March 23, 2023

Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra-Kurla Complex
Bandra (E), Mumbai-400 051.
NSE Symbol: SHEMAROO

Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai-400 023.
Scrip Code : 538685

Dear Sir/Madam,

Re: SHEMAROO ENTERTAINMENT LIMITED - ISIN: INE363M01019

Sub: Intimation of Credit Rating under Regulation 30 of the SEBI (LODR), Regulations, 2015

Pursuant to Regulation 30 read with Schedule III of SEBI (LODR) Regulations, 2015, the Company hereby informs that CareEdge Ratings communicated vide their press release dated March 22, 2023, is as follows:

Facilities	Amount (Rs. in Crores)	Ratings	Rating Action
Long Term Bank facilities	221.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed

The Letter/Press Release of the aforesaid rating agency(ies) are enclosed for your ready reference. The same is also disseminated on the website of the Company i.e. www.shemarooent.com.

This is for your information and records.

Thanking you,

Yours faithfully,
For Shemaroo Entertainment Limited
HETAL
BHARAT
VICHHI
Hetal Vichhi
Company Secretary & Compliance Officer
ICSI Membership No.: A42806

Enclosure: A/a

SHEMAROO ENTERTAINMENT LIMITED
Shemaroo House, Plot No. 18, Marol Co - Op. Industrial Estate, Off Andheri Kurla Road, Andheri (E), Mumbai - 400 059.
Tel.: +91 - 22 4031 9911 | Fax: +91 - 22 2851 9770 | Email: shemaroo@shemaroo.com
shemarooent.com | CIN: L67190MH2005PLC158288

Shemaroo Entertainment Limited

March 22, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	221.00	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Shemaroo Entertainment Limited (SEL) 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. The ratings further draw comforts from the big content library with investments in new initiatives to add sources to monetize its content library, low risk due to presence in second & subsequent legs.

However, the rating strengths are tempered by working-capital intensive nature of operations, significantly high inventory holding period with the contents accounted in inventory, 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. 400 crore and PBILDT margin of more than 15% 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 5x on sustained basis.

Negative factors

- Decline in scale of operations with sales below Rs. 300 crore and PBILDT margin below 9% on sustained basis
- Further stretch in operating cycle affecting the liquidity position.
- Inability to reduce its working capital borrowings meaningfully going ahead and sustained improvement in cash flow from operations.

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. Following are the list of companies considered in consolidation along with their holdings by SEL as on March 31, 2022, is provided below:

Name of companies/ Entities	% of holding
Canopy Entertainment Private Limited	100.00
Shemaroo Contentino Media LLP	72.50
Shemaroo Think Tank Entertainment LLP	99.99
Shemaroo Media and Entertainment LLC	100.00

Outlook: Stable

CARE Edge believes that SEL will continue to benefit from its established market position in the Media and Entertainment (M&E) industry with its significant library of contents. The operations are expected to remain working capital intensive with high dependence on working capital borrowings to fund the acquisition of new contents.

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

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 long-standing 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 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 611 Hindi movies with perpetual rights and 1,119 Hindi movies with periodical rights ranging from 2 years to 10 years as on March 31, 2022 which can be monetized on various media platforms.
Additionally, SEL has 1,991 of regional titles and 445 special interest content.

Improvement in performance post the pandemic impact

SEL generates revenue from both traditional and digital media. SEL's total operating income improved by 22.68% to Rs.381.71 crore in FY22 (vs. Rs.311.14 crore in FY21) primarily on account of increase in the revenues from both traditional and digital media. Traditional media holds the major chunk of the total revenue pie; however, the share of digital media in the pie has been rapidly growing over the past 4 years. Rising Internet users on account of cheaper smartphones, improved rural internet connectivity, voice enabled utilization of internet and other factors such as affordable data rates, emergence of OTT platforms like Amazon Prime, Netflix, Disney Hotstar etc. are resulting in increase in contribution from digital media. The PBILDT margin of the company improved to 9.84% in FY22 compared to 3.96% in the previous year. This is owing to improvement in advertisement revenue post 'UNLOCK' measures implemented by GOI.

Strong customer profile albeit customer concentration risk

SEL has customer concentration risk as Top 10 customers of the company contribute around 72% of the net sales in FY22. The top customers are reputed, having long track record and have a stable credit profile which mitigates counterparty risk. Further these companies are in expansion phase and looking constantly to increase their content. Hence association with these companies is expected to benefit SEL.

Key weaknesses

Elongated inventory holding period leading to stretched working capital cycle

The entertainment business is a working capital-intensive business mainly on account of higher inventory holding in the form of content development and motion pictures rights acquisition. Operating cycle for SEL continues to remain high at 796 days in FY22 as compared to 947 days in FY21 due to the inherent business model of broadcast syndication business and thereby rendering it working-capital intensive. SEL is required to hold inventory of the movie rights primarily to elevate its bargaining power against the broadcasters and differentiate it from other players.

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.

Vulnerability of advertisement revenues to economic slowdown, viewership trends and competition

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

Industry Outlook:
Favourable Industry environment for growth however it remains highly competitive

As per the industry reports India's Media and entertainment Industry is expected to reach Rs. 4,30,401 crores (US$ 53.99 billion) by 2026. Advertising revenue in India is projected to reach Rs. 394 billion (US$ 5.42 billion) by 2024. Television would account for 40% of the Indian media market in 2024, followed by print media (13%), digital advertising (12%), cinema (9%), and the OTT and gaming industries (8%).

India's subscription revenue is projected to grow at a CAGR of 2% and reach Rs. 432 billion (US$ 4.94 billion), thereby increasing viewership customer base of company. Growth of the sector is attributable to the trend of platform such as YouTube that continues to offer recent and video content-linked music for free. OTT video services market (video-on-demand and live) in India is likely to post a CAGR of 29.52% to reach US$ 5.12 billion by FY26, driven by rapid developments in online platforms and increased demand for quality content among users. However the competition is ever increasing with large number of players entering the Broadcasting industry. Moreover, technological changes have laid new distribution platforms inviting competition from newer players.

Liquidity: Adequate

The average utilization of working capital limits for past 12 months ending December 2022 was 90.46% and provide limited liquidity backup. The current ratio of 2.88x as on March 31, 2022. Current ratio is high due to the high levels of inventory holding. Quick ratio (excluding inventory) of the company stood at 0.49x as on March 31, 2022. As on March 31, 2022 SEL has total cash and bank balances of Rs.8.01 crore which provides support to the liquidity of the company. The company has principle repayment obligations of 6-7 crore during FY23 and FY24 and against this cash accruals is expected in the range of 13 crore. SEL has repaid Rs.5.17 crore till December, 2022 and the balance is due for repayment in Q4FY23.

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
Policy on Withdrawal of Ratings

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 4166 titles as on March 31, 2022 which includes new and old prominent Bollywood movies and also titles in various other regional languages.

Brief Financials (₹ crore) Consolidated	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	311.14	381.71	395.29
PBILDT	12.32	37.54	33.57
PAT	-21.88	5.07	4.90
Overall gearing (times)	0.47	0.44	NA
Interest coverage (times)	0.44	1.45	NA

A: Audited; UA: Unaudited; NA: Not available; 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 the last three years: Please refer Annexure-2

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

Complexity level of the 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		-	-	-	46.00	CARE BBB; Stable
Fund-based - LT-Cash Credit		-	-	-	175.00	CARE BBB; 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	175.00	CARE BBB; Stable	-	1)CARE BBB; Stable (04-Mar-22)	1)CARE BBB+; Negative (11-Feb-21)	1)CARE A; Stable (01-Apr-19)

							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)	1)CARE A; Stable (01-Apr-19)
5	Fund-based - LT-Bank Overdraft	LT	46.00	CARE BBB; Stable	-	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)	1)CARE A; Stable (01-Apr-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the 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

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:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in