

IPO Details	
Opening Date	Sept 01, 2023
Closing Date	Sept 05, 2023
Stock Exchange	NSE SME
Lot Size	1200 Shares
Issue Price	₹92 to ₹97 per share
Issue Size	Aggregating up to 66.35 Cr.
Fresh Issue	Aggregating up to 60.53 Cr.
Offer for Sale	Aggregating up to 5.82 Cr.
Application Amount	₹ 1,16,400

IPO Objective	
Expenditure for setup of Studio/Facility at Hyderabad and Salem.	
Expenditure for adding infrastructure to strengthen the existing facilities/offices in Chennai and Pune.	
Investments through equity in the subsidiaries for expansion of workspace.	
General corporate purposes	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,45,20,550	85.42 %
Public	24,79,450	14.58%

Promoter of the Company	
1	Balakrishnan
2	Yogalakshmi S

Competitive Strengths	
1	Well-equipped with advanced technology
2	Experienced promoters and technically sound operation team.

Company Background	
○	Basilic Fly Studio Limited was incorporated in the year 2016 and has its registered office in Chennai, Tamil Nadu.
○	The company operates in the VFX industry and delivers high-quality VFX solutions for movies, TV, net series, and commercials.
○	The company offers a wide range of VFX services such as Final Compositing and rotoscope, Camera/Body Tracking & Rotomation, Paint and preparation, etc.
○	As of March 23, the Company has 474 employees on its payroll.

Market Capitalization	
(In Cr.)	
Pre-Issue	Post-Issue
₹ 165	₹ 225

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	936.46	1,356.93	4,881.90
Net Assets	297.52	376.90	3,020.97
Total Borrowings	35.06	413.23	427.08
Total Revenue	1,730.93	2,400.62	7,051.13
Profit After Tax	33.65	79.38	2,644.06

Tentative Timeline	
Opening Date	Sept 01, 2023
Closing Date	Sept 05, 2023
Basis of Allotment	Sept 08, 2023
Initiation of Refunds	Sept 11, 2023
Credit of Shares to Demat	Sept 12, 2023
Listing Date	Sept 13, 2023

Company Background and Analysis

The Company was initially incorporated on January 28, 2016. The company operates in the VFX industry and delivers high-quality VFX solutions for movies, TV, net series, and commercials. The company conducts operations with a focus on providing reliable, cost-effective and high-quality VFX shots at competitive prices for the US and European markets. The company has completed more than 900 movie projects and 2,000 series projects. The company has the flexibility to work on projects regardless of whether they are small or large projects. The VFX process begins during pre-production, where filmmakers plan and conceptualize scenes requiring digital enhancement. Once the shooting starts, the production team captures live-action footage, often with green screens or tracking markers to facilitate later integration of VFX elements.

The company offers a wide range of VFX services as mentioned below –

1. Final Compositing and rotoscope - It entails frame-by-frame tracing and element isolation in live-action video.
2. Camera/ Body Tracking & Rotomation/ Object Tracking – This includes precisely matching the movement and location of a virtual camera or object to that of a live camera in a scene. Rotomation is a cutting-edge VFX technology that captures the motion of actual actors or objects and applies that data to computer-generated characters or objects.
3. Paint and Preparation - This entails improving and modifying live video. To produce flawless composites, the team makes use of specialized software and methods.
4. Previs or Previsualization – It is the process of visualizing scenes or sequences in a film before actual filming. It is used in various creative fields like animation, performing arts, video game design, and photography.
5. Computer Graphic - Computer graphics in visual effects encompass computer-generated assets, FX, lighting, digital matte painting, environments, and compositing. They bring life to elements like explosions, lighting effects, immersive environments, and seamless integration of visual elements.
6. Onset Supervision - The VFX supervisor collaborates with the director and production team to understand the script's needs. This prevents costly re-shoots and facilitates effective collaboration between departments.

Geography-wise revenue break-up for the fiscal year ended 2021, 2022, and 2023 are given below-

(Amount in Lakhs)

Country	2020-2021		2021-2022		2022-2023	
	Amount	%	Amount	%	Amount	%
North America	569.93	33.00	855.39	34.00	2,753.36	35.00
Europe	725.37	42.00	1,081.81	43.00	3,461.37	44.00
Australia and New Zealand	241.79	14.00	352.22	14.00	1,258.68	16.00
Rest of the world	189.98	11.00	226.43	9.00	393.34	5.00
Total	1,727.07	100.00	2,515.85	100.00	7,866.75	100.00

The company has completed more than 900 movie projects, and 2,000 series and a few of the projects that the company has executed are as mentioned below –

1. Movies – Top Gun, Joker, Avengers, John Wick 4, Shang-Chi., The whale etc.
2. Series - Crown, The Witcher, His Dark Materials, Gangs of London, Hulk, Stranger Things 4 and etc

The company also has subsidiaries such as –

1. Basilic Fly Studio Canada Limited – A subsidiary Incorporated on July 02, 2021, and it began its operations with effect from November 08, 2021.
2. Basilic Fly Studio UK Private Limited – A wholly owned subsidiary incorporated on April 06, 2022, and the operations of the company are yet to be started.

The company also plans to open 2 more dedicated facilities in India, and in the international arena, the company plans to have its physical presence in Eastern Europe and South Korea in the future times to come. The company is planning to utilize its net proceeds for various reasons them being up to Rs. 2,135.72 lakhs used for expenditure for setup of Studio/Facility at Hyderabad and Salem. Up to Rs. 1,961.4 lakhs to be utilized for expenditure for adding infrastructure to further strengthen the existing facilities/offices of the company located in Chennai and Pune. Up to Rs. 465.14 lakhs are to be utilized for investment through equity in the subsidiaries for the expansion of workspace by acquiring new office space located in London and strengthening the existing facilities/offices located in Vancouver.

To conclude, the company was originally incorporated in the year 2016. The company operates in the VFX industry and delivers high-quality VFX solutions for movies, TV, net series, and commercials. The company has two subsidiary companies out of which one is yet to start operations. The company has worked on many projects. The company is raising total gross proceeds of Rs. 66.35 Cr.

Business Strategies

1. Expanding the Network.

The company believes in maintaining long-term relationships with its customers. The company aims to achieve this by adding value to its customers using the latest and updated technology, quality assurances and timely delivery of results.

2. Focusing on Increasing Process Services & and consistency in operating practices.

The company believes in minimizing errors through continuous process improvement. The company focuses on process and consistency for improving efficiencies at all levels of operational process to achieve cost reductions and competitive edge.

3. Growing the business with existing clients with quality and efficient services.

The company focuses on maintaining strong relationships with existing clients which will help them to gain a competitive advantage in gaining new clients and increasing the business.

Competitive Scenario and Peer Mapping

Competition

The company faces stiff competition from domestic as well as global markets and it faces intense competition from the mid-sized firms of North America and Europe. The industry in which the company operates is also fragmented with many small and medium-sized players and the industry in which the company operates generally has fewer barriers to entry. The bargaining power with the consumers is low.

Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below –

Particulars	Basilic Fly Studio Limited	Prime Focus Limited	Phantom Digital Effects Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	37.65%	4.18%	27.59%
EBITDA Margin	51.81%	20.97%	39.66%
Return on Capital Employed	103.25%	7.47%	34.92%
Return on Equity	87.52%	776.00%	35.56%
EPS (INR)	16.41	4.92	13.92

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below –

Particulars	Basilic Fly Studio Limited	Prime Focus Limited	Phantom Digital Effects Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	3.32%	-5.14%	22.73%
EBITDA Margin	5.87%	23.54%	31.82%
Return on Capital Employed	14.91%	6.74%	46.67%
Return on Equity	21.06%	-152.63%	100.00%
EPS (INR)	10.47	-5.73	4,900.00

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below –

Particulars	Basilic Fly Studio Limited	Prime Focus Limited	Phantom Digital Effects Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1.95%	-2.21%	1.11%
EBITDA Margin	6.45%	23.26%	10.50%
Return on Capital Employed	18.79%	3.15%	8.00%
Return on Equity	11.31%	-20.97%	21.26
EPS (INR)	2.54	-1.45	0.08

Industry Overview

Exhibit 1: Total Media and Entertainment Market (US\$ billion)

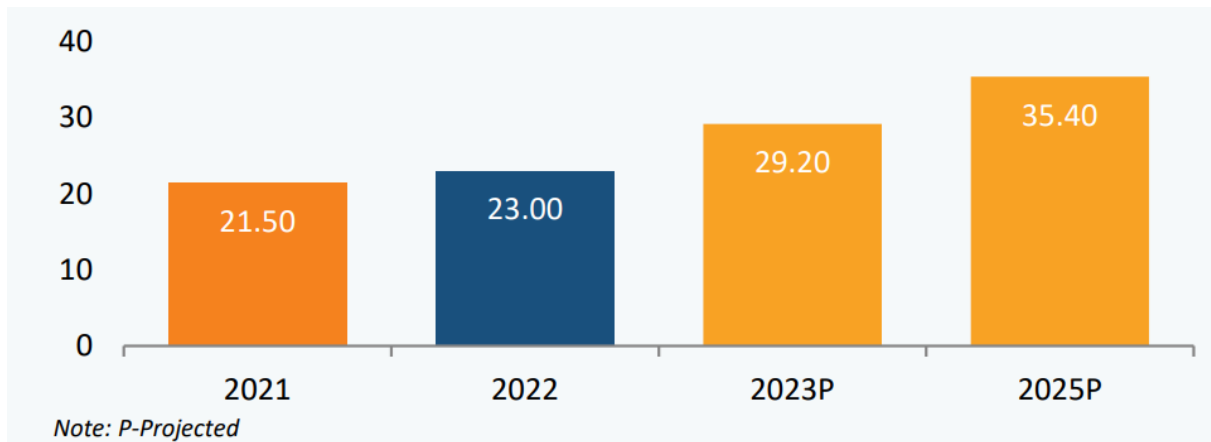


Exhibit 2: Indian OTT Video Services (Video-on-demand and Live) Market (US\$ billion)

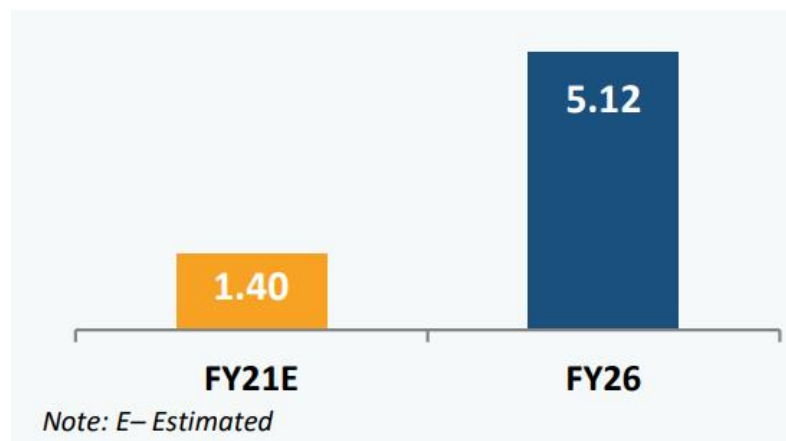
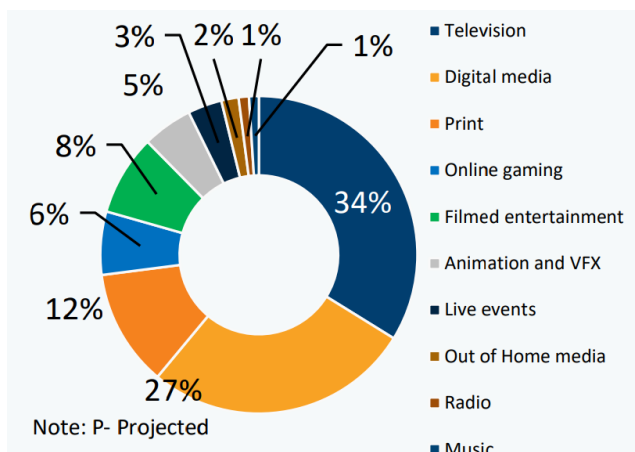
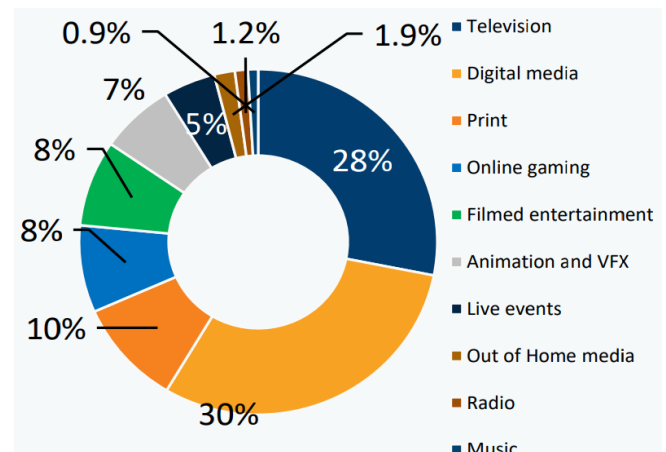


Exhibit 3: Share of Major Industry Segments 2022 and 2025P

2020 -



2025 P -



(Source: ibef.com)

Global VFX Industry -

The global visual effects (VFX) market attained a value of USD 9.95 billion in 2022. The market is further expected to grow in the forecast period of 2023-2028 at a CAGR of 10.4% to reach almost USD 18.02 billion by 2028. The global market is being led by North America, majorly being driven by the increasing use of VFX in Hollywood movies. One of the main factors driving the rise of the global VFX market is the growing demand for high-quality content. With the increasing use of digital video streaming outlets like Amazon Prime Video, Netflix and Hulu, high-quality content and VFX are becoming more important. Smart devices like smartphones, tablets, laptops, and HD TVs are increasingly being used to promote the development of digital video streaming services. Many video services and studios utilize VFX in films and TV shows. Moreover, studios are stiffly competitive with providers of video streaming services by designing high-quality feature content, such as VFX. Consumers who are increasingly looking for high-definition (HD) VFX experiences will have huge business opportunities in the VFX market in the next few years.

One of the main factors leading to the development of the worldwide VFX development is the introduction of augmented reality (AR). The increasing demand for digital content creates a need for innovation in visual effects for new experiences like AR. In addition, film production units integrate AR in ongoing cameras to identify problems with VFX shots and to speed up the post-production process. The integrated AR cameras provide previews for filmmakers to identify the best scene.

Indian VFX Industry -

The Indian VFX industry has been gradually climbing up the ladder with the adaptation of world-class techniques and innovative technology. The content creators are upping their storytelling with marvellous VFX advancements. With the rising trend in the industry, the VFX is growing at an impeccable growth rate. We are experiencing a huge standards gap from other Western countries, but however, the times are changing a lot. In recent years, the VFX industry in India has taken the storm with some of the great work that has been displayed recently. Apart from the big budget & and successful films like Bahubali & Krish, there are some of the corporations that have become tech savvy.

In the last 5 years, the VFX industry has grown 6.2 times than the previous decades. Most popularly there are some of the big Hollywood studios outsourcing video editing work to some of the professional companies in cities like Bangalore, Pune, Mumbai, Chennai, etc. According to the recent survey conducted by FICCI reported by KPMG, the VFX industry has been growing alone to 51.1%. While every year, there are more than 15,000 professionals required in this industry. One of the key indicators of the growth of this industry is that the government initiative 'Make in India' has been actively investing in this industry through its 'Digital India' scheme. Also, the fact is the government is making extra efforts to train & and groom the people and increase employment opportunities. Considering the fact, that the VFX industry is currently valued at Rs. 121 billion and will almost double by the year 2025. Nevertheless, the VFX is not only used in filmmaking but also the corporate presentations, websites, gaming, APP development and other branding materials. It is expected to grow in several areas in the last couple of years & and contribute to huge economic growth.

(Source: prospectus)

Key Managerial Personnel

Balakrishnan, aged 37, is one of the Promoters, and the Managing Director of the company. He holds a master's degree in electronic media. He has an experience of more than 13 years in this Industry. He has worked directly with Academy Award-winning supervisors and Oscar-nominated directors on various projects.

Yogalakshmi S, aged 33, is one of the Promoters, and Whole-Time Director of the company. She holds a degree of Bachelor of Engineering in Electronics and Communication Engineering. She has knowledge and experience of more than 11 years in the VFX Industry. She is responsible for the managing and supervising operations.

Prabhakar D, aged 35, is the Whole-Time Director of the Company. He has completed a Diploma in Multimedia from Hindustan Institute of Technical Training. He has an experience of over 14 years in the VFX Industry and has worked on several films.

Vengarai Seshadri Sowrirajan, aged 64, is the Independent Director of the Company. He holds a degree in B. A (Corporate Secretaryship), a Fellow Member of the Institute of Company Secretaries of India, a Fellow Member of the Institute of Chartered Accountants of India and an Associate Member of the Institute of Cost Accountants of India including Postgraduate in management accountancy. He has more than 35 years of working experience in Listed and Non-Listed Public Companies as Company Secretary/ Assistant Company Secretary.

Jitendra Kumar Pal, aged 51, is the Independent Director of the company. He holds a degree of LLB and is an Associate Member of the Institute of Company Secretaries of India. He has knowledge and experience of more than 21 years in the field of Law, Corporate Law, Accounts & Finance.

R Thiripurasundari, aged 57, is the Non-Executive Non-Independent Director of the company. She is a Matriculate. She has an experience of 10 years in advisory role of the Administration for the Company. She was actively involved in all women empowerment programmes, as well as mentoring them. She was also involved in employee benefits and personality development programmes.

To conclude, the company has 2 promoters, and have good experience in the industry in which the company operates. The remaining directors have decent experience in the fields which help in the growth of the business.

Financial Snapshot

Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	1,727.07	2,387.68	7,022.73
Other Income	3.86	12.94	28.40
Total Income	1,730.93	2,400.62	7,051.13
Expenses			
Employee benefits expense	729.69	1,249.30	1,748.88
Other Direct Expenses	818.22	970.70	1,533.78
Finance costs	18.34	8.50	68.54
Depreciation and Amortization expense	44.29	28.30	56.03
Other expenses	67.77	27.60	101.25
Total Expenses	1,678.31	2,284.40	3,508.48
Earnings Before Interest, Taxes, Depreciation & Amortization	111.39	140.08	3,638.82
EBITDA Margin	6%	6%	52%
Profit before exceptional and extraordinary items and tax	52.62	116.22	3,542.65
Exceptional items	-	-	-
Profit/(Loss) before tax	52.62	116.22	3,542.65
Tax Expense			
Current Tax	21.51	32.16	925.46
Deferred tax (net)	-2.54	4.68	-26.87
Total Tax Expense	18.97	36.84	898.59
Profit/(Loss) for the year	33.65	79.38	2,644.06
Net Profit Margin	2%	3%	37%

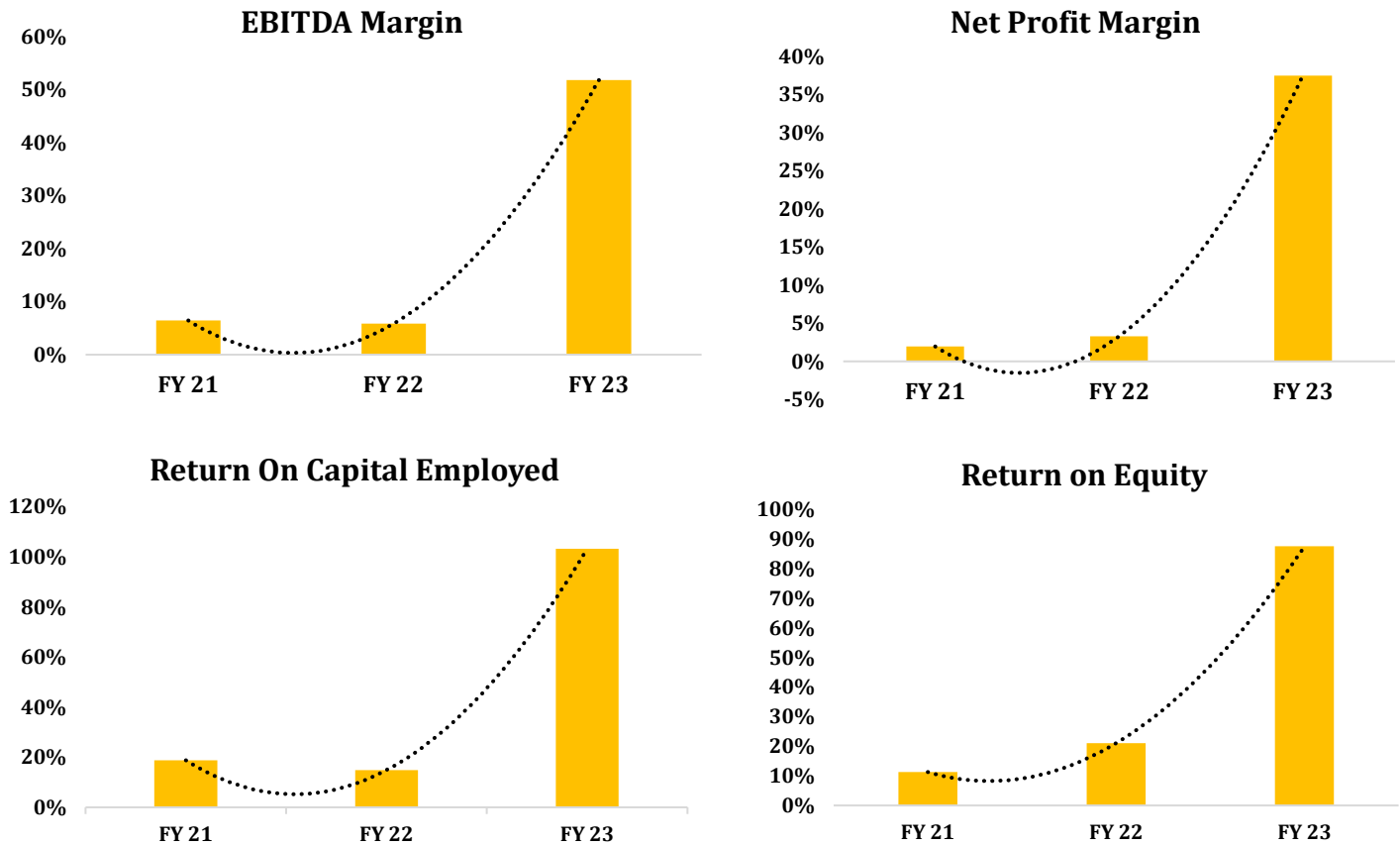
Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	68.75	111.97	229.28
Non-Current Investments	-	207.50	207.51
Deferred Tax Assets (Net)	9.21	4.53	31.40
Long-term loans and advances	71.84	64.94	1.44
Other Non-current assets	571.17	570.37	989.32
Total Non-Current assets	720.97	959.31	1,458.95
Current Assets			
Inventories	-	-	-
Trade Receivables	64.13	36.85	1,966.96
Cash and Cash Equivalents	110.26	317.22	536.13
Other current assets	41.10	43.55	919.86
Total Current assets	215.49	397.62	3,422.95
Total Assets	936.46	1,356.93	4,881.90
EQUITY AND LIABILITIES			
Equity			
Share Capital	100.00	100.00	1,700.00
Other Equity	197.52	276.90	1,320.97
Total Equity	297.52	376.90	3,020.97
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	15.78	309.05	252.58
Long term provisions	43.80	63.74	196.38
Total Non-current liabilities	59.58	372.79	448.96

Balance Sheet			(In Lacs)
Current liabilities			
Financial Liabilities			
(i) Short Term Borrowings	19.28	104.18	174.50
(ii) Trade Payables			
i) Due to micro and small enterprises	-	-	-
ii) Due to other than micro and small enterprises	251.78	164.18	221.04
Other Current Liabilities	306.79	335.22	396.27
Short-Term Provisions	1.51	3.66	620.17
Total Current liabilities	579.36	607.24	1,411.98
Total Liabilities	638.94	980.03	1,860.94
Total Equity and Liabilities	936.46	1,356.93	4,881.91

Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
Net Cash Flow from Operating Activities	-241.87	181.37	431.97	
Net Cash Flow from Investing Activities	-47.39	-259.17	-88.05	
Net Cash Flow from Financing Activities	-2.56	284.77	-125.01	

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	0.2	0.47	15.55
BV per share	1.28	1.62	13.00
Operating Ratios (%)			
EBITDA Margins	6%	6%	52%
PAT Margins	2%	3%	37%
Inventory days	-	-	-
Debtor days	13.55	5.63	102.23
Creditor days	-	-	-
Return Ratios (%)			
RoCE	19%	15%	103%
RoE	11%	21%	88%
Valuation Ratios (x)			
EV/EBITDA	2.00	3.38	0.80
Market Cap / Sales	13.05	9.44	3.21
P/E	485.00	206.38	6.24
Price to Book Value	75.77	59.81	7.46
Solvency Ratios			
Debt / Equity	0.12	1.10	0.14
Current Ratio	0.37	0.65	2.42
Quick Ratio	0.37	0.65	2.42
Asset Turnover	1.84	1.76	1.44
Interest Coverage Ratio	3.66	13.15	52.27

Financial Charts



Key Risk Factors

1. The company if unable to attract new clients or the existing clients do not renew their contract, the growth of the business and cash flows will be adversely affected. The top 5 clients contributed approximately 61%, 41%, and 46% for the period ended 31st March 2021, 2022, and 2023 respectively to the company's revenue.
2. There are outstanding litigations involving the Company, Promoters and Directors which, if determined adversely, may affect the business and financial condition. 3 cases regarding Indirect tax matters amounting to Rs. 18.74 lakhs against the company. 2 cases regarding Material civil litigations amounting to Rs. 280.81 lakhs against the company's directors.
3. The Company has experienced negative cash flow in the past and may continue to do so in the future, which could have a material adverse effect on the business, prospects, financial condition, cash flows and results of operations. The company had negative operating cash flow from the year 31st March 2021 (Standalone).

Track Record of Lead Manager

The lead manager to the issue is GYR Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Managers in recent times –

GYR Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Srivari Foods and Spices Limited	9.00	42.00	August 18, 2023	136.0
2.	Essen Speciality Films Limited	66.33	107.00	July 06, 2023	146.0
3.	Mcon Rasayan India Limited	6.84	40.00	March 20, 2023	156.0
4.	Agarwal Float Glass India Limited	9.20	42.00	February 23, 2023	36.5
5.	Anlon Technology Solutions Limited	15.00	100.00	January 10, 2023	290.0
6.	Uma Converter Limited	18.41	33.00	December 29, 2022	34.02
7.	Pritika Engineering Components Limited	9.42	29.00	December 08, 2022	61.2
8.	Mafia Trends Limited	3.60	28.00	October 06, 2022	16.0**
9.	Sabar Flex India Limited	4.48	11.00	September 21, 2022	21.0
10.	JFL Life Sciences Limited	18.17	61.00	September 08, 2022	52.4

*CMP for all the above-mentioned companies is taken as of 29th August 2023.

**Mafia Trends Limited CMP is mentioned as of 28th August 2023.

As per the offer document, GYR Capital Advisors Private Limited have had 15 mandates in the last three fiscal years. For GYR Capital Advisors Private Limited out of the 10 mentioned above, all opened at premiums ranging from 3.78 to 151.1% on the listing day.

Recommendation

The company has been in the industry since 2016 and thus has good experience in the industry. The top line and bottom line of the financials have seen a sudden surge in FY 23 which may or may not be consistent and will have to wait for future financials to predict the same.

The PE on an annualised and post-IPO basis is around 8.53 times which seems to be fairly priced by looking at the performance of the company and its peers.

The company operates in a competitive segment and faces competition from players globally. The management outlook of the company is good. The company has completed good projects and with all the inorganic strategy used by the company and the plans of increase in the expansion, the company can be looking at a decent growth. Thus, one can **APPLY** for this IPO.



BASILIC FLY STUDIO LIMITED

IPO Note



Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.