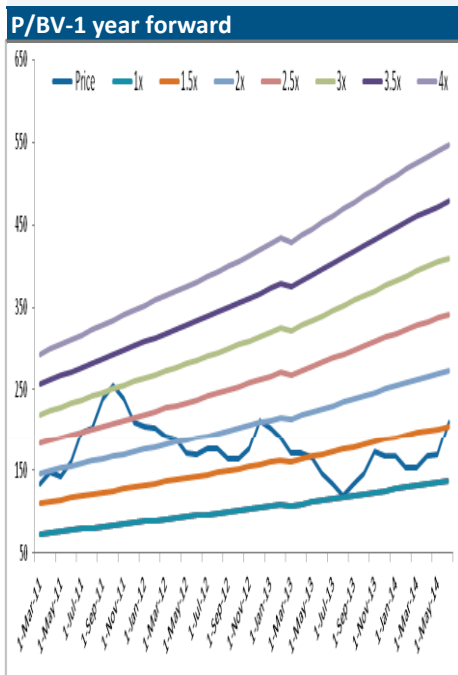


Result update	Buy
CMP	222
Target Price	250
Previous Target Price	-
Upside	13%
Change from Previous	-

Market Data	
BSE Code	533261
NSE Symbol	EROSMEDIA
52wk Range H/L	245/107
Mkt Capital (Rs Crores)	2049
Average Daily Volume	208000
Nifty	7792

Stock Performance	1M	1yr	YTD
Absolute	2.3	72.9	-
Rel. to Nifty	-0.7	34.1	-

Share Holding Pattern-%	Current	4QFY14	3QFY14
Promoters	74.76	74.84	74.88
FII	16.15	12.84	12.45
DII	1.23	1.18	1.56
Others	7.86	11.14	11.11


**Result update:**

The Company has reported blockbuster set of numbers for 1QFY15. The company's revenue grew by 30% (yoy) to 241 cr led by better performance of movie portfolio across revenue streams and ongoing monetization of library films. PAT grew by 22% (yoy) to 36 cr led by decrease in employee and other expenses. The company's EBITDA grew by 48% (yoy) to 58 cr. On the margin front, company's EBITDA margin improved by 300 bps (yoy) to 24.17% backed by decrease in employee cost and other expenses respective to sales. On the other hand PAT margin declined by 90 bps (yoy) due to excess provisioning of depreciation and increase in interest cost by 100%. Employee cost on sales declined from 3.6% (1QFY14) to 3.3% and other expenses ramped down from 4.7% (1QFY14) to 2%. EROS has released nine movies during 1QFY15 in which five were Hindi and four Tamil. The company is increasing its presence in regional movie market by releasing more and more regional movies. Revenue growth during 1QFY15 was primarily driven through library film monetization across multiple platforms and the release of new movies in Hindi, Tamil and other regional languages.

**Recent initiatives:**

The company continues to work towards same strategy of acquiring a mix of high, medium and low budget movies across Hindi and other regional languages. In this way company reduces its dependence on one language movie and reduces its risks too. The company has recently acquired controlling stake in Techzone. Techzone is a leading mobile value added services provider. It will bring expertise in technology and distribution reach of mobile digital content. On the other hand Eros has started partnership with Hathway cable to launch subscription based movie streaming service. This will enable their broadband subscribers to watch Eros library films from Eros now platform.

**Strong movie slate:**

The company has lined up movies named Action Jackson, Tanu weds manu season 2, Tewar, Badlapur, NH-10, Shamitabh, Happy Ending and Aagadu for release in FY15E.

**View and valuation:**

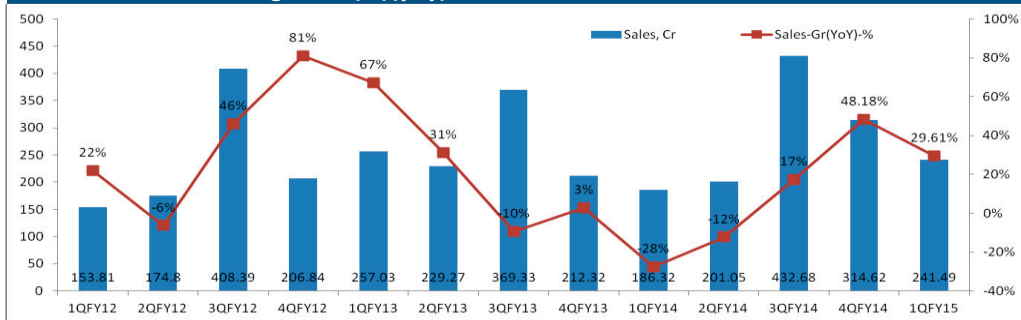
Management is aware of changing media landscape and to counter it, it is investing in different medium like internet and launching channels. Recent acquisition of techzone will enhance company's technological strength and distribution reach. Strong movie slate and very low valuation makes it best candidate for investment. After robust sets of 1Q FY15 numbers, we are very hopeful of company's prospects going forward. At a CMP of Rs 222, stock trades at 1.46x P/BV FY15E. We initiate "BUY" with a target price of Rs 250.

Financials	Rs, Crore				
	1QFY15	4QFY14	(QoQ)-%	1QFY14	(YoY)-%
Revenue	241.49	315	(23.2)	186.3	29.6
EBITDA	58.4	73.6	(20.7)	39.5	47.8
PAT	35.8	41.4	(13.4)	29.3	22.2
EBITDA Margin	24.2%	23.4%	79 bps	21.2%	300 bps
PAT Margin	14.8%	13.2%	170 bps	15.7%	(90bps)

(Source: Company/Eastwind)

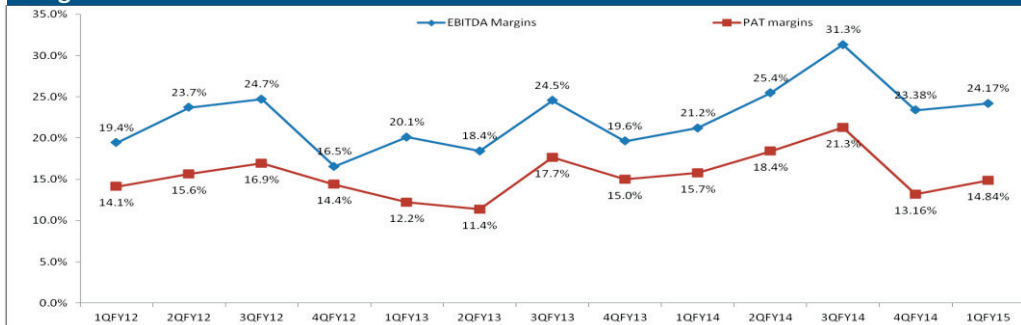
# EROSMEDIA

Sales and Sales growth%(yoy)



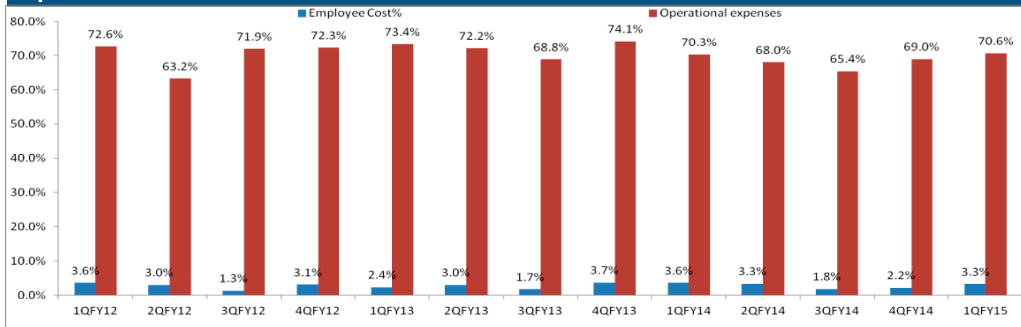
(Source: Company/Eastwind)

Margin-%



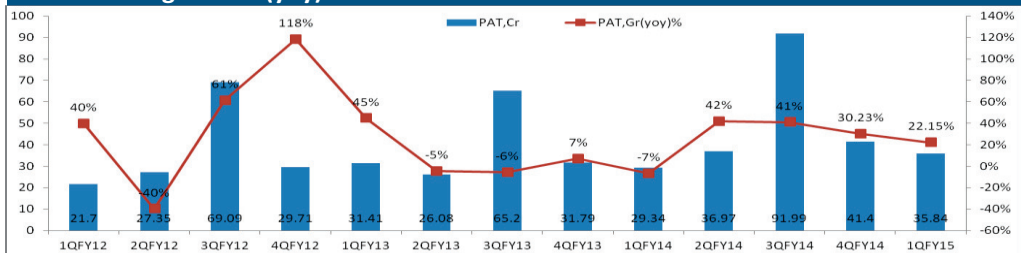
(Source: Company/Eastwind)

Expenses on sales-%



(Source: Company/Eastwind)

PAT and PAT growth%(yoy)



(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.

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## Financials;

Rs,cr	FY10	FY11	FY12	FY13	FY14	FY15E
Sales	641	707	944	1068	1135	1230
Operating expenses	480	495	665	766	767	848
WIP	0	1	-3	-3	6	3
Employee Cost	20	25	23	27	28	31
Other expenses	28	30	43	47	33	22
Total expenses	528	551	728	838	835	904
EBITDA	113	156	216	230	300	326
Depreciation and Amortisation	4	4	6	6	5	6
Other Income	13	9	19	6	5	4
EBIT	109	152	210	224	295	319
Interest	9	9	13	9	33	38
PBT	112	152	216	221	267	286
Tax Exp	30	34	63	61	74	80
PAT	83	118	153	160	193	206
<b>Growth-% (YoY)</b>						
Sales	0	10.3%	33.5%	13.1%	6.2%	8.4%
EBITDA	0	38.1%	38.2%	6.5%	30.3%	8.7%
PAT	0	43.1%	29.0%	4.5%	21.2%	6.6%
<b>Expenses on Sales-%</b>						
Operating expenses	74.9%	70.0%	70.5%	71.7%	67.6%	69.0%
Employee Cost	3.1%	3.6%	2.4%	2.6%	2.5%	2.5%
Other expenses	4.3%	4.2%	4.6%	4.4%	2.9%	1.8%
Tax rate	4.6%	4.8%	6.7%	5.7%	6.5%	6.5%
<b>Margin-%</b>						
EBITDA	17.6%	22.1%	22.9%	21.5%	26.4%	26.5%
EBIT	17.0%	21.5%	22.2%	20.9%	26.0%	26.0%
PAT	12.9%	16.7%	16.2%	14.9%	17.0%	16.8%
<b>Valuation:</b>						
CMP	0.00	139	181	181	239	222
No of Share	0.00	9.14	9.17	9.19	9.19	9.21
NW	237.55	670.48	834.61	986.50	1208.62	1398.41
EPS	0.00	12.93	16.64	17.36	21.03	22.36
BVPS	0.00	73.36	91.02	107.34	131.51	151.84
RoE-%	0.0%	17.6%	18.3%	16.2%	16.0%	14.7%
P/BV	0.00	1.89	1.99	1.68	1.81	1.46
P/E	0.00	10.74	10.89	10.40	11.34	9.93

(Source: Company/Eastwind)