

Shemaroo Entertainment Limited

March 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	215.00 (Reduced from 223.00)	CARE BB; Stable	Downgraded from CARE BB+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating downgrade reflects the moderation in the operating and financial performances of Shemaroo Entertainment Limited (SEL) and continued uncertainty on the ability of the company to generate adequate cash flow from operations relative to the sizeable debt repayment obligations in the coming years. SEL's consolidated revenue from operations declined by ~11% YoY to Rs. 455 crore in 9M FY25 on the back of slower-than-expected traction in syndication business (B2B leasing of titles) and industry-wide headwinds from lower advertising expenditure by businesses. This, coupled with the accelerated inventory amortisation of ~Rs. 30-40 crore per quarter from Q4 FY24, translated into a significant moderation in SEL's PBILDT margin to -16% in 9M FY25 from 8.81% in FY23. However, adjusting for the non-cash amortisation, the cash PBILDT margin stood at ~2.5% in 9M FY25. With the accelerated inventory amortisation plan likely to continue till Q4 FY26 and the uncertainty in recovery of revenue from advertising and other digital initiatives, SEL's cash flows from operations are likely to be tightly matched with repayment obligations with limited liquidity buffer.

CARE Ratings Limited (CARE Ratings) also notes the demand order received from Office of the Principal Commissioner of CGST and CX, Mumbai – East dated Feb 05, 2025 for recovery of inadmissible input tax credit of Rs. 70.26 crore along with alleged interest at applicable rate and penalty equivalent to aforementioned tax amount, penalty of Rs. 63.35 crore on the company and additional penalty of Rs. 133.61 crore each on Joint Managing Director, Chief Executive Officer and Chief Financial Officer of the company. SEL had earlier received a show-cause notice dated Aug 02, 2024 from the GST department for allegedly claiming inadmissible input tax credits. CARE Ratings understands that the company shall seek necessary legal remedies before the relevant authorities and will continue to monitor the developments in this regard.

The rating continues to be constrained by SEL's continued net losses which adversely impacts its network and weak debt coverage metrics. The rating also factors in vulnerability in advertisement revenue and intense competition from other industry players. The ratings, however, continue to derive strength from the experienced promoters, large content library and distribution network.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial growth in scale of operations with improvement in PBILDT margin to above 5% on a sustained basis and sizeable positive cash flow from operations improving the liquidity position
- Favourable resolution of the pending regulatory matters with no material financial impact on the business
- Improvement in coverage indicators with PBILDT interest coverage above 2.5x

Negative factors

- Decline in scale of operations with sales below Rs. 400 crore with continued cash losses on a sustained basis
- Adverse regulatory actions and/or crystallisation of contingent liabilities impacting overall liquidity position
- Deterioration in overall gearing more than 1.25x

Analytical approach: Consolidated

CARE Ratings has considered the consolidated financials of SEL owing to financial and operational linkages between the company and its subsidiaries and step-down subsidiaries as detailed in Annexure-6.

Outlook: Stable

The stable outlook reflects CARE Ratings' view that the company is likely to maintain a moderate financial risk profile over the near term.

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

Detailed description of key rating drivers:

Key weaknesses

Deterioration of profitability and sizeable increase in contingent liabilities

The margins remain adversely impacted due to ongoing inventory charge-offs, a strategic decision initiated in FY24. While its revenue grew by ~27% YoY to Rs. 708.43 crore (PY: Rs. 558.38 crore) in FY24 it incurred net losses in FY24 with the trend continuing in 9M FY25. However, adjusting for the non-cash amortisation, the cash PBILDT margin stood at ~2.5% in 9M FY25, which is still lower than previous years. With continued uncertainty in recovery in advertising and syndication revenue, the profitability is expected to remain under pressure. Moreover, the company has sizeable contingent liabilities of ~Rs. 130 crore on the company and ~Rs. 133 crore each on the joint managing director, chief executive officer and chief financial officer owing to demand order from the GST department for allegedly claiming inadmissible input tax credits. Any adverse developments on this front could materially impact SEL's financial risk profile.

Moderate capital structure and weak coverage ratios

The entity's capital structure stood moderate, as marked by an overall gearing of 0.62x as on March, 31, 2024 (PY: 0.55x) but the working capital debt remains high mainly on account of new content creation/acquisition and deterioration of the company's networth due to continued net loss till 9MFY25. Interest coverage deteriorated to 0.03x in FY24 on account of decrease in profitability. With expectations of continues losses in the coming quarters owing to accelerated inventory rationalisation and uncertainty in revenue in recovery, the financial risk profile is likely to remain under pressure in the medium term.

Exposed to intense competition and volatility in advertising revenue

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. The media and entertainment industry remains vulnerable to cyclical in advertisement spends by corporates and the stiff competition including that from the digital players.

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.

Large content library supports operations

SEL has built up the content library of around 624 Hindi movies with perpetual rights and 470 Hindi movies with period titles as on May 24, 2024 which can be monetized on various media platforms. Additionally, SEL has 1,623 of regional titles and 1,516 special interest content. In FY24, SEL launched a new TV channel by name "Chumbak TV" and have acquired new broadcasting right. 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 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.

Liquidity: Stretched

SEL's liquidity remains stretched with projected cash flow from operations of Rs. 30-35 crore p.a. against debt servicing obligations of Rs. 35-40 crore p.a. It had a cash and bank balance of Rs. 0.23 crores as on March 31, 2024, of which Rs 0.15 crores pertains to margin money. The average utilisation of fund-based limits stood at ~89% for the 12-months ending Dec 31, 2024, thereby providing limited liquidity cushion. The current ratio for SEL was 2.09x (PY:2.29x) as March 31,2024.

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

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)
[Service Sector Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Media, Entertainment & Publication	Entertainment	Film Production, Distribution & Exhibition

Shemaroo Entertainment Limited (SEL) is engaged in movies and entertainment business including content aggregation, acquisition, film production and subsequent distribution of the movie rights to be monetised through the broadcasting channels (like television, home entertainment), new media (internet/ Value Added Services, OTT etc.) and preloaded devotional devices. It was established in 1962 as a book circulating library by Mr. Buddhichand Hirji Maroo.

Brief Financials (₹ crore) - Standalone	March 31, 2023 (A)	March 31, 2024 (A)	9M FY25 (UA)
Total operating income	536.39	678.20	460.59
PBILDT	48.57	-0.86	-80.79
PAT	7.28	-42.63	-81.77
Overall gearing (times)	0.54	0.61	NA
Interest coverage (times)	1.64	-0.02	-2.95

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	9M FY25 (UA)
Total operating income	558.38	708.43	485.54
PBILDT	49.19	0.97	-77.40
PAT	9.36	-40.67	-79.84
Overall gearing (times)	0.55	0.62	NA
Interest coverage (times)	1.59	0.03	-2.82

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	50.00	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	-	165.00	CARE BB; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	165.00	CARE BB; Stable	-	1)CARE BB+; Stable (16-Feb-24) 2)CARE BBB-; Negative (18-Sep-23) 3)CARE BBB; Stable (05-Apr-23)	1)CARE BBB; Stable (22-Mar-23)	1)CARE BBB; Stable (04-Mar-22)
2	Fund-based - LT-Bank Overdraft	LT	50.00	CARE BB; Stable	-	1)CARE BB+; Stable (16-Feb-24) 2)CARE BBB-; Negative (18-Sep-23) 3)CARE BBB; Stable (05-Apr-23)	1)CARE BBB; Stable (22-Mar-23)	1)CARE BBB; Stable (04-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities; Not Applicable**Annexure-4: Complexity level of 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 detailsTo view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Canopy Entertainment Private Limited	Full	Wholly owned subsidiary
2	Shemaroo Contentino Media LLP	Full	Subsidiary
3	Shemaroo Think Tank Entertainment LLP	Full	Subsidiary
4	Shemaroo Media and Entertainment LLC	Full	Wholly owned subsidiary

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

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About us:

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