

Rating: Subscribe for the listing gain

Issue Offer

Fresh Issue of 6,240,000 equity shares upto INR 605.3mn and OFS of 6,00,000 shares by Promoters group taking the total issue size at INR 663.5mn

Issue Summary

Price Band (INR)	92-97
Face Value (INR)	10
Implied Market Cap (INR mn)	2,254.3
Market Lot	1200
Issue Opens on	Sept 1, 2023
Issue Close on	Sept 5, 2023
No. of share pre-issue	17,000,000
No. of share post issue	23,240,000
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≤50
NIB Portion	≥15
Retail Portion	≥35

Book Running Lead Managers

GYR Capital Advisors Pvt Ltd

Registrar

Purva Sharegistry (India) Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	85.42%	59.90%
Public & Others	14.58%	41.10%

Objects of the issue

- Expenditure for setup of studio/ facility at Hyderabad and Salem
- Proposal for strengthening company facilities in Chennai and Pune
- Equity investments to expand workspace in London and enhance facilities in Vancouver
- General corporate purposes

Established in 2016, Basilic Fly Studio Ltd (BFS) is a leading VFX studio headquartered in Chennai, with subsidiaries in Canada and U.K. The company's dedicated team of 450+ members caters to clients worldwide, with its offices located in Chennai, Pune, Vancouver and London. BFS specialises in creating captivating visual experiences and has gained rich experience in pushing the boundaries of creativity and technology to deliver exceptional VFX solutions for movies, TV shows, web series and commercials. BFS has maintained an impressive average annual growth rate leading to a turnover of around INR 790 mn in FY23 and a net profit of INR 280 mn. Autodesk Maya, Nuke, 3D equaliser, Silhouette, Shotgrid, Cloud Platforms, Aspera, SFTP, Houdini, Pixologic Zbrush are just some of the VFX techniques and technologies that BFS works with.

Investment Rationale

Capacity expansion will drive business growth: The fund raising of INR 663.5mn will be utilized for establishing a Studio/ Facility in Hyderabad and Salem (32.2%), Enhancing infrastructure at existing facilities in Chennai and Pune (29.6%), Equity Investments in subsidiaries to expand workspace by acquiring new office space in London and reinforcing facilities in Vancouver (7%) and remaining will be utilized for general corporate purposes. Majority of funds will be utilized for capacity expansion and enhancing infra will lead growth going forward.

Navigating Growth in the Global VFX Landscape: Benefiting from the surge in demand for visual effects in entertainment, the company has thrived in an industry fuelled by streaming content needs. With a presence in key locations like Chennai, Pune, Vancouver, and London, the company is positioned as a global delivery centre, primed to grow further with additional dedicated facilities in India. Projections point to robust expansion in the global VFX market, set to reach \$48.9 billion by 2028 from \$26.3 billion in 2021. This growth aligns with the company's strategy to establish physical presence in Eastern Europe and South Korea, while India stands out as a prominent hub for both foreign and local VFX studios.

Empowered by Advanced Technology and Expert Leadership: The company is equipped with advanced technology and essential equipment that grant it a distinctive advantage over competitors within the industry. Supported by experienced promoters and a technically adept operational team, the company has consistently grown over time. Their combined industry expertise facilitates effective planning and execution for future growth strategies

Cultivating Client Relationships and Operational Excellence: A strategic emphasis is placed on network expansion, with a commitment to fostering enduring customer relationships. This is achieved through the integration of cutting-edge technology, quality assurance measures, and timely project deliveries. The company's focus extends to process enhancement and operational consistency, aiming to minimize errors and elevate overall efficiency. By nurturing strong bonds with existing clients, the company has garnered repeat business, positioning itself to not only retain clients but also attract new ones, thus fostering sustainable business growth.

Valuation and View: Basilic Fly Studio has global presence and well positioned in VFX Industry. The company has delivered at a CAGR of 101.6% over the period of FY21-23, on standalone basis. The timely execution of capex would lead to take advantage industry growth of 24%-25% and company is expected to grow 50% to 80% over next 3 to 4 years. The global establishment of business along with proactive stance in embracing AI, along with its commitment to cutting-edge technologies and global team-building, underscores its innovative outlook. The strong growth in OTT (contributes 40% of revenue), TV episodes and streaming contents would improve business going forward. At the upper band of INR 97, the issue is valued at a PE of 5.9x based on FY23 EPS of INR 16.3. We are recommending "Subscribe for the listing gain" for this issue.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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