



Ref No.: SEL /CS/Reg. 30 – LODR / April -2017 / 02

April 10, 2017

Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra-Kurla Complex
Bandra (E), Mumbai-400 051.
NSE Symbol: SHEMAROO

Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai-400 023.
Scrip Code : 538685

Dear Sir/Madam,

Re: SHEMAROO ENTERTAINMENT LIMITED - ISIN: INE363M01019

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

Pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015 read with schedule III thereof, we would like to inform you that the following rating agency(ies) has assigned its below ratings to **Long term bank facilities** of Shemaroo Entertainment Limited:

Rating Agency	Rating/Outlook	Facilities
CARE Ratings	CARE A; Stable	Long term Bank Facilities
India Ratings & Research (Ind – Ra)	IND A; Stable	

The Letter/Press Release of the aforesaid rating agency(ies) are enclosed for your ready reference. The same is also disseminated on the website of the Company i.e. www.shemarooent.com.

This is for your information and records.

Thanking you,
Yours faithfully,

For Shemaroo Entertainment Limited



Dipesh U. Gosar
Company Secretary & Compliance Officer
ICSI Membership No.: A23755

Enclosure: A/a

India Ratings Affirms Shemaroo Entertainment at 'IND A'; Outlook Stable

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By [Ruchi Shah](#)

APR 2017

India Ratings and Research (Ind-Ra) has affirmed Shemaroo Entertainment Limited's (Shemaroo) Long-Term Issuer Rating at 'IND A'. The Outlook is Stable. Instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based limit	-	-	-	INR1,250 (increased from INR1,000)	IND A/Stable	Affirmed
Term loan	-	-	April 2019 – March 2020	INR225 (reduced from INR450)	IND A/Stable	Affirmed

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. In the first cycle, the company is only present in the new media and home video movie distribution to a smaller extent, which contributes towards the remaining 5%-10% of the revenue. It is mainly present in the second and subsequent cycles of film monetisation, which contributed around 80% to its total revenue in FY16. 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 3,400 titles of Hindi movies, regional movies and special interest content. Further, Shemaroo caters to diverse distribution platforms of television, digital and new media, home entertainment and other media, the depth and width of which also reduce the overall business risk.

New Media Segment Drives Growth: Revenue from the new media segment grew 48% yoy to INR676 million in 9MFY17 and contributed about 20% to the total revenue. Ind-Ra expects the revenue growth in the segment to continue over FY17-FY18, although at a slower pace on account of rising internet and smartphone penetration, improving high-speed bandwidth, and further penetration of 4G and newer platform launches.

Strong Customer Profile: The company's major customers include Google International, MultiScreen Media Private Limited, Star India Pvt. Ltd, Viacom 18 Media Pvt. Ltd and Zee Entertainment Enterprises Ltd., which contributed around 50% to the total revenue in FY16.

Strong Credit Metrics: Revenue grew at a CAGR of 18.83% during FY11-FY16 to INR3,749 million, while EBITDA margin has been above 24% since FY12. Interest cover was 5.1x in FY16 (FY15: 4.3x) and net leverage was 1.9x (1.5x). Ind-Ra expects that Shemaroo will maintain strong credit metrics in the medium term, on account of its well-established, less risky business model and stabilisation of its expansion plans, limiting additional requirement of funds for acquiring content.

Stretched Working Capital Cycle, likely to Improve: Net working capital cycle remained elongated at 711 days in FY16 (FY15: 626 days). The increase in inventory days to 625 in FY16 (FY15: 516) on account of increasing investments in film copyrights offset the decline in receivables days to 100 (136). This was because some receivables were realised closer to year end. Although this was a one-time event, Ind-Ra expects the working capital cycle to improve over FY17-FY18, on account of a reduction in inventory days with the stabilisation of expansion. The company has been consistently recording negative cash flow and free cash flow for the past six years on account of its expansion plan which requires a higher inventory instead of investment in fixed capital. Ind-Ra expects cash flow from to turn positive by FY19, on account of a reduction in its working capital cycle.

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

RATING SENSITIVITIES

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

Positive: A substantial improvement in the working capital cycle and the consequent improvement in the operating cash flow (as per agency's calculations), while maintaining healthy profitability margin and credit metrics will lead to a positive rating action.

COMPANY PROFILE

Established in 1962, Shemaroo is engaged in 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.

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Outstanding Limits (million)	Rating	23 March 2016
Issuer rating	Long-term	-	IND A/Stable	IND A/Stable
Fund-based limits	Long-term	INR1,250	IND A/Stable	IND A/Stable
Term loan	Long-term	INR225	IND A/Stable	IND A/Stable

COMPLEXITY LEVEL OF INSTRUMENTS

Bank facilities are instruments with low complexity levels, where the relationship between the inherent risk factors and intrinsic return characteristics is straightforward.

For more information, visit <https://www.indiaratings.co.in/complexity-indicators>

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.

ABOUT INDIA RATINGS AND RESEARCH

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Applicable Criteria

Corporate Rating Methodology

Analyst Names

Primary Analyst

Ruchi Shah

Analyst

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CARE/HO/RL/2016-17/4739

Mr. Hiren Gada
Director
Shemaroo Entertainment Limited
Shemaroo House, 18, Marol Co-op Estate,
Off Andheri Kurla Road,
Andheri (E), Mumbai – 400059

March 27, 2017

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY16 (audited) and 9MFY17 (unaudited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long term Bank Facilities – Term Loan	31.50 (reduced from 45)	CARE A; Stable (Single A; Outlook:Stable)	Reaffirmed
Long term Bank Facilities – Cash Credit	125.00 (enhanced from 100)	CARE A; Stable (Single A; Outlook:Stable)	Reaffirmed
Total	156.50 (Rupees One hundred fifty six crore and fifty lakhs only)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for this rating will be communicated to you separately.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

ATP

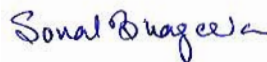
¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



[Sonal Bhageria]

Dy Manager

sonal.bhageria@careratings.com



[Arunava Paul]

Senior Manager

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Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

JP

**Annexure 1
Details of Rated Facilities**

1. Long-term facilities

1.A. Rupee Term Loan

Name of Bank	Amount (Rs. Crore)	Repayment
State Bank of India	31.50	Repayable in 10 quarterly installments of Rs.4.50 crore each

1.B. Fund Based limits sanctioned by consortium of bankers

(Rs. crore)

Sr. No.	Name of Bank	Fund Based Limits		
		CC*	Bill Discounting	Total fund-based limits
1	State Bank of India	50.00	-	50.00
2	Bank of India	40.00	-	40.00
3	NKGSB Co-op. Bank Ltd.	35.00	-	35.00
	TOTAL	125.00	-	125.00

*CC=Cash credit;

Total long-term facilities (1.A+1.B): Rs.156.50 crore

VAF