

CMP: INR 124

Stock Info

BSE	538685
NSE	SHEMAROO
Bloomberg	SHEM: IN
Reuters	SHEM: BO
Sector	Entertainment
Face Value (INR)	10
Equity Capital (INR Cr)	27.2
Mkt Cap (INR Cr)	395
52w H/L (INR)	206 / 101
Avg Daily Vol (in 000')	81

Shareholding Pattern %

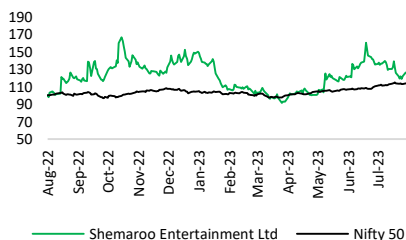
(As on June 2023)

Promoters	65.88
FII	0.09
Public & Others	34.03

Stock Performance (%)

	1m	6m	12m
Shemaroo	-7.67	16.23	26.96
Nifty 50	0.53	9.97	10.76

Shemaroo vs Nifty 50



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Shemaroo Entertainment Limited distributes content for Satellite Channels, Physical Formats, and Emerging Digital Technologies such as Mobile, Internet, Broadband, IPTV, and DTH, among others. The company is in ratio of 60:40 as 60% in traditional and 40% in digital in FY23 against 80% traditional and 20% in digital during 2018. Shemaroo GEC channels have a viewership share of around 7% in the overall Hindi GEC genre. Launched the Company's fourth satellite Free-to-Air channel named 'Chumbak TV' in May 2023; the channel is currently available on DD Freedish and select cable operators.

Investment Rationale

Anticipate achieving full inventory utilization going forward: Monetization commenced in Q2 with July marking the inaugural monetization month. The company anticipate achieving full inventory utilization by this quarter-end, having positioned this cost-efficient distribution channel to address a specific yet modestly profitable market gap, strategically enhancing network's overall offerings

Enhanced monetization of its B2C businesses: The Company achieved significant revenue growth of 60% YoY primarily driven by enhanced monetization of its B2C businesses. This growth is in line with strategic growth plan, driven by new business initiatives and investments.

Good traction on ShemarooMe Gujarati front: The company released 15 new titles in Q1FY24 with content across movies, web series and plays. They had the digital world premiere of blockbuster movies like Chal Man Jeetva Jaiye 2, Aum Mangalam Singlem and Anokhee. Company launched ShemarooMe with Grameenphone in Bangladesh and Ooredoo in Oman.

Strong leadership led to drive future growth: Shemaroo has appointed Arpit Mankar Non-Bollywood Category and Abhishek Joshi will be Head of ShemarooMe, the OTT platform of Shemaroo. As Head of Non-Bollywood Category, Arpit Mankar will be responsible for various regions in India and abroad. Arpit comes with over 20 years of experience in the Media & Entertainment industry. In his last stint at Disney-Star, he served in key positions including Head of Programming Strategy for Star Plus and General Manager.

Millions of subscriber in digital platform: On YouTube, viewership continued to improve and with 65 million subscribers, Shemaroo Filmi Gaane is the 22nd most subscribed channel in the world.

View

As the demands were down in Q1FY24 the company faced a lower margin EBITDA but as the demand increases we can see higher margins and higher profitability. The company is optimistic about its top-line growth since it anticipates significant potential in the future. There may be a few more quarters with lower profitability and stronger growth because the company is currently concentrating on cash flow and scaling rather than profitability. The company dominates the Gujrat market and has the highest OTT viewership for Gujrati shows. They have also invested in this sector and will do so in future. The move of Shemaroo Entertainment from traditional media to digital media is still happening. This can be a challenging time for the company as they are focusing on scaling and expanding whereas the market is expecting profitability from them. The business also has plans to broaden its channel into overseas markets, and it anticipates seeing the results of these initiatives in FY25.

About the Current development: Shemaroo denies INR 700 MN tax fraud, plans to contest CGST department's claim, citing illegal arrest and asserting full compliance with statutory dues.

Financial Performance

Particulars (In Mn)	FY20	FY21	FY22	FY23
Revenue	5,086	3,111	3,814	5,566
EBITDA	722.4	125.6	358.3	472.8
EBITDA margin	14.2%	4.0%	9.4%	8.5%
PAT	320.4	-218.9	50.6	95.5
EPS	11.09	-7.9	1.94	3.44
EV/EBITDA	4.65	31.52	15.98	11.74
ROE (%)	5.04	-3.72	0.9	1.58
ROCE (%)	11.62	1.06	5.26	7.52

Source: Arihant Research, Company Filings

Shemaroo Entertainment Ltd –Management Meeting KTAs

- The company is optimistic about its top-line growth since it anticipates significant potential in the future.
- There may be a few more quarters with lower profitability and stronger growth because the company is currently concentrating on cash flow and scaling rather than profitability.
- The company dominates the Gujrat market and has the highest OTT viewership for Gujrati shows. They have also invested in this sector and will do so in future.
- The move of Shemaroo Entertainment from traditional media to digital media is still happening.

Q1FY24 result overview

The company has reported operating revenue of INR 1535 Mn (Digital Media: 575 Mn, Traditional Media: 960 Mn) in Q1 FY24, with 60% YoY growth. The company's EBITDA was INR 78 Mn with a margin of 5.06%, declining by -520bps QoQ and -342bps YoY, which resulted in a decline of PAT margin of -112bps YoY. Shemaroo Entertainment has recorded a loss of -13Mn in Q1 FY24 from 2Mn in Q1 FY23. Due to low demand across traditional and digital platforms as well as IPL's availability for free on these platforms, the company's margins were under pressure. Additionally, a lot of sponsors switched their budgets over to the IPL. Shemaroo Entertainment has invested 1250Mn in the new digital entertainment industry this quarter and will be investing 7500Mn in FY24. The company has an EPS of INR -.49/share in Q1 FY24.

Margin

The company was witnessing continued slowdown in funding for new age advertisers, resulting in reduced advertising spend. The Company anticipates margins to continue and to remain under pressure in the near future due to weak advertising spends as well as expenses incurred on the new initiatives. The company is positive for the upcoming festive season

Broadcasting

In the broadcasting segment, launched the Company's fourth satellite free-to-air Channel named Chumbak TV in May 2023. This channel is currently available on DD Free Dish and select cable operator and expect the monetization to commence from the Q1, which is Q2. Shemaroo Umang increases original programming offering to 2 hours with the launch of its original productions, Shravani and Kundali Milan, which replaced Raazz Mahal during this Q1FY24. Shemaroo GEC channels have a viewership share of ~7% in the overall Hindi GEC genre.

Shemaroo FAST Channel

Shemaroo launched ad-supported channels on Sling TV in the USA and Seven Network in Australia, while facing margin pressure due to lower ad spend despite growing viewership; anticipates improved advertiser spends in H2FY24 with cooling inflation and rising FMCG sales.

Important Highlights

- Chumbak TV, the company's fourth satellite Free-to-Air channel, was launched in May 2023, it is now accessible on DD Freedish and through some cable operators. The channel is a low-cost channel, monetization for the same will start from Q2FY24. It could be profitable by Q3FY24.
- With the release of its original productions Shravani and Kundali Milan (which replaced Raaz Mahal) during the quarter, the company's Umang segment increased its original programming offering to 2 Hours.
- Shemaroo FilmiGaane is the 22nd most subscribed channel in the world with 65 mn subscribers. With 5.5 bn views in the month of June, the YouTube channel's monthly views are also rising.
- In Q1FY24, ShemarooMe Gujarati launched 15 new titles, including plays, web series, and movies.
- In the entire Hindi GEC genre, the company has a viewing share of about 7%.
- The company has launched Shemaroo's FAST channels in Australia and the United States in collaboration with Seven Network and Sling TV, respectively this gives the company a new market to capture.

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Stock Rating Scale**Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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