

# **Exhibit 4**

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## Eros: Revising Our TopCo Analysis

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by: Alpha Exposure

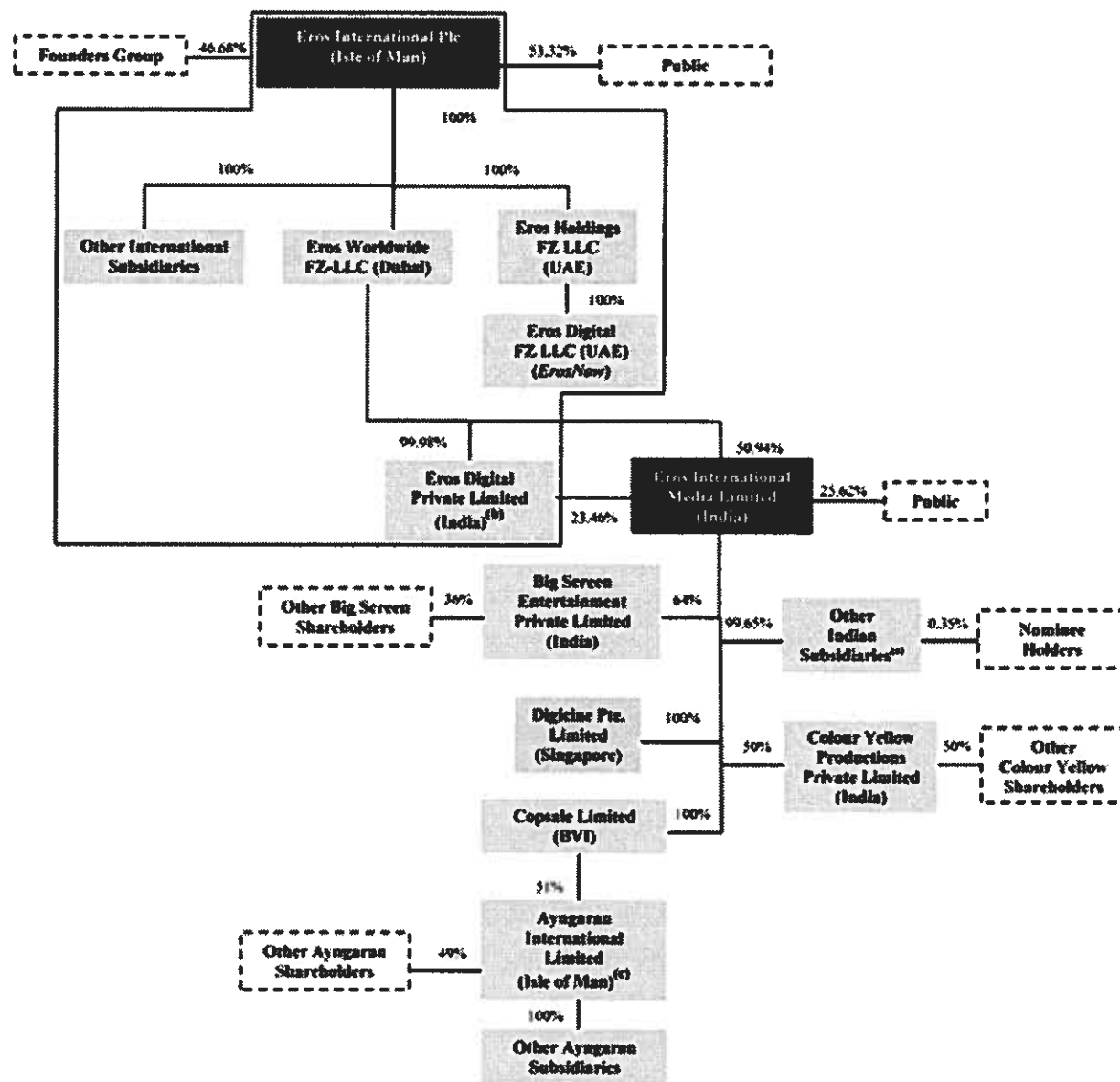
### Summary

- We made an error in our TopCo analysis of Eros and EIML. This does not negate any of the other damning questions that remain unanswered.
- Eros reported another quarter of negative free cash flow as well as increasing trade and other receivables.
- We have written a letter to the enforcement division of the SEC. A link to it is provided in this article.

Eros International Plc (NYSE: EROS) ("Eros") reported its second quarter results on November 17th, 2015. Following the release of its earnings, the company held a conference call. Notably, Eros did not take any questions from investors and only took questions from two sell-side analysts, one with Macquarie Capital and one with Wells Fargo. Both of these companies were Joint Book-Running Managers on the latest Eros International Plc's stock offering (Source). Furthermore, yet again, Eros reported negative free cash flow as well as increasing trade and other receivables. Trade and other receivables were \$225.5 million at the end of Q2 2016 vs. \$216.6 million at the end of Q1 2016. We continue to believe that the company is a scam and that the equity is worthless.

We are revising our analysis on Eros International Media Limited ("EIML"), the publicly listed Indian subsidiary, relative to Eros International Plc, its holding company parent. We defined "TopCo" as the entities that belonged solely to Eros and not to EIML. As can be seen in the red box in the below organizational chart:

**Eros Organizational Chart (as of March 2015)**



We made the mistake of including in our calculations the various inter-party transactions that arise between EIML and TopCo under the relationship agreement. The inclusion of these related party transactions caused our analysis to understate TopCo's revenue as these transactions are eliminated at the parent-level. Excluding these related party transactions, TopCo's revenue would be as follows:

| (\$ millions)            | EROS     |          | EIML     |          | TOPCO    |          |
|--------------------------|----------|----------|----------|----------|----------|----------|
|                          | FYE 2014 | FYE 2015 | FYE 2014 | FYE 2015 | FYE 2014 | FYE 2015 |
| <b>Income Statement:</b> |          |          |          |          |          |          |
| Related party revenue    | --       | --       | 48       | 73       |          |          |
| 3rd party revenue        | 236      | 284      | 141      | 163      | 95       | 121      |
| Reported revenue         | 236      | 284      | 189      | 236      | 95       | 121      |

Nonetheless, TopCo's days sales outstanding would still increase at a troubling pace if we exclude these related party transactions as well as the related party trade balances.

| (\$ millions)                                  | FYE 2014 | FYE 2015 |
|------------------------------------------------|----------|----------|
| EIML reported trade and other receivables      | 34       | 86       |
| EIML related party trade and other receivables | 16       | 16       |
| EIML 3rd party trade and other receivables     | 18       | 70       |
| TopCo revenue                                  | 95       | 121      |
| Eros Plc reported trade and other receivables  | 112      | 210      |
| EIML 3rd party trade and other receivables     | 18       | 70       |
| TopCo trade and other receivables              | 93       | 139      |
| Days sales outstanding TopCo                   | 359      | 420      |

In our third article, we estimated Eros' theatrical revenues based on the 132 films the company claims to have released in fiscal years 2015 and 2014 in its 20-F filed with the SEC (Source, see page 34). Since then, the company quietly added two films to the list, Action Jackson in fiscal year 2015 and Siva Senai in fiscal year 2014 (Source, see latest releases tab). Fortunately, we saved the movie list using WaybackMachine should the company attempt to manipulate the films listed after we released our third Seeking Alpha article (Source, see latest releases tab). We have shown the late addition of Action Jackson below as an example.

| Pre-article release                                                                                                                                                                                                                                                                                                                               | Post-article release                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div style="display: flex; justify-content: space-around;"> <div> <p>HOME</p> <p>LATEST RELEASES</p> </div> <div> <p>COMING SOON</p> <p>LATEST RELEASES</p> </div> </div> <p>— FY 2014-2015</p> <p>HINDI</p> <ul style="list-style-type: none"> <li>&gt; 13 :: A Code Of Secrecy</li> <li>&gt; Ardamad Junction</li> <li>&gt; Badlapur</li> </ul> | <div style="display: flex; justify-content: space-around;"> <div> <p>HOME</p> <p>LATEST RELEASES</p> </div> <div> <p>COMING SOON</p> <p>LATEST RELEASES</p> </div> </div> <p>— FY 2014-2015</p> <p>HINDI</p> <ul style="list-style-type: none"> <li>&gt; 13 :: A Code Of Secrecy</li> <li>&gt; Action Jackson</li> <li>&gt; Ardamad Junction</li> </ul> |

Despite adding these two movies, we are still unable to come close to the company's reported theatrical revenues based on the 134 films. Furthermore, we still believe revenue from television syndication and digital and ancillary sources are even more egregiously overstated based on industry comparables.

The red flags that we originally identified continue to exist. Investors should be concerned.

A brief review of these red flags includes:

- **Movie Count** - The company provided a list of 64 and 68 movies for fiscal 2015 and 2014, respectively. Following our remark that the company was two movies short of its reported numbers, two movies were added without notice. 26% of these films were theatrically released prior to the fiscal year indicated.
- **Revenue** - Based on publicly available sources, we believe theatrical revenue is overstated by 95% and 49% in fiscal years 2015 and 2014, respectively. We have now included Action Jackson and Siva Senai in our theatrical revenue estimates as the Company added these two films to their movie list subsequent to our third Seeking Alpha article.
- **Revenue** - The company's reported Television Syndication and Digital & Ancillary revenues imply a 38-42% market share in fiscal year 2015. This is a far cry from the 20% implied box office gross market share based on their reported theatrical revenues and the single-digit market share based on their theatrical gross box office according to third-party sources.
- **Aggressive Accounting** - The company changed its amortization period from 5 years to 10 years which inflated operating profit by 176% during fiscal 2015. DSOs have steadily increased from 139 days in fiscal 2012 to 277 days in fiscal 2015.
- **Capital spending** - There has been no credible explanation for the \$113 million increase in capital spending during fiscal 2015. The additional information provided by the company today, namely that 26% of the films that they purchased were purchased post-theatrical release, makes the \$276 million in investment during fiscal 2015 even more incredulous.
- **CFO resignations** - The CFO of Eros PLC resigned May 2015 and the CFO of Eros International Media resigned November 2014.
- **Subsidiaries** - The foreign subsidiaries are fueling the revenue growth, but the reported revenues are not being collected, resulting in massive growth in receivables. At one subsidiary, this receivable increase surpasses revenues for the period, an accounting impossibility. More than 100% of revenue growth in fiscal year 2015 is being earned in the UAE.
- **Auditor** - The company hides behind Grant Thornton India LLP as the auditor. However, Eros employs a local Indian auditor with only a few employees and no visible

website that uses a gmail email address. This very small accounting firm has audited at least 9 subsidiaries in places as disparate as Mumbai, BVI, Mauritius, Singapore, and the Isle of Man. The auditor recently resigned for at least one of these subsidiaries.

- **ErosNow** - Eros' claims to have a 3,000+ library. This is in stark contrast to the 1,162 films actually available on ErosNow.
- **ErosNow** - Management now claims that they hope to get a few million paid subscribers over the next 3-5 years and that it will contribute meaningfully over the long term. This is a big pullback from its \$1.2 billion three-year goal discussed at the FBR Digital Media Conference on October 8, 2015.
- **Related party transactions** - The company has engaged in numerous related party transactions of dubious value. One particularly galling example is Next Gen receiving 9%, 14% and 13% of Eros's capital spending during fiscal years 2015, 2014, and 2013, respectively. Next Gen is 99% owned by an executive's mother and has no employees

## Conclusion

This is the fourth installment of our investigations into Eros. During a quarter in which Eros released one of the top grossing Indian movies of all time, the company still failed to generate free cash flow. Furthermore, the Company even admits that calendar year 2015 has been unusually strong with 8 out of the top 15 films being Eros films. Nonetheless, not one of those quarters was free cash flow positive. We have now taken the unusual step of writing to the enforcement division of the SEC and are composing a letter to the company's auditors. We have posted a redacted copy of our letter to the SEC here. Recall that the last time we did this, on UniPixel (NASDAQ:UNXL), the company ultimately received an enforcement action and its stock has declined 97% since our first article. We expect Eros' stock will decline by as much or more. We continue to believe the stock is worthless.

**Disclosure:** I am/we are short EROS.

I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it. I have no business relationship with any company whose stock is mentioned in this article.

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