

Q2FY19 Result Update

Positive

Industry	Media & Entertainment
CMP (Rs)	451
52 Week H/L (Rs)	595/376
Volumes (BSE+NSE)*	10,880
Shares O/S (mn)	27.2
Market Cap (Rs bn)	12.3
Free Float (%)	34.2
Bloomberg Code	SHEM IN
Reuters Code	SHEM.BO

* Three Month Daily Average

Share Holding Pattern (as on 30/09/2018)

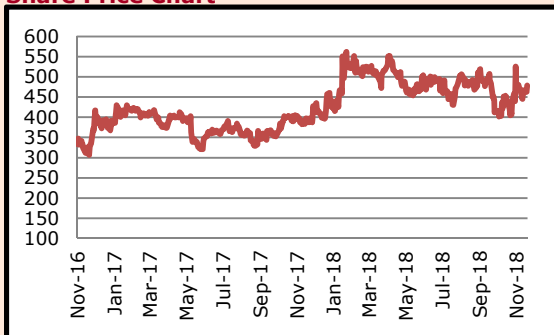
Particulars	Shares (mn)	Holding (%)
Promoters	17.9	65.8
FIIs	4.5	16.7
DIIs	0.0	0.0
Others	4.7	17.5
Total	27.2	100.0

Source : BSE

Financial Highlights

(Rs mn)	FY18	FY19E	FY20E
Sales	4,886	5,909	7,212
EBITDA	1,421	1,653	1,954
EBITDA Margin	29.1%	28.0%	27.1%
Net Profit	711	902	1,112
EPS (Rs)	26.2	33.2	40.9
EV/EBITDA (x)	9.9	8.2	7.0
P/E (x)	17.2	13.6	11.0
RoE	15.4%	16.7%	17.5%

Share Price Chart


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Shemaroo Entertainment Ltd (Shemaroo) posted a topline of Rs 1633mn (21.6% growth y-o-y), in-line with our expectation. Traditional Media Revenues grew by 17.5% y-o-y. New Media Revenues grew by 33.3% y-o-y. EBITDA Margin came in at 26.1% vs. 26.9% in Q2FY18. Net Profit came in at Rs 230mn, growth of 22.8% y-o-y.

Overall growth has stabilized

Revenue Break Up (Rs mn)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Traditional Media	1002	995	836	845	1177
Growth y-o-y	12%	12%	13%	13%	18%
New Media	342	331	348	389	456
Growth y-o-y	43%	41%	41%	37%	33%
Total Revenues	1344	1326	1184	1234	1234
Growth y-o-y	18%	17%	20%	19%	19%

Source : Company

Revenues from YouTube (a contributor to ~25% of new media revenues) has not grown as much as viewership growth

This is the CPM (ad rate per thousand views) has declined. We believe the reason for the decline in CPM is that there is a lot of unsold ad inventory.

- Shemaroo has crossed 7bn cumulative views on YouTube channel Filmi Gaane (FG) and 10mn subscribers on YouTube channel Shemaroo Entertainment (SE). This is a viewership growth of 40% q-o-q for FG and 25% q-o-q for SE.

New Media to grow at ~30% and traditional media at 12% going forward, a little more than industry growth.

New initiatives taken by the management

- Acquired the music rights for the NH Studioz (a movie production house) catalogue.
- Thriller service launched on Videocon D2H and Dish TV.
- Bhojpuri service launched on Videocon D2H and Dish TV and Tata Sky.
- Marathi service on Airtel Digital TV.

Net addition to the Library of movies has grown by 11% q-o-q

The management maintains that for FY19, gross library addition will be 2-5% y-o-y. Further that it will be funded by internal accruals.

We are Positive on Shemaroo

Shemaroo currently trades at a PE of 13.6x and 11.0x of FY19E and FY20E earnings respectively. We like the management's stated objectives of 1) bringing down inventory – the management has stated that net inventory addition for FY19 will be negative. 2) being self-funded and thereby bring down debt. 3) sweating its assets more. We are positive on Shemaroo because of an expected ROCE of 24% and a reasonable valuation of 11x FY20E EPS.

Business Mix

Particulars (Rs mn)	Q2FY19	Q2FY18	Y-o-Y change	Q1FY19	Q-o-Q change	H1FY19	H1FY18	Y-o-Y change
Traditional Media	1177	1,002	17.5%	845	39.3%	2022	1753	15.3%
New Media	456	342	33.3%	389	17.2%	845	627	34.8%
Total Income	1,633	1,344	21.5%	1,234	32.3%	2,867	2,380	20.5%

Source: Company

Quarterly Financials

(Rs mn)	Q2FY19	Q2FY18	Y-o-Y Change	Q1FY19	Q-o-Q Change	H1FY19	H1FY18	Y-o-Y Change
Income from operations	1,633	1,344	21.6%	1,234	32.4%	2,867	2,380	20.5%
Less:								
Cost of materials	979	834	17.4%	685	43.0%	1,663	1,392	19.5%
Operating & other expenses	106	50	111.0%	49	114.4%	155	111	39.6%
Staff expenses	123	99	24.5%	111	10.5%	234	182	28.1%
EBITDA	426	361	18.0%	389	9.6%	815	695	17.2%
EBITDA margin	26.1%	26.9%	-80 bps	31.5%	-540 bps	28.4%	29.2%	-80 bps
Other income	0	2	-100.0%	2	-100.0%	2	11	-78.5%
Depreciation	13	13	2.3%	14	-5.0%	27	25	7.5%
EBIT	413	350	17.9%	377	-67.3%	790	681	16.1%
Financial expenses	56	84	-33.1%	61	-8.2%	118	165	-28.8%
PBT	357	266	34.0%	316	12.9%	673	516	30.4%
Taxation	127	78	63.0%	121	5.4%	248	167	48.0%
PAT	230	188	22.1%	195	17.6%	425	348	22.0%
Minority interest	1	1	60.0%	1	-11.1%	2	1	88.9%
Profit from associates & subsidiaries	-0.8	-1.6	50.0%	-0.9	-11.1%	-1.7	-3.0	43.3%
Net profit	230	187	22.8%	195	17.6%	425	346	22.8%
EPS (Rs)	8.5	6.9	22.8%	7.2	17.6%	15.6	12.7	22.8%

Income Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Income from operations	3,751	4,255	4,886	5,909	7,212
<i>Y-o-Y Growth (%)</i>	16.0	13.5	14.8	20.9	22.0
Direct operational expenses	2,252	2,438	2,783	3,487	4,277
Staff expenses	235	311	397	496	645
Operating & other expenses	186	231	286	274	336
EBITDA	1,078	1,276	1,421	1,653	1,954
EBITDA Margin (%)	28.8	30.0	29.1	28.0	27.1
Other income	14	30	17	12	14
Depreciation & amortization	37	43	51	59	61
EBIT	1,055	1,263	1,387	1,606	1,908
Financial expenses	228	323	307	215	198
PBT	827	939	1,080	1,391	1,709
Taxation	307	342	368	474	583
PAT	520	597	712	917	1,126
Minority interest & Profit/Loss of associates	-15	-15	-10	5	5
Net Profit	522	598	711	902	1,112
<i>Y-o-Y Growth (%)</i>	27.4	14.7	18.9	26.7	23.3

Balance Sheet Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Share capital	272	272	272	272	272
Reserves and surplus	3,377	3,995	4,692	5,545	6,608
Shareholders' funds	3,649	4,266	4,964	5,817	6,880
Borrowed fund	1,773	2,741	1,880	1,619	1,492
Minority interest	-8	-32	-32	-32	-32
Other liabilities	7	10	16	16	16
Deferred tax liability (Net)	67	67	36	36	36
Total Liabilities	5,487	7,052	6,864	7,457	8,391
Net fixed assets	310	348	333	341	313
Long term loans & advances & others	93	90	34	137	164
Investments	81	72	101	91	82
Current assets, loans & advances	5,641	7,298	6,880	7,740	8,860
<i>Inventory</i>	3,876	5,004	5,297	5,343	6,323
<i>Receivables</i>	1,069	1,914	1,406	1,700	2,075
<i>Cash</i>	19	19	13	331	95
<i>Short term loans & advances</i>	13	3	4	6	7
Less: Current liabilities & provisions	638	757	484	852	1,029
<i>Trade payables</i>	105	195	181	308	395
<i>Other current liabilities</i>	533	562	303	544	633
Net current assets	5,003	6,541	6,396	6,888	7,832
Total Assets	5,487	7,052	6,864	7,457	8,391

Cash Flow Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT	827	939	1,080	1,391	1,710
Add : Depreciation	37	43	51	59	61
Less : Tax	(307)	(342)	(368)	(474)	(583)
Other liabilities	(0)	3	(24)	0	-
Others	(1,823)	(3,337)	118	296	(1,719)
Change in working capital	(1,239)	(1,539)	140	(174)	(1,180)
Cash flow from operations	(27)	(1,156)	717	1,446	649
Change in debt	715	968	(861)	(260)	(128)
Change in equity	-	-	(0)	-	-
Cash flow from financing activities	715	968	(861)	(260)	(128)
Capex	49	81	25	76	34
Change in investments	(87)	(8)	29	(10)	(9)
Dividend paid	48	48	64	64	64
Others	685	(308)	(255)	304	30
Cash flow from investing	694	(188)	(138)	434	119
Net change in cash	(5)	(0)	(6)	751	402
Opening cash balance	25	19	19	13	331
Closing cash balance	20	19	13	764	733

Key Ratios

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Profitability					
Return on Equity	15.3%	15.1%	15.4%	16.7%	17.5%
Return on Capital Employed	21.3%	19.7%	19.7%	22.3%	23.9%
Margins					
EBITDA	28.8%	30.0%	29.1%	28.0%	27.1%
Net Profit	13.9%	14.1%	14.6%	15.3%	15.4%
Leverage and Coverage					
Current Ratio	2.59	2.16	2.94	3.16	3.55
Debt/Equity	0.49	0.64	0.38	0.28	0.22
Efficiency Ratio					
Asset Turnover Ratio (x)	0.6	0.5	0.7	0.7	0.8
Inventory (Days)	377	429	396	330	320
Debtor (Days)	104	164	105	105	105
Creditor (Days)	10	17	14	19	20
Per Share Data					
EPS (Rs)	19.2	22.0	26.2	33.2	40.9
Book Value Per Share (Rs)	134.3	157.0	182.6	214.0	253.1
Valuation					
P/E	23.5	20.5	17.2	13.6	11.0
P/BV	3.4	2.9	2.5	2.1	1.8
EV/Sales	2.8	2.8	3.8	4.8	5.8
EV/EBITDA	13.0	11.7	9.9	8.2	7.0
Dividend Yield	-	-	-	-	3%

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