A) Baweja Studios Limited IPO Overview

Baweja Studios Limited, initially known as Baweja Movies Private Limited, Incorporated in March 16, 2001, Baweja Studios Limited is a production company, producing Hindi and Punjabi films. Also, the Company is in the business of trading movie rights. They purchase rights from producers and sell them to exhibitors and streaming platforms.

B) Overview of Indian Media and Entertainment Industry

The Indian Media and Entertainment (M&E) industry is poised for significant growth, driven by rising incomes, evolving lifestyles, and increased digital adoption. The industry's unique characteristics, such as high volumes and rising Average Revenue Per User (ARPU), make India a leader in digital adoption.

Key Growth Drivers:

1. Digital Adoption: The availability of fast and cheap internet has propelled India to the forefront of digital adoption, with online video consumption expected to surge, making digital ads the second-largest medium of advertising.

2. VFX Opportunities: India is emerging as a preferred content creator in the global VFX sector, presenting substantial growth opportunities.

3. Advertising Revenue: The advertising to GDP ratio is projected to increase, reaching 0.4% by 2025, backed by strong consumer demand and improving advertising revenue.

4. Segment-wise Revenue Projection (FY24):

- **TV:** ₹73,500 crore
- **Print Media:** ₹29,300 crore
- **Digital:** ₹28,700 crore
- **Film Exhibition:** ₹25,000 crore

5. Projections and Investments:

- The Media and Entertainment industry is expected to reach ₹1,60,000 Cr in FY24, with PwC estimating Rs. 4,30,401 crores (US$ 53.99 billion) by 2026.
- Advertising revenue in India is projected to reach Rs. 394 billion (US$ 5.42 billion) by 2024.
- The AVGC (Animation, Visual Effects, Gaming and Comic) sector is growing at ~29%, expected to reach ₹3,00,000 crores (US$ 43.93 billion) by 2024.

6. Digital Trends and Projections:

- India's SVOD subscriptions are projected to increase by 51%, reaching 90-100 million by 2022.
- India's digital advertising industry is expected to grow to ₹ 23,673 crore (US$ 3.09 billion) in 2022.
- India's subscription revenue is projected to grow at a CAGR of 2% and reach ₹ 432 billion (US$ 4.94 billion).
- In India, where Disney+Hotstar, Amazon Prime, Netflix and Zee account for most OTT revenues, more than 40 other players are active.
- Television would account for 40% of the Indian media market in 2024, followed by print media (13%), digital advertising (12%), cinema (9%), and the OTT and gaming industries (8%)

7. Online Gaming and Smart TVs:

- The Indian mobile gaming market is expected to reach US$ 7 billion in 2025.
- Connected smart TVs are expected to reach ~40-50 million by 2025, with gaming, social media, and short-form videos comprising 30% of content.

8. Digital Transformation and Initiatives:

- The industry is witnessing convergence, with a strong focus on OTT, gaming, animation, and VFX.
- Government initiatives, including increasing FDI, creating a National Centre of Excellence for AVGC, and regulatory frameworks, are fostering industry growth.

9. Future Outlook:

- The Indian Media and Entertainment industry is projected to grow to $55-70 billion by 2030 at a CAGR of 10-12%, led by OTT, gaming, animation, and VFX.
- Expansion into rural regions and the push for digital adoption, including 5G and future plans for 6G, present opportunities for advertisers and publishers.

C) Baweja Studios Limited Detailed IPO Analysis

Baweja Studios Limited, initially known as Baweja Movies Private Limited, Incorporated in March 16, 2001, Baweja Studios Limited is a production company, producing Hindi and Panjabi films. Also, the Company is in the business of trading movie rights. They purchase rights from producers and sell them to exhibitors and streaming platforms.

By June 2023, the company had completed 22 projects, currently 6 films are in production and 7 in pre-production.

Baweja Studios is a content production house that focuses on creating technology-based commercial films. The goal of the company is to push the boundaries of storytelling and incorporate technological advancements in its field. As part of their business process, they research and develop scripts, produce content end-to-end, create intellectual property, and monetize rights.

The company has diversified into various areas including digital films, web series, animation films, Punjabi films, advertisement films, and music videos.

D) IPO Details:

- **Open Date:** Jan 29 2024
- **Close Date:** Feb 01 2024
- **Total Shares:** 5,400,000
- **Face Value:** ₹ 10 Per Equity Share
- **Issue Size:** 97.20 Cr.
- **Lot Size:** 800 Shares
- **Issue Price:** ₹ 170 - 180 Per Equity Share
- **Listing At:** NSE Emerge
- **Listing Date:** Feb 06 2024

E) Objects of the IPO:

1. To meet the working Capital requirements: **₹54 Cr**
2. General Corporate Purposes: **To be determined later**

F) Business Model Overview

1. Strategic Approach to Film Production:

In the dynamic realm of motion pictures and audio-visual content creation, their company stands as a visionary force. The business thrives on a meticulous process that encompasses the entire spectrum – from conception to marketing and exploitation.

- A substantial portion of capital is allocated to the development phase, recognizing that a robust foundation is paramount for success.

- Post content development, strategic partnerships are secured with funding studios and OTT platforms, effectively reducing project-related risks. This collaborative approach ensures shared production costs, aligning with mutually beneficial agreements.

- Upon locking a funding studio/OTT platform, production activities commence, with costs distributed according to predefined agreements. The essence lies in minimizing project-specific risks, a goal achieved through strategic partnerships and shared responsibilities.

2. Content Development Focus:

1. S**ourcing Content:**

- Utilizes a global network for content acquisition, in-house story development, remake rights, and third-party adaptations.
- Emphasis on in-house content development as a primary focus.

2. **Selection Process:**

- Rigorous selection process involving creative heads, business heads, and COO evaluations.
- In-depth assessments considering budget, potential directors, lead cast, focus group evaluations, studio interests, and market assessments.
- Managing committee approval marks the green light for development.

3. **Model Selection and Execution:**

- Utilizes a well-defined process for acquisition/co-production or production models.
- Leverages deep industry roots and relationships to make informed decisions.

4. **Post Production Activities:**

- Line production services, transferring rights for a pre-agreed fee.
- Outsourcing for dubbing, sound, VFX, and video post, with continuous monitoring.
- Sales and marketing efforts to pitch prime projects and maintain strong client relationships.

3. Business Process

1. **Development:**

- Initiates with script development, either from existing scripts, books, or story outlines.
- Creative pitches and ideas contribute to the overall vision.

2. **Pre-Production:**

- Detailed planning before filming, including shoot location, casting, and line production team setup.
- Exhaustive pre-production documents are prepared aligning the vision of the Director.

3. **Production:**

- Focus on planning ahead of daily shoots, keeping within budget and schedule.
- On-set accountants and audit team ensure financial compliance.

4. **Post-Production:**

- Starts after principal photography, with in-house editing and contributions from VFX, music, and sound design.
- Audio and video post activities are divided, with delivery to the studio/platform upon completion.

5**. Distribution:**

- Initiates after completion, crucial for producers to recover investments.
- Involves securing distribution deals for cinema, TV, OTT, or direct-to-DVD releases.
- Robust distribution strategy is vital for business success.

G) Key Strengths

1. Experience of Promoter, Mr. Harman Baweja:

Mr. Harman Baweja, the Promoter, brings over 22 years of valuable experience in the media and entertainment industry. His diverse roles, from assistant on film sets to editor and actor, have contributed significantly to script incubation, streamlined production processes, and enhanced industry relationships, driving year-on-year growth.

2. Qualified Senior Management Team:

Directors and Key Managerial Personnel lead day-to-day activities, fostering a lean and hands-on organizational culture. Backed by rich experience in the film, media, and entertainment industry, the Board of Directors and management team are well-equipped to capitalize on existing and future prospects, ensuring effective business operations.

3. Long-standing Industry Relationships:

As a well-established player in India's entertainment industry, they have cultivated enduring goodwill, leading to repeat business transactions for content acquisition. Their extensive network within the industry provides valuable insights, helping them manage and mitigate various business risks, including competition and content trends.

4. Quality Assurance and Standards:

Consistently pushing the boundaries of technological advancements, they maintain top-end quality across all content. Their unwavering commitment to excellence has positioned them as a reliable provider of high-quality entertainment in the market.

5. Diverse and Growing Content Library:

With a diverse content library constantly expanding through new releases, their focus on innovation caters to a broad demographic in India and overseas. From animation for kids to content tailored for the digital age and theatrical audiences, their strength lies in the diversity of the content pipeline.

6. Scalable Business Model:

Their technology-driven business model capitalizes on assembling successful teams, efficient marketing, script identification, acquiring OTT platforms, and leveraging economies of scale. Proven profitable and scalable since incorporation, their business strategy adapts to the evolving needs of the company.

7. Distribution and Co-production Model:

Embracing a 'low risk, high reward' model, they collaborate with strong production houses and content distributors to grow revenue exponentially. Engaging in co-production models with industry leaders allows them to execute various stages of film production efficiently and within budgetary constraints.

H) Strategies

1. Cross Promotion:

Implementing a cross-promotion strategy, they aim to leverage their vast content library and upcoming projects across various platforms. Marketing existing and new content on multiple platforms, including OTT platforms, is envisioned to enhance brand visibility and recall.

2. Increasing Portfolio:

The strategy involves releasing a minimum of 5 new films annually, spanning theatrical releases, digital releases, series, animation, etc. The diversified budget range allows them to leverage these releases across numerous OTT platforms. The co-production approach facilitates simultaneous work on large-budget projects, contributing to scalability.

3. Scaling Up Content Quality:

Recognizing evolving tastes locally and internationally, the focus is on enhancing the capability to conceptualize and produce films catering to diverse entertainment demands. This includes family dramas, adventure, romantic narratives, and more. To attract and retain younger audiences, various strategies such as telecasting, media coverage, and promotional arrangements will be employed.

4. Diversified Content Library and Rights Acquisition:

The plan involves expanding into the music industry and acquiring rights from content, production houses, studios, and other intellectual properties. Leveraging digital convergence, technological developments, and mobile content popularity, they seek to diversify revenue streams. Industry connections will play a vital role in establishing and expanding their filmmaking company.

I) Risks

1. Volatility in Financial Performance:

The company's financial position and operational results exhibit fluctuations due to film delivery schedules and other factors, making it challenging to predict future performance accurately.

2. Uncertain Film Success:

Inability to predict or forecast the success of films poses a significant risk. Changing consumer tastes further complicate predicting audience preferences in both the Indian and international markets.

3. Limited Experience in Film Releases:

With very limited experience in releasing films produced in-house, the company may face challenges in navigating the complexities of the distribution and exhibition processes.

4. Impact of Content Piracy:

Content piracy poses a threat to revenues and overall business, potentially undermining the company's ability to generate expected returns from its productions.

5. Project Delays and Cost Overruns:

Financial condition and business prospects could be adversely affected if projects are not completed as planned or experience delays and cost overruns, leading to potential financial strain.

6. Dependency on Content Library:

The company's revenues and profitability are directly tied to the exploitation and growth of its Content Library. Any failure to source content may have a detrimental impact on profitability and hinder business growth.

7. Incomplete Box Office Revenues:

There is a risk that the company may not receive the full amount of box office revenues to which it is entitled, potentially impacting overall revenue streams and financial performance.

J) Client Base Customers & Suppliers Bifurcations

A significant portion of revenue comes from the top 5 customers. The details of revenue from such customers are as under:

Particulars	For the period ended on September 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Top 5 customers (₹ in Lakhs)	3,806.35	6569.75	3,436.21	1,866.14
Top 10 customers (₹ in Lakhs)	3,866.35	7,379.05	4,071.02	1,944.54
Top 5 customers (%)	98.45%	84.89%	84.41%	95.97%
Top 10 customers (%)	100.00%	94.21%	99.68%	100.00%
Top 10 Suppliers (₹ in Lakhs)	1,309.07	3957.27	536.63	389.73
Top 10 suppliers (%)	41.74%	63.20%	15.37%	74.37%

K) Competitive Landscape in the Media & Entertainment Industry

In recent years, the media and entertainment industry has witnessed heightened competition, with both established players and emerging entities vying for prominence. The film sector, in particular, is experiencing an influx of new production houses, given the relatively low entry barriers in this dynamic industry.

1. Diverse Competitors:

Competition extends beyond fellow film production houses to encompass various segments of the entertainment media landscape, including television channels, radio, OTT platforms, and print media.

2. Evolution of Rivalry:

The competitive landscape is evolving, marked by both existing giants in the industry and the emergence of fresh players. The entry of new participants adds to the complexity of competition, as innovation and diverse content become focal points.

3. Key Competitive Advantages:

Baweja Studios identifies film rights as a pivotal competitive advantage. The ownership and control over film rights serve as integral components of their business model, setting them apart in a crowded marketplace.

4. Industry Experience as a Strategic Edge:

Leveraging extensive experience and a profound understanding of the Indian film business, Baweja Studios positions itself strategically to contend with both established entities and emerging players in the Indian media and entertainment sector.

5. Corporate Diversification and Regulatory Changes:

The landscape is further shaped by the entry of corporate houses diversifying into film production and distribution. Additionally, liberalization of FDI norms in the film industry adds a layer of complexity, potentially intensifying competition within the sector.

L) Financials *(All particulars in lakhs)*

Particulars (In Lakhs)	2021	2022	2023	6M-FY24
Revenue from Operations	1,945	4,071	7,379	3,866
Other Income	10	26	249	24
Total Revenue	1,954	4,097	7,628	3,890
Operational expenses	524	3,492	6,261	3,137
Employees Benefit Expenses	14	19	57	29
Loss on sale of investment	52	4	0	0
Preliminary expenses	0	12	8	0
Other Expenses	195	122	151	94
EBITDA	1,168	448	1,151	631
Depreciation & Amortisation	3	11	33	26
Finance cost	8	28	49	24
EBIT	1,165	437	1,119	605
OPM (%)	59.79%	10.93%	15.09%	16.23%
PBT	1158	409	1070	581
Tax	393	133	273	146
PAT	765	276	797	435
NPM (%)	39.13%	6.74%	10.45%	11.19%
No.of Shares	184.27	184.27	184.27	184.27
EPS	4.14	1.49	4.32	2.36

S) Peers Analysis *(All the data is as per FY23)*

Name of the Company	Revenue (In Crore)	PAT (In Crore)	EPS (In Rs)	P/E	CMP	Mcap (In Crore)
Baweja Studios Limited	74	8	4.32	41.6	180	332
Shemaroo Entertainment Ltd	557	10	3.44	51.6	178	485
Eros International Media Ltd	681	-120	-12.15	N/A	23.6	226
Zee Entertainment Enterprises Ltd	8,088	48	0.50	60.6	155	14,864
Mukta Arts Ltd	163	-19	-8.30	N/A	92.6	209
Vels Film International Ltd	60	0.5	1.12	239.0	98	126

T) Valuation:

After annualizing 2023-24, representing 6M FY24 data:
Particulars (In Cr)

Revenue: ₹77.32

PAT: ₹8.7

EPS: 4.72

P/E: 38.13x

Market Cap: ₹331.68

Review: Baweja Studios operates in a highly volatile sector, which is largely dependent on audience preferences and the success of films, making it a very unpredictable market. A PE ratio of 38, after annualizing FY24 financials, is also considered very high. Additionally, in September 2023, a company called Inspires Films, which operates in the same business, listed on the stock exchange at a price of 70. Today, it is trading at 60 as it is facing difficulties to attract investors to invest in their company.