

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

RK SWAMY LIMITED

March 04, 2024





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Details of the Issue

Price Band	₹ 270 to ₹ 288
Issue Size	₹ 423.56 Cr
Face Value	₹ 5
Bid Lot	50
Listing on	BSE, NSE
Post Issue Mcap	₹ 1,453.37Cr
Investment Range	₹ 13,500 - ₹ 14,400

Important Indicative Dates (2024)

Opening	04 - Mar
Closing	06 - Mar
Basis of Allotment	07 - Mar
Refund Initiation	11 - Mar
Credit to Demat	11 - Mar
Listing Date	12 - Mar

Lead Manager

SBI Capital Pvt Ltd
IIFL Securities Ltd
Motilal Oswal Investment Advisors Ltd
Kfin technologies Ltd

Offer Details

Offer Size	₹ 423.56 Cr
Fresh Issue	₹ 173 Cr
OFS	₹ 250.56 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	117.66	7.26	6.88	50
NIB	35.298	2.178	2.06	15
Retail	82.36	5.08	4.81	35
Em- ploy.	-	-	-	-
Total	235.2	14.518	13.75	100

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Company Profile

Established in 1973, R K Swamy Limited specializes in integrated marketing communications, customer data analysis, and comprehensive market research services. With a strong emphasis on digital initiatives, the company operates as a data-driven marketing services provider. In the fiscal year 2023, R K Swamy demonstrated its commitment to creativity by delivering over 818 campaigns for clients across various media platforms. Impressively, the company processed a substantial 97.69 terabytes of data and conducted a vast number of consumer interviews, totaling 2.37 million. These interviews took the form of quantitative, qualitative, and telephone surveys. Noteworthy clients of R K Swamy include prominent names such as Aditya Birla Sun Life AMC Limited, Dr. Reddy's Laboratories Limited, Havells India Limited, Mahindra and Mahindra Limited, and Union Bank of India, among others. Operating across 12 offices and 12 field offices in 12 cities, the company employs a dedicated workforce of 2,391 individuals. R K Swamy operates within three distinct business segments, showcasing its multifaceted approach to serving clients in the dynamic field of integrated marketing communications.

Business Highlights & Services

Company is one of the leading integrated marketing service groups in India, offering a single-window solution for creative, media, data analytics and market research services. It are ranked 8th in terms of estimated operating revenue among the integrated marketing communications services groups operating in India. It offer a comprehensive range of services in the following interrelated and complementary business segments: (i) Integrated Marketing Communications, (ii) Customer Data Analytics and Marketing Technology ("Customer Data Analytics and MarTech"); and (iii) Full-Service Market Research (including customer experience measurement) and Syndicated Studies.

In Fiscal 2023 and the first half of September 2023, their data-driven integrated marketing services saw the launch of 818 and 438 creative campaigns, respectively, across diverse media platforms. Managing a total of 97.69 and 140.05 terabytes of data during this period, it conducted 2.37 million and 1.44 million consumer interviews through various survey methods. Their commitment to providing top-notch professional services is evident in their continuous efforts to meet clients' needs. With a focus on growth, it boast a team of over 2,533 employees across 12 offices and field locations in twelve cities, servicing clients in their three business segments are as follow:

Integrated Marketing Communications segment spans creative and digital content, media (including digital), events, activation planning, and execution, along with other facets like public relations, social media management, and pharmaceutical communication. Evolving beyond traditional advertising, they have embraced new channels, particularly thriving in social media advertising on platforms like Facebook, Instagram, Twitter, and LinkedIn. They adept creative teams craft interactive campaigns, enabling clients to connect with diverse audiences and create unique brand experiences. Explore their creative prowess at www.rkswamy.com, www.hansaresearch.com, and www.hansacequity.com.

The Customer Data Analytics and MarTech business segment includes: (a) customer data analytics; (b) delivery and management of customer experience; (c) online reputation management; (d) campaign management, campaign tracking; (e) customer relationship management tools; (f) customer insights, dashboards; (g) sentiment analysis; and (h) loyalty program management. There has been an increasing recognition and adoption of MarTech solutions by Indian businesses, driven by their pursuit to gain deeper insights into consumer behaviour, optimise marketing strategies and improve overall



performance. of their subsidiaries, Hansa Customer Equity was set up to address this need and has now been recognized among the top 10 groups within the Customer Data Analytics and MarTech services segment providing integrated marketing solutions and is a key player in the industry.

The Full-Service Market Research business segment includes: (a) customer/ audience segmentation; (b) consumer surveys; (c) customer experience measurement; (d) brand equity and customer satisfaction indices and (e) consumer intelligence. Company is the top five entities/groups and one of the key Full-Service Market Research measurement agencies in India. One of their subsidiaries, Hansa Research was set up to offer services such as customer/audience segmentation, consumer surveys, customer experience measurement, brand equity and customer satisfaction indices, consumer intelligence, through market research. It market research offerings provide companies relevant information about the effectiveness of their advertising and marketing campaigns by leveraging surveys and focus group discussions and analysing customer data. Hansa Research conducted the Indian Readership Survey for 10 years from 2003 to 2012, covering a total sample size of over 2 million individuals in in-person interviews.

Particulars	Six months ended September 30, 2023				Fiscal 2023				Fiscal 2022				Fiscal 2021			
	Revenue from Operations (in ₹ million)	Share of Revenue from Operations (%)	Digital Revenue (in ₹ million)	Share of Digital Revenue (segment wise) (%)	Revenue from Operations (in ₹ million)	Share of Revenue from Operations (%)	Digital Revenue (in ₹ million)	Share of Digital Revenue (segment wise) (%)	Revenue from Operations (in ₹ million)	Share of Revenue from Operations (%)	Digital Revenue (in ₹ million)	Share of Digital Revenue (segment wise) (%)	Revenue from Operations (in ₹ million)	Share of Revenue from Operations (%)	Digital Revenue (in ₹ million)	Share of Digital Revenue (segment wise) (%)
Integrated Marketing Communications	620.75	44.00	421.59	67.92	1,440.53	49.23	890.51	61.82	1,092.49	46.60	605.38	55.41	707.34	40.76	297.53	42.06
Customer Data Analytics and MarTech	432.20	30.63	432.20	100	786.38	26.87	786.38	100.00	668.02	28.50	668.02	100.00	538.77	31.04	538.77	100.00
Full-Service Market Research	358.02	25.37	278.15	77.69	699.22	23.90	609.23	87.13	583.62	24.90	491.64	84.24	489.35	28.20	375.20	76.67
Total	1,410.97	100.00	1,131.94	80.22	2,926.13	100.00	2,286.11	78.13	2,344.13	100.00	1,765.04	75.30	1,735.46	100.00	1,211.50	69.81

Customer Base

With enduring partnerships spanning over five decades, they served a diverse client base, reaching 475 and 380 clients in Fiscal 2023 and the six months ending September 30, 2023. The longevity of relationships is evident, with an average of approximately 13 years with their top 10 clients and around 10 years with their top 50 clients as of September 30, 2023. Their commitment is reflected in the fact that 93.72% of revenue for the six months ending September 30, 2023, came from repeat clients, and 83.73% for the entire Fiscal 2023, along with 84.06% in Fiscal 2022, underlining the strength of these enduring partnerships. Catering to a pan-India client base across various industries, Their focus sectors include Banking, Financial Services, and Insurance (BFSI), Automotive, Fast-moving consumer goods (FMCG), consumer durables, retail, and e-commerce. These sectors contributed 25.08%, 18.07%, and 16.63%, respectively, to revenue from operations for the six months ending September 30, 2023. In Fiscal 2023, the figures were 32.60%, 17.75%, and 17.02%. Beyond these primary sectors, it also serve clients in rural and social advocacy, media, and entertainment, leveraging deep industry knowledge to meet diverse client needs. Company’s domain experience extends across private and public sector enterprises, multinationals, government ministries, and non-governmental organizations, affirming their adaptability across various organizational structures.

Metric	Unit	As at six months ended September 30, 2023	As at / For Fiscal 2023	As at / For Fiscal 2022	As at / For Fiscal 2021
Top 10 Clients					
Revenue from Operations	%	49.65	41.89	42.03	41.15
Average revenue per Client	(in ₹ million)	70.05	122.58	98.53	71.41
Top 50 Clients					
Revenue from Operations	%	75.15	71.69	72.92	74.19
Average revenue per Client	(in ₹ million)	21.21	41.95	34.18	25.75
Revenue from Operations per FTE ¹⁴	(in ₹ million)	0.86	1.83	1.16	0.81



Utilization of IPO Proceeds

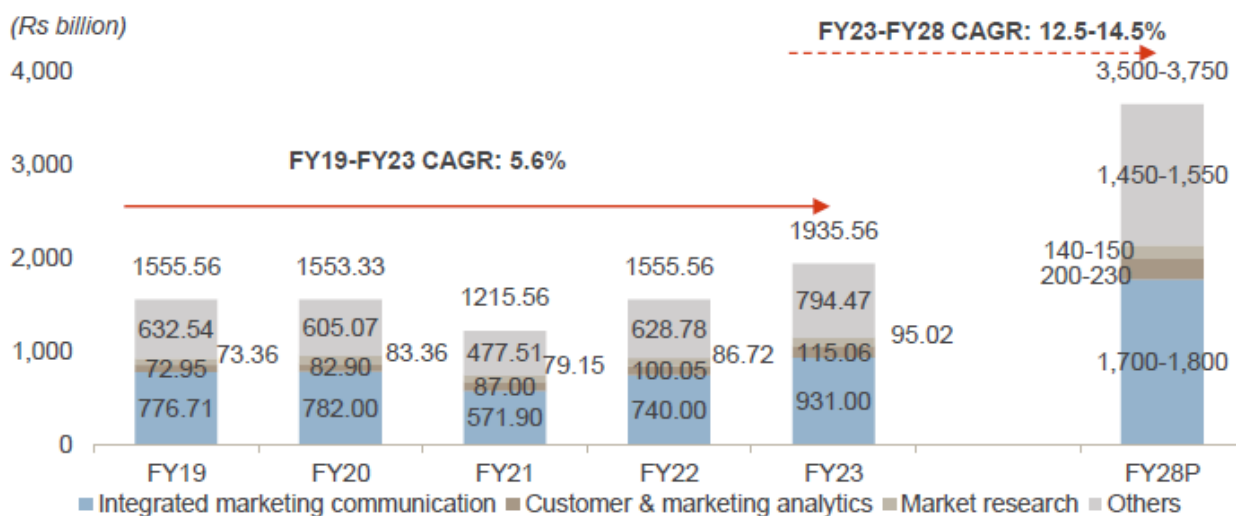
The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

- Funding working capital requirements of the Company of INR 54 Cr.
- Funding capital expenditure to be incurred by the Company for setting up a DVCP Studio of INR 11 Cr.
- Funding investment in IT infrastructure development of the Company, and their Material Subsidiaries Hansa Research and Hansa Customer Equity of INR 33 Cr.
- Funding setting up of new CEC and CATI of the Company of INR 22 Cr.
- General corporate purposes.

Industry Outlook

The marketing services market in India grew at a CAGR of 5.6% between the Fiscals 2019 and 2023, reaching ₹1,936 billion in the Fiscal 2023 and is expected to grow at a CAGR of 12.5 - 14.5% till Fiscal 2028. This increase was supported by growth in the marketing spends of Indian corporates, rise in revenue of companies and an increase in the gross domestic output in the economy. Advertisements contribute significantly to the overall marketing services industry and as the corporate revenue of 748 listed entities grew at a CAGR of 8.9% between the Fiscals 2019 and 2023, the corporate spends on marketing activities also increased.

Overall marketing services in India (Rs billion)



Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
RK Swamy Ltd	5	300	7	31.67	NA	22.20%
Peers Group						
Affle India Ltd	2	1,488	18.43	109	66	16.73%
Lantent View Analytics Ltd	1	595	7.71	58	63.7	12.87%
Vertoz Advertising Ltd	10	84	9.22	85	78	10.77%



Companies Competitive Strength :

- Integrated marketing services provider serving clients for 50 years
- 15 year track record in the Data Analytics and Marketing Technology segment, with a proven ability of producing digital content at scale, a leader in the business of market research.
- Well established brands across segments with experienced Promoters and a professional Senior Management.
- Well diversified customer base with long standing relationships.
- Established internal infrastructure for efficient delivery of services.

Key Strategies Implemented by Company

- Deepen existing client relationships, expand their client base, while focusing on key sectors.
- Focus on creation of digital content at scale.
- Expanding their presence in domestic and international markets.
- Expanding their presence in domestic and international market.
- Continue to focus and invest in talent retention, enhancement and expansion.

Particulars (INR Cr)	6MFY24	FY23	FY22	FY21
Equity Share Capital	22.2	4.4	4.1	4.1
Reserves	28.8	40.8	12.3	(0.8)
Net Worth as Stated	51.1	45.2	16.3	3.3
Revenue From Operations	142.6	299.9	245.0	183.2
Revenue Growth%		22%	34%	
EBITDA	18.0	51.6	39.0	27.2
EBITDA Margins%	13%	17%	16%	15%
Net Profit/Loss for the Period	7.9	31.3	19.3	3.1
Net Profit/Loss %	6%	10%	8%	2%
EPS (Rs)	1.78	7.03	4.33	0.69
ROCE%	15%	54%	46%	14%
ROE%	16%	69%	118%	93%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 91.62x times earnings. Thus the issue appears fairly priced compared to peers.
- RK Swamy Limited, ranked 8th in estimated operating revenue among Indian integrated marketing services providers, boasts a prestigious client base and enduring client loyalty. Notably, RKSL's longstanding partnerships with government entities, focusing on awareness campaigns, new initiatives, and health and education schemes, contribute positively. With a robust management team, RKSL taps into both domestic and global markets, especially in industries where private companies allocate about 3% of their revenues for product endorsement, ensuring sustained growth. It is well-positioned to capitalize on India's digital infrastructure growth, fueled by initiatives like 'Digital India' and the expansion of 4G/5G networks. This rapid transformation presents significant marketing opportunities, especially in rural areas, fostering industry expansion. In the last three years, the company has demonstrated remarkable revenue growth, with a staggering 70% surge in sales over the last two years, with net profit margins reaching 10.7% in FY23, showcasing a ten-fold increase in net profit over the past two years. Hence, We recommend "Subscribe" rating to the issue.



Notes

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