



## Activist Insight

# Asensio says Eros' UAE figures are "preposterous"

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More than a month has passed since pioneer short-seller Manuel Asensio published a negative report against Eros International. Shares in the Indian company have gained more than 30% since then, but Asensio believes investors are giving the movie producer and distributor "the benefit of the doubt."

In an interview with Activist Insight, Asensio noted that the Securities and Exchange Commission had been silent on the company, despite multiple reports accusing it of fraud, and said that sell-side analysts don't get involved with short-sellers' claims.

But shareholders should be wary, Asensio said.

On his website, the short-seller presented data showing that between 2012 and 2015 the company's revenues in India fell from \$114 million dollars to \$110 million. In the same period, revenues realized in the United Arab Emirates increased from \$6 million to \$104 million.

"This is a preposterous, absurd, inexplicable" figure, Asensio told Activist Insight, adding that he had asked the company to indicate significant customers in the UAE, without receiving any response.

Over the last month, the short-seller has sent several letters to Eros and its auditor over its accounting, but he was "stonewalled."

"There was an exchange between Eros' council and ourselves. They asked us to stop publishing inaccurate and misleading material, but when we asked what was inaccurate and misleading in our material they did not respond," he said.

Asensio does not hold a short-position in Eros, and his campaign is not a case of activist short-selling. He explained that when there is a high risk of litigation, he prefers not to be "in the crossroads between securities laws and the first amendment" – meaning that he does not want to be accused of securities manipulation and of defamation in the same litigation, because of the risks connected with lawsuits involving two very separate and distinct fields of law.

Shortly after Asensio's report, anonymous short-seller Spotlight Research followed suit, questioning Eros' revenues in the UAE.

"We don't know who is behind Spotlight, or Alpha Exposure," Asensio said, adding that he believed that publishing short-reports anonymously undermined the credibility of the short-sellers.

AlphaExposure is a research outfit that launched a short-attack against Eros in October 2015.

Among the several accusations made by Asensio – and by Spotlight – is that a recent growth in sales in the UAE coincided with a sharp growth in uncollected receivables.

In a recent interview, Eros' executive director Kishore Lulla said that receivables had fallen down to 90 days of DSO (days sales outstanding). The company's figures confirm that, as of March 31, the value of the receivables had fallen to \$188 million – from \$210 million a year before.

Asensio is not impressed. He finds \$188 million an incredibly high figure for uncollected receivables. In addition, in the same period receivables older than three months increased to \$72 million, from only \$18 million in 2015.

"Analysts are clearly biased," Asensio said. "The company has a \$125 million term loan which matures in January 2017, and the lender has access to information that is not available to other investors. Equity holders should not give Eros the benefit of the doubt only because the SEC does not get involved."