

Eros International

₹ 161

Powering Indian Entertainment

Buy



Sep 14, 2012

Company Background

Eros International Media Ltd. (Eros International) is a leading global company in Indian entertainment industry that acquires, co-produces & distributes Indian films across all available formats such as cinema, television and digital new media. Eros International is part of Eros International Plc, which was the first Indian Media Company to get listed on the Alternative Investment Market of the London Exchange. Eros International has experience of over three decades in establishing a global platform for Indian Cinema. The company has a competitive advantage through its extensive and growing movie library comprising of over 1100 films, which include Hindi, and other regional language films for home entertainment distribution. Eros has built a dynamic business model by combining the release of new films every year with the exploitation of its film library.

Key Highlights

- ➔ Eros International recently signed a licensing agreement with COLORS' Viacom18 Media Pvt. Ltd. The deal was for broadcasting the company's forthcoming releases & catalogue films exclusively on COLORS channel.
- ➔ In order to derive the most out of growing digital space, the company recently launched Eros Now, on demand entertainment portal accessible via internet-enabled devices. Eros Now will serve as a platform to further exploit company's extensive film library content, as well as increase the depth and penetration of its user base.
- ➔ By consistently increasing the size of its film library, Eros International believes it will be well positioned to offer expansive or specific content deals which are anticipated to be positive for both the Company and broadcasters.
- ➔ Television revenues continue to be strong underpinned by a strong demand from satellite channels for premium film content.
- ➔ The company has excellent distribution capabilities that allow them to reach out to audiences in more than 50 countries across the globe having large South Asian population. These countries have significant demands for subtitled or dubbed Indian-themed entertainment.

Key Financials

Year Ended 31 st	Mar 09	Mar 10	Mar 11
Revenue (INR mn)	4,877.8	5,519.9	4,897.6
Rev. growth (%)	-	13.16	(11.27)
EBITDA (INR mn)	2,393.3	2,547.8	2,957.2
Net profit (INR mn)	479.0	515.6	695.7
Shares outstanding (mn)	5.1	71.4	91.4
EPS (INR)	93.9	7.2	7.6
EPS growth (%)	-	(92.31)	5.41
P/E (x)	0.0	26.3	18.3
Networth	0.0	37.5	19.1
ROCE (%)	0.00	18.12	13.00

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Info Codes

Reuters	: EROS.BO
Bloomberg	: EROS@IN
NSE	: EROSMEDIA
BSE	: 533261

Market Data

52 Wk Range (₹)	: 277 / 158
Shares in Issue (mn)	: 91.4
Mkt. Cap (₹ bn)	: 14.69
BSE 2 Wk Avg Vol	: 54000

Share Holding Pattern (%)

Promoters	: 77.80
DII's	: 02.37
FII's	: 07.03
Others	: 12.80

Investment Theme

For more than 3 decades, Eros has been a pioneer in creating a global platform for Indian cinema. Equipped with a strong financials, scale, a large content library & well developed distribution, it will continue to strive & capitalise on new opportunities as they arise. Its dynamic business model involving distribution of new films across theatrical, television and digital channels along with monetisation of their extensive film library provides them diversified revenue streams. Eros in the last 30 yrs has built valued relationships with leading talent and production houses with whom they consistently develop compelling film content. We believe the company's size, scale and leading market position will continue contributing to their growth in India & internationally and will position itself to capitalize on the expected growth of the Indian media & entertainment industry.

Eros Now..... or Never !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 09	Mar 10	% Chg	Mar 11	% Chg
Total Sales + Excise	4787.8	5345.7	11.65	4776.6	(10.65)
Other Income	90.0	171.8	90.89	118.5	(31.02)
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	72.6	105.2	44.90	168.8	60.46
Indirect Taxes	45.1	0.0	(100.00)	0.0	-
Other Exp.	2366.8	2864.5	21.03	1769.1	(38.24)
Operating Exp.	2484.5	2969.7	19.53	1937.9	(34.74)
Operating Profit	2303.3	2376.0	3.16	2838.7	19.47
Total Interest	211.3	109.2	(48.32)	120.4	10.26
Gross Profit	2182.0	2438.6	11.76	2836.8	16.33
Net Dep.	1451.3	1636.4	12.75	1809.7	10.59
Total Taxation	251.7	286.6	13.87	331.4	15.63
Net Profit/Loss	479.0	515.6	7.64	695.7	34.93

4 Years Balance Sheet

(₹ mn)

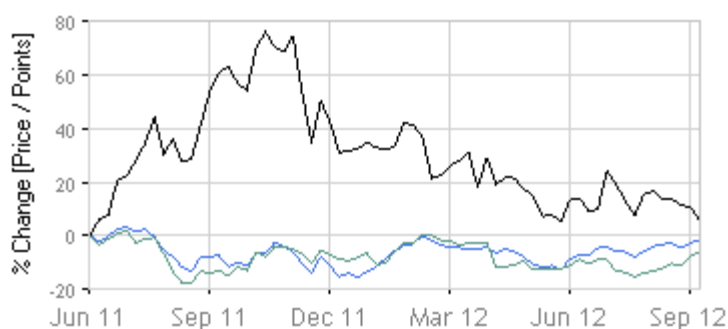
Balance Sheet as on 31 st	Mar 08	Mar 09	Mar 10	Mar 11
SOURCES OF FUNDS	0.0	2,315.5	3,328.1	7,280.4
Equity Share capital	0.0	51.0	714.1	914.1
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	0.0	1,043.8	920.6	4,664.8
Secured Loans	0.0	1,220.3	1,693.4	1,501.5
Unsecured Loans	0.0	0.4	0.0	200.0
USES OF FUNDS	0.0	2,315.5	3,328.1	7,280.4
Gross Block	0.0	5,379.1	7,529.6	9,841.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	0.0	3,887.7	5,500.7	7,278.6
Net Block	0.0	1,491.4	2,028.9	2,562.6
Capital Work in Progress	0.0	0.0	2.8	476.6
Investments	0.0	204.1	204.1	1,678.8
Current Assets	0.0	6,120.7	5,051.6	6,390.7
Less : Current Liabilities	0.0	5,500.7	3,959.3	3,828.3
Total Net Current Assets	0.0	620.0	1,092.3	2,562.4
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	0.0	204.1	204.1	204.1
Mkt Val. Quoted Investments	0.0	0.0	0.0	1,474.7
Contingent Liabilities	0.0	140.4	438.5	521.8
Dividend (%)	0	0	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 11	Dec 11	Mar 12	Jun 12
Net Sales	1,512.80	3,650.80	1,461.50	2,502.20
Cost Of Sales	1,142.00	2,768.40	1,326.90	1,906.00
Operating Profit	370.80	882.40	134.60	596.20
Recurring Income	7.80	44.90	101.60	21.70
Adjusted PBDIT	378.60	927.30	236.20	617.90
Financial Expenses	30.10	39.10	26.00	20.90
Depreciation	9.90	10.30	12.30	14.00
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	338.60	877.90	197.90	583.00
Tax Charges	105.50	309.20	82.30	213.60
Adjusted PAT	233.10	568.70	115.60	369.40
Non Recurring Items	0.00	(25.80)	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	233.10	542.90	115.60	369.40

52 Week Index Relative Percentage Appreciation



Eros vs SENSEX vs TECK

Points to Ponder

The theatrical segment is expected to grow at a CAGR of 7.8% over the 2011 to 2016 period and will continue to lead the overall share of revenue. Multiplex cinemas in India have grown at a CAGR of 66% from 2005 to 2010. The number of multiplex screens are expected to double over the next few years to over 2,200 screens in 2016. The overall television industry was estimated to be Rs. 329 bn in 2011, and is expected to grow at a CAGR of 17% over 2011-16, to reach Rs. 735 bn in 2016. The number of internet connections in India was estimated to be approximately 88 mn in 2011 and is expected to grow to over 400 mn by 2016. By then, wireless connections are expected to constitute about 90% of all internet connections, thus encouraging demand for mobile entertainment.

Risks Associated

The company may fail to source adequate film content on favorable terms or at all through acquisitions or co-productions, which could have a material and adverse impact on their business. The popularity and commercial success of the films are subject to numerous factors, over which the company may have limited or no control. The success of the company's business depends on their ability to consistently create and distribute filmed entertainment that meets the changing preferences of the broad consumer market both within India and internationally. The company's ability to exploit their content is limited to the rights that the company acquires from third parties or otherwise own. Piracy of company's content, including digital and internet piracy, may adversely impact their revenues and business.

In a Nutshell

Eros International generates revenues from multiple channels starting from theatrical distribution to new media. It generates a majority of its revenues from box-office collections of films. With its own offices across major markets in India it distributes films to theatres and multiplexes. It also receives royalties from public performance of songs in TV & Radio. Its subsidiary Eros Music Publishing acts as an exclusive sub-publisher in India. It has formed EyeQube, an animation and visual effects studio that uses the latest technologies to create highend visual effects in films. Eros International enters into licensing deals with major television networks in India, such as Star, Sony, Zee and Colors to license its new and catalogue films. In FY2011, the company had signed TV syndication deals worth ₹ 270 crore for its upcoming films. Eros distributes content through physical formats such as DVDs, VCDs, Blu-rays, etc as well as through the latest digital mediums such as VOD, DTH, Internet, Mobile and In-flight entertainment. It has implemented the digital asset management platform and is in the process of digitisation and cataloguing its entire film library. Home entertainment consists of distribution of content in formats such as ACDs, MP3s, DVDs, VCDs and Blu-ray discs through retail outlets and its website. It distributes these variants under the Eros and Ayngaran labels. Over the years the company has consistently been increasing and improving its scale and quality of earnings. It's focusing on de-risking its business model through optimum utilisation of its content library with increasing revenue share from television satellite rights licensing coupled with cost optimisation through increase in movie distribution through digital cinema and reduced competition for screens.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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