

**LITE DEPALMA GREENBERG, LLC**

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**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

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JAWED ASRANI, Individually and On  
Behalf of All Others Similarly Situated,  
  
*Plaintiff,*  
  
v.  
  
EROS INTERNATIONAL PLC, INC.,  
KISHORE LULLA, JYOTI DESPHANDE,  
and PREM PARAMESWARAN,  
  
*Defendants.*

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**Civil Action No.:**  
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**CLASS ACTION COMPLAINT FOR  
VIOLATION OF THE FEDERAL  
SECURITIES LAWS**  
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**DEMAND FOR JURY TRIAL**  
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Plaintiff Jawed Asrani (“Plaintiff”), individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against defendants, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Eros International Plc (“Eros” or the “Company”), analysts’ reports and advisories about the

Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

### **NATURE OF THE ACTION**

1. This is a federal securities class action on behalf of a class consisting of all persons other than defendants who purchased or otherwise acquired Eros securities between June 17, 2014 and October 30, 2015, both dates inclusive (the “Class Period”), seeking to recover damages caused by defendants’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

2. Eros, together with its subsidiaries, co-produces, acquires, and distributes Indian language films in various formats worldwide. The Company distributes its film content across various distribution channels, such as theatrical, television syndication, and digital platforms. The Company also distributes its film content through physical formats, such as DVDs and video compact discs (“VCDs”). The Company has rights to approximately 2,300 films in its library and holds digital rights for approximately 700 additional films. Additionally, the Company operates as a music publisher for third-party-owned music rights. The Company was founded in 1977 and is incorporated in Douglas, Isle of Man, with its principal executive office in Secaucus, New Jersey.

3. Throughout the Class Period, defendants made materially false and misleading statements regarding the Company’s business, operational and compliance policies. Specifically, defendants made false and/or misleading statements and/or failed to disclose that: (i) the Company’s reported earnings significantly overstated the economic viability of Eros’s business

model; (ii) the Company's accounting policy for amortization was unjustifiably aggressive in light of the impact of piracy on the long-term value of Eros's assets; (iii) despite the Company's reported profitability, Eros generates no cash; (iv) Eros has only been able to stay afloat by issuing stock and taking on debt; (v) Eros significantly overstated the number of movies the Company distributed and the Company's theatrical revenues during fiscal years 2014 and 2015; and (vi) as a result of the foregoing, Eros's public statements were materially false and misleading at all relevant times.

4. On October 30, 2015, the investment blog *Alpha Exposure* published a report entitled "Unlike the name, investors should not love EROS" (the *Alpha Exposure Report*). The *Alpha Exposure Report* stated, in part:

**Due to aggressive accounting practices, EROS' reported earnings are significantly overstating the economic reality of its business model.** 80% of its COGS and 57% of its total operating expenses are the amortization of its film library. EROS' accounting policy for amortization is more aggressive than its U.S. peers despite the fact that piracy more meaningfully impairs the longer term value of EROS' assets. Also, we believe that EROS' policy is counter to the matching principle; there is very little revenue earned from these assets beyond the year of theatrical release. We think economic profits are significantly lower than reported profits.

**EROS subsidiary financials reveal a lack of free cash flow and raise many questions about the company's accounting.** More than 100% of the revenue growth, representing about one third of total revenue now, is being earned in the United Arab Emirates. In addition, while the British Virgin Islands, Singaporean, and Mauritian subsidiaries show significant revenue growth, the growth in accounts receivable reveals that the company generates no cash despite its reported profitability. Furthermore, the company appears to be capitalizing costs. There has been a rapid and unexplained increased in capex in the last year. The company has only been able to stay afloat by issuing stock and taking on debt. This is not sustainable.

5. As a result of this news, shares of Eros fell \$1.69, or 13.4%, to close at \$11.17 on October 30, 2015.

6. Then, on November 10, 2015, *Seeking Alpha* published a report entitled "Eros:

Return of the Short Seller (2015)” (the “*Seeking Alpha* Report”). The *Seeking Alpha* report summarized its findings with respect to Eros as follows:

- We previously reported symptoms of deceit at Eros. We will now illustrate what we believe to be pervasive accounting deception related to the company’s revenue figures.
- Eros has overstated the number of movies it has distributed by 124% and 200% during fiscal years 2014 and 2015, respectively. Our comprehensive list of movies is provided below.
- We believe that Eros has overstated its theatrical revenue by 82% and 104% during fiscal years 2014 and 2015, respectively.
- We challenge the company to provide a complete list of movies it has distributed during fiscal years 2014 and 2015.
- We are short Eros with a target price of ZERO.

7. As a result of this news, shares of Eros fell \$4.12, or 33.3% over the next two days, to close at \$8.25 on November 11, 2015.

8. As a result of defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

### **JURISDICTION AND VENUE**

9. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

10. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

11. Venue is proper in this District pursuant to § 27 of the Exchange Act and 28 U.S.C. §1391(b), as defendant is headquartered in this District and a significant portion of the defendants’ actions, and the subsequent damages, took place within this District.

12. In connection with the acts, conduct and other wrongs alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

### **PARTIES**

13. Plaintiff is a citizen and resident of Ontario, Canada. As set forth in the attached Certification, Plaintiff acquired Eros securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosures.

14. Defendant Eros is incorporated in Isle of Man, and the Company's principal executive offices are located at 550 County Avenue, Secaucus, New Jersey 07094. Eros's common stock trades on the NYSE under the ticker symbol "EROS."

15. Defendant Kishore Lulla ("Lulla") has served at all relevant times as the Company's Executive Chairman.

16. Defendant Jyoti Deshpande ("Deshpande") has served at all relevant times as the Company's Group Chief Executive Officer, Managing Director, and Director.

17. Defendant Prem Parameswaran ("Parameswaran") has served at all relevant times as the Company's Group Chief Financial Officer and President of North America.

18. The defendants referenced above in ¶¶ 15-17 are sometimes referred to herein as the "Individual Defendants."

### **SUBSTANTIVE ALLEGATIONS**

#### **Background**

19. Eros, together with its subsidiaries, co-produces, acquires, and distributes Indian language films in various formats worldwide. The Company distributes its film content across various distribution channels, such as theatrical, television syndication, and digital platforms.

The Company also distributes its film content through physical formats, such as DVDs and VCDs. The Company has rights to approximately 2,300 films in its library and holds digital rights for approximately 700 additional films. Additionally, the Company operates as a music publisher for third-party-owned music rights. The Company was founded in 1977 and is based in Douglas, Isle of Man.

**Materially False and Misleading Statements Issued During the Class Period**

20. The Class Period begins on June 17, 2014, when Eros filed an annual report on Form 20-F with the SEC announcing the Company's financial and operating results for the quarter and fiscal year ended March 31, 2014 (the "2014 20-F"). For the quarter, the Company reported a net profit of \$6.39 million. For fiscal year 2014, the Company reported a net profit of \$29.86 million, or \$0.65 per diluted share, compared to a net profit of \$27.11 million, or \$0.68 per diluted share, for fiscal year 2013.

21. In the 2014 20-F, Eros stated, in part:

***Piracy of our content, including digital and internet piracy, may adversely impact our revenues and business.***

Our business depends in part on the adequacy, enforceability and maintenance of intellectual property rights in the entertainment products and services we create. Motion picture piracy is extensive in many parts of the world and is made easier by technological advances and the conversion of motion pictures into digital formats. This trend facilitates the creation, transmission and sharing of high quality unauthorized copies of motion pictures in theatrical release on DVDs, CDs and Blu-ray discs, from pay-per-view through set top boxes and other devices and through unlicensed broadcasts on free television and the internet.

Although DVD and CD sales represent a relatively small portion of Indian film and music industry revenues, the proliferation of unauthorized copies of these products results in lost revenue and significantly reduced pricing power, which could have a material adverse effect on our business, prospects, financial condition and results of operations. In particular, unauthorized copying and piracy are prevalent in countries outside of the United States, Canada and Western Europe, including India, whose legal systems may make it difficult for us to enforce our intellectual property rights and in which consumer awareness of the

individual and industry consequences of piracy is lower. With broadband connectivity improving and 3G internet penetration increasing in India, digital piracy of our content is an increasing risk.

In addition, the prevalence of third-party hosting sites and a large number of links to potentially pirated content make it difficult to effectively monitor and prevent digital piracy of our content. Existing copyright and trademark laws in India afford only limited practical protection and the lack of internet-specific legislation relating to trademark and copyright protection creates a further challenge for us to protect our content delivered through such media. According to FICCI Report 2013, it is estimated that the Indian film industry loses as much as \$1.1 billion annually due to piracy. Additionally, we may seek to implement elaborate and costly security and anti-piracy measures, which could result in significant expenses and revenue losses. Even the highest levels of security and anti-piracy measures may fail to prevent piracy.

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### **Critical Accounting Policies**

Our consolidated financial statements are prepared in accordance with IFRS as issued by the IASB, which requires management to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Management considers the following accounting policies to be critical because they are important to our financial condition and results of operations and require significant judgment and estimates on the part of management in their application. The development and selection of these critical accounting policies have been determined by our management and the related disclosures have been reviewed with the Audit Committee of our board of directors. For a summary of all our accounting policies, see Note 3 to our audited Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 20-F.

#### ***Use of estimates***

Estimates and judgments are evaluated on a regular basis and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the present circumstances. We make estimates and assumptions concerning the future, and these estimates, by definition, may differ materially from actual results.

#### ***Revenue***

Revenue is measured by reference to the fair value of consideration received or receivable from customers. Revenue arising from the distribution or other exploitation of films and other content produced by third parties or by us, is

recognized, net of sales taxes, when persuasive evidence of an arrangement exists, the fees are fixed or determinable, the product or service is available for delivery and collectability is reasonably assured. Cash received and amounts invoiced in connection with contractual arrangements for which revenue is not yet recognizable pursuant to these criteria, such as pre-sale amounts, is classified as deferred revenue. We consider the terms of each specific arrangement to determine the appropriate accounting treatment for revenue recognition. The following additional criteria apply to certain of our specific revenue streams:

- **Theatrical:** We recognize revenue based on our share of third party reported box office receipts for the measurement period. In instances where we have a minimum guarantee, we recognize that amount if due on or prior to the measurement date, but never prior to delivery or on the release date.
- **Television:** Revenues are recognized when the content is available for delivery. Royalty and other revenues from premium pay television are recognized based on reporting to us by the counterparty such as a television operator for providing programming services on mutually negotiated contractual terms.
- **Digital and ancillary:** Where we distribute through a sub-distributor, we recognize DVD, CD and video minimum guarantee revenues on the contract date and we recognize additional revenues as reported by third party licensees. Provision is made for returns where applicable. Digital and ancillary revenues are recognized at the earlier of when the content is accessed or reported by the contractual counterparty. Visual effects, production and other fees for services rendered by us and overhead recharges are recognized in the period in which they are earned, and the stage of production is used to determine the proportion recognized in the period.

### ***Intangible assets***

We are required to identify and assess the income generating life of each intangible asset. Judgment is required in making these determinations and setting an amortization rate for such assets. We test annually whether there are any indications of impairment of our intangible assets in accordance with IAS 36: Impairment of Assets. Management also regularly reviews and revises its estimates when necessary, which may result in a change in the rate of amortization and/or a write down of the asset to fair value.

Accounting for film content under IFRS requires management's judgment regarding total revenues to be received on such film content and costs to be incurred throughout the income generating life of such film or its license period, whichever is the shorter. Where we make an advance to secure film content or the services of talent associated with a film product, we also consider the recoverability of such advance, or the likelihood that such advance will result in a saleable asset. Judgments are also used to determine the amortization of



capitalized film content costs where management seeks to write down the capitalized cost of content in line with the expected revenues arising from the content. For first release film content, we use a stepped method of amortization based on management's judgment taking into account historic and expected performance, writing off a significant portion of the capitalized cost for such films in the first 12 months of their initial commercial exploitation, and then the balance over the lesser of the term of the rights held by us and nine years. Similar management judgment taking into account historic and expected performance is used to apply a stepped method of amortization on a quarterly basis within the first 12 months, writing off a significant portion of the capitalized cost in the quarter of theatrical release and the subsequent quarter. In fiscal 2009 and prior fiscal years, the balance of capitalized film content costs were amortized over a maximum of four years rather than nine. In the case of film content that we acquire after its initial exploitation, commonly referred to as library, amortization is spread evenly over the lesser of ten years after our acquisition or our license period. Management applies this method by using its judgment to write down the capitalized cost of film content during its first 12 months of commercial exploitation and in line with the expected revenues arising from the content over its estimated useful life. Each of these calculations requires judgments and estimates to be made, and, as with goodwill, an unforeseen event could cause us to revise these judgments and assumptions affecting the value of the intangible assets. There may be instances where the useful life of an asset is shortened to reflect the uncertainty of its estimated income generating life. This is particularly the case when acquiring assets in markets that we have not previously exploited.

22. In addition, in the 2014 20-F, Eros reported "Amortization of intangible content assets" in the amount of \$99.62 million, and net cash generated from operating activities in the amount of \$132.53 million for fiscal year 2014.

23. On August 21, 2014, Eros issued a press release and filed a Form 6-K with the SEC announcing the Company's financial and operating results for the quarter ended June 30, 2014 (the "Q1 2015 6-K". For the quarter, the Company reported a net loss of \$2.59 million, or \$0.08 per diluted share, on revenue of \$45.36 million, compared to a net profit of \$8.85 million, or \$0.19 per diluted share, on revenue of \$40.96 million for the same period in the prior year.

24. In addition, in the Q1 2015 6-K, Eros reported "Amortization of intangible assets – content" in the amount of \$26.41 million, and net cash generated from operating activities in the amount of \$21.75 million for the quarter.

25. In the Q1 2015 6-K, Eros stated, in part:

Jyoti Deshpande, Eros' Managing Director and Chief Executive Officer, said, " I am pleased to report that our first quarter results are in line with our expectations based on the mix of films we released this quarter. We continue to successfully execute our strategy of investing in high quality Hindi and regional language films that we distribute globally and monetize across traditional and emerging distribution channels. In the first quarter, we had strong pre-sales which remains a core part of our de-risking strategy with the much-awaited Tamil film Kochadaiyaan as the main tent-pole film for the quarter supported by several medium budget international only releases and valuable contributions from our library of 2,300 films. We are also pleased to have successfully completed our follow-on equity offering, which further strengthens our balance sheet, increases our float, and provides investors with additional investment opportunities.

"Our Eros Now online service continues to gain momentum as we add more free and premium subscribers. The proposed acquisition of Techzone will be a key component of the growth of ErosNow by providing a strategic advantage especially over the mobile monetization platforms. In addition, our recent acquisition of the worldwide online rights of the popular Zee TV shows in addition to content we acquired from Viacom and UTV in the past, significantly broadens our content offering.

Added Ms. Deshpande, "We believe that the marketplace for Indian entertainment is robust and that we have a strategy that will enable us to deliver content to consumers not just in India, but around the globe."

26. On November 12, 2014, Eros issued a press release and filed a Form 6-K with the SEC announcing the Company's financial and operating results for the quarter ended September 30, 2014 (the "Q2 2015 6-K"). For the quarter, the Company reported a net profit of \$4.32 million, or \$0.05 per diluted share, on revenue of \$49.92 million, compared to a net profit of \$2.80 million, or \$0.03 per diluted share, on revenue of \$44.02 million for the same period in the prior year.

27. In addition, in the Q2 2015 6-K, Eros reported "Amortization of intangible assets – content" in the amount of \$50.45 million, and net cash generated from operating activities in the amount of \$38.97 million for the six months ended September 30, 2014.

28. In the Q2 2015 6-K, Eros stated, in part:

Jyoti Deshpande, Eros' Managing Director and Chief Executive Officer, said "Our second quarter results reflect the continued execution of our strategy to invest in high quality film content and to diversify our film slate by increasing our emphasis on regional language films. We are successfully distributing our films globally and monetizing them across both traditional and rapidly growing emerging distribution channels. Our ErosNow online service is gaining traction and we are bringing on additional free and premium subscribers. A new mobile app for ErosNow will also be launched before the end of the year, and we expect that our Techzone acquisition will help to galvanize our mobile monetization strategy."

"In the first half of the fiscal year, we released two high profile films and the outlook for the second half of the fiscal year is stronger with at least 4 further high profile films. We are utilizing the proceeds from our successful secondary equity and retail bond offerings to accelerate our investment in our film slate, the results of which we expect will positively impact our fiscal year 2016 revenue and profitability."

29. On February 19, 2015, Eros issued a press release and filed a Form 6-K with the SEC announcing the Company's financial and operating results for the quarter ended December 31, 2014 (the "Q3 2015 6-K"). For the quarter, the Company reported a net profit of \$25.30 million, or \$0.36 per diluted share, on revenue of \$100.41 million, compared to a net profit of \$19.11 million, or \$0.39 per diluted share, on revenue of \$87.19 million for the same period in the prior year.

30. In addition, in the Q3 2015 6-K, Eros reported "Amortization of intangible film rights and related content" in the amount of \$82.34 million, and net cash generated from operating activities in the amount of \$71.81 million for the nine months ended December 31, 2014.

31. In the Q3 2015 6-K, Eros stated, in part:

Kishore Lulla, Eros's Executive Chairman said, "I am extremely proud of the work we have done at Eros to establish a strong position in the fragmented and growing \$20 billion Indian entertainment market. We are leveraging our large content library, global distribution network and market strength to sustain solid growth and momentum across our three strategic verticals – filmed entertainment, pay television, and digital. We are also beginning to explore additional

opportunities to enter the pay television market with Hindi movie and Hindi music channels to take a share of the approximately 140 million pay television subscribers in India today. Growing the ErosNow user base worldwide remains a top priority for us, and we expect that our announced proposed acquisition of Universal Power Systems Private Limited (“Techzone”) will give us the momentum to continue to grow this business and increase shareholder value over the long-term.”

Jyoti Deshpande, Eros’ Managing Director and Chief Executive Officer, said “Our solid performance in the third quarter and year to date demonstrates the strength of our strategy of investing in high quality Indian film content and our ability to monetize that content across various distribution platforms in India and globally. We believe our ErosNow platform is also scaling well, surpassing 14 million registered users this quarter.

“Looking ahead, our slate for Fiscal Year 2016 contains a significant number of high and medium budget releases, as well as two out of the three festive holiday release dates, of Eid and Christmas. We are also exploring new opportunities to enter the pay television market in the next year, with Hindi movie and music channels. Similar to our ErosNow platform, we plan to create a premiere windowing strategy with exclusive content for online monetization for our own channels before syndicating to others, providing us with a valuable income stream.”

32. On June 12, 2015, Eros issued a press release and filed a Form 6-K with the SEC announcing the Company’s financial and operating results for the quarter and fiscal year ended March 31, 2015 (the “2015 6-K”). For the quarter, the Company reported a net profit of \$19.36 million, or \$0.30 per diluted share, on revenue of \$88.49 million, compared to a net profit of \$6.39 million, or \$0.12 per diluted share, on revenue of \$63.30 million for the same period in the prior year. For fiscal year 2015, the Company reported a net profit of \$49.33 million, or \$0.73 per diluted share, on revenue of \$284.18 million, compared to a net profit of \$37.14 million, or \$0.65 per diluted share, on revenue of \$235.47 million for fiscal year 2014.

33. In addition, in the 2015 6-K, Eros reported “Amortization of intangible film rights and related content” in the amount of \$117.25 million, and net cash generated from operating activities in the amount of \$107.25 million for the year.

34. In the 2015 6-K, Eros stated, in part:

“Our pre-launch phase of ErosNow has been very successful with 19 million registered users globally, up 35.7% from the 14 million users we announced in February 2015. This increase has occurred during a period when the Company hasn’t even officially launched our marketing campaign, which will kick off this July around the latest exclusive movie premieres (pre-television, post-theatrical window), as well as our original shows. We believe the combination of being an early mover, our unique studio assets, and the high market share of our extensive library positions us to be the leading player in the Indian digital entertainment industry.

“Given the unprecedented growth in ErosNow, we have decided to defer our pay television strategy for the foreseeable future and stay focused on strengthening our position in the vastly exciting OTT (Over the Top) arena. Television licensing revenues continue to be strong on the back of digitization and constitute over 35% of our revenues. Our current strategy is to premiere films on ErosNow and continue to syndicate the films after that window closes to television channels around the world.”

“Our growth from non-Diaspora international markets shows a growing appetite for Bollywood content in many new markets. One of our strongest potential markets, China, with a market size of \$4.8 billion and over 23,600 screens, is projected to soon surpass Hollywood as the largest film market in the world. Our latest collaboration agreements with Chinese Film Corp and Shanghai Film Group to co-produce and distribute Sino-Indian films are important steps in maximizing our opportunity in China.”

“Our first quarter of fiscal year 2016 has started extremely well with the runaway success of *Tanu Weds Manu Returns*, a medium budget film driven by content and franchise value that is expected to reach a lifetime box office of more than \$40 million worldwide. We have a solid slate for the rest of fiscal 2016, underpinned with tent-pole releases around the festive holiday seasons of Eid, Diwali and Christmas. We have strategically pushed out a few of our releases into fiscal year 2017 and have full visibility of the film slate for the next two years. We therefore don’t expect our content capex in fiscal 2016 to exceed \$225 million, which is lower than the 267.2 million we spent in fiscal 2015. We also will not spend an additional capex of \$50 million previously earmarked for the pay television launch.”

Kishore Lulla, Group Executive Chairman of Eros commented, “By creating the first studio model in India and achieving 20 times growth in the last ten years to now over \$100 million in Adjusted EBITDA, Eros has successfully completed its first pioneering effort in transforming the Indian film industry and becoming its global leader. Looking forward, our goal now is to pioneer yet again using the strength of our films and our exciting ErosNow platform to become the leading

Indian digital entertainment company globally.”

35. On July 8, 2015, Eros filed an annual report on Form 20-F with the SEC reiterating the financial and operating results previously announced in the Company’s 2015 6-K (the “2015 20-F”).

36. In the 2015 20-F, Eros stated, in part:

***Piracy of our content, including digital and internet piracy, may adversely impact our revenues and business.***

Our business depends in part on the adequacy, enforceability and maintenance of intellectual property rights in the entertainment products and services we create. Motion picture piracy is extensive in many parts of the world and is made easier by technological advances and the conversion of motion pictures into digital formats. This trend facilitates the creation, transmission and sharing of high quality unauthorized copies of motion pictures in theatrical release on DVDs, CDs and Blu-ray discs, from pay-per-view through set top boxes and other devices and through unlicensed broadcasts on free television and the internet.

Although DVD and CD sales represent a relatively small portion of Indian film and music industry revenues, the proliferation of unauthorized copies of these products results in lost revenue and significantly reduced pricing power, which could have a material adverse effect on our business, prospects, financial condition and results of operations. In particular, unauthorized copying and piracy are prevalent in countries outside of the United States, Canada and Western Europe, including India, whose legal systems may make it difficult for us to enforce our intellectual property rights and in which consumer awareness of the individual and industry consequences of piracy is lower. With broadband connectivity improving, 3G internet penetration increasing and the advent of 4G in India, digital piracy of our content is an increasing risk.

In addition, the prevalence of third-party hosting sites and a large number of links to potentially pirated content make it difficult to effectively monitor and prevent digital piracy of our content. Existing copyright and trademark laws in India afford only limited practical protection and the lack of internet-specific legislation relating to trademark and copyright protection creates a further challenge for us to protect our content delivered through such media. According to FICCI Report 2013, it is estimated that the Indian film industry loses as much as \$1.1 billion annually due to piracy. Additionally, we may seek to implement elaborate and costly security and anti-piracy measures, which could result in significant expenses and revenue losses. Even the highest levels of security and anti-piracy measures may fail to prevent piracy.

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## **Critical Accounting Policies**

Our consolidated financial statements are prepared in accordance with IFRS as issued by the IASB, which requires management to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Management considers the following accounting policies to be critical because they are important to our financial condition and results of operations and require significant judgment and estimates on the part of management in their application. The development and selection of these critical accounting policies have been determined by our management and the related disclosures have been reviewed with the Audit Committee of our board of directors. For a summary of all our accounting policies, see Note 3 to our audited Consolidated Financial Statements appearing elsewhere in this Annual Report.

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### ***Revenue***

Revenue is measured by reference to the fair value of consideration received or receivable from customers. Revenue arising from the distribution or other exploitation of films and other content produced by third parties or by us, is recognized, net of sales taxes, when persuasive evidence of an arrangement exists, the fees are fixed or determinable, the product or service is available for delivery and collectability is reasonably assured. Cash received and amounts invoiced in connection with contractual arrangements for which revenue is not yet recognizable pursuant to these criteria, such as pre-sale amounts, is classified as deferred revenue. We consider the terms of each specific arrangement to determine the appropriate accounting treatment for revenue recognition. The following additional criteria apply to certain of our specific revenue streams:

- ***Theatrical:*** We recognize revenue based on our share of third party reported box office receipts for the measurement period. In instances where we have a minimum guarantee, we recognize that amount if due on or prior to the measurement date, but never prior to delivery or on the release date.
- ***Television:*** Revenues are recognized when the content is available for delivery. Royalty and other revenues from premium pay television are recognized based on reporting to us by the counterparty such as a television operator for providing programming services on mutually negotiated contractual terms.
- ***Digital and ancillary:*** Where we distribute through a sub-distributor, we recognize DVD, CD and video minimum guarantee revenues on the contract date and we recognize additional revenues as reported by third party licensees. Provision is made for returns where applicable.

Digital and ancillary revenues are recognized at the earlier of when the content is accessed or reported by the contractual counterparty. Visual effects, production and other fees for services rendered by us and overhead recharges are recognized in the period in which they are earned, and the stage of production is used to determine the proportion recognized in the period.

### ***Intangible assets***

We are required to identify and assess the income generating life of each intangible asset. Judgment is required in making these determinations and setting an amortization rate for such assets. We test annually whether there are any indications of impairment of our intangible assets in accordance with IAS 36: Impairment of Assets. Management also regularly reviews and revises its estimates when necessary, which may result in a change in the rate of amortization and/or a write down of the asset to fair value.

37. On August 18, 2015, Eros issued a press release and file a Form 6-K with the SEC announcing the Company's financial and operating results for the quarter ended June 30, 2015 (the "Q1 2016 6-K"). For the quarter, the Company reported a net profit of \$3.77 million, or zero per diluted share, on revenue of \$50.04 million, compared to a net loss of \$2.59 million, or \$0.08 per diluted share, on revenue of \$45.36 million for the same period in the prior year.

38. In addition, in the Q1 2016 6-K, Eros reported "Amortization of intangible film and content rights" in the amount of \$28.43 million, and net cash generated from operating activities in the amount of \$31.98 million for the quarter.

39. In the Q1 2016 6-K, Eros stated, in part:

Jyoti Deshpande, Eros' Managing Director and Chief Executive Officer, said "I am pleased to report a strong start to Fiscal 2016 with our outstanding box office success and the official marketing launch of ErosNow, our leading OTT (over-the-top) entertainment network which now has garnered over 26.5 million registered users worldwide as of the end of July. Revenues increased 10.1% year-over-year, while Adjusted EBITDA was up an impressive 43.2% driven by our successful execution of investing in high quality Hindi and regional language films that we distribute globally and monetize across traditional and emerging distribution channels. In the first quarter, we released *Tanu Weds Manu Returns* which was a global box office success. This release was the first film of the year to gross Rs.1 billion (c.\$16m) at the Indian box office, which was



achieved in only 11 days and film has grossed over \$40 million worldwide.

The marketing launch of ErosNow was further supplemented by a groundbreaking strategy of premiering films on ErosNow in the first window post theatrical release. We launched our campaign with the premiere of the successful franchise *Tanu Weds Manu Returns* just 8 weeks after its theatrical release on our ErosNow OTT platform prior to its television premiere. Additionally, we announced the production of four original programs to be aired exclusively on ErosNow later this year. By January 2016, we expect to launch at least one original series a month and, by 2017, we expect to launch at least two series a month, including second seasons of the 2016 originals.

Our distribution strategy for ErosNow continues to be platform agnostic and it is carried on multiple cable and telecom networks globally. We have inked an important deal with Bharti Airtel, one of India's largest telecom operators that has launched 4G in 286 cities to integrate ErosNow on their 4G platform. Furthermore, our customer acquisition strategy will be supplemented by our three pronged monetization strategy; monetizing free registered users via the growing digital advertising market, monetizing transactional users who buy a single film, day or weekend pass, and lastly – monthly premium subscription pricing. Our two tiered premium subscription pricing will offer a user all content on a basic ad free experience for Rs50 (c \$0.80) per month and our second premium tier will offer access to all content and all features such as HD viewing, portability across devices, offline caching and other features for Rs100 (c\$1.60) per month. We believe this pricing is geared toward strong customer acquisition in the future.

Our ownership of content and library rather than dependence on aggregation, our dominant market share and scale, our brand recognition and track record, our global distribution network in over 50 countries, our relationships within the Indian film industry and our strong balance sheet give us an incredible competitive advantage as we build on our first-mover advantage for ErosNow on the back of prolific structural growth in India in traditional and digital distribution platforms.”

40. On August 20, 2015, Eros filed an amended annual report on Form 20-F/A with the SEC, reiterating the financial and operating results previously announced in the Company's 2015 6-K and 2015 20-F (the “2015 20-F/A”).

41. In relevant part, the 2015 20-F/A contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) by defendants Deshpande and Parameswaran, stating that

the financial information contained in the 2015 20-F/A was accurate and disclosed any material changes to the Company's internal control over financial reporting.

42. The statements referenced in ¶¶ 20-41 were materially false and misleading because defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operational and compliance policies. Specifically, defendants made false and/or misleading statements and/or failed to disclose that: (i) the Company's reported earnings significantly overstated the viability of Eros's business model; (ii) the Company's accounting policy for amortization was unjustifiably aggressive in light of the impact of piracy on the long-term value of Eros's assets; (iii) despite the Company's reported profitability, Eros generates no cash; (iv) Eros has only been able to stay afloat by issuing stock and taking on debt; (v) Eros significantly overstated the number of movies the Company distributed and the Company's theatrical revenues during fiscal years 2014 and 2015; and (vi) as a result of the foregoing, Eros's public statements were materially false and misleading at all relevant times.

### **The Truth Emerges**

43. On October 30, 2015, the investment blog *Alpha Exposure* published a report entitled "Unlike the name, investors should not love EROS" (the *Alpha Exposure Report*). The *Alpha Exposure Report* stated, in part:

**Due to aggressive accounting practices, EROS' reported earnings are significantly overstating the economic reality of its business model.** 80% of its COGS and 57% of its total operating expenses are the amortization of its film library. EROS' accounting policy for amortization is more aggressive than its U.S. peers despite the fact that piracy more meaningfully impairs the longer term value of EROS' assets. Also, we believe that EROS' policy is counter to the matching principle; there is very little revenue earned from these assets beyond the year of theatrical release. We think economic profits are significantly lower than reported profits.

**EROS subsidiary financials reveal a lack of free cash flow and raise many questions about the company's accounting.** More than 100% of the revenue growth, representing about one third of total revenue now, is being earned in the United Arab Emirates. In addition, while the British Virgin Islands, Singaporean, and Mauritian subsidiaries show significant revenue growth, the growth in accounts receivable reveals that the company generates no cash despite its reported profitability. Furthermore, the company appears to be capitalizing costs. There has been a rapid and unexplained increase in capex in the last year. The company has only been able to stay afloat by issuing stock and taking on debt. This is not sustainable.

44. As a result of this news, shares of Eros fell \$1.69, or 13.4%, to close at \$11.17 on October 30, 2015.

45. Then, on November 10, 2015, *Seeking Alpha* published a report entitled "Eros: Return of the Short Seller (2015)" (the "*Seeking Alpha* Report"). The *Seeking Alpha* report summarized its findings with respect to Eros as follows:

- We previously reported symptoms of deceit at Eros. We will now illustrate what we believe to be pervasive accounting deception related to the company's revenue figures.
- ***Eros has overstated the number of movies it has distributed by 124% and 200%*** during fiscal years 2014 and 2015, respectively. Our comprehensive list of movies is provided below.
- We believe that ***Eros has overstated its theatrical revenue by 82% and 104%*** during fiscal years 2014 and 2015, respectively.
- We challenge the company to provide a complete list of movies it has distributed during fiscal years 2014 and 2015.
- We are short Eros with a target price of ZERO.

46. As a result of this news, shares of Eros fell \$4.12, or 33.3% over the next two days, to close at \$8.25 on November 11, 2015.

47. As a result of defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have

suffered significant losses and damages.

### **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

48. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Eros securities during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

49. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Eros securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Eros or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

50. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

51. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

Plaintiff has no interests antagonistic to or in conflict with those of the Class.

52. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by defendants' acts as alleged herein;
- whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Eros;
- whether the Individual Defendants caused Eros to issue false and misleading financial statements during the Class Period;
- whether defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Eros securities during the Class Period were artificially inflated because of the defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

53. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

54. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- defendants made public misrepresentations or failed to disclose material facts during the Class Period;

- the omissions and misrepresentations were material;
- Eros securities are traded in an efficient market;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NYSE and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased, acquired and/or sold Eros securities between the time the defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

55. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

56. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

## **COUNT I**

### **(Against All Defendants For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder)**

57. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

58. This Count is asserted against defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

59. During the Class Period, defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,

practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Eros securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Eros securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

60. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Eros securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Eros's finances and business prospects.

61. By virtue of their positions at Eros, defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made,

although such facts were readily available to defendants. Said acts and omissions of defendants were committed willfully or with reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

62. Defendants were personally motivated to make false statements and omit material information necessary to make the statements not misleading in order to personally benefit from the sale of Eros securities from their personal portfolios.

63. Information showing that defendants acted knowingly or with reckless disregard for the truth is peculiarly within defendants' knowledge and control. As the senior managers and/or directors of Eros, the Individual Defendants had knowledge of the details of Eros's internal affairs.

64. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Eros. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Eros's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Eros securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Eros's business and financial condition which were concealed by defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Eros securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by defendants, and were



damaged thereby.

65. During the Class Period, Eros securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Eros securities at prices artificially inflated by defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Eros securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Eros securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

66. By reason of the conduct alleged herein, defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

67. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

## **COUNT II**

### **(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)**

68. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

69. During the Class Period, the Individual Defendants participated in the operation and management of Eros, and conducted and participated, directly and indirectly, in the conduct of Eros's business affairs. Because of their senior positions, they knew the adverse non-public information about Eros's misstatement of income and expenses and false financial statements.

70. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Eros's financial condition and results of operations, and to correct promptly any public statements issued by Eros which had become materially false or misleading.

71. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Eros disseminated in the marketplace during the Class Period concerning Eros's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Eros to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Eros within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Eros securities.

72. Each of the Individual Defendants, therefore, acted as a controlling person of Eros. By reason of their senior management positions and/or being directors of Eros, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Eros to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Eros and possessed the power to

control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

73. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Eros.

**PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff demands judgment against defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

**DEMAND FOR TRIAL BY JURY**

Plaintiff hereby demands a trial by jury.

Dated: November 13, 2015

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**LOCAL CIVIL RULE 11.2 CERTIFICATION**

Pursuant to Local Civil Rule 11.2, I hereby certify that the matter in controversy is not related to any other action, pending arbitration or administrative proceeding currently pending in any court.

I hereby certify that the following statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated: November 13, 2015

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