



IPO Note

Picture Post Studios Limited

Recommendation: **AVOID!**

Company Background -

- Picture Post Studios Limited was originally formed as LLP under the name 'M/s. Produce Solutions LLP' on August 22, 2019. The registered office is located at Mumbai, Maharashtra.
- The Company is a creative and innovative post-production company specializing in film editing, Computer Generated Imagery ("CGI"), visual effects ("VFX"), video conversion, grading, film and Commercial mastering of channels and digital platforms.
- The company had 105 permanent employees as of April 30, 2024.

Objects of the Issue -

- Funding of capital expenditure requirements of the Company towards purchase of equipment and Software
- Repayment/prepayment of all or certain of the borrowings availed by the Company
- General Corporate Purposes

Promoters Name -

Parish Tekriwal, Shailendra Ishwardas Chandgotia, Pooja Shailendra Chandgotia and Deepa Shailendra Chandgotia

Rationale for recommendation -

- ✓ The company's P/E is 24.08 times on post-issue basis making it slightly highly priced.
- ✓ There has been a sudden increase in the top line and bottom line for FY 2024 and 2023 which might not be sustainable in the long run.
- ✓ The profitability margins have been inconsistent.
- ✓ The concentration of buyers is high.
- ✓ The company doesn't have enough experience in the industry.

IPO Details

Opening Date	Aug 02, 2024
Closing Date	Aug 06, 2024
Allotment Date	Aug 07, 2024
Listing Date	Aug 09, 2024
Stock Exchange	NSE EMERGE
Lot Size	6,000 Shares
Issue Price Per Share	₹22 to ₹24
Issue Size	18.72 Cr.
Fresh Issue	18.72 Cr.
Offer for Sale	-
Application Amt	₹ 1,44,000 (6,000 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	29.00	1,084.84	2,197.85
EBITDA	21.69	107.97	520.41
Net Profit	21.69	59.98	292.04
RoCE	1495.86%	23.94%	54.56%
ROE	1495.86%	53.07%	41.72%
P/E	240.00	85.71	17.65

Promoter Share Holding Pattern

Pre-Issue	Post Issue
93.02%	68.26%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	1.36	1.00
BVPS	3.26	8.78
P/E	17.65	24.08
P/BV	7.37	2.73
Mkt Cap (In Cr)	51.60	70.32

Lead Managers -

Shreni Shares Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Picture Post Studios Limited was originally incorporated as LLP under the name ‘M/s. Produce Solutions LLP’ on August 22, 2019. The registered office is located at Mumbai, Maharashtra.

The Company is a creative and innovative post-production Company specializing in film editing, Computer Generated Imagery (“CGI”), visual effects (“VFX”), video conversion, grading, film and Commercial mastering of channels and digital platforms. They offer a wide range of services to cater to the diverse needs of the entertainment industry, covering the entire spectrum of post- production requirements ranging from digital intermediates and visual effects to online editorials and operates as a studio, specializing in Films, Web series and advertisements, with a strong focus on high-end colour grading, motion design, visual effects, and online editing.

Services -

- Offline Editing Services** – They offer a low-resolution service that compiles picture content in a more data and time efficient way.
- Computer Generated Image “CGI”** – CGI is the creation of still or animated visual content using imaging software.
- Mastering and Quality Check** – They have One Mastering & Preview Room powered by DaVinci Resolve along with LG TV and CP2215 Projector for better quality service which is supervised by their skilled Employees.
- Visual Effects (VFX)** – It is the process of creating or manipulating any kind of imagery that does not physically exist in the real world.
- Colour Grading** – DaVinci Resolve serves as the grading system of choice for most feature films, television commercials, documentaries, television production and music videos worldwide.
- Creative Editorial** – They have multiple Flame rooms setup that offers colour grading, compositing, editing and editorial finishing.

Past Projects -

Few of the reputed projects of the company are –

Films and Web Series -



Bade Miyan Chote Miyan



Half CA



Dry Day



Mera Bhai

Conclusion -

The net proceeds of will be utilized for funding of capital expenditure requirements towards purchase of equipment and software (Rs. 803.76 lakhs), repayment/ prepayment of all or certain borrowings availed by the company (Rs. 500 lakhs) and the remaining for general corporate purposes.

Revenue Bifurcation based on services provided on different platforms -

(Amt in lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Commercial Advertisements	2,129.67	96.90	968.64	100.00	29.00	100.00
Films and OTT	68.18	3.10	0.00	0.00	0.00	0.00
Total	2,197.85	100.00	968.64	100.00	29.00	100.00

Competition -

Market Competition: The media and entertainment sector is highly competitive where the key factors of competition primarily comprise quality of service, skilled professionals and price.

Geographic Competition: The company faces competition from organized as well as unorganized players in both domestic and international market.

Barriers to entry: Moderate barriers to entry in post-production industry as there is significant working capital requirement, limited number of persons with the required skills etc.

Business Strategies -

Expand current business relationship: The company intends to build long-term relationships with both existing and new clients. With existing clients, they aim to expand the nature and scope of engagements by increasing the size and number of projects.

Leveraging market skills and relationship: The company intends to leverage their marketing skills and relationships to enhance client satisfaction.

Continuous innovation: The company focuses on constant evolution of internal systems, processes and operational methodologies.

Focus on quality: The company intends to focus on adhering to the quality of their offerings and maintain it to get repeated projects from clients.

Risk Factors -

The company's top 10 customers contributed to 75.04%, 81.69% and 100.00% of the revenue from operations in FY 2024, 2023 and 2022 respectively. Loss of any of the key customers may materially and adversely affect the business and financial performance.

The company generates majority of its revenue from post-production services for advertisements which accounted to 96.90%, 100.00% and 100.00% for FY ended 2024, 2023 and 2022 respectively.

The company has 3 outstanding cases against it relating to taxation matters, amounting to Rs. 29.19 lakhs.

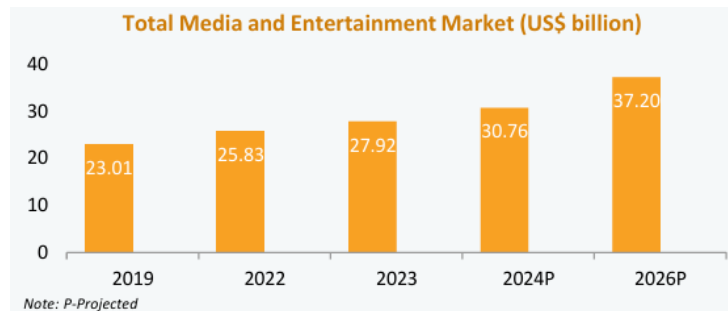
The company has had negative operating cash flow for FY 2023.

PEER ANALYSIS

Particulars	Picture Post Studios Limited			Phantom Digital Effects Limited			Prime Focus Limited			Digikore Studios Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	74.8%	5.5%	13.3%	21.9%	28.0%	27.0%	-4.9%	4.2%	-12.4%	1.8%	10.9%	20.2%
EBITDA Margin	75%	10%	24%	33%	41%	44%	20%	27%	12%	9.5%	19.6%	32.4%
RoCE	1496%	24%	55%	110%	48%	23%	13%	15%	-1%	58.1%	86.1%	27.7%
ROE	1496%	53%	42%	93%	37%	17%	-139%	772%	-95%	30.1%	71.8%	22.7%
EPS (INR)	0.10	0.28	1.36	5.43	15.69	26.90	-5.73	4.92	-16.31	0.97	8.23	19.04
P/E	240.00	85.71	17.65	0.00	9.76	16.92	-15.99	16.05	-6.02	0.00	-	28.21

Indian Media and Entertainment Industry -

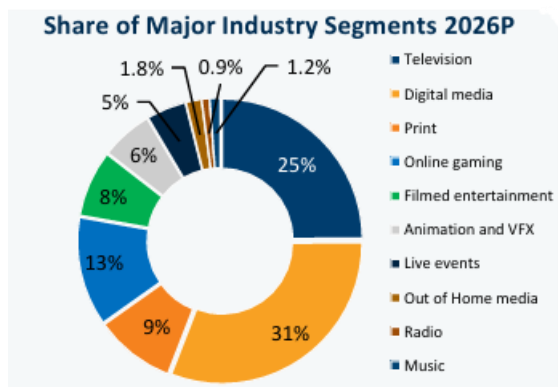
The Indian Media and Entertainment (M&E) industry is a sunrise sector for the economy and is making significant strides. The increasing availability of fast and cheap internet, rising incomes, and increasing purchases of consumer durables have significantly aided the industry. India’s media and entertainment industry are unique as compared to other markets.



(source: www.ibef.org)

Market Size -

- India’s Media and entertainment Industry is expected to reach Rs. 2.34 trillion (US\$ 29.2 billion), then grow at a CAGR of 10% to reach Rs. 2.83 trillion (US\$ 35.4 billion) by 2025. Advertising revenue in India is projected to reach Rs. 394 billion (US\$ 5.42 billion) by 2024.
- Indian digital industry is expected to grow at 29% to reach a market size of Rs. 35,809 crore (US\$ 4.35 billion) by the end of 2023. It is expected to contribute 38% to the overall advertising industry in India, on par with television.
- The OTT segment is likely to grow at a remarkable CAGR of 14.1% to reach Rs. 21,032 crore (US\$ 2.55 billion) in 2026. Subscription services, which accounted for 90.5% of revenue in 2021, are projected to account for 95% of revenue by 2026.
- India’s Direct-To-Home (DTH) Services market is expected to expand to US\$ 7.59 billion in 2029 from US\$ 6.48 billion in 2023, growing at a CAGR of 2.8%.



(source: www.ibef.org)

Government Initiatives -

- The Telecom Regulatory Authority of India (TRAI) is set to approach the Ministry of Information and Broadcasting, Government of India, with a request to Fastrack the recommendations on broadcasting, to boost reforms in the broadcasting sector.
- The Government of India has agreed to set up National Centre of Excellence for Animation, Gaming, Visual Effects and Comics industry in Mumbai.
- The Indian and Canadian Government have signed an audio-visual co-production deal to enable producers from both the countries exchange and explore their culture and creativity, respectively.
- In October 2021, Prasar Bharati decided to auction its archives with the hope of monetising the content through sale to television and OTT platforms.
- In June 2021, the Union Ministry of Information and Broadcasting notified the Cable Television Network (Amendment) Rules, 2021, which aims to establish a three-layer statutory mechanism for citizens to raise grievances with respect to broadcasted content.

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. In the long run, growth is the M&E industry is expected in retail advertisement on the back of several players entering the food and beverages segment, E-commerce gaining more popularity in the country, and domestic companies testing out the waters. India’s rural regions are expected to be the next regions for growth. India has also gotten on board with 5G and is already planning for 6G well ahead of the future. This push towards digital adoption especially in the rural regions will provide advertisers and publishers with an immense opportunity to capture untapped markets and help grow India’s media and entertainment industry forward.

Key Management -

Key Management Persons Name -	Paresh Tekriwal
Age	38
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 14 years of experience in post-production industry
Qualification	B. Com degree
Roles and Responsibility	Responsible for the overall business development of the company, managing client relations, company's finances and operations.
Previous Associations	VRG Digital Corporation Private Limited, PP & Co. Partnership and Silvercloud Studios Private Limited etc.
Key Management Persons Name -	Shailendra Ishwardas Chandgotia
Age	58
Designation and No. of years of experience	Promoter and Executive Director and CFO, 23 years of experience in his sole proprietorship (Shreejee Tex)
Qualification	Higher Secondary Education from Maharashtra State Board
Roles and Responsibility	-
Other Directorships	Silvercloud Studios Private Limited and Vihi International Private Limited etc.
Key Management Persons Name -	Deepa Shailendra Chandgotia
Age	56
Designation and No. of years of experience	Promoter and Executive Director, 3 years of experience in the company
Qualification	-
Roles and Responsibility	-
Other Directorships	Vihi International Private Limited
Key Management Persons Name -	Suraj Sharma
Age	29
Designation and No. of years of experience	Non-Executive Independent Director, 5 years of experience in secretarial and legal compliances
Qualification	B. Com degree, Associate member of ICSI, Law degree
Roles and Responsibility	-
Other Ventures	Practicing CS at Suraj Sharma & Co.
Key Management Persons Name -	Nitin Patodia
Age	39
Designation and No. of years of experience	Non-Executive Independent Director, 3 years of experience in textile industry
Qualification	Certificate in Marketing Management and Financial Management
Roles and Responsibility	-
Other Ventures	Currently associated with Aayan Trade Link as a founder
Key Management Persons Name -	Gaurav Chaudhary
Age	38
Designation and No. of years of experience	Non-Executive Independent Director, 17 years of experience in his proprietorship firm in real estate industry
Qualification	B. Com degree
Roles and Responsibility	-
Other Ventures	Currently associated with GC Ventures as a founder
Key Management Persons Name -	Anirudh Ruia
Age	33
Designation and No. of years of experience	Non-Executive Independent Director, 10 years of experience in petrochem industry
Qualification	B. Com degree, Completed CFA Level-1
Roles and Responsibility	-
Other Ventures	Currently associated with Madhav Motors Stores Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	29.00	1,084.84	2,197.85
Other Income	0.00	0.51	14.23
Total Income	29.00	1,085.35	2,212.08
Expenses			
Operating Expense	-	514.70	1,009.97
Employee Benefit Expenses	7.00	40.49	216.09
Finance Cost	-	6.77	43.84
Depreciation and Amortisation	-	15.09	136.93
Other expenses	0.31	421.68	451.38
Total Expenses	7.31	998.73	1,858.21
EBITDA	21.69	107.97	520.41
EBITDA Margin	74.79%	9.95%	23.68%
Profit/(Loss) before tax	21.69	86.62	353.87
Tax Expense			
Current tax	-	25.04	71.52
Deferred Tax Expense/ (benefit)	-	1.60	-9.69
Total Tax	-	26.64	61.83
Profit/(Loss) for the year	21.69	59.98	292.04
Net Profit Margin	74.79%	5.53%	13.29%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	1.45	113.01	215.00
Reserves and surplus	-	-	485.01
Total Equity	1.45	113.01	700.01
3. Non-current liabilities			
Long-term borrowings	-	273.40	-
Deferred Tax Liabilities (Net)	-	1.60	-
Long-term provisions	-	-	2.89
Total Non-current liabilities	-	275.00	2.89
4. Current liabilities			
Short-term borrowings	-	-	556.02
Trade Payables	-	-	-
Total outstanding dues of MSME	-	-	-
Total outstanding dues of creditors other than MSME	-	370.91	403.29
Other Current Liabilities	0.50	59.84	89.87
Short-term provisions	-	25.04	96.25
Total Current liabilities	0.50	455.79	1,145.43
Total Liabilities	0.50	730.79	1,148.32
Total Equity and Liabilities	1.95	843.80	1,848.33
ASSETS			
1. Non-current assets			
Property, Plant & Equipment (Tangible)	-	70.17	688.36
Non Current Investments	-	202.16	202.16
Deferred Tax Assets (Net)	-	-	8.76
Long term loans and advances	1.35	-	31.15
Total Non-Current assets	1.35	272.33	930.43

Particulars	FY 22	FY 23	FY 24
2. Current assets			
Trade Receivables	0.01	470.11	746.98
Cash & Cash equivalents	0.01	9.28	4.39
Short term loans and advances	0.58	65.06	87.97
Other Current Assets	-	27.02	78.56
Total Current assets	0.60	571.47	917.90
Total Assets	1.95	843.80	1,848.33

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	25.63	-23.22	119.75
Net Cash Flow from Investing Activities	-27.45	-287.08	-693.21
Net Cash Flow from Financing Activities	1.52	319.57	569.36

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	0.10	0.28	1.36	EV/EBITDA	0.07	3.49	2.41
BV per share	0.01	0.53	3.26	Market Cap / Sales	242.48	6.48	3.20
<u>Operating Ratios</u>				P/E	240.00	85.71	17.65
EBITDA Margins	74.79%	9.95%	23.68%	Price to Book Value	3,558.62	45.66	7.37
PAT Margins	74.79%	5.53%	13.29%	<u>Solvency Ratios</u>			
Inventory days	-	-	-	Debt / Equity	0.00	2.42	0.79
Debtor days	0.13	158.17	124.05	Current Ratio	1.20	1.25	0.80
Creditor days	-	-	-	Quick Ratio	1.20	1.25	0.80
<u>Return Ratios</u>				Asset Turnover	14.87	1.29	1.19
RoCE	1495.86%	23.94%	54.56%	Interest Coverage Ratio	-	13.72	8.75
RoE	1495.86%	53.07%	41.72%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Shreni Shares 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 –

Shreni Shares Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Prizor Viztech Limited	25.15	87.00	July 22, 2024	201.75
2.	Effwa Infra & Research Limited	51.27	82.00	July 12, 2024	317.45
3.	Visaman Global Sales Limited	16.05	43.00	July 01, 2024	42.00
4.	GSM Foils Limited	11.01	32.00	May 31, 2024	48.60
5.	Quest Laboratories Limited	43.16	97.00	May 23, 2024	133.60
6.	Silkflex Polymers (India) Limited	18.11	52.00	May 15, 2024	87.25
7.	Refractory Shapes Limited	18.60	31.00	May 14, 2024	221.15
8.	Yash Optics & Lens Limited	53.15	81.00	April 08 2024	95.95
9.	Gabriel Pet Straps Limited	8.06	101.00	Feb 07, 2024	139.50
10.	DelaPlex Limited	46.08	192.00	Feb 02, 2024	240.00

The company has handled 31 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 2nd August 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

Picture Post Studios Limited has been in the industry since 2019 and doesn't have enough experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 24.08 times which makes it slightly highly priced by looking at the performance of the company and sector.

The company has seen a sudden increase in the top line and bottom line for FY 2024 mainly because the company started providing services to OTT sectors such as Netflix, Disney+, Amazon Prime etc. Also, a similar rise in the top line and bottom line was seen during FY 2023 as the company hired talented artists and technical team and had launched computer graphics division. This sudden increase might not be sustainable in the future. The EBITDA margin and PAT margin was also inconsistent over the years.

The concentration of buyers of the company is quite high and loss of any will adversely affect the overall business operations and profitability of the company. And the company is majorly dependent on commercial advertisements for their revenue.

The media and entertainment industry are highly fragmented and there are many players in this industry. The company has not performed well compared to its peers. Also, they are not comparable on an apple-to-apple basis as the three peers mentioned, Phantom Digital Effects Limited, Prime Focus Limited and Digikore Studios Limited, have a large market cap compared to Picture Post Studios Limited and their services also vary.

Thus, knowledgeable investors can **AVOID** this IPO.

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.

OUR WEBSITE:

www.tiareconsilium.com

OUR APP AVAILABLE ON:



CONNECT WITH US ON :

