Bharatiya Global Infomedia Ltd.

July 11, 2011

Price Band	**: ₹75 – 82 per share**
Minimum Bid Lot Size	**: 75 Equity Shares**
Maximum Bid Lot Size	**: 2400 Equity Shares**
IPO opens during	**: July 11 – 14, 2011**
Book Running Lead Manager	**:Almondz Global Securities**
To list on	**: NSE & BSE**
IPO Grading	**: 2 / 5 (CARE)**
PE	**: 15.03x (based on base price)***
	: 16.43x (based on cap price)*
Market Cap post-listing	**: ₹129.91Cr or $29.33mn (based on the cap price)**
Market Cap of Free Float	**: ₹63.58Cr or $14.35mn (based on the cap price)**

*Based on FY11 EPS

IPO of 6.72mn equity shares of ₹10each, aggregating to ₹55.1Cr or $12.44mn (at the cap price).

Shareholding Pattern

	Pre-Issue		Post-Issue	
	No. of Shares	**% Holding**	**No. of Shares**	**% Holding**
Promoter	8,088,958	88.7%	8,088,958	51.1%
Pre-IPO Investors	1,034,152	11.3%	1,034,152	6.5%
QIBs (excl. Mutual Funds)	-	0.0%	3192000	20.1%
Mutual Funds	-	0.0%	168000	1.1%
Non Institutional Investors	-	0.0%	1008000	6.4%
Public	-	0.0%	2352000	14.8%
Total	**9,123,110**	**100.0%**	**15,843,110**	**100.0%**

Executive Summary

- Bhartiya Global Infomedia Ltd. (BGIL) is a technology based company focusing on the sectors such as Information Technology security and compliance automation software solutions and technology related to Media & Entertainment industry with focus on Research & Development.
- Its current business operations consist of Information Technology Based Solutions-RFID & Smart Card and Digital Post Production Studio namely “BGIL Studio” in Mumbai.
- BGIL develops small animated capsules for various projects and also design & develop WAP enabled products for clients.
- BGIL has received ISO 9001:2008 certificate of compliance in respect of IT based safety security and automation products/solutions.
- BGIL provide range of solutions to its customers that sustain throughout the full product life-cycle. It offer services designed to address the customers’ specific needs as products move from different stages of maturity across early to end-of-life.
- BGIL’s solution eliminates manual efforts and costs that otherwise may be required to become secure and compliant. It provides solutions that identify and help correct security vulnerabilities and non-compliant configurations, speeds the investigation of security incidents, and reduces the costs associated with demonstrating compliance.

Our View

Limited scope for value addition in hardware intensive offering, intense competition and small size of business makes IPO of BGIL less attractive to the investors. Therefore, we may advise investors to skip the issue.

Company Background

BGIL was originally incorporated as "Bhartiya Global Financial & Allied Services Ltd." in November 1994 and changed its name to "Bhartiya Global Software Fintec Ltd." in May 1999. The Company further changed its name to "Bhartiya Global Software Ltd." in June 2001 and finally changed its name to "Bharatiya Global Infomedia Ltd." in November 2003.

BGIL is a technology based company focusing on the sectors such as Information Technology based solutions and Media & Entertainment industry with focus on Research & Development.

Promoters and Management

Mr. Rakesh Bhhatia is the Chairman and Managing Director of BGIL. He has more than 20 years of experience in Corporate Law & Finance, Information Technology, Investment Banking and activities relating to Media & Entertainment. He took over the management of BGIL in April 2004 and started his focus in the field of Information Technology.

Mrs. Arti Bhatia is a Promoter Director (Non-Executive) of BGIL and has overall experience of 17 years in the field of HR management and administration.

Mr. Sanjeev Kumar Mittal is the Executive Director-Technical of BGIL and is looking after Information Technology (IT) related activities in the company. He has over 18 years of experience in the fields of system design, frontline sales, dealers' training, installation, commissioning and customer support in various sector viz. IT, telecom, electronic safety, security and building automation industry.

Industry Overview

Information Technology – Business Process Outsourcing Sector (IT-BPO)

Over the past decade, the Indian IT-BPO sector has become the country's premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation, in addition to becoming the global brand ambassador for India. Worldwide technology products and services related spend is estimated to reach $1.6tn in 2010, a growth of 4% over 2010, with emerging verticals and emerging geographies.

Indian IT-BPO Performance

Indian IT-BPO industry is estimated to pegged at $88.1bn in FY2011, with the IT software and services industry accounting for $76.1bn. During this period, direct employment is expected to reach nearly 2.5mn, an addition of 2,40,000 employees, while indirect job creation is estimated at 8.3mn. Its share of total Indian exports (merchandise plus services) increased from less than 4% in FY1998 to almost 26% in FY2011.

Domestic IT-BPO revenues are expected to grow at almost 16% to reach ₹787bn in FY2011. Strong economic growth, rapid advancement in technology infrastructure, increasingly competitive Indian organisations, enhanced focus by the government and emergence of business models that help provide IT to new customer segments are the key drivers for increased technology adoption in India. IT services is one of the fastest growing segment in the Indian domestic market, rising by 16.8% to reach ₹501bn, driven by localised strategies designed by service providers.

Domestic BPO segment is expected to grow by 16.9% in FY2011, to reach ₹127bn, driven by demand from voice based services, in addition to adoption from emerging verticals, new customer segments, and value based transformational outsourcing platforms.

Indian software product segment is estimated to grow by 14% to reach ₹157bn, fuelled by replacement of in-house software applications to standardized products from large organizations and innovative start-ups.

Government sector is a key catalyst for increased IT adoption-through sectors reforms that encourage IT acceptance, National e-Governance Programs (NeGP), and the Unique Identification Development Authority of India (UIDAI) program that creates large scale IT infrastructure and promotes corporate participation.

Future Outlook of IT Sector

In 2010 the world economy is recovering from the recession. Worldwide GDP grew 5% in 2010 and is expected to stabilize at about 4.4% in 2011. Developing nations continue to grow faster than the developed countries by atleast three times. IT spend is directly linked to growth in GDP and in line with this trend, IT spend in 2011 is expected to grow nearly 4%. Worldwide IT spending will also benefit from the accelerated recovery in emerging markets, which will generate more than half of all new IT spending worldwide in 2011. In 2011, growth will reflect new demand for IT goods and services, not pent-up demand from prior years. 2011 will also see a major surge in the use of private and public cloud and mobile computing on a variety of devices and through a range of new applications. Hardware is likely to grow the fastest at about 7%, led by the refresh cycle in the Government sector. Shipments of app-capable, non-PC mobile devices (smart phones, media tablets) are expected to outnumber PC shipments.

In the future, the global IT-BPO industry is likely to go through a paradigm shift across five parameters:

Markets – Growth will be driven by new markets – SMBs, Asia, public sector and government-influenced entities which will become a priority customer base.

Customers – Customers will demand 'transformative' value propositions that go beyond lower-cost replication, as technology creates virtual supply chains, customer will require a seamless experience across time zones and geographies; increasing demand for innovation and end-to-end transformation.

Service Offerings – Offerings that are high-end, deeply embedded in customer value chains will emerge. Services and delivery will become location-agnostic leading to new opportunities such as design services in manufacturing, Remote Infrastructure Management (RIM), etc. Solutions for the domestic market will be a key focus area.

Talent – Government pressures to create local jobs and the need for local knowledge will alter the employee mix – a higher proportion of non-Indians with multilingual and localised capabilities. There will be a much greater focus on ongoing development of specialised skills and capabilities.

Business models – Driven by a focus on expertise and intellectual property, offerings will shift from piecemeal, technology-centric applications to a range of integrated solutions and higher-end services, spanning new service lines (e.g. green IT).

While developed markets constitute the largest share of IT spend, increasingly emerging markets are spearheading growth as a large consumer base becomes increasingly tech-savvy and enterprises adopt IT solutions to improve their global competitiveness. Given this scenario, the Indian supply base has begun to explore market opportunities beyond US and UK. By 2020, new segments (SMBs), new verticals (Public sector and Defence, Healthcare, Utilities, Printing and Publishing) and new geographies (BRIC) will account for 50-55% growth in the addressable market. India supply base is well placed to tap this potential, with their two decade long experience, mature service capabilities, presence in almost all verticals, global footprint and an abundant talent pool.

Suitably exploiting these emerging opportunities both in the global and domestic markets can help India reach $130bn in IT-BPO revenues by FY2015, a CAGR of 14%. By 2015, the Indian IT-BPO industry is expected to contribute about 7% to annual GDP and create about 14.3 million employment opportunities (direct and indirect).

Further, the India supply base has also begun to look for expansion across various non-metros both to control costs and have access to a large talent pool. This expansion has resulted in the development of a local talent pool and the physical and social infrastructure. The industry is now moving to rural areas creating employment, improving living standards, positively impacting career and personal development, empowering women and developing a social infrastructure, thus leading to balanced regional growth.

The government will be a key driver for increased adoption of IT-based products and solutions. It has embarked on various IT-enabled initiatives including in Public services (Government to citizen services, citizen identification, public distribution systems), Healthcare (telemedicine, remote consultation, mobile clinics), Education (eLearning, virtual

classrooms, etc) and Financial service (mobile banking/payment gateways), etc. These initiatives are expected to substantially improve the economic conditions of a large, under-served population, thereby reducing the government's fiscal burden.

BGIL also cater to the Films and Animation & VFX sector of the M&E industry with the postproduction work. While the filmed entertainment sector had grown by over 15% between 2006 and 2008, year 2009 witnessed a significant de-growth for the industry. In 2009 the industry is estimated to have declined by nearly 14% to ₹89.3bn from ₹104.4bn in 2008. This was largely on account of lower domestic theatrical collections in 2009 compared to the previous year. Though the previous year witnessed a decline for the filmed entertainment industry, the trend is likely to reverse in 2010 to grow at a CAGR of 8.9% to reach ₹136.7bn by 2014. In 2009, the Indian animation industry continued to rely on outsourced work and co-production deals that led to a growth rate of approximately 9% over 2008. The Animation and VFX industry has seen an overall growth of 13.6% over 2008 and is expected to grow at a CAGR of 18.7% in the coming years to reach ₹46.6bn by 2014 driven by increased consumption of animated content, creation of global IP formats, acceptance of 3D graphics and venturing into international markets.

Business Operations

BGIL is a technology based company focusing on the sectors such as Information Technology security and compliance automation software solutions and technology related to Media & Entertainment industry with focus on Research & Development. Its current business operations consist of Information Technology Based Solutions-RFID & Smart Card and Digital Post Production Studio namely "BGIL Studio" in Mumbai. BGIL has in-house developed software ERP product, customized software development, training, consultancy, trading, animation and RFID based solution.

BGIL develops small animated capsules for various projects and also design & develop WAP enabled products for clients. Its main focus is on building RFID technology. BGIL has received ISO 9001:2008 certificate of compliance in respect of IT based safety security and automation products/solutions.

Services

Information Technology based solutions: BGIL have designed its products and services to provide automated solution that helps enterprises to meet the challenges of making IT infrastructure secure and compliant. The solution provides visibility across the IT infrastructure, intelligently identifies security threats and compliance breaches, and automates security and compliance processes to reduce risk. BGIL have total of 32 Radio Frequency Identification solutions, out of which it has got registration for 8 solutions from Government of India. In Safety, Security & Automation, BGIL analyses, evaluate, design, implement and maintain a coherent set of processes and systems for effectively managing infrastructure safety and security.

Media and Entertainment Division: In Media and Entertainment Division, BGIL has a Digital Post Production Studio, known as "BGIL Studio" in Mumbai. It is an integrated end to end Film's Post Production and Visual Effects Services House. BGIL's Studio offers services ranging from visual effects, digital film lab (digital intermediate, high-resolution film scanning and film recording) and editing and motion control to High Definition production. It helps its clients to define their style and design coupled with the experienced inputs which ultimately translates into a special customized product being delivered to the clients.

Strengths

Product development services offering services for all stages of the product life cycle

BGIL provide range of solutions to its customers that sustain throughout the full product life-cycle. It offer services designed to address the customers' specific needs as products move from different stages of maturity across early to end-of-life. Its services range from identifying, developing, testing, consulting services, support and maintenance. BGIL's services focus on its ability to manage smaller products, its ability to service customers and its delivery model makes BGIL product offering competitive.

Cost-effective solutions

BGIL's solution eliminates manual efforts and costs that otherwise may be required to become secure and compliant. It provides solutions that identify and help correct security vulnerabilities and non-compliant configurations, speeds the investigation of security incidents, and reduces the costs associated with demonstrating compliance. BGIL enable its customers to use fewer solutions and services to achieve and maintain compliance in a cost-effective manner.

Relationships with customers

BGIL has built its relationships with customers on its successful execution of prior engagements. The quality of its products and services is demonstrated by the fact that customers have given repeat orders. Its track record of delivering solutions and product development experience has helped BGIL in building relationships with its customers.

Experienced and qualified promoters and management team

BGIL has executed several contracts during the last 5 years period and has developed experience in its line of operations. Its promoters and management teams are well experienced in the field of computer hardware and software, computer application and related field.

Objects of the Issue

The objects of the Issue are to:

- Setting up of corporate office at Noida & Branch Office at Mumbai.
    - Purchase of owned corporate office at Noida & relocation of Branch Office at Mumbai.
    - Upgradation of Digital Post Production Studio and Investment in IT division.
- Expansion of R&D technology centre.
- Repayment of bank borrowings.
- Meeting long term working capital requirements.
- Meeting general corporate purposes.
- Meeting Issue Expenses.

Utilisation of Net Proceeds

Particulars	Amount (₹ Cr)
Setting up of Corporate Office at Noida & Branch Office at Mumbai –	
(a) Purchase of owned Corporate Office & relocation of Branch Office	9.90
(b) Upgradation of Digital Post Production Studio and Investment in IT division	22.05
Expansion of R&D technology centre	6.57
Repayment of bank borrowings	2.70
Meeting long term working capital requirements	5.05
General Corporate Purpose	[●]
Issue Expenses	[●]
Total	**[●]**

Investment Risks

(Please refer to the RHP for a complete listing of risk factors)

- The company has delayed payment of statutory dues of service tax and dues to lenders in respect of unsecured loans.
- Unsecured loans amounting to ₹1.94Cr taken by the company may be recalled by its lenders at any time affecting BGIL's immediate cash flows.
- The company has not yet placed orders for 81.48% of its plant and machinery, equipments etc. for the proposed expansion.
- Intense competition in the market for IT products.

Restated Profit & Loss Statements

(₹Cr)

For year ended March 31,	2007	2008	2009	2010	2011
Operating Income					
Income from IT Division	25.94	30.75	31.93	43.62	68.46
Income from Media & Entertainment Division	3.59	3.44	1.67	2.72	2.53
Total Revenue	29.53	34.19	33.60	46.34	71.00
Other Income	-	0.00	0.00	-	0.04
Increase / (Decrease) in Stock	-0.02	0.00	0.01	0.03	-0.03
Total Income	29.51	34.19	33.61	46.37	71.01
Expenditure					
Purchases	21.42	26.42	26.08	36.13	56.36
Employee Cost	1.46	1.40	1.57	1.50	1.70
Administration, Selling & Other Exp.	1.23	1.54	1.11	1.01	1.10
Legal Settlement Expenses	-	-	-	-	0.86
Cost of film production	1.55	-	-	-	-
Misc. expenses written off	0.01	0.01	-	-	0.01
Total Expenditure	25.66	29.36	28.77	38.63	60.02
Profit Before Fin Cost, Tax & Depreciation	3.85	4.83	4.84	7.74	10.98
Depreciation and amortization	0.92	1.43	2.03	2.80	3.46
Profit Before Finance Cost & Taxation	2.93	3.40	2.81	4.94	7.52
Financial charges	0.04	0.37	0.84	0.91	0.75
Profit Before Tax	2.90	3.03	1.97	4.03	6.77
Provision For Taxation	0.12	0.35	0.28	0.70	1.37
Fringe Benefit Tax	0.05	0.02	0.01	-	-
Deferred Tax Liability/(Asset)	0.22	-0.58	1.61	0.46	0.85
Profit After Tax	2.50	3.24	0.07	2.87	4.55

Restated Balance Sheets

(₹Cr)

As at	2007	2008	2009	2010	2011
Fixed Assets					
Gross Block	7.38	12.19	16.62	20.95	25.51
Less: Depreciation & Amortization	1.81	3.25	5.28	8.03	9.62
Net Block	5.57	8.94	11.34	12.92	15.89
Capital Work in Progress	1.45	1.33	3.84	2.72	2.37
Total Fixed Assets	7.02	10.27	15.17	15.64	18.26
Investment	1.59	0.91	1.91	0.14	0.14
Currents Assets, Loans and Advances	0.00	0.00	0.00	0.00	0.00
Inventories	6.02	3.47	3.48	3.57	3.98
Cash and Bank Balance	0.40	0.38	0.09	0.12	0.04
Loans and Advances	1.30	6.40	6.87	5.89	4.78
Sundry Debtors	8.76	8.99	10.69	22.28	30.42
Total Currents Assets, Loans and Advances	16.48	19.24	21.13	31.86	39.22
Total Assets	25.09	30.42	38.22	47.64	57.62
Liabilities and Provisions	0.00	0.00	0.00	0.00	0.00
Secured loans	1.65	2.27	4.77	4.68	3.59
Unsecured Loans	-	1.36	1.52	1.93	2.35
Deferred Tax Liabilities	1.10	0.51	2.12	2.58	3.43
Current Liabilities & Provisions	2.81	3.40	6.88	10.73	16.32
Total Liabilities and Provisions	5.55	7.55	15.29	19.92	25.68
Net Worth	19.54	22.88	22.93	27.72	31.93
Represented by:	0.00	0.00	0.00	0.00	0.00
Share Capital	6.64	6.64	6.64	6.84	9.12
Share Application Money	-	0.10	0.08	-	-
Reserve and Surplus	12.90	16.14	16.21	20.88	23.36
Less: Misc. Exp. to the extend not written off	-0.01	-	-	-	-0.55
Net Worth	19.54	22.88	22.93	27.72	31.93

Keynote Capitals Ltd.

Member

Stock Exchange, Mumbai (INB 230930539)

National Stock Exchange of India Ltd. (INB 010930556)

Over the Counter Exchange of India Ltd. (INB 200930535)

Central Depository Services Ltd. (IN-DP-CDSL-152-2001)

Registered Office

4th Floor, Balmer Lawrie Building,

5, J. N. Heredia Marg,

Ballard Estate, Mumbai 400 001.

Tel Nos. 022-2269 4322 / 24 / 25

Disclaimer

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