

Eros International Media**₹200***Passion for Entertainment...!!!***Buy**

Feb 09, 2018

Company Background

Eros International Media Ltd, is a part of the Eros Group, is a global player within the Indian media and entertainment sector. It has been in the business close to 4 decades, incorporated on August 19, 1994. Eros Group is in the business of sourcing Indian and other film content and exploiting it worldwide through its offices in India, UK, USA, UAE, Singapore and Australia. Company sources all content primarily through acquisitions from third parties & through co-productions and, occasionally, through their own productions. Eros mainly acquire films from third party producers at various stages of a film's production for an agreed contractual value, and also co-produce films from inception with certain producers for a pre-agreed fixed budget. Company exploit and distribute end-to-end Indian film content through multiple formats such as theatres, home entertainment, principally in the form of DVDs, VCDs, CDs, & tv syndication, which primarily involves licensing the broadcasting rights to major satellite TV broadcasting channels, cable tv channels and terrestrial tv channels. It became as Eros International Media Ltd on November 18, 2009. Company entered into a relationship agreement with Eros Worldwide and Eros plc, in which the International rights for distribution of Indian film content for the entire world excluding India, Nepal and Bhutan are licensed to the Eros International Group.

Key Highlights

- ➔ Net sales posted to ₹ 11461.80 mn, other income rose by 38.5% to ₹ 184.80 mn, operating profit increased by 22.1% to ₹ 2683.30 mn the net profit also jumped by 15.8% to ₹ 1303.90 mn on YoY basis for FY 2016-17.
- ➔ Company announced a four-film co-production deal with leading production house. Production will start jointly by Eros and Drishyam Films in 2018.
- ➔ Recently Eros has associated with Phars Films, one of the UAE's largest distribution and exhibition network is another step on this direction.
- ➔ In 2017, Trinity grew with 5 franchises in various stage of development and production expected to release in the next two years. These include two landmark Indo-China co-productions which are slated to be released in FY 2018.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	10,920.8	11,920.2	11,646.6
Rev. growth (%)	26.35	9.15	(2.30)
EBITDA (INR mn)	2,276.7	2,443.0	2,197.3
Net profit (INR mn)	1,241.9	1,126.3	1,303.9
Shares outstanding (mn)	92.5	93.6	93.9
EPS (INR)	13.4	12.0	13.9
EPS growth (%)	8.66	(10.35)	15.37
P/E (x)	29.86	14.04	19.83
RONW (%)	12.92	10.08	10.21
ROCE (%)	16.78	13.93	14.64

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Info Codes

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

Market Data

52 Wk Range (₹)	: 171/308
Shares in Issue (mn)	: 93.90
Market. Cap (bn)	: 18.90
BSE 2 Wk Avg Vol	: 148000

Share Holding Pattern (%)

Promoters Holding	: 60.36
Public & Others	: 19.48
Corporate Holding	: 13.86
Foreign Institution	: 05.70
Institutions	: 00.60

Investment Theme

Indian media & entertainment sector is expected to grow at a CAGR of 13.9 %, to reach \$ 37.55 bn by 2021 from \$ 19.59 bn in 2016, outshining the global average of 4.2%. Group has largest distribution network for Indian films worldwide. It's distribution covers more than 50 countries, with offices in India, the UK, North America, United Arab Emirates, Australia, Fiji, Isle of Man and Singapore. In FY 2017, company has released a total of 44 films including 5 high, 10 medium and 29 low-budget films. These releases included content across various languages like Hindi, Tamil, Telugu, Malayalam, Marathi, Punjabi and Bengali. Revenue for March 31, 2017 was ₹ 11.646.6 mn, marginally disappointed against the last year revenue ₹ 11920.2 mn in the same period. But net profit get improved from ₹ 1126.3 mn to ₹ 1303.9 mn. Company has not announce dividend for the FY 2016-17.

Film Content Distributor...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	10,717.0	11,786.8	10.0	11,461.8	(2.8)
Other Income	203.8	133.4	(34.5)	184.8	38.5
Change in Stocks	(1.8)	20.3	(1,227.8)	(26.2)	(229.1)
Raw Material Con.	0.0	0.0	0.0	0.0	0.0
Employee Exp.	344.1	450.3	30.9	541.3	20.2
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	8,131.9	9,292.9	14.3	8,395.8	(9.7)
Operating Exp.	8,476.0	9,743.2	15.0	8,937.1	(8.3)
Operating Profit	2,443.0	2,197.3	(10.1)	2,683.3	22.1
Total Interest	398.1	337.2	(15.3)	520.1	54.2
Gross Profit	2,044.9	1,860.1	(9.0)	2,163.2	16.3
Net Dep.	66.2	54.5	(17.7)	53.2	(2.4)
Total Taxation	736.8	679.3	(7.8)	806.1	18.7
Net Profit/Loss	1,241.9	1,126.3	(9.3)	1,303.9	15.8

4 Years Balance Sheet

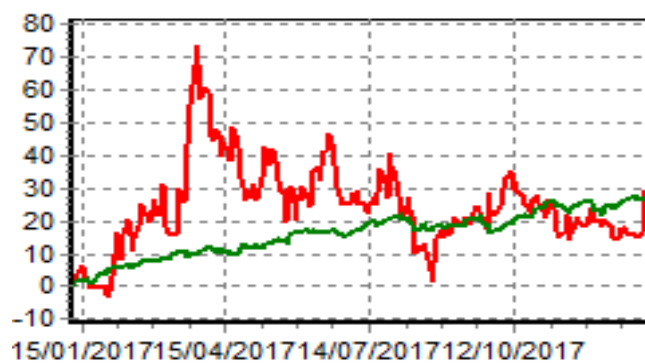
(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	13,293.8	15,043.0	15,714.8	20,210.4
Equity Share capital	919.7	925.0	935.8	938.5
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	8,010.4	9,369.5	11,114.1	12,565.6
Secured Loans	2,924.5	3,077.6	2,579.3	5,143.0
Unsecured Loans	1,439.2	1,670.9	1,085.6	1,563.3
USES OF FUNDS	13,293.8	15,043.0	15,714.8	20,210.4
Gross Block	25,761.8	31,295.8	25,830.1	30,290.5
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	18,620.7	22,648.7	5,352.9	9,020.8
Net Block	7,141.1	8,647.1	20,477.2	21,269.7
Capital Work in Progress	4,684.5	7,781.4	126.2	6.7
Investments	204.2	204.3	732.1	680.3
Current Assets	3,696.3	3,218.0	2,045.3	3,270.6
Less : Current Liabilities	1,430.0	3,662.4	6,459.7	3,600.1
Total Net Current Assets	2,266.3	(444.4)	(4,414.4)	(329.5)
Misc. Expenses not writtenoff	(1,002.3)	(1,145.4)	(1,206.3)	(1,416.8)
NOTE				
Book Value of Unquoted Investments	204.2	204.3	732.1	680.3
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	987.5	1,611.8	3,143.6	3,121.3
Dividend (%)	15.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 17	Jun 17	Sep 17	Dec 17
Net Sales	1,513.4	1,981.1	1,949.0	1,352.1
Cost Of Sales	1,023.4	1,658.2	1,596.5	818.5
Operating Profit	490.0	322.9	352.5	533.6
Other Income	104.3	57.6	20.4	13.9
Adjusted PBDIT	594.3	380.5	372.9	547.5
Financial Expenses	222.3	176.1	175.4	168.5
Depreciation	17.7	14.2	14.3	16.2
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	354.3	190.2	183.2	362.8
Tax Charges	147.6	76.8	69.1	176.2
Reported Profit	206.7	113.4	114.1	186.6
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	206.7	113.4	114.1	186.6

52 Week Index Relative Percentage Appreciation

Eros vs SENSEX
Risks Associated

- ➔ As the company have operations in different countries, company will face currency risk, if there is any changes in currency rates may affect the company's profits.
- ➔ During the financial year 2016 - 17, company has released 44 films, of which 5 high, 10 medium and 29 low budget films as compared to 63 films released in last year, of which 6 were high films, 16 medium and 41 low budget films.

Scope of Growth

- ➔ Eros International has entered a deal with a leading production house, Drishyam Films for co-production of 4 films. This production will start in 2018.
- ➔ As company is involving in distribution of content and co-production of own films, It has the distribution network in more than 50 countries, with an offices in India, UK, USA, UAE, Australia, Fiji, Isle of Man and Singapore.
- ➔ Company's key asset is a film library of over 2000 films. Revenue Drivers are Domestic Theatrical, Overseas Theatrical, Home Video, Cable & Satellite Rights and Ancillary Streams. Domestic theatricals is the main source of revenue with a 70% contribution of total revenue.
- ➔ In FY 2018, company continue to focus on ramp up its own productions and co-productions through Trinity Pictures and Colour Yellow Production. And also company will focus on local presence with 25+ movie releases across the major local languages.
- ➔ Company has reached to 75 mn registered users and 3.7 mn paying subscribers as on September, 2017.

In a Nutshell

Eros International is a global player within the Indian media and entertainment industry and is primarily engaged in the business of film production, exploitation and distribution. It operates on a vertically integrated studio model controlling content as well as distribution and exploitation across multiple formats globally, including cinema, digital, home entertainment and television syndication. Eros has largest distribution network for Indian films worldwide. The network spans more than 50 countries, with offices in India, the UK, North America, UAE, Australia, Fiji, Isle of Man and Singapore. Company is earning the revenue by; Domestic Theatrical, Overseas Theatrical, Home Video, Cable & Satellite Rights and Ancillary Streams. Domestic theatricals is the main source of revenue with a 70% share in the total revenues of the Indian film industry. During 2016-17, it has released a total of 44 films, of which 5 were high budget, 10 medium budget and 29 low budget films as compared to 63 films released in same period last year, of which 6 were high budget films, 16 medium budget and 41 low budget films. Amongst the 44 films released during the financial year, 11 were Hindi films, 18 were Tamil/Telugu films and 15 were other regional language films. In FY 2018, company will focus on ramping up own productions and co-productions through Trinity Pictures and Colour Yellow Production. Trinity Pictures, India's first franchise driven studio has developed more than 20 franchises across new and diverse genres. Of these twenty franchises, five are lined up for release in the next two years, including two Indo-China co-productions. Company will also continue to expand regional presence with 25+ releases across Tamil, Telugu, Malayalam, Bengali, Marathi, Kannada and Punjabi languages.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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