
Press Release

Brickwork Ratings (BWR) has assigned ‘BWR IPO Grade 1’ to the proposed IPO of Mid Valley Entertainment Limited

Mid Valley Entertainment Limited

**IPO Grading: BWR IPO Grade 1
(Poor Fundamentals)**

Brickwork Ratings (BWR) has assigned BWR IPO Grade 1 to the proposed IPO of Mid Valley Entertainment Limited (MVEL). Brickwork Ratings “BWR IPO Grade 1” indicates poor fundamentals for the issue in relation to the other listed equity securities in India. BWR assigns IPO grading on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 signifying strong fundamentals and Grade 1 signifying poor fundamentals of the issue in relation to the other listed equity securities in India.

The grading factors MVEL’s promoters experience in management of malls and multiplexes. However, the grading is constrained by small size of operations, declining operations in the last 2 years, four prior unsuccessful attempts by the company to raise funds through IPO, promoters lack of experience in entertainment business, litigation with income tax department for non-payment of tax dues, the promoter companies of MVEL and the group companies incurring loss, very preliminary stage of project implementation, no independent appraisal of the project/project cost and project funding fully from IPO proceeds. Promoters are not participating in the means of finance and their post holding equity holding will decline from current 49.9% to ~34%. The company operates in media and entertainment industry which has high revenue volatility and suffers from video/audio piracy.

Mid Valley Entertainment Ltd. is engaged in film production, distribution & exhibition in South India. The company produces, distributes and exhibits movies both in Indian and foreign languages. It also holds the music, video and television rights of movies, television serials for sales to TV Channels. The company has earlier produced movies like Thambi and Seena Thana in Tamil. The company presently has screening agreements with 46 theatres across Tamil Nadu (34), Andhra Pradesh (5) and Karnataka (7). The company plans to focus primarily on movie production and exhibition business going forward.

MVEL is promoted by Datuk K. Ketheeswaran and his group companies Unigold Pacific Limited, Kiara Enigma Sdn. Bhd. and Global Motion Pictures & Ventures Pte. Ltd. Datuk. K Keetheshwaran holds 100% stake in Unigold Pacific, Kiara Enigma and Global Motion Pictures & Ventures Pte Ltd. These companies are either loss making or are making negligible profits.

MVEL was initially promoted as CTV Entertainment Private Limited by Ms. Anuradha K. Chugh, Ms. Mala K. Chugh and Metro Film Pvt. Ltd in 1989 in Bangalore. In January 2000, its name was changed to CEE (I) TV Entertainment Private Limited and then to CEE (I) TV Entertainment Limited in February 2000. It was renamed Mid Valley Entertainment in 2005. The registered office of MVEL was changed from Bangalore to Chennai in 2005.

The current promoters acquired the company in 2005. The company plans to enter into screening agreements with 300 cinema theatres and undertake renovation and up-gradation of cinema infrastructure with digital equipment and other related assets for a select 100 screens. Acquisition of company, acquisition of screening rights of company having similar line, range and objects of business is also planned. The IPO is also expected to contribute to general corporate expenses & IPO expenses. To meet the funding requirements, MVEL plans to raise ₹ 60 Crores (including Issue Expenses) by way of Initial Public Offering of equity shares with Face Value of ₹ 10/- at a premium to be decided later. The fund requirements and funding plans have not been appraised by any bank / financial institution. The company is relying on the IPO proceeds for execution of its expansion plans.

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