FEBRUARY 23, 2015

CARE REVISES THE RATINGS ASSIGNED TO BANK FACILITIES OF SHEMAROO ENTERTAINMENT LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	150.00 (enhanced from Rs.100 crore	**CARE A- (Single A Minus)**	Revised from CARE BBB- (Triple B Minus)

Rating Rationale

The revision in the rating assigned to bank facilities of Shemaroo Entertainment Limited (SEL) takes into account significant improvement in the capital structure of the company after raising equity through Initial Public Offer (IPO), and improved financial performance of the company in FY14 (refers to the period April 1 to March 31) and 9MFY15.

The ratings continue to derive strength from the experienced promoters, their established business relationship in the Indian film industry, well-placed market position in the broadcast syndication (BS) business along-with availability of significant content library, growing new age media business enhancing the content monetization capability and healthy growth environment of Indian film and television industry.

However, the rating strengths are tempered by the working-capital intensive nature of operations and competitive nature of broadcast syndication business, which is also highly susceptible to the vagaries of economic cycles.

SEL's ability to scale up its operations with diversified revenue stream in new age media business and maintain the profitability by generating healthy realizations from broadcasting rights are the key rating sensitivities.

Background

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) and home video (VCD/DVD). The company also has a tie-up with many content providers in the industry. SEL's content library has more than 2900 titles including new and old prominent Bollywood movies and also titles in various other regional languages like Marathi, Gujarati etc. The company has raised equity through Initial Public Offer (IPO) of Rs.120 crore during September 2014.

During FY14 (refer to the period April 1 to March 31), SEL reported PAT of Rs.27.84 crore on a total income of Rs.264.61 crore as compared to PAT of Rs.24.68 crore on a total income of Rs.214.63 crore for FY13. In 9MFY15, SEL reported PAT of Rs.28.95 crore on a total income of Rs.237.69 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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