



Shemaroo Entertainment Limited

Investor Presentation – August 2015



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Executive Summary

Overview

- Shemaroo Entertainment Ltd is a well established and reputed media content house in India, with activities in Content Acquisition, Value Addition to Content and Content Distribution.
- The company was co-founded by Mr. Budhichand Maroo as a book circulating library in 1962, and moved on to setting up one of India's first movie video cassette rental business in 1979.
- Over the years Shemaroo has become one of the largest independent content aggregators in India, distributing its content through different existing and emerging media platforms like Broadcasting channels, new media platforms like mobiles, internet etc, Home Video, In flight entertainment etc.
- The company is listed on both NSE and BSE and has a current market cap of around INR 7.6 Bn.

Business

- Shemaroo acquires content with either Perpetual rights (complete ownership) or Aggregated rights (limited ownership)
- The company distributes and monetizes this content across different media platforms.
- The current content library stands at around 3,000 titles.

Notable Content Library

- **Perpetual Titles (Hindi)** – Amar Akbar Anthony, Anari, Dil, Disco Dancer, Ishiqiya, Khuda Gawah, Namak Halal
- **Aggregated Titles (Hindi)** - Mughal-E-Azam, Jab We Met, Don, Anand, Sarfarosh, Shahenshah, The Dirty Picture

Financial Performance

- **Total Income** in FY15 reported at INR 3,247 Mn; 3 year CAGR of 20%
- **EBITDA** in FY15 reported at INR 881 Mn; 3 year CAGR of 20%
- **Net Profit** in FY15 reported at INR 409 Mn; 3 year CAGR of 26%

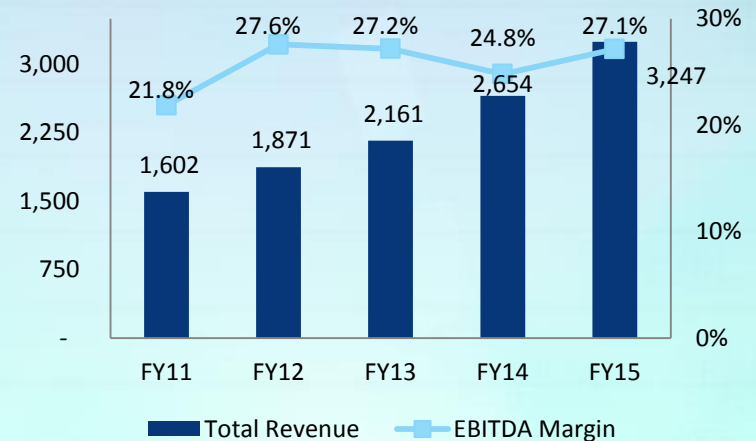


Company Overview

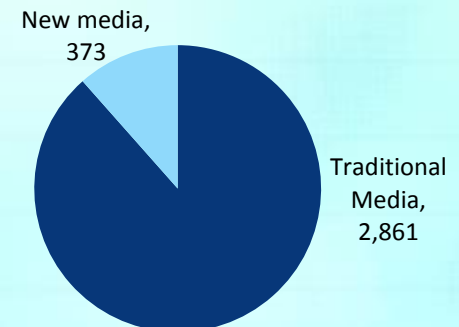
About Shemaroo

- Founded in 1962 as a book circulating library, today Shemaroo is an established integrated media content house in India with activities across content acquisition, value addition to content and content distribution.
- The company is headquartered out of Mumbai and employees over 300 people.
- **The Company is one of the largest independent content aggregators with a library of around 3,000 titles, which it distributes across various existing and emerging media platforms.**
- Identifying that movies have the longest shelf life for television and other media content, Shemaroo pioneered the movie library syndication business by acquiring movie titles from producers and distributing it to broadcasters and other media platforms.
- Shemaroo has grown multifold over the years by developing excellent relationships with producers and also the broadcasting networks, thereby becoming the largest organized player in a historically fragmented industry.

Total Revenue (INR Mn)



FY15 Revenue Distribution (INR Mn)



Milestones



1962-2000

1962 - Started book circulating library in Mumbai

1987 - Home Video Distribution started

1993 - Broadcast Syndication started

2000 - 2005

2001- Digital Post production started

2003 – Entered Overseas markets for distribution

2005 – Commenced acquiring of perpetual rights

2006 - 2009

2008 - Commenced content aggregation and distribution for MVAS platforms

2009 - Commenced distributing content over New Media platforms like YouTube.com

2011 onwards

2011- Achieved a total of 600 perpetual right titles and converted to Public Limited

2012 – Completed 50 years

2014 – Got listed on BSE and NSE



Experienced Leadership



Buddhichand Maroo, Chairman

Co-founder of the group and associated with the Group since 1962, over 50 years of business experience, over 30 years in media & entertainment industry



Raman Maroo, Promoter, MD

Co-founder of the Group and associated with the Group since 1974 . Over 40 years of business experience, Over 30 years in media & entertainment industry and Instrumental in expansion into television rights syndication and transformation of Shemaroo into a content house



Atul Maru Promoter, Joint MD

Over 30 years of experience in the media and entertainment industry, Actively involved in the operations of the Company and has spearheaded various initiatives including the home video division of the Company



Hiren Gada, Whole Time Director & Chief Financial Officer

Over 18 years of work experience, Over 10 years in media & entertainment Industry, Handles the Strategy and Finance functions in the Company Regular speaker at industry forums; quoted in media on issues pertaining to the industry



Jai Maroo , Non Executive Director

Experience - 4 years as a software engineer and Over 10 years in media & entertainment . Holds a masters degree in computer science and engineering from Pennsylvania State University, U.S.A, worked with Citrix Systems Inc., USA investor in several technology ventures. Guiding the Company on digital distribution activities mainly on mobile and internet

Independent Directors



Gnanesh Gala, Independent Director

Graduated with a B.Com degree from the University of Bombay in 1982. He is the Managing Director of Navneet Education Limited



CA Reeta Bharat Shah, Independent Director

She has over 27 years of experience in the field of education & administration in various capacities and is currently the HOD (accountancy) at SIES College of Commerce & Economics. She has written articles in various magazines/books & is a regular speaker, panel member & trainer at various conferences/seminars



Vasanji Mamania , Independent Director

Holds a diploma in mechanical engineering from M.S. University, Baroda. Over 52 years of experience in various industrial sectors including film processing, civil constructions, heavy engineering and non -ferrous metals and also Co-founder of Adlabs



Shashidhar Sinha, Independent Director

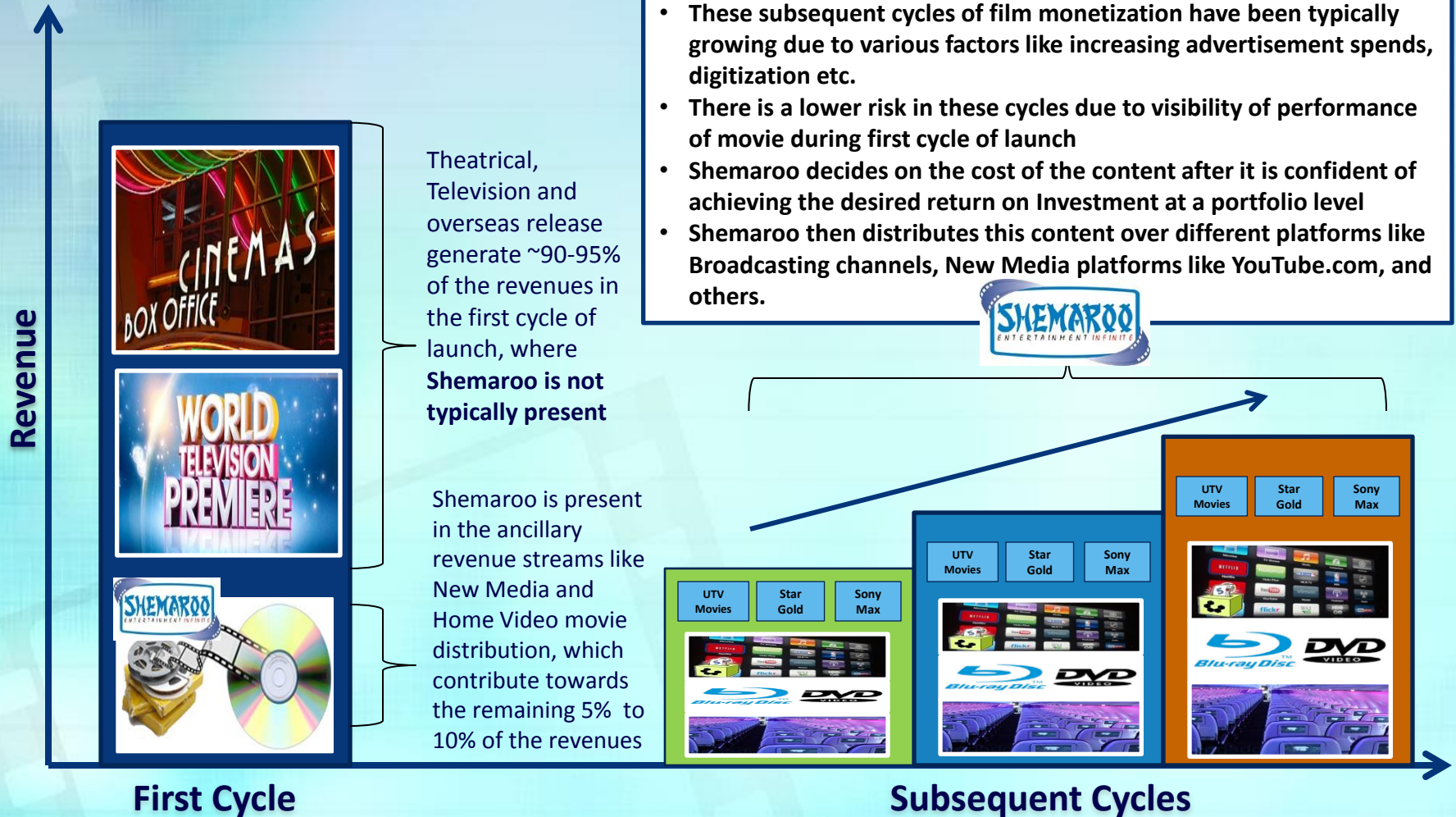
B.Tech from IIT Kanpur and post graduate from IIM Bangalore, India Drives Advertising Standards Council of India, AAAI's Indian Broadcasting Federation joint body on industry practices, Audit Bureau of Circulation and the Joint Industry Body set up to monitor TV measurement CEO of Lodestar Um India



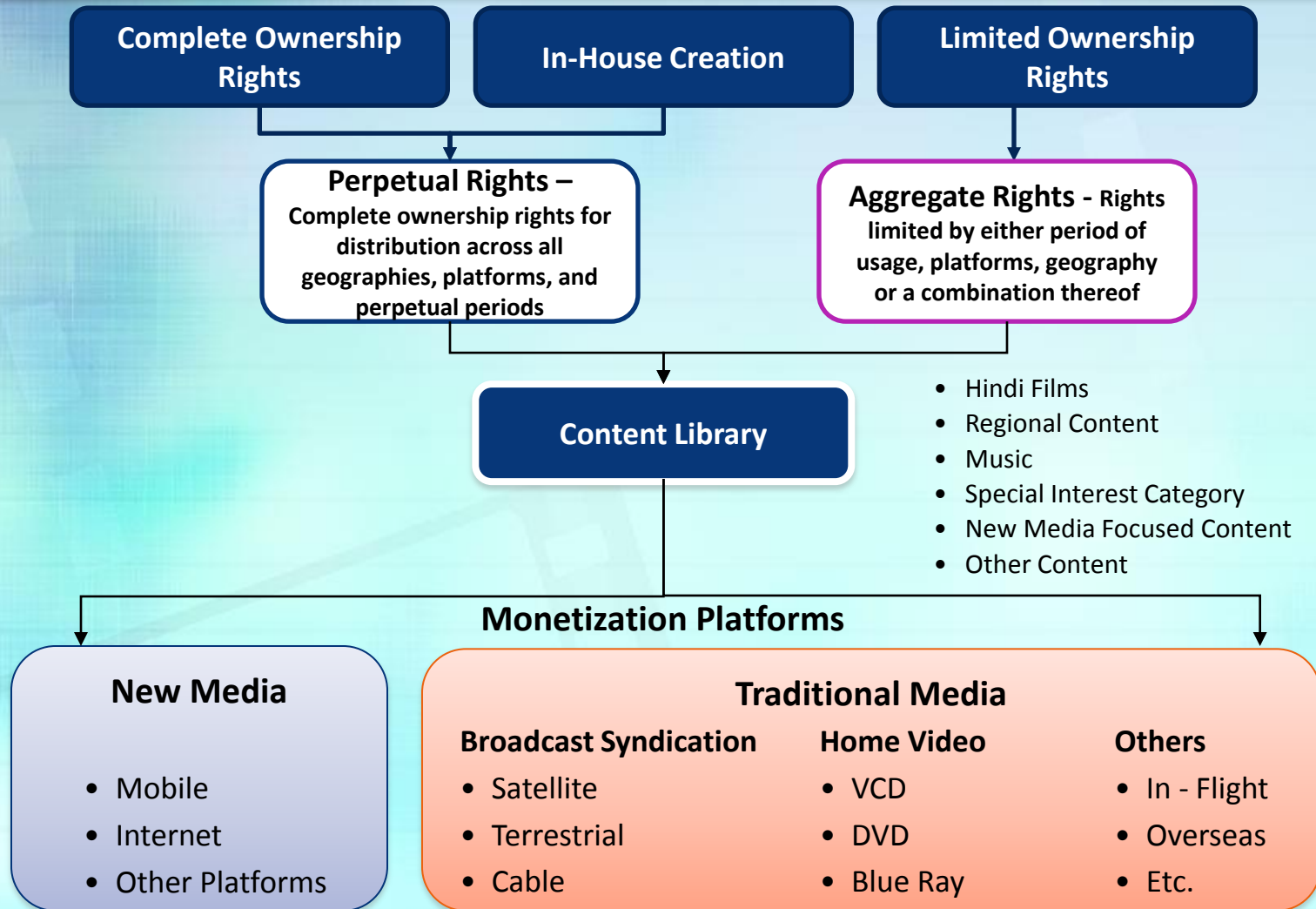
Kirit Gala , Independent Director

Mechanical Engineering from Mumbai in 1984, MBA from Mumbai in 1986 and doctoral research in marketing at Tennessee, U.S.A. in 1987 . Managing Director of Gala Precision Engineering Private Limited

Shemaroo's role in a movie lifecycle



Business Model

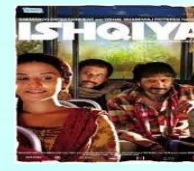
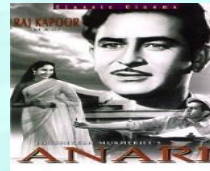
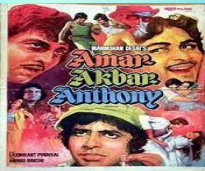


Types of Rights & Library

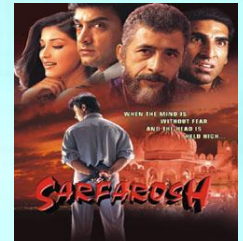
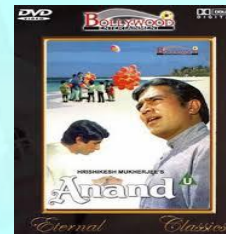
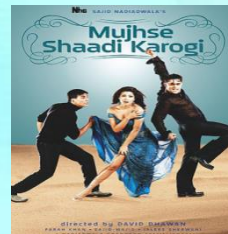
Content Library as of July 31, 2014:

Type of Content	Total Number of Perpetual Titles	Total Number of Aggregated Titles	Total Number of Titles
Hindi films	355	1289	1644
Regional Titles	364	728	1092
Special Interest content	40	142	182
TOTAL	759	2159	2918

Perpetual Rights



Aggregated Rights



Content Selection Criteria

Shemaroo uses proprietary tools and considers various other factors for content valuation as shown below. **The company purchases forward rights to movies and decides on the cost of the content after it is sure to achieve a desired return on investment at a portfolio level.**

Viewership rating



Box Office Records



Cast



Awards



Production House Track Record



Genres



Reviews



Comparable Movie Valuation



Business Partners

Shemaroo is one of the largest organized player in a historically fragmented Media Industry. The company has successfully created a niche business by creating long term trustworthy relationships with not only key movie producers, but also broadcasting channels and other media platforms. Shemaroo is the preferred partner of choice for both parties due to its industry expertise, knowledge and relationships. **The company prides that most Bollywood services that require content would have at least some content provided from Shemaroo.**

Traditional Media

UTV Movies

Star Gold

SONY Max

9X Jalwa

Mastiii

TV Today

NDTV

Doordarshan

Hathway

Planet M

Crossword

New Media

Youtube

Reliance
Comm

Daily
Motion

Airtel
Digital TV

BSNL

Airtel

Tata
Docomo

Etisalat

Producers

RK Films

Mukta
Arts

Nadiadwala
Grandson

Viacom 18 Motion
Pictures

Key Strengths

Established Brand Name

- Brand in existence for 50 years
- The “Shemaroo” brand has high consumer recall and media visibility

Diversified Distribution Platform

- Presence in television, digital new media, home entertainment and other media
- Distribution reach is a key advantage, as company is able to offer “anytime anywhere” entertainment to consumers

Experienced Directors and Management Team

- MD with ~40 years of business experience
- In-depth understanding of the film industry, deep insight on technology and market trends



Vast, Diverse and Growing Content Library

- All Bollywood services that require content would have at least some content provided from Shemaroo.
- Content Library of more than 2,900 titles spanning new Hindi films, Hindi film classics, non-film content
- Perpetual Rights of 759 films, of which 355 are Hindi

De-risked Business Model

- Large number of titles
- Width and depth of distribution Platform
- Multiple genres and types of content

Strong Industry Relationships

- Managed to create, maintain and build goodwill in the industry
- Repeated transactions with known names – SONY, STAR, Colors, R.K. Studios, Mukta Arts, Venus, Percept, etc.



Business Overview

New Media Industry

Industry Dynamics

- Internet penetration is expected to grow faster than Television penetration and reach 496 Mn users by 2017 at a CAGR of 23.3%
- Digital advertisement spends reached ~6.7 % of the total Media and Entertainment industry. Advertising revenues are expect to grow at CAGR of 32% till 2017.
- Indian digital ad spend is bound to increase from INR 22 Bn in 2012 to 87 Bn in 2017 at a CAGR of 32%. This CAGR is more than countries like China (24%), Brazil (19%), USA (10%), UK (9%) amongst others

Industry Growth Drivers

Broadband Infrastructure

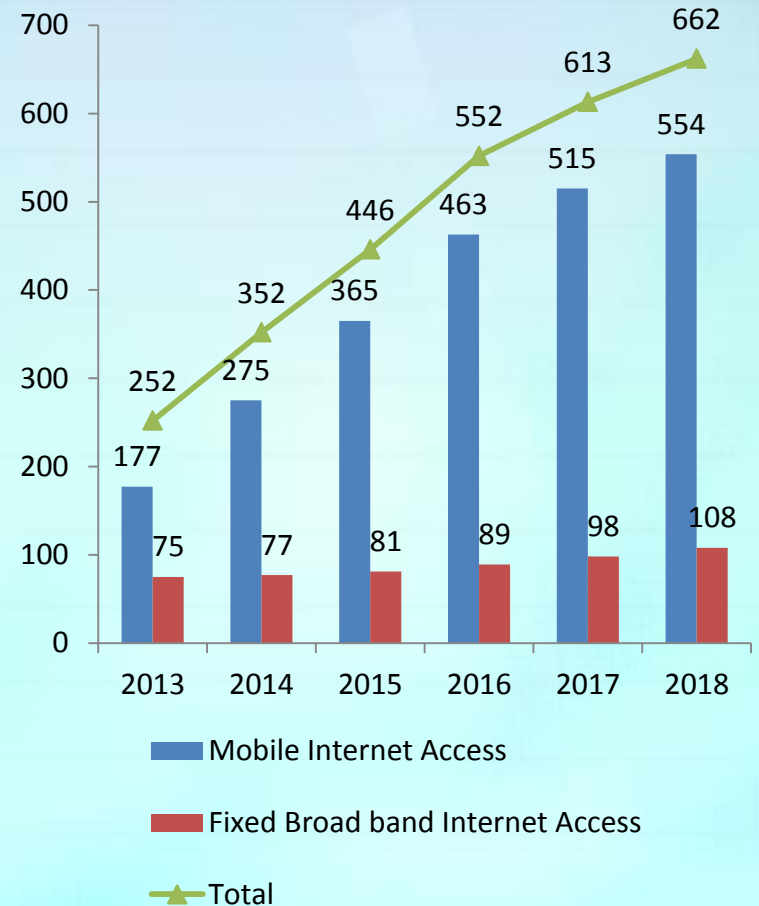
- Rollout of 4G would enhance the consumption of videos.
- National Optical Fibre rollout announced by the government

Technology

- Growing availability of sub INR 5,000 smartphones.
- Improved technology to compress, convert, store, play and forward videos, leading to consumption of content on more devices.

Source: PWC Report 2014, FICCI- KPMG Report 2013

Growth of internet users (Bn.)



New Media

- In 2005, Shemaroo was one of the first Indian media companies to syndicate its library in the high growth new media platforms, thereby garnering first mover advantage.
- The company caters to all types of revenue models like pay per transaction, subscription, advertisement supported (free to consumer) etc.
- Due to its large library ownership Shemaroo has the ability to slice and dice content and package it in different ways that are more suited for the new media platforms.

Internet :

- Shemaroo has agreements with various internet video platforms like YouTube, Spuul, Apple iTunes, Google Play etc.

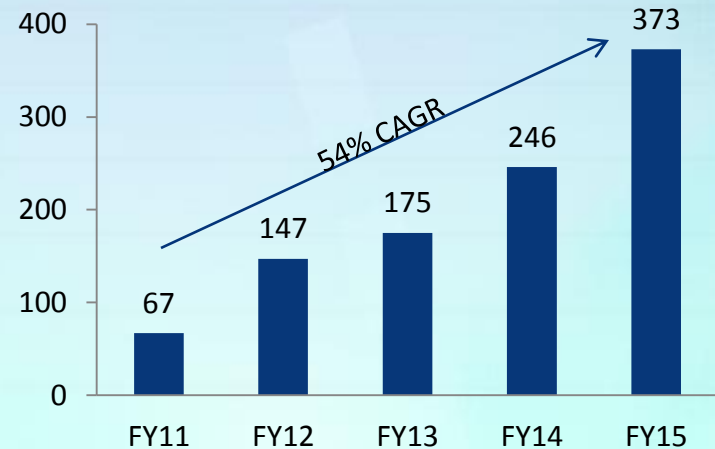
Mobile Value Added services (MVAS) :

- Shemaroo distributes caller ringback tones, wallpapers, imagery, videos, games, full songs, celebrity chats, etc. under MVAS.
- The company has entered into agreements with major telecom operators, namely Airtel, Tata Teleservices, Reliance Communication, Idea, etc.

Other New Media Platforms :

- Shemaroo also distributes its content through other platforms like DTH, Interactive services, IPTV

New Media Revenue (INR Mn.)



Internet

Youtube

Google
Play

MVAS

Reliance
Comm

Idea

Tata
Docomo

Airtel

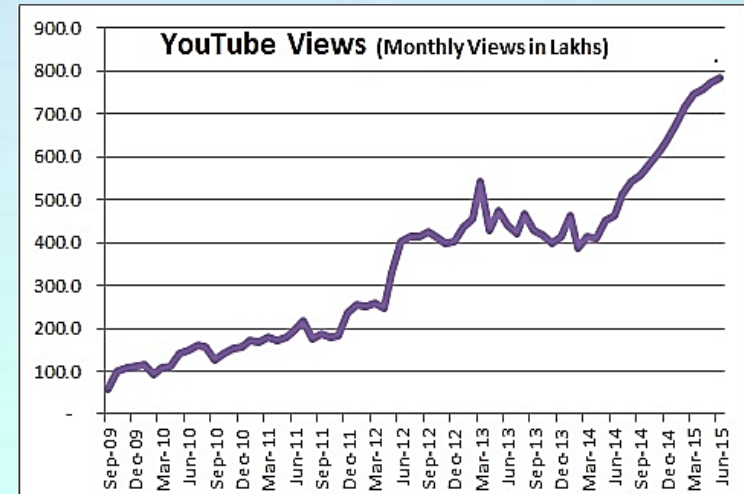
New Media - YouTube

- Shemaroo's content on YouTube gets around 78 million views a month or around 2 to 2.6 million hits per day.
- Shemaroo is among the most viewed channel partners for YouTube in India and has more than 32 channels of its own on YouTube.
- This high viewership, content connect and stickiness has translated into higher revenues for Shemaroo over the years.

Revenue Model for You Tube:

- Shemaroo gets revenue from the advertisements shown on its channel on YouTube, in many ways, for example:
 - Banner Ads
 - Pre roll ads
 - Mid roll ads etc.
- Shemaroo gets a revenue share from the advertisement revenue that Youtube makes from Shemaroo channels

YouTube views growth



Shemaroo Channels



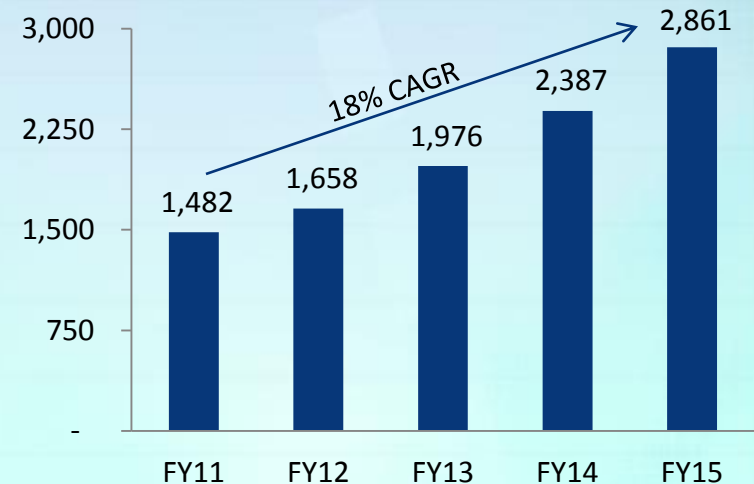
Traditional Media

Traditional Media Includes – Broadcast Syndication, Home Entertainment and Others

Broadcast Syndication

- Shemaroo has a diverse content library which it syndicates rights to various broadcasting channels.
- This vertical contributes over 50% of Shemaroo's revenue.
- Shemaroo has distributed over 1,000 films for broadcasting on television networks.
- Considering the vast and diverse library of Shemaroo, it can be easily assumed that most broadcasting channels would have some content syndicated from Shemaroo at sometime or the other

Traditional Media Revenue (INR Mn.)



TV Broadcast Syndication Platforms

Satellite Television

- Predominantly consists of Hindi films.
- This includes Movie Channels, Music Channels, News Channels etc.
- Enter into exclusive agreements for a film or package of films with a particular group of movie channels for a specified period of time.

Terrestrial Television

- The company also licenses content for broadcasting on terrestrial television network

Cable Television

- Revenue stream, wherein an increasing number of cable operators are licensing rights of Shemaroo's content

Traditional Media

Home Entertainment

- The Home Entertainment business has helped Shemaroo to garner the legacy of becoming a nationwide well known and accepted brand.
- Successfully migrated from one content format to another (Video VHS to VCD to DVD to Blu-Ray)
- Shemaroo has a product presence of ~1,300 titles across over 2,000 retail stores across over 75 towns and cities in India (Planet M, Music World, Crossword, Landmark, Reliance Retail, etc.)
- **Over the last few years the trend in the Home Entertainment industry has been migrating from physical to digital formats which is how the company is also positioning itself.**



Other Media

- Shemaroo also distributes its contents to other media platforms like Airborne rights for in-flight entertainment, International Film festivals, overseas etc.
- The company has a market presence in USA, UK, Singapore, Fiji, UAE and Australia, East Europe and North Africa.



Broadcast Syndication Industry

Industry Dynamics:

- Broadcast syndication is the sale of content right to broadcasters.
- The Indian television broadcasting segment currently has more than six genres, and Movies as a genre are second in terms of viewership after General Entertainment Channels.
- The standard practice of the Indian television industry is to purchase forward rights for a period of 5 to 7 years.
- There is a one time fixed fee payment made at the network level for exclusive license to broadcast the content for multiple telecasts.
- **In any given day, an average of 8 movies are shown on a Movie channel. Even considering the repeat telecast of these movies, the broadcaster would need access to a significantly large movie library**



Industry Growth Drivers

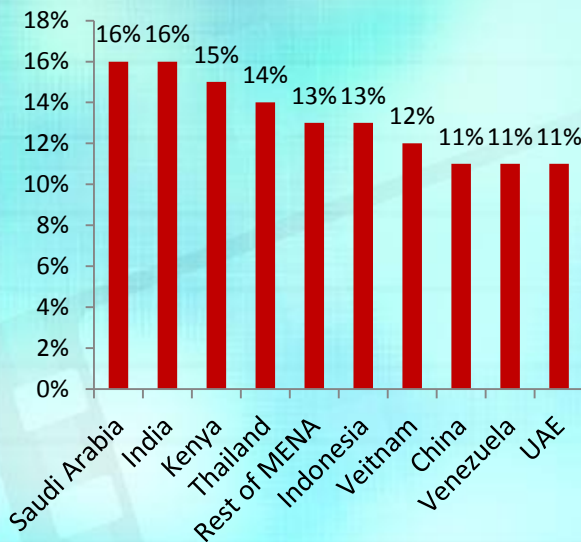
- ***With carriage fees coming down by 10-20% due to digitization for broadcasters, the increased profitability would prompt the channels to invest more in programming.**
- *Subscription revenue touched INR 282 bn, a growth of 18% in 2013 and is expected to grow further.
- *Average Revenue per User (ARPU) has grown by 6% for digital cable in 2013 and 18% for DTH.
- **As more channels are expected to come up with the digitization wave, the increased content acquisition is expected to benefit the content owners.**

*Source: PWC Report 2014

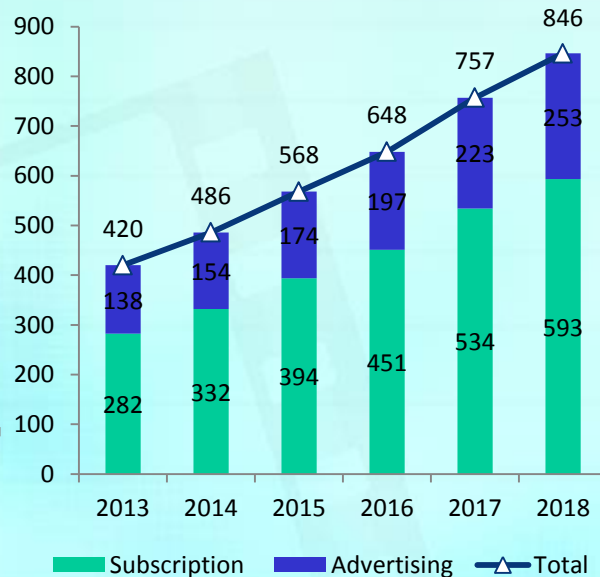
Television Industry Highlights

- The Indian Television industry is expected to grow from INR 420 Bn in 2013 to INR 846 Bn in 2018 at a CAGR of about 15%
- Subscription Revenue is expected to increase from INR 282 Bn in 2013 to INR 593 Bn in 2018 at a CAGR of 16%
- Advertising revenue is expected to grow at a CAGR of about 13% from INR 138 Bn in 2013 to reach INR 253 Bn

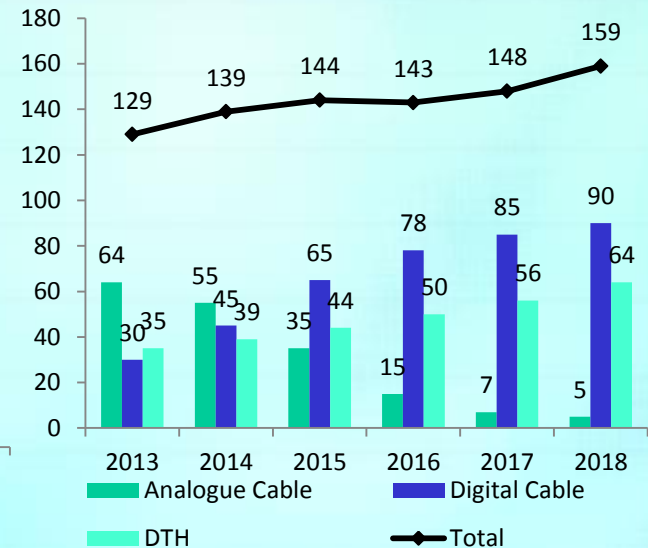
Fastest growing countries for TV revenue growth (CAGR)



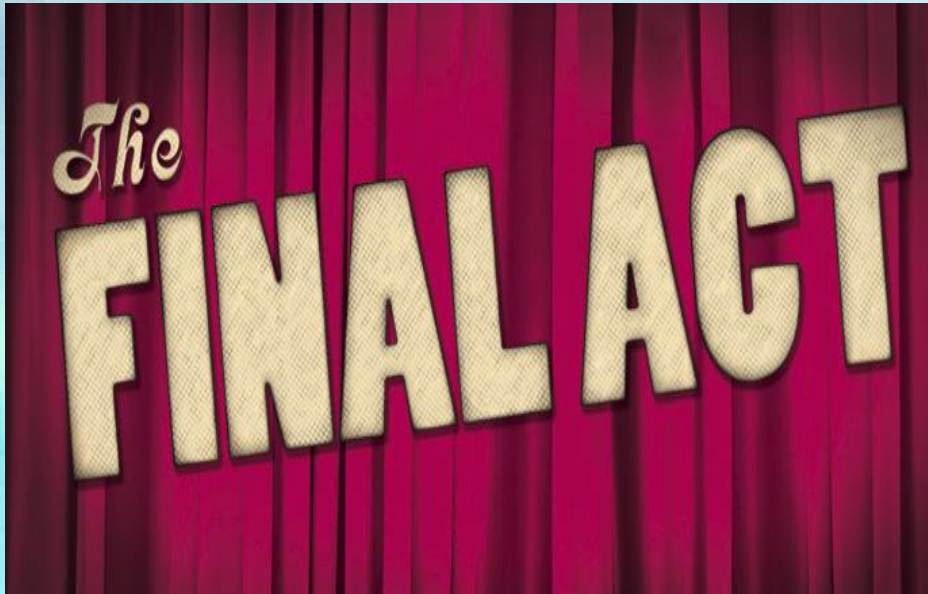
Projected TV Industry growth (INR Bn)



Pay TV Subscribers in India (Mn)



Source: PWC Report 2014



Financial & Strategic Overview

Consolidated Income Statement

Particulars (INR Mn.)	FY11	FY12	FY13	FY14	FY15	Q1FY16
Revenue from Operations	1,582	1,820	2,147	2,646	3,234	776
Other Income	20	51	14	8	13	5
Total Revenue	1,602	1,871	2,161	2,654	3,247	781
Total Expenses	1,252	1,355	1,574	1,996	2,366	536
EBITDA	350	516	587	658	881	245
EBITDA Margin (%)	21.85%	27.58%	27.16%	24.79%	27.13%	31.37%
Depreciation	27	29	30	30	37	9
Finance Cost	153	193	183	192	212	53
PBT	170	294	374	436	632	183
Tax	32	80	128	165	222	66
PAT	138	214	246	271	410	117
Share of profit/ (loss) in associate company	-	-8	-11	1	-1	-1
PAT after adjustments	138	206	235	272	409	116
PAT Margin (%)	8.61%	11.01%	10.87%	10.26%	12.60%	14.85%
Diluted EPS	7.07	10.86	11.87	13.68	17.35	4.29

Consolidated Balance Sheet

Equity and Liabilities (INR Mn.)	FY13	FY14	FY15	Assets (INR Mn.)	FY13	FY14	FY15
				Non Current Fixed Assets			
Shareholders Fund				Fixed Assets			
Share Capital	198	199	272	Tangible Assets	343	332	-
Reserves and Surplus	1,286	1,546	2,902	Intangible assets	8	9	-
				Intangible assets under development	1	-	-
Net worth	1,484	1,745	3,174				
				Total Fixed Assets	352	341	295
Non Current Liabilities				Non Current Investments	88	89	168
Long Term borrowings	2	101	3	Long Term Loan and Advances	9	61	71
Deferred tax liabilities	51	85	68	Trade receivables	34	-	-
Long tem provisions	5	6	5	Other Non Current Assets	-	1	1
				Current Assets			
Current Liabilities				Inventories	1,465	2,005	2,887
Short Term Borrowings	1,099	1,411	1,054	Trade Receivables	709	1,405	1,268
Trades payables	90	306	165	Cash and cash equivalents	11	9	25
Other Current Liabilities	179	380	339	Short Term loan and advances	270	190	170
Short Term Provisions	43	89	77	Other Current Assets	15	22	-
Total	2,953	4,123	4,885	Total	2,953	4,123	4,885

Balance Sheet Item Explanation

Current Liabilities (INR Mn.)	FY14
Short Term Borrowings	1,411
Trades payables	306
Other Current Liabilities	380
Short Term Provisions	89

76% of the Short Term Borrowings comes from the Banking System for the Working Capital requirements and other facilities

Inventories Breakup (INR Mn.)	FY13	FY14
Content Inventory	1,444	1,987
Product Inventory (DVDs, VCDs & ACDs)	21	19
Total	1,465	2,005

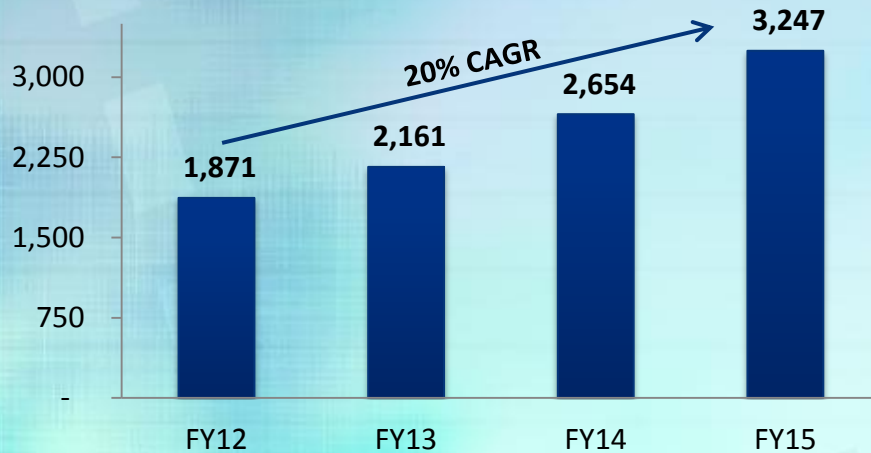
As evident from the trend, only about 1% of the Inventory is physical in nature, the rest 99% is Film Copyrights. The 'Film copyrights' has gone up over the years due to investment in content

	FY12	FY13	FY14
Trade Receivables days	178	120	193

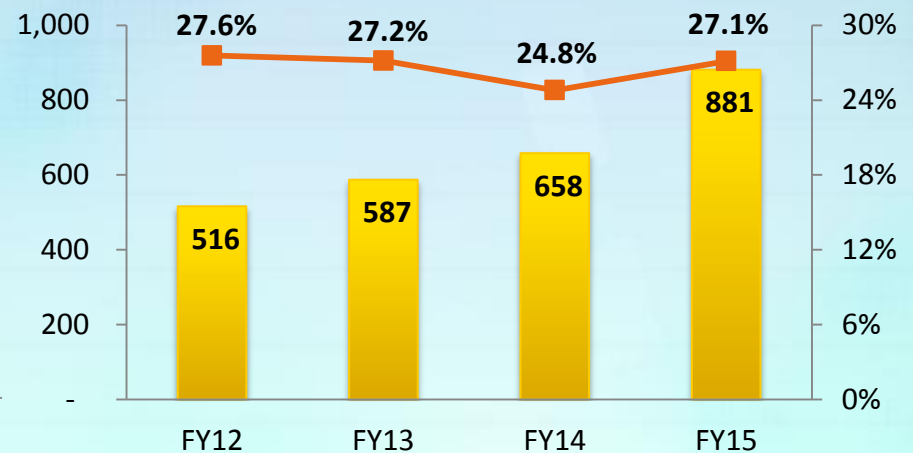
The 'trade receivables days' range as indicated is the normal range for Shemaroo

Key Financial Highlights

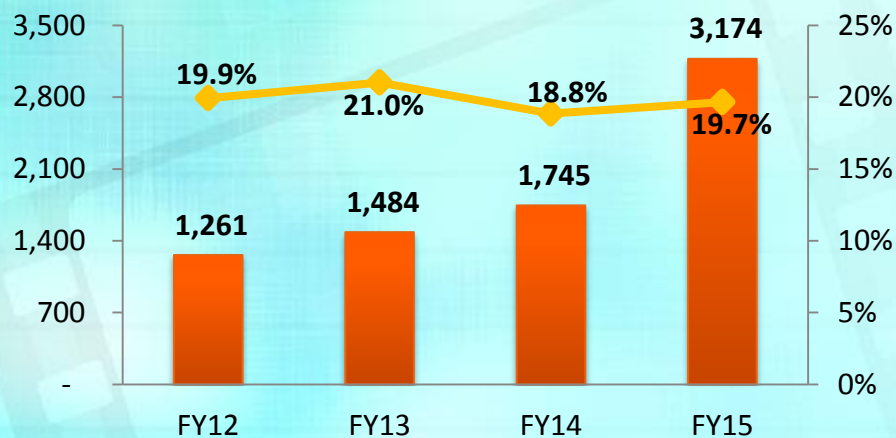
Total Income (INR Mn)



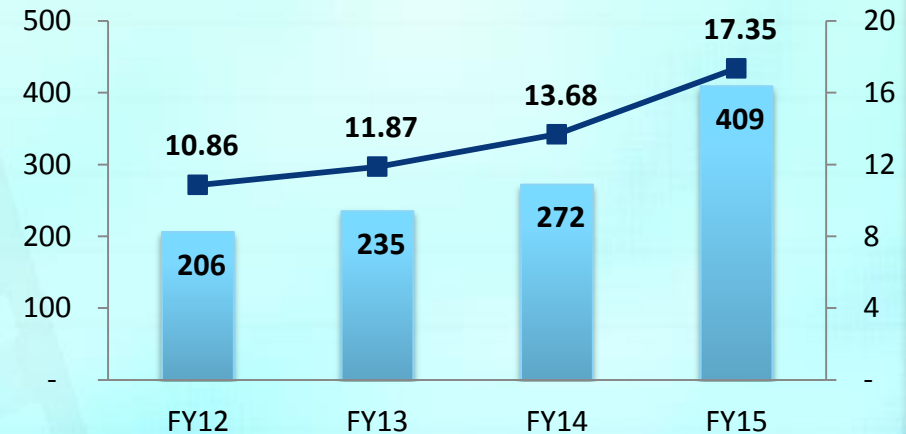
EBITDA (INR Mn) and EBITDA Margin



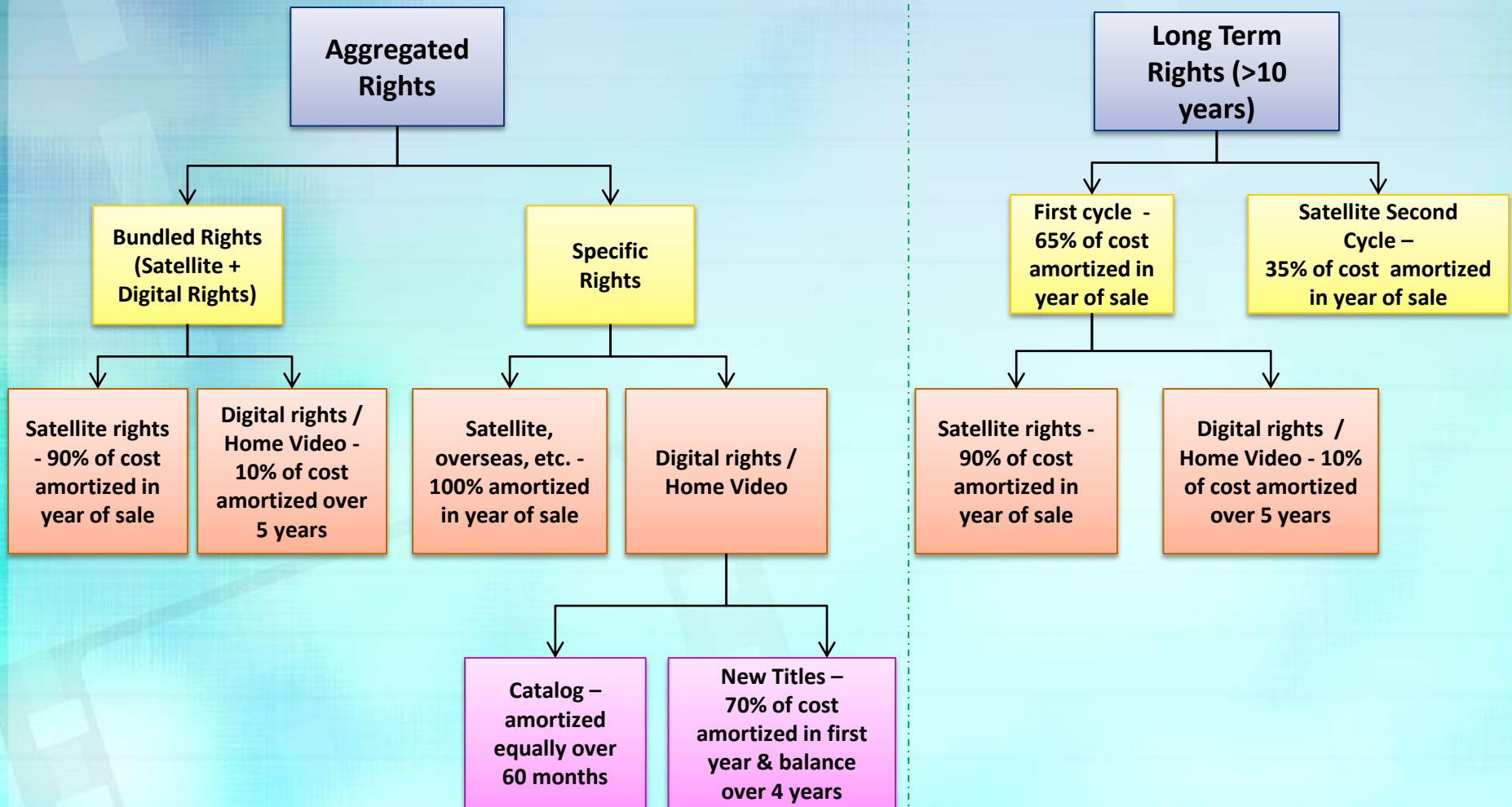
Net Worth (INR Mn) and RoCE



PAT (INR Mn) and EPS



Rights Accounting Policy



Strategic Drivers for Shemaroo

Broadband Infrastructure

- Rollout of 4G would enhance the consumption of videos.
- National Optical Fibre rollout announced by the government

Technology

- Growing availability of sub INR 5,000 smart phones.
- Improved technology to compress, convert, store, play and forward videos, leading to consumption of content on more devices.

Digitization

- Broadcasters will increase investment in programming, due to reduction in carriage fees
- Increase in content acquisition by broadcasters, will increase the value of the content
- Demand for movies to increase, with increase in number of channels

Strategic Overview

Scaling up the Content Library driven by RoI

- Acquiring perpetual rights, as well as, to monetize them over a maximum number of distribution platforms
- Acquiring Television broadcast rights and New Media Rights including Music based rights

Enhancing Monetization of Content Library through Existing and Emerging Media Platforms

- Television is key monetization medium
- Implementation of Cable TV Digitization Law is to give major boost to broadcasters revenues
- Broad base revenue streams by increasing distribution of content through new media avenues

Enhancing Revenue Predictability through Strategically Packaged Sales

- Vast content library allows to aggregate and package several films together instead of monetizing each title on an individual basis



Creating a sustainable competitive advantage via Marketing Strategy and moving up the Value Chain

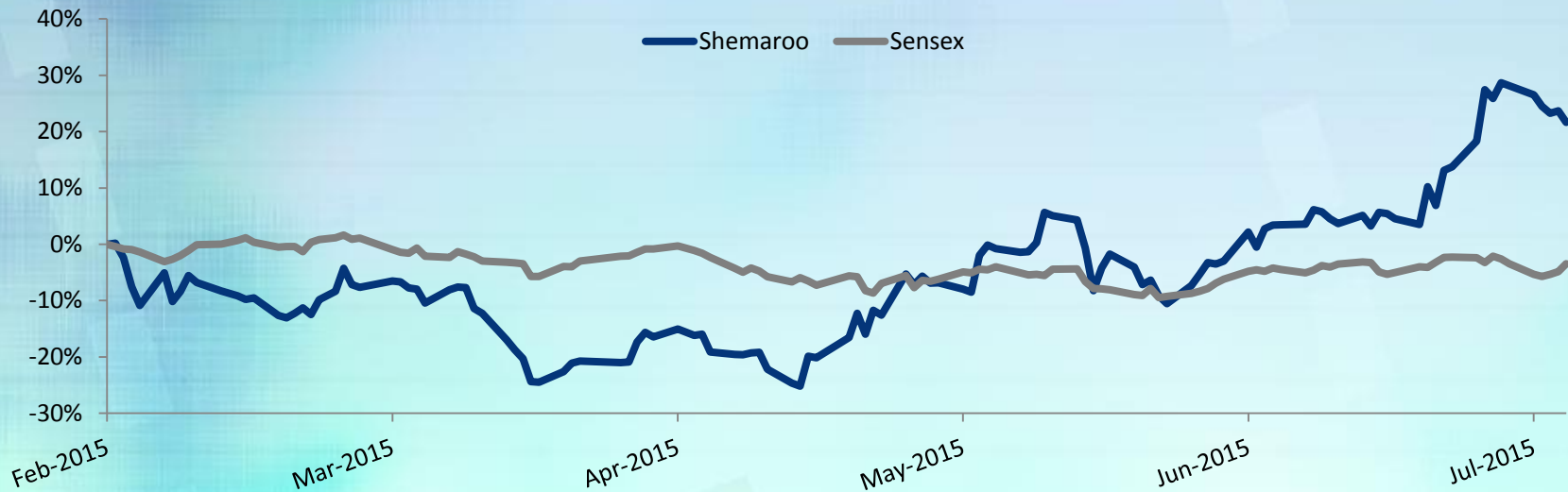
Marketing Strategy is based on:

- leveraging industry relationships
- monitoring distribution platforms
- Tracking varying consumer preferences
- adapting content offering
- enhancing visibility, recall of content titles

Optimizing Content Monetization across its Life-Cycle

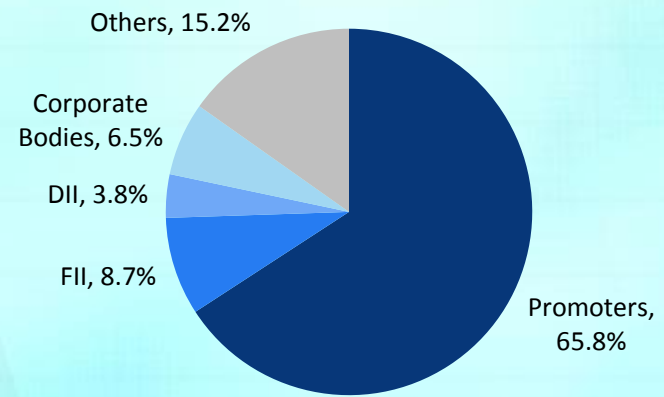
- Monetization of content on distribution platforms creates different revenue models
- In view of different consumption patterns, content needs to be reorganized for distribution platforms

Capital Market



Price Data (As of 31 st July, 2015)	INR
Face Value	10
Market Price	282.70
52 Week H/L	321.5/170
Market Cap (INR Mn)	7,684
Equity Shares Outstanding (Mn)	27
1 Year Avg. Trading Volume ('000)	14.99

Shareholding Pattern as on 31st June, 2015



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