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Eros Continues Rapid Decline as Blogger Questions Film Releases

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- The shares have fallen more than 75 percent in past month
- Eros owns and distributes Bollywood films to Indian audience

Eros International Plc, the Bollywood film company, plunged 20 percent Friday, extending its free-fall as an anonymous blogger called Alpha Exposure challenged the company's accounting.

The questions continue an Internet barrage from short sellers, who have shorted more than 29 percent of the company's available shares, according to data compiled by Bloomberg. Alpha Exposure, who declined to confirm his identity on the record, has a short position in Eros. Eros shares have fallen more than 75 percent in the past month as anonymous Twitter users have cast doubt on the company's financials, the number of subscribers to its digital service and its revenue deriving from the United Arab Emirates.

Eros released 65 films in fiscal 2015, which ended March 31, according to a company filing. Thursday, the company posted a list of 64 movies on its website, one short of its reported 2015 tally, and 68 movies for fiscal 2014. Eros called it an "exhaustive list of films released." Twitter user Alpha Exposure published an analysis on Seeking Alpha claiming that 26 percent of the films were theatrically released before the fiscal year indicated by Eros. In one case, on the 2014 list, Eros included the film "Madha Gaja Raja," which has yet to be released, according to IMDB.com.

Eros "looks forward to reporting its 2Q 2015 earnings," said Whit Clay, an outside spokesman, who declined to comment on the Alpha Exposure post. The company hasn't yet set a date for second-quarter results. Last year, it reported earnings for the period on Nov. 12.

Eros fell \$1.82 to \$7.08 Friday in New York. The company has lost more than \$1.3 billion in market value in the past month.

'No Fraud Here'

A research report by Mumbai-based Kim Eng Securities Pvt. Ltd. refuted Alpha Exposure's claims. Eros buys some movies for DVD release and TV syndication that may be released theatrically in earlier years, wrote Jigar Shah, chief executive officer of Kim Eng Securities India, Kim Eng's Indian subsidiary. The report, obtained by Bloomberg, also said film revenue wasn't overstated by Eros.

"We maintain our view that there is no fraud here and that sense will prevail once the results are out and management is able to speak more openly on some of the pertinent questions arising out of lack of information rather than any hidden agenda," Shah wrote.

Waiting Mode

Earlier this week, a man was escorted out of the Wells Fargo Technology Telecom and Media Conference at the Waldorf Astoria in New York after demanding that Eros give a full listing of all the films it released in fiscal 2015. Wells Fargo downgraded Eros stock in October after analyst Eric Katz said he wasn't convinced by management's answers to questions about the company's UAE business and Eros Now subscribers.

"Management held a conference call with sell-side analysts this morning to make some formal comments addressing most of these issues, but we still came away feeling a bit confused," Katz wrote on Oct. 23.

The allegations against Eros have disrupted a once-promising story of emerging-market media and technology adoption, at least for now. Eros produces films starring some of India's most bankable actors and streaming Bollywood content through Eros Now.

Eros has a catalog of more than 2,000 films. One of Eros's recent films, "Bajrangi Bhaijaan," made \$77 million in box office revenue and is the second-highest grossing Bollywood film ever, according to the company.