

Shemaroo Entertainment ₹ 400

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Accumulate



Apr 05, 2019

Company Background

Shemaroo Entertainment Ltd is founded in 1962, it is an established media content house in the country, active in Content Acquisition, Value Addition to Content and Content Distribution. Its Content Library consists of over 3,700 titles spanning various Hindi films. It also has non-film content and titles in various other regional languages, such as Marathi, Gujarati, Punjabi and Bengali, among others. Its content is distributed over various Internet video platforms, such as YouTube, Hooq, Hotstar, Apple iTunes, Google Play and Spuul. Its operations involve the distribution and monetization of its strong content library across Traditional Media, which includes Television & other traditional media and Digital Media, which includes Mobile, Internet, OTT etc. The company has been successfully expanding its content library in diversified categories like regional, devotion, kids, comedy etc. With its partnership with the major telecom operators and other digital media platforms, Shemaroo is at the forefront of the digital age. It has also tied up with many content providers across the country.

Key Highlights

- ➔ Company earned revenue of ₹ 4,866 million on a consolidated basis through its traditional media and digital media for FY18. Traditional Media revenue share was 73.56% with ₹ 3,581 million and Digital Media was 26.81% with ₹ 1,305 million of total revenue. Digital Media revenue up by 41.38% & Traditional Media revenue rose by 6.9% from the previous year.
- ➔ Content Library is a big asset for the company and generates the revenues. It includes; Hindi Films, Regional, Devotional, Kids, Comedy, Music, Special Interest Content and Other Content. The library consists of over 3,751 titles spanning various Hindi films. It also has non-film content and titles in various other regional languages, such as Marathi, Gujarati, Punjabi and Bengali.
- ➔ Recently launched six new services on the digital television distribution platforms of IndusInd Media & Communications Ltd. The platforms include InDigital, the digital cable platform and NXT Digital, content provided by Shemaroo.
- ➔ Incorporated a subsidiary during the current year in New Jersey, America. The new entity is likely to be called Shemaroo Media & Entertainment Inc.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	3,769.4	4,195.3	4,787.0
Rev. growth (%)	16.09	11.30	14.10
EBITDA (INR mn)	1,126.9	1,333.4	1,427.1
Net profit (INR mn)	554.3	619.4	694.9
Shares outstanding (mn)	27.2	27.2	27.2
EPS (INR)	20.1	22.8	25.6
EPS growth (%)	32.83	13.33	12.15
P/E (x)	14.77	16.58	20.17
RONW (%)	15.99	15.38	14.91
ROCE (%)	20.88	19.64	19.23

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Info Codes

Reuters	: SHEM.BO
Bloomberg	: SHEM IN
NSE	: SHEMAROO
BSE	: 538685

Market Data

52 Wk Range (₹)	: 325/560
Shares in Issue (mn)	: 27.2
Market. Cap (bn)	: 10.87
BSE 2 Wk Avg Vol	: 1949

Share Holding Pattern (%)

Promoters Holding	: 65.82
Public & Others	: 11.34
Corporate Holding	: 03.50
Foreign Institution	: 19.28
Institutions	: 00.06
Govt Holding	: 00.00

Investment Theme

Shemaroo provides its services through Digital Media and Traditional Media. Cheaper data browsing, more usage of smart phones and the rise of OTT are growth drivers of Digital Media. At present company earns revenue nearly 26% from Digital Media, in the future it will reach 50% of total revenue. In FY14 Digital Media revenue was below 10% now it crosses 26%. It was one of the early Indian media companies to syndicate its library in the high growth digital media platforms, thereby gaining early mover advantage. It caters to all types of revenue models like subscription, pay per transaction, advertisement supported (free to consumer) etc. Due to its large library ownership it has the ability to slice and dice content and package. Shemaroo's content on YouTube gets over 750 million views a month.

We hold our notes for longer...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Net Sales	3,748.4	4,147.5	10.6	4,764.5	14.9
Other Income	21.0	47.8	127.6	22.5	(52.9)
Change in Stocks	958.7	0.0	0.0	0.0	0.0
Fuel Charges	2,865.2	0.0	0.0	0.0	0.0
Employee Exp.	226.9	299.9	32.2	392.3	30.8
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	509.1	2,562.0	403.2	2,967.7	15.8
Operating Exp.	3,601.2	2,861.9	(20.5)	3,360.0	17.4
Operating Profit	1,126.9	1,333.4	18.3	1,427.0	7.0
Total Interest	228.8	330.2	44.3	314.0	(4.9)
Gross Profit	898.1	1,003.2	11.7	1,113.0	10.9
Net Dep.	37.0	41.7	12.7	50.6	21.3
Total Taxation	306.8	342.1	11.5	367.5	7.4
Net Profit/Loss	554.3	619.4	11.7	694.9	12.2

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS	4,588.9	5,850.5	7,306.3	7,013.4
Equity Share capital	271.8	271.8	271.8	271.8
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	2,939.6	3,448.1	4,063.1	4,716.2
Secured Loans	672.1	1,219.5	1,511.4	1,191.0
Unsecured Loans	705.4	911.1	1,460.0	834.4
USES OF FUNDS	4,588.9	5,850.5	7,306.3	7,013.4
Gross Block	609.2	639.1	355.7	373.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	314.3	346.2	11.1	43.3
Net Block	294.9	292.9	344.6	330.3
Capital Work in Progress	0.0	13.8	0.0	0.0
Investments	200.2	120.2	119.9	354.5
Current Assets	4,363.9	5,689.7	7,333.6	6,676.7
Less : Current Liabilities	273.6	292.3	532.7	346.5
Total Net Current Assets	4,090.3	5,397.4	6,800.9	6,330.2
Misc. Expenses not writtenoff	3.5	26.2	40.9	(1.6)
NOTE				
Book Value of Unquoted Investments	200.2	120.2	119.9	354.5
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	46.4	49.5	43.9	167.4
Dividend (%)	12.0	14.0	14.0	15.5

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 18	Jun 18	Sep 18	Dec 18
Net Sales	1,179.2	1,133.0	1,581.0	1,466.6
Cost Of Sales	796.5	737.4	1,152.1	1,104.7
Operating Profit	382.7	395.6	428.9	361.9
Other Income	3.4	1.4	4.1	5.3
Adjusted PBDIT	386.1	397.0	433.0	367.2
Financial Expenses	71.2	61.2	56.2	65.4
Depreciation	12.7	13.2	13.8	14.2
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	302.2	322.6	363.0	287.6
Tax Charges	103.5	120.5	127.0	84.6
Reported Profit	198.7	202.1	236.0	203.0
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	198.7	202.1	236.0	203.0

52 Week Index Relative Percentage Appreciation



Shemaroo vs SENSEX

Risks Associated

- ➔ Acquire content rights from various producers required more bargaining skill to bargain the cost of content if the company does not bargain well, ultimately the cost will be high. This high cost will impact the bottom line.

Scope of Growth

- ➔ In Q3FY19 added another big show in its comedy catalog with the launch of BHARTI KA SHOW-ANAHI PADEGA. It will be available on Company's comedy services on DTH platforms like Tata Sky Comedy, Comedy Gali on Airtel Digital TV, Comedy Active on Dish TV and Comedy Active on Videocon D2H.
- ➔ Advancements in digital infrastructure, increasing penetration from non-urban areas, cheaper data and high adoption of mobile phones has contributed to growth in digital advertising. Company's digital media revenue also growing drastically as compared to Traditional Media.
- ➔ Shemaroo was one of the early Indian media companies to syndicate its library in the high growth digital media platforms, thereby gaining early mover advantage.
- ➔ Shemaroo has agreements with various internet video platforms like YouTube, Hotstar, Reliance Jio, Apple iTunes, Google Play, YuppTV, etc and also agreements with major telecom operators, namely Airtel, Vodafone, Idea, etc. This agreement will raise the company's revenues.
- ➔ During the Q3FY19, Company launched a new over-the-top (OTT) streaming service ShemarooMe. It will not go aggressive on promoting the app independently as it looks to partner with key telecom companies, cable, and direct-to-home firms both domestic and international, to have the service integrated with them.
- ➔ The video watching user base is expected to increase from 20% of the wireless subscribers in India in 2016 to 40% by 2020.

In a Nutshell

Shemaroo offering content in multiple countries, across digital and traditional media platforms. Through its presence on YouTube and relationships with many leading international, traditional and digital platforms across geographies like USA, Europe, South East Asia, Africa, Australia, UAE etc. It also provides content to leading airlines across the globe which has helped it to reach out to a wider global audience. Due to the fragmented movie production industry, it adds significant value to both the distribution platforms as well as content right owners by bridging the gap. The company has strong relationships with various media houses on one hand and distribution platforms on the other. The Indian producers' group includes; R.K. Films, Red Chillies Entertainment, Tips Industries Ltd, Viacom 18, Nadiadwala Grandson Entertainment etc. It also has excellent partnerships across traditional distribution platforms like satellite, terrestrial and cable television as well as emerging digital media platforms like Mobile, Internet, OTT etc. Some of the Key Operational Highlights are; Crossed 18 million subscribers on YouTube channel FilmiGaane, crossed 13 million subscribers to YouTube channel ShemarooENT, Signed a content deal with PEO TV an IPTV of Sri Lanka Telecom, Announced the brand name of Shemaroo's upcoming OTT platform Shemaroo ME target launch in Q4FY19 and Launched Bhagavad Gita on Amazon Alexa in process of launching in USA. The company plans to increase its B2C presence amongst consumers in the next few years by offering innovative future ready products and services. The new launches and increasing subscriber of YouTube will generate revenues for coming periods.

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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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