

Exhibit 3

Eros Associated Execs Admit on Hidden Camera They Will Launder Money Through Films

March 29, 2017 By [GeoTeam](#) ([Edit](#))

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Contributed by FG Alpha Management for GeoInvesting, LLC

Summary

- A CNN India exposé catches four Eros International ([NYSE:EROS](#)) associated director/producer/writers on hidden camera discussing methods for laundering money through their films.
- Rather than disassociate themselves with these film executives following the exposé, Eros instead worked closely with all of the individuals and even acquired a 50% interest in one of their production companies in 2016.
- The apparent ties to money launderers raises serious questions about Eros's use of numerous offshore asset havens and its byzantine entity structure.
- Additional questions should be asked about the company's tumultuous financial controls including (a) the use of at least 9 different auditors (b) 12 auditor resignations over the past 4 years and (c) insider allegations of the use of dummy production deals to channel assets to company family members.
- In order to protect U.S. investors, today we are calling for a full and thorough investigation of the company.

"Black money is money which is earned through any illegal activity controlled by country regulations. Black money proceeds are usually received in cash from underground economic activity and, as such, is not taxed. Recipients of black money must hide it, spend it only in the underground economy, or attempt to give it the appearance of legitimacy

through [money laundering](#). Possible sources of black money include drug trafficking, weapons trading, terrorism, prostitution, selling counterfeit or stolen goods and selling pirated versions of copyrighted items such as software and musical recordings.” (Source: [Investopedia](#))

Today we want to present evidence that film directors and producers associated with some of Eros’ most prominent films have been caught by the media explaining how to launder “black money” through production and film deals. The details of this type of money laundering could go a long way in explaining many of the critical questions raised about EROS over the last few years. While we are not alleging outright that EROS is involved with money laundering, as others have been, we want to present a slate of circumstantial evidence spanning the course of the last five years that we think should continue to give EROS investors perhaps their most significant cause for concern yet.

We’ll also present evidence that Eros has worked closely with film executives who were caught on hidden camera by CNN in 2012 explaining how to launder money through films. In fact, Eros bought a 50% interest in one film producer’s company in 2016, claiming to have a “special association” with him and his company.

We have asked several extremely critical questions about EROS over the last month. For those that have not read our last two articles, we highlighted how an EROS co-producer alleged that the company was [funneling money to family members](#) through dummy production deals. More recently, we presented evidence indicating that the company may be in the midst of a [liquidity crisis](#) following a failed bond pricing in the run up to looming debt maturities believed due at the end of this month.

Today we want to elevate the discussion and present evidence that, surprisingly, we have not seen in Eros court filings or has been detailed by other critics of the company.

The Bollywood industry has a [long-standing reputation](#) for money laundering or using “black money” to finance film deals, but Eros had never been openly tied to those allegations. Today, that changes, as we highlight Eros’s close links to several key film industry professionals who were caught on video describing methods of money laundering through the Indian film industry.

CNN India Exposé

In July 2012, CNN India ran a piece entitled "Exposed: What Black Money Buys in Bollywood". The exposé featured an undercover reporter posing as an investor seeking to launder "black money" through the film industry. Hidden camera conversations with producers/directors/writers Vashu Bhagnani, Anubhav Sinha, Anees Bazmee and Rajeev Kaul revealed how investor black money can be laundered through their films.



Vashu Bhagnani, Director

During the undercover conversation with CNN, director Vashu Bhagnani made clear that he intended to skirt tax officials and even seemed to boast of his numerous methods of converting illicit money. From the transcript of the video:

*Bhagnani: **I have many ways to make black money white...but the person needs to be genuine. We should not get caught by income tax officials.***

Reporter: So if I have to give you 10 crores, how much in check and how much in cash?

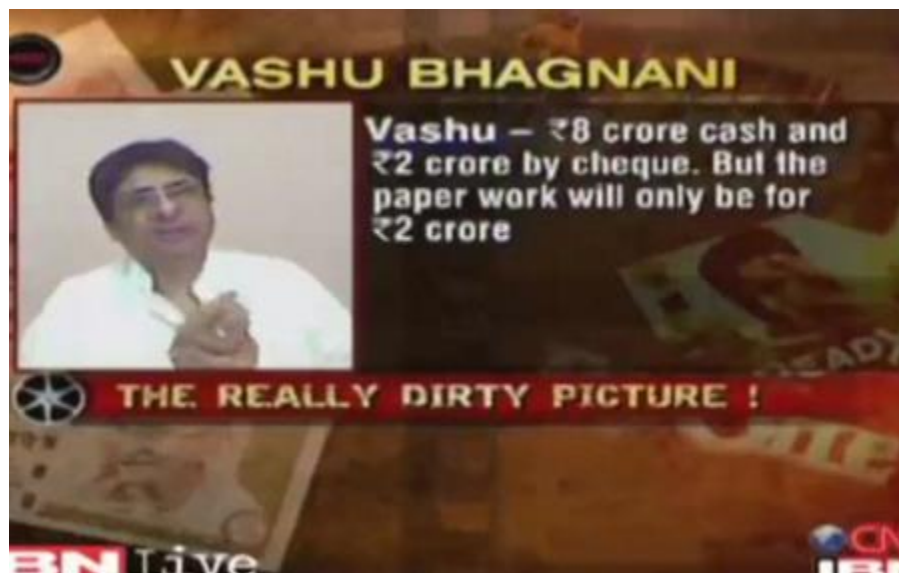
Bhagnani: 8 crores cash and 2 crores check...the paper work will be there only for 2 crores.

Bhagnani: For the case we'll give you distribution rights of the film for 3 states.

Reporter: So we'll start a company to deal with you

Bhagnani: Then we'll do an agreement with you that is similar to what's going on for the past 50-60 years, after you recover your initial investment...whatever profit comes we'll take 50-50...PATCH and you'll get your money in check.

Bhagnani: So on release when you get your money...you can give me cash...no need for any paper work and you're also the distributor of the film.



After revelations shared by Bhagnani about his business approach involving apparent money-laundering, intentional avoidance of accounting paperwork, and the bartering of distribution rights in exchange for tainted off-the-books money, one might imagine that Eros would seek to avoid working with Bhagnani at all costs.

Instead, Eros announced a formal partnership with Bhagnani in 2016, agreeing to purchase half of his production company Puja Entertainment. Upon [announcement](#) of the partnership, Eros International Media CEO Kishore Lulla stated

"This alliance is an extension of the very special association we share with Vashu."

Anubhav Sinha, Director/Producer

At the time of the exposé, Anubhav Sinha was perhaps best known for directing Ra.One, a successful 2011 Indian film that was distributed by Eros International, Ltd. in conjunction with other distributors.

Firstpost [described the interaction](#) between Sinha and the undercover reporter as follows:

(An) undercover reporter met Anubhav Sinha, director of one of the most expensive Indian films Ra.One, in his office in Mumbai posing as an investor who wants to launder his black money. Anubhav Sinha is caught explaining on camera how one can become a ghost producer for his films.

From the transcript of the CNN recording:

Sinha: ... it mostly happens that people invest but their name doesn't come even on the posters of the film so in your case also we should do something like that since you are so secretive.

Reporter: It's better to be safe

*Sinha: Yes if anyone asks me from where it's come...**I won't tell anyone. I meet a lot of people who want to invest in my company...they never lose money.***

Sinha: You can ask him all the questions – (points to the Chartered Accountant, or CA)

*CA: **I am the coordinator – I'll just explain... these people mostly have cash and want to do a contract that is 80 per cent by cash and 20 per cent by check.***

Reporter: Or 25 per cent 75 per cent.

CA: There are lots of expenses in films where we need cash...so we can put the money there and return it by cheque.

After these shocking revelations, one again might expect that Eros would seek to distance themselves from Sinha. Instead, Eros [partnered with Sinha the very next year](#) on his new production company's first-ever film.

Anees Bazmee, Director/Producer & Rajeev Kaul, Writer

The undercover video showing director Anees Bazmee and writer Rajeev Kaul's interaction with the reporter shows not only a seemingly nonchalant approach to the laundering of black money, but also how the involvement of corporate entities can make the process easier.

*Reporter: Sir our problem is that we have more cash available – **more black money** – so that's what we want to adjust*

*Anees: **No problem, give as much cash as you want** and as much cheque*

Rajeev: I've told him (reporter) that you can give some cash now...and the cheque later

*Reporter: **What's important for us is that the money we are putting through the film business we will be able to convert it to white.***

Rajeev: I've told you that we'll get in a corporate to join us and that way it will be easy for you

Reporter: Anees saab what will your advance be?

Anees: 5 crores – 4 crores – I crore by cheque

Eros could have seen the above interaction and used the opportunity to send a message that Eros doesn't allow its corporate entities to be associated with such practices. However, rather than shunning the behavior described by Bazmee and Rajeev, Eros instead announced in 2015 that they would be producing "Welcome Back", Bazmee's [very first movie following the exposé](#). The movie was [written by](#) Kaul.

Where There's Smoke

Seeing four prominent film executives with direct ties to EROS openly discuss how to launder money should obviously give investors – and regulators – major cause for concern.

We believe these revelations can provide context to questions about Eros's accounting & corporate structure. Namely:

1. Why does Eros use at least 9 different auditors for its myriad of entities?
2. Why have there been at least 12 auditor resignations at Eros's subsidiaries in the past 4 years?
3. While many companies use offshore jurisdictions to promote tax efficiency, is it really necessary for Eros and its executives to use half a dozen tax havens sprawled across its byzantine corporate structure?

How Long Can This Continue?

While EROS stock has moved up in the past, we believe its recent downturn may be due to a loss of investor confidence that once existed when the market was not ready to accept the short thesis on the company. Now, with the company seemingly not able to raise cash through a high yield debt offering, we continue to believe that its only option for raising capital, and possibly staying in business, is to issue equity at a discount to market. Given the [weight of its upcoming obligations](#) we estimate that the company would have to dilute current shareholders by over 40% to sustain its operations for the next year.

These equity issuances, if they occur, could be the beginning stages of what we believe to be a toxic financing death spiral for the company. We believe these concerns continue to make EROS a fantastic short if regulators don't wind up getting to the company and asking far more pointed questions than we have, first.

Appendix Eros' Auditors

Eros uses 5 auditors for its 12 Indian subsidiaries, 2 different auditors in the UK, a separate audit firm in Singapore, yet another auditor for its Australia entity, and an unknown number of auditors in its entities in Mauritius, Isle of Man, and the British Virgin Islands, as shown below:

Indian Subsidiaries	Auditor
Ayngaran Anak Media	S. Ravi & Associates
Ayngaran International Films	S. Ravi & Associates
Ayngaran International Media	S. Ravi & Associates
Big Screen Entertainment	Sandeep Shridhar & Associates
Colour Yellow Productions	Jain & Jain Chartered Accountants
EM Publishing Private Limited	T R Chadha & Co LLP
Eros Digital Private Limited	T R Chadha & Co LLP
Eyeqube Studios Private Limited	T R Chadha & Co LLP
Eros Animation Private Limited	T R Chadha & Co LLP
Eros International Films Private	Walker Chandiok & Co LLP
Eros International Media Limited	Walker Chandiok & Co LLP
Universal Power Systems	Walker Chandiok & Co LLP

Singapore	Auditor
Belvedere Holdings PTE	JBS Practice Public Accounting

Digicine PTE	JBS Practice Public Accounting
Eros International PTE	JBS Practice Public Accounting

Australia	Auditor
Eros Australia Pty Ltd	S R Sheth & Co PTY LTD

United Kingdom	Auditor
Ayngaran International UK Limited	Chris Seeromben & Co
Eros Network Limited	Grant Thornton UK LLP
Eros International Limited	Grant Thornton UK LLP
Eros Music Publishing Limited	Grant Thornton UK LLP

Eros's Auditor Switches/Resignations

At least 12 audit resignations or firings took place at the Company's subsidiaries in the past 4 years alone:

Eros Music Publishing Limited

1. Manan U Shah & Co. resigned as auditor in 2013;
2. Anil Jagetiya & Co resigned as auditor in 2014; and
3. Jayesh Sheth & Co. resigned as auditor in 2016.

Eros Digital Private Limited

4. Vidya & Co. was the auditor for FY 2014 and either resigned or was fired prior the FY 2015 audit;

5. Anil Jagetiya & Co. resigned as auditor in May 2015, making it an auditor that was appointed and resigned in the same audit cycle; and

6. Jayesh Sheth & Co. resigned as auditor in March 2016.

Eyeqube Studios Private Limited

7. Anil Jagetiya & Co resigned in May 2015;

8. Jayesh Sheth & Co. resigned in March 2016.

Eros Animation Private Limited

9. Vidya F. Ganghi & Co. was the auditor for the year ending 2012 and resigned after the 2012 audit cycle;

10. Manan U Shah & Co., Chartered Accountants was auditor in 2013;

11. Anil Jagetiya & Co. was appointed as auditor in 2013, then resigned in 2015 and

12. Jayesh Sheth & Co. was subsequently appointed auditor and resigned in March 2016.

Eros and Key Executives Tax Jurisdictions

Eros and its key executives utilize entities in:

1. the British Virgin Islands
2. Isle of Man
3. Jersey

4. Singapore
5. Mauritius
6. The United Arab Emirates, and
7. Fiji

Disclosure: Author short EROS at time of article

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