

16th October, 2000

ENTERTAINMENT INDUSTRY OPENS UP TO THE IPO ROUTE

The Indian entertainment industry is now increasingly using the primary market route to fund its resource requirements according to Mr. Prithvi Haldea of PRIME, India's premier data base on the primary capital market. While the three year period of 1996-97 to 1998-99 had seen only 6 IPOs from this sector, the period since April, 1999 has already witnessed 12 IPOs and there are at least 40 IPOs in the pipeline.

The revival of this sector came in the later part of fiscal 1999-2000, which saw 2 IPOs hitting the market : Cinevista (Rs.76 crore) and TV18 (49). The response to both these issues was phenomenal. While the issue of TV18 was oversubscribed by 64 times, the Cinevista issue sold 98 times in the bookbuilding portion and 180 times in the fixed price portion.

In the current fiscal, as many as 10 companies, according to PRIME, have already tapped the IPO market : Balaji Telefilms (Rs.36 crore), Galaxy Multimedia (3), Kirloskar Multimedia (4), Mukta Arts (100), Padmalaya Telefilms (25), Pritish Nandy (41), Sibar Media (6), Tabassum International (4), Telephoto Entertainments (3) and Tips Industries (98).

The current year's issues have, however, evoked only a moderate response from the investing public. According to Mr. Haldea, this is primarily because of the paradigm shift in valuations of the 'new economy' sector which came after the crash at NASDAQ in April this year. With most issues now quoting below their offer prices, investors have become cautious about subscribing to new IPOs, specially the aggressively – priced ones.

As per PRIME, the oversubscription figures available for some of the issues of the current year tell the story : Kirloskar Multimedia (1.1 times), Mukta Arts – bookbuilding portion (4.6) and fixed price portion (1.2), Padmalaya Telefilms (4.4), Pritish Nandy – bookbuilding portion (1.5) and Tips Industries – bookbuilding portion (4.1) and fixed price portion (2.0). Only 2 issues have evoked a high response : Sibar Media (7.1 times) and Telephoto Entertainments (36.7). In the first-ever development of its kind, Creative Eye had to pull out its issue because of lack of investor's response.

In the bigger issues which are book-built, the institutional response has still managed to be reasonable. However, the retail investor is shying away, despite the endorsement of pricing by the institutional investors. Even at the floor price level, the Mukta Arts fixed price portion could elicit only 4490 applications while the Tips issue could garner a meagre 2202 applications. Contrast this with the fixed price portion of Cinevista last year which had managed to obtain a phenomenal 3,01,367 applications.

According to PRIME, IPOs from the entertainment industry have till now primarily come from five sectors namely feature film production, TV channels, TV software production, music and studio facilities. Only a beginning seems to have been made in the big-ticket film industry with the sole IPO of Mukta Arts. Most of the

IPOs till now have been from the television industry and even here the lead has been taken by the content producers.

The opening up of the film industry and its increasing corporatisation holds tremendous opportunities for the primary market. In addition, there are scores of TV channels which would at some point of time take their companies public.

In the pipeline, as per PRIME data base, are at least 40 announced IPOs from the entertainment sector. Some of the major ones include Adlab Films (Rs.53 crore), Creative Eye (35), Devgan Entertainment (60), Magnasound, Moving Picture (10) NDTV, News Television, Nimbus (100), Numero Uno (50), Sahara India Media, Sippy Films, Sony Entertainment and UTV.

What will be critical to the success of these IPOs will be their pricing. An indication of this is already available with Creative Eye, according to Mr.Haldea, relaunching its IPO with the floor price now being 40 per cent lower than its earlier failed offer.