

Rating: Avoid

Issue Offer

Fresh Issue of 36,94,000 Equity Share aggregating up to INR 199.5 Mn

Issue Summary

Price Band (INR)	51-54
Face Value (INR)	10
Implied Market Cap (INR mn.)	757.4
Market Lot	2000
Issue Opens on	Dec,18,2024
Issue Close on	Dec,20,2024
No. of share pre-issue	1,03,31,958
No. of share pre-issue	1,40,25,958
Listing	NSE,SME

Issue Break-up (%)

QIB Portion	≥50%
Retail Portion	≤35%
NII Portion	≤15%

Registrar

Bigshare Services Pvt Ltd.

Book Running Lead Managers

Socradamus Capital Private Limited

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	86.53%	63.74%
Public & Others	13.47%	36.26%

Objects of the issue

- Funding capital expenditure towards the establishment of a new branch office in Lucknow.
- Funding capital expenditure towards the renovation of the existing Andheri office and studio
- Funding incremental working capital requirements

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Identical Brains Studios Ltd. is a well-known supplier of computer-generated visual effects (VFX) services, working on a variety of projects such as TV shows, movies, web series, and advertisements. With a strong group of technical and creative experts, IBSL uses cutting-edge methods including computer-generated imagery (CGI), 3D modeling, animation, and compositing to turn ideas into visually stunning experiences. The Indian VFX market, which is expected to triple in size by 2030, offers tremendous potential and grew at an impressive CAGR of 81.8% between 2020 and 2023. Renowned films like Scam 1992, Rocket Boys, and Adipurush are part of IBSL's impressive portfolio. Its work has won numerous important awards, demonstrating its reputation and skill in providing top-tier visual effects to top Bollywood companies and content creators.

Investment Rationale

Favorable Industry Dynamics : Company operates in the high-growth VFX and entertainment industry, underpinned by robust structural tailwinds. According to the industry report commissioned by Dun & Bradstreet, the VFX segment is poised for accelerated growth driven by increasing content consumption across OTT platforms, rising gaming investments, and the adoption of AR/VR technologies in media. The company is strategically positioned to capitalize on this momentum with its focus on advanced, bespoke VFX solutions, enabling it to address the evolving demands of premium content creators.

Strategic Positioning and Evolution: The company's evolution from an OPC to a public limited entity marks a pivotal step in its growth trajectory. The company aims to gain broader market access, institutional visibility, and credibility. Company has established itself as a differentiated player in high-quality VFX services catering to OTT, gaming, and advertising verticals. This niche positioning in a competitive industry, coupled with its ability to deliver innovative and high-impact visual effects, reinforces its long-term growth potential and competitive edge.

Strong Leadership Support : The business is backed by experienced promoters, Raghvendra Rai and Sameer Rai, who bring deep domain expertise and strategic foresight to drive growth. The promoters' significant post-issue equity stake ensures strong alignment of interests with shareholders. Additionally, the management team's track record in executing complex VFX projects underscores operational reliability and fosters client trust. The company's leadership capabilities and a skilled workforce position it to capture a larger share of an expanding market.

Well-Defined Capital Deployment Strategy: The company's funding proceeds will be strategically utilized to enhance production infrastructure, invest in cutting-edge technologies, and bolster research and development initiatives. This targeted capital allocation aims to expand operational capacity and unlock new revenue opportunities across interactive media, gaming, and animation segments. Strengthening the balance sheet post-IPO will also improve the company's ability to undertake larger projects, drive geographical expansion, and establish a stronger foothold in domestic and international markets, creating a sustainable growth runway.

Valuation and View : Despite operating in the high-growth VFX industry, company faces notable challenges that could hinder its performance. The company's reliance on structural tailwinds such as OTT content consumption and AR/VR adoption exposes it to potential market saturation and cyclical downturns. While the transition to a public limited entity and listing aims to bolster visibility, the competitive landscape in VFX services remains intense, posing risks to the company's ability to sustain its niche positioning. Furthermore, the reliance on promoters and a relatively small-scale workforce raises concerns about scalability and resilience in handling larger, complex projects. The capital deployment strategy, while growth-oriented, involves significant execution risks, particularly in achieving operational efficiency and delivering ROI from infrastructure investments in a rapidly evolving industry. At the upper band of INR 54, the issue is valued at a P/E ratio of 14.17x based on a FY24 EPS of INR 3.81. And based on annualized FY25 earnings the issue is valued at P/E ratio of 48.11. We are recommending a "Avoid" 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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