

4th Feb'18

Dec'17 earnings update on

Shemaroo Entertainment
Suven Lifesciences

Dear Members,

We have released 4th Feb'18 – Dec'17 earnings update on Shemaroo Entertainment and Suven Lifesciences. The same has been produced below. For other updates, please log into the website at the following link – <http://katalystwealth.com/index.php/my-account/>

Date: 4th Feb'18

Shemaroo Entertainment (NSE – SHEMAROO) – Jan'18 Alpha stock

CMP – 521.55 (BSE); 520.15 (NSE)

Rating – Positive – 4% weightage; this is not an investment advice (refer rating interpretation)

Shemaroo has reported decent set of numbers with 16.81% growth in revenue from operations over Dec'16 quarter. The same has been achieved on the back of 40.8% growth in Digital Media revenue and 10.6% growth in traditional media revenue.

The company continues to see good traction in digital media space and continues to sign content deals with Vuclip, Spuul, etc. On Youtube as well, Shemaroo's channels have been garnering good number of views and subscribers; however as some brands have pulled their advertising out of Youtube, the monetization of views has been lower. Youtube has now implemented stricter brand safety guidelines and management is hopeful that sooner than later continued consumer traction should translate into revenues as well.

As per the management, if digital media revenue has to keep growing at 40% +, then Youtube monetization will have to catch up. The other segments of digital media like MVAS and syndication deals with OTT platforms are performing well. In the MVAS segment, the growth is being driven by both domestic operations and expansion into other countries like Sri Lanka, Thailand, Dubai, Kuwait, etc

On the traditional media front, the outlook is again good with broadcasters hoping for good traction in advertising and as a result the demand for content is also likely to improve. In fact, after several quarters, the company has posted double digit growth in traditional media business.

As far as gross margins are concerned, the same have improved from 38.60% in Dec'16 quarter to 39.05% and that is more or less expected, given higher contribution from higher margin digital media business.

Company's employee expenses have increased by 27% as the company has been building up its team; however as the other costs haven't increased much the EBITDA has increased by 18.34% to Rs 35.81 crore.

One important development is that company's acquisition of inventory has slowed down a bit and now the pace of monetization is faster than acquisition. As a result, it generated free cash flows during the quarter and has started repaying debt. As per the management, while they will keep on investing in content acquisition, unlike past, the focus will be more on acquisition through internal accruals. The management intends to bring down debt equity ratio to around 0.2-0.25.

With lower interest cost, the PBT of the company for Dec'17 quarter is up by 22.47% to Rs 27.63 crore.

Overall, decent performance by the company, and barring Youtube issue, which seems temporary to us, the company continues to be on good footing.

Suven Lifesciences (NSE – SUVEN) – May'17 Alpha stock

CMP – 191.65 (BSE); 191.45 (NSE)

Rating – Positive – 3% weightage; this is not an investment advice (refer rating interpretation)

For the quarter ending Dec'17, the company has reported 41.63% growth in sales to Rs 163.66 crore. Suven's sales tend to be lumpy depending on orders from its clients for various molecules.

During the quarter the company recorded 117 crore sales from CRAMS (including 24 crore from commercial supplies), Rs 36.64 crore from Specialty chemical supplies and Rs 8.8 crore from contract technical services.

As per the management, during the quarter commercial supplies included Rs 6 crore from diabetic molecule and management is hopeful of further Rs 20 crore orders in Q4. As far as Specialty molecule is concerned, the management has retained the

guidance of 25% lower sales in FY 18 over FY 17 and as a result they expect 85-90 crore sales in Q4.

Coming back to results again, with higher contribution from Specialty chemical molecule, the gross margins of the company have declined to 69.94% from 80.57% in year-ago quarter. The company's gross margins tend to be volatile depending largely on CRAMS product mix and contribution from specialty chemical in any particular quarter.

The operating expenses of the company (ex. R&D) have increased by 23.35% while the R&D expenses are down by 15% and therefore the overall expenses are more or less same. Thus, despite more than 1000 bps contraction in gross margins, the EBITDA of the company is up by 39.41% on YOY basis to Rs 51.39 crore.

The company is cash rich and a net interest earner, however due to slightly lower other income and higher depreciation charge, the growth in PBT is lower at 35.03% with PBT of Rs 48.11 crore.

As far as SUVN-502 is concerned, company has been able to enrol 370 patients and till now it has not recorded any serious adverse effect due to drug. Further, the management is hopeful of completing the enrolments by September end or by the end of the year.

On the front of Specialty chemicals, the company is working on 3 molecules with different molecules in different phases of research and validation. The management is hopeful of launch of 1 molecule in FY 19 and expects it to become annuity business just like the current Specialty chemical molecule. The other molecules are 3-4 years away from launch.

As far as ANDAs are concerned, the management is hopeful of filing 2-3 ANDAs during the year and is working on 8 more ANDAs. The results from filings are expected to accrue in 2019-20 with launch of 1-2 molecules. Like Malathion lotion, the ANDAs are for low-volume drugs and the expected annual profits are around USD 2-3 mn per molecule.

We believe FY 20 will be the crucial year for the company as the phase-2 results of SUVN-502 will be out. Further, ANDA filings and new Specialty chemical molecule might also start delivering decent results for the company.

Disclosure: Out of the stocks discussed above, I have personal investment in Suven Lifesciences.

Best Regards,

Ekansh Mittal

Research Analyst

<http://www.katalystwealth.com/>

Ph.: +91-727-5050062, Mob: +91-9818866676

Email: info@katalystwealth.com

Rating Interpretation

Positive – Expected return of ~15% + on annualized basis in medium to long term for investment recommendations and in short term for Special situations

Neutral – Expected Absolute return in the range of +/- 15%

Negative – Expected Absolute return of over -15%

Coverage closure – No further update on the stock

% weightage – allocation in the subject stock with respect to equity investments

Short term – Less than 1 year

Medium term – Greater than 1 year and less than 3 years

Long term – Greater than 3 years

Research Analyst Details

Name: Ekansh Mittal Email Id: ekansh@katalystwealth.com Ph: +91 727 5050062

Analyst ownership of the stock: In Seven Lifesciences

Details of Associates: Not Applicable

Analyst Certification: The Analyst certify (ies) that the views expressed herein accurately reflect his (their) personal view(s) about the subject security (ies) and issuer(s) and that no part of his (their) compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report.

Disclaimer: www.katalystwealth.com (here in referred to as Katalyst Wealth) is the domain owned by Ekansh Mittal. Mr. Ekansh Mittal is the sole proprietor of Mittal Consulting and offers independent equity research services to retail clients on subscription basis. SEBI (Research Analyst) Regulations 2014, Registration No. INH100001690

Ekansh Mittal or its associates including its relatives/analyst do not hold beneficial ownership of more than 1% in the company covered by Analyst as of the last day of the month preceding the publication of the research report.

Ekansh Mittal or its associates/analyst has not received any compensation from the company/third party covered by Analyst ever.

Ekansh Mittal/Mittal Consulting/analyst has not served as an officer, director or employee of company covered by Analyst and has not been engaged in market-making activity of the company covered by Analyst.

We submit that no material disciplinary action has been taken on Ekansh Mittal by any regulatory authority impacting Equity Research Analysis.

The views expressed are based solely on information available publicly and believed to be true. Investors are advised to independently evaluate the market conditions/risks involved before making any investment decision

A graph of daily closing prices of securities is available at www.bseindia.com (Choose a company from the list on the browser and select the "three years" period in the price chart

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Ekansh Mittal/Mittal Consulting/Katalyst Wealth is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Ekansh Mittal or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Neither Ekansh Mittal, nor its employees, agents nor representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Ekansh Mittal/Mittal Consulting or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement.

The recipients of this report should rely on their own investigations. Ekansh Mittal/Mittal Consulting and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Mittal Consulting has incorporated adequate disclosures in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Mittal Consulting

7, Panch Ratan, 7/128
Swaroop Nagar, Kanpur – 208002

Ph.: +91-727-5050062

Mob: +91-98188 66676

Email: info@katalystwealth.com