

IPO Details	
Opening Date	September 25, 2023
Closing Date	September 27, 2023
Stock Exchange	NSE SME
Lot Size	800 Shares
Issue Price	₹168 to ₹171 per share
Issue Size	Aggregating up to 30.48 Cr.
Fresh Issue	Aggregating up to 21.56 Cr.
Application Amount (@ upper band for retail Investors)	₹ 1,36,800

IPO Objective	
1.	Funding Working Capital requirement.
2.	General corporate purposes.
3.	Offer Expenses.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	47,36,000	93.38%
Public	3,36,000	6.62%

Promoter of the Company	
1.	Abhishek Rameshkumar More
2.	M/s. Shree M P J Cement Works LLP

Competitive Strengths	
1.	Strong Brand Equity in the VFX industry Worldwide.
2.	Solid Management Team.
3.	Among the first few VFX studios in India.
4.	Deep connections in the Industry Worldwide.
7.	Highly trained professionals.
6.	Strict quality control in production process.

Company Background	
○	Digikore Studios Limited was incorporated in the year 2000 and has its registered office in Pune, Maharashtra.
○	Digikore serves as a hub for top-tier industry talent. Having production facility in India, company specialize in delivering Visual Effects (VFX) for a diverse range of projects such as Films, Web Series, TV Series, Documentaries, and Commercials, all while maintaining a strong emphasis on cost-effectiveness.
○	Company's artists harness the power of the latest software, hardware, and proprietary tools to produce exceptional VFX for some of the most prominent Films, Web Series, and TV Series.
○	The company is approved for projects from production houses like Disney/Marvel, Netflix, Amazon, Apple, Paramount, Warner Bros., and Lions gate.
○	As on 31 st July 2023, the company had 357 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹87	₹108

Financial Summary (In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	797.83	825.18	1,912.48
Net Assets	106.94	153.48	590.94
Total Borrowings	498.77	349.46	607.61
Total Revenue	615.53	2,488.39	3,555.83
Profit After Tax	1.80	46.54	437.46

Tentative Timeline	
Opening Date	September 25, 2023
Closing Date	September 27, 2023
Basis of Allotment	September 29, 2023
Initiation of Refunds	October 03, 2023
Credit of Shares to Demat	October 03, 2023
Listing Date	October 04, 2023

Company Background and Analysis

Digikore was established by Mr. Abhishek Rameshkumar More in the year 2000. In its initial years, Digikore made its mark in the realm of Animation and Visual Effects (VFX). Worked with extensive portfolio of many Films and TV Series, notable works include projects like "Thor: Love and Thunder," "Black Panther: Wakanda Forever," "Glass Onion: A Knives Out Mystery," "Deadpool," "Star Trek," "Jumanji," "Stranger Things," "The Last Ship," "Titanic" "Gosht Rider: Spirit of Vengeance" "Transformer: Age of Extinction" "Crouching Tiger, Hidden Dragon: Sword of Destiny" and many more prestigious productions.

Company specializes in creating visual experiences that captivate audience around the world. Company also has a decade's worth of experience in pushing the boundaries of creativity and technology to deliver its exceptional VFX solution for Movies, TV, Net series and Commercials. With a team of skilled artists, a dedication to investing in the latest technology, and a proven track record of serving clients from diverse sectors and countries, "Digikore" has earned a good reputation among its clients in the VFX industry. Company's works pans across all platforms and end-uses.

Notably, company stands among the select few studios in India that have undergone audits from esteemed entities such as TPN. Also approved for projects from production houses like Disney/Marvel, Netflix, Amazon, Apple, Paramount, Warner Bros., and Lions gate. Company's commitment to excellence is further underscored by its dedication to fostering an internal culture rooted in diversity, equality, and inclusion – vital components that fuels innovation and creativity.

Furthermore, the company has embarked on a new venture, known as Digikore Matchmaking, extending its portfolio to encompass new dimensions of business endeavour.

Company conducts its operations with focus on to provide reliable, cost-effective and high-quality VFX shots at competitive price for the US and European markets. Further geographical wise revenue breakup is given below: -

Geographical Wise Revenue Breakup

(₹ in Lacs.)

Particulars	Mar-23		Mar-22		Mar-21	
	Amt	(%)	Amt	(%)	Amt	(%)
North America	2,795.93	85.83	1,046.13	41.82	336.30	68.88
Europe	366.29	11.24	289.97	11.59	73.02	14.96
Australia and New Zealand	31.21	0.96	2.84	0.11	-	0.00
Rest of the world including India	63.95	1.96	1,162.36	46.47	78.93	16.17
Total	3,257.38	100.00	2,501.30	100.00	488.25	100.00

As a Trusted Partner Network Certified studio, company offers a wide range of VFX services as mentioned below: -

1. Rotoscopy
2. Reflection Removal
3. General Cleanup
4. Wire and Wig Removal

5. Muzzle Flash Composting
6. Green Screen Composting
7. Matchmove
8. Driving Camps
9. Day to Night
10. CG Blood Camps
11. Beauty Fixes
12. Crowd Multiplication
13. Set Extension

To conclude, the company operates in business segment with good prospect and has a product portfolio with verity of usage in different industries.

Business Strategies

1. Enhance customer base by entering new geographies.

Company intends to cater to the increasing demand of its existing customers and also to increase its existing customer base by enhancing its geographical reach. Enhancing company's presence in additional regions will enable it to reach out to a larger market and have direct access to the producers, production houses and directors which will allow the company to have better understanding of their concept and ideas.

2. Leveraging its Market skills and Relationships.

This is a continuous process in an organization. Company aims to enhance the growth by leveraging on its relationships and further enhancing customer satisfaction.

3. Focus on quality.

Company intends to focus on adhering to the quality of offerings. This is necessary so as to make sure that company maintain the high-quality standards for offerings and get repeated projects from its clients. This will also aid company in enhancing its brand value and further increase the business.

Competitive Scenario and Peer Mapping

Competition

The company faces intense competition from both Indian and foreign competitors, many of which are substantially larger and have greater financial resources. Growth in entertainment industry in recent years has attracted new industry participants and competitors, due to minimal barrier to entry in the industry. Some of the key competitors of the company include Phantom Digital Effects Limited Prime Focus Limited, Basilic Fly Studio Limited, BOT VFX etc.

Peer Analysis

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

Particulars	Digikore Studios Limited	Phantom Digital Effects Limited	Prime Focus Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	13%	28%	-60%
EBITDA Margin	18%	39%	26%
Return on Capital Employed	72%	46%	-1.36%
Return on Equity	74.03%	37%	-2%
EPS (INR)	437.46	15.97	-0.82

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

Particulars	Digikore Studios Limited	Phantom Digital Effects Limited	Prime Focus Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2%	-	284%
EBITDA Margin	9%	-	61%
Return on Capital Employed	58%	-	0%
Return on Equity	30%	-	19%
EPS (INR)	46.54	-	9.71

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

Particulars	Digikore Studios Limited	Phantom Digital Effects Limited	Prime Focus Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0%	-	44%
EBITDA Margin	-5%	-	45%
Return on Capital Employed	-18%	-	-2%
Return on Equity	2%	-	2%
EPS (INR)	1.80	-	0.91

Industry Overview

Exhibit 1: Size of Indian Animation and VFX industry.

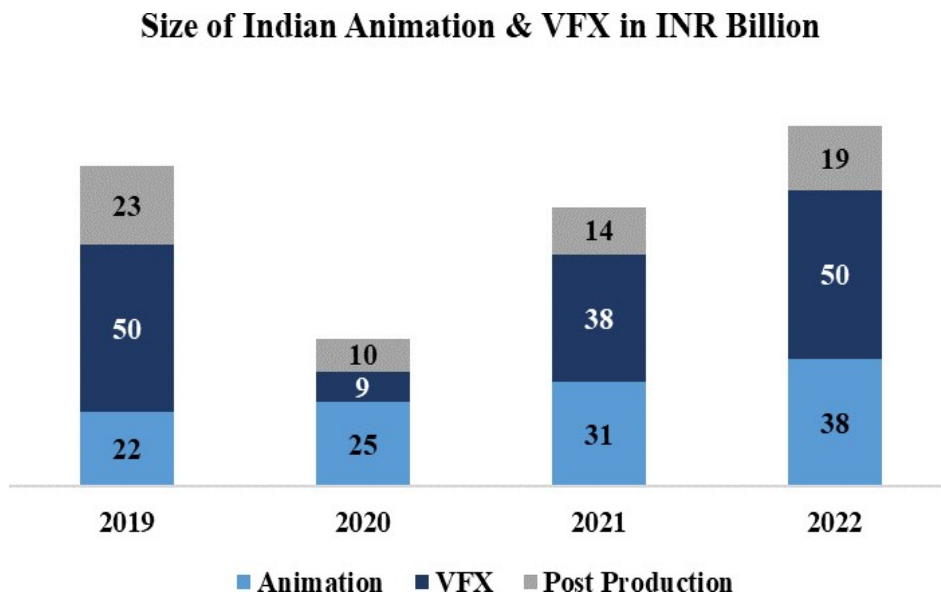
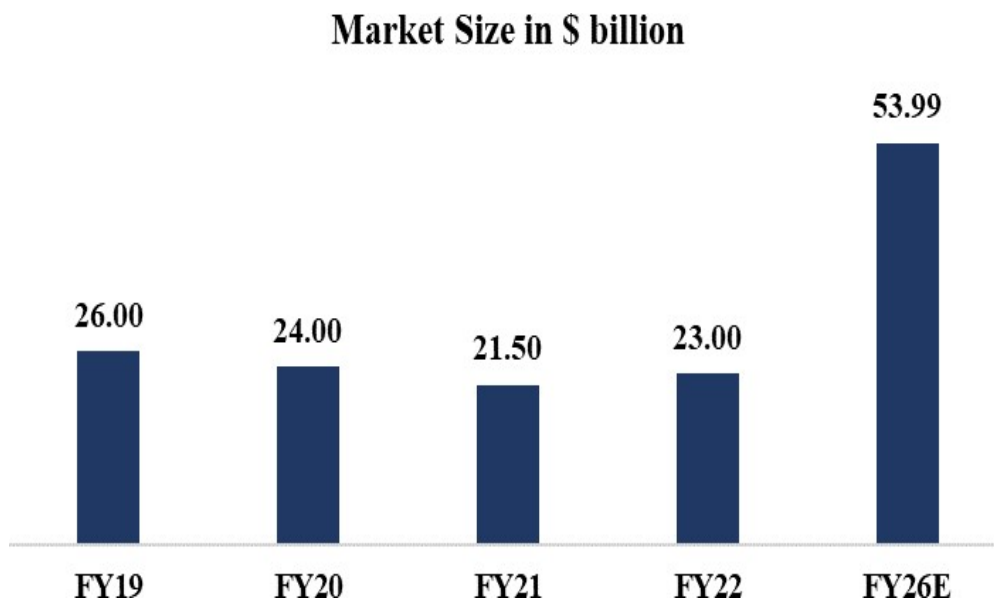


Exhibit 2: Indian Media & Entertainment Industry Market Size



(Source: Prospectus)

Indian Media & Entertainment Industry

The Indian Media and Entertainment (M&E) industry is a sunrise sector for the economy and is making significant strides. The increasing availability of fast and cheap internet, rising incomes, and increasing purchases of consumer durables have significantly aided the industry. India's media and entertainment industry are unique as compared to other markets. The industry is well known for its extremely high volumes and rising Average Revenue Per User (ARPU).

India's Media and entertainment Industry is expected to reach Rs. 4,30,401 crores (US\$ 53.99 billion) by 2026. Advertising revenue in India is projected to reach Rs. 394 billion (US\$ 5.42 billion) by 2024. Television would account for 40% of the Indian media market in 2024, followed by print media (13%), digital advertising (12%), cinema (9%), and the OTT and gaming industries (8%).

In FY20, digital and online added revenue stood at Rs. 26 billion in the M&E sector and their contribution to the sector increased to 23% in 2020 from 16% in 2019. Between 2019 and 2024, these segments are expected to witness growth as follows, Digital media (CAGR 20%), Animation and VFX (47%), Online gaming (23.07%) and the OOH (39.08%).

Indian Animation and VFX Industry

The growth of animation and the evolution of VFX technologies has altered the storytelling pattern, resulting in a boom in the entertainment business. Despite the economic downturn in the recent past and stop in production in the early months of the pandemic, there has been a healthy competition between media and entertainment sector with animation & VFX offering the content an edge. Animation and visual effects studios have seen a considerable increase in content demand for domestic shows in the recent years. India's animation and VFX industry was valued at around 107 billion Indian rupees in 2022, despite the lapse in market value in the previous year owed to the pandemic's adverse effects. Of the total market size VFX industry accounted for about 50 billion Indian rupees.

Animation

Demand for animated content began to normalize to pre-pandemic levels, e.g., kids' viewership reduced by 13% over 2021. In contrast, dedicated kids' OTT platforms have grown and more options, especially in regional languages, have emerged. Stagnant growth rate of 2D animation finally gained momentum globally in 2022, which will have a positive impact on the Indian animation segment owing to the large stack of companies creating 2D content efficiently. Adoption of gaming engines like Unity and Unreal has been another game changer. These engines improve efficiencies and save up to 70% of rendering time, paving the way for more streamlined workflows. Service exports made up 35% to 40% of the total revenue for the animation segment in 2022.

VFX

From delivering back-end services only, India has now emerged as the provider of turnkey services - from pre visualization to final rendering. This also means an increase in both value and volume of work coming India's way. Tentpole movies have always been heavy on VFX, and continue to be a major draw for audience across theaters as well as on OTT platforms globally. The major draw in OTT today is episodic content across platforms. This content draws heavily on VFX and is the second-largest addressable market today.

(Source: prospectus)

Key Managerial Personnel

Abhishek Rameshkumar More, aged 46 years, is the Promoter and Managing Director of the Company. He has done Post Graduate diploma in business Entrepreneurship and management with specialisation in new enterprise creation. He is a visionary entrepreneur and the Founder of the Company, with more than twenty years of experience in content production and post-production for film and television.

Rameshkumar More, aged 73 years is the Promoter, Mr. Rameshkumar More, aged 73 years is a Non-Executive Director of the Company. He is a B. Com graduate. He was also Managing Director of Poona Bottling Company Limited and Waluj Beverages Private Limited. Under his leadership and guidance both the Companies grew to become large franchisees of The Coca Cola Company in India. He is a diligent entrepreneur by profession with over 50 years of experience having expertise which lies in in managing and growing businesses.

Aqueel Mehboob Merchant, aged 50 years, is an Additional Independent Director of the Company. He has done Master Programme in Business Administration from Indian School of Business Management and Administration his expertise lies in Customer Relationship Management. He has 22 years of professional experience in leadership roles. In his last leadership role, he was Managing Director of Accenture Enterprise Enablement, India & Philippines.

Megha Virendra Raval, aged 43 years is an Additional Independent Director of the Company. She has done Post Graduate Diploma in Business Administration in Finance from Mumbai and Bachelor in Business Administration from Gujarat University, Ahmedabad. She is a HR professional with a demonstrated proficiency in strategy development, executive search, and diverse industry experience and leveraging 14+ years of experience across various sectors.

Shrinivas Lakhichand Behede, aged 45 years has more than 20 years of experience in managing accounting, statutory compliance and planning and setting up control and worked in multinational company. He holds bachelor degree in commerce and completed intermediary of Chartered Accountancy.

To conclude, the promoter of the company has a good experience in the industry that company operates in, the remaining directors have decent knowledge and experience in the different industry and in the fields which will help in the growth of the business. Whereas, a proper bifurcation on roles and responsibility of the management is not given, with major responsibility being concentrated to only one promoter.

Financial Snapshot

Profit and Loss Statement			(In Lacs.)
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	487.32	2,488.18	3,443.98
Other Income	128.21	0.21	111.85
Total Income	615.53	2,488.39	3,555.83
Expenses			
Cost of Technical Subcontractors	230.54	1,235.92	735.22
Employee benefits expense	162.55	539.49	1,165.23
Finance costs	73.20	39.89	71.47
Depreciation and Amortization expense	25.72	91.89	103.80
Other expenses	120.90	476.80	907.30
Total Expenses	612.91	2,383.99	2,983.02
Earnings Before Interest, Taxes, Depreciation & Amortization	-26.67*	235.97	636.23
EBITDA Margin	-5%	9%	18%
Profit/(Loss) before exceptional items and tax	2.62	104.40	572.81
Less: Exceptional Items	-	-	-
Profit/(Loss) before tax	2.62	104.40	572.81
Tax Expense			
Current Year	0.82	57.86	163.26
Earlier Year	-	-	5.10
Deferred tax	-	-	-33.01
Total Tax Expense	0.82	57.86	135.35
Profit/(Loss) for the year	1.80	46.54	437.46
Net Profit Margin	0.29%	2%	12%

*The EBITDA in fiscal 21 is in negative because of higher Other Income.

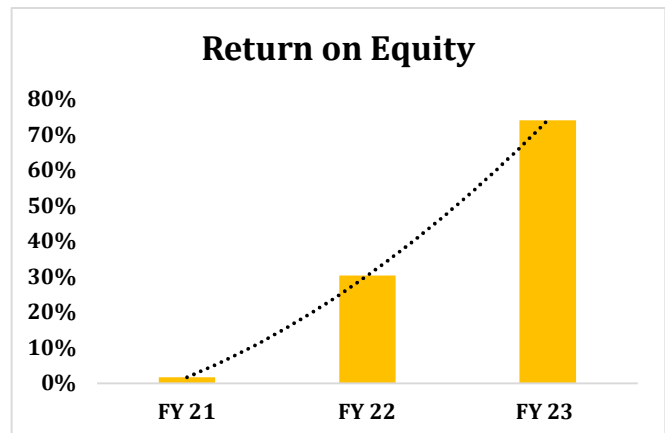
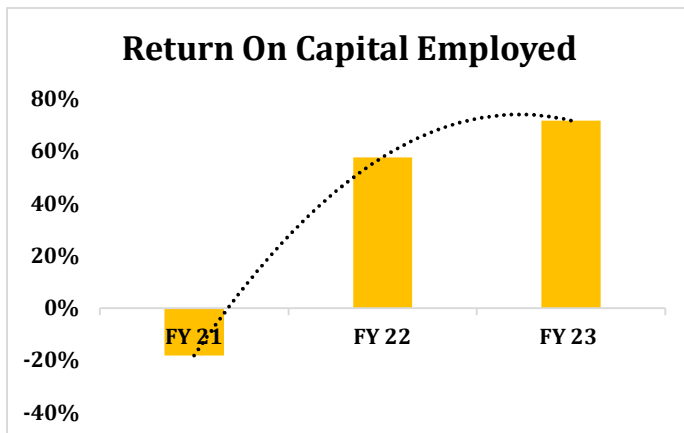
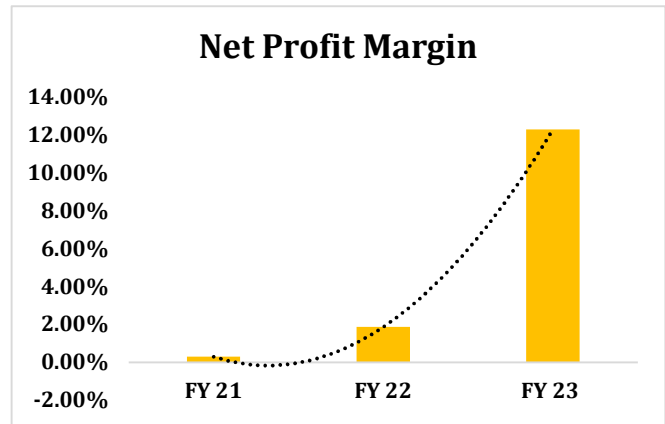
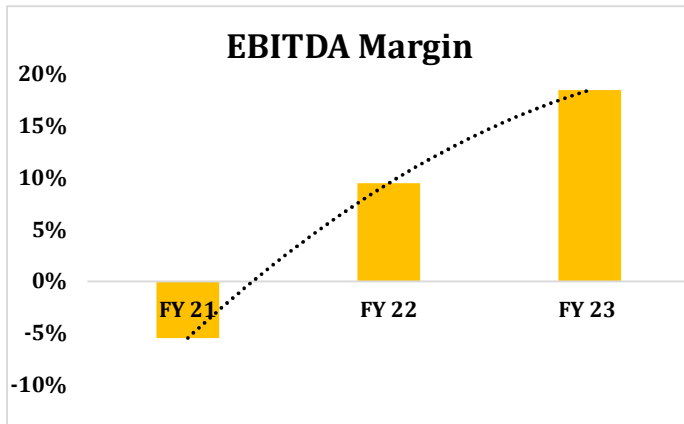
Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	FY 23
EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share Capital	118.40	118.40	118.40
(b) Reserves and surplus	(11.46)	35.08	472.54
Total Equity	106.94	153.48	590.94
2. Non-current liabilities			
(a) Long-term borrowings	167.86	42.54	107.63
(b) Long-term provisions	14.16	53.40	42.99
Total Non-current liabilities	182.02	95.94	150.62
3. Current liabilities			
(a) Short-term borrowings	330.91	306.92	499.98
(b) Trade payables			
(i) Due to MSME	-	-	7.95
(ii) Due to Others	121.00	102.44	248.10
(c) Other current liabilities	18.28	132.52	213.78
(d) Short-term provisions	38.68	33.88	201.11
Total Current liabilities	508.87	575.76	1,170.92
Total Liabilities	690.89	671.70	1,321.54
Total Equity and Liabilities	797.83	825.18	1,912.48
ASSETS			
1. Non-current assets			
(a) Property Plant & Equipment's and intangible assets			

Balance Sheet				(In Lacs)
(i) PPE	75.31	235.35	217.22	
(ii) Intangible assets	62.50	40.01	32.20	
(b) Capital work-in-progress	-	-	232.09	
(c) Non-current investments	144.21	144.21	144.27	
(d) Deferred tax assets (net)	-	-	33.01	
(e) Long-term loans and advances	21.00	36.02	19.34	
(f) Other Non-Current Assets	100.84	110.69	172.54	
Total Non-Current assets	403.86	566.28	850.67	
2. Current assets				
(a) Trade receivables	280.62	139.49	598.72	
(b) Cash and cash equivalents	2.57	1.17	1.19	
(c) Short-term loans and advances	89.40	109.98	267.04	
(d) Other Current Assets	21.38	8.26	194.86	
Total Current assets	393.97	258.90	1,061.81	
Total Assets	797.83	825.18	1,912.48	

Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
Net Cash Flow from Operating Activities	123.41	417.27	186.88	
Net Cash Flow from Investing Activities	-310.07	-229.47	-151.39	
Net Cash Flow from Financing Activities	186.68	-189.20	-35.38	

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
<u>Per Share Data</u>			
Diluted EPS	1.8	46.54	437.46
BV per share	1.69	2.42	9.33
<u>Operating Ratios</u>			
EBITDA Margins	-5%	9%	18%
PAT Margins	0%	2%	12%
Debtor days	210.18	20.46	63.45
<u>Return Ratios</u>			
RoCE	-18%	58%	72%
RoE	2%	30%	74%
<u>Valuation Ratios (x)</u>			
EV/EBITDA	-22.61	2.13	1.88
Market Cap / Sales	22.22	4.35	3.14
P/E	95.00	3.67	0.39
Price to Book Value	101.26	70.56	18.33
<u>Solvency Ratios</u>			
Debt / Equity	4.66	2.28	1.03
Current Ratio	0.77	0.45	0.91
Quick Ratio	0.77	0.45	0.91
Asset Turnover	0.61	3.02	1.80
Interest Coverage Ratio	-0.72	3.61	7.45

Financial Charts



Key Risk Factors

1. Company, Company's Promoters, Group Company and its Directors are involved in certain litigations including tax related litigations amounting to Rs. 178.63 Lacs, which if determined against the company, can affect financial conditions of the company.
2. Business of the company is dependent on few numbers of customers i.e., top 10 customers contributed 61.76%, 87.97% and 90.34% of the revenues for the financial year ended March 31, 2023, March 31, 2022 and March 31, 2021 respectively. Any loss of business from one or more of them may adversely affect company's revenues and profitability.
3. Major portion of company's revenue generated from operation are through exports i.e., 98.34%, 51.58% and 99.59% for financial year 2022-23, 2021-22 and 2020-21 as per Restated Standalone Financials statement, any change in the government laws or policies may affect company's business.

Track Record of Lead Manager

The lead manager to the issue is Sarthi 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 Manager in recent times –

Sarthi Capital Advisors Private Limited

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Spectrum Talent Management Limited	105.14	173.00	June 22, 2023	132.55
2.	Homesfy Realty Limited	15.86	197.00	January 02, 2023	444.00
3.	Frog Cellsat Limited	41.57	102.00	October 13, 2022	239.00
4.	P. E. Analytics Limited	31.60	114.00	April 04, 2022	215.80
5.	Vivo Collaboration Solutions Limited	4.40	82.00	December 31, 2021	113.00
6.	Bonlon Industries Limited	10.52	28.00	July 13, 2020	30.70
7.	Marshall Machines Limited	16.25	42.00	September 07, 2018	66.40
8.	Five Core Electronics Limited	46.66	140.00	May 21, 2018	31.7**
9.	Mittal Life Style Limited	4.41	21.00	April 02, 2018	12.90
10.	Marvel Decor Limited	26.26	57.00	March 23, 2018	49.65

As per the offer document Sarthi Capital Advisors Private Limited have had 5 mandates in the last three fiscal years. For Sarthi Capital Advisors Private Limited out of the last 10 that are mentioned above, 2 opened at par, 2 at discount, and the remaining have opened at a premium ranging from 0.71% to 39.61% on the listing date.

*CMP for all the above-mentioned companies is taken as on 21st September 2023.

**Five Core Electronics Limited CMP as on 16th May 2019.

Recommendation

The company have experienced exponential growth with respect to the various financial indicators as well as decent improvement in the balance sheet position in the last three Fiscals, i.e., company has seen an increase in its net worth.

The management outlook of the company is good, but with no proper bifurcation of the roles and responsibilities of its top management, with major responsibility being concentrated to only one promoter.

The P/E on an annualised and Post IPO basis is around 24.75 times which seems to be fully priced looking at the performance and size of the company.

The company has shown an exponential growth in revenue and net profit which will be difficult to sustain going forward. Whereas, the business segment in which company operates has good prospect and the industry is expected to grow at a significant rate. Also, the last two IPOs Phantom and basilic have done well in the IPO market. Therefore, at the given P/E it is recommended that **Risk Averse Investors should wait, and Risk Seekers should apply.**

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