

IPO Details

Opening Date	Mar 10, 2023
Closing Date	Mar 14, 2023
Stock Exchange	NSE SME
Lot Size	1200 Shares
Issue Price	₹ 99 per share
Issue Size	34,08,000 Equity Shares
Application Amount	₹ 1,18,800

IPO Objective

Film production
General Corporate Purposes
To Meet Issue Expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	95,00,000	100%
Public	-	-

Promoter of the Company

1 Dr. Ishari Kadhivelan Ganesh

Competitive Strengths

- 1 Experienced Directors and Management Team.
- 2 Value of the "VELS" and "Dr. Ishari K. Ganesh" name.
- 3 Distribution network.
- 4 Growth Stage and visible revenue streams.

Company Background

- Company was incorporated in the year 2019 in Tamil Nadu.
- Company is primarily in the business of production of films and sale of film rights.
- Company is a member of South Indian Film Chamber of Commerce.
- Dr. Ishari K. Ganesh, started the Vaels Educational Trust in the year 1992 with 36 students.
- Company serves to clients coming from India and all parts of the world.
- As on January 31, 2023, the Company has employed 12 employees.

Financial Summary

For the Period Ended	(In Lacs)		
	Mar-21	Mar-22	Sep-22
Total Assets	3,944.68	12,090.06	14,619.59
Net Assets	1,541.19	1,879.42	2,013.42
Total Borrowings	-	7,327.71	5,825.46
Total Revenue	2,601.37	2,717.92	4,718.97
Profit After Tax	592.52	338.23	134.00

Tentative Timeline

Opening Date	Mar 10, 2023
Closing Date	Mar 14, 2023
Basis of Allotment	Mar 17, 2023
Initiation of Refunds	Mar 20, 2023
Credit of Shares to Demat	Mar 21, 2023
Listing Date	Mar 22, 2023

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Company Overview

Company was formed on 25th October 2019 in Tamil Nadu. The company is promoted by Dr. Ishari Kadhivelan Ganesh who is the son of Late Shri Isari Velan, a renowned comedian in Tamil Cinema. The company is primarily engaged in the business of production of films and selling of film rights. Company is a member of South Indian Film Chamber of Commerce.

Analysis

Although the promoter has an established education institution since 1992, the film production company established only in 2019 depicting less experience in the film industry. The Tamil film industry is the third largest film industry in India and so having a relatively newer experience in film production makes the company a less preferred investment. The company has produced 5 movies until now and is planning to produce 6 more movies in next 2 financial years. The movies already produced by the company has been listed below –

Mookuthi Amman	Kutty Story	Sumo	Joshua Imai Pol Khaakha	Vendhu Thanindhathu Kaadu
				

UPCOMING

Sr. No.	Description
1.	Untitled (The name was 'Scary House' in Draft prospectus) Starring Jiiva and Arjun along with Raasi Khanna, this film is in the final stages of Shooting and is expected to release in FY 2023-24.

2.	PT Sir (This name was 'Hip Hop' in Draft prospectus) Starring Adhi, the film shooting has started in the right earnest and we expect the film to release in FY 2023-24.
3.	Singapore Salon Starring R.J. Balaji and Meenakshi Choudhary, the film shoot is underway and is slated to release in FY2023-24.
4.	Corona Kumar Starring Silambarasan and Aditi Shankar, the film shoot is in initial stages. It is slated for release in FY2023-24.
5.	Chutney Sambar (The name was untitled in Draft Prospectus) Starring Yogi Babu and others, the film shoot is yet to start and the release date is expected to be in FY2023-24. We have not yet titled the film.
6.	Untitled Starring Jayam Ravi and others, the film shoot is yet to start and the release date is expected to be in FY2023-24. We have not yet titled the film.

The release dates may be different from the above-mentioned dates.

To conclude, lack of business experience and tough competition lays a difficult path for the company to sustain in the long run. The revenue of the company has been increasing but it is very early to comment on the sustainability of the same.

Industry Charts

Exhibit 1: Entertainment industry market size-India

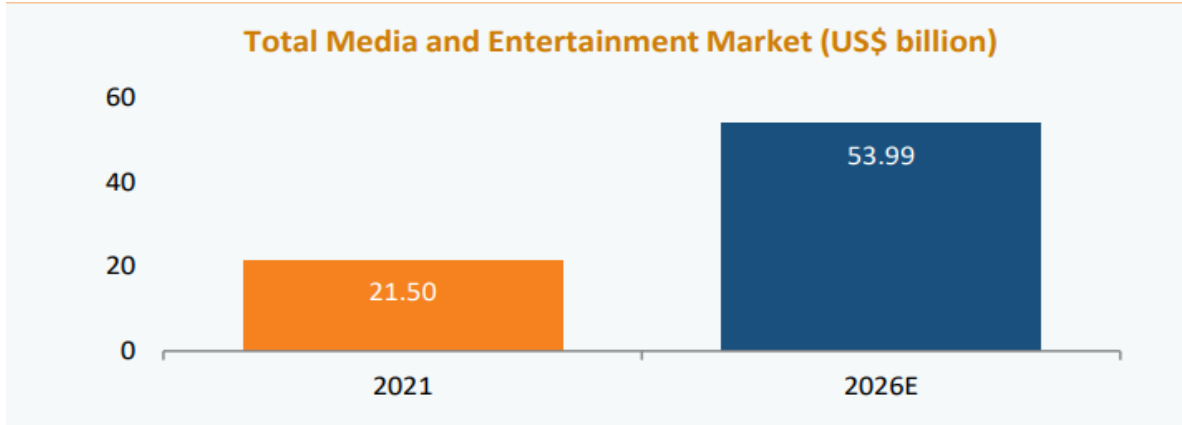


Exhibit 2 : Sector composition of media and Entertainment Industry

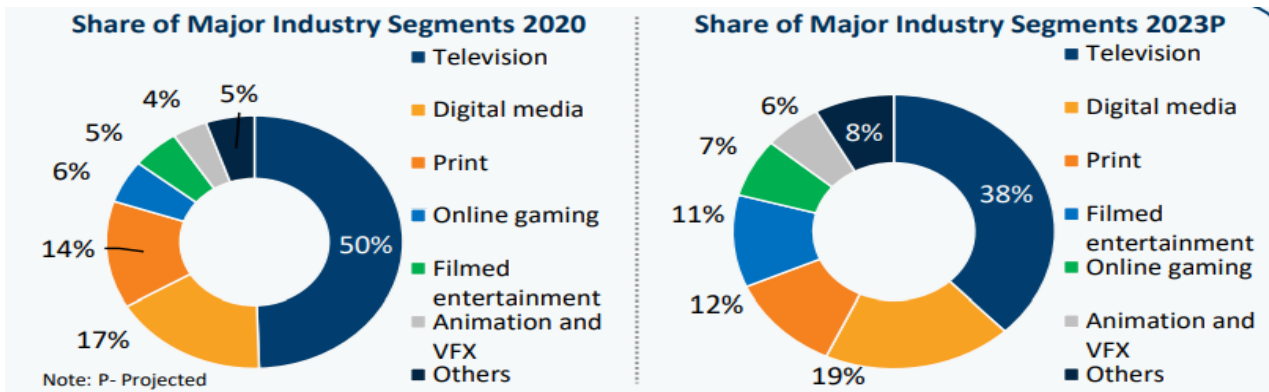
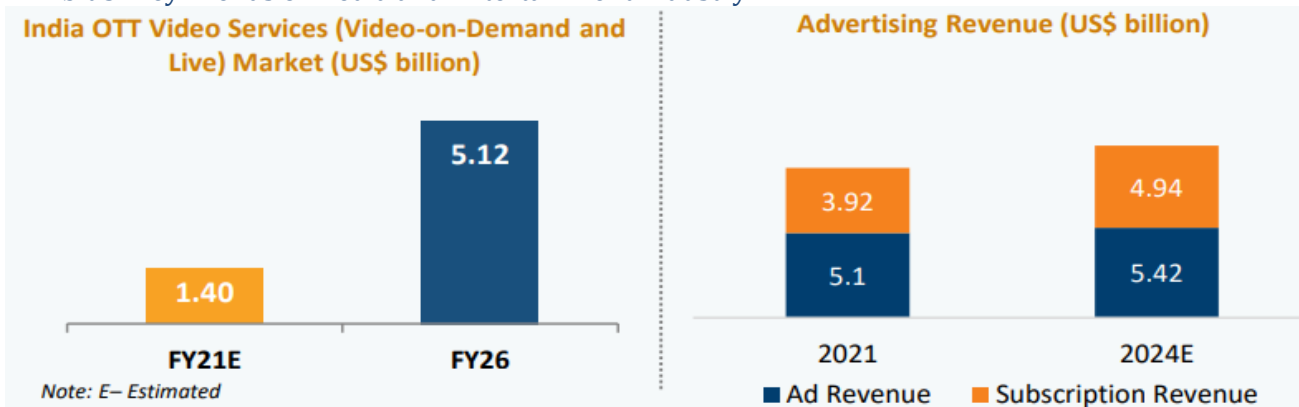


Exhibit 3: Key Trends of Media and Entertainment Industry



(Source- ibef)

Investment Overview

Tamil Cinema Industry:

Tamil cinema, also known as Kollywood, is the Indian filmmaking industry of Tamil-language motion pictures. It is based in Chennai, Tamil Nadu, in the Kodambakkam neighbourhood, leading to the industry's nickname Kollywood, the word being a portmanteau of Kodambakkam and Hollywood. Over the last quarter of the 20th century, Tamil films from India established a global presence through distribution to an increasing number of overseas theatres in Singapore, Sri Lanka, Malaysia, Japan, the Middle East, parts of Africa, Oceania, Europe, North America and other countries.

According to a report released during CII Dakshin South India Media & Entertainment Summit organised by Confederation of Indian Industries (CII), southern region titled, 'Regional is the new national – way forward for `86 the south Indian media and entertainment industry', half of the films released in 2021 were in one of the four south Indian languages and regional movies have produced some of the most successful box office hits. The television sector is the largest media and entertainment sector accounting for more than 35% of the media and entertainment market. The streaming and digital media industry has also experienced a massive boom and is expected to grow at a rate of 25%. South India contributes close to 30% of India's overall media and entertainment revenue with more than 50% of the films produced every year in the country from the south.

In July 2020, the "Financial Express" had revealed: "The Hindi film segment is estimated to have registered a record ₹ 4,350 crore in net box office collections in 2019. Led by the Tamil and Telugu film industries, regional cinema contributed a chunky 47% to the film industry's overall revenues in 2019 while Bollywood's share of the pie stood at 40%, according to Deloitte-MPA. By 2020, the combined revenue of all the South Indian film industries (Telugu, Tamil, Kannada and Malayalam) had surpassed that of the Hindi film industry. And by 2021, the Telugu cinema had emerged as the largest film industry in terms of box-office. The Indian film industry is expected to clock in estimated revenues of \$ 4.3 billion (approximately ₹ 33,000 crore) by FY24 from \$ 2.7 billion in FY19." South cinema is done being second-best to Bollywood.

(Source: Prospectus)

Addressable Market for VELS Film International Limited

The company is currently serving the Tamil Film industry which is the third biggest industry in India. The company has plans to establish itself in the regional film making market in the coming times.

Competition

Company faces competition from the regional players such as Sun Pictures, AGS Entertainment, Lyca Productions, etc. Company also faces competition from large players in the films and content streaming segments. Some of the companies that have entered this sector in past few years are Reliance, UTV, Eros and other players. Further, on digital platforms (OTT) it faces competition from these players as well as the other local and international players.

Peer Analysis

There is no listed peer company as per the prospectus.

Promoters' Profile and Management Analysis

Dr. Ishari Kadhivelan Ganesh



- Dr. Ishari Kadhivelan Ganesh, aged 55 years, is the Promoter and Managing Director of the Company.
- He completed his M. Com from Pachaiyappa's College; MBA and Ph.D. from University of Madras; and B.L. from Madurai Kamaraj University.
- He has an experience of over 3 decades in Tamil film industry.

Analysis on the Company's Promoter and Board of Directors

Dr. Ishari Kadhivelan Ganesh, aged 55 years, is the Promoter and Managing Director of the Company. He completed his M. Com from Pachaiyappa's College; MBA and Ph.D. from University of Madras; and B.L. from Madurai Kamaraj University. Dr. Ishari K. Ganesh has a deep-rooted background in Tamil film industry from the days of his father, Late Sh. Isari Velan, a renowned film personality. Apart from handling the movie production he has also acted in many films including the S. Shankar's directed and Rajinikanth starrer movie 2.0. He has established 25 institutions including CBSE schools, Dental colleges, Medical colleges, Marine engineering college and established the VELS University. He is the founder and Chancellor of VELS University. Dr. Ishari K. Ganesh has received numerous appreciations, awards and honours from many organizations including the honour of 'Kalaimamani', the highest civilian award of Tamil Nadu state, in the year 2020.

Dr Arthi Ganesh, aged 48 years, is a Non-Executive Director of the company. She completed her Under Graduation and Post-Graduation in Computer Science from Anna Adarsh College for Women, Master in Education (M.Ed.), C.I.D.T.T from University of Cambridge. She has also completed her Ph.D from University of Madras in the year 2016. She is Pro-Chancellor and also one of the Trustees of Vels group of Educational Institutions. Dr. Arthi Ganesh overlooks administration of the company. She has been a co-producer in a few films in Tamil film industry.

Ms. Preethaa Ganesh, aged 25 years, is a Non-Executive Director of the company. She completed her Under Graduation in Computer Science from SSN College of Engineering, and Post-Graduation in Management & Political Science from London School of Economics. At company, she overlooks operations & distribution of films. She has been involved in project overview, script finalization, project cost analysis. She is also one of the Trustees of Vels group of educational institutions.

To conclude, the company's individual promoter has vast experience in the industry in which the company belongs to. The other Directors are Non-Executive Directors leading to the fact that the day to day strategic and tactical decisions are taken by the Individual Promoter only. The independent directors of the company are not experienced in the industry in which company belongs to.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sept, 2022
Profit and Loss			
Revenue from operations	2,601.37	2,662.06	4,624.27
Other income	-	55.86	94.70
Total Revenue	2,601.37	2,717.92	4,718.97
Expenses	1,802.07	1,627.75	3,859.23
Depreciation and Amortisation Cost	0.13	144.38	98.79
Finance Cost	7.10	332.17	202.86
Total Expenses	1,809.30	2,104.30	4,160.88
PBT	792.07	613.62	558.09
PBT Margin	30.45%	23.05%	12.07%
EBITDA	799.30	1,034.31	765.04
EBITDA Margin	30.73%	38.85%	16.54%
Net Profit	592.52	338.23	134.00
Net Profit Margin	22.78%	12.71%	2.90%
Balance Sheet			
Total Borrowings	-	7,327.71	5,825.46
Net Worth	1,541.19	1,879.42	2,013.42
Fixed Assets	0.16	3,661.27	5,054.17
Net Working Capital	-959.34	2,761.02	1,347.74
Financial Measures (Annualised)			
Inventory Turnover Ratio	2.20	0.73	1.54
Receivables Turnover Ratio	87.56	1.41	5.37
Payables Turnover Ratio	14.61	2.83	2.63
Fixed Assets Turnover Ratio	16,258.56	0.73	0.91
Return on Capital Employed	51.85%	13.35%	10.17%
Return on Equity	38.45%	18.00%	6.66%
Debt-Equity Ratio	-	3.90	2.89

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has increased from Rs. 799.30 lacs in 2021 to Rs. 1,034.31 lacs in 2022 and on 30th Sept 2022 it was Rs. 765.04 lacs and if we annualise the same it would be around Rs. 1,530.08 lacs. The EBITDA on annualised basis has grown at a CAGR of 38.36%. The EBITDA margin in 2021 was 30.73%, 38.85% in 2022 and 16.54% up to 30th Sept 2022. The EBITDA margin has decreased due to substantial increase in other expenses of the company such as Repairs and Maintenance, Power and Fuel etc.

Net Profit

The net profit of the company has fallen from Rs 592.52 lacs in 2021 to Rs. 338.23 lacs in 2022 and as on 30th Sept 2022 it was Rs. 134.00 lacs and if we annualise the same it would be around Rs. 268.00 lacs falling at a CAGR of -31.86%. The net profit margin in 2021 was 22.78%, 12.71% in 2022 and 2.90% up to 30th Sept 2022. The net profit has shown negative growth over the years mainly because the interest cost has doubled from the previous year along with slight increase in depreciation cost. The net profit of the company has been highly unattractive.

Finance Cost.

The company's finance cost is mainly due to short terms borrowings and long-term borrowings availed by the company.

Financial Measures/Ratios

RoCE of the company up to 30th Sept 2022 is 10.17% vs 13.35% in 2022 and 51.85% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 13.19%. The RoCE has decreased from 51% to 13.35% due to increase in the long-term borrowings of the company in FY 22. With the increase in equity base of the company through IPO, the RoCE on annualised basis is expected to fall slightly.

ROE of the company in 2021 was 38.45%, 18.00% in 2022 and 6.66% up to Sept 2022, if annualised, ROE would be around 4.85%. The ROE likewise RoCE has seen a decrease. With increase of equity base, the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of -64.47%.



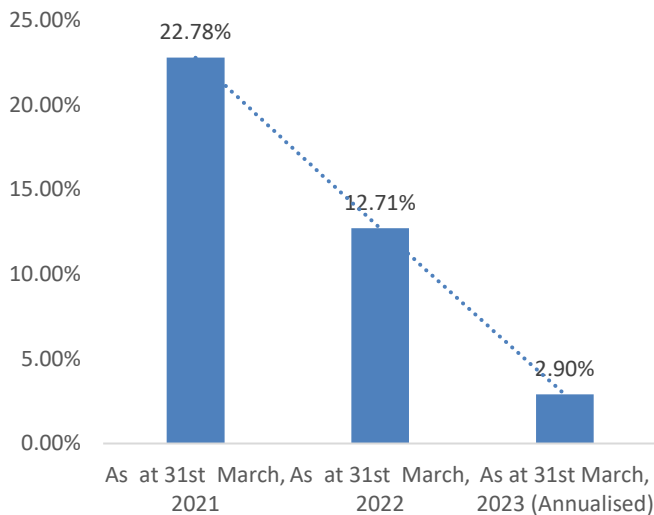
VELS Film International Limited Review Report On IPO



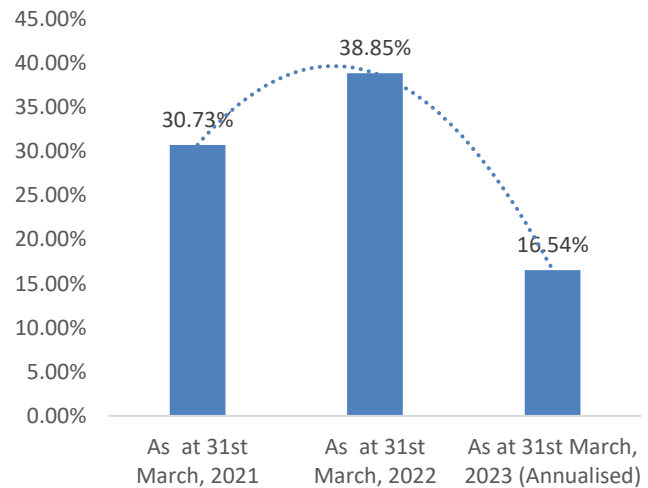
The company has a debt-equity ratio of 2.89 which shows the company is highly leveraged. The debt-equity ratio is going to come down to around 1.06 post IPO.

Financial Charts

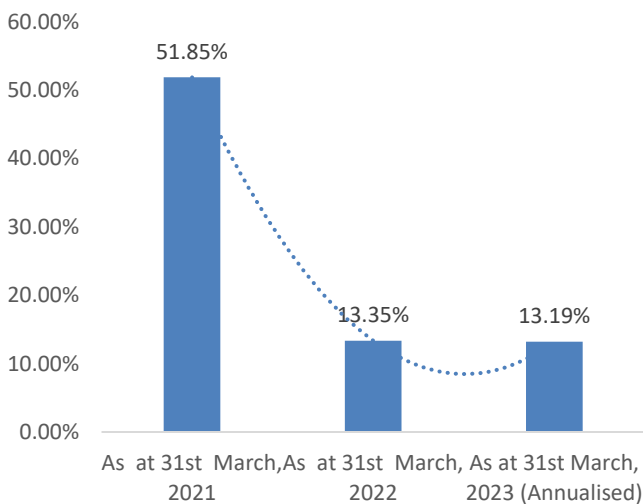
Net Profit Margin



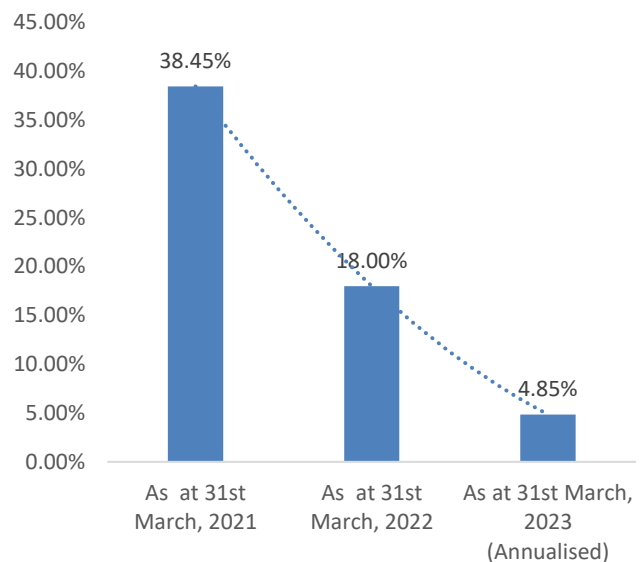
EBITDA Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. The Company, Promoter and Promoter Group of the company has been involved in certain outstanding litigation of an unascertainable amount.
2. Company is dependent on Distributors and any delay in payment from distributors would hamper the revenue of the company.
3. Company's revenues are from regional films and any taste change among the people could adversely affect the company.
4. Company's subsidiary has incurred losses in the past.

Track Record of Lead Manager

The lead manager to the issue is Khambatta Securities Limited. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	Rudrabhishek Enterprises Limited	18.73	41.00	July 13, 2018	144.75
2.	Gayatri Rubbers and Chemicals Limited	4.58	30.00	Feb 07, 2023	35.60

CMP is taken as on 9th March 2023

This is the 3rd mandate from Khambatta Securities in the last three fiscals (including the ongoing one). Out of the last 2 listings, all were listed at premiums ranging from 0.61% to 16.67% on the listing date.

Recommendation

The company has been into the industry since 2019 depicting a poor track record of existence. The industry is huge and also comes with a lot of competition from many reputed brands.

The financial performance of the company has not been satisfying with decrease in net profits due to increase in the finance cost of the company. The revenue of the company has although increased but such increase seems to be unsustainable in the coming years.

The management of the company is good but is mainly dependent on single personnel i.e. its Promoter.

To conclude, the company is fairly new and faces high competition. The profit margins are falling and the valuation seems to be very high. So to avoid taking unnecessary risk, one should **avoid** applying in the IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.