Inspire Films Limited

IPO Note

IPO Details

Opening Date	Sept 25, 2023
Closing Date	Sept 27, 2023
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price	₹ 56 to ₹ 59 per share
Issue Size	Aggregating up to 21.23 Cr.
Fresh Issue	Aggregating up to 21.23 Cr.
Offer for Sale	-
Application Amount	₹ 1,18,000

IPO Objective

Working Capital Requirements.

General Corporate Purpose.

Issue Expenses.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	94,09,059	93.98%
Public	6,02,240	6.02%

Promoter of the Company

1	Yash Arabinda Ratnaik
2	Beyond Dreams Entertainment Private Limited

Competitive Strengths

1	Organized and focused marketing team.
2	Established operations and proven track record.
3	Strong Long-standing relationship with Broadcasters and Channels.
4	Experienced promoters and management.

Company Background

- Inspire Fims Limited was originally incorporated in the year 2012 and has its registered office in Maharashtra.
- The Company is primarily engaged in the business of creation, production, distribution, and exhibition of television and digital content.
- The company operates on two business models – i) Commissioned content, ii) Original Content.
- The company currently has 5 ongoing projects.
- As of 17th September 2023, the Company has around 35 professionals and 9 employees on its payroll.

Market Capitalization (In Cr.)

Pre-Issue	Post-Issue
₹ 59	₹ 80

Financial Summary (In Lacs)

For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	2,849.53	3,053.87	4,159.89
Net Assets	780.37	806.29	1,311.22
Total Borrowings	1,025.55	1,017.46	2,039.91
Total Revenue	1,942.47	3,815.28	4,884.82
Profit After Tax	-83.00	25.92	404.81

Tentative Timeline

Opening Date	Sept 25, 2023
Closing Date	Sept 27, 2023
Basis of Allotment	Oct 03, 2023
Initiation of Refunds	Oct 04, 2023
Credit of Shares to Demat	Oct 05, 2023
Listing Date	Oct 06, 2023

Company Background and Analysis

The Company was originally incorporated in the year 2012. The company is primarily engaged in the business of creation, production, distribution, and exhibition of television and digital content across broadcasting channels, apps and digital platforms as well as content writing, production and sale, and purchase of rights. The company is involved in every aspect of the content-making process, from development to distribution. This includes financing the projects, hiring actors and crew members, scouting locations, creating sets, managing the budgets, and overseeing the entire production and post-production process.

The company has a B2B Business Model, and the company currently operate in 3 different Business verticals:

1. TV – Hindi GEC (General Entertainment Channels)- This is content creation for the linear broadcast channels. These channels include Star Plus, Star Bharat, Colors TV, Zee TV, Sony, Dangal, Shemaroo etc. Typical contracts given here are 1 year / 260 episodes (5 days a week)/ 312 episodes (6 days a week) or 1 year / 52-156 episodes (1-3 days a week) which then get renewed on a yearly basis,
2. Digital Content and Platforms (OTT)- This is content made for platforms such as Netflix, Amazon, Sony Liv, MX Player, Disney+Hotstar, Voot, Zee5, etc. The contracts for OTT are typically 8 to 10 episodes for 45–60-minute episodes and 25 to 60 episodes for 22-25-minute episodes.
3. Regional content- This is content produced for regional language channels in various channels – Telugu, Tamil, Malayalam, Bengali, Marathi etc.

The company's team includes – Producers, Creative Team, Production Teams, Researchers, Directors, Writers, Editors, Cinematographers, Sound Designers and Engineers, Graphic, Production, and Costume Designers, and the Postproduction team.

The company operates on two business models –

1. Commissioned Content -The company offers commissioned content production services. This means that the company is contracted by clients to produce shows in the business verticals that the company specializes in. Under this model, the company provide bespoke content creation services to clients in exchange for a commission.
2. Original Content – The company has been engaged in the co-production of original shows with Beyond Entertainment Private Limited (Corporate Promoter) through the "Intellectual Property Rights Model". This model entails investing in its own content without necessarily securing a contract from clients, such as broadcasters or OTT platforms.

The company has worked on 14 major projects till now and has currently 5 projects going on. The company has 4 new projects upcoming based on a romantic thriller, a web series, a period thriller show, and a long-form web series. Some of the company's major networks in the industry are as follows – JioCinema, Sony TV, Star Plus, Amazon mini-TV, MX Player, ZeeTV, Disney Hotstar, Star Bharat, etc.

Business Model - Wise Revenue Break-up for the fiscal year ended 2021, 2022, and 2023 are given below-

(Amount in Lakhs)

Particulars	FY 2021		FY 2022		FY 2023	
	Amount	%	Amount	%	Amount	%
Intellectual Property Right Business Model	0.35	0.02%	0.40	0.01%	-	-
Commissioned Content Business Model	1,938.03	99.98%	3,814.37	99.99%	4,883.16	100.00%
Total	1,938.38	100.00%	3,814.77	100.00%	4,883.16	100.00%

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

(Amount in Lakhs)

Particulars	FY 2021		FY 2022		FY 2023	
	Amount	%	Amount	%	Amount	%
Maharashtra	1,938.03	99.98%	3,814.37	99.99%	4,190.66	85.82%
Tamil Nadu	-	-	-	-	-	-
Singapore	0.35	0.02%	0.40	0.01%	680.00	13.93%
Brunei	-	-	-	-	12.50	0.26%
Total	1,938.38	100.00%	3,814.77	100.00%	4,883.16	100.00%

To conclude, the company was originally incorporated in the year 2012. The company is primarily engaged in the business of creation, production, distribution, and exhibition of television and digital content. The company is generating revenue only from one of the business models which is the commissioned content business model for FY 23, and the majority of the sales is contributed by one state which is Maharashtra contributing to 85.82% of total revenue. The company is raising total gross proceeds of Rs. 21.23 Cr.

Business Strategies

1. **Create a Homegrown OTT Platform.**
   The company is proposing to create a Homegrown OTT platform for the content. The company aims to deliver a personalized and immersive viewing experience. Users will have access to a vast library of engaging and original content, including web series, mini-series, direct-to-digital films, podcasts, shorts, chat shows, travel, fashion, fitness, technology, sports, documentaries, content by influencers, and exclusive productions created by artists and filmmakers.
2. **Branded Content.**
   The Company is planning to offer Branded content in the future to the viewers. Branded content is the practice of marketing via the creation of content that is funded or outright produced by an advertiser. Branded content is designed to build awareness by associating (the brand) with content that shares its values.
3. **Developing a strong content library.**
   The company intends to focus on creating a large and diverse content library that includes TV shows, web series, and other types of content. The focus is to scale up the content volume with existing clients as well as with new media.
4. **Expanding the reach to sports.**
   The company strategy is to diversify the content offerings by providing comprehensive coverage of a wide range of sports and martial arts events. To achieve this goal, the company is collaborating with major participants in the sports industry.
5. **Corporate Filming / Advertisement.**
   The company planning to offer Corporate Filming/Advertisement services tailored specifically for corporate clients. The aim is to authentically capture the essence of each client's company and effectively communicate their distinctive brand narrative using visually captivating and compelling content.
6. **Create a strong marketing and promotion strategy.**
   The company plans to invest in creating a robust marketing plan that will ensure the content reaches its target audience. The marketing team will develop a comprehensive strategy that utilizes a combination of traditional and digital marketing techniques to create brand awareness and drive engagement with the audience.
7. **To develop own IP**
   The company will also focus on creating its own intellectual property (IP) which can give them an opportunity to scale up the business significantly by selling format rights globally.

Competitive Scenario and Peer Mapping

Competition

The company faces stiff competition from well-established players in the television and content streaming segments. The company faces intense competition from both local and international players. The barrier to entry in such a sector is moderate. The bargaining power with the customers is relatively high in the industry in which the company operates.

Peer Analysis

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

Particulars	Inspire Films Limited	Balaji Telefilms Limited	Bodhi Tree Multimedia Limited	V R Films and Studios Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	8.29%	-6.41%	7.65%	9.66%
EBITDA Margin	14.58%	-3.37%	12.02%	14.53%
Return on Capital Employed	31.92%	-7.33%	19.42%	9.49%
Return on Equity	30.87%	-9.36%	13.10%	9.11%
EPS (INR)	3,925.00	-3.67	2.61	1.01

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

Particulars	Inspire Films Limited	Balaji Telefilms Limited	Bodhi Tree Multimedia Limited	V R Films and Studios Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.68%	-39.47%	5.01%	13.28%
EBITDA Margin	3.46%	-36.20%	4.74%	20.53%
Return on Capital Employed	8.23%	-30.70%	22.89%	20.65%
Return on Equity	3.21%	-29.95%	31.03%	16.09%
EPS (INR)	259.00	-13.09	2.35	1.68

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

Particulars	Inspire Films Limited	Balaji Telefilms Limited	Bodhi Tree Multimedia Limited	V R Films and Studios Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-4.28%	-40.48%	6.98%	17.71%
EBITDA Margin	2.50%	-35.37%	9.02%	26.52%
Return on Capital Employed	-2.71%	-23.15%	42.57%	22.51%
Return on Equity	-10.64%	-20.77%	37.84%	17.62%
EPS (INR)	-830.00	-11.75	1.98	1.59

Based on the above analysis, the company's profitability margins, RoCE, ROE, and EPS are higher when compared to Balaji Telefilms Limited due to them being in the negatives for three consecutive years. When compared with the remaining two peer companies on an average basis the company has performed lower for two years stated FY 2021, and 2022. For FY 2023 the profitability margins are almost at par, and the RoCE and ROE are less when compared to the peer companies and the EPS is very high when compared on an average basis.

Industry Overview

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

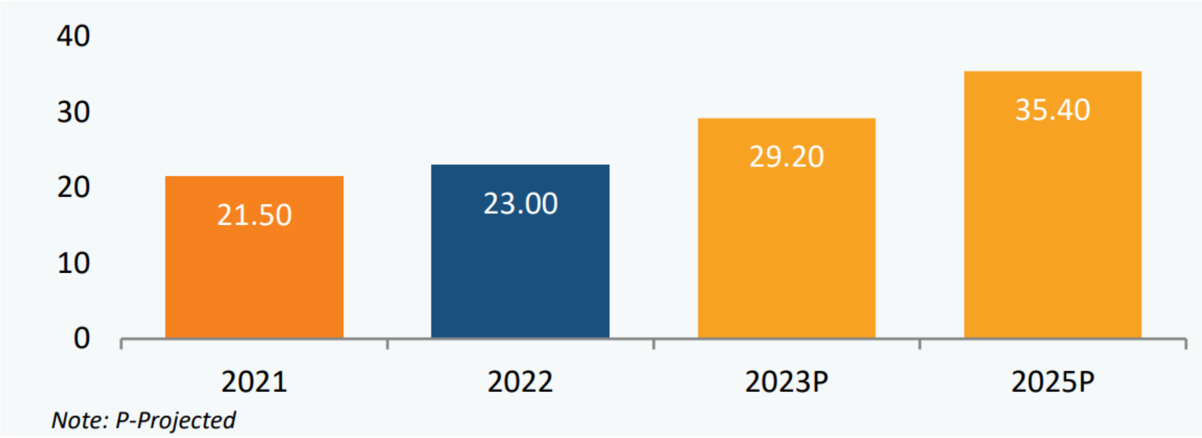


Exhibit 2: India OTT Video Services (Video-on-Demand and Live)Market (US$ billion)

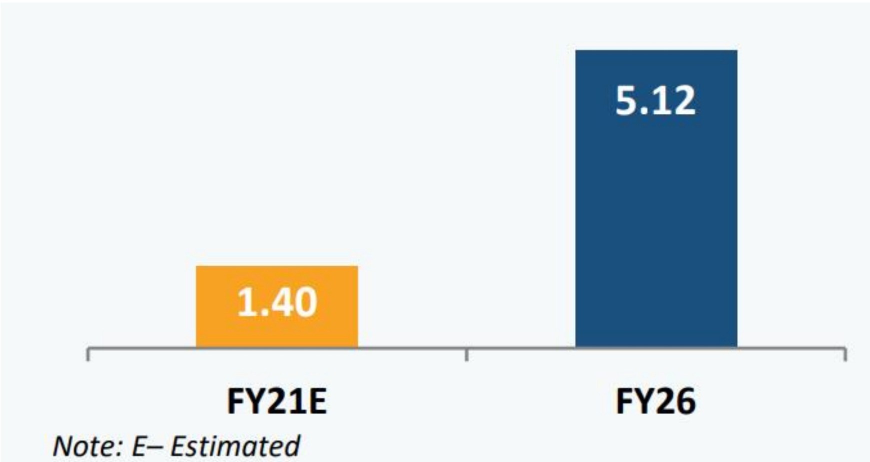
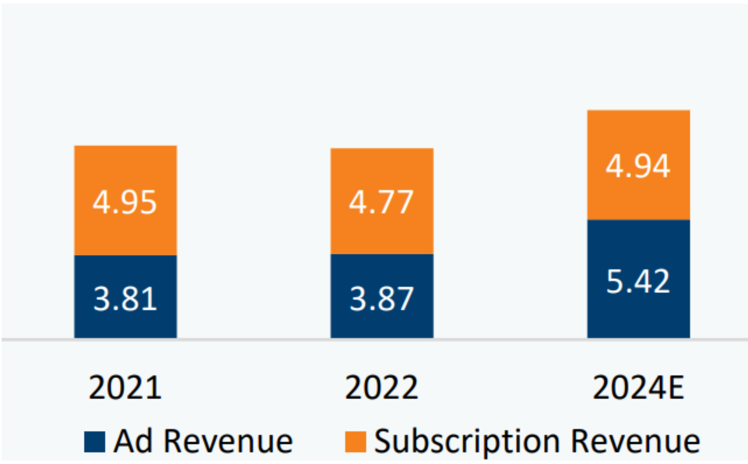


Exhibit 3: Advertising Revenue (US$ billion)



(Source: ibef.com)

Global Entertainment and Media Sector Outlook -

Total global entertainment and media (E&M) revenue rose 5.4% in 2022, to US$2.32 trillion. That represents a sharp deceleration from the 10.6% growth rate in 2021 when economies and industries globally were starting to rebound from the upheaval caused by the COVID-19 pandemic.

And in each of the next five years, the rate of growth will decline sequentially, so that by 2027 revenue will grow just 2.8% from 2026. That's slower than the 3.1% rate of overall economic growth that the International Monetary Fund (IMF) projects for that year. The slowdown, caused in large measure by sluggish consumer spending, is pushing companies to reset expectations, refocus inward and seek ways to recharge growth. They're doing so by tapping into the many geographical and sectoral hotspots that offer opportunities and by harnessing emerging technology—in particular, by exploring the power of generative AI as an engine of productivity for the creative process.

Indian Entertainment and Media Sector –

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). This significantly aided the country's industry and made India leading in terms of digital adoption and provided companies with uninterrupted rich data to understand their customers better. India has also experienced growing opportunities in the VFX sector as the focus shifted globally to India as a preferred content creator. Proving its resilience to the world, Indian M&E industry is on the cusp of a strong phase of growth, backed by rising consumer demand and improving advertising revenue. According to a FICCI-EY report, the advertising-to-GDP ratio is expected to reach 0.4% by 2025 from 0.38% in 2019.

As per the latest report by the PwC, 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 will 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%). Within the M&E sector, the Animation, Visual Effects, Gaming and Comic (AVGC) sector is growing at a rate of ~29%, while the audio-visual sector and services is rising at the rate of ~25%; and is recognised as of one of the champion sectors by the Government of India. The AVGC sector is estimated to grow at ~9% to reach ~Rs. 3 lakh crore (US$ 43.93 billion) by 2024, stated Union Minister of Commerce & Industry, Consumer Affairs & Food & Public Distribution and Textiles, Mr Piyush Goyal.

Road Ahead –

The Indian M&E industry is on an impressive growth path. The industry is expected to grow at a much faster rate than the global average rate. This can be majorly credited to rising incomes, increasing internet penetration and a growing push toward digital adoption.

(Source: prospectus)

Key Managerial Personnel

Yash Arabinda Patnaik, aged 50, is one of the Promoters and Managing Director of the company. He has completed his Master's Diploma in Journalism and Communication from Symbiosis. He has more than twenty-five years of experience in the media and entertainment industry. In addition to his managerial role, he has also written and creatively produced many of his television series.

Mamta Yash Patnaik, aged 48, is the Chief Creative Officer, and Non-Executive Director of the company. She holds a degree in Diploma in film and Television production. She is a screenwriter, producer, creative director and poet and has experience of over 25 Years in the Media Industry and has created and written over 50 television shows and web series.

Kameswar Rao Subudhi, aged 50, is the Executive Director, and CFO of the company. He is a Chartered Accountant and holds a degree of LLM in Corporate and Financial Law. He leads the Finance team. He has an experience of over 24 years in the design, development, and implementation of Financial & Commercial Strategies.

Arabinda Patnaik, aged 82, is the Non-Executive Director of the company. He has completed a Master of Arts (MA) and is also a PhD holder in the subject "Fests and Festivals of India". He holds more than 26 years of experience in multiple Industries.

Girija Shankar Nayak, aged 67, is the Independent Director of the Company. He is a Chartered Accountant and LLB. He holds 25 years of Experience in Finance, Accounting and Taxation. He is instrumental in rendering professional advice on international tax issues including DTAA application and Transfer Pricing.

Rangaraj Ravindran, aged 58, is the Independent Director of the Company. He was appointed as an Independent Director on 29-07-2023. He has done a Master of Business Administration (Strategy). He has over 35 years of corporate experience and held Leadership positions in multiple Industries and markets PAN India and the GULF.

Other Promoters –

Beyond Dreams Entertainment Private Limited - is engaged in the business of Cinematographic Films, Television Films, Video Films, Production of T.V. Serials, Talk Shows, Game Shows, Event Management, Add Films, Corporate Films, and Feature Films. Exhibiting and distributing cinematography films, television films, and video films, and acquiring and selling rights therein.

To conclude, the company has 2 promoters, with one being a corporate promoter. The individual promoter has vast experience in the field in which the company operates. The remaining directors have good knowledge and 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	1,938.39	3,814.77	4,883.16
Other Income	4.08	0.51	1.66
Total Income	1,942.47	3,815.28	4,884.82
Expenses			
Cost of Production	1,516.94	3,267.02	4,068.24
Changes in Inventories	271.24	183.88	-273.47
Employee benefits expense	-	-	-
Finance costs	87.72	44.71	99.69
Depreciation and Amortization expense	75.98	48.37	60.73
Other expenses	101.84	231.79	376.48
Total Expenses	2,053.72	3,775.77	4,331.67
Earnings Before Interest, Taxes, Depreciation & Amortization	48.37	132.08	711.91
EBITDA Margin	2%	3%	15%
Profit before exceptional and extraordinary items and tax	-111.25	39.51	553.15
Prior Period Items	0	0	0
Profit/(Loss) before tax	-111.25	39.51	553.15
Tax Expense			
Tax expense for the current year	4.60	52.09	94.92
Deferred tax	-32.85	-38.50	53.42
Total Tax Expense	-28.25	13.59	148.34
Profit/(Loss) for the year	-83.00	25.92	404.81
Net Profit Margin	-4%	1%	8%

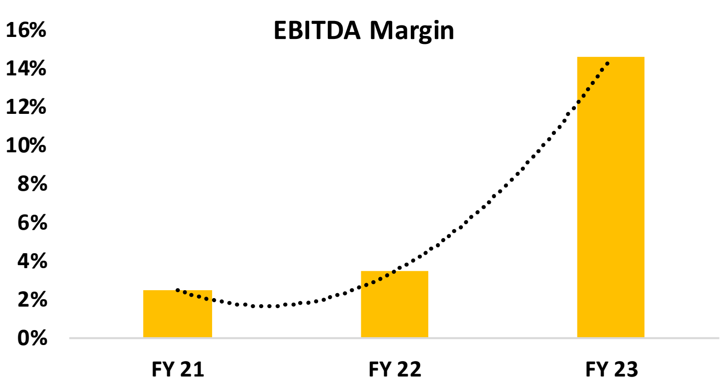
Balance Sheet			(In Lacs)
Particulars	**FY 21**	**FY 22**	**FY 23**
EQUITY AND LIABILITIES			
Equity			
Share Capital	1.00	1.00	1.06
Reserves and Surplus	779.37	805.29	1,310.16
Total Equity	780.37	806.29	1,311.22
Liabilities			
Non-current liabilities			
Long Term Borrowings	240.11	211.16	728.69
Total Non-current liabilities	240.11	211.16	728.69
Current liabilities			
(i) Short Term Borrowings	785.44	148.79	108.16
(ii) Trade Payables			
i) Due to micro and small enterprises	-	-	-
ii) Due to other than micro and small enterprises	843.97	977.49	1,202.60
Other Current Liabilities	193.06	854.92	697.71
Short Term Provisions	6.59	55.21	111.51
Total Current liabilities	1,829.06	2,036.41	2,119.98
Total Liabilities	2,069.17	2,247.57	2,848.67
Total Equity and Liabilities	2,849.54	3,053.86	4,159.89
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	139.11	121.20	124.75

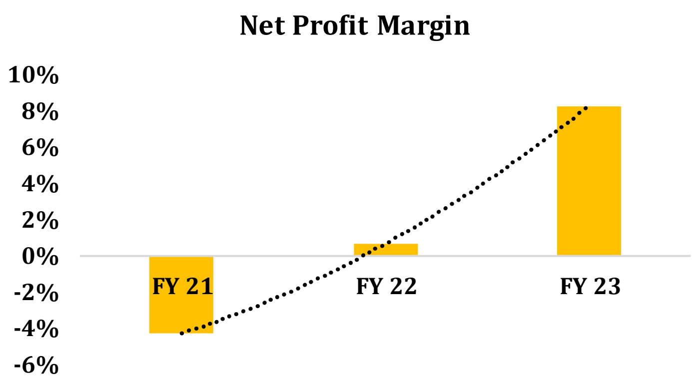
Balance Sheet			(In Lacs)
Intangible assets	112.93	100.43	87.86
Capital WIP	-	-	-
Intangible Assets under Development	-	-	-
Deferred Tax Assets (Net)	55.32	93.82	40.41
Long Term Loans & Advances	257.80	321.68	486.94
Total Non-Current assets	565.16	637.13	739.96
Current Assets			
Project Work In Progress	1,392.04	1,046.30	1,319.77
Trade Receivables	775.87	1,059.98	1,723.65
Cash and Cash Equivalents	81.09	60.02	37.69
Short-Term Loans and Advances	33.76	250.42	335.64
Other current assets	1.61	0.02	3.18
Total Current assets	2,284.37	2,416.74	3,419.93
Total Assets	2,849.53	3,053.87	4,159.89

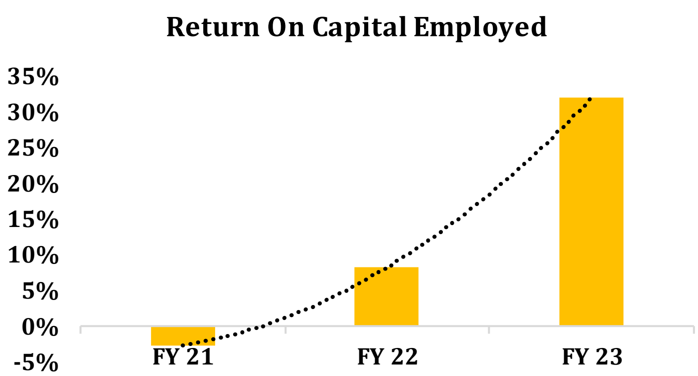
Cash Flow Statement			(In Lacs)
Particulars	**FY 21**	**FY 22**	**FY 23**
Net Cash Flow from Operating Activities	130.85	81.06	-328.01
Net Cash Flow from Investing Activities	-33.51	-28.47	-212.27
Net Cash Flow from Financing Activities	-19.20	-73.66	517.96

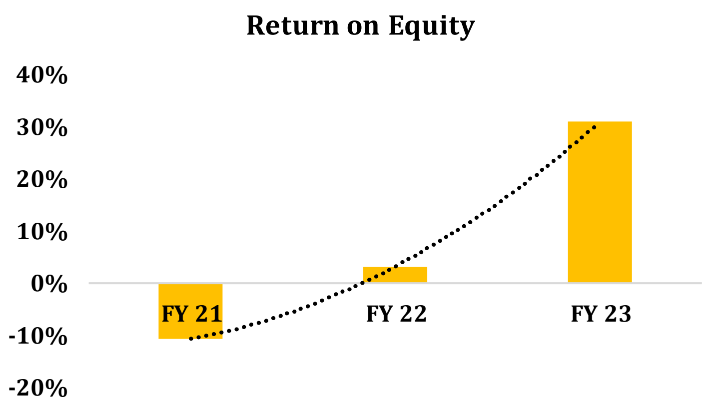
Ratio Sheet			
Particulars	**FY 21**	**FY 22**	**FY 23**
Per Share Data			
Diluted EPS	-830	259	3,925
BV per share	5.73	5.92	9.63
Operating Ratios (%)			
EBITDA Margins	2%	3%	15%
PAT Margins	-4%	1%	8%
Inventory days	262.12	100.11	98.65
Debtor days	146.10	101.42	128.84
Creditor days	203.07	109.21	107.90
Return Ratios (%)			
RoCE	-3%	8%	32%
RoE	-11%	3%	31%
Valuation Ratios (x)			
EV/EBITDA	35.66	8.38	2.96
Market Cap / Sales	4.14	2.10	1.64
P/E	-0.07	0.23	0.02
Price to Book Value	10.29	9.96	6.12
Solvency Ratios			
Debt / Equity	1.31	0.45	0.64
Current Ratio	1.25	1.19	1.61
Quick Ratio	0.49	0.67	0.99
Asset Turnover	0.68	1.25	1.17
Interest Coverage Ratio	-0.31	1.87	6.53

Financial Charts









Key Risk Factors

1. There are certain outstanding legal proceedings filed by the company amounting to Rs. 267.28 lakhs. Any adverse outcome of such proceedings may affect the business, financial condition, and reputation.
2. The business is significantly dependent upon a few customers and the loss of, or a significant reduction in the award of contracts by such customers could adversely affect the business. As of March 2023, the top 5 customers contributed 98.28% to the total revenue generation.
3. The company has certain contingent liabilities amounting to Rs, 360.41 lakhs which could adversely affect the financial conditions.
4. The company has negative cash flows from its operating, investing, and financing activities in the current and past years. Sustained negative cash flow could impact the growth and business. The company has negative operating cash flow for the financial year ended 2023.
5. The company has faced losses in the previous financial year specifically for the Financial Year ended 2021.
6. The group companies have incurred losses in the past and may incur losses in the future, which may have an adverse effect on the reputation and business.
7. The Corporate Promoter/ holding company i.e., "Beyond Dreams Entertainment Private Limited" have incurred losses in the past for three consecutive years and may incur losses in the future.

Track Record of Lead Manager

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

Narnolia Financial Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Yudiz Solutions Limited	44.84	165.00	August 17, 2023	167.00
2.	Drone Destination Limited	44.20	65.00	July 21, 2023	125.00

*CMP for the above-mentioned companies is taken as of 22nd September 2023.

As per the offer document, Narnolia Financial Services Limited has had 2 mandates in the last three fiscal years. For Narnolia Financial Services Limited from the above-mentioned mandates all has opened at premiums on the listing date.

Recommendation

The company has been in the industry since 2012 and has good experience in the industry. The company has seen a sudden surge in the bottom line of the financials from negative to positive which might not be sustained going forward.

The PE on an annualised and post-IPO basis is 19.87 times which seems to be slightly undervalued by looking at the performance of the company and its peer company. The average P/E of peer companies is 35.78 times.

The company operates in a highly competitive segment with the company facing competition from both domestic and international al players. The management outlook of the company is decent. The bottom line of the financials has seen an increase which might not be sustained going forward. The company does not operate in a unique way and already has competitors listed. We believe the company might not yield the expected growth in the future Thus, we recommend **AVOID** for this IPO.

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