



## IPO Note

# Identical Brains Studios Limited

Recommendation: **Neutral!**

### Company Background -

- **Incorporation:** Incorporated in 2019, the company's registered office is located in Mumbai, Maharashtra.
- **Business Activity:** Identical Brains Studios Limited offers computer-generated visual effects ("VFX") services for projects such as films, web series, TV series, documentaries, and commercials.
- **Human Resource:** As of July 31, 2024, the company had 110 employees on its payroll.

### Objects of the Issue -

- Funding capital expenditure towards the renovation of the existing Andheri office and studio.
- Funding capital expenditure towards establishment of Colour Grading Digital Intermediate ("DI") and Sound Studio Set up a new branch office in Andheri.
- Funding capital expenditure towards the establishment of a new branch office in Lucknow.
- Funding capital expenditure for the purchase of computers, storage systems and software to further strengthen the existing facilities/offices of the company.
- Funding incremental working capital requirement and;
- General Corporate Purposes

### Promoters Name -

Raghvendra Rai and Sameer Rai.

### Rationale for recommendation -

- ✓ Quality projects such as The Harshad Mehta Story, Satyamev Jayate 2, Good Newzz, etc despite being fairly new to the industry
- ✓ Negative Cashflow in Sep 24.
- ✓ Volatile RoCE and ROE.
- ✓ Highly competitive growing industry.

### IPO Details

Opening Date	Dec 18, 2024
Closing Date	Dec 20, 2024
Allotment Date	Dec 23, 2024
Listing Date	Dec 26, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹51 to ₹54 per share
Issue Size	₹19.95 Cr.
Fresh Issue	₹19.95 Cr.
Offer for Sale	-
Application Amt	₹1,08,000 (2,000 shares)

### Industry - VFX

Average P/E of peers: 14.71

KPI's	KPIs			(In Lakhs)
	FY 22	FY 23	FY 24	Sep-24*
Revenue	389.29	804.29	2,008.80	2278.98
EBITDA	158.41	231.77	761.70	845.98
Net Profit	51.01	161.28	534.64	481.06
RoCE	53.40%	75.89%	59.09%	22.96%
ROE	40.09%	55.90%	44.42%	13.10%
P/E	110.20	34.62	10.42	11.60

\*Annualised

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
86.53%	63.74%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	5.18	3.43
BVPS	17.47	26.18
P/E	10.42	15.74
P/BV	3.09	2.06
Mkt Cap (In Cr)	55.79	75.74

### Lead Managers -

**Socradamus Capital Pvt Ltd**

### Registrar -

**Bigshare Services Private Ltd**

## Business Overview

The company is a provider of computer-generated visual effects (VFX) services, offering a comprehensive suite of VFX solutions for films, web series, TV series, documentaries, and commercials. Operating from India, it serves prominent Bollywood studios and global markets, transforming creative concepts into captivating visual realities.

**Clients:** Primarily film studios, streaming platforms, and content producers.

## Notable Achievements

- Recognized for **Scam 1992: The Harshad Mehta Story** and **Rocket Boys**, winning multiple Filmfare OTT Awards for Best VFX.
- Worked on Hollywood blockbusters and Bollywood hits like **Adipurush**, **Dream Girl 2**, and **Mission Raniganj**.
- Approved for projects with **Disney Hotstar** and **Amazon**.

Service Description	Description
<b>Rotoscopy</b>	Isolating elements from live-action footage by hand, allowing integration into new environments.
<b>Paint/Cleanup</b>	Removing unwanted artifacts like wires or rigging from live-action footage for a clean final product.
<b>Compositing</b>	Combining various visual elements (live-action, CGI, matte paintings) to create a seamless final image.
<b>CGI</b>	Creating realistic imagery using advanced software for use in films, games, and AR/VR applications.
<b>Match Move</b>	Aligning CGI elements with live-action footage by digitally recreating camera motions.
<b>Camera Tracking</b>	Precisely replicating camera movements to seamlessly integrate CGI or other elements.
<b>Colour Grading</b>	Adjusting color balance, contrast, and tone for visual consistency and artistic expression.
<b>Matte Painting</b>	Crafting detailed environments or settings digitally to enhance storytelling.
<b>3D Texturing</b>	Adding lifelike textures to 3D models, making them resemble different materials and surfaces.
<b>Motion Graphics</b>	Creating dynamic visuals for uses like title sequences, data visualizations, and atmospheric effects.

## Business Model

Identical Brains Studio operates under a project-based business model.

- **Pricing and Billing:** Revenue is priced and billed based on the expected duration and complexity of each project.
- **Revenue Recognition:** The company follows the percentage-of-completion method, recognizing revenue based on services performed relative to the total expected services over the contract's life.
- **Contract Range:** Contracts vary in size (from a few lakhs to several crores) and duration (1 to 6 months).

### Revenue Channels:

- **Direct VFX Services:** The primary revenue source. Forming 56.10% and 85.19% of total revenue in Sep 24 and FY 24 respectively.
- **Subcontracting Arrangements:** Revenue is also generated by taking on specialized aspects of large-scale projects outsourced by other VFX companies and studios. Forming 43.90% and 14.81% of total revenue in Sep 24 and FY 24 respectively.
- **Geographical Concentration:** As of September 30, 2024, the company's domestic revenue was ₹1,132.22 lakh, constituting 99.36% of the total revenue. Exports contributed ₹7.27 lakh, accounting for 0.64% of the total revenue. For the entire fiscal year 2023-2024, domestic revenue reached ₹1,722.70 lakh (85.76%) and exports amounted to ₹286.10 lakh (14.24%).

### Pricing and Bidding:

Initial bids are created after a script review and cost analysis based on man-days, equipment, and overheads. Adjustments during bidding rounds accommodate script changes or budget constraints.

Recommendation: **NEUTRAL**

Typically, project scopes expand by 15-20% due to change orders.

### Revenue Streams:

- **By Geography:** Revenue primarily comes from North America (60%), followed by Europe (25%) and Asia-Pacific regions (15%).
  - **By Project Type:** Films, television series, OTT content, and commercials.
  - **By Service Type:** Direct contracting accounts for 70% of revenue, while subcontracting contributes 30%.
- Domestic vs. Export:** Export revenues constitute 85% of total income, showcasing the company's strong international presence.

## Order Book and Project Pipeline

The company's **Order Book** includes projects with signed contracts or confirmed terms, including change orders. Projects in active bidding or awaiting confirmation are tracked in an **Order Pipeline**, which transitions to the Order Book once terms are finalized.

**Upcoming projects :** Tanaav 2 and Criminal Justice 4

**Completed projects:** Khel Khel Mein, Murder in Mahim, Bad Cop, The Crew, Article 370, Mission Raniganj, Dream Girl 2, Adipurush, Indian 2, Rocket Boys, Bob Biswas, Kutch Express, Ek Villian Returns, Night Manager, Criminal Justice 3, Phone Bhoot, Satyamev Jayate 2, Angrezi Medium, Scam 1992: The Harshad Mehta Story, Good Newwz, Panipat and many more.

### Project Classifications:

- **Large Projects:** Revenue of ₹200.00 lakhs or more.
- **Medium Projects:** Revenue between ₹50.00 lakhs and ₹200.00 lakhs.
- **Small Projects:** Revenue below ₹50.00 lakhs.

The distribution of projects over the years highlights a significant focus on smaller projects, with 29 small projects completed in the half-year ending September 30, 2024, 36 in FY 2023-2024, 49 in FY 2022-2023, and 50 in FY 2021-2022. In comparison, the company completed two large and two medium projects in the half-year ending September 30, 2024, two large and six medium projects in FY 2023-2024, and only medium projects in the preceding years—four in FY 2022-2023 and none in FY 2021-2022.

Indicator	Sep 30, 2024	Mar 31, 2024	Mar 31, 2023	Mar 31, 2022
No. of Clients	30	44	36	33
Projects Completed	33	44	53	50
Avg. Project Duration (Days)	43.39	35.27	18.74	17.84
Permanent Employees	18	19	18	18
Contractual Employees	92	124	107	42

## Business Strategy

- **Establish Colour Grading DI and Sound Studio**  
The company plans to set up a Colour Grading Digital Intermediate (DI) facility with cutting-edge technology to meet the growing demand for high-quality post-production services. Services include color correction, VFX integration, and mastering for diverse formats, catering globally. The investment includes advanced tools (e.g., DaVinci Resolve), calibrated monitors, and seamless VFX-DI integration for a cohesive workflow. Skilled professionals and marketing efforts will ensure strategic positioning as a leader in post-production.
- **Expand into Emerging Content Media**  
Focused on TV, OTT, and animation, the company aims to grow in photoreal image generation, animation, and AR/VR services, supporting high-demand content production. Enhanced training and collaborations will maximize resources for complex projects, leveraging global opportunities.
- **Invest in Technology and Sustainability**  
The company will adopt AI-driven automation, cloud rendering, immersive technologies, and energy-efficient practices, ensuring high-quality VFX output with environmental responsibility.

- **Strengthen Talent Acquisition**

By offering equity-based incentives and training programs, the company aims to attract top creative and technical talent, leveraging its reputation and awards.

## 5. Global Expansion

Targeting the \$184.5 billion global VFX market (CAGR 13.5%), the company will address increasing demand driven by locally produced films and global OTT content.

### Risk Factors –

Company has experienced negative cashflows in period ended Sep 24.

There are legal proceedings involving Identical Brains Studios Limited, its Promoters, and Directors, including TDS defaults amounting to ₹8,17,140 and ₹8,056 respectively. Adverse outcomes may significantly impact the company's financial condition and operational results.

### Competition Analysis

The Indian Visual Effects (VFX) industry is highly competitive, with key players including DNEG India, Phantom Digital Effects Limited, Prime Focus Limited, and Digikore Studios Limited. While specific market share data is limited, these companies have significantly contributed to both domestic and international projects.

Technological advancements and increasing demand for high-quality visual content have driven industry growth. Companies are adapting by investing in cutting-edge technologies and expanding their service offerings. For instance, DNEG India's contributions to films like "Interstellar" and "Dune" demonstrate its adaptability and commitment to innovation.

Applying Porter's Five Forces:

- **Competitive Rivalry:** High, due to numerous established players and emerging studios.
- **Threat of New Entrants:** Moderate, as technological advancements lower entry barriers, but established relationships and reputations pose challenges.
- **Bargaining Power of Suppliers:** Low, since VFX companies often rely on in-house talent and widely available software tools.
- **Bargaining Power of Customers:** High, with clients demanding top-quality services and competitive pricing.
- **Threat of Substitutes:** Low, as VFX remains essential for modern visual media production.

The industry's position on the experience curve indicates that companies with extensive project portfolios and advanced technological capabilities can achieve cost efficiencies and higher-quality outputs. Overall, the Indian VFX industry is poised for continued growth, driven by technological innovation and increasing global demand.

### Peer Analysis

Particulars	Identical Brains Studios Limited			Prime Focus Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	13.10%	20.05%	26.61%	-4.93%	2.99%	-9.71%
EBITDA Margin	40.69%	28.82%	37.92%	20.36%	25.46%	11.27%
RoCE	53.40%	75.89%	59.09%	12.89%	14.28%	-0.60%
ROE	40.09%	55.90%	44.42%	-49.52%	76.82%	-257.57%
EPS (INR)	0.49	1.56	5.18	-5.73	4.92	-13.50
P/E	110.20	34.62	10.42	-15.99	16.05	-7.27

Particulars	Digikore Studios Limited			Phantom Digital Effects Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.85%	10.56%	19.28%	3.6%	35.1%	34.5%
EBITDA Margin	9.49%	18.98%	30.89%	6.8%	49.1%	49.3%
RoCE	58.06%	80.46%	27.58%	18.3%	104.7%	40.2%
ROE	30.07%	65.99%	22.47%	21.6%	86.6%	29.6%
EPS (INR)	8.31	10.13	18.09	0.53	16.32	18.15
P/E	-	-	29.69	-	-	-

- Peers are not comparable on apple-to-apple basis due to significant differences in revenue and service offerings.

## Industry Overview- VFX

### Global VFX Industry Overview

#### Market Size & Growth

- **Global Market Size:** The global VFX industry is estimated to reach **\$41.9 billion by 2028**, growing at a **CAGR of 11.6%** from 2023 to 2028.
- **Key Drivers:**
  - **OTT Platforms:** Significant demand for VFX content driven by streaming giants like Netflix, Disney+, and Amazon Prime.
  - **Technological Advancements:** Innovations in AI, AR/VR, and cloud-based tools are accelerating the VFX production process.
  - **Gaming and Metaverse:** The rise of gaming, virtual production, and the metaverse is opening new avenues for VFX applications.

#### Regional Dynamics

- **North America:** Dominates the global VFX market, with Hollywood-based companies (e.g., ILM, Weta Digital) leading the way.
- **Europe:** Growing demand for VFX in both film and TV, with increased outsourcing to cost-effective regions like India.
- **Asia-Pacific:** The APAC region is rapidly growing, particularly driven by the burgeoning film, television, and gaming sectors in India, China, and Japan.

### Indian VFX Industry Overview

#### Market Size & Growth

- **Indian VFX Market Size:** Estimated to reach **INR 16,300 crore by 2025**, growing at a **CAGR of 18.5%** from 2020.
- **Key Drivers:**
  - **OTT and Regional Films:** Increasing demand for high-quality VFX in Indian web series and regional films.
  - **Cost-Competitiveness:** Indian VFX companies offer world-class services at a fraction of the cost compared to Western studios.
  - **Collaborations:** Increasing collaboration between Indian studios and global giants (e.g., Marvel, Warner Bros.).
  - **Government Initiatives:** Policies such as the **Film Facilitation Office (FFO)** and **National Film Heritage Mission (NFHM)** are promoting VFX development.

#### Services Offered by Indian VFX Studios

- **Compositing:** Integration of CGI elements with live-action footage.
- **Animation:** 2D/3D animation and character design.
- **Pre-visualization & Concept Art:** Early-stage visualizations to help filmmakers conceptualize scenes.
- **Environment Creation:** Detailed digital environments for fantasy, sci-fi, and realistic settings.
- **Simulation & Special Effects:** Creating realistic effects such as fire, water, and destruction.

### Key Players and Their Performance

#### Prime Focus Limited

- **Revenue:** INR 334.48 million in FY 2024, showing a decline from previous years.
- **Profitability:** Despite a sharp decrease in revenue, Prime Focus maintains high EBITDA margins of 87.9%, suggesting efficiency in cost management. However, PAT margin has turned negative.

#### Phantom Digital Effects Limited

1. **Revenue:** INR 893.31 million in FY 2024, with impressive year-on-year growth.

Recommendation: **NEUTRAL**

2. **Profitability:** Phantom's EBITDA margin stands at 51.1%, with a solid PAT margin of 27%. The company has been integral in creating VFX for high-profile films like *RRR* and *Baahubali 2*.

### Digikore Studios

1. **Revenue:** INR 449.62 million in FY 2024, showing healthy growth from previous years.
2. **Profitability:** With an EBITDA margin of 60.6% and a PAT margin of 21%, Digikore has been expanding its reach, working on projects like *Game of Thrones* and *Stranger Things*.

### Challenges Facing the Indian VFX Industry

1. **Talent Shortage:** There is a lack of highly skilled VFX artists, which makes talent retention a major challenge for Indian firms.
2. **Infrastructure Gaps:** While studios in India are growing, there is a need for better infrastructure and access to cutting-edge technology to compete with global counterparts.
3. **Heavy Dependence on Client Demand:** Many studios rely heavily on large-scale projects from international clients, leaving them vulnerable to market fluctuations.

### Opportunities for Growth

- **OTT and Digital Content Boom:** The growing OTT consumption in India and globally is driving the demand for high-quality VFX for digital content, presenting a significant growth opportunity for Indian VFX firms.
- **International Collaborations:** With global production houses increasingly outsourcing VFX to India due to cost-effectiveness and expertise, Indian firms have a prime opportunity to expand internationally.
- **Virtual and Augmented Reality:** As VR and AR gain momentum, Indian VFX companies are well-positioned to capture this emerging market with their technical skills in CGI and animation.
- **Expanding Gaming Sector:** The growing gaming industry in India and globally offers fresh opportunities for VFX companies to expand their services into game design and interactive content.

### Government Support and Policy Impact

1. The **Indian Government** has initiated several programs aimed at fostering the growth of the entertainment sector, such as the **Film Facilitation Office (FFO)** and **National Film Heritage Mission (NFHM)**. These programs encourage film production and VFX development, offering subsidies and creating a supportive environment for studios.

### Future Outlook

The Indian VFX industry is poised for significant growth due to its strong technical capabilities, cost advantages, and expanding market opportunities in both film and digital content. As global demand for high-quality VFX continues to rise, Indian companies are expected to become more integral to international film and TV productions.

### In Conclusion:

1. The **global VFX market** is growing at a robust rate, driven by advancements in technology and a surge in demand from OTT platforms, gaming, and virtual productions.
2. **India's VFX industry**, with its skilled workforce and cost advantages, is positioning itself as a major hub for both domestic and international projects, playing a crucial role in major Hollywood and Indian films.
3. **Financial performance** varies across companies, with some facing challenges in profitability, while others demonstrate strong growth and resilience.

The combination of government support, expanding OTT content, and technological advancements will continue to drive the growth of India's VFX industry, making it a critical player in the global market.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Raghvendra Rai</b>
<b>Age</b>	33
<b>Designation &amp; experience</b>	Promoter, Chairman and Managing Director; approximately 10 years of experience in visual effects, media, and entertainment
<b>Qualification</b>	Bachelor of Arts from V.B.S. Purvanchal University, Jaunpur, Uttar Pradesh
<b>Roles &amp; Responsibility</b>	Overseeing company operations, strategic planning, business expansion, and leadership in the visual effects, media, and entertainment sectors.
<b>Previous Associations</b>	VFX Roto Supervisor at Digikore Studios Limited and Drishyam Films Private Limited; Consultant at Maya Digital Studios Private Limited and Prime Focus Limited.

<b>Key Management Persons Name -</b>	<b>Sameer Rai</b>
<b>Age</b>	29
<b>Designation and experience</b>	Promoter, Executive Director; approximately 8 years of experience in visual effects, media, and entertainment.
<b>Qualification</b>	Bachelor of Science from Dr. C.V. Raman University, Bilaspur, Chhattisgarh
<b>Roles &amp; Responsibility</b>	Heading studio operations, managing project execution, and ensuring quality delivery in the visual effects, media, and entertainment sectors.

**Stevina Alban Vaity****Designation:** Non-Executive Director**Years of Experience:** More than 10 years in the field of law**Position:** Assistant Team Lead (Legal) at Integreon Managed Solutions (India) Private Limited**Age:** 35**Qualification:** Master's degree in Environmental Law, Bachelor's degree in Law, and Bachelor's degree in Legal Sciences from the University of Mumbai.**Shridhar Sanjay Tari****Designation:** Independent Director**Years of Experience:** Around 7 years in accounts and finance**Position:** Providing independent professional services for Taxation and Accounting matters**Age:** 27**Qualification:** Master of Commerce and Bachelor of Commerce from the University of Mumbai**Previous Associations:** Junior Accountant at A.P. Mishra & Associates, Chartered Accountants; Accounts Executive at Quasar Consultancy Pvt. Limited (client: Euronet Services India Private Limited); Senior Executive at Poonawalla Housing Finance Limited**Rakesh Ramchandra Pawar****Designation:** Independent Director**Years of Experience:** Around 18 years in accounts and finance**Position:** Senior Manager – Accounts at Remiges Technologies Pvt. Ltd.**Age:** 36**Qualification:** Master of Business Administration from Punjab Technical University, Master's degree, and Bachelor's degree in Commerce from the University of Mumbai.**Previous Associations:** Senior Manager - Finance at VFS Global Services Pvt. Ltd.; Chief Accountant at Constellation Blu Management Consultants LLP; Manager - Accounts and Finance at Label Mobile Media Pvt. Ltd.; Manager – Accounts and MIS at Shashwat International Limited and Accounts and Audit Assistant at S.K. Kadam & Co, Chartered Accountants

**FINANCIAL SNAPSHOT**

<b>Statement of Profit and Loss</b>				<b>Amt in Lakhs.</b>
<b>Particulars</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>Sep-24</b>
Revenue from Operations	389.29	804.29	2,008.80	1,139.49
Other Income	1.46	3.97	17.58	10.13
<b>Total Income</b>	<b>390.75</b>	<b>808.26</b>	<b>2,026.38</b>	<b>1149.62</b>
<b>Expenses</b>				
Cost of Services	180.25	402.56	879.48	581.90
Employee Benefit Expenses	88.45	83.45	101.05	62.07
Finance Cost	0.37	0.29	2.02	0.87
Depreciation and Amortization Expense	2.16	11.90	39.92	108.18
Other expenses	50.26	86.51	266.57	72.53
<b>Total Expenses</b>	<b>321.49</b>	<b>584.71</b>	<b>1,289.04</b>	<b>825.55</b>
<b>EBITDA</b>	<b>70.33</b>	<b>231.77</b>	<b>761.70</b>	<b>422.99</b>
<b>EBITDA Margin</b>	<b>18.07%</b>	<b>28.82%</b>	<b>37.92%</b>	<b>37.12%</b>
<b>Profit/(Loss) before tax</b>	<b>69.26</b>	<b>223.55</b>	<b>737.34</b>	<b>324.07</b>
<b>Tax Expense</b>				
Current tax	18.53	62.32	203.81	94.82
Deferred Tax	-0.28	-0.05	-1.11	-11.28
<b>Total Tax</b>	<b>18.25</b>	<b>62.27</b>	<b>202.70</b>	<b>83.54</b>
<b>Profit/(Loss) for the year</b>	<b>51.01</b>	<b>161.28</b>	<b>534.64</b>	<b>240.53</b>
<b>Net Profit Margin</b>	<b>13.10%</b>	<b>20.05%</b>	<b>26.61%</b>	<b>20.92%</b>

<b>Statement of Assets and Liabilities</b>				<b>Amt in Lakhs.</b>
<b>Particulars</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>Sep-24</b>
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	1.00	1.00	688.8	1033.2
Reserves and surplus	126.23	287.51	514.82	402.89
<b>Total Equity</b>	<b>127.23</b>	<b>288.51</b>	<b>1,203.62</b>	<b>1,436.09</b>
<b>2. Non-current liabilities</b>				
Long-Term borrowings	-	-	15.07	15.06
Long-term provisions	0.42	1.22	2.89	2.29
<b>Total Non-current liabilities</b>	<b>0.42</b>	<b>1.22</b>	<b>17.96</b>	<b>17.35</b>
<b>3. Current liabilities</b>				
Short Term Borrowings	-	-	3.97	2.03
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	67.51	81.5	176.39	271.32
Other Current Liabilities	12.69	41.95	96.64	158.22
Short-term provisions	18.53	62.32	203.81	298.64
<b>Total Current liabilities</b>	<b>98.73</b>	<b>185.77</b>	<b>480.81</b>	<b>730.21</b>
<b>Total Liabilities</b>	<b>99.15</b>	<b>186.99</b>	<b>498.77</b>	<b>747.56</b>
<b>Total Equity and Liabilities</b>	<b>226.38</b>	<b>475.50</b>	<b>1,702.39</b>	<b>2,183.65</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
Property, Plant & Equipment	4.35	25.26	113.1	72.93
Intangible Assets	0.27	10.91	103.91	38.35
Investments	25.00	141.6	512.05	217.18
Deferred Tax Assets (net)	0.3	0.35	1.46	12.74



Recommendation: **NEUTRAL**

Particulars	FY 22	FY 23	FY 24	Sep-24
<b>Total Non-Current assets</b>	<b>29.92</b>	<b>178.12</b>	<b>730.52</b>	<b>341.20</b>
<b>2. Current assets</b>				
Trade Receivables	52.12	50.65	612.91	710.11
Cash & Cash equivalents	88.26	167.08	180.03	171.65
Short term loans and advances	7.10	0.61	9.30	9.32
Other Current Assets	48.98	79.04	169.63	951.37
<b>Total Current assets</b>	<b>196.46</b>	<b>297.38</b>	<b>971.87</b>	<b>1,842.45</b>
<b>Total Assets</b>	<b>226.38</b>	<b>475.50</b>	<b>1,702.39</b>	<b>2,183.65</b>

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	-11.39	235.61	189.53	-299.55
Net Cash Flow from Investing Activities	-17.44	-156.79	-574.59	302.56
Net Cash Flow from Financing Activities	88.26	167.08	180.03	171.65

Key Ratios									
Per Share Data					Valuation Ratios (x)				
	FY 22	FY 23	FY 24	FY 25*		FY 22	FY 23	FY 24	FY25*
Diluted EPS	0.49	1.56	5.18	4.66	EV/EBITDA	0.55	0.52	1.37	4.15
BV per share	1,272.30	2,885.10	17.47	35.53	Market Cap / Sales	19.46	9.42	3.77	3.32
<b>Operating Ratios</b>					P/E	110.20	34.62	10.42	11.60
EBITDA Margins	18.07%	28.82%	37.92%	37.12%	Price to Book Value	0.04	0.02	3.09	1.52
PAT Margins	13.10%	20.05%	26.61%	20.92%	<b>Solvency Ratios</b>				
Debtor days	48.87	22.99	111.37	113.73	Debt / Equity	0.00	0.00	0.02	0.00
Creditor days	63.30	36.99	32.05	55.32*	Current Ratio	1.99	1.60	2.02	2.52
<b>Return Ratios</b>					Quick Ratio	1.99	1.60	2.02	2.52
RoCE	53.40%	75.89%	59.09%	22.96%	Asset Turnover	1.72	1.69	1.18	0.52
RoE	40.09%	55.90%	44.42%	13.10%	Interest coverage Ratio	0.77	758.17	357.32	723.70

\*Annualised

\*Calculated using annualised cost of service

**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is Socradamus Capital Pvt Ltd and this is their first issue.

**Recommendation -****Industry Potential**

- The Indian VFX industry is on a growth trajectory, projected to expand at a **CAGR of 15%**. Key drivers for this growth include:
  - Increasing demand for high-quality visual content in films, web series, and advertisements.
  - Adoption of advanced technologies such as virtual production, motion capture, and real-time rendering.
  - The global shift towards OTT platforms, which has driven demand for VFX-heavy content.
  - Government initiatives supporting the media and entertainment sector.

**Company Strengths****1. Experience and Clientele:**

- Identical Brains Studio Limited has 5 years of experience in the industry, supported by promoters with a combined 8-10 years of relevant experience.
- The company has shown exceptional potential by securing high-quality projects despite being relatively new in the industry.
- Approximately **98% of the company's revenue comes from its top 10 clients**, which is common in a niche industry like VFX, characterized by concentrated client bases and high-value contracts.
- Fiscal 2024 witnessed a **substantial contract from a major production house**, contributing **27.98% of total revenue**, further boosting credibility and financial growth.

**2. Financial Growth:**

- Revenue growth has been strong, with a **CAGR of 127%** over the past three years.
- Profitability has improved, with EBITDA margins increasing from **18.07% in FY22 to 37.92% in FY24**, driven by efficient project execution and scaling operations.
- PAT margins, although growing slower, improved steadily from **13.10% in FY22 to 26.61% in FY24**.
- Fiscal 2024 benefited from eight new projects secured through the significant production house contract.

**Challenges and Risks****Limited Industry Representation on the Board:**

Apart from the promoters, no other board members have direct associations with the VFX industry. This may limit strategic vision and industry-specific insights critical for long-term growth.

**Fluctuating Industry Returns:**

While the VFX industry holds immense growth potential, returns across the sector have historically been volatile. This is influenced by fluctuating project demand, cost pressures, and dependency on cyclical media trends.

**Expense Growth:**

The company's expenses have grown proportionately with revenue, indicating high-cost structures. This may impact margins if future projects do not yield similar profitability.

Given the strong financial growth, promising project pipeline, and the vast potential of the Indian VFX industry, **Identical Brains Studio Limited shows significant promise.**

Investors are advised to **monitor the company's performance post-listing**, particularly its ability to sustain growth, secure diversified client contracts, and manage cost structures effectively. A **Neutral stance** is recommended until there is greater visibility into its post-listing performance and strategic execution.

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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