destinations for the contemporary broadcasters on television.

Shemaroo's journey over the years



Source: Company, LKP Research

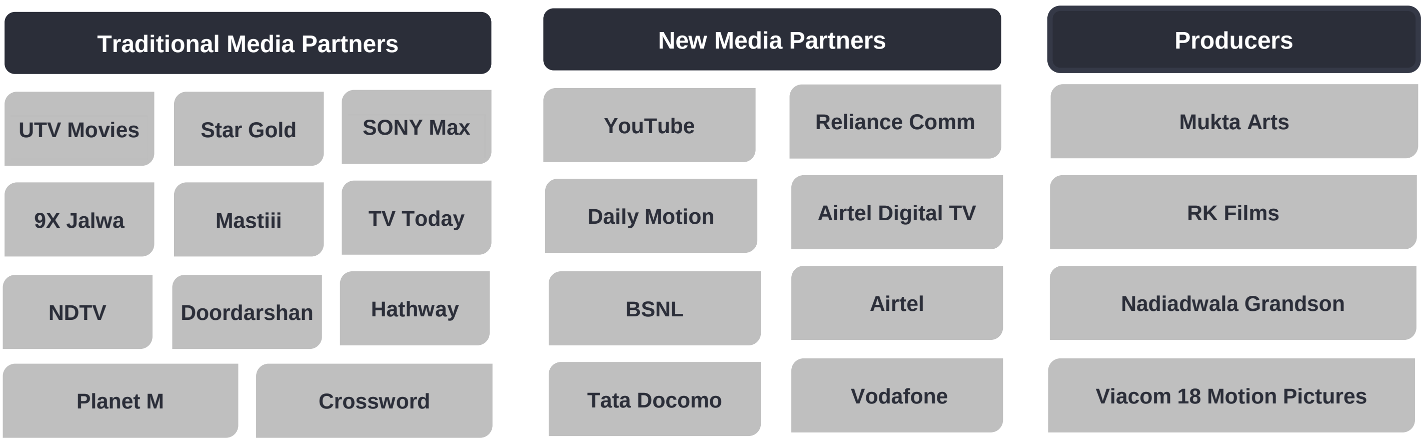
Business Model



Source: Company, LKP Research

Business partners

The company has created a niche business by creating long term relationships with not only key movie producers, but also broadcasting channels and other media platforms. Shemaroo has an edge above its competitors in doing business due to its industry expertise, knowledge and relationships.



Other businesses

Within the Traditional Media Business Shemaroo has other smaller businesses as well like the Home Entertainment Business which has a product presence of ~1,300 titles across over 2,000 retail stores across India (Planet M, Music World, Crossword etc.). This business sells DVDs and Blue Ray Discs in line with the emerging industry trend of shifting from physical to digital formats. Other Media business includes media platforms like Airborne rights for in-flight entertainment, international film festivals and overseas markets such as USA, UK, Singapore, Fiji, UAE, Australia, East Europe and North Africa. The company has launched a first of its kind movie premiere service named 'Miniplex' on Tata Sky and Airtel Digital TV wherein new movies which do not come on TV are shown every week for the first time on Indian Television. Very recently the company has secured a new tie-up with Dish TV which is expected to build-up in a big way.

Investment Argument

Superior portfolio of film library, industry expertise, high profile relationships augur well for topline growth

Partnerships with leading industry players provides ease of doing business

Shemaroo Entertainment (Shemaroo) is India's leading media content house with activities such as content acquisition and distribution on various platforms. The company has developed to become a formidable content aggregator in India, distributing its content across a plethora of platforms like broadcasting channels, internet and mobiles. It also offers home video and in-flight entertainment. The company acquires content, with either complete or limited ownership, restricted by either period of usage, platforms, geography, or a combination thereof. In turn, it distributes this content across different media platforms. Shemaroo sports a content library of 3,011 titles, with 781 perpetual rights and 2,230 aggregated rights. The movie library spans from the movies before 1960s such as Mughal-E-Azam to movies as recent as Queen in 2014. Management aims to buy ~75-100 titles per annum hereon and enhance its movie library. The company benefits from the strong relationships with producers like RK Films, Tips Industries, Red Chillies Entertainment etc. and the expertise and brand name associated with high consumer recall and media visibility. On the distribution side, the company is aligned with big names such as SONY, Star, Colors, etc who regularly buy movies from Shemaroo. On the New Media side, the company sells its movies to media platforms such as YouTube, Hooq, Apple iTunes, Hotstar through their pacts with telecom operators like Airtel, BSNL, Vodafone, RCom, Tata Teleservices etc. These business relationships are enabling Shemaroo to cash in on the developing trends in technology.

Content Library

Type of Content	Total Number of Perpetual Titles	Total Number of Aggregated Titles	Total Number of Titles
Hindi films	366	1,336	1,702
Regional Titles	373	750	1,123
Special Interest content	42	144	186
TOTAL	**781**	**2230**	**3011**

Strategic positioning minimizing business risk

Presence in the second stage of film cycle indicates risk averse nature of the business

The company acquires forward content rights, with either complete ownership (perpetual rights) or limited ownership (aggregate rights), which are then sold on a forward rights basis for a period of 5-7 years to broadcasters. In the life span of a movie release, majority revenues (~90-95%) are generated through domestic and overseas theatricals and television release. The first cycle is typically ~5-7 years, post which Shemaroo enters the fray. Subsequent movie cycles are typically of 5 year duration. Since Shemaroo is absent in the first cycle, the risk reduces somewhat, due to higher visibility of performance vis-à-vis the first cycle of launch. It has been observed that the subsequent stages of film cycle are growing at a good rate due to increasing advertisement spends and onset of digitization. Shemaroo takes utmost care and due diligence while buying a content depending on its success in the first phase of film cycle. The company strives to buy the perpetual rights of a film wherever possible but also tries to strike a balance by spreading its acquisition to aggregate titles too (cost of perpetual rights is 3x to 4x the cost of aggregate rights). Shemaroo's absence in the first phase of film cycle reduces the risks associated with piracy too.

New Media business, a good opportunity

New Media Business is growing at an exponential pace

In FY05, Shemaroo diversified into syndicating its content library to new media platforms like the internet and mobile. The company caters to all types of revenue models like pay per transaction, subscription, and advertisement supported. It also has agreements with various internet video platforms like YouTube, Hooq, Hotstar, Apple iTunes, Google Play, Daily Motion, Yahoo India, and Spuul. It provides various M-VAS such as ring back tones, ringtones, wallpapers, imagery, videos,games, full songs, celebrity chats, etc. The company has entered into agreements with various telecom operators like Vodafone, Bharti Airtel, BSNL, Tata Teleservices, Reliance Communications, MTNL and TATA DoCoMo. It also distributes its content through platforms like direct-to-home, interactive services, and internet protocol television. The New Media business (17% of total revenues) has grown at a CAGR of 57% in the period between FY11-16 and is ticking.

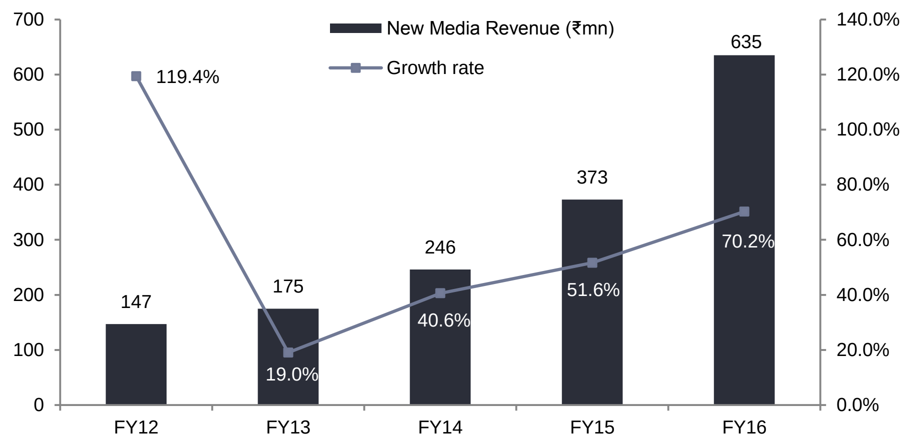
Tie-ups with various platforms to result into additional revenue stream in New Media business

The company intends to monetize their movie content across all media platforms within the digital ambit. As mentioned above, Shemaroo has tie up with almost all of the media platforms be it YouTube, Hooq, Spool etc. More than 50-55% of the digital media revenues for Shemaroo come from the advertising revenues from YouTube channels. In a way, more the number of media platforms, more will Shemaroo benefit out of. This itself signifies that Shemaroo is a platform agnostic company. The entry of Netflix in India through a tie-up with Shemaroo (subscription based model) will mean a lot for the company. Netflix would get access to the vast movie library of Shemaroo and in return offer Shemaroo with another huge platform for distributing and monetizing its content.

Shemaroo implements different types of business models while dealing with various platforms depending upon the frequency of usage, costing etc. With Google Play, it is a subscription model, wherein users can rent or purchase movie for a fee. Shemaroo is currently showcasing ~10 movies on this platform and many more are in the pipeline. Tie-up with Facebook entails pay per download model. There are already five movies live on FB from Shemaroo's stable and there are four more to hit this platform shortly. Both these tie-ups are based on revenue sharing models. The tie-up with Apple iTunes is also a revenue sharing model in which Apple keep 30%

of the fee while its partner (Shemaroo in the case of this tie-up) gains 70%. While, for every dollar Google Play is making, Shemaroo makes almost 50-55 cents out of it.

Revenue trend of Shemaroo's New Media Business

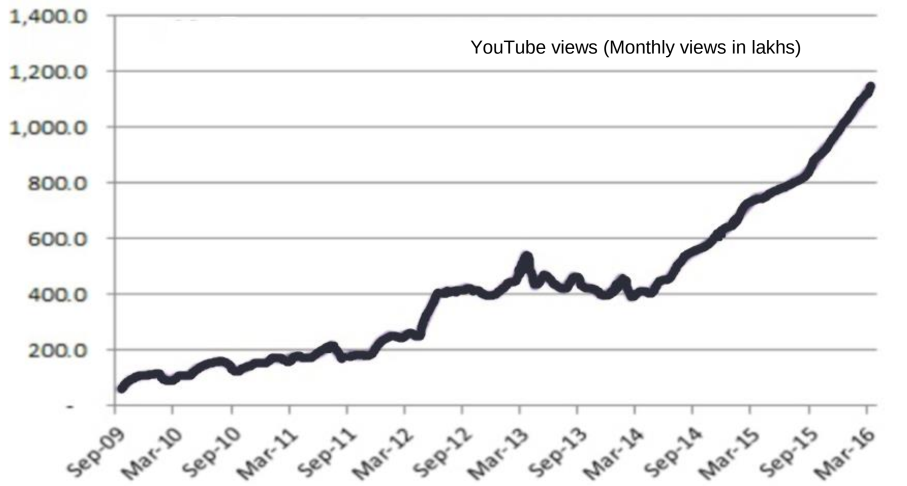


Source: Company,LKP Research

YouTube is the single largest revenue earner for Shemaroo

On YouTube, Shemaroo has a good viewership. Shemaroo's content on YouTube garnered around 120 mn views a month in March '16 from 100 mn in Dec 2015.

YouTube views of Shemaroo are rapidly growing



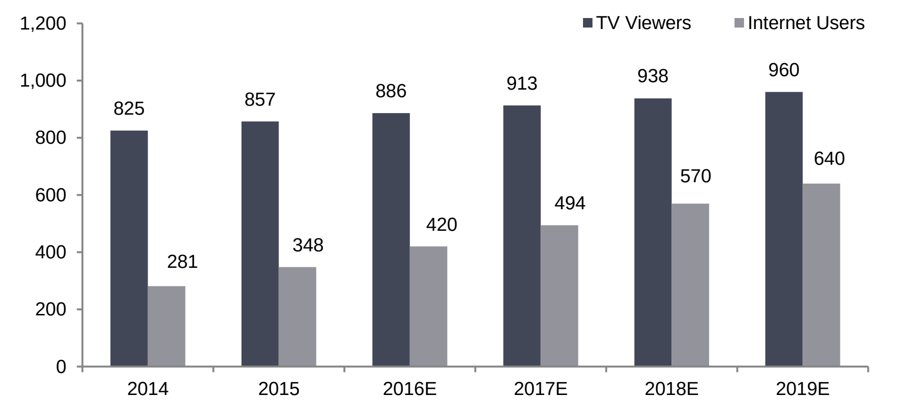
Source: Company,LKP Research

Industry drivers like digitization may come, but at a slow pace and lower ARPUs.

Macro drivers related with internet and mobile growth to trigger New Media Business

With the nationwide expansion of internet, its penetration is rapidly increasing, even more than TV. At the end of 2019E, the internet subscriber number; which is at 348 mn currently is expected to reach 640 mn (Source – FICCI-KPMG Report 2015). The mobile penetration in India has reached above 80% but demand for data is growing. Improved technology to compress, convert, store, play and forward videos is leading to higher consumption of content on more and more devices. We believe that the rollout of 4G would also enhance consumption of videos, though it is happening with a delay. Furthermore, government's announcement of connecting the entire country through National Optical Fibre rollout programme will enable higher viewership of videos. Digital ad spend which accounted for 10.5% of the total ad spend of ₹414 bn in 2014 is expected to grow at a CAGR of 30.2% from 2014 to 2019, faster than any other category (Source – FICCI-KPMG Report 2015). This indicates that Shemaroo is one of the biggest content aggregator on internet will benefit.

India Internet vs.TV Penetration (mn)



Source: Company,LKP Research

Management expects this business to grow at 40-50% in FY17, down from 70% in FY16. Whenever further digitization becomes applicable throughout India, this rate may expand. However, with several regulatory hurdles coupled with infrastructure bottlenecks in deployment of Phase III and IV in the C cities and rural India, we believe this business faces risks of delay in the digitization wave. We do not believe that by FY18, digitization will be completely implemented across India. The benefits of the Phase I and Phase II of the digitization is already factored into the growth of the New Media Business and further milking of these benefits will fetch only residual benefits for Shemaroo, which may come at lower ARPU considering the inferior customer mix.

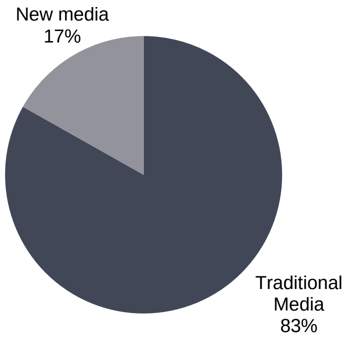
Margin growth to enhance with New Media business proliferation

New Media business partners expansion to aid margin growth

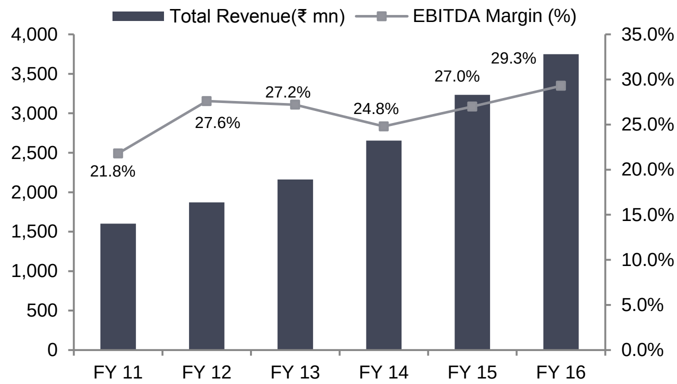
Shemaroo reported 29.3% EBITDA margins in FY16. The Traditional Media Business has shown a steady growth over the past few years, while there has been a strong growth in the New Media Business thus leading to margin improvement off late. The New Media Business is a high margin business with contribution of Shemaroo out of the revenues earned in some cases at 50% per unit price. It also depends on the type of pricing model associated with each of the platforms. Higher advertising revenues from platforms like YouTube also lead to a rich pricing mix. Availability of Shemaroo content over all the major digital platforms and quick monetization also leads to better margins.

Furthermore, advent of Netflix in India will further enhance margins as it will be based on subscription model and Shemaroo will be paid according to international standards. The company targets 18% Internal Rate of Return at the portfolio level, thus helping it to decide the cost of content acquisition. This augurs well for the margin growth. 4G rollout and entry of global companies like Netflix will lend a better bargaining power at the market leaders like Shemaroo’s hands thus increasing sales along with margins. Management has guided us for a northward movement in margins from here given the operating leverage they will be getting from the New Media Business with new players entering India and better pricing scenario. On the Traditional Media Business, the company expects margins to remain stable.

FY16 Revenue Distribution



Total revenues v/s EBITDA margins

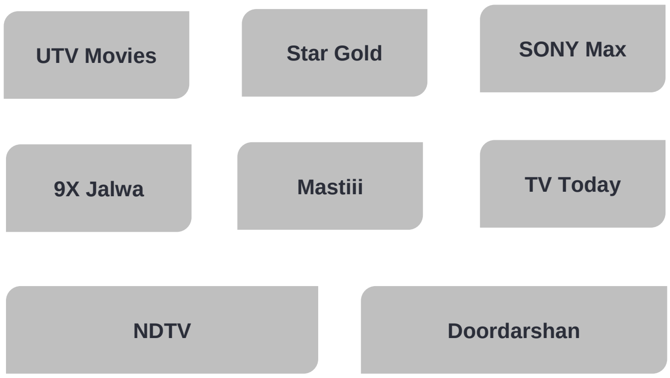


Source: Company, LKP Research

Recent slowdown in the Traditional Media business a cause of worry

Shemaroo's flagship business has been to buy content from production houses, producers etc and to sell this content to broadcasting channels, cable TV companies, home entertainment purpose. Indian television industry has six genres and movies genre is the second largest genre after General Entertainment Channels (GEC).

Movie Clientele of Traditional Media Business

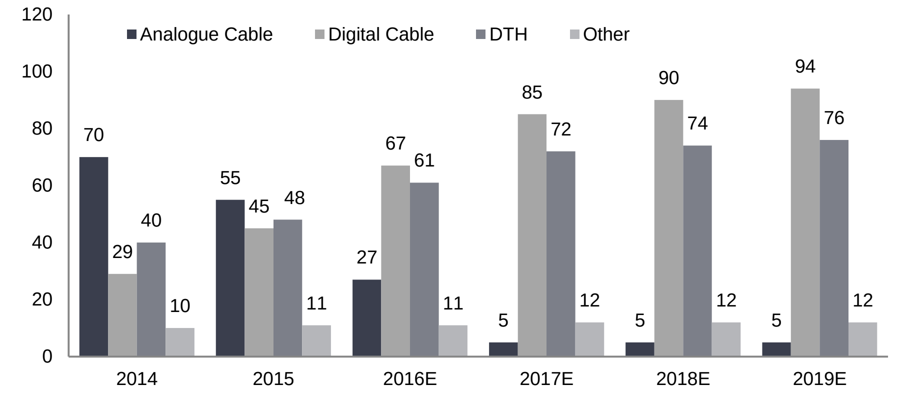


Source: Company,LKP Research

Physical sale leads to lower growth rate in Traditional Media Business

We are aware that a television channel broadcasts 8 movies on an average every day. Shemaroo has a strong legacy business presence in physical sales of movies too apart from the broadcast vertical. This physical sales business is slowing down at a rapid pace. Due to this, the Traditional Media Business (83% of topline) has been slowing down significantly. In FY16, this business grew by just 9% as against a consistent growth trajectory of ~20% over the past three years. The new wave of digitization is likely to cause traction in the number of digital and DTH subscribers thus resulting in to rise in the television industry growth. With digitization, the carriage fees for broadcasters are expected to come down by 10-20% thus resulting into improvement in profitability thus prompting channels to invest more in programming and content. This content would likely include movies along with other genres. Higher subscription and advertising revenues will lead to an overall surge in the incomes and profits for the broadcasters. Television industry experts expect the number of digital and DTH subscribers to increase from around 69 mn in 2014 to170 mn in 2019E, which will be in the ratio of 55.45. Shemaroo will try to cash in on this industry trend.

Pay TV Subscribers in India (mn)



Source: Company,LKP Research

Higher emphasis on old content may hamper demand in the Traditional Media space

However, Shemaroo has a mix of ~40% of its film titles from the era before 1980. This library seems to us to be a bit on the older side. With 41% population of India below the age group of 20 years, the demand for films is rapidly drifting towards recent ones. Hence, the broadcast of recent movies will catch more eyeballs on television, thus demanding Shemaroo to come out of their business logic of buying bulk of the movies which are older than five years. This is challenging for Shemaroo in a scenario where cash flows are elusive.

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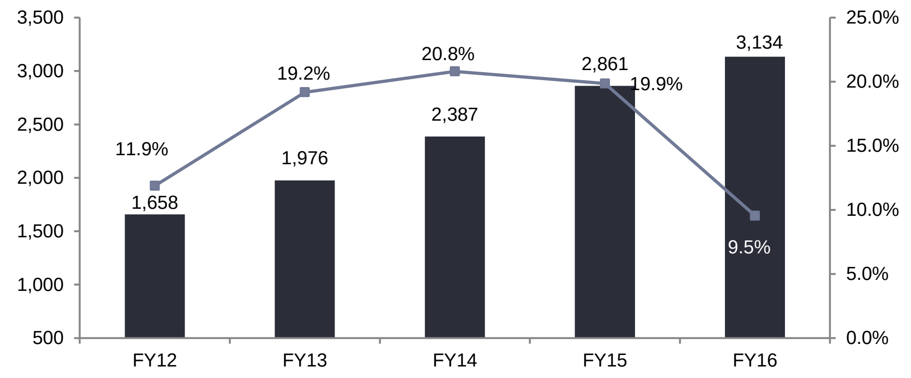
Traditional Media Business Topline Trend (₹ mn)



Source: Company,LKP Research

A significant drop in the Traditional Media Business growth rate is not a good sign

The company has as of yet distributed ~1,000 titles to broadcasters on Television. Where the company is continuously investing in content and expanding their film library, monetizing of just ~33% of the film titles of their 3000+ library seems to be on a lower side. This indicates slower monetization of its inventory or rather delayed inventory conversion. In a scenario where buying an A grade hit movie costs about ₹15-20 cr, inventory conversion into revenues at a good rate becomes very much necessary.

Miniplex business to make it big, but at a very nascent stage currently

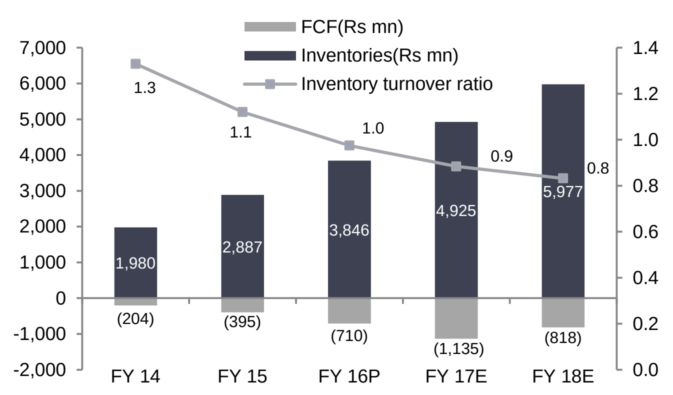
The company has launched a first of its kind movie premiere service named 'Miniplex' on Airtel Digital TV and Tata Sky. Miniplex is an ad-free, subscription based service which would premiere one movie every week for the first time on Indian television. Miniplex is a cross platform service and in addition to DTH it will be launched across various other platforms like digital, cable etc in phased manner. In line with this recently Shemaroo entered into an agreement with Dish TV based on the subscription fee model. The Miniplex will premiere latest blockbuster movies. every Friday. So, in this manner Shemaroo makes a mark on the digital TV business. The subscription fees are fixed at ₹60 per month while the service will give a theatre like feeling to customers at home. This business is actually at a nascent stage. As the company moves ahead with more tie-ups, the Miniplex business may attract a huge potential to become a substantial revenue stream for Shemaroo. We believe this business to proliferate in long term, beyond our investment horizon of two years, till when we expect miniscule amount of revenues to flow in.

Balance sheet worries may continue beyond FY18.

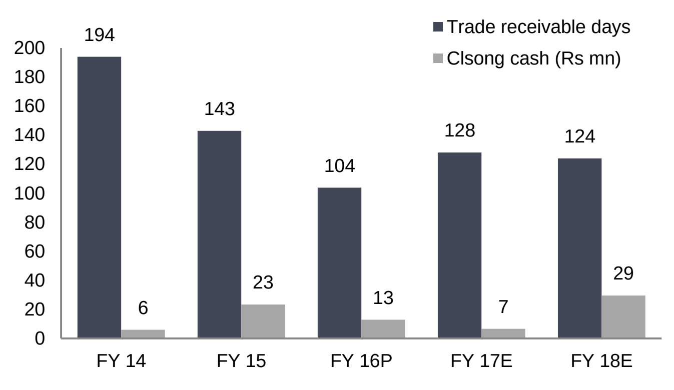
Inventories surge to hit FCF considerably

Shemaroo has a business model which is working capital intensive. The content acquisition is the reason why the inventory days and trade receivable days look massively inflated. The nature of the business is such that when they acquire content, the cost sits in the inventory in the balance sheet and when it gets monetized, it happens through the income statement. The cost of acquisition of a super hit A list movie is generally in the range of ₹180-200mn. The company has utilized the IPO funds of ₹1.2 bn for content acquisition and further has plans to invest in it by buying ~75-100 titles per annum hereon. The aggressive buying of film titles is leading to higher inventories (>2x in the period between FY14 and FY16 at ₹3.84 bn). The trade receivable days which were at 194 days in FY14, though have come down to 104 days due to some one-offs in FY16 are expected to go up in FY17 up to 128 days. The net addition to inventory is expected to be ₹1.5-2 bn each year in the ensuing years. The inventory turnover ratio of the company which was comfortable at 1.9x in FY11 has rapidly gone down to 1x in FY16, which signifies inventories escalating above the revenues indicating inefficiency of inventory management. Going forward we believe this ratio to deteriorate further as Shemaroo has aggressive plans to expand its inventories. Inventory days of the company stay inflated at 628 days in FY16, which may expand further. We understand that this business entails higher inventory days as the traditional media content requires a long time to monetize. But this is leading to the company going deeply into negative FCF zone. We anticipate the company will find it extremely difficult to breakeven at the FCF levels in the coming 3-4 years considering its high inventory levels and elongated inventory conversion cycle.

Higher inventories impacting FCF



Longer Receivable days cycle to impact cash further



Source: Company, LKP Research

Despite earnings growth, we believe the abnormally stretched working capital cycle will eat into the bottomline, thus failing to generate positive FCF. With the company planning to raise some debt for inventory acquisition, we may see cash accretion but FCF remains a vital metrics which we believe is under extreme stress indicating that the business remains at a risk of being in a strong grip of non-conversion of net profits into free cash, which to us is a potent threat.

No major listed competitor of Shemaroo

Peer Comparison

Shemaroo faces competition from the likes of large players in the film and television media segments. On the films side, the large production/distribution players include UTV, Yashraj Films, EROS and Reliance (ADAG) among others. But they are present in the buying of theatrical rights where Shemaroo is typically absent. Players like T-Series, Ultra, etc are some of the competitors from the fragmented distribution industry but they are not listed. SaReGaMa India is a listed player but is in the audio space. Hence there is no direct competition from any of the listed players. There is competition to Shemaroo in the other businesses (in the physical forms) from some of the players like Moser Baer, Hungama Digital, Super Cassettes Industries Ltd etc, but there is no major direct listed competition for Shemaroo.

Outlook and Valuation

Shemaroo being the only listed player in second stage of film cycle stands an advantage on the back of its expertise, strong relationships with industry players and a wide variety of movie library. The company's business risk is minimized due to its absence in theatrical release phase thus relatively insulating it from issues like piracy and high competitive intensity. We are sanguine about the company's business prospects, particularly on the New Media business on technological tailwinds the country is having. The Traditional Media Business, which contributes 83% of its revenues, has slowed down in FY16 as physical format of films is facing a structural issue of fall in demand. Secondly, the extra old library of films is finding lesser demand considering the country's demographics strongly inclined towards younger age group. The biggest concern however is the working capital heavy balance sheet which is having a drag on the entire financials. The falling Inventory Turnover Ratio and high trade receivable days are the two vital parameters which makes us uncomfortable despite a robust business and expanding income statement. Ultimately, the inventory conversion cycle is delayed to a great extent and is impacting FCF. With even higher inventory layout planned by the management for the coming years, we believe it will take Shemaroo a long time to turn FCF positive. We have an **UNDERPERFORMER** rating on the stock with a target price of **₹306**.

Risks

- More than expected growth in New Media Business with rapid deployment of digitization and new mushrooming of new media platforms may pose an upside risk to our investment thesis.
- Turning FCF positive in the next couple of years with management cutting off their investment outlay will be the single largest threat.

Financials

Income statement

YE Mar (₹ mn)	FY14	FY15	FY16	FY17E	FY18E
Total Revenues	**2,633**	**3,234**	**3,749**	**4,353**	**4,972**
Raw Material Cost	1,585	2,029	2,234	2,568	2,909
Employee Cost	179	179	233	283	348
Other Exp	218	152	184	226	273
EBITDA	**651**	**875**	**1,098**	**1,275**	**1,442**
EBITDA Margin(%)	24.7%	27.0%	29.3%	29.3%	29.0%
Other income	13	13	18	20	20
Depreciation	30	37	37	43	51
Interest	192	212	228	240	250
PBT	**443**	**639**	**850**	**1,013**	**1,161**
PBT Margin(%)	16.8%	19.7%	22.7%	23.3%	23.4%
Tax	165	222	307	354	406
Adj PAT	**278**	**416**	**543**	**658**	**755**
Adj PAT Margins (%)	10.6%	12.9%	14.5%	15.1%	15.2%
Exceptional items	0.0	0.0	0.0	0.0	0.0
PAT	**278**	**416**	**543**	**658**	**755**
PAT Margin (%)	10.6%	12.9%	14.5%	15.1%	15.2%

Key Ratios

YE Mar	FY14	FY15	FY16P	FY17E	FY18E
Per Share Data (Rs)					
Adj. EPS	14.1	15.3	20.0	24.2	27.7
CEPS	1.6	1.7	2.1	2.6	3.0
BVPS	9.0	11.7	13.4	15.7	18.4
DPS	0.1	0.0	0.1	0.1	0.1
Growth Ratios(%)					
Total revenues	23.4%	22.8%	15.9%	16.1%	14.2%
EBITDA	13.1%	34.3%	25.5%	16.2%	13.1%
PAT	12.8%	49.5%	30.5%	21.1%	14.6%
EPS Growth	12.8%	8.9%	30.5%	21.1%	14.6%
Valuation Ratios (x)					
PE	23.3	21.4	16.4	13.5	11.8
P/CEPS	210.2	196.3	153.2	126.9	110.4
P/BV	36.5	28.0	24.4	20.8	17.8
EV/Sales	24.6	27.5	23.8	20.6	18.1
EV/EBITDA	99.5	101.7	81.2	70.2	62.3
Operating Ratios (Days)					
Inventory days	456.1	519.4	628.2	700.0	750.0
Recievable Days	193.9	142.9	103.7	128.0	124.0
Payables day	68.5	29.7	16.7	18.0	19.0
Profitability Ratios (%)					
ROCE	31.6%	25.8%	26.8%	24.9%	23.4%
ROE	15.7%	13.1%	14.9%	15.4%	15.1%

Source: Company, LKP Research

Balance sheet

YE Mar (₹ mn)	FY14	FY15	FY16	FY17E	FY18E
EQUITY AND LIABILITIES					
Shareholder's funds					
Share capital	198	272	272	272	272
Reserves and surplus	1,576	2,902	3,377	4,012	4,739
Total networth	**1,775**	**3,174**	**3,649**	**4,284**	**5,010**
Non current liabilities					
LT borrowings and provs	107	9	236	607	857
Deferred tax liabilities	85	68	67	67	67
Current liabilities					
Short term borrowings	1,411	1,054	1,544	2,181	2,630
Trade payables	298	165	102	127	151
Other current liabilities	456	416	533	611	698
Total equity and liabilities	**4,131**	**4,885**	**6,130**	**7,876**	**9,413**
ASSETS					
Net block	341	295	307	305	375
LT loans and advances	61	71	65	70	80
Long term investments	120	168	66	90	150
Other long term assets	1	0	0	0	0
Total non current assets	523	535	438	465	604
Current assets					
Inventories	1,980	2,887	3,846	4,925	5,977
Trade receivables	1,399	1,266	1,066	1,526	1,689
Cash and cash bank	6	23	13	7	29
ST loans and advances	180	170	768	954	1,117
Other current assets	44	0	0	0	0
Total current assets	3,608	4,346	5,692	7,412	8,812
Total Assets	**4,131**	**4,885**	**6,130**	**7,876**	**9,413**

Cash Flow

YE Mar (₹ mn)	FY14	FY15	FY16P	FY17E	FY18E
PBT	443	640	543	658	755
Depreciation	216	242	266	285	289
Interest	192	212	228	240	250
Chng in working capital	(750)	(905)	(1,301)	(1,624)	(1,266)
Tax paid	(85)	(274)	(307)	(354)	(406)
Other operating activities	0	0	0	0	0
Cash flow from operations (a)	**(175)**	**(297)**	**(799)**	**(1,036)**	**(628)**
Capital expenditure	(19)	(22)	(20)	(70)	(120)
Chng in investments	(0)	(85)	102	(24)	(60)
Other investing activities	(10)	7	7	(5)	(10)
Cash flow from investing (b)	**(29)**	**(98)**	**89**	**(99)**	**(190)**
Inc/dec in borrowings	411	(357)	715	1,009	698
Dividend paid (incl. tax)	(10)	(10)	(15)	(20)	(24)
Other financing activities	(192)	874	48	103	171
Cash flow from financing (c)	**200**	**407**	**744**	**1,088**	**841**
Net chng in cash (a+b+c)	**(4)**	**12**	**34**	**(46)**	**23**
Closing cash & cash equiv	**6**	**19**	**53**	**7**	**29**

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