



IPO Note

Thinking Hats Entertainment Solutions Limited

Recommendation: **AVOID!**

- Incorporated in 2013, the company has their registered office in Mumbai, Maharashtra, India.
- **Business Activity:** Thinking Hats Entertainment Solutions Limited is a multifaceted company operating primarily in the event management, retail visual merchandising, and OTT content production sectors.
- **Revenue Streams:**
 - Thinking Hats generates revenue primarily through Event Management (56.66% FY24), Retail Visual Merchandising (35.72%), and OTT Content Production (7.63%). Geographically, Maharashtra leads with 33.39% of FY24 revenue followed closely by Delhi: 20.66% (FY24) and Gujarat: 10.03% (FY24).
- **Clients:** The company's clients include Tata Group, including Westside and Zudio, Goldman Sachs, McDonalds, and Uber, as well as media brands like The Times of India, HT Media, Network 18 Media & Investments, Radio Mirchi, and Fever Entertainment.
- As of June 2024, the Company had 35 employees on payroll.

Objects of the Issue -

- Repayment in full or in part, of certain of the outstanding borrowings.
- Funding Working Capital requirements.
- General Corporate Purposes.

Promoters Name -

Rajesh Bhardwaj, Gaurav Singhania and Shruti Singhania.

Rationale for recommendation -

- ✓ Overpriced P/E.
- ✓ High reliance on top 10 customers
- ✓ Highly volatile industry.
- ✓ Could do with more diversity in the management structure owing to the ever-changing industry landscape.

IPO Details

Opening Date	September 25, 2024
Closing Date	September 27, 2024
Allotment Date	September 30, 2024
Listing Date	October 3, 2024
Stock Exchange	NSE SME
Lot Size	3,000 Shares
Issue Price Per Share	₹42 to ₹44 per share
Issue Size	₹15.09 Cr
Fresh Issue	₹15.09 Cr
Offer for Sale	-
Application Amt	₹1,32,000 (3,000 shares)

Industry - Entertainment P/E Average: 16.00

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	1,160.19	2,214.75	2,663.18
EBITDA	35.30	392.33	601.45
Net Profit	37.21	200.80	309.16
RoCE	7.80%	56.43%	48.61%
ROE	9.99%	35.03%	28.11%
P/E	9.02	1.67	1.12

Promoter Share Holding Pattern

Pre-Issue	Post Issue
78.29%	56.79%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	39.38	2.48
BVPS	12.56	20.89
P/E	1.12	17.77
P/BV	3.50	2.11
Mkt Cap (In Cr)	39.86	54.94

Lead Managers -

Horizon Financial Pvt Ltd

Registrar -

Mas Services Limited

Recommendation: **AVOID**

Business Overview -

Thinking Hats Entertainment Solutions Limited, incorporated in 2013, has evolved from a premier event management and visual merchandising company to an OTT content production and experiential marketing company. The company's core values of creativity and courage are reflected in their diverse portfolio and client base. They define their strategy through "EAGER," focusing on Experience, Agility, Game-awareness, Energy, and Revenue Generation.

Main Service	Sub-categories	Types of Events	Campaigns/Projects with Description
Event Management Services	Event Management: designing, planning, overseeing and executing all sorts of events	Corporate Events and MICE, Sports Events, Annual Meets, Conferences, Youth, Cultural Festivals Events, Food Festivals Music Festivals	<p>1. No Boundaries (NoBo): A historic concert featuring Arijit Singh and Atif Aslam, celebrating cross-border music, food, and arts.</p> <p>2. Holi Moly: A vibrant Holi event bringing people from different cities together for a colourful celebration.</p> <p>3. An Evening with Shafqat Amanat Ali: A live performance by Shafqat Amanat Ali at Phoenix Mall, Bangalore, drawing over 8,000 attendees.</p> <p>4. Celebrating Korea-India 50 Years of Diplomatic Relations: Conceptualized and managed a series of events for the Korean Government marking 50 years of Korea-India relations.</p> <p>5. Lost Votes Initiative: Motivated over 150,000 citizens to vote with performances by KK and Piyush Mishra, reaching 11,500 attendees.</p> <p>6. International Yog Festival: A 7-day festival organized by Uttarakhand Tourism at Rishikesh on the Ganges, promoting wellness of body, mind, and soul.</p>
	Artist Management: utilizing their knowledge of the artist industry and perfectly aligning artists with the event.	Individual Artists • Celebrities • Standup Comics • Motivational Speakers • Social Media Influencers • Bands from multiple Genres	Some of the artists the company has worked with: Arijit Singh, Atif Aslam, Shaan, KK, Raftaar, Wadali Brothers, Neeti Mohan, Raveena Tandon, Gurdas Maan, Ballimaran and many more.
	Activations/ Exhibitions	Activation Campaigns – College, corporate and market etc. • Expos • Trade fairs	<p>1. Great Indian Football Action (GIFA): The largest neighbourhood sports event in Delhi-NCR, featuring 650 teams, 650 matches, 1,727 goals, and over 2 lakh supporters, with Akshay Kumar inaugurating the event.</p> <p>2. Raahgiri Day: A nationwide fitness festival inspiring city to adopt eco-friendly activities and a healthy lifestyle through the innovative 'Raahgiri Day' campaign.</p> <p>3. Me for My City: A platform encouraging citizens to take responsibility for the cleanliness and safety of their cities.</p> <p>4. Youth Engagement through College Connect: Managed Times of India’s Fresh Face initiative, connecting with Delhi University students, and expanding it to a national college campaign.</p>

Recommendation: **AVOID**

		<p>5. Cause Marketing - Social Initiatives: Organized events where Delhi students planted over 1 lakh saplings and promoted No Honking, Helmet Safety, and urban sustainability.</p> <p>6. Cause Marketing - Beautifying Cities: The #MeForMyCity initiative by Canara HSBC enabled residents in Delhi, Gurgaon, Mumbai, and more to contribute to city beautification.</p> <p>7. ISMA Stalls Setup: Conceptualized and designed ISMA stalls, reflecting the organization's identity and engaging audiences on various platforms.</p>
	<p>Gifting and Merchandising</p>	
	<p>Virtual Events</p>	<p>1. Canara HSBC Life Insurance Product Launch: A virtual event using cutting-edge technology and interactive sessions to showcase Canara HSBC's innovative products.</p> <p>2. HT Tourism Conclave: A successful event with expert speakers and panel discussions on transforming the tourism industry.</p>

<p>Retail Visual Merchandising</p>	<p>In-store Design Solutions</p>	<p>creates captivating store interiors tailored to brand identity and customer experience.</p>
	<p>Interior Displays</p>	<p>Strategic product displays designed to attract attention and drive sales.</p>
	<p>Store Layout</p>	<p>Optimized store layouts for improved traffic flow and customer journey.</p>
	<p>PoP/PoS Displays</p>	<p>Eye-catching displays at critical points to stimulate impulse purchases.</p>
	<p>Exterior Display</p>	<p>Attractive storefront designs to draw customers in.</p>
	<p>Signages</p>	<p>Effective signage to communicate brand messages and guide navigation.</p>

<p>Digital Content</p>	<p>OTT Movies/Web Series - 1. Kathmandu Connection 2 on Sony liv; 2. Aapkey Kamrey Me Koi Rehta Hai MX Player; 3. Onek Diner Pore</p>	<p>Produced 2 webseries and creates short films for YouTube content and corporate event movies.</p>
	<p>YouTube Shoots</p>	<p>Creates engaging YouTube content tailored to clients' vision and audience.</p>
	<p>Commercial Shoots</p>	<p>Production of visually appealing commercials that resonate with brand identity and target market.</p>
	<p>Event Shoots</p>	<p>Professional photography and videography services to capture the essence of events.</p>
	<p>Digital Filmmaking</p>	<p>End-to-end production of high-quality digital films across various genres.</p>

Business Strategies -

1. Targeting uncharted territories within India to expand the client base beyond Delhi NCR and Mumbai. The company intends to expand its export market and diversify their customer base.
2. Focusing on becoming a technology-based entertainment company, leveraging AI, AR, VR, and other innovations.
3. Focusing on creating intellectual property to scale up the business by selling format rights globally.

Competition -

Industry Landscape:

The Indian entertainment and event management industry is highly fragmented and competitive, driven by factors like pricing, innovation, and the need to stay relevant amidst technological advancements and shifting consumer preferences. The industry also faces cash flow challenges due to project-based revenue.

Porter's Five Forces Analysis:

- **High threat of new entrants** necessitates differentiation and strong client relationships.
- **Moderate buyer and supplier bargaining power** requires offering unique value and maintaining good supplier relationships.
- **Moderate threat of substitutes** emphasizes the need for continuous innovation.
- **High competitive rivalry** demands focus on differentiation, quality, and cost-effectiveness.

Industry & Business Cycle Analysis & Experience Curve:

The mature industry requires innovation and expansion for growth.

Risk Factors -

Thinking Hats is heavily reliant on its top customers, with the top 5 contributing 63.75% (FY24) and the top 10 accounting for 78.87% of revenue in the same fiscal year. This dependence poses a potential risk to the company's business and financial stability if any of these key customers decrease or terminate their arrangements.

PEER ANALYSIS -

Particulars	Thinking Hats Entertainment Solutions Limited			Inspire films limited			E Factor Experiences Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.21%	0.68%	4.46%	9.07%	8.27%	6.09%	11.61%	8.44%	10.30%
EBITDA Margin	3.04%	3.49%	8.14%	17.71%	14.60%	10.02%	22.58%	19.02%	15.43%
RoCE	7.80%	8.37%	74.21%	56.43%	31.96%	71.25%	48.61%	15.75%	42.26%
ROE	9.99%	3.23%	72.78%	35.03%	30.82%	62.33%	28.11%	7.63%	30.32%
EPS (INR)	4.88	0.28	2.64	26.33	4.16	7.56	39.38	3.07	13.53
P/E	9.02	-	-	1.67	-	-	1.12	10.62	10.44

Interpretation:

- **E Factor Experiences Ltd:** E Factor maintains consistent profitability and efficiency, indicating a stable business. However, compared to Thinking Hats, its growth appears to have plateaued in recent years.
- **Inspire Films Ltd:** Inspire Films lags in profitability metrics compared to both Thinking Hats and E Factor. Though it showcased strong ROCE and ROE in FY22, these figures have moderated since.

Specific Highlights:

- **Profitability:** Thinking Hats' net profit margin growth from 3.21% to 11.61% is a standout, surpassing both peers who have shown more gradual improvements or stagnation.
- **Efficiency:** The consistently high ROCE for Thinking Hats, reaching 48.61% in FY24, showcases its superior ability to generate profits from its capital compared to its peers.
- **Growth:** The substantial rise in EPS for Thinking Hats indicates robust growth in profitability on a per-share basis, outpacing the growth of its peers.

Potential Concerns:

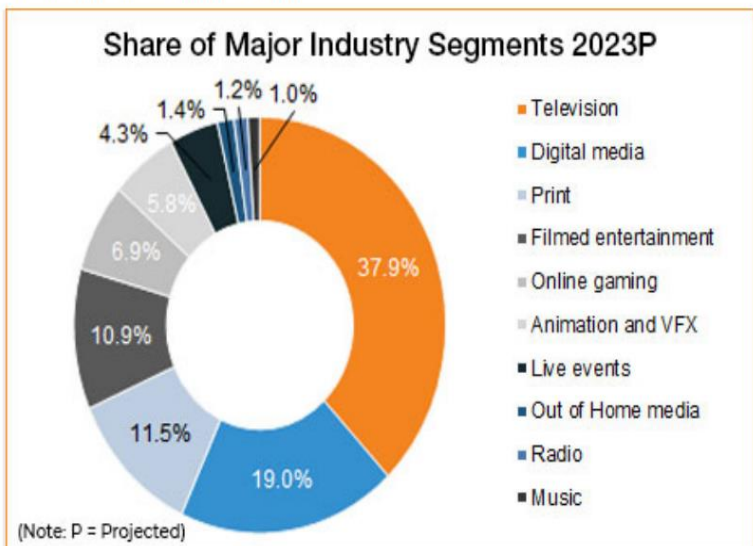
- **Sustainability:** The challenge for Thinking Hats lies in sustaining this high growth trajectory in a competitive and volatile market.

INDUSTRY OVERVIEW – Event and Entertainment Industry in India

Nature of the Industry

The Indian events and exhibition market is dynamic and multifaceted, encompassing B2B, B2C, and hybrid events across various sectors like consumer goods, automotive, entertainment, and healthcare. The industry is fragmented with established players and smaller firms competing intensely.

Media and Entertainment India



Numerical Data

- The Indian events and exhibition market was valued at USD 3.46 billion in 2022 and is projected to grow further.
- The entertainment segment is expected to witness the fastest growth.
- India's media and entertainment industry is projected to reach Rs. 3.08 trillion (US\$ 37.2 billion) by 2026, growing at a 10% CAGR.
- The Indian OTT market is set to double from US\$ 1.8 billion in 2022 to US\$ 3.5 billion by 2027.

Government Initiatives/Policies

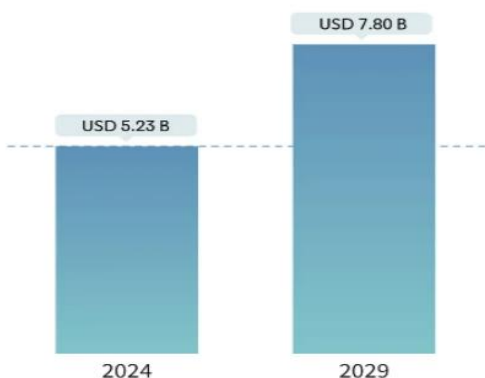
- The government has implemented various initiatives to promote the industry, such as setting up the National Centre of Excellence for Animation, Gaming, Visual Effects, and Comics.
- Policies like the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, are also shaping the digital entertainment landscape.

(Source: RHP)

Key Growth Drivers

- **Experiential Marketing:** Increasing corporate spending on brand experiences and engagement drives the demand for events and exhibitions.
- **Technological Advancements:** New technologies create immersive experiences and expand event reach through virtual and hybrid formats.
- **Globalization:** Businesses are leveraging events to expand into new markets, contributing to market growth.
- **Rising Demand for Live Experiences:** Post-pandemic, there is a renewed desire for in-person interactions and entertainment events.
- **Government Initiatives:** Government projects and policies are also playing a role in industry growth.

India Event and Exhibition Market
Market Size in USD Billion
CAGR 8.31%



Source : Mordor Intelligence

Study Period	2019 - 2029
Base Year For Estimation	2023
Market Size (2024)	USD 5.23 Billion
Market Size (2029)	USD 7.80 Billion
CAGR (2024 - 2029)	8.31 %
Market Concentration	Low

Major Players



*Disclaimer: Major Players sorted in no particular order

Key Management -

- The overall management of the company is decent.
- The lack of advanced degree for the Managing Director and lack of diversity in the board, may raise concerns about their ability to handle complex business challenges in a constantly changing market.



Key Management Persons Name -	Rajesh Bhardwaj
Age	48
Designation and No. of years of experience	Promoter and Managing Director, 20+ years of experience in the entertainment industry.
Qualification	Undergraduate
Roles and Responsibility	Oversees Over the top (OTT) division and expansion of the Company.

Key Management Persons Name -	Gaurav Singhania
Age	41
Designation and No. of years of experience	Promoter and Whole-time Director, 15+ years of experience marketing, corporate branding, finance and accounts, having been last associated with Bennet, Coleman & Company Limited in the capacity of chief manager among other posts.
Qualification	Post-graduate programme in retail management from K J Somaiya Institute of Management Studies and Research
Roles and Responsibilities	Oversees overall operation of the Company

Key Management Persons Name -	Shruti Singhania
Age	39
Designation and No. of years of Experience	Promoter, Non-Executive Non- Independent Director, 17+ years of experience in finance, treasury, risk management and investment and presently working as Deputy General Manager with Polyplex Corporation Limited
Qualification	Post-graduate in Economics from University of Delhi

Princy Anand, 37, is an **Independent Director** with over **10 years of experience in legal and corporate law compliance**. She holds a bachelor’s degree in commerce from Kurukshetra University and is an associate member of ICSI. Previously, she was the company secretary at Salora International Limited (appointed May 30, 2024).

Altab Uddin Kazi, 33, is an **Independent Director** with over **8 years of experience in corporate law, accounting, taxation, and legal matters**. He holds a commerce degree from the University of Calcutta and is an associate member of ICSI. He was formerly company secretary at Supreme & Co. and chairman of the Hooghly ICSI Chapter (appointed May 30, 2024).

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	1,160.19	2,214.75	2,663.18
Other Income	85.01	13.05	6.94
Total Income	12,016.76	12,149.57	14,214.66
Expenses			
Cost of Material consumed and cost of services received	662.32	1,585.61	1,757.38
Changes in Inventories of finished goods, WIP	309.12	-	-
Employee Benefit Expenses	153.31	221.81	251.86
Finance Cost	0.14	15.00	52.49
Depreciation and Amortisation	5.99	10.36	16.78
Other expenses	66.41	120.44	161.3
Total Expenses	1,197.29	1,953.22	2,239.81
EBITDA	35.30	392.33	601.45
EBITDA Margin	3.04%	17.71%	22.58%
Profit/(Loss) before tax	47.91	274.58	430.31
Tax Expense			
Current tax	2.33	74.09	123.68
Deferred Tax	8.37	-0.31	-2.53
Total Tax	10.70	73.78	121.15
Profit/(Loss) for the year	37.21	200.80	309.16
Net Profit Margin	3.21%	9.07%	11.61%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	76.25	76.25	87.58
Reserves and surplus	296.22	497.01	1,012.28
Total Equity	372.47	573.26	1,099.86
2. Non-current liabilities			
Long-term borrowings	-	100.52	91.99
Long term Provision	-	-	10.41
Long-term provisions	3.49	3.17	0.64
Total Non-current liabilities	3.49	103.69	103.04
3. Current liabilities			
Short-term Borrowings	29.22	313.14	451.47
Trade Payables			
(i) Total outstanding dues of MSME	-	-	-
(ii) Total outstanding dues of creditors other than MSME	188.87	351.64	411.18
Other Current Liabilities	47.1	109.32	276.25
Short-term provisions	-	5.76	61.42
Total Current liabilities	265.19	779.86	1,200.32
Total Liabilities	268.68	883.55	1,303.36
Total Equity and Liabilities	641.15	1,456.81	2,403.22
ASSETS			
1. Non-current assets			
Property, Plant and Equipments	51.72	166	158.12
Non-current investments	12.27	8.83	10.18
Other Non- current Assets	21.2	23.19	24.12
Total Non-Current assets	85.19	198.02	192.42

Particulars	FY 22	FY 23	FY 24
2. Current assets			
Inventories	150	592.5	991.33
Trade Receivables	311.35	605.56	988.5
Cash & Cash equivalents	46.49	25.27	57.09
Short-term loans and advances	28.12	27.52	125.91
Other Current Assets	20	7.94	47.97
Total Current assets	555.96	1,258.79	2,210.80
Total Assets	641.15	1,456.81	2,403.22

Cash Flow Statement			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	97.86	233.57	145.13
Net Cash Flow from Investing Activities	-150.63	-561.6	-408.05
Net Cash Flow from Financing Activities	26.55	306.81	294.75

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	4.88	26.33	39.38	EV/EBITDA	10.06	2.45	2.64
BV per share	4.88	7.52	12.56	Market Cap / Sales	4.74	2.48	2.06
Operating Ratios				P/E	9.02	1.67	1.12
EBITDA Margins	3.04%	17.71%	22.58%	Price to Book Value	9.01	5.85	3.50
PAT Margins	2.99%	9.01%	11.58%	Solvency Ratios			
Debtor days	97.95	99.80	135.48	Debt / Equity	0.08	0.72	0.49
Creditor days	402.23	353.92	182.15	Current Ratio	2.10	1.61	1.84
Return Ratios				Quick Ratio	2.10	1.61	1.84
RoCE	7.80%	56.43%	48.61%	Asset Turnover	1.81	1.52	1.11
RoE	9.99%	35.03%	28.11%	Interest Coverage Ratio	209.36	25.46	11.14

Interpretation -

Profitability Ratios:

- **PAT Margins** rose from 2.99% in FY22 to 11.58% in FY24, indicating improved profitability.
- **EBITDA Margins** increased to 22.58% in FY24, reflecting the company's ability to generate profits from core operations.

Efficiency Ratios:

- **Creditor Days** decreased significantly from 402.23 days to 182.15 days, reflecting improved supplier payment practices;
- **Asset Turnover** declined from 1.81 to 1.11, signalling less efficient asset utilization.

Return Ratios:

- **ROCE** surged from 7.80% to 48.61%, indicating strong capital efficiency.
- **ROE** declined from 35.03% in FY23 to 28.11% in FY24, possibly due to increased equity financing.

Solvency Ratios:

- **Debt/Equity** increased from 0.08 to 0.49, indicating higher debt reliance but remaining healthy.
- **Interest Coverage** dropped from 209.36 to 11.14, aligning with increased debt but remaining healthy.

Industry Context:

- The entertainment and event management industry is characterized by high operating leverage and project-based revenue recognition.
- Profitability can fluctuate depending on the project mix, seasonality, and overall economic conditions.
- Strong cash flow management is crucial to navigate the cyclical nature of the industry.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Horizon Financial Pvt Ltd. This is their first mandate.

Recommendation -

Company has been in the industry since 2013 and has a good amount of experience.

The management overview of the company is decent.

The P/E on a post-IPO basis is around 17.77 times which makes it over-priced compared to its peers PE.

Thinking Hats has exhibited robust financial health with a remarkable 52% CAGR in top-line growth over the past few years. Profitability margins have also seen a significant boost, demonstrating improved operational efficiency. Additionally, the company boasts strong return ratios, indicating efficient capital utilization.

Thinking Hats plans to use IPO proceeds for debt repayment (up to ₹2 Cr.) and working capital needs (around ₹9 Cr.). Debt reduction aims to lower interest costs and improve financial flexibility. The significant allocation towards working capital highlights the company's reliance on external funding for day-to-day operations which should not be the case.

Thinking Hats' business relies heavily on audience preferences, making it vulnerable to unpredictable shifts in taste. Delays or non-payment from OTT platforms and content creators pose additional risks. Moreover, investments in original content without pre-secured contracts carry inherent uncertainties, potentially impacting revenue and profitability. Operating in an already highly fragmented and competitive market, Thinking Hats faces the ongoing challenge of maintaining its position and keeping pace with the competition.

Thus, for the above-stated reasons, investors can **AVOID** this IPO.

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