

Eros International Media Ltd - Q2 FY19 Result Update

Eros International Media Ltd (Eros) was established in 1994 and is the Indian subsidiary of the NYSE listed Eros International Plc (Eros Plc). Eros has over the years built up a 2000+ Film Library across various genres, generations and languages like Hindi, Tamil, Telugu, Kannada, Marathi, Bengali, Malayalam and Punjabi

Eros delivers strong Q2 FY19 results post weak Q1 FY19 numbers; PAT margins expand on the back of other income.

- Eros Q2 FY19 sales bounced back 34.4% q-o-q / 9.2% y-o-y to INR 292.9 crore driven by the higher theatrical (17 Films) & 1 Digital release. Gross margins contracted by 580 bps yoy to 49.9% and operating EBITDA margins by 328 bps yoy to 27.9% due to increase in direct cost and other expenditure. PAT stood at INR 77 crore compared to INR 55.2 crore up by 39.5% y-o-y and PAT margins expanded by 570 bps due to rise in other income.
- Consolidated revenue mix in Q2 FY19– Theatrical Revenue (28.1%), Television & Others (48.2%) & Overseas Revenues (23.7%).
- The company released 17 films (4 medium budget, 13 small budget) & 1 Digital Series in Q2FY19 as compared to 7 films (2 medium budget , 5 small budget) in Q2FY18. Going forward, we expect 1 digital release every quarter.
- Net Debt stood at INR 511.2 crore in Q2 FY19 as compared to INR 555.7 crore in Q4 FY18 improving the Net Debt/Equity ratio which stood to 0.21 from 0.25 .
- After releasing “Meri Nimmo” on the ErosNow platform last quarter, it released “Side Hero” which also received good response from global audience. ErosNow paid subscriber base now stands at 10.1 million (Q1 FY19) compared to 7.9 million in FY18.
- After successfully teaming up with Reliance and V. Vijayendra Prasad for future film production, Eros signed up with Kyta Productions for two films namely Vishal Bhardwaj’s Pataakha (already released) and the Hindi remake of Kannada super hit Kirik Party.

Outlook & Valuation

At CMP, the share is trading at EV/EBITDA of 2.0x and PE of 2.0x FY20E EPS. Currently, stock is trading at ~78% discount to 5 year average PE. We recommend a BUY on Eros with a target price of INR 101, based on 3x FY20E EPS implying 41% return from current levels

Financials: (Consolidated)

	(In Rs Cr.)				
	FY2016	FY2017	FY2018	FY2019 (E)	FY2020 (E)
Net Sales	1,583	1,400	960	1,056	1,183
EBDITA	364	386	378	415	468
PAT	239	257	229	270	323
EPS	25.4	27.0	23.9	28.2	33.7
EV/EBITDA	4.3	7.8	5.4	2.4	2.0

Source - Bloomberg, DSPL Research

RATING: BUY

Target: 101

Upside: 41%

CMP : 71.85 (As on 29/10/2018)

Reuter Code : EROS.NS

Bloomberg Code : EROS IN

Market Data

Face Value (Rs)	10.00
Equity Share Capital (cr)	95.11
Share Outstanding (cr)	9.51
Market Cap (Rs cr)	679.16
Book Value / share	298.25
Daily Avj. Volume	4,80,466
52 W High	259.85
52 W Low	59.95

Shareholding	%
Promoter	60.05
Foreign	4.79
Institutions	0.34
Public & Others	34.82

Sensex and Stock Movement



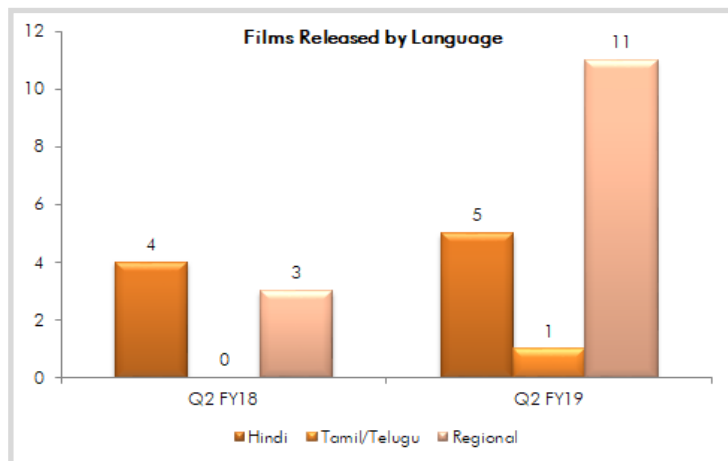
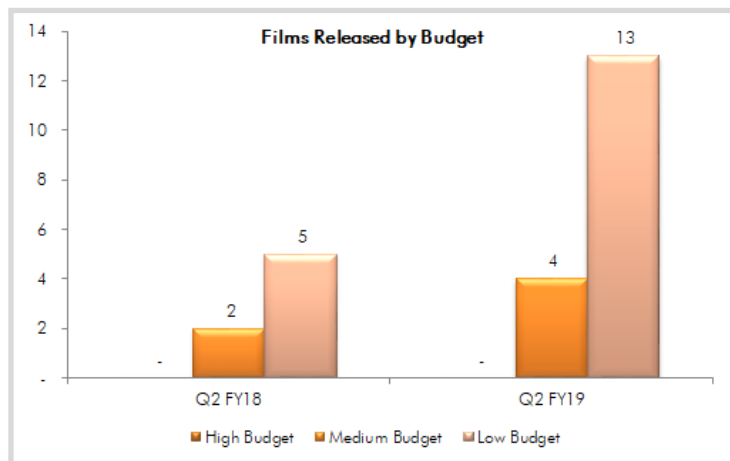
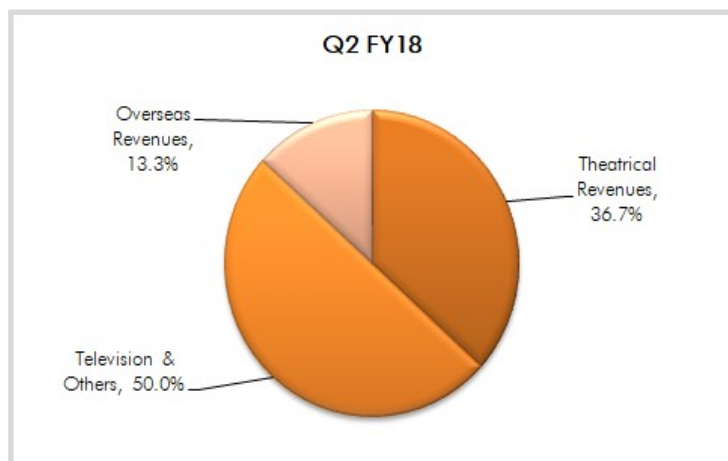
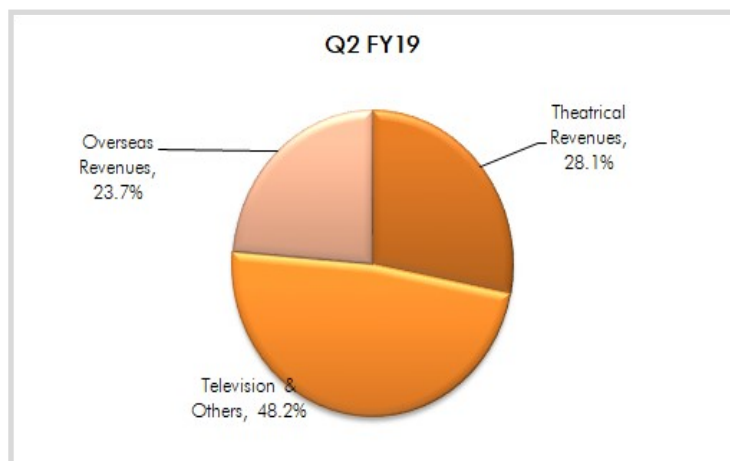
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Revenue Mix (INR Cr)	Sep-18	Jun-18	Q-o-Q (%)	Sep-17	Y-o-Y (%)
Theatrical Revenues	82.30	66.90	23.01%	98.45	-16.41%
Television & Others	141.17	123.57	14.24%	134.13	5.25%
Overseas Revenues	69.41	27.46	152.78%	35.68	94.55%
Total Revenue	292.88	217.93	34.39%	268.26	9.18%



Source - Company Presentation, DSPL Research

Result Update– Consolidated (INR Crore)

Particulars	Sep-18	Jun-18	QoQ(%)	Sep-17	YoY(%)
Total Revenues from Operations	292.88	217.93	34.39%	268.26	9.18%
Expenses					
Film right costs including amortisation costs	148.87	90.15	65.14%	118.95	25.15%
Changes in inventories of film rights	(1.97)	1.76		0.04	
Total Direct Costs	146.90	91.91	59.83%	118.99	23.46%
Employee Benefits Expense	13.18	13.54	-2.66%	15.04	-12.37%
Other Expenses	51.22	19.15	167.47%	50.71	1.01%
Operating Expenses	211.30	124.60	69.58%	184.74	14.38%
Operating (Op.) EBITDA	81.58	93.33	-12.59%	83.52	-2.32%
<i>Op. EBITDA Margin</i>	<i>27.85%</i>	<i>42.83%</i>	<i>-14.97%</i>	<i>31.13%</i>	<i>-3.28%</i>
Other Income	27.68	5.64	390.78%	5.67	388.18%
EBITDA	109.26	98.97	10.40%	89.19	22.50%
<i>EBITDA Margin</i>	<i>37.31%</i>	<i>45.41%</i>	<i>-8.11%</i>	<i>33.25%</i>	<i>4.06%</i>
Depreciation	2.51	2.35	6.81%	2.44	2.87%
EBIT	106.75	96.62	10.48%	86.75	23.05%
<i>EBIT Margin</i>	<i>36.45%</i>	<i>44.34%</i>	<i>-7.89%</i>	<i>32.34%</i>	<i>4.11%</i>
Finance Cost	17.55	19.50	-10.00%	21.36	-17.84%
PBT	89.20	77.12	15.66%	65.39	36.41%
<i>PBT Margin</i>	<i>30.46%</i>	<i>35.39%</i>	<i>-4.93%</i>	<i>24.38%</i>	<i>6.08%</i>
Tax Expenses	11.89	17.17	-30.75%	7.88	50.89%
Profit/ (Loss) for the period	77.31	59.95	28.96%	57.51	34.43%
Share of Minority	0.30	0.63	-52.38%	2.30	-86.96%
PAT	77.01	59.32	29.82%	55.21	39.49%
<i>PAT Margin</i>	<i>26.29%</i>	<i>27.22%</i>	<i>-0.93%</i>	<i>20.58%</i>	<i>5.71%</i>
Other Comprehensive Income	54.02	40.96	31.88%	5.25	928.95%
Total Comprehensive Income	131.03	100.28	30.66%	60.46	116.72%

Source - DSPL Research

Financial - Consolidated (INR Cr)

Profit & Loss Statement	FY2018	FY2019E	FY2020E
Net Sales	960.2	1,056.2	1,182.9
Total Revenue	960.2	1,056.2	1,182.9
Film right costs	397.9	441.0	490.9
Gross Profit	562.3	615.2	692.0
Employee Cost	58.9	64.8	72.6
Other Costs	175.1	190.1	212.9
Operating EBITDA	328.3	360.3	406.5
<i>Op. EBITDA Margin (%)</i>	<i>34.2%</i>	<i>34.1%</i>	<i>34.4%</i>
Other Income	49.9	54.8	61.4
Depreciation	10.3	11.3	11.8
EBIT	367.9	403.8	456.1
<i>EBIT Margin</i>	<i>38.3%</i>	<i>38.2%</i>	<i>38.6%</i>
Finance Cost	80.5	66.0	52.2
Share of Minority	(1.9)	-	-
PBT	287.4	337.8	403.9
Tax	56.1	67.6	80.8
PAT	229.3	270.2	323.1
Share O/S (in cr)	9.5	9.5	9.5
Basic EPS (INR)	24.3	28.6	34.2
Diluted EPS (INR)	23.9	28.2	33.7
Cash EPS (INR)	25.0	29.4	34.9

Balance Sheet	FY2018	FY2019	FY2020
Share Capital	95.0	95.0	95.0
Reserves and Surplus	2,148.0	2,418.3	2,741.4
Shareholders Fund	2,243.0	2,513.2	2,836.3
Minority Interest	12.9	12.9	12.9
Total Loan	617.6	517.6	417.6
Deferred Tax Liabilities	245.0	245.0	245.0
Total Liabilities	3,118.5	3,288.7	3,511.8
Net Fixed Assets	2,691.5	2,880.2	3,068.3
Deferred Tax Assets	-	-	-
Goodwill	12.83	12.83	12.83
Investments	-	-	-
Sundry Debtors	698.6	723.4	810.2
Cash & Bank	180.1	161.5	153.8
Loans & Advances	130.3	155.0	172.2
Inventories	1.9	2.9	3.2
Other Current Assets	71.8	78.9	88.4
Total Current Assets	1,082.6	1,121.7	1,227.9
Sundry Creditors	323.3	361.7	421.3
Provision	-	-	-
Other Current Liabilities	345.1	364.3	375.9
Total Current liabilities & Provision	668.4	726.0	797.2
Net Assets	414.2	395.8	430.7
Total Assets	3,118.5	3,288.7	3,511.8

Cashflow Statement	FY2018	FY2019	FY2020
PBT	287.4	337.8	403.9
Depreciation & Amortization	298.7	269.3	302.9
Finance Cost	83.17	65.99	52.20
Others	58.6	-	-
(Incr)/Decr in Working Capital	(442.7)	(0.1)	(42.6)
Tax Paid	(49.8)	(67.6)	(80.8)
Cash Flow from Operating	235.3	605.4	635.6
(Incr)/ Decr in Gross PP&E	(204.0)	(458.0)	(491.1)
Others	10.1	-	-
Cash Flow from Investing	(193.9)	(458.0)	(491.1)
Proceeds from issue of Shares & Warrants	3.6	-	-
(Decr)/Incr in Debt	40.1	(100.0)	(100.0)
Interest Paid	(76.6)	(66.0)	(52.2)
Dividend Paid	-	-	-
Others	-	-	-
Cash Flow from Financing	(33.0)	(166.0)	(152.2)
Change in Currency Fluctuation	-	-	-
Incr/(Decr) in Balance Sheet Cash	8.4	(18.6)	(7.7)
Op. Cash and cash eq.	6.5	180.1	161.5
Other Bank Balances	165.2	-	-
Cl. Cash and cash eq.	180.1	161.5	153.8

Ratios Analysis	FY2018	FY2019	FY2020
Per Share Value			
EPS (Rs)	23.9	28.2	33.7
BVPS (Rs)	234.0	262.2	295.9
DPS (Rs)	-	-	-
Turnover Ratio			
Inventory Days	0	1	1
Debtors Days	253	246	237
Creditors Days	118	118	121
Cash Conversion Cycle	135	128	117
Asset Turnover Ratio	0.3	0.3	0.3
Profitability Ratio			
EBITDA Margin	39.4%	39.3%	39.6%
PAT margin	23.9%	25.6%	27.3%
ROA	6.1%	6.7%	7.5%
ROE	10.2%	10.8%	11.4%
ROCE	10.0%	12.3%	13.0%
Solvency Ratio			
Debt / Equity Ratio	0.3	0.2	0.1
Current Ratio	0.8	0.8	0.9
Quick Ratio	0.8	0.8	0.9
Interest Coverage Ratio	4.7	6.3	9.0
Valuation Ratios			
PE (x)	6.9	2.5	2.1
P/B (x)	0.7	0.3	0.2
EV/EBITDA (x)	5.4	2.5	2.0
Mcap/Sales (x)	1.7	0.7	0.6
Earning Yield (%)	14.4%	39.2%	46.9%
Dividend Yield (%)	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	-2.8%	11.8%	13.4%

DISCLOSURE

Investment Rating	Expected return (Over 1 year)
Buy	> 15%
Hold	> -10% to 15%
Sell	< -10%
Not Rated	We have forward looking estimates for the stock but we refrain from assigning recommendation

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