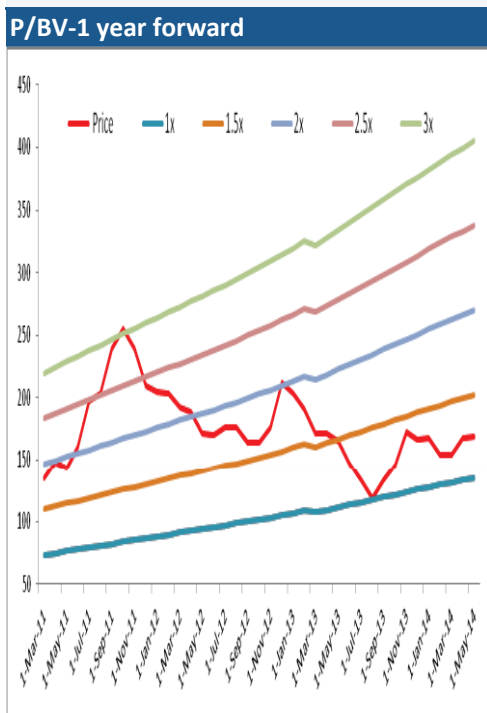


Result update	Buy
CMP	171
Target Price	200
Previous Target Price	-
Upside	17%
Change from Previous	

Market Data	
BSE Code	533261
NSE Symbol	EROSMEDIA
52wk Range H/L	195/107
Mkt Capital (Rs Crores)	1576
Average Daily Volume	26241
Nifty	7230

Stock Performance	1M	1yr	YTD
Absolute	1	4.4	8
Rel. to Nifty	-7	-14	0

Share Holding Pattern-%	Current	3QFY14	2QFY14
Promoters	74.84	74.88	74.88
FII	12.84	12.45	12.16
DII	1.18	1.56	1.87
Others	11.14	11.11	11.09



Result update:

EROS MEDIA has reported blockbuster sets of numbers than street's expectations. Its revenue grew by 48.18% (yoy) to 314.62 cr led by success of Jai Ho and strong catalogue monetization revenue. PAT grew by 30.23% (yoy) to 41.4 cr. Company's EBITDA margin has improved by 380 bps to 23.4% because of softness in operating fees. Operating fees ramped down to 69% of sales than 74%(4QFY13) and employee cost to 2% on sales than 4%(4QFY13). PAT margin was down by 180 bps due to additional burden of interest cost by 7.15 cr (Rs 2cr, 4QFY13).

For FY14, the company has delivered overall sales growth of 6.2% to 1134.66 cr and PAT growth of 26% to 199.69 cr. Its EBITDA margin improved by 488 bps to 26.42% led by decrease in operational fees to sales by 410 bps, however slight improvement in employee cost was seen during the quarter. PAT margin improved by 276 bps to 17.60%.

Mega releases on display:

The Company's most awaited movie Kochadaiiyaan has released on 23 May, 2014 in 6 languages in over 3000 screens and performing well. It has collected Rs.42 cr Worldwide gross in opening weekend and leading towards the blockbuster. As EROS is the producer of this movie, it is going to get huge chunk of its profit. Apart from this company has lined up movies named **Action Jackson, Tanu weds manu season 2, Sarkar3, Chalo China, NH-10, Dekho Magar Pyaar se, Happy Ending and Rana** for release in FY15E.

Key Strengths:

1. It has largest Indian content library of films with 1100+ films and digital rights to an additional 700 films.
2. Company has well established distribution network which includes theatre, TV, internet, mobile, music, radio, ringtones and print.
3. Decent success ratio: out of the top 10 grossing films in recent years, 3 are from Eros.
4. It is well positioned to monetize rich content of its library.

Views & valuation:

Management is aware of changing media landscape and to counter it, it is investing in different medium like internet and launching channels. Management's optimistic stance towards maintaining margins, strong movie slate and very low valuation makes it best candidate for investment. **After robust sets of 4Q FY14 and FY14 numbers and robust performance of its recent release movie Kochadaiiyaan, we are very hopeful of company's prospects going forward. At a CMP of Rs 171, stock trades at 1.12 P/BVx FY15. We maintain "BUY" with a target price of Rs 200.**

Financials	Rs, Crore				
	4QFY14	3QFY14	(QoQ)-%	4QFY13	(YoY)-%
Revenue	314.62	433	(27.3)	212.3	48.2
EBITDA	73.6	135.6	(45.7)	41.7	76.6
PAT	41.4	92.0	(55.0)	31.8	30.2
EBITDA Margin	23.4%	31.3%	(790bps)	19.6%	380bps
PAT Margin	13.2%	21.3%	(810bps)	15.0%	(180bps)

(Source: Company/Eastwind)

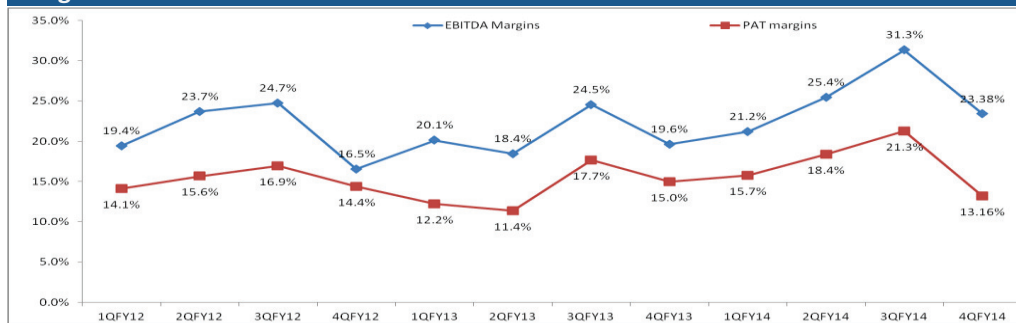
EROSMEDIA

Sales and Sales growth%(yoy)



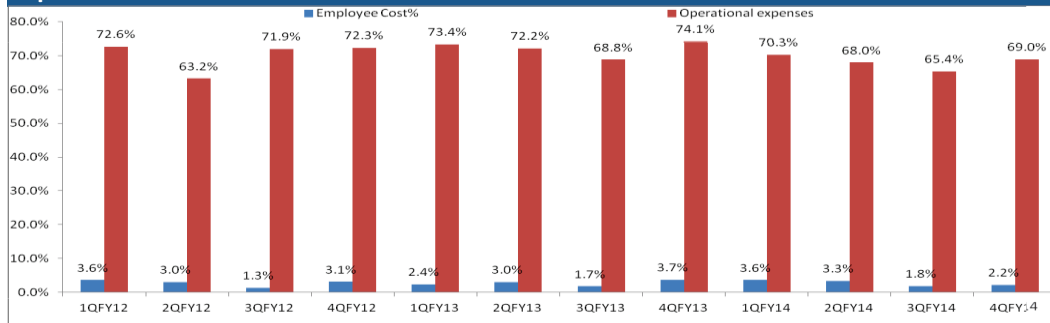
(Source: Company/Eastwind)

Margin-%



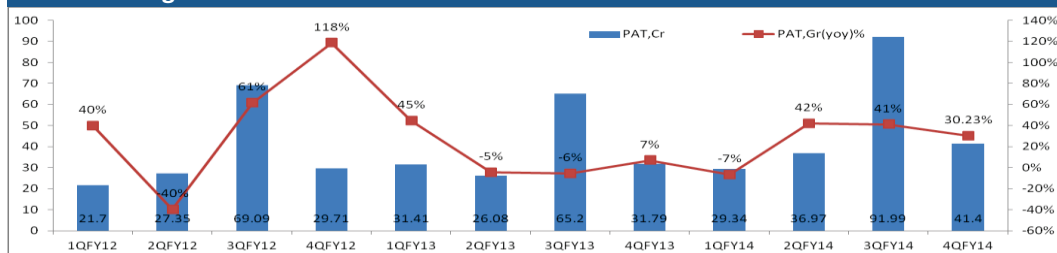
(Source: Company/Eastwind)

Expenses on sales-%



(Source: Company/Eastwind)

PAT and PAT growth-%



(Source: Company/Eastwind)

(Source: Company/Eastwind)

Key Concerns:

1. Piracy is the key concern for the company. Indian film industry loses approx. Rs.2000 cr. every year due to piracy (source: FICCI-KPMG report 2009).
2. Lower consumer discretionary demand.
3. Difficult to predict fate of films.

EROSMEDIA

Management Guidance:

1. Company is planning to release 7 to 8 big budget movies in FY15.
2. Catalogue sales remained 15% of the total sales .
3. Company has earned Rs.60 cr free cash flow in FY14.
4. Management is looking for more and more cash flows going forward.
5. Company is working on regional market for growth and has target to increase its share to 30-32% of total sales going forward.

Financials;

Rs,cr	FY10	FY11	FY12	FY13	FY14	FY15E
Sales	640.88	706.97	943.88	1067.95	1134.66	1229.87
RM Cost(Operatinal expenses)	480.33	495.13	665.45	765.78	767.43	833.85
WIP	0.00	0.84	-2.92	-2.55	5.82	5.90
Employee Cost	19.70	25.28	22.55	27.29	28.20	31.73
Other expenses	27.81	29.57	42.96	47.47	33.46	36.90
Total expenses	527.84	550.82	728.04	837.99	834.91	908.38
EBITDA	113.04	156.15	215.84	229.96	299.75	321.49
Depreciation and Amortisation	4.39	3.82	6.00	6.45	5.02	6.46
Other Income	12.62	8.95	19.30	6.40	4.98	5.53
EBIT	108.65	152.33	209.84	223.51	294.73	315.02
Interest	9.02	9.39	13.44	9.22	32.74	32.18
PBT	112.25	151.89	215.70	220.69	266.97	288.38
Tax Exp	29.63	33.67	63.14	61.19	73.70	81.32
PAT	82.62	118.22	152.56	159.50	193.27	207.06
Growth-% (YoY)						
Sales	0	10.3%	33.5%	13.1%	6.2%	8.4%
EBITDA	0	38.1%	38.2%	6.5%	30.3%	7.3%
PAT	0	43.1%	29.0%	4.5%	21.2%	7.1%
Expenses on Sales-%						
Operating expenses	74.9%	70.0%	70.5%	71.7%	67.6%	67.8%
Employee Cost	3.1%	3.6%	2.4%	2.6%	2.5%	2.6%
Other expenses	4.3%	4.2%	4.6%	4.4%	2.9%	3.0%
Tax rate	4.6%	4.8%	6.7%	5.7%	6.5%	6.6%
Margin-%						
EBITDA	17.6%	22.1%	22.9%	21.5%	26.4%	26.1%
EBIT	17.0%	21.5%	22.2%	20.9%	26.0%	25.6%
PAT	12.9%	16.7%	16.2%	14.9%	17.0%	16.8%
Valuation:						
CMP	0.00	138.90	181.15	180.53	171	171
No of Share	0.00	9.14	9.17	9.19	9.19	9.19
NW	237.55	670.48	834.61	986.50	1208.62	1399.31
EPS	0.00	12.93	16.64	17.36	21.03	22.53
BVPS	0.00	73.36	91.02	107.34	131.51	152.26
RoE-%	0.0%	17.6%	18.3%	16.2%	16.0%	14.8%
P/BV	0.00	1.89	1.99	1.68	1.30	1.12
P/E	0.00	10.74	10.89	10.40	8.13	7.59

(Source: Company/Eastwind)