

SHEMAROO ENTERTAINMENT LTD

Result Update (CONSOLIDATED BASIS): Q3 FY19

CMP: 390.00

APRIL 10th, 2019

Overweight

**ISIN:
INE363M01019**

Index Details

Stock Data

Sector	Movies & Entertainment
BSE Code	538685
Face Value	10.00
52wk. High / Low (Rs.)	554.00/325.00
Volume (2wk. Avg.)	2196
Market Cap (Rs. in mn.)	10600.20

Annual Estimated Results(A*: Actual / E*: Estimated)

Years (Rs. in mn)	FY18A	FY19E	FY20E
Net Sales	4886.30	5756.53	6562.44
EBITDA	1438.40	1562.68	1776.50
Net Profit	711.60	816.49	942.55
EPS	26.18	30.04	34.68
P/E	14.90	12.98	11.25

Shareholding Pattern (%)

	As on Mar 19	As on Dec 18
Promoter	65.82	65.82
Public	34.18	34.18
Others	--	--

1 Year Comparative Graph



SHEMAROO ENTERTAINMENT LTD

S&P BSE SENSEX

SYNOPSIS

- Founded in 1962 as a book circulating library, today Shemaroo Entertainment Ltd (Shemaroo) is a leading Indian content power house with a global reach, headquartered out of Mumbai and employs over 750 people.
- During the quarter ended Q3 FY2018-19, consolidated revenue stood at Rs. 1489.50 mn as against Rs. 1326.30 mn in Q3 FY2017-18, recording a growth of 12.30%.
- During the quarter, consolidated EBITDA stood at Rs. 359.80 mn as against Rs. 360.30 mn in the corresponding period of the previous year,
- During the quarter, consolidated PBT up by 1.41% to Rs. 280.20 mn from Rs. 276.30 mn in the corresponding quarter ending of previous year.
- During the quarter, consolidated net profit jumps to Rs. 195.60 mn from Rs. 179.50 mn in the corresponding quarter ending of previous year, grew by 9.94%.
- EPS of the company stood at Rs. 7.20 a share during the quarter, as against Rs. 6.55 per share over previous year period.
- Nine months ended 31st Dec, 2018, Net sales of the company were Rs. 4356.40 mn as against Rs. 3706.40 mn in the Nine months ended 31st Dec, 2017, up by 17.54%.
- In 9M FY19, Net Profit stood at Rs. 620.80 mn as against Rs. 524.40 mn in 9M FY18, grew by 18.40%.
- Net Sales and PAT of the company are expected to grow at a CAGR of 15% each over 2017 to 2020E.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E (X)(TTM)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Shemaroo Entertainment Ltd	390.00	10600.20	29.73	13.12	2.14	15.50
Eros International Media Ltd	78.40	7488.00	27.30	2.87	0.33	0.00
INOX Leisure Ltd	321.25	33043.10	13.91	23.09	4.66	0.00
Entertainment Network India Ltd	531.30	25336.80	9.72	54.68	2.86	10.00

QUARTERLY HIGHLIGHTS (CONSOLIDATED BASIS)

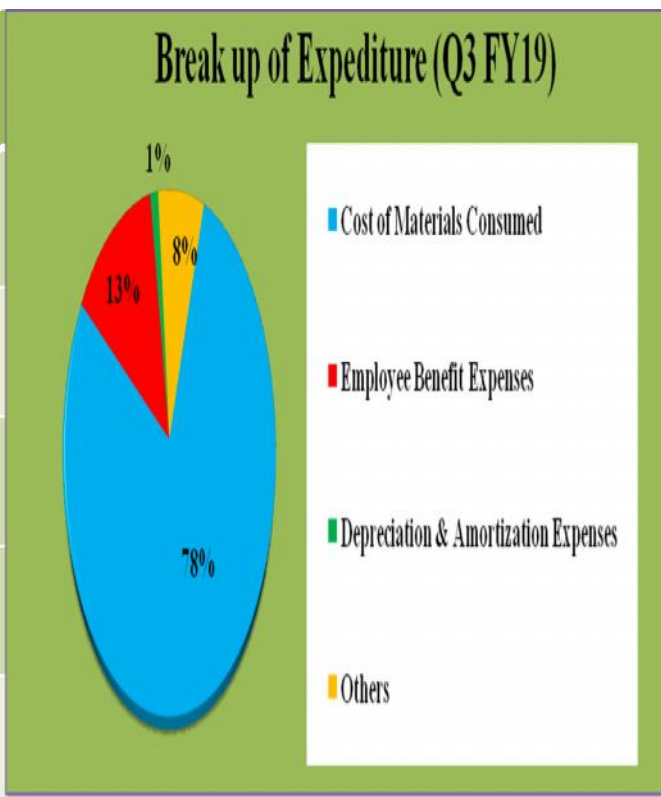
Results updates- Q3 FY19,

Rs. in Million	Dec-18	Dec-17	% Change
Revenue	1489.50	1326.30	12.30%
Net Profit	195.60	179.50	8.97%
EPS	7.20	6.60	8.97%
EBIDTA	359.80	360.30	-0.14%

For the quarter ended Q3 FY2018-19, revenue stood at Rs. 1489.50 million as against Rs. 1326.30 million in Q3 FY2017-18, recording a growth of 12.30% on YOY basis. During the quarter, EBITDA stood at Rs. 359.80 million as against Rs. 360.30 million in the corresponding period of the previous year. During the quarter, net profit jumps to Rs. 195.60 million from Rs. 179.50 million in the corresponding quarter ending of previous year, grew by 8.97%. EPS of the company stood at Rs. 7.20 a share during the quarter, as against Rs. 6.60 per share over previous year period.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY19	Q3 FY18	% Change
Cost of Materials Consumed	901.40	808.30	12%
Employee Benefit Expenses	150.90	102.50	47%
Depreciation & Amortization Expenses	14.40	13.00	11%
Others	84.30	57.40	47%



COMPANY PROFILE

Founded in 1962 as a book circulating library, today Shemaroo Entertainment Limited (Shemaroo) is a leading Indian content power house with a global reach, headquartered out of Mumbai and employs over 750 people. Shemaroo is a pioneer in content aggregation and distribution in India and globally with offerings spread across Television, Mobile, Internet, OTT, etc. Identifying that movies have the longest shelf life for television and other media content, Shemaroo pioneered the movie library syndication business by acquiring movie titles from producers and distributing it to broadcasters and other media platforms. Shemaroo has grown multifold over the years, developing excellent relationships across the media industry value chain, to become one of the largest organised players in a fragmented industry. Its Digital business contribution has grown from less than 10% in FY14 to over 25% in FY18.

FINANCIAL HIGHLIGHT (CONSOLIDATED BASIS)

(A* - Actual, E* -Estimations & Rs. In Millions)

Balance Sheet as of March 31, 2017 -2020E

	FY17A	FY18A	FY19E	FY20E
ASSETS				
Non-Current Assets				
a) Property, Plant and Equipment	337.10	322.50	328.95	338.82
b) Intangibles Assets under development	0.00	0.00	3.60	3.85
c) Other Intangible Assets	10.60	10.10	11.82	13.12
d) Financial Assets				
i) Investments	72.30	101.30	102.31	104.36
ii) Loans	67.70	0.00	0.00	0.00
iii) Other Financial Assets	3.40	3.40	4.28	4.84
e) Other Non - Current Assets	34.90	30.80	62.60	70.11
1. Sub Total - Non- Current Assets	526.00	468.10	513.56	535.10
Current Assets				
a) Inventories	5004.40	5297.20	5826.92	6351.34
b) Financial Assets				
i) Trade Receivables	1905.30	1405.70	1447.87	1505.79
ii) Cash and Cash Equivalents	18.90	13.00	13.26	13.66
iii) Loans	3.10	4.40	5.10	5.82
c) Other Current Assets	346.80	159.50	220.11	250.93
2. Sub Total - Current Assets	7278.50	6879.80	7513.27	8127.53
Total Assets (1+2)	7804.50	7347.90	8026.83	8662.63
EQUITY AND LIABILITIES				
EQUITY				
a) Equity Share Capital	271.80	271.80	271.80	271.80
b) Other Equity	3991.60	4692.20	5442.95	6204.97
c) Non-Controlling Interest	-31.80	-31.70	-38.00	-33.44
1. Total Equity	4231.60	4932.30	5676.75	6443.33
Liabilities				
Non Current Liabilities				
a) Financial Liabilities				
i) Borrowings	131.10	21.30	7.03	5.48
ii) Provisions	9.60	16.20	16.36	17.02
b) Deferred tax liabilities (Net)	65.40	35.80	37.23	39.09
2. Sub Total - Non - Current Liabilities	206.10	73.30	60.62	61.59
Current Liabilities				
a) Financial Liabilities				
i) Borrowings	2540.80	1858.10	1635.13	1504.32
ii) Trade Payables	190.40	181.10	353.04	339.28
iii) Other Financial Liabilities	319.70	135.60	141.02	145.25
b) Other Current Liabilities	69.60	28.10	29.22	31.27
c) Provisions	246.30	139.40	131.04	137.59
3. Sub Total - Current Liabilities	3366.80	2342.30	2289.45	2157.71
Total Equity and Liabilities (1+2+3)	7804.50	7347.90	8026.83	8662.63

Annual Profit & Loss Statement for the period of 2017 to 2020E

Value(Rs.in.mn)	FY17A	FY18A	FY19E	FY20E
Description	12m	12m	12m	12m
Net Sales	4255.30	4886.30	5756.53	6562.44
Other income	29.90	17.40	16.45	17.76
Total Income	4285.20	4903.70	5772.98	6580.20
Expenditure	-2979.70	-3465.30	-4210.29	-4803.71
Operating Profit	1305.50	1438.40	1562.68	1776.50
Interest	-324.30	-307.20	-251.91	-282.14
Gross profit	981.20	1131.20	1310.77	1494.35
Depreciation	-42.80	-51.30	-57.11	-62.25
Profit Before Tax	938.40	1079.90	1253.66	1432.11
Tax	-342.10	-367.50	-437.37	-489.78
Profit After Tax	596.30	712.40	816.29	942.33
Minority Interest	26.50	4.50	0.47	0.51
Share of Profit & Loss Asso.	-8.50	-5.30	-0.27	-0.29
Net Profit	614.30	711.60	816.49	942.55
Equity capital	271.80	271.80	271.80	271.80
Reserves	3991.60	4692.20	5442.95	6204.97
Face value	10.00	10.00	10.00	10.00
EPS	22.60	26.18	30.04	34.68

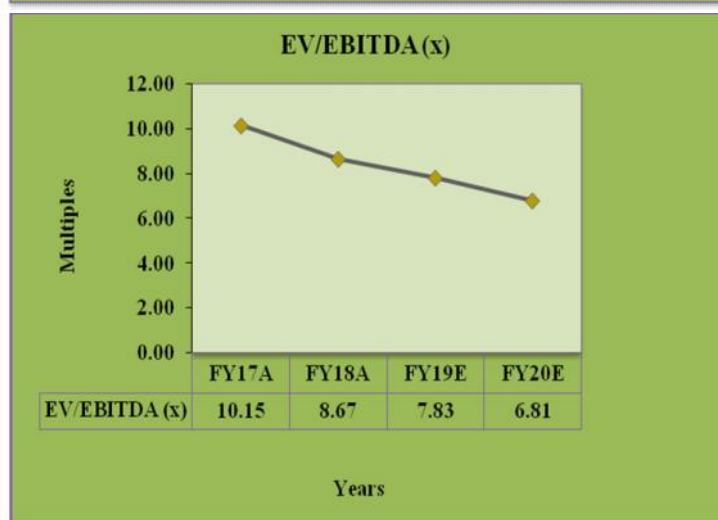
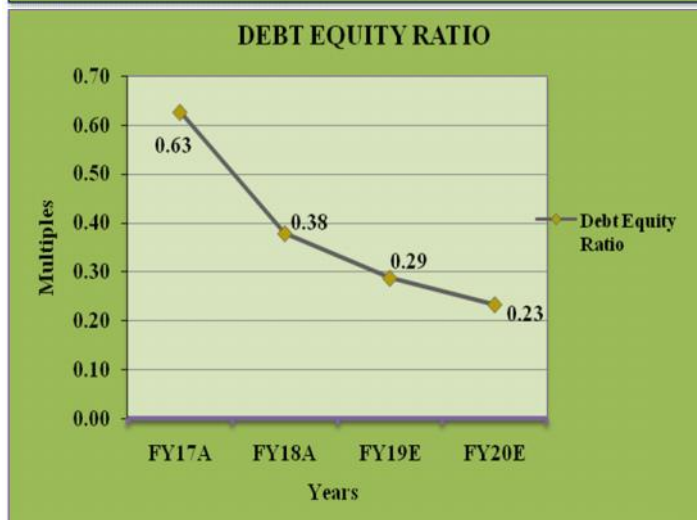
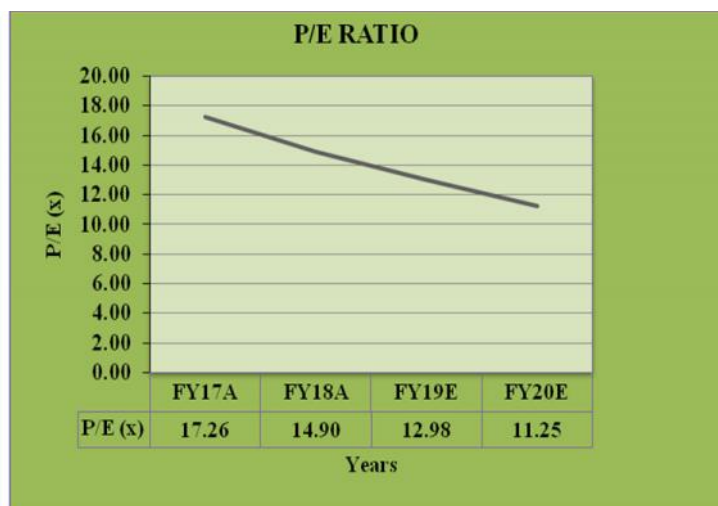
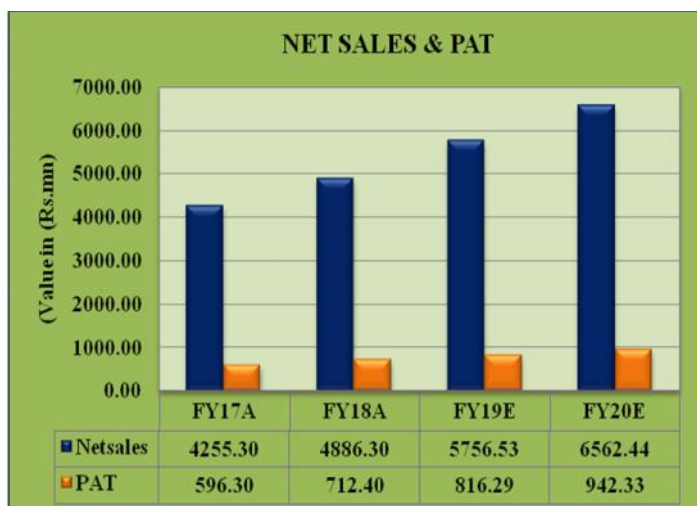
Quarterly Profit & Loss Statement for the period of 30th June, 2018 to 31st Mar, 2019E

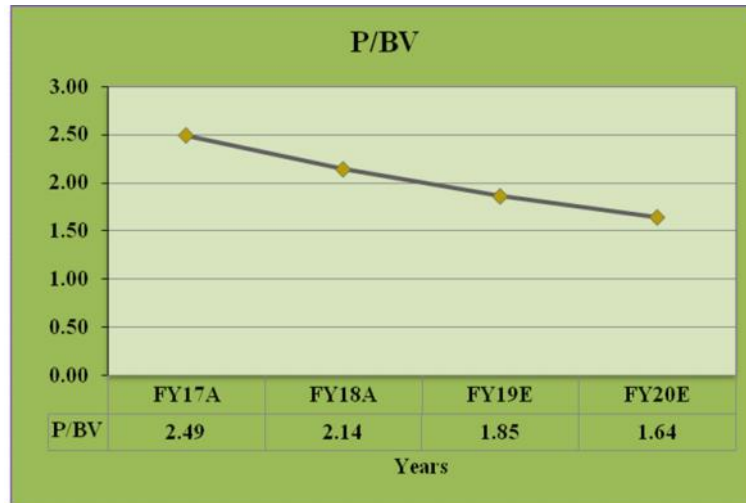
Value(Rs.in.mn)	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19E
Description	3m	3m	3m	3m
Net sales	1233.60	1633.30	1489.50	1400.13
Other income	2.30	0.00	6.90	7.25
Total Income	1235.90	1633.30	1496.40	1407.38
Expenditure	-844.60	-1207.00	-1136.60	-1022.09
Operating profit	391.30	426.30	359.80	385.28
Interest	-61.30	-56.30	-65.20	-69.11
Gross profit	330.00	370.00	294.60	316.17
Depreciation	-14.00	-13.30	-14.40	-15.41
Profit Before Tax	316.00	356.70	280.20	300.76
Tax	-120.50	-127.00	-84.60	-105.27
Profit After Tax	195.50	229.70	195.60	195.49
Minority Interest	-0.90	0.80	0.30	0.27
Share of Profit & Loss Asso.	0.90	-0.80	-0.20	-0.17
Net Profit	195.50	229.70	195.70	195.59
Equity capital	271.80	271.80	271.80	271.80
Face value	10.00	10.00	10.00	10.00
EPS	7.19	8.45	7.20	7.20

Ratio Analysis

Particulars	FY17A	FY18A	FY19E	FY20E
EPS (Rs.)	22.60	26.18	30.04	34.68
EBITDA Margin (%)	30.68%	29.44%	27.15%	27.07%
PBT Margin (%)	22.05%	22.10%	21.78%	21.82%
PAT Margin (%)	14.01%	14.58%	14.18%	14.36%
P/E Ratio (x)	17.26	14.90	12.98	11.25
ROE (%)	13.99%	14.35%	14.28%	14.55%
ROCE (%)	18.21%	20.27%	20.46%	21.46%
Debt Equity Ratio	0.63	0.38	0.29	0.23
EV/EBITDA (x)	10.15	8.67	7.83	6.81
Book Value (Rs.)	156.86	182.63	210.26	238.29
P/BV	2.49	2.14	1.85	1.64

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 390.00**, the stock P/E ratio is at 12.98 x FY19E and 11.25 x FY20E respectively.
- Earning per share (EPS) of the company for the earnings for FY19E and FY20E is seen at Rs. 30.04 and Rs. 34.68 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 15% each over 2017 to 2020E.
- On the basis of EV/EBITDA, the stock trades at 7.83 x for FY19E and 6.81 x for FY20E.
- Price to Book Value of the stock is expected to be at 1.85 x and 1.64 x for FY19E and FY20E respectively.
- Hence, we say that, we are **Overweight** in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

The Indian Media and Entertainment (M&E) industry is a sunrise sector for the economy and is making high growth strides. Proving its resilience to the world, the Indian M&E industry is on the cusp of a strong phase of growth, backed by rising consumer demand and improving advertising revenues. The industry has been largely driven by increasing digitisation and higher internet usage over the last decade. Internet has almost become a mainstream media for entertainment for most of the people.

The Indian advertising industry is projected to be the second fastest growing advertising market in Asia after China. At present, advertising revenue accounts for around 0.38 per cent of India's gross domestic product.

Indian media and entertainment (M&E) industry grew at a CAGR of 10.90 per cent from FY17-18; and is expected to grow at a CAGR of 13.10 per cent to touch Rs 2,660.20 billion (US\$ 39.68 billion) by FY23 from Rs 1,436.00 billion (US\$ 22.28 billion) in FY18. India's media consumption has grown at a CAGR of 9 per cent between 2012-18, almost

nine times that of US and two times that of China. The industry provides employment to 3.5-4 million people, including both direct and indirect employment in CY 2017.

Newspaper readership in India has increased by 40 per cent to 407 million in 2017 from 295 million in 2014.

India's advertising revenue is projected to reach Rs 1,232.70 billion (US\$ 18.39 billion) in FY23 from Rs 608.30 billion (US\$ 9.44 billion) in FY18.

The Foreign Direct Investment (FDI) inflows in the Information and Broadcasting (I&B) sector (including Print Media) in the period April 2000 – June 2018 stood at US\$ 7.17 billion, as per data released by Department of Industrial Policy and Promotion (DIPP).

Government Initiatives

- The Telecom Regulatory Authority of India (TRAI) is set to approach the Ministry of Information and Broadcasting, Government of India, with a request to fastrack the recommendations on broadcasting, in an attempt to boost reforms in the broadcasting sector.
- The Government of India has agreed to set up the National Centre of Excellence for Animation, Gaming, Visual Effects and Comics industry in Mumbai. The Indian and Canadian Government have signed an audio visual co-production deal to enable producers from both the countries exchange and explore their culture and creativity, respectively.
- The Government of India has supported Media and Entertainment industry's growth by taking various initiatives such as digitizing the cable distribution sector to attract greater institutional funding, increasing FDI limit from 74 per cent to 100 per cent in cable and DTH satellite platforms, and granting industry status to the film industry for easy access to institutional finance.

Road Ahead

The Indian Media and Entertainment industry is on an impressive growth path. The industry is expected to grow at a much faster rate than the global average rate.

Growth is expected in retail advertisement, on the back of factors such as several players entering the food and beverages segment, e-commerce gaining more popularity in the country, and domestic companies testing out the waters. The rural region is also a potentially profitable target.

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