

CMP: Rs 358

Rating: ACCUMULATE

Target: Rs 421

Stock Info

INDEX	
BSE	538685
NSE	SHEMAROO
Bloomberg	SHEM IN
Reuters	SHEM.NS
Sector	Entertainment
Face Value (Rs)	10
Equity Capital (Rs cr)	27
Mkt Cap (Rs bn)	970
52w H/L (Rs)	540 / 325
Avg Weekly Vol (BSE+NSE)	67,270

Shareholding Pattern

	%
(As on March, 2019)	
Promoters	65.8
Public & Others	34.2

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
SHEMAROO	3.5	-22.5	-15.2
SENSEX	3.7	5.3	4.4

Source: ACE Equity, Arihant Research

SHEMAROO v/s SENSEX



Source: ACE Equity, Arihant Research

Result Highlights

Shemaroo (SHEM) reported mixed set of operational performance in Q4FY19 led by stronger product mix (higher digital mix). Net sales grew by 11.7% YoY and 8% QoQ to Rs 132 Cr which was largely led by strong revenue growth from digital media (34% of sales) which grew by 29.1% YoY. The traditional media (66% of sales) grew at a slower pace of 4.5% YoY. EBITDA was up by 11.6% YoY and was impacted by higher staff costs (+48% YoY). EBITDA margins stood at 31% (flat YoY). PAT grew by 11.7% to Rs 20.6 Cr. PAT margins stood at 15.6% (flat YoY).

For FY19, net sales grew by 16% YoY to Rs 568 Cr mainly led by strong digital revenue growth of digital media revenue (+54% YoY) while the traditional media grew at a modest pace of 11% YoY to Rs 396 Cr. The revenue mix is has seen a steady shift from traditional to digital media which now forms 30% of revenue. EBITDA stood at Rs 158 Cr (+11% YoY). EBITDA margins declined by 128 bps to 27.8% and was impacted by higher staff costs (+39% YoY) and other expenses (+31% YoY). PAT stood at Rs 82.7 Cr (+16.1% YoY) on account of lower depreciation (+9% YoY) and finance costs (-17% YoY). We believe, the increasing digital mix augurs well for Shemaroo, however, the industry remains competitive on account of new entrants and new content addition on a sustained level to keep viewers engaged appears to be a challenge for the industry.

Concall highlights

- In Q4FY19, traditional revenue growth was impacted by the revised regulatory changes by TRAI where the distribution revenue mix was regularised and management expects growth to be normalized by next two quarters.
- During the quarter, SHEM launched its OTT video streaming platform 'ShemarooMe' offering content across genres such as bollywood, gujarati, devotion, punjabi and kids.
- SHEM partnered with vodafone Idea to offer ShemarooMe's content library for its users. It crossed 21 million subscribers on YouTube channel 'FilmiGaane' and 15 million subscribers on its YouTube channel 'ShemarooENT'.
- Further, in Apr 2019, SHEM acquired a 50% stake in Dominiche Productions for Rs9 Cr which is one of the leading players in astrology segment. Astrology being vastly unorganized offers significant opportunity over next couple of years.

Outlook and valuation

We believe over the medium term, SHEM will continue to focus towards the digital revenue mix through OTT platform and youtube however, the industry remains competitive and content addition on a sustained level remains a key monitorable. At CMP of Rs 358 stock trades at 9.3x FY20E. We recommend an ACCUMULATE rating on the stock and value it at 11x FY20E for a target price of Rs 421 with upside of 18%.

Financial Snapshot

Particulars (Rs Cr)	2018	2019	2020E
Revenue	489	568	653
EBITDA	142	158	185
Net Profit	71	83	104
EPS	26.2	30.4	38.3
ROE	15%	15%	18%
P/E	13.7	11.8	9.3

Source: Company, Arihant Capital Markets

Quarterly Results					
Particulars (Rs cr)	Q4FY19	Q4FY18	YoY %	Q3FY19	QoQ %
Revenue	132.2	118.4	11.7%	149.0	-11.3%
Expenditure	91.2	81.6		113.7	
EBITDA	41.0	36.8	11.6%	35.3	16.2%
EBITDA Margin	31.0%	31.1%		23.7%	
Depreciation	1.4	1.3		1.4	
Operating Profit	36.7	35.5	3.6%	33.9	8.5%
Interest	7.3	7.1		6.5	
PBT	33.1	28.8		27.3	
Tax	12.5	10.4		7.9	
Net Profit	20.6	18.4	11.7%	19.4	6.1%
PAT Margin	15.6%	15.6%	0.0%	13.0%	
EPS	7.6	6.9		7.1	

Divisional Performance (Consolidated) (Rs cr)					
Divisional Performance	Q4FY19	Q4FY18	YoY %	Q3FY19	QoQ %
Digital Media	44.8	34.7	29.1%	42.6	5.2%
Share in Revenue	33.9%	29.3%		28.6%	
Traditional Media	87.4	83.6	4.5%	106.3	-17.8%
Share in Revenue	66.1%	70.6%		71.4%	
Total Income from operations	132.2	118.4	11.7%	149.0	-11.3%

Source: Company, Aриhant Capital Markets

Income Statement			
Particulars (Rs cr)	2018	2019	2020E
Revenue	489	568	653
Expenditure	347	410	468
EBITDA	142	158	185
Depreciation	5	6	6
Operating Profit	108	128	155
Interest	31	26	26
PBT	108	128	155
Tax	37	46	51
Net Profit	71	83	104

Cashflow Statement			
Particulars (Rs cr)	2018	2019	2020E
Net Profit	71	83	104
Non-Cash items	36	31	32
Working Capital changes	-35	-88	-119
CFO	109	72	68
CFI	-7	-1	0
CFF	-115	-21	-32
Change in Cash	-12	49	36
Opening Cash	14	1	50
Closing Cash	1	50	87

Balance Sheet			
Particulars (Rs cr)	2018	2019	2020E
Share Capital	27	27	27
Reserves & Surplus	469	545	569
Non-Current Liabilities	7	7	7
Current Liabilities	234	256	260
Total Liabilities & Equity	735	830	860
Total non-current assets	32	31	31
Current Assets	688	786	814
Cash & Bank	1	50	87
Total Assets	735	830	860

Ratios			
Particulars (Rs cr)	2018	2019	2020E
Revenue Growth	17.8%	16.2%	15.0%
EBITDA Margin	29.1%	27.8%	28.4%
Pat Margin	14.6%	14.6%	15.9%
ROE	15.4%	15.5%	17.8%
D/E	0.38	0.35	0.32
Current Ratio	2.94	3.07	3.13
EPS	26.21	30.41	38.32
DPS	1.55	1.55	1.55
P/E	13.7	11.8	9.3

Source: Company, Aриhant Capital Markets

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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%

Research

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