

# Exhibit 5

# Eros: Continued Subsidiary Sales and Expensive Debt Further Our Reasons for Concern

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Last week, we [released a report](#) on GeoInvesting.com that highlighted what we believed to be some critical warning signs ahead of Eros International's ([NYSE:EROS](#)) upcoming annual report. Among other things, those warning signs included the fact that Eros recently sold off or pledged over 23% of its stake in its primary Indian subsidiary. Only hours after our report, Eros continued to validate our concerns.

## Company Continues to Sell Stake in its Main Subsidiary

On Friday, Eros Worldwide FZ made a block sale on the open market of 1.244m shares of Eros International Media Limited (“EIML”), representing 1.32% of the company (based on Eros’s [July 7th filing](#) showing EIML had 94,450,278 shares outstanding). There are no public filings by the company reporting this sale that we were able to locate. We found the details of the sale from NSE bulk deals data which shows the sale occurred Friday July 14th.

Data for EROSMEDIA - from 15-07-2016 to 14-07-2017							
Bulk Deals Historical Data							
Data for EROSMEDIA from 15-07-2016 to 14-07-2017							
Date	Symbol	Security Name	Client Name	Buy / Sell	Quantity Traded	Trade Price / Wght. Avg. Price	Remarks
24-Apr-2017	EROSMEDIA	Eros Intl Media Ltd	EROS WORLDWIDE FZ LLC	SELL	5,72,652	240.73	-
26-Apr-2017	EROSMEDIA	Eros Intl Media Ltd	EROS WORLDWIDE FZ LLC	SELL	10,52,508	229.27	-
08-May-2017	EROSMEDIA	Eros Intl Media Ltd	EROS WORLDWIDE FZ LLC	SELL	23,34,971	227.06	-
14-Jul-2017	EROSMEDIA	Eros Intl Media Ltd	EROS WORLDWIDE FZ LLC	SELL	12,44,850	209.71	-

(Source: <https://www.nseindia.com/products/content/equities/equities/bulk.htm>)

We believe that the company could have, in fact, sold more than the 1.244 million shares in total on that day, but the NSE only recorded that one particular block sale.

## Eros May Have Just Lost Majority Voting Control in its Operating Subsidiary

This sale is significant as we believe it also means that for the first time, Eros, by our calculation, holds less than 50% of the voting rights of its EIML shares. As of the same July 7th filing above, Eros Worldwide held 27.31% of the shares carrying voting rights. In addition, Eros Digital Private Limited held 23.18% of EIML for a combined 50.49% voting stake, as of that date. After this 1.32% sale on Friday, the company holds voting rights to only 49.17% of EIML, dipping below the 50% threshold for the first time.

For some context, as of the company's last [20-F filing](#) on page F-47, we see that it held 74.4% of the voting rights for EIML. At the time, there were no share encumbrances, which we can see from EIML's series of encumbrance filings [starting April 5th](#) of this year which confirm that at the time "Nil" shares were encumbered. In short, by our estimates, the company went from 74.4% total voting control in last year's filing to Eros FZ's voting control dropping due to sales and encumbrances by a total of 25.23%.

## Eros Just Issued New Senior Secured Debt Carrying a 13.75% Interest Rate

Additionally, we were able to locate details of Eros's recent massive [share pledge of 7.41%](#) of EIML from 7/5/2017. The [pledge announcement](#) stated that it was "Collateral for loan taken by the subsidiary company".

Name of the promoter PACs	Promoter holding in the target company (1)		Promoter holding already encumbered (2)		Details of events pertaining to encumbrance (3)							Post event holding of encumbered [(2)+(3)]	
	Number	% of total share capital	Number	% of total share Capital	Type of event (creation / release /	Date of creation / release / invocation of	Type of encumbrance (pledge / lien / non-disposal	Reasons for encumbrance	Number	% of share capital as on	Name of the entity in whose favor shares	Number	% of total share capital
Eros Worldwide FZ LLC	40,842,116	43.24 %	8,205,000	8.69%	Creation	July 5, 2017	Pledge	Collateral for Loan taken by the Subsidiary Company	7,000,000	7.41%	SREI Equipment Finance Limited	15,205,000	16.10%

On 7/13/2017, (last Thursday) several new filings popped up for Universal Power Systems Private Limited, a subsidiary of EIML. The subsidiary borrowed 70 crore (700 million rupees) which corresponds to about \$11.2 million USD. In exchange for the loan, shares of EIML were pledged in addition to other collateral of Universal Power Systems Private Limited. The loan is senior secured bearing a current interest rate of 13.75% and is due in 20 months.

## Annexure – A

SREI Equipment Finance Limited (SREI) has granted a Rupee Term Loan of Rs.70,00,00,000/- (Rupee: Seventy Crores Only) to Eros International Media Limited (EIML) against Corporate Guarantee and Security given by Universal Power Systems Private Limited (UPSPL) for Creation of first ranking and exclusive charge on Current Assets, Account Assets, Receivables and Rights of UPSPL as stated at length in the Schedule attached to Deed of Hypothecation, annexed hereto.

Extracts from the Offer Letter executed between EIML and SREI on 29<sup>th</sup> July, 2017 is given below:

Repayment Schedule	Payable in 20 instalments starting end of November'17 as follows: (Rs. in Crore)			
	Quarter ended	No. of Instalment	Repayment / Quarter	Total Repayment
	Nov'17	1	1.00	1.00
	Feb'18 – Aug'18	3	2.00	6.00
	Nov'18 – Nov'20	9	4.00	36.00
	Feb'21 – May'21	6	4.20	25.20
	June'22	1	1.80	1.80
	<b>Total</b>	<b>20</b>	<b>-</b>	<b>70.00</b>
Interest	Srei Benchmark Rate (SBR) + Spread Current SBR is 17.75% p.a. and Spread is (-) 4.00% p.a. respectively so that the applicable interest rate is 13.75% p.a. at present SBR.			
	Interest will be payable monthly on last day of each month falling after the Initial Disbursement Date.			

Needless to say, 13.75% on a senior secured note is a rate that is no way indicative of confidence. It also likely reflects the company's need for new borrowings. Given that fresh senior debt is being issued at this rate, we believe it also calls into question the viability of any plans for a low-rate revolving facility (for working capital or refinancing purposes) or of any meaningful recovery on junior debt in case of an event of default.

## How Much Time Can the Company Buy?

Since [our note on EROS released in March](#) of this year questioning the company's liquidity, EROS appears to us to have taken no meaningful steps to alleviate any of the concerns that we raised. In fact, the company has done just the opposite, in our opinion, making almost the exact moves that a company in a liquidity crisis would be expected to make.

We have seen this story before and we believe the record has to stop at some point. Right now, the question is only how long the song and dance can last before EROS has tapped all of its possible resources for leverage. When it reaches the end of that road, and if at that point the company is still not able to generate meaningful cash, things could get ugly very quickly.

The bond market is often looked at as the smart money on the street. With EROS pricing a senior secured note at a 13.75% interest-rate, the bond market has already made up its mind about how risky the company truly could be and how much it needs capital. How long until the equity market realizes the same and reprices the stock accordingly?

**Equity Disclosure: short EROS, at time of article**

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