

Shemaroo Entertainment Ltd

Recommendation	BUY
CMP	495
Target Price	643
Sector	Media

Stock Details

BSE Code	538685
NSE Code	SHEMAROO
Bloomberg Code	SHEM IN
Market Cap (Rs cr)	1345
Free Float (%)	34.18%
52- wk HI/Lo (Rs)	595/324.95
Avg. volume (BSE+NSE) (Quarterly)	11330
Face Value (Rs)	10
Dividend (FY 18)	Rs 1.55 per share
Shares o/s (Cr)	2.72

Relative Performance	1Mth	3Mth	1Yr
Shemaroo	3.2%	5.6%	38.8%
Sensex	6.4%	6.7%	15.2%



Shareholding Pattern	Jun 18
Promoters Holding	65.82
Institutional (Incl. FII)	16.78
Corporate Bodies	3.87
Public & others	13.53

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Long term outlook looks Positive!!!!

Shemaroo reported improved set of numbers on the profitability front for the quarter. Net sales came in at Rs 123.4cr in Q1FY19 vs. Rs 118.4 cr in Q4FY18, grew by 4.2% QoQ. Improvement in revenue was led by both Traditional & New media business which grew by 1.08 % & 12.1% respectively. Ebitda margins improved by 47.3bps QoQ. Higher tax rate reduced the impact of improvement in Ebitda margin on PAT Margin which came at 15.84% in Q1FY19 vs. 15.82% in Q4FY18. The company has rebranded its corporate identity after 55 years by a new logo and announces 'India Khush Hua' as its new tagline

For the next 5 years, management has set an ambitious target of growing the revenue to 5X, wherein more than 50% of revenue will be contributed by new media business, concentration would be on B2C & B2B2C model.

- The company has signed content deal with Share IT a technology company. SHAREit app offers its users a range of digital entertainment from videos, music, films, GIF, meme, etc.
- Comedy Service launched with Dish TV in April 2018
- Shemaroo is in the process of launching its own streaming platform which would be an entertainment heavy offering in the next 6 to 9 months.
- Management believes that devotional category industry is bigger than that of film industry and has good potential for them in the next 3 to 5 years. Shemaroo in devotional category is not only providing content but also services with the launch of its "Bhakti App" & Islamic devotional app "Ibadat". The app enable consumers to book a host of services like facilitates delivery of prasad of different temple at doorstep, can view live telecast of aartis, order puja performed by pandits etc. Shemaroo recently acquired the live streaming rights for Shani Shignapur in Maharashtra and Ajmer Sharif in Rajasthan. The Company has partnered with DTH services like Tata Sky, Dish TV, Airtel for both Hindu and Islamic category channels to show this devotional channels
- Over FY13-17, the acquisition of regional content by company had grown at a CAGR of 9.6%, Special interest cost grew by 6.5% whereas Hindi film by 3.8% i.e. the company had acquired more of regional content than hindi films which we believe the company would monetize this content by launching more regional channels with DTH players. Shemaroo has partnered with Dish TV and launched 'Bhojpuri Active' service.

Valuation & Recommendation

Going ahead, we expect the company's sales to grow by 15.1% in FY19E & 15.3% FY20E. We expect operating margins to come in at 30.1% & 30.4% in FY19E & FY20E respectively. Shemaroo has generated a positive FCFF of Rs 107.7 cr in FY18. With higher operating profit, Shemaroo is likely to acquire new content majorly from internal accruals going forward. Company is likely to do PAT of Rs 94.6 cr and Rs 116.6 cr in FY19E & FY20E resp. At CMP, the share is trading at EV/Ebitda of 7.3x and PE of 11.5x FY20E EPS of Rs 42.9. **We recommend a Buy on Shemaroo with a target price of Rs 643, based on 15x FY20E EPS (30% return)**

Year	Net Sales	Growth %	EBITDA	Margin %	PAT	Margin%	EPS	PE	EV/EBITDA	ROE %
FY17	425.5	13.5%	127.6	30.0%	61.5	14.4%	22.6	21.9	12.8	14.4%
FY18E	488.6	14.8%	142.1	29.1%	71.2	14.6%	26.2	18.9	10.8	14.3%
FY19E	562.6	15.1%	169.1	30.1%	94.6	16.8%	34.8	14.2	8.9	16.1%
FY20E	648.6	15.3%	197.4	30.4%	116.6	18.0%	42.9	11.5	7.3	16.7%

Shemaroo Entertainment Ltd

Quarterly Financials

Particulars	Q1FY19	Q4FY18	QoQ%	Q1FY18	YoY%
Net Sales	123.4	118.4	4.2%	103.6	19.0%
Cost of raw material consumed	68.5	58.7	16.7%	55.8	22.8%
Gross Profit	54.9	59.7	-8.0%	47.9	14.7%
Gross Margin (% of net sales)	44.5%	50.4%	-593.16	46.2%	-168.64
Employee Expenses	11.1	11.2	-1.0%	8.4	32.5%
Other Expenses	4.9	11.7	-58.1%	6.1	-19.1%
Total Expenditure	84.5	81.6	3.5%	70.2	20.3%
EBITDA	38.9	36.8	5.8%	33.4	16.4%
% of net sales	31.5%	31.1%	47.37	32.2%	-72.06
Depreciation	1.4	1.3	8.5%	1.2	12.9%
EBIT	37.5	35.5	5.7%	32.2	16.5%
Interest	6.1	7.1	-13.9%	8.1	-24.3%
PBT & OI	31.4	28.3	10.7%	24.1	30.2%
Other Income	0.2	0.4	-47.7%	0.9	-73.6%
PBT	31.6	28.8	9.8%	25.0	26.6%
Exceptional item	0.0	0.0		0.0	
PBT After Exception	31.6	28.8	9.8%	25.0	26.6%
Tax	12.1	10.4	16.4%	8.9	34.9%
Tax / PBT	38.1%	36.0%		35.8%	
Net Profit	19.5	18.4	6.0%	16.0	22.0%
Minority interest/ share of associate	0.0	0.3		-0.1	
Net Profit	19.5	18.7	4.4%	15.9	22.7%
% of net sales	15.84%	15.82%	2.23	15.4%	47.90
Adjusted Net Profit	19.5	18.7		15.9	
Equity	2.7	2.7		2.7	
EPS (Unit Curr.)	7.2	6.9		5.9	

Source: Company data, Nirmal Bang Securities

Segment Performance

(Rs in Cr)	FY15	FY16	FY17	FY18	Q1FY19
New Media	37.3	63.5	92.4	130.5	38.9
% of net sales	11.5%	16.9%	22.2%	26.7%	31.5%
Traditional	286.5	312.2	323.2	358.1	84.5
% of net sales	88.5%	83.1%	77.8%	73.3%	68.4%
Total	323.8	375.7	415.5	488.6	123.4

Source: Company data, Nirmal Bang Securities

Shemaroo Entertainment Ltd

Financials

Income Statement (Rs. In Cr)	FY17	FY18	FY19E	FY20E	Balance Sheet (Rs. In Cr)	FY17	FY18	FY19E	FY20E
Revenues - Net	425.5	488.6	562.6	648.6	Issued Share Capital	27.2	27.2	27.2	27.2
% change	13.5%	14.8%	15.1%	15.3%	Reserves & Surplus	399.2	469.2	558.8	670.3
EBITDA	127.6	142.1	169.1	197.4	Net Worth	426.3	496.4	586.0	697.5
EBITDA margin	30.0%	29.1%	30.1%	30.4%	Minority Interest	-3.2	-3.2	-3.2	-3.2
Depreciation	4.3	5.1	5.4	5.6	Net Deferred Tax liabilities	6.5	3.6	3.6	3.6
Operating income	123.3	137.0	163.7	191.8	Total Loans	289.3	188.0	158.0	125.8
Interest	32.3	30.7	22.3	18.3	Trade Payables	19.0	18.1	20.6	23.6
Other Income	3.0	1.7	2.0	3.2	Provisions	25.6	15.6	15.6	15.6
Forex	0.0	0.0	0.0	0.0	Other CL	16.9	16.4	18.5	21.3
PBT	93.9	108.0	143.4	176.7	Total Liabilities	780.5	734.8	798.9	884.1
Exceptional (Gain)/ Loss	0.0	0.0	0.0	0.0	Net Fixed Assets	34.8	33.3	31.5	29.5
PBT	93.9	108.0	143.4	176.7	Investments	7.2	10.1	10.1	10.1
Tax	34.2	36.8	48.8	60.1	Inventories	500.4	529.7	560.1	587.3
PAT	59.7	71.2	94.6	116.6	Cash and cash equivalent	1.9	1.3	5.4	36.6
Minority interest / share of a	1.8	-0.1	0.0	0.0	Sundry Debtors	190.5	140.6	169.5	195.5
APAT	61.5	71.2	94.6	116.6	Loans & Advances	7.1	0.4	0.5	0.6
Shares o/s (No. in Cr.)*	2.7	2.7	2.7	2.7	Other CA	38.5	19.4	21.8	24.6
Adj EPS	22.6	26.2	34.8	42.9	Total Assets	780.5	734.8	798.9	884.1
Quarterly (Rs. In Cr)	Sep.17	Dec.17	Mar.18	Jun.19	Cash Flow (Rs. In Cr)	FY17	FY18	FY19E	FY20E
Revenue including OI	134.4	132.6	118.4	123.4	EBITDA	127.6	142.1	169.1	197.4
EBITDA	36.1	35.8	36.8	38.9	Exceptional and forex	0.0	0.0	0.0	0.0
Dep	1.3	1.3	1.3	1.4	Change in WC	-20.0	64.2	-26.9	-23.0
PBIT	34.8	34.5	35.5	37.5	Change in inventories	-112.8	-29.3	-30.3	-27.2
Interest	8.4	7.1	7.1	6.1	Tax	-34.2	-36.8	-48.8	-60.1
Other Inc.	0.2	0.2	0.4	0.2	CF from Operations	-39.5	140.3	63.1	87.1
Forex & exceptional	0.0	0.0	0.0	0.0	Capex and change in WIP	-4.9	-3.6	-3.6	-3.6
PBT	26.6	27.6	28.8	31.6	Investment	0.8	-2.9	0.0	0.0
Tax	7.8	9.7	10.4	12.1	Other Income	3.0	1.7	2.0	3.2
Minority interest / share of a	-0.1	-0.2	0.3	0.0	Cash from Investment	-1.1	-4.8	-1.7	-0.4
PAT	18.7	17.8	18.7	19.5	Dividend paid	-4.6	-5.1	-5.1	-5.1
EPS (Rs.)	25.6	24.3	25.6	26.7	Share Capital and Premium	0.0	0.0	0.0	0.0
Operational Ratio	FY17	FY18	FY19E	FY20E	Interest Paid	-32.3	-30.7	-22.3	-18.3
EBIT margin (%)	29.0%	28.0%	29.1%	29.6%	Change in Borrowing	76.9	-101.3	-30.0	-32.1
Adj.PAT margin (%)	14.4%	14.6%	16.8%	18.0%	Others	0.6	1.0	0.0	0.0
Adj. ROE (%)	14.4%	14.3%	16.1%	16.7%	Cash from Financing	40.5	-136.1	-57.3	-55.5
ROCE (%)	17.8%	20.0%	22.1%	23.3%	Net change in Cash	0.0	-0.6	4.1	31.2
Debt Equity Ratio	0.68	0.38	0.27	0.18	Opening cash balance	1.9	1.9	1.3	5.4
Valuation Ratio	FY17	FY18	FY19E	FY20E	Closing cash balance	1.9	1.3	5.4	36.6
Price Earnings (x)	21.9	18.9	14.2	11.5	Per Share Data	FY17	FY18	FY19E	FY20E
Price / Book Value (x)	3.2	2.7	2.3	1.9	Cash EPS	24.2	28.1	36.8	45.0
EV / Sales	3.8	3.1	2.7	2.2	BV per share	156.9	182.6	215.6	256.6
EV / EBITDA	12.8	10.8	8.9	7.3	Dividend per share	1.4	1.6	1.6	1.6

Source: Company data, Nirmal Bang Securities

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