

Shemaroo Entertainment Limited

February 16,2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	223.00	CARE BB+; Stable	Revised from CARE BBB-; Negative

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings assigned to bank facilities of Shemaroo Entertainment Limited (SEL) factors muted operational performance wherein the company incurred cash losses incurred during 9MFY24. Revenue was affected due to reduced viewership and muted advertising revenue across both its traditional and digital business. The company has also incurred new initiative cost which was ~Rs 71 crores net off revenue due to which profitability was impacted. Of the said cost ~Rs 28 crores was incurred in Q3FY24. The new initiative cost pertains to the operational cost w.r.t 1 OTT platform and 4 broadcasting channels. During 9MFY24 SEL reported revenue of Rs 508.34 crores and PAT losses of Rs 26.38 crores.

The ratings continue to derive strength from the established business relationship in the Indian film industry, well-placed market position in the broadcast syndication (BS) business, big content library with investments in new initiatives to add sources to monetize its content library, low risk due to presence in second & subsequent leg. However, the rating strengths are tempered by weakening of financial risk profile, working-capital intensive nature of operations, recurring investments required with respect to content acquisition and competitive nature of broadcast syndication business which is also highly susceptible to the vagaries of economic cycles.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in sales to more than Rs. 500 crore and PBILDT margin of more than 10% on a sustainable basis.
- Positive Cash Flow from Operations going ahead on a sustained basis
- Improvement in coverage indicators with improvement in interest coverage above 3x and Total Debt/GCA below 10x on sustained basis

Negative factors

- Decline in scale of operations with sales below Rs. 300 crore with continued losses
- Any further deterioration in overall gearing below 0.60x
- Further stretch in operating cycle affecting the liquidity position

Analytical approach: Consolidated

Care has considered consolidated financials as all its subsidiaries since they are in the similar line of business and are under the same management. The entities that have been consolidated are mentioned separately in Annexure-6.

Outlook: Stable

The stable outlook reflects CARE Ratings' view that the company is likely to maintain steady growth in its revenue and operating margin is expected to gradually recover going ahead basis rationalization of new initiative cost and increase in advertising revenue.

Detailed description of the key rating drivers

Key strengths

Experienced promoters

The Managing Director, Mr. Raman Hirji Maroo, has over three decades of experience in the entertainment industry. The company has experienced management team to handle different operations. Moreover, SEL's promoters and management have longstanding relationships with the film production houses and well-known broadcasters in the Indian television & media industry

Low risk business due to presence in second & subsequent legs

In the first leg of movie lifecycle, SEL is present only in ancillary revenue streams like DTH and in-flight movie distribution. It typically participates in the second and subsequent cycles of film monetization which are of lower risk due to visibility of performance of movie during first cycle of launch. These subsequent cycles of film monetization have been typically growing due

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

to various factors like increased advertisement spends, digitization etc. SEL decides on the cost of the content after it is confident of achieving the desired ROI at portfolio level and then distributes this content over different platforms like broadcasting channels and digital media platforms.

Large content library supporting operations

SEL has built up the content library of around 627 Hindi movies with perpetual rights and 601 Hindi movies with periodical rights ranging from 2 years to 10 years as on March 31, 2023 which can be monetized on various media platforms. Additionally, SEL has 1,443 of regional titles and 1,479 special interest content.

Launch of new TV channel and acquisition of new broadcasting rights

In Q1FY24 SEL launched a new TV channel by name "Chumbak TV". The said channel provides Hindi entertainment and plans to capture the youth market. Further, in Q2FY24 SEL acquired new broadcasting rights of 20 plus movies via a syndication deal.

Key weaknesses

Increase in revenue albeit PAT losses in 9MFY24

In 9MFY24 the revenue increased to Rs 508.34 crores as compared to Rs 392.11 crores in 9MFY23. The revenue growth was majorly from the broadcasting segment. However, despite the revenue growth SEL reported losses of Rs 26.38 crores in 9MFY24 due to muted advertising revenue, reduced viewership and increase in new initiative cost spent. In 9MFY24 SEL incurred ~Rs 71 crores net off revenue as new initiative costs. Of the said cost ~Rs 28 crores was spent in Q3FY24. The overall new initiative cost is expected to be ~Rs 100 crores for FY24. The new initiative cost pertains to the operational cost w.r.t OTT platform and broadcasting channels. As on date SEL has one OTT platform by the name 'Shemaroo Me' which majorly provides Gujrati Language content. SEL projects the OTT platform to be breakeven post FY26.

Vulnerability of advertisement revenues

The media and entertainment industry remains vulnerable to cyclicity in advertisement spends by corporates and the stiff competition including that from the digital players. In 9MFY24 the advertising revenue for SEL was affected due to free broadcasting of Indian Premier League (IPL) and ICC Cricket World Cup .

Weakening of financial profile and increase in debt

The overall gearing increased to 0.55x (PY:0.44x) as on March 31, 2023 owing to increase in working capital debt mainly on account of new content creation/acquisition. The total debt increased to Rs 320.9 crores as on March 31,2023 from Rs 254.32 crores as on March 31,2022. The debt further increased to Rs 347.30 crores in 9MFY24. Interest coverage marginally improved to 1.59x basis consistent profitability in FY23. However, considering the PAT losses of Rs 26.38 crores in 9MFY24 and consistent debt the debt coverage ratios and net worth is expected to be affected in FY24.

Exposed to intense competition

The company faces stiff competition from both new as well as existing players in the film & television media along with new media segment. Intensified competition in recent years has increased demand for the limited content pool, which has in turn contributed to an increase in costs for content acquisition. Thus, the profit margin of content providers like SEL is expected to remain moderate in medium term.

Liquidity: Stretched

SEL had a cash and bank balance of Rs 1.21 crores as on March 31,2023 of which Rs 0.15 crores pertains to margin money. On account of subdued financial performance in Q3FY24 the projected GCA in FY24 is ~-Rs 16 crores. SEL has principal term loan repayment of Rs 6.30 crores and Rs 1.54 crores in FY25 and FY26 respectively. Of its total working capital facilities Rs 95 crores pertains to a overdraft facility which is backed by promoter's securities (majorly mutual fund). The said facility has provided an additional liquidity buffer to SEL . The average utilisation of Rs 175 crores fund based limit is ~92% for the twelve months ended December 2023. The current ratio for SEL was 2.29x (PY:2.88x) as March 31,2023.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Media, Entertainment & Publication	Entertainment	Film Production, Distribution & Exhibition

Shemaroo Entertainment Limited (SEL), established in 1962, is promoted by the Chairman, Mr. Buddhichand Hirji Maroo. SEL has its presence across different verticals of movies and entertainment business including content aggregation, acquisition, film production and subsequent distribution of the movie rights to be monetized through the broadcasting channels (like television, home entertainment), new media (internet/ Value Added Services, OTT etc.) and preloaded devotional devices. The company also has a tie-up with many content providers in the industry. SEL's has a movie catalogue of 4150 titles as on March 31, 2023 which includes new and old prominent Bollywood movies and also titles in various other regional languages.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	368.29	536.39	508.34
PBILDT	37.49	48.57	7.27
PAT	6.45	7.28	-26.38
Overall gearing (times)	0.42	0.54	-
Interest coverage (times)	1.52	1.64	-

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	48.00	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	175.00	CARE BB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	175.00	CARE BB+; Stable	1)CARE BBB-; Negative (18-Sep-23) 2)CARE BBB; Stable (05-Apr-23)	1)CARE BBB; Stable (22-Mar-23)	1)CARE BBB; Stable (04-Mar-22)	1)CARE BBB+; Negative (11-Feb-21) 2)CARE BBB+ (CW with Negative Implications) (07-Aug-20) 3)CARE A-; Stable (06-Apr-20)
2	Term Loan-Long Term	-	-	-	-	-	-	1)Withdrawn (06-Apr-20)
3	Fund-based - LT-Bill Discounting/Bills Purchasing	-	-	-	-	-	-	1)Withdrawn (06-Apr-20)
4	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (11-Feb-21) 2)CARE BBB+ (CW with Negative Implications) (07-Aug-20) 3)CARE A-; Stable (06-Apr-20)
5	Fund-based - LT-Bank Overdraft	LT	48.00	CARE BB+; Stable	1)CARE BBB-; Negative (18-Sep-23) 2)CARE BBB; Stable (05-Apr-23)	1)CARE BBB; Stable (22-Mar-23)	1)CARE BBB; Stable (04-Mar-22)	1)CARE BBB+; Negative (11-Feb-21) 2)CARE BBB+ (CW with Negative Implications) (07-Aug-20)

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								3)CARE A-; Stable (06-Apr-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Canopy Entertainment Private Limited	Full	Care has considered consolidated financials as all its subsidiaries since they are in the similar line of business and are under the same management.
2	Shemaroo Contentino Media LLP	Full	
3	Shemaroo Think Tank Entertainment LLP	Full	
4	Shemaroo Media and Entertainment LLC	Full	

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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