



About The Company:

DQ Entertainment (International), promoted by Tapaas Chakravarti & DQ Entertainment (Mauritius), is one of the leading producers of animation, visual effects, game art and entertainment content for the Indian as well as global media and entertainment industry. The company is a producer of animation videos and creators of game art. It has forayed into production and distribution of live action television and feature films. It has an asset base of over 350 hours of animation content from which it can earn revenue through licensing and distribution activities. The company was originally incorporated in 1987 as Dataquest Management and Communications Private Limited, which was changed to DQ Entertainment in 1993 to engage in IT training & consultancy.

The company has moved up the animation value chain and entered into co-production. It has at least 14 co-production projects going on. The global budget is about Rs 1104.28 crore of which the company’s investment would be Rs 152.55 crore funded through pre-IPO placement, IPO proceeds and debt. Its production capabilities include 10 production facilities in India (eight in Hyderabad and one each in Mumbai and Kolkata), a pool of over 2,851 employees, and worldwide third-party sales representatives in Paris, Tokyo and Los Angeles. The company has a client base of over 90 companies, which include internationally recognized brands such as, inter alia, the Disney Group, Nickelodeon, American Greetings, BBC, Moonscoop Group, ZDF-Germany, Australian Broadcasting Corporation and NBC Universal.

Book Running Lead Manager:

SBI Capital Market is the Book Running Lead Manager. SBICAP securities limited, India Infoline limited and Yes Bank are the syndicate Members to the issue.

FITCH Ratings:

The Issue has been graded by Fitch Ratings as Fitch Ratings Grade ‘3(ind) of a maximum of 5(ind)’, indicating “average” fundamentals.

Details of IPO

Issue Open: March 8, 2010
Issue Close: March 10,2010
Issue Type:100% book built issue IPO
Issue Size:1,60,48,011 Equity Shares
Face Value:Rs10per Equity Share
Issue Price :Rs 75-80 Per Equity Share
Lot Size:80 Equity Shares

S.No	Main Category	No of Equity Shares reserved for the main category
1	QIB	At least 9,436,200 Equity Shares
2	Non Institutional	Up to 1,572,700 Equity Shares
3	Retail	Up to 4,718,100 Equity Shares
4	Employee	Up to 321,011 Equity Shares
Total Issue Size	1+2+3+4	16,048,011 Equity Shares



How will the capital raised by be used?

- The raised fund will be invested in co-production agreements focusing on IP content creation.
- Expansion plan at SEZ facility in Kokapet Village
- Investment in the Subsidiary –DQ Entertainment(Ireland) as most of the revenue part consist of US and European Market.

Investment Rational:

The company has a strong order book worth about US\$ 95.07 million, providing high levels of earning visibility. More than 80% of FY2010 revenues are identified with over 40% of the order book in various stages of production and the & balance to commence during the year. Orders worth US\$ 28 million are to be executed in FY2010 and US\$ 33 million and the balance beyond FY 2010.

Key Risk:

The market for animation entertainment is characterized by short product lifecycles and frequent introduction of new products. The company would run the risk of committing resources for the creation of such products and eventually fail to realize anticipated revenues.

Financials and Valuations:

The company has shown a high growth rate in revenues over FY08-FY09. This has been accompanied by an expansion in EBITDA margin to 38.6% in FY09, from 26.6% in FY08. The 91% of revenue in FY09 were from television production. The leverage position were comfortable for the company in FY08 coming at 137.46 lakh. At the price band of Rs 75 – Rs 80, on consolidated basis EPS of FY2009 of Rs 2, the PE works out to 37.5 – 40 times and on the half yearly annualised EPS for FY2010 of Rs 2.6, the PE works out to 29.2 – 31.2 times. The EV/sales is at 3.4 – 3.6 times, EV/EBITDA is at 9.6 – 10.2 times and market capitalization/sales is 4 – 4.2 times

Conclusion:

The global animation industry is one of the fast growing components of the global media and entertainment industry. The Indian animation industry, estimated at US\$ 494 million in 2008, is miniscule as compared to the global animation industry. The Indian animation industry has been growing with an estimated CAGR of 25% during 2006-08 and is estimated to reach a size of about US\$ 1095 million by 2012. The company is a good player with good Strategy and innovation in the near future. Investors can invest in IPO for the listing gains.



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