

SOLUTION TO CASE 17

Golden Harbour Films Ltd

Balance Sheet as at 31/03/2021

Liabilities	₹.	Assets	₹.
Share Capital Of ₹ 10/- each	100	Fixed Assets (written down) 2342 Add Purchases 269 Less Dep for the year 320	2291
<u>Reserves and Surplus</u>		<u>Current Assets</u>	
General Reserve	345	Stock of Films	365
Accumulated P&L Account	842	Distribution Receivables	500
Current year surplus	545	Cash and Bank balances	220
		Advances to artists	219
		Stock of films pending production	200
Long Term loans	1200		
<u>Current Liabilities</u>			
Payments to producers	285		
Creditors for stock of films and equipment	245		
Provision for tax	233		
TOTAL	3795	TOTAL	3795

Book Value of Share based on the above Balance Sheet

$$\begin{aligned} &= \text{Networth} / \text{No. of Shares} \\ &= 1832 / 10 = ₹ 183.2 \end{aligned}$$

Acquisition price for Mr. Raymond Crow = 10% over the Book Value

$$= ₹ 201.5 \text{ per share}$$

Current Earnings per share (EPS) as at March 31, 2021

$$\begin{aligned} &= \text{PAT} / \text{No. of Shares} \\ &= 545 / 10 = ₹ 54.5 \end{aligned}$$

Pricing for the IPO

= lower of twice the Book Value or 12 times EPS

12 times EPS = $54.5 \times 12 = ₹ 654$

Twice Book Value = $183.2 \times 2 = ₹ 366.4$

The IPO price would be ₹ 366 per share.

The company is an existing profit making company with networth exceeding ₹. 100 lacs in the previous two years.

The pre-issue networth is ₹ 1832 lakh.

The maximum issue size is ₹ 3000 lakh.

Assuming the company satisfies all the normal eligibility conditions as is likely from the given balance sheet, the company's IPO could be made either as a 100% retail offer or a book-built offer.

Therefore, the total issue size can go up to ₹ 3000 lakh.

At the maximum, the total issue size can be 819,000 shares of ₹ 10/- each at an Offer Price of ₹ 366 per share aggregating to ₹ 2997.54 lakh.

The capital structure table will appear as follows in the Offer Document.

CAPITAL STRUCTURE TABLE

Share Capital	Nominal Value ₹	Aggregate value ₹
Authorised 1000,000 shares of ₹ 10 each	10,000,000	10,000,000
Issued, subscribed and paid up 1,000,000 shares of ₹ 10 each	10,000,000	10,000,000
Present Issue 819,000 shares of ₹ 10 each	8,190,000	299,754,000
Out of the Present Issue 5% amounting to 40,950 shares at a premium of ₹ 356 are reserved for firm allotment to the promoter Mr. Raymond Crow and his associates	409,500	14,987,700
Now Offered in terms of this Prospectus 778,050 shares of ₹10 each at a premium of ₹ 356 per share	7,780,500	284,766,300
Out of the above,		

90,950 shares of ₹ 10 each at a premium of ₹ 356 per share are reserved for the employees of GHFL	909,500	33,287,700
NOW OFFERED TO THE PUBLIC IN TERMS OF THIS PROSPECTUS		
687,100 shares of ₹ 10 each at a premium of ₹ 356 per share	6,961,500	251,478,600
Paid up Capital after the Proposed Issue	18,190,000	
Share Premium Account	291,564,000	

Financial Ratios

- EPS = ₹ 54.5
- RONW = PAT / Networth = 545 / 1832 = 29.74%
- NAV per share pre-issue = ₹ 183.2
- NAV per share post-issue
 - = Post Issue Networth / Post Issue No.of shares
 - = 482954000 / 1,819,000
 - = ₹ 265.50

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