

R K Swamy Ltd

Empowering Brands, Transforming Data



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Established in 1973, R K Swamy Limited specializes in integrated marketing communications, customer data analysis, comprehensive market research, and syndicated studies.

R K Swamy operates as a data-centric, integrated marketing solutions provider, extensively utilizing digital strategies across its operations.

In the fiscal year 2023, the company delivered over 818 innovative campaigns for its clients across various media platforms. It also managed a substantial volume of data, processing more than 97.69 terabytes, and conducted over 2.37 million consumer interviews through quantitative, qualitative, and telephone surveys.

With a diverse clientele, R K Swamy's partners include prominent names such as Aditya Birla Sun Life AMC Limited, Cera Sanitaryware Limited, Dr. Reddy's Laboratories Limited, E.I.D. - Parry (India) Limited, Fujitsu General (India) Private Limited, Gemini Edibles and Fats India Limited, Havells India Limited, Hawkins Cookers Limited, Himalaya Wellness Company, Hindustan Petroleum Corporation Limited, ICICI Prudential Life Insurance Company Limited, IFB Industries Limited, Mahindra and Mahindra Limited, Oil and Natural Gas Corporation Limited, Royal Enfield (a unit of Eicher Motors), Shriram Finance Limited, Tata Play Limited, Ultratech Cement Limited, and Union Bank of India. The company maintains a workforce of 2,391 individuals distributed across 12 offices and 12 field offices in 12 cities, operating within three distinct business segments.

R K Swamy recorded a revenue of about Rs 300 crore in FY23. Over 50% of the company's revenue comes from digital content. It services more than 400 clients every year and the top 50% of its clients contribute 70% of its topline. It claims that its top 50% of clients have been associated with the company for over a decade and the top 10% of clients have a longer relationship — 19 years on average — with the company.

At the IPO price of INR 288 (upper price band), R K Swamy Ltd is valued at PE multiple of 46.5 times.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj. EPS (Rs.)	Adj BVPS (Rs.)	RoE (%)	RoIC (%)	EV/EBIT DA (X)	P/BV (X)	P/E (X)
FY21	174	20	3	11.6	1.8	0.6	0.7	84.3	84.7	72.4	440.4	472.3
FY22	234	33	19	14.1	8.2	3.8	3.2	117.8	(4,343.1)	43.6	88.9	75.5
FY23	293	56	31	19.1	10.7	6.2	9.0	69.1	122.3	25.8	32.1	46.5

Industry	Media
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Issue Details

Listing	BSE & NSE
Open Date	4 th Mar 2024
Close Date	6 th Mar 2024
Price Band	INR 270-288
Face Value	INR 5
Market Lot	50 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue(%)	40.84
Offer for Sale(%)	59.15
Issue Size (INR cr)	INR 423.56
Issue Size (Shares)	1,47,06,944
QIB Share (%)	≥ 75%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 10%
Pre issue sh (nos)	4,44,57,140
Post issue sh (nos)	5,04,64,084
Post issue MCap (INR cr)	1453.4

Shareholding (%)	Pre (%)	Post (%)
Promoter	100.0	73.15
Public	0.0	26.85
TOTAL	100	100

Key Growth Strategies

Deepen existing client relationships, expand client base, while focusing on key sectors

R K Swamy Limited leverages Integrated Marketing Communications, Customer Data Analytics, and Full-Service Market Research to drive growth for its clients. With a focus on expanding its client base across segments and geographies, the company saw new client revenue contributions rise to 6.28% in the first half of fiscal 2023 and 16.27% for the full year. With over 380 active clients, R K Swamy emphasizes long-term relationships, as evidenced by top clients averaging 13 years of partnership. Their strategy emphasizes client engagement and retention through integrated marketing communications.

Expanding its presence in domestic and international markets

The company focuses on utilizing digital content to enhance clients' marketing efforts across online and offline platforms. This includes creating short videos, product animations, and longer, specialized productions aimed at viral distribution. Additionally, they produce informative videos for complex program explanations. In Fiscal 2023, they generated 2,828 videos and 564 videos in the six months ending September 30, 2023, across multiple languages. Their revenue share from digital operations increased from 69.81% in Fiscal 2021 to 78.13% in Fiscal 2023 and 80.22% in the first half of 2023.

Expanding our presence in domestic and international markets

The company plans to maintain its focus on existing client profiles within India, currently operating in 12 cities with 12 offices and field locations as of September 30, 2023. There are intentions to expand into additional geographies. Notably, successful experiences in locations like Kochi, Kerala, Hyderabad, Telangana, where they serviced over 10 clients each, highlight the potential for further client base development in these states. To leverage this success, the company aims to begin operations in Ahmedabad (Gujarat), Lucknow (Uttar Pradesh), and Jaipur (Rajasthan), targeting new and emerging clients in these regions.

Key Risks & Concerns

- The company's business model relies heavily on key clients, representing a substantial portion of its revenue. Failure to retain these clients, diversify the client base, or potential reductions in their marketing budgets pose significant risks to the business. Such scenarios could have adverse effects on revenue growth, operational results, cash flows, and overall financial condition.
- The company's revenue stream is heavily reliant on specific key industries. Any decline in demand for marketing services within these industry verticals could lead to a reduction in revenues, negatively impacting the business, financial health, and operational results.
- Digital marketing and Integrated Marketing Communications (IMC) constitute a significant portion of the company's revenue stream. Therefore, any shifts in trends, reductions in digital advertising or IMC spending by clients, or challenges in adapting offerings to market trends and technological advancements could significantly impact the business. Such scenarios could lead to adverse effects on revenue growth, operational results, and overall financial condition.

Issue Structure and Offer Details

The proposed issue of R K Swamy Ltd is a combination of fresh issue of 60,06,944 shares (aggregating to Rs 173.0 crores) and an offer for sale of 87,00,000 shares (aggregating to Rs 250.56 crores). The price band for the issue is in the range of INR 270-288 and the bid lot is 50 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not less than 75.00% of the Net Issue
NIB	Not more than 15.00% of the Net Issue
Retail	Not more than 10.00% of the Net Issue

Number of shares based on a higher price band of INR 288

Source: Company Reports

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Srinivasan K Swamy	Promoter Selling Shareholder	17,88,093
Narasimhan Krishnaswamy	Promoter Selling Shareholder	17,88,093
Evanston Pioneer Fund L.P	Investor Selling Shareholder	44,45,714
Prem Marketing Ventures LLP	Investor Selling Shareholder	6,78,100

The amount is based on a higher price band of INR 288

Source: Company Reports

Financial summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	173.5	234.4	292.6	Adjusted EPS (INR)	0.6	3.8	6.2
YoY Growth (%)		35.1	24.8	Adjusted Cash EPS (INR)	3.6	6.6	9.1
Raw Material Cost	0.0	0.0	0.0	Adjusted BVPS (INR)	0.7	3.2	9.0
RM Cost to Sales (%)	0.0	0.0	0.0	Adjusted CFO per share (INR)	9.9	12.7	5.8
Employee Cost	79.4	90.0	107.1	CFO Yield (%)	3.4	4.4	2.0
Employee Cost to Sales (%)	45.8	38.4	36.6	Adjusted FCF per share (INR)	11.0	13.1	5.8
Other Expenses	74.0	111.5	129.7	FCF Yield (%)	3.8	4.6	2.0
Other Exp to Sales (%)	42.7	47.6	44.3	Solvency Ratio (X)			
EBITDA	20.1	33.0	55.9	Total Debt to Equity	13.8	1.8	0.1
Margin (%)	11.6	14.1	19.1	Net Debt to Equity	0.7	(1.0)	(0.3)
YoY Growth (%)		63.8	69.5	Net Debt to EBITDA	0.1	(0.5)	(0.2)
Depreciation & Amortization	15.0	13.9	14.7	Return Ratios (%)			
EBIT	5.1	19.1	41.2	Return on Equity	84.3	117.8	69.1
Margin (%)	2.9	8.1	14.1	Return on Capital Employed	6.8	33.0	60.8
YoY Growth (%)		275.8	115.9	Return on Invested Capital	84.7	(4,343.1)	122.3
Other Income	9.8	12.4	7.6	Working Capital Ratios			
Bill discounting & other charges	10.1	6.8	6.2	Payable Days (Nos)	419	352	246
Fin Charges Coverage (X)	0.5	2.8	6.7	Inventory Days (Nos)	0	0	0
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	372	295	255
PBT	4.7	24.7	42.6	Net Working Capital Days (Nos)	-47	-57	10
Margin (%)	2.7	10.5	14.6	Net Working Capital to Sales (%)	(12.8)	(15.7)	2.6
YoY Growth (%)		428.2	72.4	Valuation (X)			
Tax Expense	1.6	5.4	11.3	P/E	472.3	75.5	46.5
Tax Rate (%)	34.2	22.0	26.6	P/BV	440.4	88.9	32.1
PAT	3.1	19.3	31.3	EV/EBITDA	72.4	43.6	25.8
Margin (%)	1.8	8.2	10.7	EV/Sales	8.4	6.1	4.9
YoY Growth (%)		525.8	62.3	Cash Flow Statement			
Min Int/Sh of Assoc	(0.0)	0.0	(0.0)	PBT	4.7	24.7	42.6
Net Profit	3.1	19.3	31.3	Adjustments	34.3	30.0	42.4
Margin (%)	1.8	8.2	10.7	Change in Working Capital	12.5	14.8	(44.5)
YoY Growth (%)		525.8	62.3	Less: Tax Paid	(1.6)	(5.4)	(11.3)
Balance Sheet				Cash Flow from Operations	49.9	64.0	29.2
Share Capital	4.1	4.1	4.4	Net Capital Expenditure	(1.0)	(3.0)	(4.5)
Total Reserves	(0.8)	12.3	40.8	Change in Investments	(20.6)	(18.2)	(9.3)
Shareholders Fund	3.3	16.3	45.2	Cash Flow from Investing	(21.6)	(21.2)	(13.8)
Long Term Borrowings	1.1	0.7	0.2	Change in Borrowings	(17.0)	(22.4)	(36.1)
Deferred Tax Assets / Liabilities	(5.5)	(5.2)	(4.8)	Less: Finance Cost	(10.1)	(6.8)	(6.2)
Other Long Term Liabilities	115.9	15.3	19.4	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	(2.7)	0.0
Long Term Provisions	5.8	1.8	2.9	Dividend Paid	(0.5)	(1.6)	(2.0)
Total Liabilities	120.6	29.0	62.9	Cash flow from Financing	(27.6)	(33.5)	(44.3)
Net Block	37.5	31.8	40.7	Net Cash Flow	0.7	9.3	(28.9)
Capital Work in Progress	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0
Intangible assets under development	3.1	0.0	0.0	Opening Balance of Cash	28.0	28.9	38.2
Non Current Investments	0.3	0.3	0.3	Closing Balance of Cash	28.9	38.2	9.2
Long Term Loans & Advances	39.4	17.4	19.5				
Other Non Current Assets	0.0	0.1	3.5				
Net Current Assets	40.3	(20.6)	(1.1)				
Total Assets	120.6	29.0	62.9				

Source: Ventura Research

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