

March 23, 2016

Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai-400 051.	Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai-400 023.
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Sir/Madam,

**Sub: SHEMAROO ENTERTAINMENT LIMITED - ISIN: INE363M01019 -
Symbol: SHEMAROO**

Re: Intimation of Credit Rating under Regulation 30 (6) of the SEBI (LODR), Regulations, 2015

This is to inform you that **India Ratings and Research (Ind – Ra)** has assigned its 'IND A' rating to the **Long term bank facilities of Shemaroo Entertainment Limited.**


Please find enclosed herewith Press Release in regards to the same.

This is for your information and records.

Thanking you,

Yours faithfully,

For Shemaroo Entertainment Limited



Ankit Singh
Company Secretary & Compliance Officer
Membership No.: F8438

India Ratings Assigns Shemaroo Entertainment 'IND A'; Outlook Stable

23

By [Ruchi Shah](#)

MAR 2016

India Ratings and Research (Ind-Ra) has assigned Shemaroo Entertainment Limited (Shemaroo) a Long-Term Issuer Rating of 'IND A' with a Stable Outlook. A full list of rating actions is at the end of this commentary.

KEY RATING DRIVERS

Relatively Less Risky Business Model: Theatrical, television and overseas release generate 90%-95% revenue for a movie in the first cycle of its launch, where Shemaroo is not typically present. The company is mainly present in the second and subsequent cycles of film monetisation, which contributed around 80% to its total revenue in FY15. The company thus minimises the revenue risk, as the performance of the content is visible in the first cycle. It has a large content library with rights of more than 3,000 titles of Hindi movies, regional movies and special interest content. Further, Shemaroo caters to diverse distribution platforms of television, digital & new media, home entertainment and other media, the depth and width of which also reduce the overall business risk.

New Media segment, Key Driver for Growth: Revenue from the new media segment had grown 77% yoy to INR458m in FY15 and the segment contributed 16% to the total revenue at end-December 2015. Ind-Ra expects the growth in revenue from the new media segment to continue on account of rising internet and smartphone penetration, improving high-speed bandwidth, rolling out of 4G and newer platform launches.

Strong Customer Profile: The company's major customers include UTV Entertainment Television Limited, MultiScreen Media Private Limited, Star India Pvt. Ltd., Viacom 18 Media Pvt. Ltd., Zee Entertainment Enterprises Ltd. which contributed over 50% to the total revenue in FY15.

Strong Credit Metrics: The company has recorded revenue growth at a CAGR of 21.13% during FY12-FY15 to INR3,235m, while EBITDA margin have been above 24% since FY12. The company has recorded a net interest cover of 4.4x in FY15 (FY14: 3.5x) and net leverage of 1.5x (2.8x). Shemaroo is likely to maintain strong credit metrics in the medium term, on account of its well-established, less risky business model. Ind-Ra expects Shemaroo's credit profile to weaken marginally in FY16 on account of an increase in debt levels.

Stretched Working Capital Cycle: Net working capital cycle was stretched in FY15 at 626 days (FY14: 560 days), mainly because of high inventory days of 516 (431) on account of increasing investments in film copyrights. Trade receivable days decreased to 136 days in FY15 from 185 days in FY14, due to revenue growth in the new media

segment, where credit period given to customers is shorter. Hence, the company has negative cash flow from operations (as calculated by Ind – Ra). Ind-Ra expects the working capital cycle to stretch further on account of the company's plan to increase investments in inventory to further expand in the new media segment. However, the agency expects incremental inventory days to increase in the range of 40-50 days compared to the FY15 levels.

Risk of Acquiring Content: Acquiring content at competitive price is the main aspect of the company's business, failing which will affect its business prospects severely. Intensified competition from both new and existing players in the films and television media segments in recent years has led to an increase in content acquisition costs due to limited content pool. Further, while acquiring content, there is a risk of copyright claims from third parties for infringement of intellectual property rights.

RATING SENSITIVITIES

Negative: Sustained deterioration in the cash flow from operations and working capital cycle coupled with deterioration in the profitability and revenue growth or the net leverage exceeding 3x will lead to a negative rating action

COMPANY PROFILE

Established in 1962, Shemaroo is engaged in the business of content acquisition, value addition to the content and content distribution for satellite channels, physical formats and emerging digital technologies such as the mobile, internet, broadband, IPTV and DTH among others. The company has three wholly owned subsidiaries, namely, Shemaroo Entertainment INC (USA), Shemaroo Entertainment (UK) Private Limited, and Shemaroo Films Private Limited and 1 (One) Associate company, Vistaas Digital Media Private Limited.

Shemaroo's ratings:

- Long-Term Issuer Rating: assigned 'IND A'; Outlook Stable
- INR1000m fund-based loan: assigned 'IND A'; Outlook Stable
- INR450m term loan: assigned 'IND A'; Outlook Stable

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

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Rating Outstanding

(As on 23/Mar/2016)

Long Term Issuer Rating	IND A / Stable	
Fund Based Working Capital Limit	IND A / Stable	INR 1000 m
Term loan	IND A / Stable	INR 450 m

Applicable Criteria

Corporate Rating Methodology

Analyst Names

Primary Analyst

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Analyst

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