

CRAYONS ADVERTISING LTD



Crayons Advertising Ltd (CAL) incorporated in 1986 provides Integrated marketing and communications agency, providing 360-degree solutions to its wide array clients.

CAL offers world class creative, exceptional brand marketing strategy, pragmatic online & offline media planning & buying, cutting edge digital expertise, on ground & virtual activation capabilities, and design solutions used in in brand building.

CAL provides high end ecosystem and end to end adtech communication solutions platform for advertising media services consisting of Brand Strategy, Events, Digital Media, Print Media, Outdoor (OOH), Media services which covers advertisement modes such as Newspapers, Brochures, Magazines, Television Channels, FM channels and display of Outdoor Hoardings etc.

The main promoter of CAL is Mr. Kunal Lalani who has single-handedly set up the Crayons Network in 1986 to heading this integrated business setup enjoying a strong business model covering 4 key business segments like Brand Strategy, Creative, Media & Events

With an aim to retain the clients, CAL provides the most ideal solution to the marketing needs of the clients. CAL's growth and expansion is clearly visible through the fact that the company is now operating through 5 offices located at New Delhi, Mumbai, Chennai, Kolkata, Lucknow

CAL is now looking at raising Rs 41.79 crs via a fresh issue primarily to fund working capital requirements, Capital expenditure on infrastructure and cutting-edge technology for expansion & rest for general corporate purposes.

CAL is making a fresh issue of 64.30 lac shares of Rs 10 each with 21.38 lac shares reserved for the public, 9.18 lac shares to the Non-Institutional HNI category, 30.52 lacs share to QIBs. The shares will be listed on the NSE Emerge platform of National Stock Exchange ("NSE EMERGE")

Issue opens on 22-05-2023

Issue closes on 25-05-2023

Exp date of Listing – 2nd June 2023

Listing – NSE Emerge

Price band ₹ 62-65

Issue Size ₹ 41.79 Crs

Face Value ₹10 /-

Lot Size - 2000

Fresh Shares Offered – 64.30 lac shares.

QIP – 30.52 lac equity shares of FV of Rs 10 at Rs 62.-65 price band

Retail Portion 21.38 lacs Equity Shares of ₹10.00 each at Rs 62-65. price band

HNI/NII 9.18 lacs Equity Shares of ₹10.00 each at Rs 62-65 price band

BRLMs: Corporate Capital ventures Private Ltd

Prominent International Institutional Investor, including Europe's bank Societe Generale ODI, and other international and domestic institutional funds, have subscribed to Crayons Advertising's anchor book. The company had offered 18.30 lakhs shares to the anchor investors.

Key Business Verticals of CAL

CAL's Business offerings can be classified into four broad categories, namely, Brand Strategy, Creative, Media & Events



Brand Strategy – CAL offers advisory services for “strategy formulation” for the clients to enable them to understand the course of action to be executed by them to brand their products and services.

Brand strategy is part of a business plan that outlines how the company will build rapport and favorability within the market. A well-defined and executed brand strategy affects all aspects of a business and is directly connected to consumer needs, emotions, and competitive environments. The goal of a brand strategy is to become memorable in the eyes of the consumer so that they decide to patronise the business's products over the competition.

The elements of a successful brand strategy include Competitive awareness, Purpose, Consistency, Loyalty, Employee involvement, Flexibility & Emotion.

Brand advertising helps companies generate awareness, expand their reach, and make their brand name more recognisable to customers. One way it does that is by showcasing their brand story. Advertising is a paid form of communication that helps create a demand for your product among people. Effective advertising lets you introduce and sell your products to the world.

There are many benefits of advertising but one of the biggest ones is that it increases the sales of your business, which directly leads to the growth and development of the company at an increased rate. This is precisely what CAL offers its clients - value-for-money strategies that help them translate into higher business from their end customers.

CREATIVE – CAL’s Creative services cover a wide range of artwork and copy deliverables. Some examples would be logo design and conceptualisation, font creation, packaging designs, brochures, hoarding designs, standees, print ads, radio scripts, film scripts, stationery design, 3D rendering of projects, video visuals, Website design, email design, signage designs, video editing, film production supervision among various other deliverables.

MEDIA – This includes both Offline Media & Digital Media. CAL provides offline media services like TV, Print, Radio, OOH & Cinema. CAL's key capabilities in this business segment include Campaign Planning & Strategy, Campaign Media Buying, Campaign Management & Execution & Campaign Post & Pre-Evaluation.

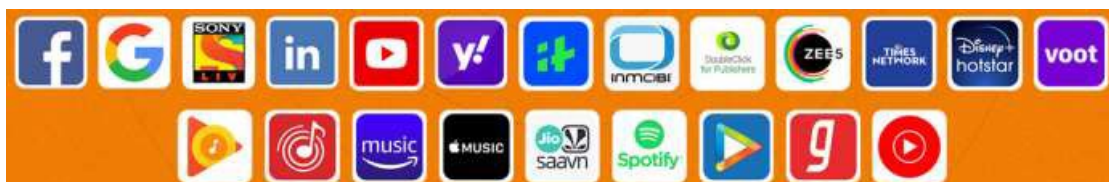
Some key clients which CAL services here include Kajaria Ceramics, APL Apollo, NSDC, NHDC, LIC, Air India, TN-DIPR, UP DIPR, NPCI, MP Tourism, Goa Tourism, Uttarakhand Tourism, ONGC etc.

Digital Media Services provided by CAL include Performance Marketing, Digital Brand Awareness, Influencer Marketing, Affiliate Marketing, & Programmatic Advertising.

Here CAL enjoys strong capabilities to deliver the optimum results to clients and covers the following areas: Campaign Planning & Strategy, Campaign Media Buying, Campaign Management & Execution & Campaign Post & Pre-Evaluation.

Some of the brands which CAL has helped in the digital segment include State Bank of India Indian Oil, Tata Sons, NSDC, Air India, BPTP, Som Distilleries, Bank of Baroda, APL Apollo, Steel Pipes / CPVC Pipes, Incredible India, Madhya Pradesh Tourism, Assam Tourism, Uttar Pradesh Tourism, Arunachal Pradesh Tourism, Kajaria Ply, Kerovit by Kajaria, FitBit, JK Tyres, Pee Safe Adani Realty, Department of Financial Services (Ministry of Finance), Punjab Grill, Nissan Motors, Social Home Inc. Indian Bank, MSDE, Swatch Lacoste, Herohomes, Estee Lauder, Balmain, Hugo Boss & Vatika.

CAL’s Digital Partners include



Events – Being an integrated and full-service event management set-up, CAL takes care of everything, which includes starting from the idea to budgeting, scheduling, site selection, acquiring necessary permits, coordinating transportation and parking, arranging for speakers or entertainers, decor, event security, catering, coordinating with third-party vendors, and emergency plans

CAL has seamlessly organised events of all sizes, from 90 large-scale tourism events, travel agent meets, product launches, and State Government events to National and international exhibitions of repute. CAL also has enjoyed the honour of hosting the most reputed personnel across industries as well as the leading government personnel of India, including the prime minister of the country, who attended as the speaker and chief guest on various events

Some of the Big Events organised by CAL include

- Bayut Your Homes Your Choice Awards 2021 Dubai opera house
- Kohinoor's Guinness World Record Biryani Event
- Rashtriya Sanskriti Mahotsav - 2019, 2021 & 2022
- Interpersonal Communication Campaign - BECIL 2019
- International road shows for Goa Tourism.
- HPCL Regional Manager Conference (RMC) - 2020, 2021 & 2022
- 2nd Groundbreaking Ceremony 2019, Lucknow
- Pariksha Pe Charcha 2020,2021,2022
- Toyota Urban Cruiser High Rider Car Launch Event
- UNESCO India
- Africa Hackathon 2022
- Prime Minister's Visit to Kumbh Mela Opening Ceremony 2019, Prayagraj
- Visit of Sh. Amit Shah with CM and other Cabinet Minister to Kumbh Mela 2019, Prayagraj
- Organisation of Dharam Sansad at Kumbh Mela 2019, Prayagraj
- Organisation of Vaicharik Kumbh at Kumbh Mela 2019, Prayagraj
- Grand Kerala Shopping Festival - 3 years in a row. Kerala Tourism Road Shows in India and Abroad

CAL enjoys marquee clients across all its business verticals –



Advertising Industry Potential going ahead looking strong – Indian advertising grew 19% and crossed Rs 1 trillion for the first time in 2022. Furthermore, advertising will grow at 11% CAGR till 2025

The growth was skewed towards digital media. Traditional media accounted for 30% of the growth, while digital media took over with 70%

71% of marketers will increase their ad spending in the next two years, out of which 85% of marketers are expected to increase their ad spending on digital and 47% on traditional media.

Over the past years, marketers have significantly shifted from traditional to digital advertising. Traditional advertising is still an effective method of reaching a mass audience; however, digital advertising has outperformed due to the cost of advertising and the need for more audience engagement.

Furthermore, more brands prioritize digital advertising owing to a better return on investment, accurate targeting, and effective measurement methods.

The transformation of internet infrastructure is a major driver of growth in digital advertising. Internet infrastructure has also changed rapidly in the last decade. It has become faster, cheaper, and easier to access, significantly increasing Internet consumption and the number of Internet users.

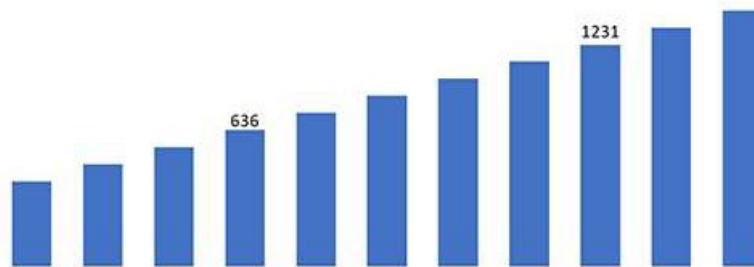
Before the pandemic, digital advertising showed signs of stable and solid growth, while traditional advertising was slowly declining. However, the pandemic has accelerated digital adoption, which has led to exponential growth in digital advertising and a drastic decline in traditional advertising. In the following years, one can expect strong growth in digital advertising due to changes in internet consumption behaviour.

Mobile Internet advertising is the fastest-growing medium in the global ad market. In 2021, mobile ad spend worldwide amounted to roughly 288 billion U.S. dollars, and it is expected to grow further to 412 billion by 2024. China is the country with the largest share of mobile internet in digital advertising spending worldwide, at 92%

The Indian advertising market was valued at nearly Rs 670 billion in 2020. The market is further expected to grow at a CAGR of 11% during the forecast period of 2022 - 2027 to reach Rs 1253.2 billion by 2026

Indian Advertising Market

Historical Market and Forecast
INR Billion



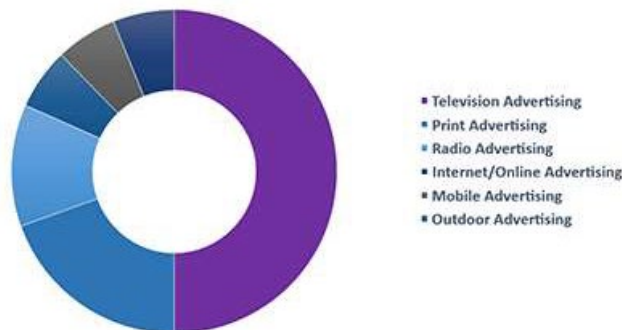
Source: www.expertmarketresearch.com



The major factors driving the Indian advertising market growth are rapid urbanisation, the growing acceptance of technology, the increasing population, and favourable government regulations in the region.

Indian Advertising Market

Market Share by Segment (%)



Source: www.expertmarketresearch.com

India's rapid urbanisation and economic growth are encouraging businesses to increase investments in aggressive marketing strategies, promotional activities, innovative packaging solutions, and celebrity endorsements. In addition, the rising focus of companies on improving customer retention and attracting new buyers represents one of the key factors positively influencing the market.

Apart from this, the growing adoption of digital advertising solutions due to the increasing penetration of high-speed internet connectivity in India is creating a positive market outlook. This, along with the widespread use of smartphones, laptops, and tablets, facilitates digital advertising. The increasing reliance of individuals on social media platforms is also offering numerous opportunities to companies to promote their services and products. Shifting consumer preference toward online shopping and continuous improvements in the e-commerce infrastructure are offering lucrative growth opportunities to leading advertising industry players.

Additionally, the emerging trend of advertisement through key sporting events, including the Indian Premier League and sports expo in India, is offering a favourable market outlook. Moreover, the rising spending of the Government of India (GoI) on political advertising is propelling market growth.

New Business areas & Key Future Strategies planned by CAL going ahead –

WEB 3: THE METAVERSE: While strengthening its already wide array of creative capabilities, the key driver of growth in the future will be to maintain the most immersive way of communication. CAL's goal is to have Web3 development capabilities in-house, wherein with the help of Augmented Reality and Virtual Reality, the company can take its marketing efforts to a whole new level. This will allow brands to communicate in a tech-led world and the consumers to experience the product with the most dynamically created and targeted content.

Enabling OOH (Outdoor Advertising) with Technology – CAL plans to expand its already large portfolio of owned sites and enable them with digital screens equipped with AI-enabled cameras, allowing more than one brand to be present on a hoarding in a day while tracking impressions.

The intelligent targeting and content of the ad can change the basis of the crowd present. The inventory can not only change the basis of the time of the day (office hours/school hours) but also house the capability of showcasing dynamic and 3D content. CAL expects the potential for OOH to become a larger volume business will effectively be unlocked going ahead.

Enabling Events with Cutting Edge Technology – CAL plans to house a 'first of its kind' immersive technology to allow its clients to bring their events to life and offer more through events hosted by them, following technology which CAL will integrate to enable its brands further.

Some of the technologies used here will be Hologram Technology - An event while being physically hosted elsewhere, can be hosted by the same individuals in multiple locations with a life-like experience.

CAL has used this technology in its Bayut Your Homes Your Choice Awards 2021

Augmented Reality & Virtual Reality – This technology can be used to offer a near-to-life experience to consumers. It can be leveraged by sharing experiences, tours/product demos, or even enhancing the atmosphere of where an event is being hosted.

Aggregate Media Inventory – CAL plans to build an aggregation tool to aid large and small companies in planning and executing their own media strategies and plans through a single portal, while generating detailed reports.

The technology will allow CAL to house its own inventory, inventory of larger publishers (Google/Meta/Times etc.), programmatic service providers, and affiliates for performance marketing. These will eventually act as CAL's vendors as well as clients. The rates can be compared and the client can have absolute transparency while picking their platforms. This technology can be sold to CAL's clients or to apps/websites looking to be pushed and recommended.

CAL is raising growth capital via the proposed public issue to cater to the following requirements, which would take it to the next level. This includes the following.

Capital expenditure on infrastructure & cutting-edge tech for expansion.

- Investing in house film and animation studios
- Enhance CAL's existing foundation of Web3 capabilities to offer more dynamic Metaverse solutions. –including AR, VR and other emerging immersive tech
- Tool Software Development & Acquisition
- Enhance our well-renowned wide array of Event offerings – enabled with new-age technology applications to allow omnipresence.
- Elevating CAL's already coveted OOH business with investment in scale and technology

CAL's Key Competitive Strengths

- **Experienced Management Team** – The company's management team is experienced in the industry (Present for over 36 years) in which it is operating and has been responsible for the growth of its operations and financial performance. It also has adequate experience in the line of business undertaken by the Company for its strategic and day-to-day business operations.
- **Scalable Business Model** – CAL enjoys a business model which is scalable. The biggest positive CAL enjoys is that it is a fully Indian-grown integrated Advertising Agency which operates across all business verticals, including offline and online.
- CAL has aggressive plans to increase its digital share of the business to around 30-32% in the next three years ahead. This will enable the company to improve its margins as online business is more profitable. Also, CAL wants to increase the share of Events and Creative business where gross margins are higher. Overall the company is confident of doubling its revenues in the next three years, which looks promising.
- **Growing its existing business with clients with quality and efficient services** – CAL has **successfully built** a strong client base. This relationship has helped it in getting repeated business from our clients. Thus, the focus will be on maintaining strong relationships with existing clients, which will help it gain a competitive advantage in gaining new clients and increasing business growth ahead. As mentioned earlier, CAL will be aggressively focusing on improving its digital business and the Events business, which is more margin accretive.

- **CAL has also reduced its Debt and aims to fund all growth plans from Internal accruals going ahead – CAL** has managed to reduce its long-term debt significantly from Rs 13.37 crore in FY20 to Rs 3.52 core in FY22. Further, in the first nine months of FY23, the long-term debt is down to Rs 1.80 crore.
- As per the management, the company will be funding all its expansions from internal accruals and not fund these from debt going ahead. We believe that as cashflows improve ahead, and the mix of business for CAL also gets enhanced via more contributions from the Digital and Events business, the company will significantly improve its operating cashflows in the next 2-3 years ahead.

Financials –

| 31st March (₹) Cr. | FY20 | FY21 | FY22 | 9mthFY23 |
|----------------------------|--------|--------|--------|----------|
| Total Revenue | 163.68 | 106.61 | 194.05 | 203.75 |
| EBIDTA | 5.59 | 2.69 | 4.36 | 18.79 |
| EBIDTA % | 3.42 | 2.52 | 2.25 | 9.22 |
| PBT | 1.81 | 0.29 | 2.35 | 17.57 |
| Profit After Tax | 1.17 | 0.13 | 1.61 | 12.67 |
| EPS Rs | 0.65 | 0.07 | 0.9 | 7.04 |
| Shareholders' Funds | 35.5 | 35.63 | 37.24 | 49.91 |

Source - Company

Risks-

- CAL operates in a rapidly emerging and changing industry. More importantly, its success depends on how end-user segments are performing, which is also dependent on the state of the economy and various sectors and competition herein.
- Also, business conditions in the Advertising segment are very competitive. If CAL loses some key vital clients, this could also impact on its profitability in future.

Our View on This IPO

Crayons Advertising Ltd, which is tapping the SME IPO market, enjoys a strong track record of ramping up its turnover in the last two years & building strong business relationships with its customers across many sectors, which has helped it significantly scale its offline and online reach.

CAL is a domestically grown, fully integrated player in the Advertising Agency segment. It has a strong presence across all its verticals, including Media Broadcast Strategy, Digital and Offline Media, Creatives & the Events business.

CAL enjoys a business model which is scalable. The biggest positive CAL enjoys is that it is a fully Indian-grown integrated Advertising Agency which operates across all business verticals, including offline and online.

CAL has aggressive plans to increase its digital share of the business to around 30-32% in the next three years. This will enable the company to improve its margins as online business is more profitable. Also, CAL wants to increase the share of Events and Creative business where gross margins are higher.

Overall, the company is confident of doubling its revenues in the next three years, which looks promising. Rapid urbanisation and economic growth in India are encouraging businesses to increase investments in aggressive marketing strategies, promotional activities, innovative packaging solutions, and celebrity endorsements.

Apart from this, the growing adoption of digital advertising solutions due to the increasing penetration of high-speed internet connectivity in India is creating a positive market outlook. This, along with the widespread use of smartphones, laptops, and tablets, facilitates digital advertising. The increasing reliance of individuals on social media platforms also offers numerous opportunities for companies to promote their services and products. All these developments indicate that growth opportunities for CAL look strong and promising ahead.

More importantly, CAL's promoters have significant industry experience and have been instrumental in the company's consistent growth. The management team's combined expertise and experience are also a significant asset going ahead.

We are positive on CAL for the long term as India's Advertising market offers a massive runway for growth over the next 3-5 years ahead. More importantly, the company will focus more on the Events business, which will be more profitable, giving scope for further rerating.

After the proposed IPO, the company's net worth will total Rs 85.27 crore; post-IPO, the equity capital will stand at Rs 24 crore.

We are confident that Crayons Advertising Ltd will deliver consistent performance and provide an excellent investment opportunity for investors with a long-term horizon.

Hence, we recommend **SUBSCRIBE** for long-term investment.