

EROS INTERNATIONAL MEDIA LTD.

HOLD

Eros International Media Ltd (EIML) is a part of Eros International Plc and has a leading presence in the Indian entertainment industry with a global reach. It is primarily in the business of co-production and distribution of films in India. It has built a successful business model over the preceding three decades by acquiring and distributing Hindi and other Indian language films across multiple distribution platforms.

- Strong movie pipeline in next 6-9 months:** - The company has lined-up five big releases in the coming quarters - Mausam, RA One, Rockstar, DesiBoyz and Agent Vinod. These films cater to a wide range of audiences and belong to all the three categories of films - big, medium and small-budget. Further, a few of these films such as RA.One, Rockstar and Mausam have already created tremendous viewer interest, considering the star cast and directors associated with it and also because they fall under the big-budget category. Eros derives 50-60% of its overall revenues from such big-budget films. Hence, the second half of this fiscal will be productive for the company.
- De-Risk / unique business Model:** - EIML follows the Studio approach in its movie production and distribution business and has a strong movie pipeline with movies like 'RA One' lined up for release. It de-risks its movies' box-office performance by pre-release selling the satellite and music rights, thereby recovering about ~50% of its production costs.
- Strong Q1FY12 performance:** - For Q1FY12 the consolidated net revenue grew by 22% to Rs 1530mn, mainly driven by theatrical success of movies like Ready, Chalo Dillli and Tamil films Avan Ivan, Engeym Kadhal and Ko. Further, there was strong contribution to the revenue from the Catalogue portfolio and stable revenue from the VFX facility. It has released 19 films in the quarter ended June 2011, includes 7 Hindi films and 12 Tamil films. The gross collections from the Zindagi Mile Na Dubhara were Rs 1450mn worldwide out of which Rs 1100mn was from India.

Based on FY13 consolidated numbers we assign a PE multiple of 13, the fair value per share for the company works out to Rs 257

Financial Snapshot

Projections (Rs Mn)	FY08A	FY09A	FY10A	FY11A	FY12E	FY13E
Revenue	4,747	6,265	6,409	7,070	8,593	10,012
Y-o-Y Growth %	117.8%	32.0%	2.3%	10.3%	21.5%	16.5%
EBIDTA	706	1,150	1,294	1,682	2,117	2,711
Y-o-Y Growth %	206.1%	62.8%	12.5%	30.0%	25.9%	28.0%
PAT after MI	411	733	821	1,172	1,356	1,809
Y-o-Y Growth %	210.3%	78.2%	12%	42.8%	15.7%	33.4%
EPS Rs	80.7	143.8	11.5	12.8	14.8	19.8
BVPS Rs	159.7	309.8	33.1	72.7	80.2	100.1
EBIDTA %	14.9%	18.3%	20.2%	23.8%	24.6%	27.1%
NPM %	8.7%	11.7%	12.8%	16.6%	15.8%	18.1%
ROE %	50.5%	46.4%	34.8%	17.6%	18.5%	19.8%
PER x					16.1	12.1
P/B Ratio					3.0	2.4

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Recommendations	<= 1 year	1 - 2 yrs	2 - 5 yrs
Strong Buy			
Buy			
Hold			
Reduce			
Sell			

Strong Buy - Expected Returns > 20% p.a.
Buy - Expected Returns from 10 to 20% p.a.
Hold - Expected Returns from 0% to 10% p.a.
Reduce - Expected Returns from 0% to 10% p.a. with possible downside risk
Sell - Returns < 0%



STOCK DATA

BSE / NSE Code	533261 / EROS MEDIA
Bloomberg Code	EROS IN EQUITY
No. of Shares (Mn)	91
Sensex / Nifty	17,065 / 5125

PRICE DATA

CMP Rs (7th Sept '11)	239.0
Beta	0.96
Market Cap (Rs mn)	21,842
52 Week High-low	230.50 / 124.30
Average Daily Volume	78,942

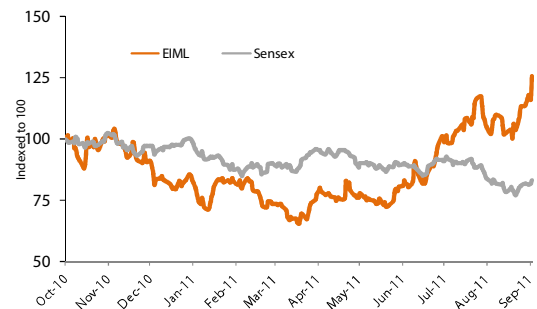
STOCK RETURN (%)

	30D	3M	6M	1Y
EIML	20%	51%	71%	NA
Sensex	-1%	-8%	-6%	-8%
Nifty	-2%	-8%	-6%	-9%

SHARE HOLDING PATTERN (%)

Promoter	78.1
Institution	11.7
Non Institution	10.2
Total	100.0

1 Year Price Performance (Rel. to Sensex)



BUSINESS PROFILE

EIML is a part of the Eros Group, which is a global player within the rapidly expanding Indian media and entertainment arena. The Eros Group operates on a vertically integrated studio model controlling content as well as distribution & exploitation across all formats globally, including cinema, digital, home entertainment and television syndication. Eros Plc, the holding company of the Eros Group, is a promoter of the company and is listed on the alternative investment market of the London Stock Exchange.

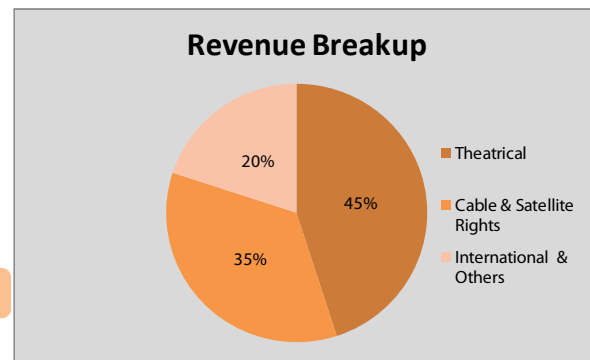
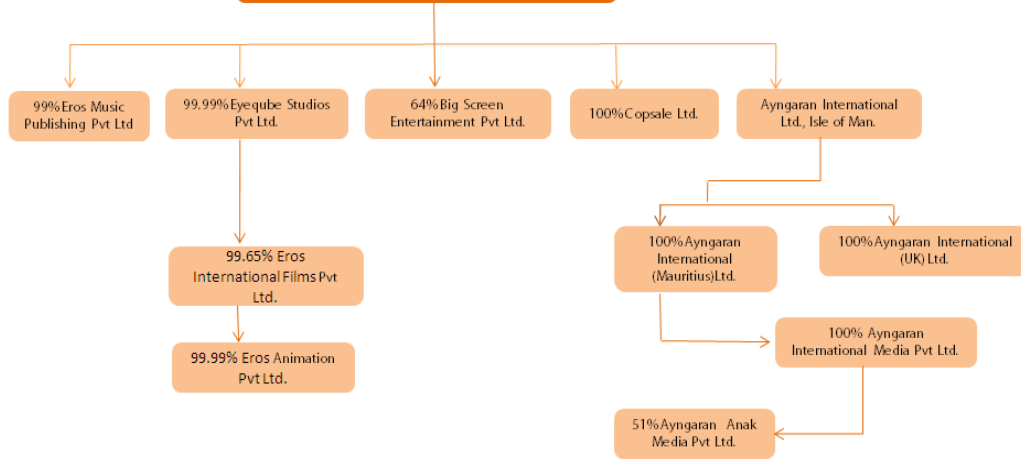
Established in 1977, EIML has over three decades of market leadership in creating a global platform for Indian cinema. The group has an enviable distribution network that spans across 50 countries and over 27 dubbed foreign languages, with offices in India, UK, USA, Dubai, Australia, Fiji, Isle of Man and Singapore. EIML has built a successful business model by combining the release of a portfolio of over ~70 new films every year with the exploitation of a valuable film library of over 2000 film titles, making it undisputedly one of the largest content owners in the business.

EIML is in the business of production and distribution of films. The company is into Hindi, Tamil, Punjabi and Marathi films. Each year, they secure distribution or IP rights to a diversified portfolio of ~70 films, comprising of 10-12 Hindi and the rest regional language films such as Tamil, Marathi and Punjabi. The company sources its content either through acquisition mode or the co-production mode. It prefers this model as it is able to work on more than one production rather than having significant in-house production. The company either acquires the film from the producer at various stages of production for an agreed contractual value or co-produces the film from inception as per the agreed terms. The company distributes a film through all platforms, i.e. theatrical release, television satellite, home video, and new media and music rights.

EIML is a global integrated player within the rapidly expanding Indian Media & Entertainment arena

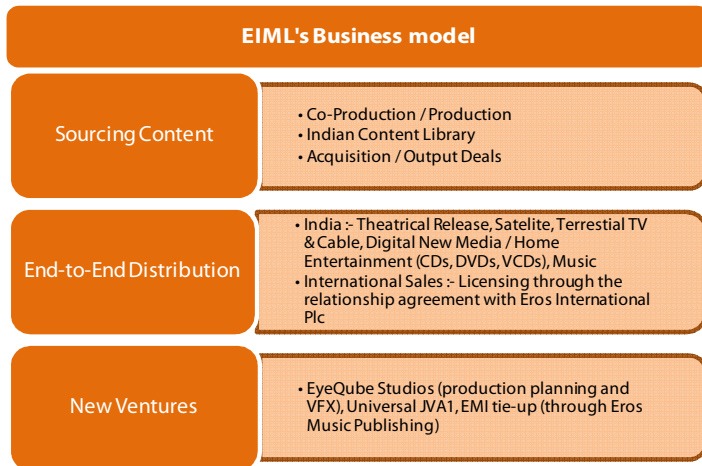
Acquisitions and Co-production arrangements ensure access to superior content at financially attractive terms

EROS INTERNATIONAL MEDIA LIMITED



BUSINESS PROFILE (contd)

Business Model of the company



Eros FY12 Movie Pipeline

Qtr	Movie	Starcast
Q1	Chalo Dilli Game Ready Always Kabhi Kabhi	Lara Dutta, Vinay Pathak Abhishek Salman Khan, Asin Zoa Morani, Gisselle
Q2	MURDER 2 ZNMD Mausam BOL	Emraan, Jacqueline Fernandes Hrithik Roshan, Katrina Kaif, Abhay Deol, Farhan Akhtar Shahid Kapur, Sonam Kapoor Atif
Q3	RA.One Desi Boyz Rockstar Agent Vinod	Shahrukh Khan, Kareena Kapoor Akshay Kumar, John Abraham Ranbeer Kapoor, Nargis Fakhri Saif Ali Khan, Deepika Padukone
Q4*	Unintitled RANA COCKTAIL	Shahid Kapur, Priyanka Chopra Rajinikanth, Deepika Padukone Saif Ali Khan, Deepika Padukone

*Tentative Dates

Business verticals

Theatrical Releases: - EIML is in the business of production/co-production and acquisition of films where it acquires the film from the producer at various stages for an agreed amount. In case of typical acquisition of films, it acquires the film at early stage for an agreed amount. Once a film has been completed, EIML finances the related printing and advertising (P&A) activities and its' in house theatrical distribution network physically distributes the movie prior to its release. Both the minimum guarantees and the P&A cost are recoverable from the box-office collection of the theatres, with EIML retaining the sales commissions. After the sales commission and after deducting the P&A cost, the balance is shared with the producer as per the agreed terms. In case of co-production the company enters the films from the start with a pre-agreed budget, star cast and the script with the producer and the profits are shared as per the agreed terms.

Television Rights: - The Company has licensed television rights either directly to third parties or through the Eros International Group. With effect from October 1, 2009, it has retained all television rights for exploitation within India, Nepal and Bhutan, or all revenues from such exploitation of the television rights in these territories are received by the company. Television licensing is mainly broken down into satellite television licensing, cable television licensing, terrestrial television licensing and, more recently, DTH licensing. The company enters into licensing deals with major television networks in India, such as Star, Sony, Zee and Colors to license its new and catalogue films. This majorly includes licensing of films for cable television, satellite television and terrestrial television.

Other segments: - Apart from the theatrical, television and overseas distribution segments, there are other platforms like music rights, home entertainment, and digital distribution to cable television networks where in the company has its presence.

Music Rights:- The company also generate revenue from sale of music rights, which an important part of the Hindi films. The company generates revenue in form royalties from Music channels, Radio stations and also from public events.

Home Entertainment:- Home entertainment consists of distribution of content in formats such as ACDs, MP3s, DVDs, VCDs and Blu-ray discs through retail outlets and its website. Eros distributes these variants under the Eros and Ayngaran label. The same can be bundled up with its content library.

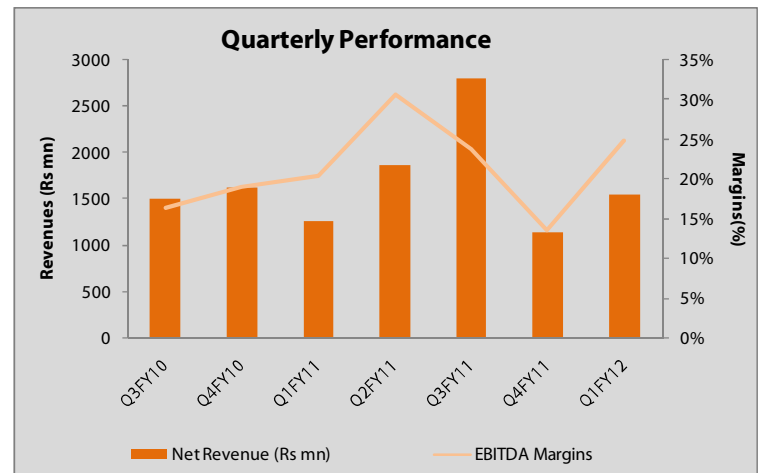
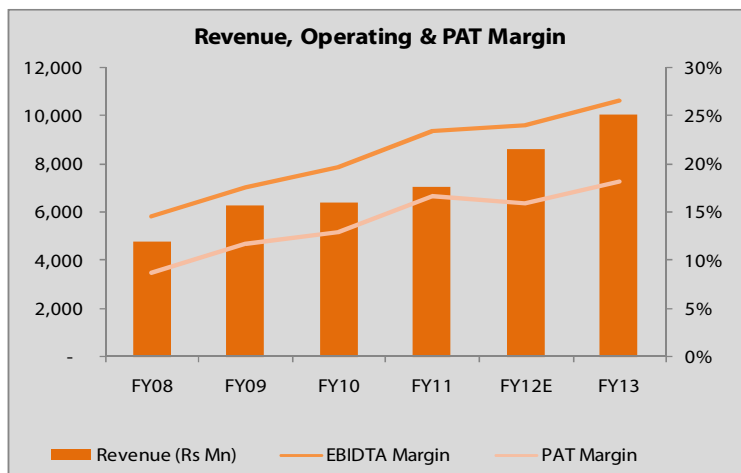
Animations & Visual Effects:- In 2007, the company formed, EyeQube, an animation and visual effects studio that uses the latest technologies to create high-end visual effects in films in order to capture the growing market of animation films across the globe.

BUSINESS PERFORMANCE

For Q1FY12, the consolidated net sales grew by 22% to Rs 1538mn, the growth was mainly driven by theatrical success of movies like Ready, Chalo Dilli and Tamil films as Avan Ivan, Engeym Kadhal and Ko. Further, there was strong contribution to the revenue from the catalogue portfolio and stable revenue from the VFX facility. It has released 19 films in the quarter ended June 2011, includes 7 Hindi films and 12 Tamil films. Further, it expects five major releases in the year 2011, which include Mausam, RA.One, Rockstar, DesiBoyz, and Agent Vinod. The gross collections from the Zindagi Mile Na Dubhara are at Rs 1450mn worldwide as on date, out of which Rs 1100mn are from India.

EIML is cash rich and absolutely a debt free company. The company does not need any kind of funding, as the upcoming releases lined up in Q3 and Q4 are all high profile films (Ra One, Agent Vinod, Desi Boyz and Rockstar) which is expected to provide hefty returns. Those films are expected to generate significant cash flow. So, this implies that EIML is sufficiently funded and have internal accruals, which will help them in terms of further investments into content.

The company's net sale for Q1FY12 grew by 22%, the growth was mainly driven by theatrical success of films like Ready, Chalo Dilli and also some the Tamil films did extremely well



Peer comparison

Peer Group Comparison

Companies	Revenue (Rs. mn)	EBIDTA Margin (%)	PAT Margin (%)	ROE (%)	P/E (x)	P/B (x)	CMP (Rs.)	FV (Rs.)
Eros International Media Ltd	7,070	24%	17%	18%	18.4	3.3	239	10
UTV Software Communications	9,295	20%	15%	15%	29.1	4.3	986	10

We are comparing Eros International with UTV software communication. Considering strong pipelines of many blockbuster films, which are expected to hit the cinema house, sales growth, is likely to be strong. With regard to UTV, as of now, the company has not announced any major film releases. This gives an upper hand for EROS over UTV software. On the consolidated levels, the firm has produced better margins than its peers. PAT margin stood at 17% versus 15% that of UTV. In terms of operational efficiency, the firm has produced better results than its peers as the EBITDA margin stood higher.

VALUATIONS

EIML is one of the leading production & distribution house in the Indian film industry. It is well diversified in its arena of film production and distribution with various verticals. The company follows a studio model approach which helps it to de-risk its business, where in it sells the satellite and music rights before the movie is released, so it does not face any risk even if the movie performs well at the Box-office or not, it will recover ~ 50% of its production cost by selling the various rights in advance. The company has well lined up high profile films for the coming quarters such as RA One, Agent Vinod, Desi Boyz and Rockstar, from which is likely to be cash accretive. There will be huge cash flows, which it will be generating from there which could be further utilized for content development and expansion of the new ventures. The company has some of the priorities for FY12 which includes increasing investments in films with high profile stars, capitalizing on the growth in the number of 3D films; increase the contribution of EyeQube (its VFX segment) to the company's top line. All these signify that in the coming years, the company has strong reason for growth in its industry. We expect the revenue to grow at a CAGR of 19% and PAT to grow at 24% from FY11 to FY13.

Based on FY13 consolidated numbers we assign a PE multiple of 13, the fair value per share for the company works out to Rs 257

Strong movie pipeline in the coming quarters will drive the growth for the company in the second half of this fiscal

Financial Analysis and Projections

Particulars (Rs Mn)	FY08A	FY09A	FY10A	FY11A	FY12E	FY13E
Net Revenue	4,747	6,265	6,409	7,070	8,593	10,012
Other Income	155	13	163	121	176	215
Total Income	4,902	6,278	6,572	7,191	8,769	10,227
Operating Expenditure	4,196	5,128	5,279	5,508	6,652	7,516
Depreciation	18	50	44	38	63	64
EBIT	688	1,100	1,250	1,644	2,055	2,647
EBIT Margin (%)	14.5%	17.6%	19.5%	23.3%	23.9%	26.4%
Interest	28	61	127	125	147	172
Profit Before Tax	660	1,039	1,122	1,519	1,908	2,476
Less: Tax	233	291	296	337	549	663
PAT After MI	411	733	821	1,172	1,356	1,809
PAT Margin (%)	8.7%	11.7%	12.8%	16.6%	15.8%	18.1%
ROE (%)	50.5%	46.4%	34.8%	17.6%	18.5%	19.8%
EPS (Rs)	80.7	143.8	11.5	12.8	14.8	19.8
BVPS (Rs)	159.7	309.8	33.1	72.7	80.2	100.1
Valuation Ratios (x)					FY12E	FY13E
P/E					16.1	12.1
P/B					3.0	2.4

Board Of Directors

Director Name	Current Position	Description
Shri. Naresh Chandra	Independent Non-Executive Chairman	Shri. Naresh Chandra is an Independent Non-Executive Chairman of the Board of Eros International Media Ltd. He graduated with a masters' degree in science from Allahabad University. A former civil servant, he joined the Indian Administrative Services in 1956 and has served as Chief Secretary in the State of Rajasthan, Commonwealth Secretariat Advisor on Export Industrialisation and Policy in Colombo (Sri Lanka), Advisor to the Government of Jammu and Kashmir, and successively Secretary to the Ministries of Water Resources, Defence, Home and Justice in the Gol. In December 1990, he became Cabinet Secretary, the highest post in the Indian civil service. In 1992, he was appointed Senior Advisor to the Prime Minister of India. He has served as the Governor of the state of Gujarat in 1995-1996 and Ambassador of India to the United States of America in 1996-2001. He has also chaired the Committee on Corporate Audit and Governance, the Committee on Private Companies and Limited Companies Partnerships and the Committee on Civil Aviation Policy, for the Gol. He has been honoured with the Padma Vibhushan, a high civilian award, by the Government of India in 2007. He is a director of various companies, including Eros plc and Vedanta Resources plc. He was appointed as a Non- Executive Chairman and Independent Director by Company on September 28, 2009.
Mr. Sunil K. Lulla	Executive Vice Chairman	Mr. Sunil K. Lulla is Executive Vice Chairman of the Board, Managing Director of Eros International Media Ltd. He graduated with a bachelors' degree in commerce from Mumbai University. He has over 20 years of experience in the business. He is the first Director of Company appointed as per the provisions of the MoA of Company and has been instrumental in developing the Eros India Group. He has relationships with the talent within the Indian film industry and has been instrumental in Company's expansion into India distribution as well as home entertainment and music. He has led Company's growth within India as Managing Director for many years before being appointed by the Board as Executive Vice Chairman on September 28, 2009.
Mr. Kumar Ahuja	Senior Vice President	Mr. Kumar Ahuja is Senior Vice President - Business development of Eros International Media Ltd. He completed his second year junior college from MMK College Mumbai and has approximately 10 years of work experience. He joined Company on April 22, 1999. He represents in all international film festivals and also managed digital initiatives within India.
Mr. Nandu Ram Ahuja	Senior Vice President	Mr. Nandu Ram Ahuja is Senior Vice President, India Theatrical of Eros International Media Ltd. He completed his bachelors' degree from H.R. College. He has a total work experience of approximately 28 years including managing his own business and work experience with Adlabs Films Limited and Balaji Motion Pictures Limited. He joined Company on January 27, 2009.
Mr. Vijay M. Ahuja	Executive Director	Mr. Vijay M. Ahuja is an Executive Director of Eros International Media Ltd. He is a Commerce graduate from Mumbai University; Co-founder of Eros International Plc's UK business in 1988; Instrumental in implementing the key international strategies of Eros, helping expand the business to its present scale by making a contribution to developing the South East Asian markets (Singapore, Malaysia, Indonesia and Hong Kong).
Mr. Kishore K. Lulla	Executive Director	Mr. Kishore K. Lulla is Executive Director of Eros International Media Ltd. He graduated with a bachelors' degree in Arts from Mumbai University. He has over 20 years of experience in the media and film industry. He is a member of the British Academy of Film and Television Arts and Young Presidents' Organisation and also a board member of the University of California, Los Angeles. He has been honoured at the Asian Business Awards 2007 and the Indian Film Academy Awards 2007 for his contribution in taking Indian cinema global. As Executive Chairman of the Eros Group, he has been instrumental in spearheading the growth of Eros International Group and expanding their presence in UK, USA, Dubai, Australia, Fiji and other international markets. He was appointed as an Executive Director by Company on September 28, 2009.
Mr. Rajesh Bahl	Chief Digital Officer	Mr. Rajesh Bahl is Chief Digital Officer of Eros International Media Ltd. He is a MBA in Marketing from a premier institute in Mumbai; Leads the Company's foray into the digital space; 13 years of experience in the Media & Entertainment industry; Devised the decisive monetizing approach and led the team to execute the same; Driving the digitization process and the Digital Asset Management platform deployment.
Mr. Kamal Jain	Group Chief Financial Officer	Mr. Kamal Jain is Group Chief Financial Officer, India of Eros International Media Ltd. he is a A chartered accountant; Professional experience of 17 years in various industries such as Media, Entertainment, Cement, Chemical, Shipping and SAP consulting; Driving overall Financial and operational strategies; Managing investor relations.
Mr. Ram Mirchandani	Chief Creative Officer	Mr. Ram Mirchandani is Chief Creative Officer of Eros International Media Ltd. He has completed his bachelors' degree in science from Jai Hind College, Mumbai. He has approximately 21 years of experience in the industry. Prior to joining Company on November 1, 2009, he was the chief creative officer of UTV Rampage Motion Pictures (UMP plc) where he has been involved in the production and co-production of Hindi films including Rang de Basanti, Fashion, Metro, Chance Pe Dance, Oye Lucky Lucky Oye, Wednesday, Mumbai Meri Jaan, Telegu film Athidi and Tamil films Kanamoochi Yenada and Poi Solo Poram as well as their Hollywood productions. Prior to that, he has been business head at a joint venture of Modi Entertainment and BVTI (a Walt Disney company) and several positions within the Modi Group including development, co-production and production of television shows for Doordarshan, Zee TV, Sony, Star TV, Walt Disney and Hallmark. As he joined Company on November 1, 2009.
Dr. Shankar Nath Acharya	Independent Non-Executive Director	Dr. Shankar Nath Acharya is an Independent Non-Executive Director of Eros International Media Ltd. He graduated with a bachelors' degree in politics, philosophy and economics from Oxford University in 1967 and earned a doctorate in economics from Harvard University in 1972. He worked in the World Bank, Washington D.C. from 1971-1982, where he led the World Development Report team for 1979 and was research adviser to the bank in 1979-82. After returning to India, he served as economic advisor to the Union Finance Ministry from 1985-90. From 1993 to 2000 he was chief economic advisor to the Government of India and was deeply involved in the economic reforms of that period. He also served as member, SEBI during 1997-2000. He was a member of the Prime Ministers' Economic Advisory Council (2001-2003) and member, Twelfth Finance Commission (2004). He has authored several books and numerous scholarly articles on economics and serves on the governing bodies of several national research organizations. He was appointed by Company as Non-Executive Independent Director on November 1, 2009.
Mr. Dharendra Swarup i	Non-Executive Independent Director	Mr. Dharendra Swarup is Non-Executive Independent Director of Eros International Media Ltd. he is a Government certified Public Accountant and a Fellow of the Institute of Public Auditors of India, and has a post graduate degree in Humanities; Former civil servant, served as a Secretary, Ministry of Finance, Government of India; 42 years' experience in Finance, budgeting, audit, public policy, public investments, project appraisal, evaluation of schemes and programmes of the Government of India; Associated with the International Monetary Fund between 1993 and 2007.