

Net Pix Shorts Digital Media Ltd.

SSIS IPO GRADE 1.75/5 (Weak Fundamentals)

19th November, 2020

Rating Overview

Incorporated in 2019, Net Pix Shorts Digital Media Limited is a Mumbai-based technology entertainment company. The company prepares online short film content and publish it on the digital media channels and OTT platforms.

It started content distribution through its channel "Net Pix Shorts" on the 'YouTube' portal. As of Sept 05, 2020, it has released 12 videos constituting 154.94 minutes of content and also has 8 short films. The company has 246,000 subscribers to its YouTube channel.

If we consider FY20 earnings, the issue is priced at a P/E of around 214 based on its current paid-up equity capital and at a P/E of around 298 based on fully diluted equity post issue. Our overall fundamental rating of Net Pix is Weak Financials. The offer price is expensive despite the growth prospects of the company. It's a long way to go for this business to become a secure investment. We initiate a subscribe recommendation for risk savvy cash surplus investors for long term gains, others may avoid.

Note: The analyst has no plans of subscribing to the offer and does not hold any shares in the company prior to, or at the time of writing this review.

Business Overview

Net Pix Shorts Digital Media Ltd. (NPSD) got incorporated only in June 2019. Before that, it was run as a proprietorship concern as First Step Entertainment Capital.

NPSD is a technology-based entertainment company operating in the niche segment of online short film contents and publishing the same on various digital online portals and OTT platforms. The online digital media industry is a continuously evolving technological industry and the company endeavours to exploit these technological advances to reach audiences in India and globally with entertaining, socially relevant and heartfelt content.



Company's objective is to offer a platform for enabling digital online entertainment by creating and/or procuring short content in order to make its platform a preferred choice for short content audiences. It started online content distribution through the internationally renowned 'YouTube' portal and its channel - 'Net Pix Shorts' went live on January 08, 2018. Currently, it has released 10 titles consisting of 12 videos on YouTube channel aggregating to 154.94 minutes of content, which has received approximately 314.68 lakhs aggregate views as on November 06, 2020.

As on the date of this Prospectus, NPSD also has 8 short films which are under production aggregating to approximately 155.84 minutes of content. Besides, some of its videos are also uploaded on various other digital online portals like Hungama Play, Sony Liv, Mx Player, Shorts TV and Hotstar, either directly or through media partners.

It has recently launched its own music channel on YouTube - 'Net Pix Raw Music' which went live August 14, 2020.

Financial Performance

On the financial performance front, NPSD has posted a total revenue of Rs. 0.18 cr. with a net profit of Rs. 0.02 cr. for FY20. For Q1 of current FY21, it has reported a net loss of Rs. -(0.02) cr. on total revenue of Rs. 0.01 cr. thus it has a very short period of financial data of around 12 months in total and that too with a loss for the first quarter of current fiscal.

For FY20 and Q1-FY21 the company has reported EPS of Rs. 0.14 and Rs. - (0.11) cr., and RoNW of 1.40% and - (1.09) %. Thus based on the latest financial data, the issue is priced at a negative P/E. The issue is priced at a P/BV of 2.96 based on its NAV of Rs. 10.14 as on March 31, 2020, and at a P/BV of 1.50 on the basis of post-issue NAV of Rs. 20.02. It has not paid any dividend so far.

If we consider FY20 earnings, the issue is priced at a P/E of around 214 based on its current paid-up equity capital and at a P/E of around 298 based on fully diluted equity post issue.

Summary of financial Information		
Particulars	For the year/period ended (Rs in Million)	
	30-June-20	31-Mar-20
Total Assets	549.98	524.88
Total Revenue	1.14	18.37
Profit After Tax	(1.75)	2.28

Issue Details

To part finance its plans of acquiring workshop and godown on a long term lease (Rs. 1.00 cr.), augment digital media content library (Rs. 0.80 cr.) and general corpus fund (Rs. 0.37 cr.) needs, NPSD is coming out with a maiden public issue of 900000 shares at a fixed price of Rs. 30 per share to mobilize Rs. 2.70 cr. This issue opens for subscription on November 18, 2020, and will close on November 23, 2020. Minimum application is to be made for 4000 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE Startup SME platform. The issue constitutes 28.12% of the post issue paid-up capital of the company. **The company is spending Rs. 0.53 cr. for this issue process (refer page 58 of the offer documents), which indicates that this is a fully structured IPO with funding arrangements tied up in advance.**

This issue is solely lead managed by Aryaman Financial Services Ltd. and Cameo Corporate Services Ltd. is the registrar to the issue. Aryaman Capital Markets Ltd. is acting as a Market Maker for this issue

Having issued initial equity at par, the company raised further equity by way of rights issue of 700000 shares at Rs. 30 per share in August 2020. The average cost of acquisition of shares by the promoters is Rs. 16.09 per share.

Post issue, NPSD's current paid-up equity capital of Rs. 2.30 cr. will stand enhanced to Rs. 3.20 cr. NPSD is looking for a market cap of Rs.9.60 cr. post this issue.

Application Dates	Nov 18, 2020 – Nov 23, 2020
Issue Type	Book Built Issue IPO
Face Value	₹10 per equity share
IPO Price	₹30 per equity share
Market Lot	4000 Shares
Listing At	BSE SME
Issue Size	[.] Eq Shares of ₹10 (Up to ₹2.70 Cr)

Issue Timeline

Basis of Allotment Date	Nov 26, 2020
Initiation of Refunds	Nov 27, 2020
Credit of Shares to Demat Account	Dec 1, 2020
IPO Listing Date	Dec 2, 2020

Investment Strategy

The company has presented financial data for around 12 months in total for two fiscals. Based on Q1-FY21 negative earnings, its P/E cannot be ascertained. The issue is exorbitantly priced on all parameters. Its tiny equity post IPO also indicates higher gestation for migration to the mainboard. Investors may skip this highly-priced issue.