

## Degrowth in Traditional Media Dents Revenues!

10<sup>th</sup> May, 2017

**Rating**  
**CMP** Rs 361  
**Target Price** Rs 421  
**Recommendation** **ACCUMULATE**

### Stock Info

<b>BSE Group</b>	B
<b>BSE Code</b>	538685
<b>NSE Symbol</b>	SHEMAROO
<b>Bloomberg</b>	SHEM IN
<b>Reuters</b>	SHEM.BO
<b>BSE Sensex</b>	29,933
<b>NSE Nifty</b>	9,317

### Market Info

<b>Market Capital</b>	Rs 1,027 cr
<b>Equity Capital</b>	Rs 27 cr
<b>Avg. Trading Vol.</b>	50,450
<b>52 Wk High/ Low</b>	439/294
<b>Face Value</b>	Rs 10

### Shareholding Pattern (%) (March 17)

<b>Promoters</b>	59.1
<b>Domestic Institutions</b>	1.8
<b>Foreign Institutions</b>	14.8
<b>Public &amp; Others</b>	24.3

### Price Chart:



### Performance Analysis

The company showed fall in performance for the quarter with revenue falling at 8.1% YoY and 16.2% sequentially on standalone front. On consolidated front the revenue fell by 3.9% YoY.

Revenue from digital media continued the upward curve with 45.4% growth rate when compared to corresponding quarter of previous year. Share of new media to revenue grew to 26.2% vs. 17% in corresponding quarter of previous year and 20.9% sequentially.

Traditional media growth rate fell by 18% YoY for the quarter under review and sequentially the revenue growth fell by 22%. Share in revenue for traditional media stood at 73.8% vs. 83% YoY and 79.1% sequentially.

Operating margins for the company fell owing to the degrowth in traditional media. EBITDA margin declined to 31.9% for the quarter under review against 34.9% in the corresponding quarter of the previous year. However margins improved from 27.6% sequentially.

Profitability for the company deteriorated in comparison of both YoY and sequential basis. Net profit for the quarter under review came in at Rs 12.7 cr vs. Rs 18.3 cr in the corresponding quarter of the previous year falling by 30% YoY and 17.6% on sequential basis.

On consolidated front revenue for the quarter came in at Rs. 99 crore, registering 3.9% YoY decline and net profit fell by 12.5% YoY to Rs 14 cr.

### Valuation

The company has positive outlook towards growth in media sector and plans to expand in digital media business. At CMP of Rs 361 company trades at a P/E multiple of 9.9 (x) its FY 19 estimates. We have valued the stock at its FY 19E forward P/E of 11.5 (x) and arrived at a fair value of Rs 421 per share. We have "ACCUMULATE" rating on the company.

### Financial Snapshot

(Rs Cr)	2016	2017	2018E	2019E
<b>Revenue</b>	<b>375</b>	<b>436</b>	<b>508</b>	<b>593</b>
<b>EBITDA</b>	<b>111</b>	<b>136</b>	<b>161</b>	<b>193</b>
<b>Net Profit</b>	<b>56</b>	<b>68</b>	<b>82</b>	<b>100</b>
<b>EPS</b>	<b>20.6</b>	<b>25.1</b>	<b>30.0</b>	<b>36.6</b>
<b>ROE</b>	<b>16%</b>	<b>17%</b>	<b>17%</b>	<b>18%</b>
<b>P/E</b>	<b>14.3</b>	<b>14.4</b>	<b>12.1</b>	<b>9.9</b>



## Quarterly Performance

Quarterly Results					
Particulars	Q4 FY 17	Q4 FY 16	YoY %	Q3 FY 17	QoQ %
Revenue	94.5	102.8	-8.1%	112.7	-16.2%
Expenditure	64.4	66.9		81.6	
EBITDA	30.1	35.9	-16.1%	31.1	-3.2%
EBITDA Margin	31.9%	34.9%		27.6%	
Depreciation	1.1	1.0		1.1	
Operating Profit	29.0	35.0	-17.0%	30.1	-3.5%
Interest	10.0	7.3		8.3	
PBT	20.2	28.0		24.0	
Tax	7.5	9.7		8.5	
Net Profit	12.7	18.3	-30.4%	15.5	-17.6%
PAT Margin	13.5%	17.8%		13.7%	
EPS	4.7	6.1		5.7	

Divisional Performance					
Divisional Performance	Q4 FY 17	Q4 FY 16	YoY %	Q3 FY 17	QoQ %
New Media	24.8	17.7	40.2%	23.5	5.3%
Share in Revenue	26.2%	17.2%		20.9%	
Traditional Media	69.7	85.1	-18.1%	89.2	-21.8%
Share in Revenue	73.8%	82.8%		79.1%	
<b>Total Income from operations</b>	<b>94.5</b>	<b>102.8</b>		<b>112.7</b>	

Source: Ace Equity, Arihant Research



Income Statement				
Particulars	2016	2017E	2018E	2019E
Revenue	375	436	508	593
Expenditure	264	300	346	399
EBITDA	111	136	161	193
Depreciation	4	4	4	3
Operating Profit	107	132	158	190
Interest	23	31	35	41
PBT	87	105	126	153
Tax	31	37	44	54
Net Profit	56	68	82	100

Balance Sheet				
Particulars	2016	2017E	2018E	2019E
Share Capital	27	27	27	27
Reserves & Surplus	346	408	483	541
Non-Current Liabilities	30	29	26	27
Current Liabilities	218	298	374	432
Total Liabilities	622	762	910	1026
Non-Current Assets	49	40	42	45
Current Assets	573	722	868	980
Cash & Bank	1	2	3	2
Total Assets	622	762	910	1026

Cashflow Statement				
Particulars	2016	2017E	2018E	2019E
Net Profit	56	68	82	100
Non-Cash items	27	35	39	44
Working Capital changes	-122	-113	-120	-111
CFO	-48	-20	-18	10
CFI	4	6	-5	-5
CFF	44	15	23	-5
Change in Cash	-0.4	0.5	0.4	-0.5
Opening Cash	2.3	1.9	2.4	2.9
Closing Cash	1.9	2.4	2.9	2.4

Ratios				
Particulars	2016	2017E	2018E	2019E
Revenue Growth	15.9%	16.2%	16.6%	16.7%
EBITDA Margin	29.6%	31.2%	31.8%	32.6%
Pat Margin	14.9%	15.7%	16.1%	16.8%
ROE	16.1%	16.9%	17.3%	18.5%
D/E	0.1	0.0	0.0	0.0
Current Ratio	2.6	2.4	2.3	2.3
EPS	20.6	25.1	30.0	36.6
DPS	1.4	1.8	2.0	3.0
P/E	14.3	14.4	12.1	9.9

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**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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